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November 16, 2015

**DELIVERED BY E-MAIL AND RESS**

Ms. Kristen Walli, Board Secretary  
Ontario Energy Board  
2300 Yonge Street  
Suite 2701  
Toronto, ON M4P 1E4

Dear Ms. Walli:

**Re: Union Gas Community Expansion Project  
OEB File No.; EB-2015-0179  
Interrogatories of the Municipalities of Kincardine, Arran-Elderslie and  
the Township of Huron-Kinloss**

Further to Procedural Order No. 1, attached please find the interrogatories from the Municipalities of Kincardine, Arran-Elderslie and the Township of Huron-Kinloss in connection with the above noted matter.

Yours very truly,

**BORDEN LADNER GERVAIS LLP**

A handwritten signature in black ink, appearing to read 'Mark Rodger', is written over a horizontal line. The signature is fluid and cursive.

J. Mark Rodger  
Incorporated Partner\*  
\*Mark Rodger Professional Corporation

Copy: Union Gas  
Parties of Record

TOR01: 6126037: v1

UNION GAS COMMUNITY EXPANSION PROJECT EB-2015-0179

Interrogatories submitted by:

The Municipality of Arran-Elderslie

The Municipality of Kincardine

The Township of Huron-Kinross

RE: TEMPORARY EXPANSION SURCHARGE (TES)

Reference: Ex. A, Tab 1, page 15-21

1. Please confirm the following details with respect to the TES. For any details that are not confirmed, please provide clarifying information.
  - a) If Union's proposal is accepted, the proposed rate (\$0.23 per m<sup>3</sup>) will not be adjusted in future rate applications.
  - b) The term of the TES will be fixed in advance on a project-by-project basis based on Union's forecast of the number of customers that will connect while the TES is being collected, the timing of those customer connections and the average volume consumed.
  - c) The actual total amount of the TES collected for each project will depend on the actual number of customers that will connect while the TES is being collected, the actual timing of those customer connections and the actual average volume consumed.
  - d) Hence, actual TES collected will vary from the amount that is forecast to be collected.

RE: INCREMENTAL TAX EQUIVALENT (ITE)

Reference: Ex. A, Tab 1, pages 22-23 and Municipal Act

2. Please provide and describe the legal basis that addresses whether municipalities have the authority to contribute to project feasibility by means of the Incremental Tax Equivalent as proposed by Union? If Union has received a legal opinion on this matter please provide it.

RE: EBO 188 EXEMPTION

Reference: Ex. A, Tab 1, pages 23-31

3. Please provide the following supporting information related to the implications of the proposed EBO 188 exemption for each of the five initial proposed Community Expansion projects identified at Exhibit A. Tab 1, Page 45, Table 8 and also for the

Kincardine, Tiverton, Paisley, Chesley project which appears as number 29 in the list in Exhibit A, Tab 1, Appendix D, page 1.

- a) The annual subsidy for each year over the horizon of the feasibility test calculated as the difference between the forecast revenue and the incremental revenue requirement. Provide the assumption used to project annual revenues.
- b) The present value of the annual subsidies as calculated in part (a) above.
- c) The projected number of years until the distribution revenue associated with each project will equal the incremental revenue requirement. Provide the assumption used to project annual revenues.

RE: RELATED DEFERRAL ACCOUNTS

Reference: Ex. A, Tab 1, pages 32-33.

4. Please confirm the following implications of the Community Expansion Contribution Deferral Account. For any implications that are not confirmed, please provide a clarifying explanation.
  - a) It will ensure that any over or under recovery of the forecast amounts of TES and ITE is flowed through to all Union ratepayers.
  - b) It will not require any changes to the existing Rolling Project Portfolio (RPP) methodology since the TES and ITE are the equivalent of the CIAC collected for expansion projects subject to the EBO 188 methodology.
  - c) The collection of TES and ITE differs from the collection of CIAC in that variances will be captured in the deferral account rather than being reflected in the net rate base used for rate setting purposes.

RE: FUTURE COMMUNITY EXPANSION PROJECTS

Reference: Ex. A, Tab 1, pages 39-40 and Ex. A, Tab 1, Appendix D

5. Please expand on the prospects of proceeding with all 30 potential Community Expansion Projects so that they are in service by 2018 acceptable.
  - a) What are the prospective in-service dates for each community if the expansions are to be completed by 2018?
  - b) Confirm that Union considers the revenue requirement and rate impacts of completing the expansion by 2018 to be reasonable.
  - c) Assuming Union's Community Expansion Project proposal is accepted in its entirety, please identify any factors that might result in a delay in completing the 30 projects by the prospective dates identified in part (a) above.
  - d) Please confirm whether there is existing capacity on Union's system to supply Lucknow and Ripley from its Wingham facilities.

RE: POTENTIAL ENERGY SAVINGS

Reference: Ex. A, Tab 1, Appendix D

6. Please provide the following additional analysis for each of the five initial proposed Community Expansion projects identified at Exhibit A. Tab 1, Page 45, Table 8 and also for the Kincardine, Tiverton, Paisley, Chesley project which appears as number 29 in the list in Exhibit A, Tab 1, Appendix D, page 1.
  - a) Any difference from the penetration rates by competing fuel source presented in the Exhibit A, Tab 1, Page 18, Table 1, with supporting information.
  - b) Given that each community has different composition with respect to the competing energy sources, the anticipated overall penetration rate for each community.
  - c) A sensitivity analysis that recalculates the information provided in the table at Exhibit A, Tab 1, Appendix D, assuming that the penetration rates for all competing energy sources are (i) 10 percentage point more and (ii) 10 percentage points less, than Union's base case assumption.
  - d) A sensitivity analysis that recalculates the information provided in the table at Exhibit A, Tab 1, Appendix D, assuming that the annual volumes are (i) 10 percent more and (ii) 10 percent less, than Union's base case assumption.
  - e) Please provide details of assumptions with respect to the commodity cost of natural gas and competing energy sources used in the potential annual savings in Appendix D and the Annual Residential Energy Savings Estimate at Ex. A, Tab 1, page 18, Table 1. Compare those assumptions with Union's current commodity cost projections and provide an updated version of Appendix D based on Union current projection of commodity costs for natural gas and competing energy sources.

**RE: SYSTEM BENEFITS OF UNION'S COMMUNITY EXPANSION PROJECT PROPOSAL**

7. Please identify with supporting explanation all indirect system benefits that will flow to (i) Union's other customers, (ii) Union's shareholders, (iii) the communities that receive gas service and (iv) the Province in general. For example, at what point in time will the annual revenue from these projects exceed the annual cost (revenue requirement), and what local and regional economic and environmental benefits should be expected? Are there system benefits in terms of upgraded infrastructure, service enhancements, etc. Please provide any quantification of these benefits that is available to Union.
8. If Provincial government funding were to be available to support these please identify the impact if any on:
  - a) The amount and/or duration of the TES
  - b) The duration of the ITE
  - c) The minimum PI used for the projects in calculating the required contribution
9. Please confirm that the total value of the contributions provided through the combination of the TES, the ITE and from other Union customers through the reduced PI in present value terms equals the CIAC that would be required in the absence of these proposals. If not, please explain the differences.

10. Please comment on whether Union would agree with the view that the reduced PI is analogous to the Rural Rate Assistance mechanism that is used to provide a subsidy for service to electricity customers in high cost regions of the Province. Include in the comments, Union's views on the appropriateness of adopting a policy that ensures equal treatment, in terms of the subsidy from other customers that is provided, in all high cost areas, regardless of the distributor providing service.

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