EB-2016-0004

INTERROGATORIES FOR the Municipality of Kincardine, the Municipality of Arran-Elderslie, the Township of Huron-Kinloss & Henley International Inc. ("the Municipalities")

FROM THE CONSUMERS COUNCIL OF CANADA

CCC Interrogatory 1

Reference: General

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: the Municipalities Report/pp. 4-5

Preamble: Union estimated that the capital expenditures for the project would be close to $97 million and that the resultant required CIAC paid by the Municipalities would be just under $86 million (based on forecast 2012 costs).

[Re: Northern Cross Proposal] The development of the new natural gas delivery system would consist of three phases with total capital expenditures amounting to $70.2 million, substantially less than the Union proposal.

What is EPCOR's total estimate for the capital expenditures for it to provide natural gas distribution to the Municipalities?

CCC Interrogatory 3

Reference: the Municipalities Report/pp. 3,11

Preamble: Elenchus estimated that access to natural gas in Arran-Elderslie, Kincardine and Huron-Kinloss ultimately could save consumers approximately $27M annually in lower energy costs.

The RFI process clarified the nature of the regulatory restrictions that impeded the expansion of natural gas markets. The major impediments in this regard included the combination of using current

> rates and a profitability index of 1.0 to determine a required contribution in aid of construction on the part of the municipalities. This proved to be an insurmountable hurdle. The stand-alone option provided more flexibility in the determination of rates which allowed consumers to realize energy cost savings while paying higher rates, at least initially, than surrounding communities. Union attempted to deal with this problem in its EB-2015-0179 application to the OEB via its proposed TES mechanism. Stand-alone rates, and possibly contributions over time by the municipalities, also raise the possibility of narrowing the size of any subsidy required to support the expansion of natural gas markets.

Given the estimated annual savings of $27M as a result of access to natural gas, is it the Municipalities' evidence (assuming a capital cost in accordance with EPCOR's estimate) that given the appropriate flexibility to set a rate schedule that allows the distributor for the franchise area to charge rates to new customers that are high enough to recover the costs of the project over a suitable time while remaining low enough to allow new customers to enjoy reduced net energy costs, a project to provide distribution of natural gas in the franchise area represented by the Municipalities is feasible without external funding? If not, why not, what level of external funding is required (assuming the estimated capital costs for the EPCOR proposal), and how was that level of external funding determined?