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December 24, 2014

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Our Matter Number: 1151071

Sent By Courier and Electronic Mail

Ms. Kirsten Walli
Board Secretary
Ontario Energy Board
2300 Yonge Street, 27th Floor
Toronto, ON M4P 1E4

Dear Ms. Walli:

Natural Resource Gas Limited ("NRG") Responses to Interrogatories of Board Staff (EB-2014-0274)

Please find enclosed a copy of NRG's responses to the December 10, 2014 Interrogatories of Board Staff, filed and delivered to the intervenors in accordance with Procedural Order No. 3. Two paper copies have been sent to the Board via courier.

Please do not hesitate to contact me if you have any questions.

Yours very truly,

Patrick G. Welsh
Associate
PW:

Enclosure
c: Richard King, *Osler, Hoskin & Harcourt LLP*
Laurie O'Meara, *Natural Resource Gas Limited*
Brian Lippold, *Natural Resource Gas Limited*
Patrick McMahon, *Union Gas Limited*
Scott Stoll, *Aird & Berlis LLP*
Michael Millar, *Ontario Energy Board*
Khalil Viraney, *Ontario Energy Board*

Natural Resource Gas Limited
Responses to Interrogatories from Board Staff

INTERROGATORY RESPONSE NO. 1

Reference: Exhibit A, Tab 1, Schedule 2, Page 2

Natural Resource Gas Limited ("NRG") requested a deferral account to record costs associated with NRG implementing a new Demand Side Management ("DSM") program commencing January 1, 2015.

Question:

Does NRG intend to file a DSM plan with the Ontario Energy Board? If yes, please provide estimated timelines.

Response:

NRG is supportive of a 2015 transition year to begin the new DSM framework. This time frame will allow the company to properly consult with Board Staff as well as other LDCs having significant experience in delivering effective DSM programs.

NRG has requested the establishment of a deferral account to record costs associated with implementing a Demand Side Management program. We have requested the establishment of a deferral account because we are currently in the early stages of DSM program development. Our intention is to file a draft submission to the Board prior to the end of February, 2015.

We are working in consultation with Board Staff and stakeholders in efforts to offer a program relevant to the guiding principles of the Draft Report of the Board. We are awaiting the final DSM framework approval that is currently before the Board.

The timeline for program delivery will be based on the Board's approval. It is our hope that programs will be developed and approved by July of 2015. If approved by this time, marketing initiatives can be effectively planned and programs launched so to realize actual and measurable reductions in demand throughout the heating season of 2015/2016.

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INTERROGATORY RESPONSE NO. 2

Reference: NRG 2014 IRM Application, Page 5, November 25, 2014

NRG has requested continuation of NRG's current transportation rates and the continuation of NRG's current Rules and Regulations and Schedule of Service Charges.

Question:

Has NRG proposed any changes to its transportation rate schedule, Rules and Regulations or the Schedule of Service Charges? If "Yes", please provide details and the appropriate references.

Response:

No. NRG is not proposing any changes to its transportation rates, its Rules and Regulations, or its Schedule of Service Charges.

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INTERROGATORY RESPONSE NO. 3

Reference: NRG 2014 IRM Application, Page 5, November 25, 2014

NRG's Incentive Rate Mechanism ("IRM") for the three year period beginning October 1, 2011 was based on the Board's 3rd Generation IRM plan for electricity distributors. In this Application, NRG requested continuation of NRG's current IRM plan for the next two fiscal years beginning October 1, 2014.

Question:

Please confirm that NRG is seeking an extension of its current IRM based on the November 11, 2011 Settlement Agreement, but is using the Board's 4th Generation IRM parameters to adjust rates.

Response:

No. Page 5 of the November 11, 2011 Settlement Agreement states:

> With respect to the stretch factor, the Parties agree to the application of a stretch factor that is 0.1% greater than the stretch factor applicable to mid-range electricity distributors. Thus, until such time as the Board adjusts the stretch factors for mid-range electricity distributors (currently 0.4%), the stretch factor utilized in NRG's IR Plan shall be 0.5%.
>
> (emphasis added)

The underlined portion of the quote above indicates that once the Board adjusts the stretch factors for mid-range electricity distributors, this should be reflected in the calculation of rates under NRG's IR plan. As outlined in the evidence, the Board has adjusted the stretch factor for mid-range electricity distributors to 0.3% which is the basis for the stretch factor used in the proposed rates. The 0.3% plus the 0.1% adder agreed to in the Settlement Agreement equals the 0.4% stretch factor used in NRG's application.

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INTERROGATORY RESPONSE NO. 4

Reference: NRG 2014 IRM Application, Page 13, November 25, 2014

NRG has prepared its application on the basis that NRG's new rates would be effective October 1, 2014 and implemented January 1, 2015. Accordingly, NRG has calculated a "Foregone Distribution Revenue" rate rider to recover the incremental revenue for the period October 1, 2014 to December 31, 2014. NRG proposes to recover the Foregone Distribution Revenue over a period of three months.

Question:

a) Please recalculate the Foregone Distribution Revenue rate rider assuming an implementation date of April 1, 2015.

b) Please provide a proposal to recover the Foregone Distribution Revenue if the implementation date is April 1, 2015.

Response:

a) and b) If the implementation date is April 1, 2015, NRG would propose a "Foregone Distribution Revenue" rate rider consistent with the proposal in the application. NRG would propose the incremental revenue for the period October 1, 2014 to March 31, 2015 (a period of six months) would be recovered over a period of six months from April 1, 2015 to September 30, 2015.

The resulting Foregone Revenue Rate Rider for rate classes that are not seasonal would be the same as those outlined in the application. However, for Class 2 and 4, the calculation of the Foregone Revenue Rate Rider is complicated by the fact that Class 2 and 4 are seasonal, and there are rate changes within the period October 1, 2014 to March 31, 2015. As a result, the following outlines the calculation of the Foregone Revenue Rate Rider for these classes:

Rate Class 2	cents/m^3
RATE 2 - Apr to Oct - Block 1 (First 1,000 m3 per month) – Proposed	15.1677
RATE 2 - Apr to Oct - Block 1 (First 1,000 m3 per month) – Current	14.5236
Difference (A)	0.6441
RATE 2 - Nov to Mar Block 1 (First 1,000 m3 per month) – Proposed	19.1187
RATE 2 - Nov to Mar Block 1 (First 1,000 m3 per month) – Current	18.3068
Difference (B)	0.8119

Class 2 Foregone Revenue Rate Rider = (A x 1 + B x 2) / 6
= (0.6441 + 0.8119 x 5) / 6 = 0.7839

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Rate Class 4	cents/m^3
RATE 4 - Jan to Mar - Block 1 (First 1,000 m3 per month) – Proposed	19.7327
RATE 4 - Jan to Mar - Block 1 (First 1,000 m3 per month) – Current	19.2963
Difference (C)	0.4364
RATE 4 - Apr to Dec Block 1 (First 1,000 m3 per month) – Proposed	15.4678
RATE 4 - Apr to Dec Block 1 (First 1,000 m3 per month) – Current	15.1257
Difference (D)	0.3421

Class 2 Foregone Revenue Rate Rider = (C x 3 + D x 3) / 6
= (0.4364 X 3 + 0.3421 x 3) / 6 = 0.3892

The following table outlines the proposed Foregone Revenue Rate Rider that would be in place from April 1, 2015 to September 30, 2015:

Rate Group	Monthly Service Charge	Delivery First 1,000 m^3	Delivery Over 1,000 m^3	Delivery Next 24,000 m^3	Delivery Over 25,000 m^3	Delivery - Firm	Demand - Firm	Commodity	Delivery - Int - Lower	Delivery - Int - Upper
RATE 1 - General Service Rate - Residential	-	0.2836	0.1278	-	-	-	-	-	-	-
RATE 1 - General Service Rate - Commercial	-	0.2836	0.1278	-	-	-	-	-	-	-
RATE 1 - General Service Rate - Industrial	-	0.2836	0.1278	-	-	-	-	-	-	-
RATE 2 - Seasonal Service - Apr to Oct	-	0.7839	-	-	-	-	-	-	-	-
RATE 2 - Seasonal Service - Nov to Mar	-		-	-	-	-	-	-	-	-
RATE 3 - Special Large Volume Contract Rate	-	-	-	-	-	0.0910	-	-	-	-
RATE 4 - General Service Peaking - Apr to Dec	-	0.3892	-	-	-	-	-	-	-	-
RATE 4 - General Service Peaking - Jan to Mar	-		-	-	-	-	-	-	-	-
RATE 5 - Interruptible Peaking Contract Rate	-	-	-	-	-	0.0955	-	-	-	-
RATE 6 - Integrated Grain Processors Co-Operative Aylmer Ethanol Production Facility	-	-	-	-	-	0.0456	0.2207	-	-	-

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INTERROGATORY RESPONSE NO. 5

Reference: NRG 2014 IRM Application, Page 13, November 25, 2014

The Bill Impact Summary shows the rate adjustments to each of the rate classes. The rate impact of all rate classes with the exception of Rate 2 fall within the price cap adjustment of 1.2%.

Question:

Please explain the reasons for the rate impact on Rate 2 customers that is estimated to be double of the price cap adjustment.

Response:

The model used to determine the proposed distribution rates is the same model that was used to determine the current approved distribution rates. In that model, the increase in revenue by rate class is first determined by applying the price cap adjustment of 1.2% to all distribution charges within the class multiplied by the assumed billing determinants for each distribution charge. However, the model assumes the additional revenue is recovered by changing one or two distribution charges within the rate class. In other words, all distribution charges within a rate class are not changed – only one or two distribution charges are changed to recover the additional revenue.

With regards to Rate Class 2, revenue at existing rates is $70,468 and revenue at proposed rates is $71,312 which reflects an increase of 1.2%. However, the model takes the increase in revenue of $844 and assigns it entirely to the distribution rate associated with the delivery of volume for the first 1,000 m^3 - Apr to Oct and Nov to Mar (i.e., only one of the rates). This in turn increases the distribution rate in this category by 4.4% and all other distribution rates in Class 2 remain at the current level.

For Rate Class 2, the following outlines the detailed bill impact calculation. The consumption level used in the bill impact analysis is consistent with the consumption level used for this class in the model that supports current rates. The analysis indicates the proportion of volume assumed in the Block 1 (First 1,000 m^3 per month) category is just over 50% of the total consumption on an annual basis and the rate for this consumption is increasing by 4.4% as discussed above. 50% of 4.4% is 2.2%, which suggests that a 2.3% increase shown below is reasonable. The 2.3% impact is before the foregone revenue rate rider. With the foregone revenue rate rider, the bill impact is 2.6%. The 0.3% differential is consistent with other classes in regards to the impact of the foregone revenue rate rider.

See table on next page.

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April to October	Seasonal Amount	Current Rate	Proposed Rate	Current Revenue	Proposed Revenue	% Difference
Months	7	15.00	15.00	$ 105.00	$ 105.00	0.0%
Block 1 (First 1,000 m^3 per month)	2,831	14.5236	15.16769	$ 411.19	$ 429.43	4.4%
Block 2 (Next 24,000 m^3 per month)	3,380	9.4826	9.4826	$ 320.49	$ 320.49	0.0%
System Gas	6,211	0.0363	0.0363	$ 2.25	$ 2.25	0.0%
Sub-Total				$ 838.94	$ 857.18	2.2%
November to March						
Months	5	15.00	15.00	$ 75.00	$ 75.00	0.0%
Block 1 (First 1,000 m^3 per month)	678	18.3068	19.11867	$ 124.05	$ 129.55	4.4%
Block 2 (Next 24,000 m^3 per month)		15.696	15.696	$ -	$ -	
System Gas	678	0.0363	0.0363	$ 0.25	$ 0.25	0.0%
Sub-Total				$ 199.29	$ 204.79	2.8%
Annual						
Months	12			$ 180.00	$ 180.00	0.0%
Block 1 (First 1,000 m^3 per month)	3,509			$ 535.24	$ 558.98	4.4%
Block 2 (Next 24,000 m^3 per month)	3,380			$ 320.49	$ 320.49	0.0%
System Gas	6,889			$ 2.50	$ 2.50	0.0%
Total				$ 1,038.23	$ 1,061.97	2.3%