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November 17, 2015

**DELIVERED BY E-MAIL AND COURIER**

Ms.Kirsten Walli, Board Secretary  
Ontario Energy Board  
2300 Yonge Street,  
Suite 2701  
Toronto, ON M4P 1E4

Dear Ms. Walli:

**Re: OEB File No EB-2015-0179  
Union Gas Limited (Union) Community Expansion Program  
Interrogatories from EPCOR Utilities Inc. (EPCOR)  
To Union Gas Limited**

Further to Procedural Order No. 1, attached please find the interrogatories from EPCOR Utilities Limited in connection with the above noted matter.



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Gordon E. Kaiser  
Counsel for EPCOR Utilities Inc.

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Copy:  
Chris Ripley, Manager of Regulatory Applications, Union Gas Limited  
Charles Keizer, Torys LLP

UNION GAS COMMUNITY EXPANSION PROJECT  
EB – 2015-0179 Filed 2015-11-17

Interrogatories submitted by EPCOR Utilities Limited.

1. In its Application of July 23 to the Ontario Energy Board (EB-2015-0179) Union Gas applies for certain Orders to provide the necessary financial assistance to allow Union to construct facilities that will extend natural gas into markets which are otherwise uneconomical.

Union is asking for the following Orders:

- (a) An Order allowing a Temporary Expansion Surcharge (TES) of \$.23 per m<sup>3</sup>.
- (b) An Order allowing Union to charge Municipalities an Incremental Tax Equivalent (ITE) equal to the forecasted property tax payments Union will be making.
- (c) An Order establishing the term for the TES and ITE.
- (d) An Order allowing Union to include in rate base the total cost of a capital project when the project goes into service.
- (e) An Order allowing automatic recover in rates each year of any deficiency between the forecasted net revenue requirement and the actual revenue requirement achieved. (This money is to be funded by the TES and placed in deferral account to be cleared annually)
- (f) An Order allowing a Temporary Connection Charge (TCS) to be charged to all existing customers of approximately \$2 per month or \$24 per year over the multiyear expansion program.

*Question:* If the Board refuses to grant one or more of these Orders what are the implications for the other Orders?

THE TES

2. Union proposes a TES rate of \$.23 per m<sup>3</sup> for new customers in new expansion areas. To calculate this amount Union assumes that the average residential customer will save \$1600 per year by converting to natural gas. Union also estimates that the one-time cost of conversion is approximately \$4000. That means that after paying the conversion costs the customer saves \$1932 over 3.75 years or \$515 per year. Union assumes that the average annual consumption is 2200 m<sup>3</sup>. Accordingly the \$ 515 equals \$.23 per M<sup>3</sup>. Union therefore argues that in the first 3.75 years the total savings will be paid to the utility in the form of a TES. That is the customer is neutral. The Conversion cost is offset by the savings. After the 3.75 years the customer saves \$1600 per year.

*Question:*

- (a) Is this rate dependent on the achievement of a specific conversion rate?
- (b) If so what is that rate?
- (c) If Union fails to achieve that rate what are the implications for the TES rate proposed.

3. The government of Ontario in establishing the natural gas expansion project has established a grant program of \$ 20 million and a loan fund of \$200 million. The government is not specific as to the purpose to which these funds should be directed.

Union makes no submission with respect to the use of government funds except to say that they will be used to reduce any capital costs.

*Question:*

- (a) Does Union intend to apply under the government grant program?
- (b) If so, what will Union's request be?
- (c) If the government grants that request what are the implications for this application?
- (d) If not, why not?

#### THE ITE

4. Union has asked the Board to allow Union to charge the Municipalities an annual fee which would be equal to the forecasted property taxes Union would pay during the TES term. The Municipality must agree to this prior to construction. The municipality would only pay the ITE on projects with a PI of less than .8.

*Question:*

- (a) What authority does the Board have to issue the requested Orders?
- (b) If the municipality refuses what adjustment will Union make to other rates?
- (c) What authority does the Board have to include in rates an amount that reflects the refusal by municipality to waive property taxes?

#### THE TES TERM

5. Union proposes that the maximum TES term be 10 years. The term is the time it takes project to reach PI of 1 or to breakeven. The term can be less than ten years for more profitable projects. The term ends at year 10 for every customer regardless of when the customer connected.

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*Question:* What action will Union take if none of the projects reach a PI of 1 in less than 10 years?

**Intervenor:**

**EPCOR UTILITIES INC.**  
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