ONTARIO ENERGY BOARD

IN THE MATTER OF the *Ontario Energy Board Act, 1998,* SO 1998, c. 15 (Sched B), as amended (the **Act**) and the *Municipal Franchises Act* (the **MFA**), RSO 1990, c. M.55, as amended;

AND IN THE MATTER OF an application by the Corporation of the Town of Marathon under section 8 of the MFA for an order or orders granting Certificates of Public Convenience and Necessity to the Corporation for the construction of works in the Town of Marathon, Township of Manitouwadge, Township of Schreiber, Township of Terrace Bay, and Municipality of Wawa;

AND IN THE MATTER OF an application by the Corporation of the Town of Marathon under section 90 of the Act for an order or order granting leave to construct natural gas distribution pipelines and ancillary facilities to serve the Town of Marathon, Township of Manitouwadge, Township of Schreiber, Township of Terrace Bay, and Municipality of Wawa;

AND IN THE MATTER OF an application by the Corporation of the Town of Marathon under section 97 of the Act for an order or orders approving the form of easement agreements;

AND IN THE MATTER OF an application by the Corporation of the Town of Marathon for an order or orders for a gas supply plan to serve the Town of Marathon, Township of Manitouwadge, Township of Schreiber, Township of Terrace Bay, and Municipality of Wawa;

AND IN THE MATTER OF an application by the Corporation of the Town of Marathon for an order or orders pre-approving the cost consequences associated with a long-term upstream liquefied natural gas contract to serve the Town of Marathon, Township of Manitouwadge, Township of Schreiber, Township of Terrace Bay, and Municipality of Wawa.

Corporation of the Town of Marathon ("Marathon")

Response to Interrogatories
of
Vulnerable Energy Consumers Coalition ("VECC")

November 26, 2019

VECC-1

Reference: Exhibit A, Tab 1, Schedule 2, pages 8-

a) Please provide the specific *OEB* Act provisions and the proposed text for the proposed:

   i. order or orders for a gas supply plan to serve each Municipality;

   ii. order or orders providing pre-approval of the cost consequences of a long-term liquefied

b) The following statement is made "*The Utility would not receive unconditional or final authority to furnish natural gas service in the Municipalities, and therefore will not commence construction of its proposed natural gas facilities or provide service to any customer, until such unconditional or final authority is granted in a subsequent order.*" Please describe what "unconditional or final authority" is being sought as distinct from what conditional authority is being sought.

c) Does a Corporation exist to which the Board will grant and orders or are the orders to be granted to the Corporation of the Town of Marathon? If the latter please explain how and when the Applicant intends to transfer these authorities to a new corporate entity.

Responses:

a) OEB approval of the Gas Supply Plan and the cost consequences of the LNG Services Agreement go hand-in-hand in the sense that the former provides context for the latter. Board approval is being sought pursuant to section 36 of the OEB Act.

b) Please see the response to SEC-1.

c) The orders will be granted to the Marathon Economic Development Corporation ("**MEDC**") or to the Corporation of the Town of Marathon, as agent for and on behalf of the MEDC. The Utility is expected to be formed, promptly, upon issuance of favourable decisions on this Application and the orders are expected to be transferred from MEDC to the Utility shortly thereafter. Please also see response to OEB Staff-25.

VECC-2

Reference: Exhibit A, Tab 7, Schedule 3

a) According to the Project Schedule Overview the Applicant is seeking "conditional" approvals by December 2019 and final approval by March 2020. Please specify the relief sought in the "conditional" approvals. Please also specify the conditions that are being proposed as part of this order.

Responses:

a) Please see the response to SEC-1.

VECC-3

Reference: Exhibit A, Tab 4, Schedule 1, page 12-18

The forecast conversion rate is give as (page 16):

- 62% of Residential (includes 50% of undecided respondents)
- 65% of Commercial (5% above the survey results to capture undecided)
- 84% of Institutional (institutional customers' capture rate would not materially change as energy managers already had a very high interest in converting to gas).

a) Please confirm (or correct) that the residential forecast customer conversion exceeds buildings currently equipped with air ducts (i.e. residential 62% vs 59% combined oil + electric + propane forced air).

b) Please confirm (or correct) that the commercial forecast conversion rate also exceeds the number of buildings with duct work (i.e. 65% of all commercial customers in a population where existing customers are 30% propane and 30% oil use).

Responses:

a) Confirmed. It is assumed that other non-forced air heating equipment could be converted to natural gas. This could include the conversion of electrical baseboards, heating stoves, and boilers.

b) Confirmed, 30% of the commercial respondents currently use propane and 30% use oil. Of the total respondents interested in converting to natural gas, 36% currently use electricity, so it is anticipated that some of the electricity customers would also convert to natural gas.

VECC-4

Reference: Exhibit A, Tab 4, Schedule 1

a) What was the price of natural gas used in the Innovative survey?

b) Why was the scenario of a government grant for conversion set out in the survey? Is there currently a government grant program under which potential customers can avail themselves in order to mitigate conversion costs? If so please explain/describe.

Responses:

a) In order to simplify the cost analysis of converting to natural gas, the Innovative survey did not include a price of natural gas but rather it provided customers with an estimate of the annual cost ratio between their current fuel and natural gas. The cost ratio in the survey was one and one-half times for propane and oil customers and two and one-half times for electricity customers. Current cost ratios are similar to what was included in the survey: 173% for propane, 191% for oil and 188% for electricity.

b) There is no government grant to assist homeowners in converting to natural gas. This question as included in the survey to provide some information on conversion rates in the event that a grant did become available some time in the future.

VECC-5

Reference: Exhibit A, Tab 4, Schedule

a) Of the 5 communities subject of this application which (if any) are subject to electricity Distribution Rate Protection or Rural and Remote Rate Protection?

b) With the exception of Wawa (Algoma Power) are all the other communities in this application provided electricity distribution service by Hydro One?

c) Has the Applicant explored with the Ontario Government the possibility of legislation to allow any existing electricity subsidies to be transferred to converting natural gas customers in order to defray conversion costs?

Responses:

a) All communities are subject to electricity Distribution Rate Protection and Rural and Remote Rate Protection. See the Decision and Order from EB-2019-0158, page 5.

b) Yes.

c) No.

VECC-6

Reference: Exhibit A

a) Is the economic feasibility of this project dependent upon provisions or regulations (enacted or expected to be enacted) under the provisions of Bill 32 – Access to Natural Gas Act, 2018? If yes, please describe what these are.

Responses:

a) No.

VECC-7

Reference: Exhibit A, Tab 9, Schedule 4

a) Is the $3.454 million the only government financials (grant or loan) for the distribution portion of this project?

b) What is the total amount of government grants provided for the LNG facility?

c) Are any of the grants being applied to the storage facilities?

Responses:

a) Yes.

b) The Applicants are not privy to government grants that Nipigon LNG has applied for or received. The Applicants provided a letter of support in 2017 for Nipigon LNG's funding application to the Ontario government for $27 million from the Natural Gas Grant Program. The Applicant is aware that Nipigon LNG was a recipient of this grant. See **Attachment A**.

c) No. The LNG storage depots will be constructed, owned and operated by Nipigon LNG. None of the $3.454 million in grant monies has been or will be applied to the development and construction of Northeast Midstream's LNG undertaking.

VECC-8

Reference: Exhibit A, Appendix B5

a) In their commentary some customers note that there will be a lack of trained gas technicians in their communities to install and service natural gas appliances. Given the current absence of natural gas in these communities how is current the lack of TSSA certified gas technicians to be addressed under this proposal?

Responses:

a) The Utility and the Municipalities will work with local agencies and provincial and federal government authorities who have jurisdiction on these matters to develop a plan that addresses any skills deficits that are identified.

VECC-9

Reference: Exhibit A, Tab 4, Schedule 2, pages 2-

a) Was the incremental cost for LNG supplied gas (i.e. a 50% premium) explained in the survey?

b) Was the fact that the natural gas would be supplied by LNG trucked into sites explained as part of the survey? If so were any questions asked related to the reliability or safety of that supply chain?

Responses:

a) See the response to VECC-4(a).

b) There had been local announcements of the LNG Project and the survey asked if customers had an awareness of the Project and two-thirds of the respondents indicated that they were aware of the Project. The survey did not specifically discuss the supply chain aspects of the Project. Respondents were also asked about their perceptions of the safety and reliability of natural gas. 75% of the respondents indicated that they 'strongly agreed' or 'somewhat agreed' that natural gas was a safe energy source. Also 78% of the respondents indicated that they 'strongly agreed' or somewhat agreed' that natural gas was a reliable source.

VECC-10

Reference: Exhibit A, Tab 8, Schedule 1, page 1 of 1 and Attachment 1 & 5

a) Under this proposal who is the holder of the gas supply and FT transportation contracts to the Nipigon LNG facility – the Utility or Nipigon?

b) Which entity is responsible for meeting any requirements of TCPL to provide an interconnection for the LNG facility?

c) Please explain how and to what "*extent the Parties have agreed to Gas Procurement Services, any acquisition or procurement of Gas required for the LNG Services*;"

d) Please explain to how and to what "*extent the Parties have agreed to Load Balancing Services, the balancing of supply and demand of Gas from storage or at receipt or delivery points*."

Responses:

a) Please see the response to OEB Staff-29.

b) Please see the response to OEB Staff-29.

c) The language quoted from section 2.3 (e) of the LNG Services Agreement relates to such services as they may be agreed by Nipigon LNG and the Utility from time to time. At this time, it is yet to be determined if the Utility will exercise this right to cause Nipigon LNG to provide such services.

d) The language quoted from section 2.3 (d) of the LNG Services Agreement relates to such services as they may be agreed by Nipigon LNG and the Utility from time to time. At this time, it is yet to be determined if the Utility will exercise this right to cause Nipigon LNG to provide such services.

VECC-11

Reference Exhibit A, Tab 13, Schedule 1, page 7

a) The evidence states that:

"*The Utility will be required to provide and maintain evidence of satisfactory creditworthiness and provide the requisite financial assurances during the term of the proposed Contract, and the Utility may be required to execute a financial backstopping agreement, in form and substance reasonably acceptable to Nipigon LNG upon execution of the proposed Contract.*"

Please provide the form of this backstop agreement.

Responses:

a) See definition of "Financial Security" in the LNG Services Agreement (section 1.1(u)). At this time, the terms of each such form of Financial Security have not been prescribed but the referenced forms are common forms of security and they are not expected to diverge from "market standards".

VECC-12

Reference: Exhibit A, Tab 4, Schedule 3

a) Why is the expected saving rates of converting from propone and fuel oil to natural gas different for commercial customers than for institutional customers (i.e. 40% vs 25% and 45% vs 40% respectively)?

Response:

a) The relative difference is due to assumed differences in volumes and equipment used by commercial and institutional customers. Additionally, the institutional building stock is generally made up of older buildings that are expected to be more costly to convert.

VECC-13

Reference: Exhibit A, PDF pg. 549

a) Please confirm (or correct) that the National Energy Board denied the application for an interconnection of the Nipigon LNG Project.

b) Please confirm that it was TransCanada's (TCEnergy) position in that proceeding that no order of the NEB was required for it to connect the LNG facilities.

c) Please also confirm (or correct) that it was TransCanada's position that it would be willing to connect subject to the project not being in violation of the "No Bypass Provision" of its agreements with Union Gas and Enbridge Gas Distribution (now Enbridge Gas Inc.).

d) Please explain what, if any, regulatory impediments currently exist to connecting the LNG facility to the TransCanada Mainline. Specifically, is the willingness of TransCanada to construct the necessary facilities (meter station) dependent upon the OEB issuance of a franchise to the Utility?

Responses:

a) In 2018, the NEB considered Nipigon LNG's application for orders pursuant to sections 12, 13, 59, and 71 of the National Energy Board Act ("NEB Act") directing TC Energy (TransCanada) to provide facilities and service under just and reasonable terms to connect and transport gas from the TransCanada Mainline pipeline system to Nipigon LNG's plant. The NEB denied the application, but stated that it expected that TC Energy would uphold its commitment to advance discussions with Nipigon LNG as it would normally do with any other party seeking service requiring additional facilities on the Mainline in accordance with its tariff. TC Energy and Nipigon LNG have since entered into a commercial agreement, as described in the response to OEB Staff-29. Please see the response to OEB Staff-29 for details.

b) The positions of the parties are summarized in the NEB's letter decision (**https://apps.neb-one.gc.ca/REGDOCS/File/Download/3718373**).

c) Please see the response to VECC-13(b).

d) Please see the response to OEB Staff-29.

VECC-14

Reference: Exhibit A, Tab 8, Schedule 1, Attachment 1, page 32 – Elenchus

a) Please provide the basis of the $7.03 LNG service charge provided at section 2.7.3. By way of comparison to other similar projects show how this charge is reasonable.

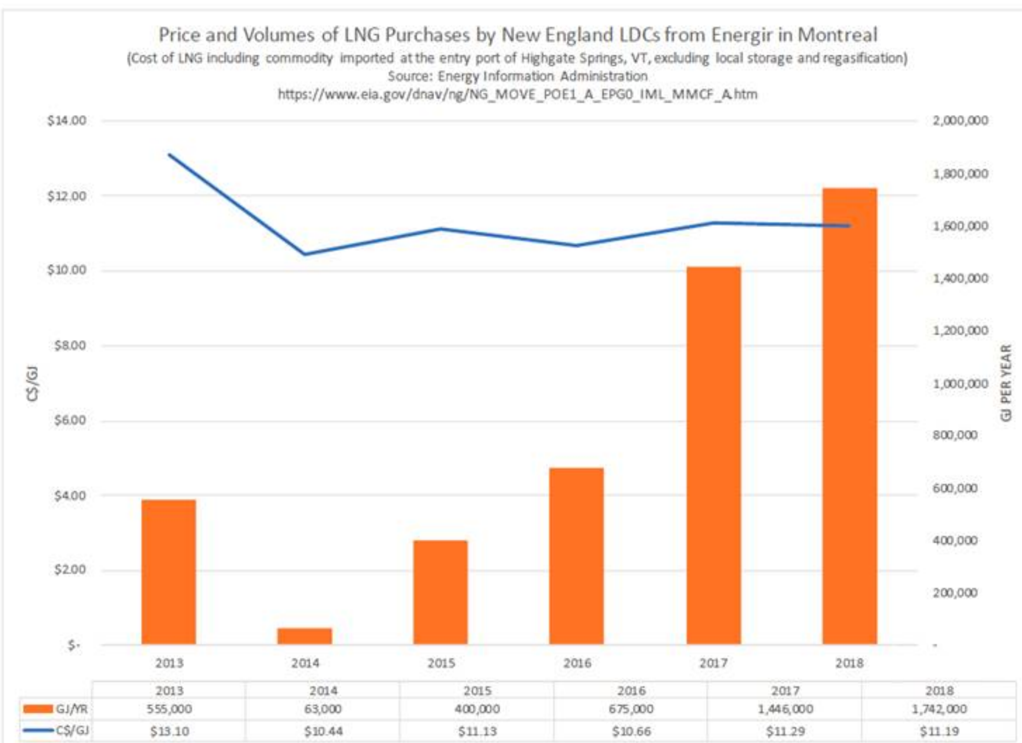
b) Please explain what due diligence the Applicant did to understand that the LNG related costs to be charged to its customers is reasonable.

c) Please explain what costs "Variable Charges" are meant to recover.

d) Please show the derivation of the $0.84 "Trucking" costs.

Responses:

a) New England local distribution companies (LDCs) typically procure a portion of their LNG from the Energir LNG plant in Montreal in annual volumes consistent with the volumes proposed under the LNG Services Agreement. According to the Energy Information Administration, the historical pricing of LNG from Energir purchased by New England LDCs, excluding local storage and vaporization, was $11.19 in 2018, which is comparable to the Utility's estimated "all-in" landed cost of gas under the LNG Services Agreement.



Considering that the Utility's cost of gas includes local storage and vaporization, which is not reflected in the New England LDC price for LNG, the Applicant considers the Nipigon LNG charge to be reasonable.

FortisBC provides LNG dispensing services at a contract rate of $3.94/GJ plus $0.98/GJ electricity surcharge and LNG sport charge of $5.17/GJ (FortisBC rate schedule 46). This rate does not include provision for local storage and vaporization, the cost of which is forecast to exceed the price differential between FortisBC and Nipigon LNG should the Corporation undertake those services. The Corporation, therefore, considers the Nipigon LNG rate to be reasonable.

b) Please see the response to SEC-13(g).

c) Please see the response to OEB Staff-41(a).

d) Please see the response to OEB Staff-41(d).

VECC-15

Reference: Exhibit A, Tab 11, Schedule 1

a) Please explain who will own the facilities (including land) for the LNG storage facilities in the various franchises.

Responses:

a) Nipigon LNG will own the LNG Depot facilities and Nipigon LNG will lease the lands on which the LNG Depot facilities are located from the Municipalities.

VECC-16

Reference Exhibit A, Tab 13, Schedule 1, Attachment 5

a) Did the Applicant have an independent review of the LNG Service Agreement by professional parties (legal and gas brokerage) who are unrelated to Nipigon LNG? If yes, please provide those opinions.

b) Has the Applicant had the proposed nominations and other aspects of gas delivery under sections 3.2 of the proposal of form of the contract "LNG Services Agreement" reviewed by a party, independent of Nipigon LNG Corporation, who is a qualified expert in the field of gas brokerage?

c) Does the proposed contract (section 2.2) prohibit the Applicant from contracting for its own agent to procure natural gas under the terms it believe appropriate to serve the proposed franchises?

d) Please explain how load balancing is addressed under the proposed contract?

e) Please explain which party nominates gas under the proposed agreement.

Responses:

a) See response to SEC-13(a)-(d).

b) We assume that the reference should be to section 3.3 of the LNG Service Agreement. Review of nomination and other gas delivery provisions will be carried out upon completion of the design and engineering of the distribution network. Any changes to section 3.3 that are subsequently negotiated with Nipigon LNG in this regard will not affect the cost consequences of the Agreement for which Board approval is being sought in this proceeding.

c) No.

d) See section 2.3(g) of the LNG Services Agreement. The Utility will determine whether the provision of such services is required.

e) See section 2.3(e) of the LNG Services Agreement. The Utility will determine whether if the provision of such services is required.

VECC-17

Reference: Exhibit A, Tab 13, Schedule 1, Attachment 5

a) Please confirm (or correct) that section 4.1 (a) of the contract requires that the Utility "take or pay" all firm contract amounts of Nipigon LNG as set out in Schedule B of the Contract.

b) What are the fees and charges contemplated under section 4.1 (d) and (e) of the Contract?

c) Please explain what financial security is required by the Utility under the terms of the Contract.

d) Why are there no terms with respect to bankruptcy or insolvency of Nipigon LNG whereas there are extensive such terms to be applied to the Utility under section 9 of the Contract?

e) Why do the provisions in the Contract with respect to disputes not contain provisions which acknowledge the Ontario Energy Board as the regulator and the Utility being bound by the regulator's orders?

f) Why do the Confidentiality provisions under section 15.14 not contain provisions for the release of information to the Ontario Energy Board as regulator of the Utility?

Responses:

a) Confirmed, subject to the application of section 3.6 of the LNG Services Agreement in particular and any other applicable relief provisions of the LNG Services Agreement that may be applicable from time to time.

b) The fees and charges will be determined at the relevant time, based on the Utility's needs and requirements for the scope of the relevant services.

c) See the response to Certarus-13(d).

d) The LNG Services Agreement represents the terms and conditions required by Nipigon LNG as a condition to the design, development and construction of the LNG Depot and subsequent provision of the LNG Services to the Utility.

e) Nipigon LNG is aware of the Board's function as a regulator of the undertakings of the Utility and the relevance of Board orders.

f) See the final provision of section 15.14 of the LNG Services Agreement which would apply to and address release of information to the Board.

VECC-18

Reference: Exhibit A, Tab 13, Schedule 1, Attachment 5, page 37

a) Please explain why the Utility believes that a firm capacity charge of $7.03/GJ per MDQ is reasonable. Specifically please provide the calculation of that estimate and the basis for that calculation, including any comparable data used to determine the estimate.

Responses:

a) Rates for firm capacity are based on the cost of providing the LNG service. The rates allow Nipigon LNG to recover the cost of building, operating and maintaining the LNG facilities contracted to the Utility, net of the financial contribution by the Province of Ontario under the Natural Gas Grant Program.

VECC-19

Reference: Exhibit A, Tab 13, Schedule 1, Attachment 5, page 39

a) Please explain who owns the depot storage facilities set out in Schedule D (Utility of Nipigon LNG)?

Response:

a) Please see the response to VECC-15.

VECC-20

Reference: Exhibit A, Tab 13, Schedule 1, Attachment 5, page 35

a) Please explain why the Utility would agree to provisions (a) - "perceived shortage of Nipigon LNG" and provision (d) – "curtailment for repairs or improvements to the LNG facility" without compensation.

Response:

a) The LNG Services Agreement represents the terms and conditions required by Nipigon LNG as a condition to the design, development and construction of the LNG Depot and subsequent provision of the LNG Services to the Utility.

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OFFICE OF THE C.A.O./CLERK
File No. 4-6

July 10, 2017

Mr. Joshua Samuel
President and CEO of the General Partner
Northeast Midstream LP
150 Connie Crescent, Unit 4
Concord, Ontario L4K 1L9

RE: Government of Ontario Natural Gas Grant Program

Dear Mr. Samuel: Joshua

Since 2015, the municipalities of Schreiber, Terrace Bay, Marathon, Manitouwadge and Wawa (the municipalities), in partnership with Northeast Midstream LP (Northeast) have been proactively working on the establishment of local natural gas delivery systems for each of their respective communities. Northeast, as the Project Developer, has initiated work on the design, engineering, construction, and operation of a local gas delivery system in each of the municipalities. For the project to move to a more advanced stage, it will require that Northeast build and operate a liquefied natural gas (LNG) production facility near Nipigon, Ontario to supply natural gas to the municipalities as well as large resource-based facilities to support the long-term economic development of Northern Ontario.

On January 30th, 2017, the Government of Ontario announced the $100 million Natural Gas Grant Program. It is desirable for Northeast to pursue the development of the Nipigon LNG Plant under the Natural Gas Grant Program such that the Nipigon LNG Plant, if completed, would be an essential element in the Project as initially contemplated.

To this end, the five municipalities wish to show their support for Northeast and their funding application for the development of the Nipigon LNG Plant. The municipalities will afford co-operation and assistance to Northeast in the application to the Natural Gas Grant Program to request funding to support the construction of the Nipigon LNG Plant. The municipalities will also make efforts to assist Northeast in accessing alternative public sources of development capital and construction financing for the local gas delivery systems.

.../2

This work will involve the parties making commercial efforts to develop a financing plan to target Government of Ontario and Government of Canada programs, initiatives, agencies with a mandate to promote and finance rural and Northern economic development, low-carbon infrastructure, and sustainable development.

Yours Truly,

THE TOWN OF MARATHON

Daryl Skworchinski
CAO/Clerk

DS:sg

On behalf of,

Don McArthur	*Jon Hall*	*Chris Wray*	*Margaret Hartling*
CAO/Clerk	*CAO/Clerk*	*CAO/Clerk*	*CAO/Clerk*
Township of Schreiber	*Township of Terrace Bay*	*Municipality of Wawa*	*Township of Manitouwadge*

Cc: (via email)

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