



EB-2016-0137
EB-2016-0138
EB-2016-0139

EPCOR Southern Bruce Gas Inc.

**Applications for approval of franchise agreements and
Certificates of Public Convenience and Necessity for the
Municipality of Arran-Elderslie, the Municipality of
Kincardine and the Township of Huron-Kinloss**

**PROCEDURAL ORDER NO. 2
March 3, 2017**

EPCOR Southern Bruce Gas Inc. (EPCOR) filed applications with the Ontario Energy Board (OEB) on March 24, 2016 under sections 8 and 9 of the *Municipal Franchises Act*, R.S.O. 1990, c. M.55, seeking approval for its franchise agreements with and Certificate of Public Convenience and Necessity for the Municipality of Arran-Elderslie, Municipality of Kincardine and the Township of Huron-Kinloss (the EPCOR Applications).

The OEB announced previously on January 20, 2016 that it would be holding a generic proceeding to review opportunities for natural gas expansion in the province (EB-2016-0004). As the EPCOR Applications related to expanding gas service to new areas, they were placed on hold pending the outcome of the generic proceeding. The OEB issued its decision on natural gas expansion on November 17, 2016 (Expansion Decision).

The OEB issued a letter dated November 30, 2016 indicating that it was time to continue with the processing of the EPCOR Applications, and to do so in light of the findings in the Expansion Decision.

A Notice of Hearing was issued on December 21, 2016 and it was served on all parties in EB-2016-0004.

In Procedural Order No. 1, which was issued on January 5, 2017, the OEB issued an invitation to other parties interested in serving the areas covered by the EPCOR Applications to notify the OEB of their interest by January 19, 2017. If there were no other interested parties, EPCOR was to file with the OEB by January 26, 2017 a letter indicating what applications it intended to file in advance of the OEB's consideration of its franchise applications. Union Gas Limited (Union) filed a letter dated January 19, 2017 to notify the OEB of its interest in serving the areas covered by the EPCOR Applications.

Given the interest of both EPCOR and Union in serving the municipalities in the EPCOR Applications, the OEB intends to hear the two competing proposals together in one proceeding. The OEB has determined that there are a number of preliminary threshold issues that would benefit from the submissions of parties; therefore the OEB will consider the selection of the distributor to serve the areas covered by the EPCOR Applications in a staged manner. The OEB will first receive submissions on the preliminary threshold issues related to the criteria and the filing requirements for the supply and rate proposals that it expects to require from EPCOR and Union. The draft Issues List and the draft Filing Requirements are attached in Schedule B and Schedule C, respectively. The OEB will then hear the competing proposals to be filed by EPCOR and Union in an oral hearing as part of the second phase.

The OEB is aware of recent developments regarding the Provincial government's natural gas expansion grants program. Although not all of the details of this program have been finalized, it is the OEB's expectation that all potential distributors would be eligible for grants. Any grants that are received would benefit consumers through lower rates.

The OEB received a number of interventions from interested parties, the list of which is provided below:

- Anwaatin Inc. (Anwaatin)
- Building Owners and Managers Association, Greater Toronto (BOMA)
- Consumers Council of Canada (CCC)
- Enbridge Gas Distribution Inc.
- GreenField Specialty Alcohols Inc. (GreenField)
- Industrial Gas Users Association (IGUA)
- London Property Management Association (LPMA)
- Northeast Midstream LP
- Northern Cross Energy Limited
- Parkland Fuel Corporation

- School Energy Coalition (SEC)
- Southern Bruce Municipalities
- Union Gas Limited
- Vulnerable Energy Consumers Coalition (VECC)

Each of Anwaatin, BOMA, CCC, GreenField, IGUA, LPMA, SEC and VECC also applied for cost award eligibility. No objections were received regarding the requests for intervenor status or cost eligibility.

Intervenor status is hereby granted to each of the parties listed above. The list of parties in this proceeding is attached as Schedule A to this Procedural Order. Given the generic nature of the preliminary issues to be considered in the first phase of this proceeding, intervenors are welcome to make submissions on the Issues List as they see fit. However, costs will not be awarded at this stage of the proceeding.

In addition, the OEB intends to limit interventions in the second phase of the proceeding to the directly affected parties. The OEB expects to make the determination that only the two proponents, the Southern Bruce Municipalities and directly impacted ratepayer groups will be granted intervenor status and considered for cost eligibility in the second and main phase of the proceeding. Other intervenors from the first phase of the proceeding who wish to participate in the second phase and intend to apply for cost award eligibility will be expected to provide a compelling explanation for how their interests align with the selection of a distributor for the Southern Bruce Municipalities. The OEB reserves its judgment as to whether other intervenors in the first phase of the proceeding will be considered intervenors in the second phase.

The OEB expects that intervenors will combine their interventions with those of similarly interested parties, will co-operate with all other parties to the extent possible and will be mindful of avoidable duplication.

It is necessary to make provision for the following matters related to this proceeding. Further procedural orders may be issued by the OEB.

IT IS THEREFORE ORDERED THAT:

1. The draft Issues List is attached as Schedule B to this Procedural Order No. 2.
2. The draft Filing Requirements are attached as Schedule C to this Procedural Order No. 2.

3. OEB Staff shall file its submissions regarding the draft Issues List and the draft Filing Requirements with the OEB and deliver it to all other parties on or before **March 24, 2017**.
4. Parties that wish to file submissions regarding the draft Issues List and the draft Filing Requirements must file their submissions with the OEB and deliver it to all other parties on or before **March 31, 2017**.
5. Parties other than the two proponents, the Southern Bruce Municipalities and ratepayer groups that wish to intervene in the second phase of the proceeding must file their rationale for consideration as intervenors with the OEB on or before **April 7, 2017**.

All filings to the OEB must quote the file numbers, EB-2016-0137 | EB-2016-0138 | EB-2016-0139, be made in searchable / unrestricted PDF format electronically through the OEB's web portal at <https://www.pes.ontarioenergyboard.ca/eservice/>. Two paper copies must also be filed at the OEB's address provided below. Filings must clearly state the sender's name, postal address and telephone number, fax number and e-mail address. Parties must use the document naming conventions and document submission standards outlined in the RESS Document Guideline found at <http://www.ontarioenergyboard.ca/OEB/Industry>. If the web portal is not available parties may email their documents to the address below. Those who do not have internet access are required to submit all filings on a CD in PDF format, along with two paper copies. Those who do not have computer access are required to file 7 paper copies.

All communications should be directed to the attention of the Registrar at the address below, and be received no later than 4:45 p.m. on the required date.

With respect to distribution lists for all electronic correspondence and materials related to this proceeding, parties must include the Case Manager, Azalyn Manzano at azalyn.manzano@ontarioenergyboard.ca.

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DATED at Toronto, March 3, 2017

ONTARIO ENERGY BOARD

Original signed by

Kristi Sebalj

Registrar

Office of the Registrar

SCHEDULE A

EB-2016-0137 | EB-2016-0138 | EB-2016-0139

EPCOR Southern Bruce Gas Inc.

DATED: March 3, 2017

List of Intervenors

**EPCOR Southern Bruce Gas Inc.
EB-2016-0137/EB-2016-0138/EB-2016-0139
APPLICANT & LIST OF INTERVENORS**

March 03, 2017

APPLICANT

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**EPCOR Southern Bruce Gas Inc.
EB-2016-0137/EB-2016-0138/EB-2016-0139
APPLICANT & LIST OF INTERVENORS**

March 03, 2017

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EB-2016-0137/EB-2016-0138/EB-2016-0139
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EB-2016-0137/EB-2016-0138/EB-2016-0139
APPLICANT & LIST OF INTERVENORS**

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EPCOR Southern Bruce Gas Inc.
EB-2016-0137/EB-2016-0138/EB-2016-0139
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EB-2016-0137/EB-2016-0138/EB-2016-0139
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March 03, 2017

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**EPCOR Southern Bruce Gas Inc.
EB-2016-0137/EB-2016-0138/EB-2016-0139
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**EPCOR Southern Bruce Gas Inc.
EB-2016-0137/EB-2016-0138/EB-2016-0139
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**EPCOR Southern Bruce Gas Inc.
EB-2016-0137/EB-2016-0138/EB-2016-0139
APPLICANT & LIST OF INTERVENORS**

March 03, 2017

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SCHEDULE B

EB-2016-0137 | EB-2016-0138 | EB-2016-0139

EPCOR Southern Bruce Gas Inc.

DATED: March 3, 2017

Draft Issues List

**Preliminary Issues for Feedback in EB-2016-0137, EB-2016-0138, EB-2016-0139 -
EPCOR Southern Bruce Gas Application**

1. Keeping in mind the principles set out in the Decision with Reasons for the generic community expansion proceeding (EB-2016-0004), what should the process for selecting a proponent look like when there are competing proposals for serving a community?
2. Should the funding of this process be treated as a business development cost or a regulatory expense, recoverable from future ratepayers? What other approaches should the OEB consider?
3. In its Decision with Reasons for the generic community expansion proceeding (EB-2016-0004), the OEB introduced the idea of a rate stability feature for its framework for natural gas expansion:

A minimum rate stability period of 10 years (for example) would ensure that rates applied for are representative of the actual underpinning long-term costs. The utility would bear the risk for that 10-year period if the customers they forecast did not attach to the system.

- How should a rate stability period be implemented for the South Bruce areas?
 - Is a 10-year rate stability period too long or too short?
 - Should proponents have the opportunity to update costs during the rate stability period? If so, what types of costs?
4. In expanding natural gas service to new areas, the OEB expects to approve franchise agreements following the results of a certificate competition. The selection process is primarily about finding the best value for consumers over the long term, after analyzing the supply plans and associated costs.
 - Is there a need for a common format for applications to be able to appropriately assess and compare the value propositions of different proponents – for example through establishing filing requirements?
 - If so, please provide comments on the draft filing requirements attached at Schedule C.
 - Should the OEB use a Reference Plan based on a set of working assumptions such as long term system demand? What other parameters should be set in a Reference Plan?

- Should applicants have the opportunity to create their own proposals by applying their own demand forecasts, construction phasing, etc. as opposed to a Reference Plan?
5. How should the costs of proposals be compared? (e.g. \$/month, \$/system capacity, use of demand day, delivery capacity of the system for comparison)
 6. Should measures be put in place to ensure completion of the proposed projects, and if so, what should these measures be?

SCHEDULE C

EB-2016-0137 | EB-2016-0138 | EB-2016-0139

EPCOR Southern Bruce Gas Inc.

DATED: March 3, 2017

Draft Filing Requirements

DRAFT FILING REQUIREMENTS
FOR
COMPETITIVE FRANCHISE/CERTIFICATE OF PUBLIC CONVENIENCE AND
NECESSITY APPLICATIONS

When there are multiple parties' interested in being granted the same franchise agreement and Certificate of Public Convenience and Necessity to serve an area, the OEB will apply the following decision criteria:

- Organization
- Financial capacity
- Proposed community supply
- Schedule
- Costs - construction and administration/support costs
- Other factors

The OEB will require the following information to be filed as part of an applicant's filing. The requirements are separated into three main sections:

- (A) The capability of the applicant to serve the area;
- (B) The applicant's Plan for serving the area; and
- (C) Other factors to support the expansion.

(A) CAPABILITY OF THE APPLICANT

1. Background Information

The applicant must provide the following information:

1.1 Contact information for each of the following persons:

- a) the applicant;
- b) primary representative for the applicant;
- c) any legal representative;
- d) any affiliates of the applicant.

Contact information includes the name, postal address, telephone number, and, where available, the email address and fax number of the persons listed above.

1.2 Confirmation that the applicant has not previously had a licence or permit revoked and is not currently under investigation by any regulatory body

Draft Filing Requirements

2. Organization

- 2.1** An overview of the applicant's relevant utility experience - construction and operations
- 2.2** A description of the applicant's organizational structure and ownership, and a chart to illustrate the structure
- 2.3** Identification and description of the role of any third parties to be used in the applicant's ongoing operations
- 2.4** Evidence that the applicant's business practices are consistent with good utility practices and that it possesses or can obtain all the required licenses and permits to function as a gas distribution utility

3. Financial Capacity

The applicant must demonstrate that it has the financial capability necessary to develop, construct, operate and maintain safe and reliable service to customers in the proposed area. To that end, the applicant shall provide the following:

- 3.1** Evidence that it has capital resources that are sufficient to develop, finance, construct, operate and maintain safe and reliable service to the proposed area
- 3.2** Evidence of the current credit rating of the applicant, its parent or associated companies
- 3.3** Evidence that the financing, construction, operation, and maintenance of safe and reliable service to the proposed area will not have a significant adverse effect on the applicant's creditworthiness or financial condition

(B) PLAN FOR SERVING THE AREA

4. Proposed Community Supply

The applicant must provide an overview of its proposed supply to the area, including:

- 4.1** A description of the specific areas to be served
- 4.2** A description of the infrastructure that will be required to serve the area, including the interconnection of any new infrastructure with the existing gas distribution system

Draft Filing Requirements

- 4.3** A description of the lands that will be impacted by infrastructure and plans to obtain control of this land through an easement, lease, planned purchase, or other agreement
- 4.4** A description of any significant issues anticipated in land acquisition or permitting and a plan to mitigate them
- 4.5** A description of all permits and approvals required, including Environmental Assessments, any Duty to Consult, and regulatory approvals
- 4.6** A map illustrating the planned infrastructure and areas to be served

5. Costs of Supply and Customer Rates

- 5.1** Evidence of the underlying long term cost structure expected for serving the area
- 5.2** A description of any major assumptions underlying the expected cost structure
- 5.3** A description of the tariffs and proposed rates

6. Schedule

- 6.1** The applicant must file a schedule that describes milestones and estimated dates
- 6.2** Proposed reporting requirements

(C) OTHER FACTORS

The applicant should provide any other information that it considers relevant to its application to serve the area.