

ONTARIO ENERGY BOARD STAFF INTERROGATORIES
ON EVIDENCE OF THE CANADIAN PROPANE ASSOCIATION
Ontario Energy Board Community Expansion Proceeding
EB-2016-0004

Interrogatory # 1

Ref: Evidence of Canadian Propane Association, Page 4

The Canadian Propane Association (CPA) notes that in the EBO 188 proceedings, Ontario Energy Board staff warned that promoting general societal benefits and general economic development is beyond the Board's mandate. Board staff pointed out that it would not be effective, efficient or fair to tax existing ratepayers for general societal benefits and that economic development and the enforcement of social policy objectives is not the purpose of utility regulation. CPA claims that these principles remain true today.

In *Advocacy Centre for Tenants Ontario v. Ontario Energy Board* (238, O.A.C, 343), the Divisional Court allowed an appeal of the Ontario Energy Board's (OEB) decision that it had no jurisdiction to order a rate affordability assistance program under the *Ontario Energy Board Act*. The Divisional Court in its decision agreed that the OEB had the jurisdiction to establish a rate affordability assistance program for low income consumers purchasing the distribution of natural gas from the utility.

Please explain how the rate affordability assistance program is not similar to a social policy objective and is not a cost to existing ratepayers to subsidize a specific group of customers.

Interrogatory # 2

Ref: Evidence of Canadian Propane Association, Page 5

The CPA argues that the OEB does not have the jurisdiction to order subsidization of natural gas service because it would both amount to a tax and (unlike for electricity) the *Ontario Energy Board Act* does not specifically give the OEB that power.

EBO 188 currently permits a modest level of cross-subsidy by allowing a Profitability Index (P.I.) of as low as 0.8 for specific projects, as long as a P.I. of at least 1.0 is

achieved on a rolling portfolio basis. In the CPA's view is this cross-subsidy within the OEB's jurisdiction?

Interrogatory # 3

Ref: Ratemaking Principles and the Use of Subsidies in Natural Gas Community Expansion Program, Exhibit 3, Tab 3, Page 6

The report states that in the event the OEB authorizes cross-utility subsidization to occur, such that customers of one utility subsidize the expansion undertaken by another distributor, the OEB can mitigate some of the adverse impacts by removing the return on rate base component embedded in the subsidy so that there is only a return "of" and not "on" the capital investment associated with the expansion.

Please explain this approach in greater detail using an example.

Interrogatory # 4

Ref: Ratemaking Principles and the Use of Subsidies in Natural Gas Community Expansion Program, Exhibit 3, Tab 3, Page 6

In response to the question "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?", Mr. Budd answers: "the economic assessment should allow for consideration of all or any quantifiable costs and benefits, including opportunity costs. For example, there are potential unintended consequences and adverse impacts of expansion of natural gas to rural areas, such as adverse impacts on alternative fuel suppliers..."

At a practical level, how would the OEB assess the impact of unintended consequences? How would these impacts be measured and quantified?