

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”)

**Revised Response to Interrogatory No. 41
of
OEB STAFF**

December 3, 2019

Interrogatory No. 41

Ref.: Exhibit A, Tab 13, Schedule 1, Attachment 5, page 16

Preamble

Section 4.1(b) of the Contract requires the Utility to pay a "Variable Charge" to cover Nipigon LNG's variable costs in providing LNG Service. The Contract states, "The Variable Charge per GJ, will be re-determined by Nipigon LNG each Contract Year." Neither the main body of the contract nor Schedule B (Table of Services and Charges) appear to state how much the variable charge will be.

Section 4.1(c) of the Contract requires the Utility to pay for all fees, charges and expenses, without mark-up, of the Truck Transportation Services. The Contract does not establish an actual amount for trucking transportation, nor does it appear as a line item in Schedule B.

Questions

- a) What will the variable charge be for each year of the Contract?
- b) Is the variable charge set solely by Nipigon LNG? Is the Utility required to pay whatever amount Nipigon LNG decides upon?
- c) Is the variable charge "firm" in that the annual amount of the charge will be paid by the Utility irrespective of the volumes it actually requires? In other words would the total amount owing under the variable charge be lower if the Utility's demand is lower than expected?
- d) How much does the Utility expect to pay for truck transportation service?

Responses

- a) The current variable charge estimate for LNG delivered by Nipigon LNG is \$0.44 per GJ produced and regasified, based on current commodity and market prices. The variable cost comprises the Utility's pro-rata share of the cost of natural gas, electricity, nitrogen and other items consumed in the liquefaction and regasification process.
- b) Nipigon LNG sets the variable charge, without markup, as per Section 4.1 (b) of the LNG contract. The Utility may audit the variable charge passed through to the Utility pursuant to Section 7.5 of the LNG Services Agreement.
- c) The variable charge is a mechanism for the Nipigon LNG to recover only the costs incurred by Nipigon LNG to produce and regasify LNG for the Utility. As such, it is applied on the Utility's NomDQ (Nominated Daily Quantity), not the MaxDQ (Maximum Daily Quantity).
- d) The current estimate for LNG trucking from Nipigon LNG to the LNG Depots is \$2.54 per kilometre. This estimate was provided by Nipigon LNG, based on a request for proposal that Nipigon LNG conducted in spring 2019. It is not a firm price. The truck transportation services agreement between the Utility and Nipigon LNG will be subject to commercial

negotiations following receipt of conditional approval of this application, and documented in the terms, conditions and standards described in Schedule C of the LNG contract.

Based on the currently available information, the Utility expects to pay approximately \$0.84 per GJ for truck transportation services. The estimate assumes a weighted average distance of 200 kilometres (one-way) for LNG deliveries, excluding LNG deliveries to any large industrial customer. The Utility expects to account separately for truck transportation services to any large industrial customer.

The estimate for truck transportation services is based on Nipigon LNG supplying cryogenic trailers capable of holding 16,300 U.S. gallons (gross) of LNG. Nipigon LNG advises that it is currently investigating the utilization of larger cryogenic trailers, which are capable of holding approximately 20,700 U.S. gallons (gross). The larger trailers could reduce trucking costs by up to 25% and increase gas supply reliability by cutting the Utility's exposure to trucking risk.