

November 17, 2015

Kirsten Walli
Board Secretary
Ontario Energy Board
2300 Yonge Street
P.O. Box 2319
Toronto, Ontario
M4P 1E4

Dear Ms. Walli:

RE: EB-2015-0179 – Union Gas Limited – Expansion of Natural Gas Distribution

Please find, attached, interrogatories from the Consumers Council of Canada for Union Gas Limited with respect to the above-referenced proceeding.

Yours truly,

Julie E. Girvan

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CC: Union Gas Regulatory, Chris Ripley
C. Keizer, Torys
M. Buonaguro
All intervenors

INTERROGATORIES FROM THE CONSUMERS COUNCIL OF CANADA

FOR UNION GAS LIMITED

RE: EB-2015-0179 – Expansion of Natural Gas Distribution

1. (Ex. A/T1/p. 1)
The evidence states that, “The Ontario government’s desire to expand natural gas distribution systems, which will increase natural gas use, is inconsistent with their recently announced intent to implement a cap and trade program whose objective is to significantly reduce the use of natural gas.” Please explain how the implementation of a cap and trade program would impact Union’s proposals as set out in this application. Has Union done any sensitivity analyses regarding its proposals, assuming the implementation of an Ontario cap and trade program? If so, please provide that analysis.
2. (Ex. A/T1/pp. 3, 4)
The evidence asserts at page 3 that the parameters of Union’s proposals have been set to limit the rate impacts on existing customers to a maximum approximating \$2 per month (\$24 per year) over the multi-year expansion program; the evidence further asserts at page 4 that the bill impacts across existing residential customers will be less than \$4 per year. Please reconcile these two assertions.
3. (Ex. A/T1/p. 4)
Union’s evidence is that under its proposal it could complete approximately 30 projects to provide service to approximately 20,000 homes and businesses in 34 communities. Is Union seeking approval to pursue those 30 projects through this application or is it only seeking approval of the five proposed projects at this time? Please explain the specific relief Union is seeking through its application. For projects beyond the five included in the application would Union be filing further applications?
4. (Ex. A/T1/p. 5)
The evidence discusses how “parties” were invited by the Board to file proposals designed to support its “*expansion of natural gas distribution*” initiative. Does Union understand “parties” to potentially include entities that are not currently providing natural gas distribution service in Ontario? If not, why not? With respect to the proposals discussed in this application are there any projects that Union believes only it, based on its existing infrastructure and/or the existing regulatory framework (including for example the scope of Union’s licenses, approvals, etc.) can undertake? If so please provide details underpinning that apparent exclusivity. With respect to the total projected costs of approximately \$150 million for the identified

30 projects, please provide an analysis that splits that total cost between a) costs that would be incurred by Union with respect to its existing assets in order to enable connection of new communities, regardless of which party ultimately undertakes the actual expansion, and b) the costs of building the required new infrastructure. Put another way, if a party other than Union were to propose an identical plan with identical forecast costs, how much of the proposed \$150 million would be spent on existing Union assets to enable connection (assuming that the proposal does not bypass Union's existing system) and how much would be spent to create the new system?

5. (Ex. A/T1/p. 5)
The evidence states that Union's Community Expansion proposal supports the provincial policy goal of providing customers in the underserved communities with more energy choices. Beyond the direct customers that will have access to natural gas service under Union's program, who else will benefit from the program, and in what way will they benefit?
6. (Ex. A/T1/p. 10)
Please provide the assumptions used to determine that the price advantage of using natural gas over the lowest cost alternative energy has increased from \$600 annually in 2006 to \$1,680 in 2015. Please include all detailed calculations.
7. (Ex. A/T1/pp. 10-11)
The evidence states that a typical conversion customer will have a return on initial investment within approximately four years, with energy cost savings beyond year four (\$10,000 - \$18,000 over 10 years). With a relatively short payback period, why in Union's view, should these customers be subsidized?
8. (Ex. A/T1/p. 14)
Please explain, in detail, how Union determined that it could complete 30 projects under its proposed program.
9. (Ex. A/T1/p. 18)
Union is proposing that the Temporary Expansion Surcharge (TES) be set at \$0.23 per m³. Would this change over time or would it be set for the term of the five proposed projects? If natural gas prices increase will the TES be affected? Would the TES be different for future projects? What other factors might impact the TES going forward?
10. (Ex. A/T1/p. 22)
Union is proposing a municipal contribution mechanism to provide municipalities with a mechanism to contribute toward project feasibility. The Incremental Tax Equivalent (ITE) will be based on the estimated value of incremental property taxes collected from Union as a result of the project for a period of time that matches the term of the TES. Please indicate whether

Union considered other mechanisms to obtain contributions from municipalities. If Union did consider alternatives why were they rejected? Why has Union determined that this mechanism results in the appropriate level of contribution from the municipalities? Has Union consulted with the municipalities to determine how much they are willing to contribute to each project? If not, why not? If so, please provide details of those discussions.

11. (Ex. A/T1/p. 22, 23)

For each proposed project what is the proposed ITE amount? What is the total cost of each project? Please confirm that for each project that requires an ITE contribution because the PI is less than .8, the project will not go ahead unless and until Union obtains agreement from the relevant municipality to make the required ITE contribution. If not confirmed, please explain how Union proposes the shortfall resulting the failure to obtain an ITE related contribution would be funded?

12. (Ex. A/T1/p. 27)

The required minimum PI for contract customers will be the same as the minimum PI set for the Community Expansion Project. Where the PI for the customer connection is less than the Community Expansion Project PI, the contract customer will contribute to a level to reach the project PI. How are the rest of the contract customer site specific costs funded?

13. (Ex. A/T1/p. 28)

Union is proposing to fund the Community Expansion Program, in part through cross-subsidization by existing customers. What, in Union's view, are the benefits to those customers?

14. (Ex. A/T1/p. 31)

Is it Union's view that this proposal is consistent with the 2014-2018 Incentive Regulation Mechanism Settlement Agreement?

15. (Ex. A/T1/p. 33)

Is it Union's intention (and are all of Union's subsequent rate impact calculations based on the intention) to distribute TES and ITE revenues to all customers, including both existing customers and newly attached customers from whom TES revenue is collected and who live in municipalities that contribute ITE revenue? If the former, does Union agree that as a result the intended mitigation of cross subsidization by collecting TES and RTE revenue is inappropriately muted by collecting the revenue from newly attached customers and their associated municipalities and then giving (a portion of) that revenue back to the same customers in rates? Please recalculate the bill impacts on existing customers at Appendix M on the assumption that RTE and TES revenue is allocated entirely to existing customers (if the original calculation was not done on that basis).

16. (Ex. A/T1/p. 42)
The Ontario Government announced that it would be making available \$200 million in Natural Gas Access Loans and \$30 million in Natural Gas Development Grants. When does Union expect that the criteria and funding form will be finalized? Why does Union limit the use of Natural Gas Access Loans and Natural Gas Economic Development Grants as aids-to construct only if received in advance of project construction?
17. (Ex. A/T1/p. 43)
How did Union decide which specific five projects to move forward with at this time?
18. Has Union sought any Federal Government funding for its natural gas Community Expansion Project? If not, why was this not pursued? If so, please provide the details of any discussions Union has had with the Federal Government?
19. (Ex. A/T1/Appendix D)
Within Union's Opportunity Assessment Summary what is the difference between "potential customers" and "forecast customers"? How were these numbers derived? Please explain how the annual volumes, gross capital cost, and gross capital/customer were derived?
20. (Ex. A/T3/p. 3)
Union is proposing a Temporary Connection Surcharge (TCS) \$0.23/m³. For what period of time is Union seeking approval of the charge?
21. (Ex. A/T1/Appendix K)
The evidence shows costs of the 30 proposed projects being allocated across all of Union's existing rate classes, but it appears that bill impact calculations have only been provided (at Appendices L and M) for the M1 and O1 Rate classes. Please provide bill impacts for the remainder of the Rate Classes (or, alternatively, confirm that there is no rate impact or an immaterial rate impact for a rate class if that is the case and explain why that is the case). With respect to Appendix K, please split the total annual revenue requirement amount of \$12,979,000 between the amount that, if the Board were not to approve the lowering of the PI from .8 to .4, would be appropriately included in rates, and the amount that is proposed to be included in rates on the basis of the lowering of the PI to .4. Please redraft Appendix K with column (a) split into two columns, the first showing the allocation of costs that would be normally recoverable in rate using a PI of .8, and a second column showing the incremental amount that can only be recovered in rates if Union is allowed to lower the PI to .4.
22. Has Union undertaken any customer engagement activities with respect to its proposed Community Expansion program? Specifically, has Union asked

its current customers if they are willing to subsidize new expansions? If not, why not? If so, please provide the results of that research.