Osler, Hoskin & Harcourt LLP
Box 50, 1 First Canadian Place
Toronto, Ontario, Canada M5X 1B8
416.362.2111 MAIN
416.862.6666 FACSIMILE

OSLER

Toronto

Montréal

Ottawa

Calgary

New York

August 19, 2015

Patrick G. Welsh
Direct Dial: 416.862.5951
PWelsh@osler.com
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-2015-0115)

Please find enclosed a copy of NRG's response to the August 17, 2015 Interrogatories of Board Staff, filed and delivered to the intervenors in accordance with Procedural Order No. 1.

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 (e-mail only): Richard King, *Osler, Hoskin & Harcourt LLP*
Laurie O'Meara, *Natural Resource Gas Limited*
Brian Lippold, *Natural Resource Gas Limited*
Patrick McMahon, *Union Gas Limited*
Khalil Viraney, *Ontario Energy Board*

Natural Resource Gas Limited
Response to Interrogatories from Board Staff

Interrogatory Response #1

Reference: NRG 2015 IRM Application, Page 9 of 15 and Page 23 of 30

Question:

The overall price cap adjustment for 2015/16 rates is 1.2%. However, the delivery rate impact on Rate 2 customers is 2.3%.

Please explain the reasons for the delivery rate impact on Rate 2 customers that is almost 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 times 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 $71,312 and revenue at proposed rates is $72,167 which reflects an increase of 1.2%. However, the model takes the increase in revenue of $855 and assigns it totally to the distribution rate associated with the delivery of volume for the first 1,000 m3 - Apr to Oct and Nov to Mar. This in turn increases the distribution rate in this category by 4.3% and all other distribution rates remain at the current level.

For Rate Class 2, 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 m3 per month) category is 51% of the total consumption on an annual basis and the rate for this consumption is increasing by 4.3% as discussed above. 51% of 4.3% is 2.2% which suggest a 2.3% increase is reasonable based on the rate design and the consumption level used in the bill impact analysis.

For more details, please refer to live Excel file named NRG_Rate Generator_20150731, tab G1.2 Rate 2 Bill Impact, filed with the Board on Friday, July 31, 2015.