



EB-2016-0004

Ontario Energy Board

Application under the Ontario Energy Board's own motion to consider potential alternative approaches to recover costs of expanding natural gas service to communities that are not currently served

PROCEDURAL ORDER NO. 1 February 10, 2016

On July 23, 2015, Union Gas Limited (Union) filed an application (EB-2015-0179) with the Ontario Energy Board (OEB) seeking approval to provide natural gas service to certain communities that are not being currently served. In that application, Union proposed alternative approaches to recover revenues in order to meet the investment needs to expand natural gas service to certain rural and remote communities in Ontario.

Union indicated that under its proposal, it could complete approximately 29 projects to provide natural gas service to 18,000 homes and businesses in 34 communities at an estimated cost of \$135 million. Union also sought approval for rate recovery of four specific projects and leave to construct approval for three of the four projects.

In Procedural No. 2 issued on November 30, 2015, the OEB determined that it would be most efficient to consider the various elements of Union's application in a staged manner. The OEB determined that it would first address the proposed funding mechanism and consideration of the related leave to construct applications would be dealt with later in the context of the OEB's determinations on Union's proposed funding approaches.

The OEB directed parties that wished to file evidence to inform the OEB of their intent to do so and provide a brief description of the nature of their evidence. The OEB held a Pre-Hearing Day on December 18, 2015, where it heard from the different parties on the evidence that they expected to file and the relevance of that evidence to the proceeding.

The OEB heard from several parties who indicated that they wished to file evidence. Epcor Utilities Inc. (Epcor) noted that its evidence would focus on creating a fair and equitable ground for all utilities and companies looking to provide natural gas service to

new communities in Ontario. Epcor's suggestions included allowing all qualified utilities access to existing ratepayers' contributions and flexibility in awarding franchise agreements. The Canadian Propane Association (CPA) indicated that its evidence would challenge Union's assessment of the costs and savings assumptions in EB-2015-0179 to convert from propane to natural gas.

Enbridge Gas Distribution Inc. (Enbridge) noted that like Union it too was considering similar expansion projects. Enbridge maintained that its evidence would be valuable to the OEB as it would provide a broader perspective of expansion projects and the funding mechanisms being considered by the utilities.

Northeast Midstream LP (Northeast) provides Liquefied Natural Gas (LNG) services in Ontario and noted that it could potentially service rural communities with LNG where it is more economic than pipelines. Northeast noted that its evidence would focus on the cost comparison between pipelines and other alternatives from a policy perspective.

Union noted that many of the issues raised by the parties extended beyond Union's application and were more of a public policy issue. Other parties (Consumers Council of Canada, Energy Probe, Federation of Rental-housing Providers of Ontario, Industrial Gas Users Association, London Property Management Association, Municipalities of Kincardine, Arran-Elderslie and the Township of Huron-Kinloss, School Energy Coalition and Vulnerable Energy Consumers Coalition) that did not intend to file evidence supported the rationale for the evidence that was proposed to be filed by Epcor, CPA, Enbridge and Northeast.

In a letter dated January 20, 2016, the OEB informed all parties that it intended to proceed with a generic hearing on its own motion as the issues raised by all the parties were common to all gas distributors and new entrants seeking to provide gas distribution services in communities that do not have access to natural gas. A generic proceeding will allow the OEB to establish a common framework and provide guidance to all entities that wish to provide gas distribution services in communities across Ontario.

The OEB further provided guidance on the broad issues that it would consider in the generic proceeding. The OEB has developed a draft Issues List which defines the scope of the generic proceeding and reflects the submissions of the parties at the Pre-Hearing Day. The draft Issues List is attached as Schedule A to this Procedural Order.

The OEB also noted in that letter that Union's application (EB-2015-0179) would be put on hold until the completion of the generic hearing. The OEB further indicated that all

intervenors in Union's community expansion application would be deemed as intervenors in the generic hearing.

The OEB issued a Notice of Hearing (Notice) on February 5, 2016 and it was served on all parties in EB-2015-0179, the clerks of municipalities, First Nations and intervenors in Union and Enbridge rates proceedings. The Notice will be published in newspapers across Ontario. The last date to submit intervention requests is February 22, 2016. The Notice also informed the parties that Union's community expansion application and evidence would form part of the record of the generic proceeding.

The OEB considers it necessary to make provision for the following matters related to this proceeding. The OEB may issue further procedural orders from time to time.

THE OEB ORDERS THAT:

1. Parties that wish to file evidence but have not been deemed as intervenors in this proceeding can inform the OEB of their intent to file evidence along with their intervention request by **February 22, 2016**.
2. Parties that wish to comment on the draft Issues List must file their comments with the OEB and deliver it to all other parties on or before **February 26, 2016**.
3. Epcor, CPA, Enbridge, Northeast and any other party that wishes to file evidence must file their evidence with the OEB and deliver it to all other parties on or before **March 4, 2016**.
4. Parties requiring additional information related to any filed evidence, and that is relevant to the hearing, shall request it by written interrogatories filed with the OEB and delivered to all other parties on or before **March 18, 2016**.
5. Responses to the interrogatories on the evidence shall be filed with the OEB and delivered to all other parties on or before **April 4, 2016**.
6. A Pre-Hearing Day will be held on **April 11, 2016** starting at 9:30 a.m. in the OEB's North Hearing Room at 2300 Yonge Street, Toronto, where the OEB will seek to develop a hearing plan and provide direction on their expectations for the oral hearing.

7. An oral hearing will be held on the following dates (**April 18, 19, 21 and 22, 2016**) starting at 9:30 a.m. in the OEB's North Hearing Room at 2300 Yonge Street, Toronto. To allow for an efficient use of the OEB's time, parties with aligned interests are expected to coordinate their respective cross examinations.

All filings to the OEB must quote the file number, EB-2016-0004 and be made electronically in searchable / unrestricted PDF format through the OEB's web portal at <https://www.pes.ontarioenergyboard.ca/eservice/>. Two paper copies must also be filed. 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 Board Secretary at the address below, and be received no later than 4:45 p.m. on the required date.

ADDRESS

Ontario Energy Board
P.O. Box 2319
2300 Yonge Street, 27th Floor
Toronto ON M4P 1E4
Attention: Board Secretary

E-mail: boardsec@ontarioenergyboard.ca
Tel: 1-888-632-6273 (Toll free)
Fax: 416-440-7656

DATED at Toronto, February 10, 2016
ONTARIO ENERGY BOARD

Original signed by

Kirsten Walli
Board Secretary

Schedule A

To

Procedural Order No. 1

EB-2016-0004

Draft Issues List

February 10, 2016

Draft Issues List

EB-2016-0004

1. Does the OEB have the legal authority to establish a framework whereby the customers of one utility subsidize the expansion undertaken by another distributor into communities that do not have natural gas service?
2. Based on a premise that the OEB has the legal authority described in Issue #1, what are the merits of this approach? How should these contributions be treated for ratemaking purposes?
3. Should the OEB consider exemptions or changes to the EBO 188 guidelines for rural and remote community expansion projects?
 - Should the OEB consider projects that have a portfolio profitability index (PI) less than 1.0 and individual projects within a portfolio that have a PI lower than 0.8?
 - What costs should be included in the economic assessment for providing natural gas service to communities and how are they to be determined and calculated.
 - What, if any, amendments to the EBO 188 Guidelines would be required as a result of the inclusion of any costs identified above?
 - What would be the criteria for the projects/communities that would be eligible for such exemptions? What, if any, other public interest factors should be included as part of this criteria? How are they to be determined?
4. Should the OEB allow existing natural gas distributors to establish surcharges from customers of new communities to improve the feasibility of potential community expansion projects? If so, what approaches are appropriate and over what period of time?

5. Are there other ratemaking or rate recovery approaches that the OEB should consider?
6. Should the OEB allow for the recovery of the revenue requirement associated with community expansion costs in rates that are outside the OEB approved incentive ratemaking framework prior to the end of any incentive regulation plan term once the assets are used and useful?
7. Should the OEB consider imposing conditions or making other changes to Municipal Franchise Agreements and Certificates of Public Convenience and Necessity to reduce barriers to natural gas expansion?
8. What types of processes could be implemented to facilitate the introduction of new entrants to provide service to communities that do not have access to natural gas. What are the merits of these processes and what are the existing barriers to implementation? (e.g. Issuance of Request for Proposals to enter into franchise agreements)