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Via RESS and Courier

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

Attention: Ms. Kirsten Walli
Board Secretary

Dear Ms. Walli:

**Re: Corporation of the Town of Marathon ("Town of Marathon") North Shore LNG
Project Application ("Application")
Ontario Energy Board File Number: EB-2018-0329 ("Proceeding")
Certarus Ltd. Response to Objections to Application to Intervene**

1. We are in receipt of the objections to Certarus Ltd.'s ("**Certarus**") application to intervene in the above-noted Proceeding from the Corporation of the Town of Marathon ("**Marathon**") and Nipigon LNG Corporation ("**NLNG**"), each dated October 3, 2019.
2. With reference to the Ontario Energy Board's ("**Board**") Procedural Order No. 1 dated October 7, 2019 and in accordance with Rule 22.08 of the Board's Rules of Practice and Procedure ("**Rules**"), this letter responds to the objections raised by Marathon and NLNG.

Objection of Marathon

Certarus' Intervention Does Not Seek to Impair Application

3. In its grounds for objecting to Certarus' intervention, Marathon raised concerns that Certarus seeks to intervene in the Proceeding for an "improper purpose".¹
4. Certarus wishes to reiterate that, as stated at paragraph 4 in its Application to Intervene, it does not seek to disrupt or impair the Application. Rather, by intervening, Certarus wishes to ensure fair and open access to the gas distribution systems proposed by the Municipalities in order to:

¹ Town of Marathon Letter filed October 3, 2019, Board File No. 2018-0329 at page 3.

- (a) enhance reliability of gas supply;
 - (b) ensure diversity of supply choice;
 - (c) provide lower-cost gas supply options for supplemental or incremental supply needs; and
 - (d) provide competitively-priced supply should the commencement of the liquefied natural gas ("LNG") services be delayed.
5. Certarus does not seek approval of a formal contract to supply compressed natural gas ("CNG") services to the Municipalities² within this Proceeding, nor does Certarus object to the Municipalities' Application for orders related to establishing municipal franchise agreements, a certificate of public convenience and necessity to supply gas, leave to construct gas distribution works within the Municipalities, the proposed gas supply plan or pre-approval of the cost consequences of a long-term gas supply contract.³
6. Instead, by requesting to intervene, Certarus wishes to ensure that it (and other potential gas suppliers) will retain the ability to supply CNG to the Municipalities beyond the contracted amounts set out in the Application, during the construction and pre-commissioning stages of the LNG depots, and during planned and unplanned interruptions of the LNG services.
7. As a potential supplier of the Municipalities in the immediate future and over the long term, Certarus has a substantial interest in ensuring fair and open access to the proposed gas distribution systems to enhance system reliability and to provide supply diversity and customer choice.
8. This position is consistent with the desire expressed by Marathon in its Application for "flexibility to address ramping up of natural gas demand",⁴ as well as with the overarching principles of competition, open access, and customer choice.
9. Given the greenfield nature of the undertakings proposed in the Application, Certarus submits that its intervention can make an important contribution to the Board's consideration of the principles of open access gas distribution, customer choice, and system reliability in the Proceeding. In seeking the opportunity to adduce evidence of its service offerings and its requirements, Certarus proposes to examine the means by which these benefits may be secured to the benefit of the Municipalities and customers in northern Ontario.

² As defined at page 1 of the Application, the "Municipalities" include the Corporation of the Town of Marathon, on its own behalf and as representative of the Township of Manitouwadge, the Township of Schreiber, the Township of Terrace Bay, and the Municipality of Wawa.

³ Corporation of the Town of Marathon (Town of Marathon) North Shore LNG Project Application (August 15, 2019) at Exhibit A, Tab 1, Schedule 2 at page 9 (PDF page 15) ["Application"].

⁴ *Ibid* at PDF page 278.



10. By way of illustration, Certarus is in a position to supply natural gas in the following circumstances:
 - (a) while NLNG's local LNG depots and its main liquefaction plant are in the pre-construction, construction and pre-commissioning stages;
 - (b) in case of any delay to the construction of the depots or liquefaction plant;
 - (c) as a backup supply to ensure system reliability in the event of planned and unplanned outages (including the twice-annual 2-3 day planned shut down at the NLNG Plant);⁵
 - (d) as a provider of supply choice where the Municipalities are able to purchase beyond their NLNG contractual minimum; and/or
 - (e) as a supplemental supplier in peak periods.
11. Further, as an alternate gas supply service, Certarus can mitigate the risks attendant with a single-source LNG technology, provided it has the ability to deliver CNG to the Municipalities' gas distribution systems.
12. The North Shore Gas Supply Plan ("**Gas Supply Plan**") prepared as part of the Application demonstrates why alternate forms of system reliability should be considered as part of the Application.
13. The Gas Supply Plan identifies a range of potential risks to LNG supply in Appendix 2: Risk Analysis.⁶ For example, should a planned or unplanned outage occur at one of the Municipalities' local LNG depots,⁷ it is in the public interest to ensure that it is technically and legally possible for an alternate source of natural gas to connect directly to the Municipalities' gas distribution systems.
14. Similarly, should a failure occur at the Nipigon LNG Plant, the North Shore Gas Supply Plan identified the next closest firm LNG sources to be 900 km and 1,600 km away in Minneapolis and Montreal, respectively.⁸ In contrast, Certarus' CNG hub at Red Rock is located between 102 km and 375 km from the Municipalities, while, as a further contingency measure, Certarus' Timmins CNG hub is located between 361 km and 635 km from the Municipalities. Each CNG hub has a capacity of 16,000 GJs per day, which far exceeds the total design day market forecast for all Municipalities combined in both the short term (*i.e.*, 1,031 GJ in 2020) and at the 11-year mark (*i.e.*, 3,693 GJ in 2030).⁹

⁵ *Ibid*, North Shore Gas Supply Plan - Exhibit A, Tab 8, Schedule 1, Attachment 1 at page 33 (PDF page 166).

⁶ Application, North Shore Gas Supply Plan - Exhibit A, Tab 8, Schedule 1, Attachment 1 at Appendix 2 (Application PDF pages 180-187).

⁷ *Ibid* at PDF page 186.

⁸ *Ibid* at PDF page 156.

⁹ *Ibid* at PDF page 154.



15. Certarus respectfully submits that precluding consideration of such system reliability features and this range of optionality as Marathon suggests in the Proceeding would not be in the public interest. In that regard, the Board may wish to ensure that the Application does not limit access to alternate gas supply services in the short- and long term. By intervening, Certarus wishes to provide evidence to ensure that the outcome of the Proceeding does not unreasonably curtail market choice that could otherwise benefit potential northern Ontario customers.
16. Certarus submits that as these services are supplemental to those proposed in the Application, the consideration of these services can be achieved without prejudice to the Application and without conferring a *de facto* monopoly on any single source of gas supply.
17. Marathon also objected to Certarus' intervention on the basis that considering a CNG option at this stage would terminate the Application.¹⁰ With respect, the matters which Certarus intends to address in its evidence are designed to:
 - (a) prevent delay to the timely supply of gas to the proposed gas distribution systems;
 - (b) enhance system reliability;
 - (c) create customer choice through supply diversity; and
 - (d) provide options for lower-cost gas supplies.
18. These matters enhance the viability of the applied-for local distribution systems, rather than detract from them. Indeed, they may reassure and incent customers concerned about the cost competitiveness and reliability of the new gas supply. No revisiting of the Application is required.

CNG is a Viable Supplemental Supply Option

19. Marathon stated that in 2017, Certarus' business model did not contemplate supplying CNG for residential loads served by pipeline. Respectfully, context is relevant.
20. At that time, all parties, including Certarus, were actively exploring a potential competitive gas distribution supply model. Then, as now, Certarus had no intention of owning and operating a gas distribution system.
21. Contrary to Marathon's apparent interpretation, however, that is not to say that Certarus was not interested in supplying gas to the Municipalities. Indeed, the facts prove otherwise. Since 2017, Certarus has expanded its business model and its terminals in Timmins and Red Rock are each more than capable of supplying the Municipalities' combined total natural gas requirements, making CNG a fully-viable, cost-competitive supply option for the municipal sector.

¹⁰ Town of Marathon Letter filed October 3, 2019, Board File No. 2018-0329 at page 3.



22. Certarus therefore submits that ensuring fair and open access to the gas distribution system would enhance the reliability of gas supply service to all Municipalities by ensuring alternative supply during periods of planned and unplanned LNG service interruptions; increase the potential conversion of customers to natural gas service due to the availability of lower-cost supply; and enhance the competitive supply choice to all northern Ontario customers.
23. In addition to these operational benefits, Certarus' gas supplies are available today at highly competitive pricing which would benefit northern Ontario consumers with lower delivered pricing for supplemental supplies above the contract minimum outlined in the proposed contract between NLNG and the Municipalities.¹¹ Provided Certarus and other alternate gas suppliers are able to fairly access the new gas distribution systems, the risk of delayed in-service due to upstream delays in LNG service financing, construction, and commissioning can be fully mitigated.

Objection of NLNG

24. At the outset, Certarus notes that NLNG has not yet been granted intervenor status by the Board in this Proceeding. Board Rule 22.07 allows a "party" to object to an application for intervenor status. However, as the Board has not yet determined whether to grant NLNG intervenor status,¹² NLNG does not meet the definition of a "party" set out at Rule 3.01 and, therefore, is not permitted to object to Certarus' own application for intervenor status.
25. Certarus further respectfully submits that it is not in the public interest or in the interest of customer choice and open access gas distribution service to limit or preclude consideration of competitively-priced alternative gas supply from the Proceeding, essentially creating a *de facto* gas supply monopoly in the Municipalities' new gas markets.
26. Should the Board choose to consider NLNG's letter of objection, Certarus wishes to address the public interest concerns raised therein.
27. In particular, NLNG suggests that Certarus "forwent the opportunity to adduce evidence"¹³ at any other stage of the Proceeding when it did not submit information in response to the Board's Notice of December 20, 2018, and should therefore be barred from intervening in the proceeding.
28. As noted at paragraph 3 of its Application to Intervene and as discussed above, Certarus is a bulk supplier of CNG and has consistently maintained it has no interest in undertaking the role of a local distribution company or a gas utility. Its interests, therefore, fell outside the description set out in the Notice, which accounts for its decision not to participate.¹⁴

¹¹ Application at Exhibit A, Tab 13.

¹² Ontario Energy Board Procedural Order No. 1 in Proceeding EB-2018-0329 (October 7, 2019) at page 2.

¹³ Nipigon LNG Corporation Letter filed October 3, 2019, Board File No. 2018-0329 at para 26.

¹⁴ EB-2018-0329.



29. As also addressed above, Certarus has a substantial interest in intervening to protect future opportunities to supply natural gas above and beyond the supply identified in the Application. To reiterate, it would be in the public interest to ensure that alternative gas supplies are available to potential consumers in Northern Ontario whenever LNG service is not available or beyond its contractual minimum negotiated with the Municipalities. These circumstances may include Certarus' ability to supply gas as soon as the Municipalities' gas distribution systems are constructed and prior to the in-service of the LNG services, particularly should financing, construction, or commissioning of the LNG facilities be delayed for any reason.
30. Accordingly, it is incorrect to suggest that Certarus seeks to utilize the Proceeding to restart the competitive process. Rather, it only wishes to ensure the timely approval of the gas distribution systems to enhance supply reliability and to further ensure future access to the customers which may connect to the gas distribution systems.
31. NLNG's suggestions of "queue jumping" or causing "delay and uncertainty" are exaggerated and incorrect. While it may be in NLNG's corporate interest to, in effect, monopolize the gas supply source available to the customers to be served by the Municipalities' new gas distribution system, it would not be in the public interest to prevent alternative suppliers of lower cost gas supply the opportunity to ensure open access to that new gas distribution system.
32. Furthermore, NLNG's suggestion that Certarus seeks to intervene to benefit from confidential information filed with the Board is also exaggerated. The Application is in the public realm. The only confidential information filed with the Board is the "Letter from Investment Bank" located at Appendix "A".¹⁵

Town of Marathon Confidentiality Request

33. The Board's Procedural Order No. 1 requests submissions on Marathon's request for confidential treatment of Appendix "A" of its application, which Marathon states contains confidential information that was supplied to it by an investment bank.
34. Certarus believes that, provided open access is ensured, the system reliability and the supply optionality afforded to the municipal gas distribution systems would enhance the Municipalities' ability to ensure a timely in-service date for the new municipal gas distribution systems, which should enhance its financeability.
35. For that reason, at this time, Certarus takes no position on whether the Board should require the financing letter to be filed on the public record in this proceeding.

Conclusion

36. In seeking leave to intervene in the Proceeding, Certarus wishes to ensure that fair and open access to the new municipal gas distribution systems is maintained and to protect its ability to

¹⁵ Application at PDF page 326.



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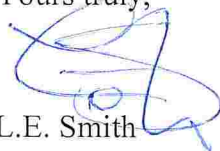
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supply competitively-priced CNG to the northern Ontario customers potentially served by these new gas distribution systems as outlined above.

37. Certarus submits that its interests as a potential supplier align with the public interest in ensuring gas distribution systems operate on an open-access basis to enhance customer choice, system reliability and to reduce sole source risks, and to provide long-term supply diversity and flexibility. Certarus' participation as an intervenor will permit the inclusion of evidence on those important matters.

38. If you have any questions regarding this response, please contact the undersigned.

Yours truly,



L.E. Smith

LES:SR

cc: Clint Warkentin, Certarus Ltd.
Helen T. Newland, Dentons Canada LLP
Alan L. Ross, Borden Ladner Gervais LLP

