

ONTARIO ENERGY BOARD STAFF INTERROGATORIES

ON THE EVIDENCE OF SOUTHERN BRUCE COUNTY

Ontario Energy Board Community Expansion Proceeding

EB-2016-0004

Interrogatory # 1

Ref: Expansion of Natural Gas Distribution in Southern Bruce County, October 6, 2014, Appendix C. Pages 15-16

Union Gas Limited (Union) has estimated the total cost to connect the municipalities of Chesley, Paisley, Triverton, Kincardine, Point Clarke, Inverhuron, Ripley and Lucknow at \$97 million. The cost is equally split between natural gas distribution and transmission lines. On the other hand, NORTHERN has proposed over 200 kms of natural gas mains and distribution lines for a total capital cost of \$70.2 million.

- a) Please identify the reasons for the difference in the two estimates.
- b) Does the NORTHERN proposal provide coverage to the same areas that Union has proposed to cover?
- c) Are there any timing differences in terms of when and how the service will be provided by the two competing proposals?
- d) Assuming that the NORTHERN proposal is accepted, will Union need to incur certain expenditures to provide the transmission services to NORTHERN? If yes, please provide details.

Interrogatory # 2

Ref: Expansion of Natural Gas Distribution in Southern Bruce County, October 6, 2014, Appendix C. Pages 34-35

The report states that AMEC Environment and Infrastructure and Energy Fundamentals Group reviewed the Union Gas Limited (Union) Proposal to provide gas distribution services to Kincardine and surrounding areas. AMEC concluded that Union's proposed project may not be justified or practical. They recommended consideration of an alternative that would involve replacing the transmission part of the proposed project with the infrastructure necessary to allow the delivery of Compressed Natural Gas

(CNG) to distribution facilities. AMEC believed that such an option would save about \$60 million in capital spending and allow the project to proceed in stages.

- a) Did Southern Bruce consider the option of sourcing Compressed or Liquefied Natural Gas in place of building a transmission line? Please provide a detailed response including any reasons for not considering such an option.
- b) Did Southern Bruce try to verify AMEC's claim of saving \$60 million if a CNG option was pursued?

Interrogatory # 3

Ref: Expansion of Natural Gas Distribution in Southern Bruce County, October 6, 2014, Appendix C. Page 77

The report discusses survey results conducted amongst homeowners and small-medium sized businesses in Kincardine, Arran-Elderslie and Huron-Kinloss. While discussing results of home water heating, the survey found that 1% of the respondents use geothermal energy for water heating.

- a) Please provide the number and percentage of respondents that use geothermal energy for home water or space heating.
- b) Did the municipalities consider geothermal energy as a potential source of energy in place of natural gas?
- c) Does the Ontario Government's proposed implementation of a cap and trade program to manage climate change expectations impact the decision of the municipalities to pursue natural gas as the preferred energy option?

Interrogatory # 4

Ref: Rural Rate Assistance as a Ratemaking or Rate Recovery Approach which the OEB should consider when assessing the Generic Hearing Issues related to Natural Gas System Expansion, Bruce Bacon, Borden Ladner Gervais LLP, Page 3

The report notes that Ontario has a long history of achieving sustainable public policy objectives, such as rural electrification, through cross subsidies from urban to rural utility customers. The subsidies have ultimately become law in the case of rural rate assistance. The report recommends that the OEB should consider a mechanism similar to rural rate assistance to mitigate the costs of expanding natural gas service to Ontario communities that do not have access to natural gas.

- a) The OEB is required to make provision for rural or remote electricity service under section 79 of the Ontario Energy Board Act. Is there similar legislation for natural gas that would allow the OEB to implement a similar mechanism as electricity?
- b) Absent the required legislation, how should the OEB consider and implement a rural rate assistance initiative for natural gas?

Interrogatory # 5

Ref: Rural Rate Assistance as a Ratemaking or Rate Recovery Approach which the OEB should consider when assessing the Generic Hearing Issues related to Natural Gas System Expansion, Bruce Bacon, Borden Ladner Gervais LLP, Page 5

The report indicates that the Ontario Government was actively involved in the rural electrification initiative. While describing the basic principles of rural electrification in Ontario, the report notes that the Ontario Government subsidized 50% of the initial investment costs and in rural districts where a deficit arose even with the maximum service charge, the Ontario Government settled the deficit as a loan until all rural power districts combined operated with a surplus.

The report seems to conclude that the government was actively involved in promoting and financing rural electrification schemes. Is it possible for the OEB to achieve similar expansion without significant financial support from the government?

Interrogatory # 6

Ref: Mechanisms for Supporting Natural Gas Community Expansion Projects, Report by Elenchus Research Associates Inc., March 21, 2016, Pages 12-20

The report provides an overview of initiatives outside Ontario to extend natural gas service and the pooling of costs for electricity facilities for setting transmission rates in Ontario. In addition, the report also provides a brief overview of the approach that has been adopted by the Canadian Radio-television and Telecommunications Commission for subsidizing high cost areas to ensure that Canadians in unserved or underserved areas have access to affordable telecommunications services.

- a) The British Columbia and Canadian governments undertook an initiative to extend natural gas infrastructure serving the BC mainland to Vancouver Island. The Pacific Coast Energy Corporation's application with the British Columbia Utilities Commission (BCUC) to extend natural gas service was the result of an understanding between the Federal and Provincial Governments on funding for the project. Please confirm that the Federal and Provincial Governments approved the funding for the expansion project and the BCUC merely reviewed the application but did not create an alternative framework for the expansion initiative.
- b) The report refers to Uniform Transmission Rates (UTR) in Ontario which is achieved by pooling the costs of the five licensed electricity transmitters in Ontario. The report notes that the UTR leads to cross subsidization as high cost transmitters are cross subsidized by low cost transmitters. Please confirm that all electricity ratepayers in Ontario benefit from the integrated transmission network managed by the five licensed electricity transmitters.
- c) In the case of the Canadian Radio-television and Telecommunications Commission, parties have recommended enhancements to the subsidy regime that would subsidize the deployment of broadband facilities to unserved and underserved regions of the country. Proposals to subsidize deployment of new facilities would continue to be funded through an enhanced National Contribution Fund that requires all significant service providers to contribute a percentage of revenue to the funding regime. Please provide an opinion on whether the OEB has the required jurisdiction to establish a fund similar to the National Contribution Fund noted above.

Interrogatory # 7

Ref: Evidence of Parkland Fuel Corporation

The evidence filed by Parkland Fuel Corporation highlights a number of concerns regarding gas expansion that is funded through cross subsidies. Does Elenchus have any high level comments regarding the recommendations of Parkland Fuel Corporation?

Interrogatory # 8

Ref: Report by Elenchus Research Associates Inc., March 21, 2016, Page 1

At page 1 of its report, Elenchus states:

A theme that is central to these developments and the Board's Issues List is a re-examination of the system expansion methodology currently used by the OEB-regulated natural gas distributors and, more fundamentally, an examination of the most efficient and effective means of extending natural gas service to unserved communities, particularly those that do not meet the current EBO 188 economic feasibility criteria.

The Issues List in this proceeding does not actually presuppose that any changes to EBO 188 will be made. Issue 4 states: "Should the OEB consider exemptions or changes to the EBO 188 guidelines for rural, remote and First Nation community expansion projects?"

Elenchus' Report examines "the most efficient and effective means of extending natural gas service to unserved communities, particularly those that do not meet the current EBO 188 economic feasibility criteria". Did Elenchus take it as a given that changes would be made to the existing framework? In other words, is the Elenchus' Report focussed on "how" the Board could adjust its processes to allow for more gas expansion, not "if" the Board should do so?