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METALORE RESOURCES LIMITED

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June 3, 2019

Ms. Kirsten Walli
Board Secretary
Ontario Energy Board
2300 Yonge Street, 27th Floor
Toronto, ON M4P 1E4

Dear Ms. Walli:

Re: Metalore Resources Limited
Application for Certificate of Public Convenience and Necessity in Norfolk County
Ontario Energy Board File No. EB-2019-0089

METALORE RESOURCES LIMITED RESPONSE TO ONTARIO ENERGY BOARD AND ENBIRDGE GAS INC. INTERROGATORIES

In accordance with Procedural Order No. 1, Metalore Resources Limited hereby submits its responses to the interrogatories provide by the Ontario Energy Board and Enbridge Gas Inc. on May 23, 2019.

Sincerely,

Mr. Armen Chilian
President and CEO
Metalore Resources Limited
+1 (519) 427-4289
armen.chilian@gmail.com

cc: Peter Budd,
Stephen Sangiuliano,
Patrick McMahon,
Ritchie Murray,
Scott Lewis,

Budd Energy Inc.

Strategic + Projects Advice

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Dear Ms. Walli:

Re: Metalore Resources Limited
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METALORE RESOURCES LIMITED RESPONSE TO ONTARIO ENERGY BOARD AND ENBIRDGE GAS INC. INTERROGATORIES

In accordance with Procedural Order No. 1, Budd Energy Inc., on behalf of Metalore Resources Limited, hereby submits its responses to the interrogatories provide by the Ontario Energy Board and Enbridge Gas Inc. on May 23, 2019.

Sincerely,

Mr. Stephen Sangiuliano
Energy Policy & Regulatory Specialist
Budd Energy Inc.
+1 (647) 248-1053
ssangiu@rogers.com

cc: Peter Budd, pbudd.bei@rogers.com
Armen Chilian, armen.chilian@gmail.com
Patrick McMahon, patrick.mcmahon@enbridge.com
Ritchie Murray, ritchie.murray@oeb.ca
Scott Lewis, slewis@onenergy.ca

ONTARIO ENERGY BOARD ("OEB") STAFF:

OEB Staff-1
Ref.: Application, pages 3 & 8

Preamble:

Metalore Resources Limited (Metalore) seeks a certificate of public convenience and necessity (certificate) under section 8(1) of the *Municipal Franchises Act* to construct works to supply gas to the proposed expansion of the New Leaf facility located on the south half of Lot 16, Concession 5, Norfolk County (geographic Township of Charlotteville) with a municipal address of 1195 Charlotteville Road 5, Simcoe, Ontario N3Y 4K1.

Metalore states that Leaf is expanding its cannabis cultivation, extraction, analytics and production facility from the current 4,000 square feet facility to a 31,000 square foot facility. Metalore states that New Leaf will require between 75,000 – 90,000 GJ per year of natural gas. The first phase of this expansion is expected to be completed by October 1, 2019.

Questions & Draft Responses:

OEB 1a: Please confirm whether or not the existing New Leaf facility is served with natural gas. If so, who provides that service?

Response: The current New Leaf Canada Inc. ("NLC") Walsh Facility is not served with natural gas.

OEB 1b:
Please confirm whether it is the first phase alone of NLC's expanded facilities that will require 75,000 – 90,000 GJ per year of natural gas, or whether this is the total gas demand once all phases are complete.

Response: The current expansion of the Walsh Facility will require 75,000-95,000 GJ per year of natural gas. No other future expansion phases of the facility are planned as of this date.

OEB 1c: If the 75,000 – 90,000 GJ per year is only for the first phase of expansion, please provide New Leaf's total estimated demand once all phases of its expansion are complete.

Response: There are no other future expansion phases planned for the New Leaf Walsh Facility as of this date.

OEB 1d: What would New Leaf do to meet its energy needs at its expanded facility in the event that gas supply from Metalore was interrupted for an extended period of time?

Response: NLC has and plans to have an adequate supply of propane available for back-up energy on site, which can be used in the case of a disruption in natural gas supply for a short or an extended period of time.

OEB Staff-2
Ref.: Application, page 3

Preamble:

Metalore states that Enbridge Gas informed New Leaf that [a capital contribution of] $260,000 would be required in order for Enbridge Gas to provide service to the expanded New Leaf facility.

Questions & Draft Responses:

OEB 2a: In the time since Metalore filed its application, is Metalore aware of any additional information exchanges between New Leaf and Enbridge Gas regarding Enbridge Gas' ability to provide service to New Leaf? Please elaborate.

Response: Yes, NLC engaged in additional information exchanges regarding the potential for receiving gas service from Enbridge Gas ("EGI").

On March 22, 2019, Metalore Resources Limited ("MRL") approached Enbridge Gas Inc. ("EGI") via email with the possibility of adding NLC as a Field Line Customer ("FLC").

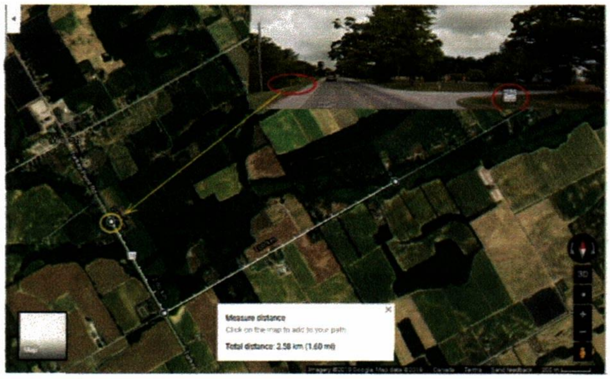
On March 26, 2019, and then on April 8, 2019, EGI replied that a Certificate of Public Convenience and Necessity ("CPCN") would have to be in place for the NLC Walsh Facility address at 1195 Charlotteville Road 5 before they would discuss adding NLC as a FLC.

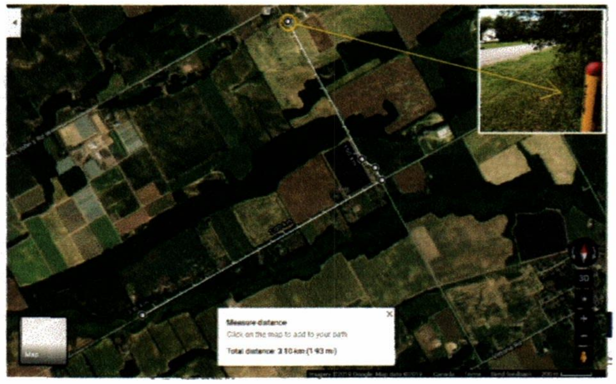
However, on April 15, 2019, EGI stated that not only would a CPCN be required for the NLC Walsh Facility address at 1195 Charlotteville Road 5, but for the entire gas gathering system. Particularly, (i) a CPCN, (ii) a Technical Standards & Safety Authority ("TSSA") license, and (iii) a Franchise Agreement with Norfolk County, would all be required to distribute gas.

EGI's communications to MRL regarding the above came as a surprise to MRL. There had been fifteen (15) applications submitted by local residents requesting gas service connection. MRL contacted each of the resident applicants stating not to expect gas hook-up as EGI had added new conditions for MRL, which had never been previously requested, demanded, or otherwise mentioned as Union Gas Limited ("UGL", now EGI) added FLC's since the signing of the FLC Agreement between UGL and MRL on April 1, 1991 through to 2018.

OEB 2b: To the best of Metalore's knowledge, where is the location of the nearest Enbridge Gas distribution pipeline to the New Leaf facility?

Response: To the best of MRL's knowledge, the location of the nearest EGI distribution pipeline to the NLC Walsh Facility is approximately 2.58 km westward to 1198 Turkey Point Road or northeastward 3.10 km, south of 1133 Charlotteville East Quarterline Rd. Please see aerial images below.





OEB Staff-3
Ref.: Application, pages 3 and 5

Preamble:

Metalore states that in respect of servicing the New Leaf facility, it intends to construct a new pipeline and a tie-in station located at the New Leaf facility (Project).

Metalore states that the new pipeline from the existing Metalore pipeline system to the tie-in station located at the New Leaf facility will transport raw, un-odorized natural gas and is classed as a gathering line (rather than transmission or distribution line).

Metalore states that New Leaf has agreed to pay for all construction of the proposed pipeline and tie-in station, and that Metalore will operate and maintain the pipeline and tie-in station once the facilities are operational.

Questions & Draft Responses:

OEB 3a: If there was no need to move gas from Metalore's existing gathering lines to the New Leaf facility, would Metalore construct the new pipeline? If so, please explain why.

Response: No. MRL would only construct a pipeline if it connected its gas wells to allow for the efficient flow of gas to meter sites. MRL does not have a CPCN to connect a gas line to an end user as a distributer of gas.

OEB 3b: Please confirm whether Metalore or New Leaf will own the new pipeline.

Response: MRL will own the new pipeline.

OEB 3c: Please confirm whether Metalore or New Leaf will own the tie-in station.

Response: MRL will own the tie-in station.

OEB 3d: Please confirm that the tie-in station provides dehydration, odourization, pressure regulation and volumetric measurement. Does it perform any additional functions? Please explain.

Response: The tie-in station will provide inlet separation, gas dehydration, odourization, pressure regulation and volumetric measurement. It will not perform any additional functions.

OEB 3e: As the pipeline will be distributing gas to a consumer (New Leaf), why does Metalore believe it should be classified as a gathering line as opposed to a distribution line?

Response: The gas upstream of the processing facilities at the NLC Walsh Facility does not meet the definition of "natural gas" as defined by UGL (now EGI) in their standard contracts, as the gas contained in the pipeline is saturated with water vapour and may contain free water and other "objectionable matter". Under UGL (now EGI) definitions, this gas material would not be acceptable within their distribution system destined for a distribution line. The pipeline systems upstream of the NLC Walsh Facility do, however, meet the industry definition of "gathering line" as detailed in CSA Z662-15: Oil and Gas Pipeline Systems.

Regardless of gas requirements of NLC, if its application is approved, MRL intends to connect the pipeline to its gas wells south of Concession 5 to allow more of its natural pressure to fill these gathering lines in the case of more volume requirements from either historic FLCs or NLC. Since gas flows to the area of least resistance, it makes the gas flows more efficient.

OEB Staff-4
Ref.: Application, page 4, 6 and 12

Preamble:

Metalore states that Enbridge Gas currently utilizes Metalore's gas lines to supply natural gas to 150 homes and farms within Charlotteville Township that are known as Field Line Customers (FLCs).

Metalore states that the production from its natural gas wells is currently sold into three Enbridge Gas meter stations and to these 150 FLCs.

Metalore states that the existing FLCs consume 10-50% of Metalore's production.

Metalore states that its service to New Leaf will not affect Enbridge Gas' current or future rate payers.

Questions & Draft Answers:

OEB 4a: Assuming New Leaf begins consuming Metalore's locally produced gas, what percentage of Metalore's annual production would be supplied to New Leaf?

Response: MRL anticipates that NLC's Walsh Facility will use up to 50% of all of MRL's annual production to supply the NLC Walsh Facility.

OEB 4b: Has Metalore commissioned a study to determine whether or not the addition of the New Leaf load would impact service to the FLCs in terms of such things as a) delivery pressures and b) how long the FLCs can expect to continue being served by Metalore's locally produced gas (Impact Study)? If so, please file the Impact Study into evidence.

Response: MRL and its petroleum engineer have reviewed FLC sales and UGL meter sales for the past five years, reviewed the available reserves for several years forward, and decided that an Impact Study is not necessary at this time. A historical analysis of recorded pressure/flow data through the MRL system confirms that there is sufficient capacity to service all existing FLC's as well as NLC for many years into the future.

OEB 4c: If Metalore has not commissioned an Impact Study, in Metalore's opinion, would the addition of the New Leaf load reduce the number of years of remaining service to the existing FLCs? Please explain

Response: Yes, without drilling more wells and adding additional reserve volumes onto the MRL system, the addition of the NLC Walsh Facility load would reduce the number of remaining service years to the existing FLCs.

However, based on MRL's annual reserve report, the company has a remaining reserve life of 23.6 years at the existing (actual 2018) sales rate. The addition of NLC as a load off the MRL system will not actually increase MRL's sales; the addition of NLC will effectively reallocate traditional sales from delivery to one of the three UGL meter sites, to delivery to NLC.

MRL's system has 115-130psi natural pressure and does not use compression to move gas to FLCs or meter sites. If and when more gas is required, NLC will pay for the drilling and treatment stimulation of additional gas wells to sustain the system requirements.

OEB 4d: If Metalore provides service to New Leaf, will there be a reduction in gas supplied into Enbridge Gas' meter stations?

Response: Yes, if MRL provides service to the NLC Walsh Facility, there will likely be a reduction in gas supplied into EGI's three meter stations, although this could change if and when MRL decides to drill-up more reserves. For MRL to sell gas through the EGI meter sites, its natural pressures must be higher than the pressure of the gas that is already in the EGI line (back pressure is typically 115-130psi). With minimum back pressure in the MRL system, which is intended to service the NLC Walsh Facility, gas, which flows to the area of least resistance, will simply be more readily consumed as the MRL reserves are reduced over time.

OEB 4e: Did Metalore explore the option of providing service to New Leaf as a FLC in collaboration with Enbridge Gas? If not, why not? If so, please fully explain why this option was not pursued

Response: Yes.

On March 22, 2019, MRL approached EGI via email with the possibility of adding NLC as a FLC. On March 26, 2019, and then on April 8, 2019, EGI replied that a CPCN would have to be in place for the NLC Walsh Facility address at 1195 Charlotteville Road 5 before EGI would discuss adding NLC as a FLC.

However, on April 15, 2019, EGI stated that not only would a CPCN be required for the NLC Walsh Facility address at 1195 Charlotteville Road 5, but for the entire gas gathering system. Particularly, (i) a CPCN, (ii) a TSSA license, and (iii) a Franchise Agreement with Norfolk County would be required to distribute gas.

EGI's communications to MRL regarding the above came as a surprise to MRL. There had been fifteen (15) applications submitted by local residents requesting gas connection and service since February 2018. MRL contacted each of the resident applicants stating not to expect gas hook-up as EGI had added new conditions for MRL, which had never been previously requested, demanded, or otherwise mentioned as UGL (now EGI) added FLCs since the signing of the FLC Agreement between UGL (now EGI) and MRL on April 1, 1991 through to 2018.

The provision of gas services to the NLC Walsh Facility as an MRL FLC in collaboration with EGI, was not a possibility for NLC, due to the uneconomical nature of the current MRL-UGL gas supply contract, particularly given the excessive capital costs for service connection (aid to construct), which EGI provided through quotes.

In November 2018, EGI provided a quote for gas supply hook-up for the NLC Walsh Facility at a cost of $260,000, which NLC had budgeted for and thus decided to continue with the Walsh Facility construction.

In April 2019, EGI subsequently provided a quote for $2,314,700 for the same gas supply service connection work. This approximately ten-fold order-of-magnitude cost increase left NLC with no choice but to work with MRL to obtain a direct Gas Purchase Agreement ("GPA") from MRL's supply. If NLC were aware of the ~$2.3 million cost from the start, rather than the $260,000 that was provided by EGI initially in November 2018, NLC would not have decided to proceed with the construction of the Walsh Facility. If somehow EGI were to be the supplier, NLC would face a very challenging and potentially devastating increase of almost 25 percent on the total project development cost.

EGI has refused to allow additional farms/houses to be added to the MRL system as FLCs (see attached copy of Enbridge response to requests), even though there is sufficient additional produced gas available, and UGL/EGI have been supplying existing FLCs through the existing MRL system for many years [The UGL/MRL FLC agreement lists over 50 metered customers, perhaps 37 of which had already been served from MRL's gas. According to a spreadsheet obtained from UGL, the earliest FLC was hooked up in1968]. EGI is now requiring that Metalore certify their entire gathering system with a CPCN from the OEB as a natural gas distributer before EGI is prepared to add any additional FLCs off of the MRL system.

The MRL system is not a natural gas distribution system, only the short connections from the MRL system to each FLC, with that short distribution system owned by EGI. The only way EGI was prepared to provide service to the NLC Walsh Facility was by constructing a dedicated line from outside of the MRL system to the NLC Walsh Facility at a considerably higher cost.

OEB 4f: To the best of Metalore's knowledge, if for any reason it were required, could the flow through the three Enbridge Gas meter stations be reversed such that gas flowed from Enbridge Gas' system to the existing FLCs?

Response: To the best of MRL's knowledge, if for any reason it were required, the gas flow through the three (3) EGI meter stations could be reversed such that gas flowed from EGI's system to the existing FLCs.

OEB Staff-5
Ref.: Application, pages 4 and 9

Preamble:

Metalore states that if its application is approved, local landowners will receive increased royalties paid on locally produced gas from their farms.

Metalore states that it will install approximately 1700 metres of new 3" high density polyethylene pipeline along boundaries of four private properties. Metalore states that it currently pays annual royalties to all four of these land owners.

Questions & Draft Answers:

OEB 5a: Please explain the nature of the existing royalty agreements between Metalore and landowners in general; specifically, please explain on what basis landowners are currently compensated.

Response: Landowners within Charlotteville Township, who have active MRL gas wells within the area of drainage (spacing order as designated within each lot of each concession), are paid a 6.5% royalty annually from the production from the respective gas well(s).

OEB 5b: Please estimate in dollars the total increase in royalty payments as a result of the Project.

Response: Using a natural gas price of $6/GJ, and 2018 volume sales of MRL, if the NLC Walsh Facility consumes 50% of all natural gas produced, an anticipated approximate value of $25,000 more in royalty payments to landowners can reasonably be expected.

OEB 5c: Are the four landowners mentioned in the preamble the only landowners who will see an increase in royalty payments? If not, please explain.

Response: Any of the ~180 landowners (subject to change following 2019 review) whose gas well production is consumed by NLC could see an increase in royalty payments. The closer a gas well is to the NLC Walsh Facility, the higher the probability its landowners will receive increased royalty payments.

OEB 5d: How and when did Metalore make the four landowners aware of Metalore's plans to construct a pipeline on their properties?

Response: On January 2, 2019, Mr. Armen Chilian met with Mr. John Cooper at Mr. Cooper's property (where Well #9 is located) and together they toured by pick-up truck to discuss where a proposed pipeline would be installed. On January 6, 2019, Mr. Chilian met with Mr. Mark DeVos and rode in a quad to discuss where a gas line would be installed across his property. Mr. DeVos owns property on which Well #10 exists and is a professional installation contractor for pipelines.

On January 8, 2019, Mr. Chilian met with Jorden Hughes, Director of Maintenance and Agriculture for Scotlynn Commodities Inc., who have gas Wells #6 and #14 on their property. Mr. Chilian showed Jorden the area where MRL would be installing a 3" pipeline across the property. Also on January 8, 2019, Mr. Chilian met with Mr. Larry Benz, who owns property to the west. Mr. Chilian drove in a pick-up truck with Mr. Benz and outlined where a pipeline would be installed. All four landowners are current royalty recipients.

OEB 5e: Did any of the four landowners object to Metalore's plans to construct a pipeline? If so, please describe the nature of the objections. Have the objections been resolved? Please explain.

Response: No landowners have objected to MRL's plans to build a new pipeline. MRL has gas leases for each of the four properties, all of which give MRL the right to drill for gas and service its works as necessary. Further, MRL has requested letters of support from the four landowners on May 31, 2019. One support letter has been received to date, signed by Mr. Mark DeVos of Earthworks Contractors (appended herein) with the other three landowners stating that they will follow up with their letters of support in due time. MRL will file these letters as evidence as soon as they are signed by the appropriate landowners.

OEB 5f: Did Metalore receive any letters of support for the Project from the four landowners? If so, please file the letters into evidence.

Response: No letters of support for the project were requested by MRL from landowners. All four landowner have been notified about the project by Mr. Chilian and none of them has objected. (From May 29 to June 1, Mr. Armen Chilian again met individually with Larry Benz, Jorden Hughes, Mark DeVos and John Cooper, and was given verbal assurance that each would provide a letter of consent allowing construction of pipeline across their respective properties).

OEB Staff-6
Ref.: Application, pages 8 and 9

Preamble:

Metalore states that its existing pipeline system operates at a maximum of 135 psi.

Metalore states that the new pipeline will be nominal pipe size 3-inch and 1700 meters in length.

Questions & Draft Answers:

OEB 6a: Please confirm the length, diameter, and operating pressure of the new pipeline.

Response: The new pipeline will be constructed from 3" DR9 High Density Polyethylene (HDPE) material. The HDPE material is rated at design pressures up to 250 psi (1725 kPa) in dry gas gathering service (as per CSA Z662-15 Clause 13.3), and therefore the design pressure exceeds the maximum operating pressure, which is expected to be 100-120psi. The pipeline will extend 2,500 meters from the NLC Walsh Facility to Turkey Point Road.

OEB 6b: Please provide the estimated capital cost of the new pipeline.

Response: In March, 2019, Sandale provided a quote for piping supply of $3.19/ft x 8,500 ft = $27,115. In January, 2019, Darroll Konings of Weber Contracting provided a quote for installation for $68,816, but added he had a six month wait time due to heavy demand. In February 2019, Mr. Mark DeVos provided a quote for installation for $92,600, but stated that he could install within a week's notice. Given the above, it is reasonable to estimate that the new pipeline could cost ~$120,000.

OEB Staff-7
Ref.: Application, page 10

Preamble:

Metalore states that the expanded New Leaf facility will have a need for natural gas in mid-2019, and that Metalore would need to construct the new pipeline and tie-in station in June and July 2019 to meet this requirement.

Questions & Draft Answers:

OEB 7: Please provide an update on the timing of New Leaf's gas needs and Metalore's construction schedule.

Response: NLC has stated that it will require gas connection for August 31, 2019, and plans to complete construction of the NLC Walsh Facility for October 31, 2019.

OEB Staff-8
Ref.: Application, page 11

Preamble:

Metalore provides a list of activities related to the operation of the proposed tie-in station.

Questions & Draft Answers:

OEB 8: Please confirm that odourant handling and storage as well as gas odourization should be part of this list. If so, please provide an updated list that includes these activities.

Response: Odourization facilities will be a part of the NLC Walsh Facility as indicated in the P&ID supplied with the application. A King Tool Model 2B Bypass Odourizer will be installed downstream of the dehydration facilities. The odourant will be added on a regular basis, whenever the odourant supplier is in SW Ontario to top-up other odourant facilities in the area.

OEB Staff-9
Ref.: Application, pages 11 and 12

Preamble:

Metalore states that its employees who will be responsible for the new pipeline and tie-in station will be the same employees who currently service Metalore's existing infrastructure.

Metalore states that the Project will create numerous jobs and other economic benefits to the local community.

Questions & Draft Answers:

OEB 9: If Metalore's existing staff will service the new pipeline and tie-in station, what types and numbers of new jobs will be created by the Project?

Response: NLC anticipates that the expansion of the first phase of the Walsh Facility will create ~20 jobs: 15 Plant Specialists, 1 Head Grower, 2 administrative staff, and 2 maintenance staff

OEB Staff-11
Ref.: Application, page 13

Preamble:

Metalore has applied for a certificate to enable it to construct works to supply gas to the proposed expansion of the New Leaf facility. The OEB Act permits the OEB, when making an order, to "impose such conditions as it considers proper."1

Questions & Draft Answers:

OEB 11: OEB staff has prepared the following draft Conditions of Approval. If Metalore does not agree to any of the draft conditions of approval noted below, please identify the specific conditions that Metalore disagrees with and explain why. For conditions in respect of which Metalore would like to recommend changes, please provide the proposed changes and an explanation of the changes.

Metalore Resources Limited
Application for Certificate of Public Convenience and Necessity
DRAFT CONDITIONS OF APPROVAL

1) Metalore shall give the OEB notice in writing of the:
    a) Commencement of construction, at least ten days prior to the date construction commences;
    b) Planned in-service date, at least ten days prior to the date the facilities go into service;
    c) Date on which construction was completed, no later than 10 days following the completion of construction; and
    d) In-service date, no later than 10 days after the facilities go into service.
2) Metalore shall designate one of its employees as project manager who will be responsible for the fulfillment of these conditions. Metalore shall provide the employee's name and contact information to the OEB, the four landowners, and clearly post the information at the tie-in station site. The project manager will be responsible for the fulfilment of the conditions of approval on the site.
3) The OEB's designated representative for the purpose of these Conditions of Approval shall be the OEB's Manager of Supply and Infrastructure Applications.

Response: MRL is in agreement with all of the OEB Draft Conditions of Approval for MRL's application for the CPCN in question.

ENBRIDGE GAS INC. ("EGI"):
Patrick McMahon, Specialist, Regulatory Research & Records:

1. Reference: Metalore Application, page 3

"To this end, Metalore 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 gas to the proposed New Leaf facility located on the south half of Lot 16, Concession 5, Norfolk County (geographic Township of Charlotteville), with a municipal address of 1195 Charlotteville Road 5, Simcoe, Ontario N3Y 4K1

Question & Draft Answer:

EGI 1: Please confirm whether this will be the only service location to which Metalore intends to provide service. 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: The municipal address of 1195 Charlotteville Road 5 is the only location to which MRL plans to provide gas service directly to an end user at this time.

2. Reference: Metalore Application, page 3

"The granting of a Certificate is in the public interest favored by the economics, complete absence of environmental impacts, no outstanding landowner issues since Metalore already pays royalties on the gas leases in the area, no adverse impact on other ratepayers, and Metalore is a competent builder and operator of the proposed gas supply works."

Questions & Draft Answer:

EGI 2a: Please describe the criteria used to determine that granting of the requested CPCN is in the public interest and how this criteria compares to the criteria typically used by the OEB to determine public interest.

Response: MRL believes that the granting of a limited CPCN from the OEB to MRL to provide gas supply services to the NLC Walsh Facility is in the public interest, and in line with criteria typically used by the OEB to determine as such, as it is in the public interest to have gas available (i) at an affordable price, (ii) in a timely manner, and (iii) from local suppliers.

NLC approached MRL on November 12, 2018 saying that they were not happy with such poor communication in their pursuit of gas connection with UGL and were open to alternatives.

The NLC Walsh Facility is being built, and will be operational with or without natural gas fuel service (alternative is to fuel with propane). If the MRL gas feed is not approved, NLC would either require regular delivery of propane by heavy trucks, causing longer term damage to township roads, or much more extensive on-road-allowance pipeline construction would be required for EGI to build required pipeline capacity to the NLC Walsh Facility.

If EGI were to supply gas to NLC from their pipeline system at Walsh along Turkey Point Road, the new pipeline would be installed along a road which already contains an MRL pipeline. This added on-road-allowance pipeline construction is not in the public interest, especially along a major road like Turkey Point Road, when there is a cheaper and more efficient alternative.

Further, EGI provided a quote for gas supply hook-up for the NLC Walsh Facility at a cost of $260,000 in November 2018, which NLC had budgeted for and thus decided to continue construction. EGI subsequently provided a quote in April 2019 of $2,314,700 for the same gas supply service. This approximately ten-fold order-of-magnitude cost increase left NLC with no choice but to work with MRL to obtain a direct GPA from MRL's supply.

If NLC were aware of the >$2.3 million cost from the start, rather than the $260,000 that was provided by EGI initially in November 2018, NLC would not have decided to go forward with the construction of the Walsh Facility. Were only an EGI connection to be the alternative, NLC would be facing a very challenging and potentially devastating increase of almost 25 percent on its total project cost of this development.

EGI 2b: 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 environmental impacts.

Response: Natural gas produced from local (within 5 km radius) gas wells will be consumed by the NLC Walsh Facility located at 1195 Charlotteville Road 5. The Walsh Facility and nearby piping will be manufactured and installed in 2019. The majority of the construction outside of the NLC Walsh Facility will be pipelines ploughed in farmers' fields, and will be very similar to standard drainage tile installation, where there is no significant mixing of subsoil and topsoil. No surface drainage or creek systems will be crossed, so there will be no impacts on local aquatic life. The facility is operated on private property on an agricultural field and not close to any public gatherings, municipal roadways, power lines or waterways.

3. Reference: Metalore Application, page 3

"Union Gas Limited ("Union") has no infrastructure in the immediate area. When asked by New Leaf to supply a pipeline and works to its property, Union gave a written quote for $260,000."

Questions & Draft Answer:

EGI 3: Please provide details of any cost estimates provided to New Leaf by Enbridge Gas (Union Gas) regarding the provision of natural gas service to the new greenhouse facility.

Response: The following two cost estimates were provided by EGI:

1) The November 22 2018 cost estimate:

Thursday, November 22, 2018 10:39 AM

The cost to have a natural gas main in front of your home is **$260,000.00**.
The cost of the installation changes based on the number of customers that connect in the first year of the project and the cost would be shared equally between the homeowners. The end of mains closest to you are at 1072 Charlotteville E QL Rd and 1195 Turkey Point Rd. Both are near equal in distance and have the same number of properties that could be interested. The estimated amount is based from your property to either location. To include the distance from one to the other assume double the cost at $540 000.

2) The April 1 2019 cost estimate:

The feasibility estimate to complete the work above is:

Customer Station and Service at Site - Pressure cut station from High Pressure flow to Intermediate Pressure flow. - Pressure cut station from Intermediate flow to 70 kPa at customer site.	$ 33,651.00
Transmission Reinforcement - 525 meters of 8" steel transmission reinforcement at the Simcoe North Distribution Station.	$ 1,035,870.00
Distribution Main - 2,743 meters of 2" steel distribution main to reach the customer site.	$ 1,245,180.00
Total	**$ 2,314,700.00**

In November 2018, NLC received written correspondence from EGI after many phone messages and emails were ignored, stating that NLC's capital cost to complete the pipeline required to receive natural gas supply from EGI to NLC's Walsh Facility would be $260,000. NLC determined that the cost of this installation was in line with its budget and decided that, based on this confirmation and the cost of the Ontario hydro installation of $284,712, NLC would begin the construction of the 32,000 sq ft medical marijuana Walsh Facility.

Many months later, after a considerable amount of money and time were spent on site development, EGI provided NLC with a revised quote via email of exactly $2,314,700 (April 1, 2019) to complete the same work (provide 200 m3/hour of firm natural gas service for New Leaf Canada Inc.), distinct from the works that EGI quoted previously for $260,000. Based on this considerable order-of-magnitude price increase, and without any assistance from EGI to try and negotiate this figure, NLC was left with no choice but to work with MRL to obtain a direct GPA from MRL's supply.

If NLC were aware of the ~$2.3 million cost from the start, rather than the $260,000 that was provided by EGI initially in November 2018, NLC would not have decided to proceed with the construction of the Walsh Facility. NLC would be facing a very challenging and potentially devastating increase of almost 25 percent on its total project development cost were the EGI gas supply alternative the only option.

4. Reference: Metalore Application, page 4

"The contract rates offered by Union for Metalore's gas have not allowed Metalore to grow reserves...Metalore will charge less than Union to supply gas to New Leaf on a long term basis."

Questions & Draft Answer:

EGI 4a: Please explain how charging New Leaf less for gas supply will allow Metalore to grow its reserves.

Response: MRL currently sells its gas only to EGI through three (3) meter stations and 150 FLCs. It is uneconomical for Metalore to explore for additional reserves from what little it generates by selling its gas to EGI under the GPA. The expenses of producing gas by MRL have been estimated to be approximately $4/GJ. MRL would have to generate $5.50-$6/GJ to be willing to risk the uncertainties associated with exploration and well stimulation.

EGI currently pays MRL for gas production based on a Dawn reference price, less deemed transportation from Norfolk to Dawn. Under this phantom pricing arrangement, as a local Ontario gas producer, MRL receives less than the Dawn wholesale gas price for all gas delivered to one of the three EGI meter sites. The reality of the gas movement is that MRL gas molecules are never transported to Dawn, but are, in fact, transported a short distance through the EGI system before being consumed nearby locally, with the gas end-users billed significantly more than the Dawn wholesale price.

MRL will be invoicing NLC for gas volumes consumed based on the EGI M2 rate schedule, which include the Dawn wholesale price, storage, delivery through the EGI system, and a fixed monthly charge. To be competitive, MRL will invoice NLC at less than the EGI M2 all-in rates and MRL will receive more value than what it currently receives for Ontario-produced gas. This increased gas revenue will allow MRL to generate free cash flow to be used to expand gas supply i.e. drilling, tie-in incremental reserves, creating jobs and economic activity.

EGI 4b: Please provide a comparison of the annual charges that would apply to NLC if supplied by EGI and the annual charges proposed by MRL.

Assuming NLC consumes 90,000GJ/year, EGI would be invoicing NLC at an average burner-tip gas rate of 6.32 103m3/D (223 Mcfd) with an annual all-in gas bill of $514,140, or $6.31/Mcf as a Rate M2 customer. MRL would invoice New Leaf an annual all-in gas bill of $503,700, or $6.18/Mcf.

When comparing complete capital costs, EGI's offering to NLC becomes much more expensive than MRL's for the same gas supply services. NLC is attempting to process cannabis and gain market share as quickly as possible. To this end MRL has chosen contractors who can fully construct all gas works in approximately 10 weeks for less than $200,000. In contrast, as of April 1, 2019, EGI expects NLC to be burdened by ~$2.3M for a gas main to its property (which does not even include ultimate metering and hook-up). EGI did not provide a timeline for completion of construction.

5.Reference: Metalore Application, page 4

"Union currently utilizes Metalore's gas lines to supply natural gas to 150 homes and farms (Field Line Customers (FLC's)) within Charlotteville Township."

Questions & Draft Answers:

EGI 5a: Please provide a copy of the current Field Line Customer Agreement between Metalore Resources and Enbridge Gas Inc. (formerly Union Gas Limited).

Response: Please see MRL's FLC Agreement with UGL dated April 1, 1991, appended

EGI 5b: Please confirm that Metalore built and/or owns and operates the pipeline system that supplies gas to the meters owned by Enbridge at each of the referenced customer service locations

Response: As documented in clause 6.02 of the FLC Agreement, Seller (MRL) is the sole owner of the gas gathering pipeline system upstream of the individual FLC meter sites. MRL is a natural gas producer with gathering lines connecting the wells, most of which were constructed prior to 1986. Prior to 1991, MRL sold gas to UGL through three main meter stations. During 1991, MRL and UGL signed an agreement that allowed UGL to tap into MRL's already constructed pipeline infrastructure which enabled UGL to sell gas to more customers. For its part, MRL would be allowed a premium because UGL had no need to build a line to transport gas, but had use of MRL's gathering lines. Each FLC paid for the tap-in and piping to UGL's residential/commercial meter

EGI 5c: Please provide a copy of any Certificate of Public Convenience and Necessity granted by the OEB to Metalore for its existing pipeline system

Response: The MRL pipeline system transports raw natural gas from individual gas wells to the FLC's or one of the three EGI meter sites as a gas gathering system. MRL constructed and operates this pipeline system under the Oil, Gas, and Salt Resources Act (the Act) administered by the Ministry of Natural Resources and Forestry ("MNRF"). Under the Act, MRL is required to construct and operate the pipeline system under the guidance of CSA Z662: *Oil and Gas Pipeline Systems* and is not required to obtain a CPCN from the OEB.

A line by line review of the April 1, 1991 agreement makes no mention for MRL to require any CPCN from the OEB because UGL already had been granted a CPCN for the area. At no time has MRL ever received a request by UGL to have such a Certificate (from 1991 through to 2018 while UGL continued to tap into MRL's gas gathering infrastructure, adding FLC's). On April 15, 2019, EGI informed MRL that unless it obtained a CPCN, it would not add any further FLC's.

EGI 5d: Please provide a copy of any franchise agreement that Metalore has in place with Norfolk County which grants to Metalore the right to construct and operate works for the supply of natural gas and the right to extend and add to the works in Norfolk County

Response: MRL is not required to obtain a franchise agreement with local townships or counties prior to constructing facilities to produce and market crude oil or natural gas (see Clause 18 (2) of the Oil, Gas, and Salt Resources Act). Metalore receives approval from Norfolk County prior to constructing any pipelines on township/county road allowances.

6. Reference: Metalore Application, page 5

"The existing pipeline infrastructure including the proposed new pipeline from the Metalore system to the gas treatment facilities located at the New Leaf facility transport raw, un-odorized natural gas and are classed as gathering lines (rather than transmission or distribution lines). Gathering lines are regulated by the Ministry of Natural Resources and Forestry Petroleum Operations Section under the Oil, Gas, and Salt Resources Act."

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.

Section 8 of the Municipal Franchises Act provides that a certificate of public convenience and necessity is required prior to the construction of any works to supply natural gas in a municipality. The Pipeline will serve a distribution function and will be supplying natural gas to the Greenhouse Facility, and it will therefore require a certificate."

Question & Draft Answer:

EGI 6: Please explain how Metalore's existing and proposed pipeline systems are different from the OMLP pipeline used to provide distribution services to a greenhouse facility in Norfolk County.

Response: Similar to the ON Energy pipeline system, the MRL pipeline system is an existing gas gathering pipeline system constructed to allow MRL to transport raw natural gas from its gas wells and deliver that gas to custody transfer sites either into one of three EGI meter stations, or to one of the FLCs, each of which has a custody transfer site at the individual meters. To service the NLC Walsh Facility, MRL requires new pipeline segments from its existing gathering system network to the NLC Walsh Facility, with gas dehydration and odorant facilities installed at the custody transfer point at the facilities. In the OMLP case referenced, only the new pipeline construction required a Certificate of Public Convenience and Necessity by the OEB.

7. Reference: Metalore Application, page 5

"Once a certificate of public convenience and necessity has been granted, Metalore will further seek approvals to construct the project and facilitate the sale of gas directly from Metalore to New Leaf. Approvals may include those required from the Ministry of Natural Resources and Forestry (MNRF), Technical Standards and Safety Authority (TSSA), Measurement Canada Weights and Measures, and Norfolk County."

Questions & Draft Answers:

EGI 7a: What approvals and permits has Metalore secured for Phase 1 of the New Leaf Canada development? What specific approvals/permits are outstanding and when (month/year) are they expected to be approved?

Response: MRL has obtained approvals from both landowners (for piping to be installed on their properties) and Norfolk County (permit for boring a line under the Turkey Point Road). MRL only requires a CPCN from the OEB prior to commencing construction of the pipeline facilities. Once constructed, MRL will submit a Class 5 Independent Examiner form under the *Oil, Gas, and Salt Resources Act* to inform the Ontario Ministry of Natural Resources & Forestry ("MNRF") of the location and size of the new pipeline system and to confirm that it was constructed as per CSA Z662: Oil and Gas Pipeline Systems requirements.

The separator, dehydrator, odorizer, and metering skid, and the pipeline from the skid to the entrance to the NLC Walsh Facility will require approval from the TSSA prior to gas delivery. The custody transfer meter that will be installed on the gas treatment skid will be a Measurement Canada certified meter, with documentation supplied by the manufacturer.

EGI 7b: Does Metalore intend to submit a Leave to Construct application to the Ontario Energy Board?

Response: Since the total capital cost to construct the pipeline and gas treating facilities is so small, a Leave to Construct application to the OEB requesting approval is not required. The project costs total less than $2 million.

8. Reference: Metalore Application, page 9

"The total capital cost of the Tie-in System to allow suitable quantities of gas to be delivered to the New Leaf Walsh Facility, is estimated to be $150,000.

The Tie-in System will require a meter site on New Leaf's Property, for which Metalore is seeking the Certificate of Public Convenience and Necessity, which will include the following:

- *Installation of a separator/dehydrator to remove excess moisture from the gas*
- *Installation of a gas odourizer*

- *Installation of a gas meter to measure the volume of gas being delivered to the production facility*
- *Piping, valves and regulators at the meter site*

Upgrades to the existing pipeline system will include the installation of approximately 1700 metres of new 3" high density polyethylene pipeline along boundaries of four private properties. Metalore currently pays annual royalties to all four land owners who each have instructed Metalore where to install the pipeline on their respective properties."

Reference: Metalore Application, page 11
"New Leaf has agreed to pay for all the costs, from planning to construction, of all piping and metering facilities from Metalore's 3" gas line along Turkey Point Road, 2500 metres eastward, to the New Leaf facility."

Questions & Draft Answers:

EGI 8a: Is the cost of the 1700 metres of 3" pipeline upgrades included in the $150,000 Tie-In System cost? If not, what is the estimated cost for this pipeline?

Response: Yes, the cost of the 1700 metres of 3" pipeline upgrades is included in the $150,000 Tie-In System cost.

EGI 8b: Is the cost of the 2500 meters of 3" pipeline along Turkey Point Road included in the $150,000 Tie-In System cost? If not, what is the estimated cost for this pipeline?

Response: The 2500 meters of 3" pipeline along Turkey Point Road is already in place, having been installed in 1968, and therefore there are no incremental costs associated with construction of this pipeline.

EGI 8c: What other capital costs of providing service to New Leaf are not included in the $150,000 Tie-In System cost?

Response: The cost of the Tie-in facility skid with all apparatus (dehydrators, meters, etc.) as quoted by Fulcrum Mechanical Inc. is $43,500. Related labor costs to connect the system to MRL's gas line and NLC's Walsh Facility will be @ $80/hr.

9. Reference: Metalore Application, page 10

"Construction of the New Leaf Walsh Facility has commenced with survey and site preparation, with the following construction schedule:

- *Phase 1 Operational September 1, 2019*

The expanded New Leaf Walsh Facility has a need for the natural gas produced by Metalore in mid-2019. As such it would be preferable for the upgrades to the existing pipeline system and the

Tie-in System described to be completed by August 1, 2019 at the latest to meet this requirement. Upgrades to the existing pipeline system are planned to run from July 15, 2019 to July 30, 2019. The proposed Tie-In System construction of works to supply gas to the New Leaf Walsh Facility is scheduled to commence in July 15 and be completed by July 30 2019."

Questions & Draft Answers:

EGI 9a: Has Metalore initiated any construction to supply gas service to the New Leaf facility? If so, what has been completed and/or is in progress?

Response: MRL has not commenced any construction of gas works associated with the NLC Walsh Facility.

EGI 9b: Has New Leaf received all approvals required to begin construction at the site? If not, when are all approvals expected?

Response: Not only has NLC obtained all approvals to begin construction at the Walsh Facility site, NLC has established the concrete foundation, with construction in progress.

EGI 9c: Will there be other phases of development – other than Phase 1 – at this New Leaf location? If yes, what are the expected load requirements for the other phases? Please express the load requirements as Peak Day GJ per hour, GJ per day and annual gas consumption in GJs.

Response: There are no other future expansion phases planned for the New Leaf Walsh Facility as of this date.

EGI 9d: What is the estimated life of the existing reserves that currently serve the 150 customers, which will be serving the expected load for the 31,000 sq. ft. New Leaf facility?

Response: Based on MRL's annual reserve report, the company has a remaining reserve life of 23.6 years at the existing (actual 2018) sales rate.

EGI 9e: Please identify when these subsequent phases will become operational and whether Metalore will be capable of providing the required supply.

Response: It is unknown at this time if and when any subsequent phases of the NLC Walsh Facility may proceed.

10. Reference: Metalore Application, page 12

"The Metalore-New Leaf relationship will have several very positive and long-standing benefits to the local economy and to Ontarian: Firstly, as discussed under Section 1 in more detail, the Metalore-New Leaf relationship will result in more environmentally responsible natural gas. Local Ontario gas will be used at the New Leaf Facility which does not require high volume hydraulic fracturing nor does this locally produced gas require transportation over long

distances. This Ontario gas production also directly enriches the local economy through land lease payments and production royalties paid to landowners.

...

The Metalore-New Leaf service connection will not affect Union's current or future rate payers."

Questions & Draft Answers:

EGI 10a: Please provide details of the evidence that shows that the proposed operations will have no negative impacts on other Ontario ratepayers.

Response: NLC is not currently served by EGI or any other distributor in Ontario, therefore any gas supplied by MRL to the NLC Walsh Facility is new and incremental and is not reducing existing revenues from other ratepayers. The proposed operations will not have any influence on EGI's existing ratepayers in their Norfolk County service territory or anywhere in Ontario.

EGI 10b: 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: The majority of the natural gas handled by the EGI system originates from outside the EGI franchise area. This ex-Ontario sourced gas requires long haul and short haul transportation through extensive pipeline systems to reach this area of southern Ontario, with significant compression required during transport. This compression requires ongoing fuel gas consumption, which results in carbon emissions from fuel gas combustion. Much of the natural gas entering the EGI franchise area was produced from shale gas reservoirs, with significant carbon emissions produced during the completion processes. The high volume fracturing processes necessary to complete these shale gas wells uses significant fresh water and other chemicals, all of which result in more stress on the environment than volumes produced by MRL.

The natural gas produced by MRL is from local gas wells (no compression, so no carbon emissions from fuel gas), with the majority of the MRL gas wells completed many years ago using conventional low volume fracture treatments. The MRL gas wells have demonstrated very minimal production rate declines, so the company will be able to supply both the NLC Walsh Facility and the FLCs for many years to come without needing significant new natural gas wells to be drilled.