

Lagasco Inc. Response to Enbridge Gas Inc.'s Interrogatories

EB-2023-0344

EGI - 1

1. Reference: Lagasco Application, page 3

“Lagasco seeks a geographically limited Certificate of Public Convenience and Necessity (“Certificate”) under section 8(1) of the Municipal Franchises Act to construct works to supply incremental gas to the Proplant facility.”

Reference: Lagasco Application,
page 15 “The Applicant seeks:

- (i) a Certificate of Public Convenience and Necessity under section 8 of the Municipal Franchises Act limited in geographical scope to the lands known as Woodhouse Concession 5 parts lots 23 and 24, RPlan 379R 5046 Part 1 in the geographic township for Jarvis, Haldimand County, with a municipal address of 2401 Hwy 6, Jarvis ON N0A 1J0 to allow Lagasco to sell gas and to allow for the construction of the proposed Tie-in System.

Questions:

- (a) Please provide a detailed map of Haldimand County showing an outline of the areas to be covered by Lagasco’s proposed CPCN and the CPCN currently held by Enbridge Gas for Haldimand County.

Response: Please see attached map appended to this submission. Lagasco’s suggested CPCN is only for the property owned by Proplant located at municipal address 2401 Hwy 6, Jarvis, Ontario, N0A 1J0, for the supply of gas to the Proplant Generation Facility.

Enbridge is in a preferred position to provide the Board with their CPCN area and the Board may take administrative notice of the same from its files.

- (b) Please confirm that Lagasco’s application is considered a bypass of Enbridge Gas’ system.

Response: Lagasco’s Application is not considered a bypass of Enbridge Gas’ system.

- (c) Please confirm whether the service proposed to be provided by Lagasco to Proplant is firm service or interruptible service or a combination of the two. Please provide details of loads proposed to be provided under each type of service.

Response: Lagasco anticipates that the gas supply contract with Proplant will be a firm service contract with seasonal interruptibility requirements for maintenance and the

normal force majeure provisions. The gas supply contract between Lagasco and Proplant will reflect the IESO's contractual obligations with Proplant. The load requirements are not yet known and neither the IESO/Proplant contract nor the Proplant/Lagasco gas supply contracts have yet been executed.

- (d) Please confirm Lagasco's understanding that section 8 of the *Municipal Franchises Act* relates to constructing works to supply natural gas within a municipality and does not actually give any permissions to sell gas.

Response: Correct. Section 8 (1) of the *Municipal Franchises Act* ("MFA") states that: "Despite any other provision in this Act or any other general or special Act, no person shall construct any works to supply, (a) natural gas in any municipality in which such person was not on the 1st day of April, 1933, supplying gas".... There is no reference to the sale of gas in this section of the MFA.

- (e) Please confirm whether Lagasco considers itself to be a utility subject to the Gas Distribution Access Rule (GDAR) and other regulatory requirements through the Ontario Energy Board.

Response: Lagasco is an Ontario natural gas producer, which currently sells, or delivers, the majority of its gas into the Enbridge gas distribution network. Lagasco does not anticipate that the OEB deems or directs that Ontario gas producers are subject to the GDAR, which was established specifically to govern gas customer and gas supplier relationships with the large gas LDCs, i.e. the former Union Gas, Consumers Gas and Centra Gas, mainly because these producers directly sell their produced gas from their well production. Ontario producers might be considered gas vendors, and with a stretch, considered to be distributing their gas pursuant to limited CPCNs – but not at any scale as the LDCs listed above. Lagasco respectfully takes the practical view that gas purchasers such as Proplant are knowingly choosing to purchase non-utility, Ontario-produced gas at negotiated contract terms and prices from their adjacent production pipelines as a matter of convenience for their specific commercial, non-residential needs. In the case of Proplant, that gas user is making its decision to buy locally produced Ontario gas from a non-utility source, so should not be subject to the GDAR.

- (f) Please confirm whether the proposed Proplant electricity generation facility will be the only service location to which Lagasco intends to provide service using the facilities subject of this application. If other service locations are contemplated, please identify the other municipal addresses being considered and when gas service would be provided at these locations.

Response: Lagasco confirms that it only intends to supply the proposed Proplant electricity generation facility.

EGI – 2

2. Reference: Lagasco Application, page 3

“The granting of a Certificate is in the public interest as: the economics are favourable; there are no adverse environmental impacts; there are no outstanding landowner issues as the land is owned by Proplant; new local jobs will be created; and the IESO will receive needed electricity supply to the grid.”

Reference: Lagasco Application, page 12, Public Interest Considerations

Questions:

(a) Please compare the criteria Lagasco uses to determine that granting of the requested CPCN is in the public interest to the criteria typically used by the OEB to determine public interest.

Response: Lagasco believes that the requested CPCN is in the public interest due to the following:

- Lower cost than alternatives;
- The CPCN will allow Proplant to assist with provincial power needs through an anticipated IESO contract;
- Timing – the gas is needed by the customer in Fall 2025 (please see response to OEB Staff Interrogatory 5(c) and Enbridge’s proposed timeline is prohibitively long to meet the in-service contract requirement date of the IESO (2-3 years after OEB leave to construct is obtained per Appendix 4 to the Lagasco Application);
- The Proplant proposed generation facility’s needs are for new incremental gas volumes so does not affect other customers;
- Gas service more economical for customer; and
- Environmentally friendly as gas produced in Ontario at market.

(b) Please provide details of any environmental screenings and reviews that have been undertaken related to the proposed project that indicate that there will be no adverse environmental impacts.

Response: Proplant will be following all requirements from Haldimand County and/or the Province of Ontario.

Lagasco’s proposed incremental gas deliveries are more environmentally friendly than gas that is transported long distances through many compressors from upstream sources making it an environmentally favourable alternative to other available conventional sources.

EGI – 3

3. : Lagasco Application, page 4

“The Lagasco/Proplant project will benefit the municipality, the province, and result in more environmentally responsible natural gas use as the gas purchased will be locally produced and not require compression costs to bring it into the province.”

Questions:

(a) Please explain further what is meant by Lagasco’s claim that the proposed project will “result in more environmentally responsible natural gas use as the gas purchased will be locally produced and not require compression costs to bring it into the province”. Please provide all studies that support Lagasco’s evidence in this regard.

Response: It is trite to note that locally produced natural gas that does not need to pass through as many pipelines and carbon emitting compressor stations has a lower environmental footprint.

(b) Please provide details of the evidence relied upon that proves that the proposed venture results in more environmentally responsible natural gas and the evidence that gas purchased through Enbridge Gas would not have the same benefits.

Response: Lagasco relies on the following evidence indicating that its gas avoids compressor fuel and UFG from Dawn to the customer as it is produced in direct proximity to the Proplant proposed facility:

Using the throughput data from Exhibit I.4 FRPO-97, plus T1, T2 and T3 forecast from Exhibit 3 (Tab 2, Sch. 8, Attach. 1, Pg. 2), we estimate that the company-used gas, compressor fuel and UFG is estimated at 2.35%.

Lagasco also understands, but has not quantified, that there is significant fuel gas shrinkage in long-haul transmission from North American production basins to Ontario.

EGI – 4

4. Reference: Lagasco Application, page 4

“Other than a certificate of public convenience and necessity, Lagasco will have all requisite approvals required under all applicable laws to construct the service line and regulation/metering equipment and facilitate the sale of gas directly to Proplant. These approvals include any required from the Ministry of Natural Resources and Forestry (MNRF), Technical Standards and Safety Authority (TSSA), Measurement Canada and Haldimand County.”

Question:

Please provide specific details of the approvals required from the Ministry of Natural Resources and Forestry, the Technical Standards and Safety Authority, Measurement Canada and Haldimand County.

Response: Lagasco is a licensed operator under the *Oil, Gas and Salt Resources Act* (through the Ministry of Natural Resources and Forestry) and holds all required licenses and approvals to produce and operate its facilities.

Lagasco has a Road User Agreement entered into with the Corporation of Haldimand County with a term ending on February 1st, 2030.

Lagasco will apply for and obtain a license to distribute with the Technical Standards and Safety Authority prior to delivering natural gas to the Proplant Facility.

Lagasco will in the normal course have its sales meter registered with Measurement Canada.

Lagasco does not require any additional approvals from Haldimand County.

EGI – 5

5. Reference: Lagasco Application, page 5

“Lagasco will utilize its existing wells and gathering pipelines to supply the incremental gas requirements of Proplant. Lagasco will be the sole owner of the tie-in system that will need to be constructed to facilitate this gas supply to Proplant.”

Reference: EB-2017-0289 Decision and Order dated June 14, 2018, pages 3 - 4

“The OEB does not accept that the Pipeline is a “gathering system” and finds instead that it will be providing distribution services. OMLP has clearly indicated that both the Pipeline and the tie-in system are required to serve the Greenhouse Facility. There is no mention of new wells being integrated into the system with this new Pipeline. The sole purpose of the Pipeline appears to be to distribute gas to the Greenhouse Facility. The OEB therefore finds that the new Pipeline provides a distribution function.”

Reference: EB-2019-0089 Decision and Order dated August 26, 2019, page 4

“The OEB finds that the Pipeline provides natural gas distribution services, and that its purpose is to supply natural gas in a municipality. Based on the evidence in this case, it is clear that the sole purpose of the Pipeline is to move gas from the existing gathering lines to the NLC facility. Therefore, the OEB finds that Metalore requires a certificate from the OEB for the Pipeline.”

Question:

Please explain how Lagasco’s existing and proposed pipeline systems are different from the OMLP pipeline used to provide distribution services to a greenhouse facility (EB-2017-0289) and the Metalore pipeline used to provide gas to end users in Norfolk County (EB-2019-0089).

Response: Lagasco’s current application can be distinguished from both EB-2017-0289 and EB-2019-0089 in that no new transmission or distribution pipeline is necessary to be constructed to serve the Proplant proposed generation facility. The production line, which is on Proplant’s property and not on a municipal road allowance, to which Proplant wishes to connect, has been in operation for decades.

EGI – 6

6. : Lagasco Application, page 5

Lagasco operates a compressor station and pipeline through which it delivers natural gas to Enbridge Gas Inc. (“EGI”) on the east side of Jarvis Ontario. This is the pipeline that Lagasco proposes to use to supply the incremental gas the Proplant facility requires. The pipeline is on the north side of Hwy 6 on Proplant’s property. No main line piping will be required in order to supply Proplant. The natural gas for the Proplant facility will be from Ontario produced Lake Erie gas wells having a ~ 50 year reserve life. Only a short service line of approximately 50 meters and a very simple meter/regulator/monitoring station will be necessary to provide the service (See Appendix 6).”

Questions:

- (a) Please provide details of any franchise agreements and certificates of public convenience and necessity that Lagasco currently holds related to the construction and operation of its current facilities. If none exist, please provide details of the exemptions that Lagasco received from the provisions of the Municipal Franchises Act.

Response: As a production line, neither a franchise agreement nor a CPCN is required under current legislation.

- (b) Please identify any other customers and their loads that Lagasco has for the gas from its Lake Erie gas wells and any studies showing the existence of the referenced 50 year reserve life with the addition of the proposed Proplant facility load.

Response: Lagasco’s Lake Erie gas wells connect to several distinct gathering pipeline networks. Other than Enbridge, there are no other customers connected to the facilities proposed to serve Proplant. Please see Lagasco response to OEB Staff Interrogatory 2(a)(i) for reserve life confirmation.

EGI – 7

7. Reference: Lagasco Application, page 7

“Proplant is in a second stage of a bid and application with the Independent System Operator (“IESO”) to supply natural gas fired electricity generation to the power grid. If successful, Proplant would enter into a contract to supply power to the Ontario grid (the “IESO Contract”). On September 18, 2023, Proplant was informed by the IESO that they had received approval together with AB Energy Canada Ltd. to proceed with a bid for a 9.5 MW power supply contract.”

Questions:

- (a) Please confirm that Lagasco’s gas supply and the applied-for CPCN will not be required if Proplant is not successful in its bid to supply electricity to the grid.

Response: Confirmed

- (b) Has Lagasco initiated any construction to supply gas service to the Proplant facility? If so, what has been completed and/or is in progress?

Response: No.

EGI – 8

8. Reference: Lagasco Application, page 7

“Please see below for Proplant’s additional natural gas requirements to supply the electrical generation facility and ultimately meet the requirements of the IESO Contract.”

Questions:

- (a) Please provide all documentation that supports the gas usage estimate and how many days the proposed generation plant will be running.

Response: Please see response by Lagasco to the OEB Staff Interrogatory 2 (a)(ii). The gas usage will be based on the generation equipment purchased by Proplant and the IESO contract demand requirements.

- (b) Please provide details of the requirements of the IESO Contract.

Response: Lagasco is not a party to the IESO/Proplant contract and as such cannot provide any information related thereto. Proforma contracts should be available through the IESO.

EGI – 9

9. Reference: Lagasco Application, page 8

“Lagasco has provided quotes to Proplant for both the incremental natural gas supply and for the construction of the infrastructure required to provide the gas (the tie-in).”

Question:

Please provide all documentation associated with the quotes provided to Proplant by Lagasco for requested service and required infrastructure.

Response: Please refer to OEB Staff Interrogatory 4(a) for response.

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10. : Lagasco Application, page 12

“Thirdly, this proposed project will create a number of jobs and other economic benefits to the local community. The Lagasco Proplant service connection will operate independently and will have no impact on EGI’s current or future rate payers.”

Questions:

- (a) Please provide specific details of how jobs will be created and how many jobs the Lagasco service connection itself will create.

Response: According to Proplant, their generation facility is expected to provide an additional 1-3 full time jobs. Lagasco’s tie-in facility is not expected to provide any additional full-time jobs.

- (b) Please provide details of the evidence that shows that the proposed service connection will have no negative impacts on other current or future Ontario ratepayers.

Response: Proplant has indicated to Lagasco that Enbridge’s more lengthy connection timelines and aid-to-construct costs to be allocated to Proplant would be prohibitive and will result in no facility construction and loss of needed incremental Provincial power production. Lagasco is applying to deliver only incremental volumes as requested by Proplant for their new generation facility, which Enbridge is unable to supply at a reasonable, competitive cost within the timeframes required. Therefore, other than these facilities not being included in an expanded Enbridge rate base, this limited power generation facility will not cause or have any material or detrimental impact on existing or future Enbridge ratepayers. Existing ratepayers are not being asked to fund the new tie-in connection, nor are future ratepayers being asked to contribute or subsidize this project and its connection.

EGI – 11

11. Reference: Lagasco Application, page 13

“The project allows the Board to further meet many of its stated objectives as set out in s 2. Specifically, those bolded below are addressed by this application.

[...]

6. To facilitate competition in the sale of gas to users.

[...]

7. To promote energy conservation and energy efficiency in accordance with the policies of the

Government of Ontario, including having regard to the consumer’s economic circumstances.”

Question:

(a) Please provide specific details of how competition in the sale of gas to users is being facilitated by the proposed Lagasco service connection.

Response: Proplant has been supplied by Enbridge with cost estimates and timelines for a new, longer pipeline and a tie-in connection to be constructed by Enbridge to supply gas to Proplant’s proposed power generation facility. This information can be found in Lagasco’s Application at Appendix 4. A comparison of the two detailed options for gas supply and connection from Enbridge and Lagasco’s local Ontario gas supply illustrates and reveals the clear competitive nature of the service and connection that is being considered by Proplant. The contrast of the costs and timelines for supply of gas to the proposed Proplant power generation facility is evidence of the distinct, local, broader, competitive energy supply options facing Proplant. As a business owner and operator supplying greenhouse propagation operations across Southwestern Ontario, energy/power costs make up a significant portion of greenhouse operating expenses. As such, Proplant is making its competitive choices carefully to ensure the economic stability and viability of its business, which is a stated and distinct consideration in the objectives of Ontario’s energy legislation given consumers’ economic circumstances.

(b) Please provide specific details of how energy conservation and energy efficiency are being promoted by the proposed Lagasco service connection.

Response: Energy efficiency and energy conservation objectives are both served well by using local supplies for this new Ontario business expansion into power generation. It is highly efficient for Proplant to use a local gas supply, assuming it is (and it is)

available for this long-term agricultural and power facility, which can choose to use the CO₂ from this operation. The local gas is derived from local wells, and delivered through nearby, existing and adequately supported, maintained pipelines. Such proximate delivery from a local production source also supports worthy energy conservation objectives as the local gas delivery is undertaken in an environmentally efficient manner. The local gas infrastructure is paid for by a local Ontario producer (so not a utility ratepayer cost), with no long-haul fuel gas carbon emissions from ex-Ontario sources/basins, and miniscule (if any) fugitive or carbon emissions, being so closely proximate from wellhead to burner-tip. Generically, local Ontario gas delivers a strong, positive environmental benefit to local greenhouse operations, which need reliable, sustainable heat energy, carbon and power production for grow lights and operations, in varying amounts, and especially for seedlings.

EGI – 12

12. Reference: Lagasco Application, Appendix 4 Correspondence between Proplant and Enbridge Gas

Questions:

(a) Please confirm that the request for service from Proplant to Enbridge Gas was for 3,880 m³/hour incremental to the service already provided to Proplant.

Response: Yes.

(b) Please confirm that the service required by Proplant for its electricity generation proposal is now 2,328 m³/hour.

Response: Yes. Please refer to the Lagasco Application Appendix 7 (page 2) for a letter to AB Energy Canada from the IESO (dated September 18, 2023) limiting the available generation at the Jarvis TS to 9.5 megawatts (case 3) from previous requests of 16.9 megawatts (case 1).

(c) Please provide details of the hourly factor assumed for the proposed Proplant generation facility to calculate the m³/day.

Response: Proplant assumed gas usage of 2,328 m³/hour for an average of 6 hours per day.

(d) Did Proplant confirm with Enbridge Gas whether the added costs of system reinforcement were required at the lower demand rate?

Response: Proplant indicated to Lagasco that they have not had any additional conversations with Enbridge for the reasons explained below.

As early as 2020, and in multiple correspondence between Proplant and Enbridge, Proplant was informed that Enbridge was unable to supply volumes above what Proplant is currently using for its existing greenhouses without significant system upgrades.

Enbridge has opined that it is experiencing residential customer growth, which it must supply and commercial system growth is difficult to forecast. On the basis of this, significant timeline constraints related to the IESO bid and contract award process, and other related information through various emails, Proplant and its professional advisors (360 Energy) made the decision to search out and assess other energy supply alternatives which led Proplant to Lagasco. At no point has Enbridge been able to confirm its ability to supply the volumes of incremental gas to Proplant without significant upgrades, unknown aids to construct and a lengthy timeline.

Lagasco has worked cooperatively with Proplant through their IESO application process which is continuing to evolve in scope. Proplant relied upon the budget provided by Lagasco for the supply of the incremental gas for the power generation facility in its pricing proposal to the IESO. Should Proplant be successful in its proposal, they will be required to honour the price they have submitted to the IESO which was based on Lagasco budgeted costs.

- (e) Please confirm the pressure of the service to be provided by Lagasco versus the 20 psi services requested from Enbridge Gas.

Response: Lagasco has the ability to provide Proplant with 60-120 psi.

Lagasco Response to Interrogatories
EGI - 1 (a)

