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January 15, 2019

Kirsten Walli
Board Secretary
Ontario Energy Board
P.O. Box 2319
27th Floor, 2300 Yonge Street
Toronto ON M4P 1E4

Dear Ms. Walli:

**Re: Union Gas Limited
Stratford Reinforcement Project
Ontario Energy Board File Number EB-2018-0306**

Please find attached OEB staff's interrogatories for the above-noted proceeding.

Yours truly,

Original signed by

Azalyn Manzano
Case Manager

/ attach.

**UNION GAS LIMITED
STRATFORD REINFORCEMENT PROJECT
LEAVE TO CONSTRUCT
EB-2018-0306**

OEB STAFF INTERROGATORIES

Interrogatory # 1

Ref: Application, page 1 and page 17

Preamble:

Union Gas Limited (Union) requests leave to construct approximately 10.8 kilometers nominal pipe size (NPS) 12-inch natural gas pipeline in the Counties of Oxford and Perth. Union notes that the pipeline will be constructed within road allowances following Union's Franchise Agreements.

Questions:

- a) Please provide copies of the applicable upper- and lower-tier Municipal Franchise Agreement(s).
- b) Please provide copies of the applicable upper- and lower-tier Certificate(s) of Public Convenience and Necessity.

Interrogatory # 2

Ref: Schedule 5
Application, pages 5-6

Preamble:

Union provided a table showing forecasted attachments based on 8-year historical averages and known contract increases. Union asserts that the Forest Hensall Goderich (FHG) Transmission System is forecasted to be fully utilized with no excess capacity available to accommodate forecasted general service additions as of winter 2019, and that the proposed project is required to increase the system capacity. The proposed facilities are expected to add approximately 16,400 m³/hr capacity to the FHG Transmission System based on the areas of proposed growth within Union's FHG Transmission System Facilities Business Plan (FBP).

Questions:

- a) Please provide evidence regarding the market survey undertaken and/or the requests for service which was/were used to calculate the forecasted attachments.

- b) Please explain the term “Diversified Winter Loads”.
- c) Please provide a breakdown of the incremental capacity allocation by customer class.
- d) Please discuss whether each customer class or individual customer will be paying a CIAC, SES or TCS. Please explain why or why not.
- e) Please discuss whether Union has executed and/or is negotiating with customers any contracts that are reliant on the approval of the Stratford Reinforcement Project. If so, please describe each of executed contracts and/or indicate the status of any contract negotiations.
- f) Please explain why the table of attachments in Schedule 5 shows industrial customers attaching in 2020 and 2024, but the table for “Diversified Winter Loads” above shows zero for those years.

Interrogatory # 3

Ref: Schedule 7, page 21, “Summary of Alternatives”
Application, pages 3 to 4 “Facilities Business Plan Approach”

Preamble:

Union provided a summary of alternatives to the proposed project that were considered in its Facilities Business Plan (FBP) for the FHG area. The FBP was last updated in 2016.

Questions:

- a) Please provide cost estimates for all of the alternatives to the proposed facilities identified in the FBP.
- b) Does the proposed project displace the need for any future distribution system investment elsewhere in Union’s system? If so, please provide an estimate of the avoided cost.
- c) What timelines would have been required to deploy the geo-targeted DSM programs that Union considered? What timelines would have been required to achieve the full impact of the DSM programs?
- d) Has Union reassessed DSM as an alternative to the proposed project since 2016? Please explain why or why not.

Interrogatory # 4

Ref: Schedule 9

Preamble:

The design specifications of the NPS 12 pipeline are provided in Schedule 9.

Question:

Did Union consider using alternative design specifications in anticipation of increased development in the area that would render the area a class 2 or class 3 location? Why or why not?

Interrogatory # 5

Ref: Application, page 12
Schedule 7, page 5

Preamble:

Union states that the Project increases the capacity of the FHG Transmission System to meet forecasted demand growth but that no specifically identified customer or customers are driving the Project. Union states that large customers may require higher minimum delivery pressures.

Question:

Do any of the three forecasted large industrial customers have minimum delivery pressure requirements that necessitated a particular Project design that otherwise would not have been required?

Interrogatory # 6

Ref: Application, page 11
EB-2018-0013, Kingsville Reinforcement Project, Decision and Order,
pages 5 and 6

Preamble:

Union states that "...in the Kingsville decision (EB-2018-0013) the OEB agreed with Union's position that projects of this nature should be considered as transmission projects and use the economic tests outlined in E.B.O. 134".

OEB staff notes that in the Kingsville decision the OEB referred to the Kingsville pipeline as a "dual function pipeline", after finding that the Kingsville project meets

both distribution and transmission needs. However, in the same decision, the OEB also acknowledged that the OEB's economic tests are exclusive, applicable to either distribution (E.B.O. 188) or transmission lines (E.B.O. 134). Under the current rules, the Kingsville pipeline could only be treated as a transmission line.

Question:

Please discuss and clarify Union's statement from page 11 of the Application (that projects of this nature should be considered as transmission projects) and explain how Union concluded that this proposed line should be considered as a transmission line.

Interrogatory # 7

Ref: Schedule 12

Preamble:

The estimated Labour and Construction Cost is approximately \$24.6 million representing approximately 88% of the project sub-total (i.e., the project cost less contingency and interest during construction). There is a 15% contingency applied to the project sub-total. On a stand-alone basis the project's Profitability Index is 0.29. The following table shows the NPV based on the three-stage assessment:

Stage	NPV
Stage 1	(\$20 million)
Stage 2	\$175 million to \$282 million
Stage 3	+\$33 million
Total	\$188 million to \$295 million

Questions:

- Please explain how the estimate for Labour and Construction Cost was determined.
- If the estimate for Labour and Construction Cost has been updated since the Application was filed, please provide the new estimate along with a variance explanation and an updated PI.
- Please compare the total capital cost of the project to two or more comparable projects completed by Union in the last five years. Indicate the length, diameter, location and year of construction for each of the projects.
- One of the tables in Schedule 16 is labeled "Stage 2 (Customer Fuel Savings for **Owen Sound Reinforcement** Assumptions)" [emphasis added]. Please confirm if these assumptions apply to the Stratford Reinforcement Project. Please also

confirm if these savings are comparable to customer fuel savings in similar projects in this area of the province.

- e) For the table “Fuel Mix in the Event Gas is not Available”, how does Union account for the possibility that consumers may use different energy sources for different purposes (e.g. heating oil used for space heating and electricity used for hot water and cooking)? To what extent could this affect the PI of the project?
- f) Please provide the assumptions and a step-by-step explanation of the calculations for the Stage 2 and Stage 3 analysis for this project.

Interrogatory # 8

Ref: Application, page 2

Preamble:

Union expects the Project will meet the criteria for rate recovery during the deferred rebasing period through the use of the Board’s Incremental Capital Module (ICM) mechanism.

Question:

Please explain why Union expects the Project will qualify for ICM treatment.

Interrogatory # 9

Ref: Application, pages 2 and 17
Schedule 8
Schedule 18

Preamble:

Union states that the preferred route is within the road allowance. Union states that it has met with all directly affected landowners and has obtained the land rights required to complete the Project. Union also states that it has obtained options to purchase three new station sites in fee simple and will acquire 11 Temporary Land Use (TLU) rights (for approximately 12 acres) for this Project.

According to section 97 of the *Ontario Energy Board Act, 1998* (OEB Act), “In an application under section 90, 91 or 92, leave to construct shall not be granted until the applicant satisfies the Board that it has offered or will offer to each owner of land affected by the approved route or location an agreement in a form approved by the Board.” On November 13, 2018, Union filed a letter requesting approval of the TLU Agreement it will offer to affected landowners as part of the application. Union noted that the agreement was previously approved by the OEB in Union’s Oxford Reinforcement Project (EB-2018-0003).

Union has also committed to securing all necessary permits or approvals.

Questions:

- a) What is the current status and prospect of negotiations with all the landowners of properties where TLUs are needed?
- b) Please provide a table that lists all permits and approvals that are required to complete the construction of the project, including a description of the purpose or need for each permit and the status of each permit/approval application.

Interrogatory # 10

Ref: Letters of comment from Mr. Allan Innes and Mr. Steven Veldman

Preamble:

The letters from Mr. Innes and Mr. Veldman indicate that there are a number of interested potential customers along the route of the proposed pipeline.

Question:

Will Union offer natural gas service to customers along the route of the proposed facilities? If not, please explain the technical, cost or other reasons for not providing service. Please include any economic feasibility analysis conducted.

Interrogatory # 11

Ref: Application, page 20
Schedule 21

Preamble:

The Ministry of Energy, Northern Development and Mines (MENDM)¹ has delegated to Union the procedural aspects of the Crown's duty to consult for this project.

Question:

Please provide an update on communications with MENDM regarding the sufficiency of Union's activities with respect to the duty to consult. When does Union expect to receive and file on the OEB's record a letter from the MENDM with statement about sufficiency of Indigenous consultation.

¹ Formerly the Ministry of Energy (MOE)

Interrogatory # 12

Ref: Schedule 20

Preamble:

Copies of the Environmental Reports were submitted to the Ontario Pipeline Coordination Committee (OPCC) on September 7, 2018. Union provided a summary of the comments received to date regarding the ER as well as Union's responses.

Question:

Please file an update on the comments (in tabular format) that Union has received as part of the OPCC review. Include the dates of communication, the issues and concerns identified by the parties, as well as Union's responses and actions to address these issues and concerns.

Interrogatory # 13

Ref: Schedule 20, pages 11 and 13
Schedule 19, MTCS Acceptance of Stage 2 Archeological Assessment in "Environmental Report"

Preamble:

The October 26, 2018 letter from the Ministry of Tourism, Culture, and Sport (MTCS) in Schedule 20, page 11 indicated that MTCS was expecting the results of additional Stage 2 archeological survey work. A reply from AECOM in Schedule 20, page 13 indicates that the Stage 2 report will be submitted to the MTCS for review/approval in November 2018.

Questions:

- a) Has Union submitted the Stage 2 report to MTCS? If not, what is the status of MTCS' review of the Stage 2 Archaeological Assessment?
- b) Please provide copies of any correspondence Union has received from MTCS since providing the Stage 2 Archaeological Assessment for review.

Interrogatory # 14

Ref: Application, page 1

Preamble:

Union applied for leave to construct facilities under section 90(1) and 97 of the

OEB Act.

Questions:

- a) Effective January 1, 2019, Union and Enbridge Gas Distribution Inc. amalgamated to become Enbridge Gas. Please confirm to which entity the leave to construct should be granted and explain why.
- b) OEB staff has prepared the following draft Conditions of Approval. If Union does not agree to any of the draft conditions of approval noted below, please identify the specific conditions that Union disagrees with and explain why.

For conditions in respect of which Union would like to recommend changes, please provide the proposed changes.

**Draft
Leave to Construct Conditions of Approval
Application under Section 90 and 97 of the OEB Act
Union Gas Limited
EB-2018-0306**

- 1. Union Gas Limited (Union) shall construct the facilities and restore the land in accordance with the OEB's Decision and Order in EB-2018-0306 and these Conditions of Approval.
- 2. (a) Authorization for leave to construct shall terminate 18 months after the decision is issued, unless construction has commenced prior to that date.
 - (b) Union shall give the OEB notice in writing:
 - i. Of the commencement of construction, at least ten days prior to the date construction commences
 - ii. Of the planned in-service date, at least ten days prior to the date the facilities go into service
 - iii. Of the date on which construction was completed, no later than 10 days following the completion of construction
 - iv. of the in-service date, no later than 10 days after the facilities go into service

3. Union shall implement all the recommendations of the Environmental Report filed in the proceeding, and all the recommendations and directives identified by the Ontario Pipeline Coordinating Committee review.
4. Union shall advise the OEB of any proposed change to OEB-approved construction or restoration procedures. Except in an emergency, Union shall not make any such change without prior notice to and written approval of the OEB. In the event of an emergency, the OEB shall be informed immediately after the fact.
5. Concurrent with the final monitoring report referred to in Condition 6(b), Union shall file a Post Construction Financial Report, which shall indicate the actual capital costs of the project and shall provide an explanation for any significant variances from the cost estimates filed in this proceeding. Union shall also file a copy of the Post Construction Financial Report in the proceeding where the actual capital costs of the project are proposed to be included in rate base or any proceeding where Union proposes to start collecting revenues associated with the project, whichever is earlier.
6. Both during and after construction, Union shall monitor the impacts of construction, and shall file with the OEB one paper copy and one electronic (searchable PDF) version of each of the following reports:
 - a) a post construction report, within three months of the in-service date, which shall:
 - i. Provide a certification, by a senior executive of the company, of Union's adherence to Condition 1
 - ii. Describe any impacts and outstanding concerns identified during construction
 - iii. Describe the actions taken or planned to be taken to prevent or mitigate any identified impacts of construction
 - iv. Include a log of all complaints received by Union, including the date/time the complaint was received, a description of the complaint, any actions taken to address the complaint, the rationale for taking such actions
 - v. Provide a certification, by a senior executive of the company, that the company has obtained all other approvals, permits, licences, and certificates required to construct, operate and maintain the proposed project
 - b) a final monitoring report, no later than fifteen months after the in-service date, or, where the deadline falls between December 1 and May 31, the following June 1, which shall:

- i. Provide a certification, by a senior executive of the company, of Union's adherence to Condition 3
- ii. Describe the condition of any rehabilitated land
- iii. Describe the effectiveness of any actions taken to prevent or mitigate any identified impacts of construction
- iv. Include the results of analyses and monitoring programs and any recommendations arising therefrom
- v. Include a log of all complaints received by Union, including the date/time the complaint was received, a description of the complaint, any actions taken to address the complaint, the rationale for taking such actions