

**ONTARIO ENERGY BOARD**

**NATURAL GAS EXPANSION GENERIC PROCEEDING**

**INTERROGATORIES TO SOUTHERN BRUCE**

**From**

**INDUSTRIAL GAS USERS ASSOCIATION (IGUA)**

1. **Reference:** *Report prepared by the Municipalities: The approach and competitive solicitation process undertaken by the Municipalities to facilitate the expansion of Natural Gas services to Southern Bruce County.*

Who were the authors of this report?

2. **Reference:** *Report prepared by the Municipalities: The approach and competitive solicitation process undertaken by the Municipalities to facilitate the expansion of Natural Gas services to Southern Bruce County, page 11.*

The report states:

*The process also pointed out the problem of the limitation of possible subsidization by other natural gas customers to current natural gas distributors, a restriction that would work against the entry of new participants in the market.*

- (a) Is it Southern Bruce's position that all existing Ontario gas ratepayers should be required to subsidize gas system expansion to currently unserved or underserved communities?
- (b) Does Southern Bruce oppose subsidy by existing Union Gas Limited (Union) or Enbridge Gas Distribution Inc. (EGD) customers of only Union or EGD gas expansion projects, respectively (i.e. without a requirement that existing gas consumers contribute to subsidies for competing gas expansion projects)?

3. **Reference:** *Report prepared by the Municipalities: The approach and competitive solicitation process undertaken by the Municipalities to facilitate the expansion of Natural Gas services to Southern Bruce County, Appendix C (Expansion of Natural Gas Distribution in Southern Bruce County, The Business Case).*

At page numbered 55, Appendix C states:

*The heart of the problem is in the fact that the regulatory system (at least as currently configured) does not allow for the passing on to new gas customers the incremental cost of serving them on the existing system.*

At page numbered 58 of Appendix C, the report states:

*In the UNION option these costs are captured in up-front CIAC which is borne entirely by the sponsoring municipalities. In the stand-alone option the impact of the risks tends to be distributed over time and can be shared by consumers and the municipalities.*

Please indicate whether Southern Bruce supports those aspects of the Union and EGD proposals which would permit the distributors to add a surcharge for new customers to contribute to the costs of system expansion over time.

4. **Reference:** *Report prepared by the Municipalities: The approach and competitive solicitation process undertaken by the Municipalities to facilitate the expansion of Natural Gas services to Southern Bruce County, Appendix C (Expansion of Natural Gas Distribution in Southern Bruce County, The Business Case).*

The main Report filed in evidence indicates that the municipalities involved have signed a franchise agreement with EPCOR, after the due diligence analysis and selection process described elsewhere in the materials. The materials include forecast expansion cost and resulting customer rate level data for various expansion options, but no information on the forecast costs and resulting rate level for the EPCOR expansion program ultimately chosen.

- (a) Please provide a table that lists the most recent expansion cost and associated gas commodity and delivery rates forecasts/estimates (for all customer classes for which rate forecasts/estimates were developed or provided) considered by the municipalities for each of the Union, the Northern, and the EPCOR expansion proposals.
- (b) Please provide tables that detail, for each of the Union, Northern and EPCOR gas expansion proposals:
- (i) the current energy costs paid by typical Southern Bruce residents (residential, commercial, institutional and industrial, as applicable);

- (ii) the conversions costs that would be incurred by these customers to convert to use of distributed natural gas;
  - (iii) the energy costs that would result from the anticipated gas expansion initiative under the gas expansion proposal; and
  - (iv) the payback period for Southern Bruce residents under the gas expansion proposal.
- (c) Please confirm that the Southern Bruce municipalities have determined that the EPCOR proposal is economically sound and has entered into a franchise agreement with EPCOR all assuming no subsidy for EPCOR's gas expansion initiative through gas rates paid by EGD and Union customers.
- (d) Please indicate what expansion project subsidies, if any, have been assumed by the Southern Bruce municipalities in choosing the EPCOR proposal and entering into a franchise agreement with EPCOR.
- (e) Please indicate the status of EPCOR's expansion initiative, including:
- (i) Whether EPCOR has confirmed that it will proceed with the expansion, and if not when such confirmation is expected.
  - (ii) All remaining conditions precedent (other than OEB approvals) to EPCOR proceeding with the expansion.
  - (iii) The expected timing for the commencement of the expansion, and the commencement of gas service to the municipalities.
5. **Reference:** *Report prepared by the Municipalities: The approach and competitive solicitation process undertaken by the Municipalities to facilitate the expansion of Natural Gas services to Southern Bruce County*, Appendix E (Ontario Premier's 2014 Mandate letter to the Minister of Energy).

At the 4<sup>th</sup> page of the letter included as Appendix E, the Minister of Energy refers to "*the Municipal Energy Plan Program*".

Please describe this program and its potential relevance, if any, to the matters under consideration in this proceeding.

6. **Reference:** Elenchus March 2015 Report; *Mechanisms for Supporting Natural Gas Community Expansion Projects*, pages 5 through 16.

Mr. Todd traces the development of the OEB's policy on funding of gas system expansion.

The OEB's gas distribution expansion policy historically reflects reticence towards; i) "undue" cross subsidy of expansion by existing customers; and ii) subsidy of "financially unfeasible new distribution projects".

- (a) Does Mr. Todd agree that the foregoing statement properly characterizes the Board's historical policy on funding gas system expansion? If not, please explain.
- (b) Does Mr. Todd agree with the policy position characterized by the foregoing statement? If not, please explain.
- (c) How would Mr. Todd define or quantify "undue" as he understands the term to have been used by the OEB in its policy on funding gas system expansion?
- (d) Does Mr. Todd believe that the current (E.B.O. 188) guidelines for financial evaluation of gas system expansion provide a reasonable quantification of the amount of subsidization that is not "undue" in respect of impact on existing gas distribution ratepayers? If not, please provide Mr. Todd's suggested revision to those guidelines.

7. **Reference:** Elenchus March 2015 Report; *Mechanisms for Supporting Natural Gas Community Expansion Projects*, page 16.

In reference to the current Ontario approach to pooling electricity transmission costs and setting a uniform transmission rate, the report states:

*One implication of this approach is that the approved costs of each of the five transmitters are recovered from all users of the transmission network on the same basis.*

- (a) Could Mr. Todd explain the policy basis on which electricity transmission (as distinct from electricity distribution) costs are recovered from all Ontario electricity consumers "on the same [pooled] basis"?
- (b) Please explain the implications of the answer to part (a) of this interrogatory for the issues under consideration in this proceeding.