

ONTARIO ENERGY BOARD STAFF INTERROGATORIES

Community Expansion Project – Union Gas Limited

EB-2015-0179

May 10, 2017

Interrogatory # 1

Ref: Exhibit A / Tab 1 / ADDENDUM / Page 2 / Lines 10-16 and
Opportunity Assessment Summary, Exhibit A / Tab 1 / Appendix D Updated –
December 14, 2015

In its evidence, Union has noted that without the ability to cross-subsidize specific community expansion projects and absent other sources of funding, Union is able to expand in only four communities: Kettle and Stony Point First Nation and Lambton Shores, Milverton, Prince Township and the Delaware Nation of Moraviantown First Nation.

The Opportunity Assessment Summary in Union's original evidence, dated December 14, 2015, provided a list of 103 potential community expansion projects. In the summary, the Natural Profitability Index (PI) of Lagoon City (Orillia), Hidden Valley/Huntsville and Santa's Village/Beaumont Dr, and Bracebridge are higher than the Delaware Nation of Moraviantown First Nation.

- a) Please explain why Union has selected the Delaware Nation of Moraviantown First Nation as a community expansion project as compared to the three communities listed above that have higher PI ratios.
- b) What would be the capital cost, forecasted attachments and the SES term if Union were to offer natural gas distribution services in Lagoon City (Orillia)?

Interrogatory # 2

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

Union's updated evidence indicates that in the area of Lambton Shores, the Ipperwash Beach will be the only community to receive natural gas service. Union similarly

indicates that it intends to service specific streets in the Delaware Nation of Moraviantown area.

Are there any other communities that Union may expand its service to in the area of Lambton Shores in the future? Will Union expand its service in Moraviantown?

Interrogatory # 3

Ref: Exhibit A / Tab 1 ADDENDUM / Pages 6-10 and Page 15

Union has proposed the implementation of a volumetric-based System Expansion Surcharge (SES) to recover the cost of expansion into the four new communities. Union has proposed the SES for a maximum duration of 40 years or until the project reaches the minimum PI of 1.0. For Kettle and Stony Point First Nation and Lambton Shores, the SES will expire in 2029, for Milverton, Rostock and Wartburg, the SES will expire in 2032 and for Prince Township, the SES will expire in 2039.

- a) Please confirm that the customers in the proposed expansion communities will pay the surcharge until a P.I. of 1.0 is reached and that Union will remove the SES as soon as the P.I. of 1.0 is achieved. Is it possible for Union to remove the SES mid-year, if applicable?
- b) If Union is not able to achieve the forecasted attachments or volumes, would it extend the SES beyond the proposed period to reach a minimum PI of 1.0?
- c) Considering the risk of attaching lower than forecasted customers in the proposed communities, for the term of the surcharge period, please confirm whether existing customers of Union will bear the risk of any unrecovered amounts to meet a PI of 1.0?
- d) Considering the OEB's Decision in the Generic Community Expansion Proceeding (EB-2016-0004), please confirm that Union's proposal to provide natural gas in the four communities will not require any contribution from Union's existing customers prior to and after the expiration of the SES.
- e) To the extent future upstream system upgrades are required in the four communities, please clarify if only new customers will pay for related upgrades through the SES or whether Union's existing customers will cover the cost of upgrades too?
- f) Please clarify Union's approach to the SES and the term of the SES for "extension customers" that may be attached with additional facilities at a later date that are not included in the current attachment forecasts for the four

communities. How will Union determine which facilities are “paid off” first? Could the extension customers have to continue paying an SES longer than the initial customers? Could the initial customers have to continue paying an SES longer because of the additional facilities being added?

Interrogatory # 4

Ref: Exhibit A/Tab 2/Section A/ page 7

Union notes that for the Lambton Shores expansion ‘The PI is slightly above 1.0 due to rounding effects of the SES term which will end on the calendar year end of Dec 31st.’

Please explain the rationale for ending the SES on the calendar year, rather than when a PI of 1.0 is reached.

Interrogatory # 5

Ref: Exhibit A / Tab 1 ADDENDUM / Page 13 / Lines 4-7 and Opportunity Assessment Summary, Exhibit A / Tab 1 / Appendix D Updated – December 14, 2015; Exhibit A / Tab 2 / Section C / Page 3 / Para 9 – Evidence 2015-12-14; Exhibit A / Tab 2 / Section C / Page 3 / Para 9 and Exhibit A / Tab 2 / Section C / Page 6 / Para 28 – Evidence 2017-03-31

Union has indicated that the Delaware Nation of Moraviantown First Nation expansion project (Moraviantown) is contingent on receipt of Provincial grant funding or another means of direct Aid-to-Construction to meet a minimum PI of 1.0.

In its original evidence, Union indicated that if the application is approved, 60 customers in the Delaware Nation of Moraviantown would have natural gas service by year 3 of the project. However, in its updated evidence, Union has forecasted that 38 customers in the project area will have nature gas service by year 10 of the project.

- a) What would be the capital contribution per expansion customer if the forecasted customers in the Delaware Nation of Moraviantown First Nation were to make the required upfront capital contribution of \$311,467?

- b) Union has stated in paragraph 31 (Tab 2, Section C) that if a direct Aid to Construct, such as a Provincial Grant is not received then the Moraviantown gas expansion project would not proceed. If a direct Aid to Construct is not received for Moraviantown, could Union increase the rate of the SES? Did Union consider other options to make the project viable?
- c) Please provide reasons why Union did not choose to complete a customer survey for Moraviantown?
- d) Please explain why the forecast attachments in the updated evidence have changed from the previous evidence.

Interrogatory # 6

Ref: Exhibit A / Tab 2 / Section A / Pages 3-5 Updated (2017-03-31)
Exhibit A / Tab 2 / Section A / Page 3 (2015-12-14)

In Union's original evidence dated December 14, 2015, Union noted that if the application to provide service to Kettle and Stony Point First Nation and Lambton Shores (Lambton Shores) is approved, 281 customers in the project area will have natural gas service by year 10 of the project. In its recent evidence, Union forecasts that 364 of the potential 512 customers in the project area will have natural gas service by year 10 of the project.

In the updated evidence Union notes that it had 13% survey response rate and that 69% of those respondents indicated their interest in obtaining natural gas service.

- a) Please reconcile the two numbers for forecast attachments in Lambton Shores and provide reasons for a larger forecast attachment rate in the updated evidence as compared to the evidence of December 2015.
- b) Did Union conduct additional market research in the Lambton Shores project area to determine the forecast of 364 attachments?
- c) Please discuss if a 13% response rate is statistically representative? What confidence does Union have in the accuracy of the forecast based on the results of this survey? Did Union use any alternative methods of reaching customers to determine their interest, such as through mail outs or open houses?
- d) In Union's experience, do more or less customers typically end up converting than they initially said they would through these types of surveys?

Interrogatory # 7

Ref: Exhibit A / Tab 2 / Section A / Page 5 Updated (2017-03-31)
Exhibit B. Staff 11, 2015-12-09

In its updated evidence, Union has forecasted 262 existing residential customers that will be attached in Lambton Shores by year 10 of the project. Union has indicated that the forecast has been developed using results of the telephone and door-to-door survey.

Please indicate when the telephone and door-to-door survey was completed.

Interrogatory # 8

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

Union has proposed to serve the Township of Perth East, which includes the town of Milverton and surrounding areas. The evidence notes that Union is also planning to develop a local distribution network which will service approximately 185 customers in the first year of the project. These customers were not known at the time of filing.

- a) Are the 185 customers referred to in the evidence included in the 739 customers that Union has forecasted it will serve in the project area by year 10 of the project?
- b) Does Union have any further information on where the 185 customers will be located or how they will be served at this time?
- c) In paragraph 24 of the evidence (Tab 2, Section B), Union has indicated that it has conducted an updated survey in the project area. Did Union survey the 185 customers that will be connected through a local distribution network?

Interrogatory # 9

Ref: Exhibit A / Tab 2 / Section B / Page 3 / Union Evidence 2017-12-14
Exhibit A / Tab 2 / Section B / Page 4 / Updated (2017-03-31)

In its original evidence Union proposed natural gas expansion in the community of Milverton and businesses between Sebringville and Milverton. In its updated evidence,

Union has proposed expansion in the communities of Milverton, Rostock and Wartburg as well as the residents and businesses between Sebringville and Milverton.

Please confirm whether the scope of the expansion project has changed as compared to the proposal in the original evidence. If yes, please explain the changes and how they impact costs and forecast attachments.

Interrogatory # 10

Ref: Exhibit A / Tab 2 / Section B / Pages 4-5 / Para 22 / Union Evidence 2017-12-14
Exhibit A / Tab 2 / Section B / Page 4-5 Updated (2017-03-31)

In Union's original evidence, it indicated that based on experience of attachment rates with past projects, Union had taken a conservative approach and reduced the attachment forecast in the Milverton community to 59% (extremely likely, very likely, 50% of likely) for the existing residential, small commercial and medium commercial customers. However, in its updated evidence it has used a 74% attachment rate reflecting the top 3 box scores (extremely likely, very likely and likely to convert).

- a) Please confirm that Union has used a different methodology to forecast attachment rates in its updated application as compared to the original application. Please provide reasons for the change in methodology.
- b) Please provide the forecasted attachment rate using the results from the 2017 survey and the methodology adopted in the original evidence.
- c) Has Union followed a similar approach for forecasting the number of attachments for all the four proposed communities in its application? If yes, please provide a rationale for the change in the methodology to forecast attachment rates as compared to the original application filed in July 2015.

Interrogatory # 11

Ref: Exhibit A / Tab 2 / Section B / Page 5 / Para 28

Union has noted that based on discussions with the Milverton Business Association, Union has assumed 100% of the large commercial and seasonal customers will convert to natural gas.

- a) Please provide the basis for using an attachment rate of 100% for large commercial and seasonal customers.

- b) How many large commercial and seasonal customers are expected to convert to natural gas and what is the expected timeframe?
- c) Did Union conduct a survey of large commercial and seasonal customers to confirm that 100% of the customers are likely to convert to natural gas?

Interrogatory # 12

Ref: Exhibit A / Tab 2 / Section B / Para 46

The evidence states that Union has included an advancement charge for the Milverton expansion project. The project economics includes a system advancement cost of \$126,500. The cost represents the net present value of the cost for the change in timing of reinforcement of the upstream system supplying the particular area.

Please explain how Union arrived at an advancement cost of \$126,500. Please also provide the background calculations used to arrive at the specific charge.

Interrogatory # 13

Ref: Exhibit A / Tab 2 / Section C / Page 3 / Para 13

Union has indicated that the project to serve the Delaware Nation of Moraviantown is contingent upon approval of a grant from the province or the payment of an aid to construct from another party. In absence of funding, the project will not proceed.

Did the Delaware Nation of Moraviantown apply for Federal funding? If yes, please provide details.

Interrogatory # 14

Ref: Exhibit A / Tab 2 / Section D / Page 2 / Para 8 – Evidence 2015-12-14
Exhibit A / Tab 2 / Section D / Page 3 / Para 8 – Evidence 2017-03-31

In its original evidence, Union forecasted 242 customers that would convert to natural gas in the Township of Prince by year 10 of the project. In the updated evidence, this

number has been revised to 291 while the number of potential customers has remained constant during this period.

Please explain the reasons for the change in the number of forecasted customers that are expected to convert to natural gas.

Interrogatory # 15

Ref: Letter dated April 10, 2017 – Estimated Annual Bill Impact

In response to a request from OEB staff, Union has provided estimated bill impacts for the four communities inclusive of the System Expansion Surcharge. The bill is based on an annual consumption of 2,200 m³ for a typical residential customer.

- a) Please provide the natural gas applications (furnace, water heater, gas stove etc.) that are included in the assumption of 2,200 m³ for a typical residential customer.
- b) What natural gas applications has Union assumed in its cash flow analysis in the four communities?
- c) Does Union expect potential customers in the four communities to convert to other natural gas applications apart from home heating in the first 10 years of the project? If yes, please provide details.
- d) Union has noted that it conducted market research in the communities. Did Union inform respondents of the estimated annual bill in the proposed expansion communities?

Interrogatory # 16

Ref: Exhibit A / Tab 2 / Section B / Page 8

In the evidence on the Milverton community expansion Union states that “The pipelines identified above have been optimized to meet the forecast future growth in the Project area”. Is this capacity going to be available to address the demand beyond the demand in the current forecast? If so, why and by how much?

Interrogatory # 17

Ref: Exhibit A / Tab 2 / Section A :”Kettle Point”

Exhibit A / Tab 2 / Section B :”Milverton”

Exhibit A / Tab 2 / Section B :”Moraviantown”

Exhibit A / Tab 2 / Section D:”Prince Township”

The 7th edition of “OEB Environmental Guidelines for Locating Constructing and Operating Hydrocarbon Pipelines in Ontario” published on August 11, (2016 Guidelines) sets the streamlined and enhanced process for the duty to consult on pipeline and storage projects requiring approval by the OEB.

- a) Please confirm that Union Gas conducted the Indigenous consultation in accordance with the intent of the 2016 Guidelines.
- b) Which sources did Union Gas use to determine Indigenous communities that are directly affected by the each of the proposed community expansion projects?
- c) How is Union planning to address issues and concerns identified in the Indigenous consultation process?

Interrogatory # 18

Ref: Exhibit A / Tab 1 / Section A/Pages 4 and 14

Please confirm that Union has Franchise Agreements and Certificate of Public Convenience and Necessity that include the communities of Rostock and Wartburg.

Interrogatory # 19

Union requested a decision on the EB-2015-0179 application no later than June 30, 2017 in order to meet the planned in-service date of December 2017.

Please discuss the implications of possible construction delays and measures, if any, that Union could possibly take to shorten the construction schedule to meet the planned in-service date if necessary.

Interrogatory # 20

Ref: Exhibit A / Tab 2 / Section A: "Kettle Point"

Exhibit A / Tab 2 / Section B: "Milverton"

Exhibit A / Tab 2 / Section C: "Moraviantown"

Exhibit A / Tab 2 / Section D: "Prince Township"

Regarding the design specifications of all the pipelines of the four community expansion projects in this proceeding, please confirm that Union Gas will adhere to all relevant requirements of CSA Z662 "*Oil and Gas Pipeline Systems*" and *Ontario Regulation 210/01* under the *Technical Standards and Safety Act, 2000, Oil and Gas Pipeline Systems*.

Interrogatory # 21

Ref: Exhibit A / Tab 2 / Section A: "Kettle Point"

Exhibit A / Tab 2 / Section B: "Milverton"

Exhibit A / Tab 2 / Section C: "Moraviantown"

Exhibit A / Tab 2 / Section D: "Prince Township"

- a) For each of the projects subject to this proceeding please update the status of obtaining the necessary land rights.
- b) Please identify any locations along proposed pipelines routes where Union Gas needs to acquire an easement agreement in a form to be approved by the OEB.