

## **ONTARIO ENERGY BOARD STAFF INTERROGATORIES**

### **Community Expansion Project – Union Gas Limited**

**EB-2015-0179**

#### Interrogatory # 1

Ref: Exhibit A / Tab 1 / Page 4 / Lines 1-8

Union Gas Limited (Union) has indicated that under its proposal, it could complete 30 projects that would provide natural gas service to approximately 20,000 homes and businesses in 34 communities, including 7 First Nations. The bill impact of the 30 projects for the average residential customer in Union South is an increase of \$3 to \$4 per year while the bill impact for an average residential customer in Union North is an increase of less than \$1 per year.

- a) What would be the additional funding or contribution required for the 30 projects if Union were to not include any contribution from existing customers for the Community Expansion Project proposal?
- b) In reference to part (a), what would be the average contribution required from each new community expansion customer in the absence of contribution from existing customers?

#### Interrogatory # 2

Ref: Exhibit A / Tab 1 / Page 6 / Lines 5-15

In its evidence Union has noted that its proposal is guided by a set of principles designed to recognize those who are impacted by or benefit from expansion of Union's natural gas system. Union further notes that moderate cross subsidization from existing customers is acceptable, provided long-term rate impacts are reasonable.

- a) Does Union's proposal requiring existing ratepayers to pay a portion of the costs of expanding into the new communities create a competitive disadvantage for companies that are interested in providing natural gas service to non-serviced communities but do not have access to an existing pool of ratepayers that can contribute to the cost of the project?
- b) Would Union be receptive if the Ontario Energy Board (OEB) were to approve a similar approach as that proposed by Union whereby a company that is interested in providing natural gas service to a non-served community, is also

permitted like Union to recover a portion of the costs of the project from Union ratepayers?

### Interrogatory # 3

Ref: Exhibit A / Tab 1 / Pages 14-15

Union has provided a list of components under its community expansion proposal. The proposal lists different elements including a temporary expansion surcharge, incremental tax equivalent, exemption from some E.B.O. 188 guidelines and other such measures.

Has Union considered other measures that would make community expansion projects viable such as:

- I. Flexibility on the project Return on Equity for the first five years of each Community Expansion project in order to contribute to the overall viability of the projects and reduce the cost burden on the other stakeholders including existing customers.
- II. To include the capital cost of the projects in rate base that reflect a PI of 1.0 and recover the remaining of the capital costs through the expansion surcharge, incremental tax equivalent and contributions from existing ratepayers.

Please comment on each of the measures noted above and provide reasons for accepting or rejecting the approach.

### Interrogatory # 4

Ref: Exhibit A / Tab 1 / Page 14 / Lines 9-12

Union has indicated that under its proposal, it could complete 30 projects that would provide natural gas service to approximately 20,000 homes and businesses in 34 communities, including 7 First Nations. Additional funding or financial contributions would be required to service the remaining communities identified in the Opportunity Assessment.

- a) Please identify the 30 projects that Union is referring to in the application.
- b) Is Union open to partnering with other companies or utilities to provide service to communities identified in the Opportunity Assessment?
- c) Has Union been approached by any companies or utilities to partner in the Community Expansion Project? If yes, please provide a detailed response.

- d) Would Union consider modifying its proposal if it were to partner with other companies or utilities to provide service to communities identified in the application?

#### Interrogatory # 5

Ref: Exhibit A / Tab 1 / Page 17 / Lines 8-11

Union has noted that the Temporary Expansion Surcharge (TES) will be applied to potential general service customers attaching to systems installed as part of Community Expansion Projects, where a contribution from customers in excess of \$500 each is required to make a project economically feasible.

What is Union's proposal in cases where a contribution of \$500 or less is required from each potential general service customer?

#### Interrogatory # 6

Ref: Exhibit A / Tab 1 / Page 23 / Lines 7-8

One of the proposals of revenue recovery includes an additional contribution from municipalities of the new communities known as the Incremental Tax Equivalent (ITE). Union notes that only municipalities that wish to pursue Community Expansion Projects at reduced economic threshold levels below a PI of 0.8 would be required to agree to the ITE.

If a municipality does not wish to pursue a project that is below the PI of 0.8, would Union abandon the project or pursue other means to bridge the financial gap? Please provide a detailed response including other proposals that Union may consider to make such projects viable.

#### Interrogatory # 7

Ref: Exhibit A / Tab 1 / Page 24 / Lines 7-10

Union has proposed that the economic threshold for Community Expansion Projects be lowered to a PI of 0.4 from the current minimum of 0.8. Union has noted that reducing the PI to 0.4 allows it to achieve a balance of furthering the provincial goal of providing customers in non-serviced communities the ability to gain access to natural gas, while being mindful of potential rate impacts for existing ratepayers.

- a) Please provide a revised proposal for the Community Expansion Project if the PI is lowered from the current minimum of 0.8 to 0.6 and an upfront contribution of \$500 is required from each community expansion customer. Please assume that the TES and ITE requirements remain the same as the original proposal. Also, provide bill impacts for existing customers under the revised proposal.
- b) Would Union still complete 30 projects if the project criteria were revised as set out in (a)?

### Interrogatory # 8

Ref: Exhibit A / Tab 1 / Page 25 / Lines 6-15

Union has recommended that the economic threshold for Community Expansion Projects be reduced from the OEB allowed minimum PI of 0.8 to a PI of 0.4. With a PI of 0.4, Union estimates that it can reach 20,000 potential customers in 34 communities. However, Union has indicated that lowering the PI from 0.5 to 0.4 provides Union the opportunity to pursue the Community Expansion Project in Kincardine.

- a) If Union were to exclude the communities of Kincardine, Tiverton, Paisley and Chesley, should Union's proposal include an economic threshold of a PI of 0.4 or 0.5?
- b) What would be the impact on Union's Community Expansion Project if the PI threshold is increased to 0.5? Please provide a detailed response including which of the 30 communities would be excluded.

### Interrogatory # 9

Ref: Exhibit A / Tab 1 / Page 28 / Lines 12-19

Union has noted that in the absence of applying the E.B.O. 188 portfolio approach to Community Expansion Projects, Union proposes limiting the capital spending for Community Expansion Projects to a ceiling that ensures that the resulting maximum expected annual increase is \$2 per month for existing residential customers. Union has also proposed that the impact in any given year of the multi-year Community Expansion program will not exceed \$10 for a typical residential customer consuming 2,200 m<sup>3</sup> per year.

Please reconcile the two maximum annual rate impacts of \$24 per year and \$10 per year? Please explain the difference between the two rate impacts.

## Interrogatory # 10

Ref: Exhibit A / Tab 1 / Page 33 / Lines 10-19

Union has noted that the purpose of the proposed Community Expansion Contribution deferral account is to allocate the TES and ITE revenues to ratepayers to reduce the cross subsidization of the capital costs.

- a) Would the revenue in the deferral account be credited to all general service customers?
- b) Would the revenue be credited to all customers of Union including new community expansion customers or to customers excluding new community expansion customers?

## Interrogatory # 11

Ref: Exhibit A / Tab 2 / Section A / Page 4 / Para. 19

Union conducted a survey in the Ipperwash Beach area. At the time of the application, Union has noted that of the 380 potential customers in the Ipperwash Beach area, only 22 have completed the telephone survey, representing a 6% response rate. Union Gas has further indicated that it is planning a door-to-door survey to increase the participation rate.

- a) Please provide a copy of the survey used in the research.
- b) In Union's opinion, does a low response rate imply that residents are not seriously interested in natural gas service and conversions could be challenging in such areas?
- c) Union has noted that it is planning a door-to-door survey. Has the door-to-door survey commenced and when is it likely to be completed?
- d) Will Union be filing the results of the door-to-door survey in this application?

## Interrogatory # 12

Ref: Exhibit A / Tab 2 / Section A / Page 5

Due to the low response rate of the 2014 survey, Union has used its experience of attachment rates with past projects and taken a conservative approach to develop the attachments forecasts for the Ipperwash Beach area. Union has used an 82%

attachment rate for residential customers and 100% attachment rate for commercial customers.

- a) Please provide results from past projects that Union has referred to and compare the demographics with the results of the Ipperwash Beach area survey.
- b) Union has used an 82% attachment rate for residential and 100% for commercial customers. Does this imply that 82% of residential customers and 100% of commercial customers who answered extremely likely, very likely and 50% of those who answered likely will attach to natural gas service in the first 10 years of the project?
- c) Please explain how Union is confident of its projections considering that the forecasts are based on a 2011 survey that did not make any reference to Union's current proposal.
- d) Did the 2011 survey inform respondents about the cost of conversion and then gauged their interest in converting to natural gas?

#### Interrogatory # 13

Ref: Exhibit A / Tab 2 / Section A / Schedule 11 / Page 6

Union has indicated that it informed the Chippewas of Kettle and Stony Point First Nation of their community expansion proposal and provided them with information regarding the benefits of natural gas and the approximate costs of converting to natural gas during spring 2014.

Union has noted that telephone surveys will be conducted in Lambton Shores to determine the level of interest in receiving natural gas service and to inform them of Union's proposal.

- a) How did Union inform the Chippewas of Kettle and Stony Point First Nation of their proposal?
- b) When does Union plan to complete the telephone survey in Lambton Shores and will the results be filed with the OEB?

#### Interrogatory # 14

Ref: Exhibit A / Tab 2 / Section B / Page 4 / Para. 18-22

Union completed a telephone survey for the Milverton area and based on the results it has forecasted a total of 375 existing residential, 100 new residential, 45 existing

medium and small commercial, 5 existing large commercial and one existing seasonal customers to be attached by the tenth year of the project.

Based on experience of attachment rates with past projects, Union has taken a conservative approach and reduced the attachment forecast from 74% (respondents extremely likely, very likely and likely to convert) to 59% (extremely likely, very likely, 50% of likely) for the existing residential, small commercial and medium commercial customers.

- a) What is Union's forecast for the 100 new residential customers and what is the basis for the forecast?
- b) Union has based its forecast for existing customer conversions on experience with past projects. Please provide details of the past projects that Union is referring to and the forecast and actual attachments.
- c) Did Union conduct a similar survey for the Red Lake Project? If yes, please provide the forecast attachments, the basis of the forecast and the actual attachments to-date.

#### Interrogatory # 15

Ref: Exhibit A / Tab 3 / Page 1 / Lines 1-4

Union is proposing a volumetric based Temporary Connection Surcharge (TCS) for projects that do not meet the definition of a Community Expansion Project and do not qualify for reduced economic feasibility thresholds. Union is proposing a volumetric based TCS that is similar to the TES.

- a) What kind of projects would not meet the definition of a Community Expansion Project but would still provide service to a rural or remote community?
- b) Does Union propose to levy the TES and ITE surcharges for the non-community expansion projects?

#### Interrogatory # 16

Ref: Exhibit A / Tab 2 / Section A / Page 10 / Para 48  
Exhibit A / Tab 2 / Section B / Page 10 / Para 54  
Exhibit A / Tab 2 / Section C / Page 9 / Para 43  
Exhibit A / Tab 2 / Section D / Page 8 / Para 44  
Exhibit A / Tab 2 / Section E / Page 10 / Para 51

Union has submitted copies of the Environmental Protection Plan (EPP) to the Ontario Pipeline Coordinating Committee, local municipalities, and First Nations and Metis.

Please file an updated summary of comments and concerns received to date and Union's responses and planned actions to mitigate each of the issues and address each of the concerns.

Interrogatory # 17

Ref: Exhibit A / Tab 2 / Section A, B, C, D and E

Union has proposed five construction projects in the different communities.

- a) Which communities require easement from private landowners, crown corporations or other entities?
- b) Please provide the status and prospects of Union's negotiations with the concerned parties?

Interrogatory # 18

Please comment on the attached draft conditions of approval that are proposed by OEB staff.

Please note that these conditions are draft version and may be subject to additions or changes by the OEB.

**Leave to Construct Conditions of Approval  
Application under Sections 90 of the OEB Act**

**Union Gas Limited**

**EB-2015-0179**

1. Union Gas Limited (Union) shall construct the facilities and restore the land in accordance with the Board's Decision and Order in EB-2015-0179 and these Conditions of Approval.

2. (a) Authorization for leave to construct shall terminate 12 months after the decision is issued, unless construction has commenced prior to that date.  
  
(b) Union shall give the Board notice in writing:
  - i. of the commencement of construction, at least ten days prior to the date construction commences;
  - ii. of the planned in-service date, at least ten days prior to the date the facilities go into service;
  - iii. of the date on which construction was completed, no later than 10 days following the completion of construction; and
  - iv. of the in-service date, no later than 10 days after the facilities go into service.
3. Union shall implement all the recommendations of the Environmental Report filed in the proceeding, and all the recommendations and directives identified by the Ontario Pipeline Coordinating Committee review.
4. Union shall advise the Board of any proposed change to Board-approved construction or restoration procedures. Except in an emergency, Union shall not make any such change without prior notice to and written approval of the Board. In the event of an emergency, the Board shall be informed immediately after the fact.
5. Both during and after construction, Union shall monitor the impacts of construction, and shall file with the Board one paper copy and one electronic (searchable PDF) version of each of the following reports:
  - a) a post construction report, within three months of the in-service date, which shall:
    - i. provide a certification, by a senior executive of the company, of Union's adherence to Condition 1;
    - ii. describe any impacts and outstanding concerns identified during construction;
    - iii. describe the actions taken or planned to be taken to prevent or mitigate any identified impacts of construction;
    - iv. include a log of all complaints received by Union, including the date/time the complaint was received, a description of the complaint, any actions taken to address the complaint, the rationale for taking such

- actions; and
  - v. provide a certification, by a senior executive of the company, that the company has obtained all other approvals, permits, licences, and certificates required to construct, operate and maintain the proposed project.
- b) a final monitoring report, no later than fifteen months after the in-service date, or, where the deadline falls between December 1 and May 31, the following June 1, which shall:
- i. provide a certification, by a senior executive of the company, of Union's adherence to Condition 3;
  - ii. describe the condition of any rehabilitated land;
  - iii. describe the effectiveness of any actions taken to prevent or mitigate any identified impacts of construction;
  - iv. include the results of analyses and monitoring programs and any recommendations arising therefrom; and
  - v. include a log of all complaints received by Union, including the date/time the complaint was received, a description of the complaint, any actions taken to address the complaint, the rationale for taking such actions.