

**EB-2016-0004**

**INTERROGATORIES FOR EPCOR UTILITIES INC.**

**RE: EVIDENCE OF ADONIS YATCHEW**

**FROM THE CONSUMERS COUNCIL OF CANADA**

**CCC Interrogatory 1**

Reference: Yatchew Evidence

Please specify whether any of the submitted material is intended to be accepted as expert evidence; if so, please specify precisely which assertions within the submitted material are intended to be expert opinions and identify the relevant expert.

**CCC Interrogatory 2**

Reference: Yatchew Evidence

Please provide the Terms of Reference for this evidence.

**CCC Interrogatory 3**

Reference: Yatchew Evidence/p. 1

Preamble: ...the Government is promoting natural gas expansion, and supporting it with new loan and grant programs.

- a) Has EPCOR approached the Government regarding access to these new programs? If not, why not? If so, what has been the outcome of those discussions? If EPCOR proceeds with community expansion in South Bruce will it have access to provincial funds?

**CCC Interrogatory 4**

Reference: Yatchew Evidence/p. 3

The evidence refers to the Long Term Energy Plan (LTEP) in which the Ontario Government signaled its intentions to ensure that additional communities would gain access to natural gas in order to benefit from the changing North American market and low prices. If community gas expansion is a stated government policy objective, why shouldn't gas expansions be funded through general revenue?

### **CCC Interrogatory 5**

Reference: Yatchew Evidence/p. 8

Preamble: There is strong evidence that competition for franchise areas is feasible when encouraged and not impeded by regulatory or other artificial barriers.

- a) Please list and discuss the regulatory or other artificial barriers for competition for franchise areas in Ontario which EPCOR believes exist and need to be overcome.

### **CCC Interrogatory 6**

Reference: Yatchew Evidence/p. 12

Preamble: The maximum potential support from the Expansion Reserve could be based on expected annual sales, averaged over a suitable period. For example, if Project A is expected to generate 10 times the sales volume of Project B, then its maximum support in aid of construction would be 10 times the maximum potentially available for Project B.

- a) Please confirm that one of the effects of the proposed cap on support from the proposed Expansion Reserve is that, for example, if Project A and Project B have similar forecast sales volumes they will have similar caps on support, even if the required capital investment in Project A is materially higher than the required capital investment in Project B because Project A is much further away from the existing infrastructure that the project would need to connect to.

### **CCC Interrogatory 7**

Reference: Yatchew Evidence/p. 13

Preamble: In addition, even existing customers may arguably gain in the longer term from the increase in system customers, capacity usage and sales volumes if this in turn reduces their unit transmission, distribution, storage or commodity costs.

- a) The Union evidence includes a proposal to add approximately 18,000 customers at a capital cost of approximately \$135M, while the EGD Evidence includes a proposal to add approximately 16,000 customers at a capital cost of \$410M. Is it EPCOR's evidence that the addition of 34,000 natural gas customers at a total capital investment of \$545M is going to result in a net benefit to the existing base

of approximately 3.5M<sup>1</sup> natural gas distribution customers regardless of whether the newly added customers are served by either Union or Enbridge or some third party or third parties? If so please explain how that net benefit will be generated.

### **CCC Interrogatory 8**

Reference: Yatchew Evidence/p. 16

Preamble: There may be communities with industrial or commercial customers who are willing to contribute to expansion costs in order to secure gas supply. In some communities, residential or agricultural customers may be prepared to pay more on the expectation of longer-term benefits.

- a) Please explain what impediment EPCOR perceives to exist under the current regime that stops major industrial or commercial customers from providing a Contribution in Aid of Construction or, in addition or alternatively, to contracting over a significant term to a material Minimum Annual Volume, with both options serving to improve the project economics?

### **CCC Interrogatory 9**

Reference: Yatchew Evidence/p. 15

Preamble: Provincial funds could be earmarked to support conversions.

- a) Is it EPCOR's assertion that the OEB has the authority to determine how Provincial Funds are to be utilized? If so please explain how that authority is derived.

### **CCC Interrogatory 10**

Reference: Yatchew Evidence/p. 19

Preamble: However, for reasons indicated above, we believe that the proponent should also be willing to contribute to project costs. Furthermore, in our view, natural gas distributors should not be shielded from all financial risks associated with the projects. The distribution of risk should be an outcome of the negotiation process and embedded in the franchise agreement.

- a) Please provide copies of the EPCOR Southern Bruce Gas Inc. Franchise Agreements executed by the Municipalities of Arran-Elderslie and Kincardine

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<sup>1</sup> Union states in its evidence at Exhibit A Schedule 1, page 13 that it has approximately 1.4M customers; Enbridge's forecast total customer count for 2015 in EB-2012-0459 Exhibit C4 Tab 2 Schedule 1 page 1 is 2.095M.

and the Township of Huron-Kinloss.

- b) Please explain how EPCOR Southern Bruce Gas Inc. is contributing to the project costs within those Franchise Agreements, and how it is exposed to the financial risk associated with the process.
- c) Please provide the justification for any deviations from the Board's Model Franchise Agreement that may appear in the filed Franchise Agreements.
- d) What is EPCOR's view as to the ideal distribution of risk?

**CCC Interrogatory 11**

Reference: Yatchew Evidence/p. 23

Please indicate whether the Responses to the Board's Issues List in Appendix A are the views of Dr. Yatchew or EPCOR.