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**Delivered by RESS and Email**

April 8, 2016

Ontario Energy Board  
2300 Yonge Street  
27<sup>th</sup> Floor  
Toronto, ON M4P 1E4

Attention: Ms. Kirsten Walli, Board Secretary

**Re: Natural Gas Expansion - Generic Hearing  
OEB File No.: EB-2016-0004**

We are counsel to the Municipality of Kincardine, the Municipality of Arran-Elderslie and the Township of Huron-Kinloss (the “Municipalities” or “Southern Bruce”).

On behalf of Southern Bruce we file the enclosed Interrogatories directed to Union Gas Limited, Enbridge Gas Distribution Inc., Canadian Propane Association, Vulnerable Energy Consumers Coalition, and the Township of Edwardsburgh Cardinal.

Yours truly,

BORDEN LADNER GERVAIS LLP

*Original signed by John A.D. Vellone*

John A.D. Vellone

Copy to: Michael Millar, OEB Counsel  
Mayor Anne Eadie  
Mayor Paul Eagleson  
Mayor Mitch Twolan  
Dr. Lawrence Murphy  
Mr. John Todd  
Mr. Bruce Bacon  
Intervenors of Record

TOR01: 6277748: v1

## **ONTARIO ENERGY BOARD**

**IN THE MATTER OF** the *Ontario Energy Board Act, 1998*,  
S.O. 1998, c. 15 (Sched. B), as amended;

**AND IN THE MATTER OF** a General Proceeding on  
Natural Gas Expansion in Communities That Are Not  
Served

**EB-2016-0004**

**Interrogatories From  
Southern Bruce**

**April 8, 2016**

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**EB-2016-0004**

**Interrogatories From Southern Bruce For Union Gas Limited (“UGL”)**

**April 8, 2016**

### **5 – Southern Bruce (UGL) – Question 1**

Reference: i) Exhibit A, Tab 1, page 4, lines 4-11

Preamble: Southern Bruce would like to better understand Union’s position on the difference between imposing a charge on Union’s existing customers for purposes of subsidizing certain new community expansion customers and “imposing a charge on Union’s customers for purposes of subsidizing another utility’s cost of service”.

- a) Is Union’s view that the former is more consistent with the ratemaking principle of equity than the latter?
- b) If so, what is the rationale for Union’s view on why the equity implications are different in these two circumstances

### **7 – Southern Bruce (UGL) – Question 2**

Reference: i) Exhibit A, Tab 1, page 31. lines 10-18

Preamble: Southern Bruce would like to better understand the statement that “Union does not believe that there are cost reduction opportunities that would reduce the capital costs of expansion significantly enough to overcome the financial viability barrier that currently exists.”

- a) Please provide any relevant evidence that supports this statement.
- b) Does Union also believe that there is no entity that could build the required infrastructure to serve the communities that Union has included in its list of potential projects at a cost below Union’s cost? If so, please provide any evidence that supports this view.
- c) If another entity can demonstrate that it could serve one or more communities on the Union list below Union’s cost, does Union believe that the OEB should require Union, as the higher cost service provider, to provide service?

### **7 Southern Bruce (UGL) – Question 3**

Reference: i) Schedule 1, London Economics Report, page 1

Preamble: “Alternatively expansion of natural gas services, for example to rural communities in Ontario, may be categorized as a public good where

substantial positive externalities accrue to all. The cost of expansion programs may therefore be recovered from all ratepayers or taxpayers within the province, as opposed to an individual utility customer base. The LEI team found no examples of customers of one utility subsidizing another's except where all customers within a jurisdiction across multiple companies provided the funding."

- a) Please confirm that the LEI findings are consistent, in principle, with the adoption of a mechanism that would use funding collected through a province-wide per GJ charge to subsidize natural gas expansions that are uneconomic but are deemed to be in the public interest.
- b) Please identify any reasons, other than Union's view that the OEB does not have the jurisdiction to implement such a mechanism, that this is not an option that should be considered.

#### **9 – Southern Bruce (UGL) – Question 4**

##### Reference:

- a) Would Union consider it appropriate for the OEB to deny a leave to construct to an entity that can provide service to a community that neither Union or Enbridge is planning to serve under their community expansion programs. If yes, please explain the reasons.
- b) Would Union consider it appropriate for the OEB to deny a leave to construct to an entity that can provide service to a community that either Union or Enbridge is planning to serve under their community expansion programs if the other entity is prepared to provide service significantly early. If yes, please explain the reasons.
- c) In the event that a community is located such that either Union or Enbridge would be able to provide service under their community expansion programs, what criteria should the OEB use to determine which utility should be granted the right to proceed with its proposal?
  - i. Should cost be a primary consideration?
  - ii. Should the local community have the right to choose its distributor?
- d) Should the OEB be open to approving the leave-to-construct applications from each distributor, should both file applications?

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**Interrogatories From Southern Bruce For Enbridge Gas Distribution Inc. (“EGDI”)**

**April 8, 2016**

## **2 – Southern Bruce (EDGI) – Question 1**

Reference: i) Page 3, Paragraph 7

Preamble: "A framework that requires the customers of one utility to subsidize expansion undertaken by another distributor would be contrary to the cost of service approach that, as set out in the Low Income decision, continues to be the root principle of the determination of rates by the Board. The cost of service of a particular utility does not and cannot include costs of subsidizing activities of another utility. Furthermore, in order to give effect to a framework for the customers of one utility to subsidize expansion by another utility, it would be necessary for the Board to allocate the subsidization amounts to particular utilities and for the benefit of particular communities that are not currently served by a distributor. In the Company's view the Board has no jurisdiction under the governing legislation to make decisions about how funds recovered in rates from customers of a utility are to be allocated to other utilities and for the benefit of particular communities not currently served by a distributor."

- a) Is it Enbridge's position that the Ontario Energy Board's uniform transmission tariff is *ultra vires*?
- b) If no, why not?

## **3 – Southern Bruce (EDGI) – Question 2**

Reference: i) Page 3, Paragraph 10

Preamble: "In the early years community expansion projects tend to be detractors to profitability, however at some future point the cash flows cross over such that these projects begin to contribute to profitability. Except for the most profitable customer additions, existing customers typically support the revenue requirement of new customers for a period of time through rates. Overtime, as the revenue requirement associated with these new customers' declines, they contribute to lowering rates for customers who preceded them and cross subsidize newer customers. Under this model Enbridge has been successful in doubling the number of customers in its franchise since the early 90's which contributed to minimizing of rate increases during this period."

- a) Is Enbridge opposed to competing with new entrants on a level playing field?

- b) How does the Board permitting cross-subsidies within a single utility, as described in your evidence, facilitate competition on a level playing field with new entrants?

**9 – Southern Bruce (EGDI) – Question 3**

Reference:

- a) Does Enbridge object to municipalities that do not currently have natural gas service being permitted to choose the entity to be awarded the franchise to bring natural gas to the community?
- b) ? If it does oppose the right of a municipality to award the franchise, please explain the company's reasons for objecting.

**9 – Southern Bruce (EGDI) – Question 4**

Reference:

- a) Would Enbridge consider it appropriate for the OEB to deny a leave to construct to an entity that can provide service to a community that neither Union or Enbridge is planning to serve under their community expansion programs. If yes, please explain the reasons.
- b) Would Enbridge consider it appropriate for the OEB to deny a leave to construct to an entity that can provide service to a community that either Union or Enbridge is planning to serve under their community expansion programs if the other entity is prepared to provide service significantly early. If yes, please explain the reasons.
- c) In the event that a community is located such that either Union or Enbridge would be able to provide service under their community expansion programs, what criteria should the OEB use to determine which utility should be granted the right to proceed with its proposal?
- iii. Should cost be a primary consideration?
  - iv. Should the local community have the right to choose its distributor?
- d) Should the OEB be open to approving the leave-to-construct applications from each distributor, should both file applications?



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**Interrogatories From Southern Bruce For  
Vulnerable Energy Consumers Coalition (“VECC”)**

**April 8, 2016**

**6 – Southern Bruce (VECC) – Question 1**

Reference: i) Evidence of Hariton and Ladanyi, Conclusion (pages 39-40)

- a) Please confirm that in principle it would be reasonable for the OEB to consider implementing a mechanism along the lines of the National Contribution Fund that has been implemented by the CRTC and that the primary reason that this type of mechanism is not being recommended by VECC is the lack of clarity with respect to the OEB's jurisdiction to do so.

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**Interrogatories From Southern Bruce For  
Canadian Propane Association (“CPA”)**

**April 8, 2016**

**9 – Southern Bruce (CPA) – Question 1**

Reference: i) CPA evidence, page 8, lines 3-11.

- a) Please confirm that it is the view of CPA, that if one or more municipalities choose to grant a franchise to a new distributor and no subsidy is being sought from other customers, such as the example cited in the evidence, the OEB should not stand in the way of the project
- b) If this is not confirmed, please explain.

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**Interrogatories From Southern Bruce For the Township of Edwardsburgh  
Cardinal (“TEC”)**

**April 8, 2016**

**3 – Southern Bruce (TEC) – Question 1**

Reference: i) Page 3

Preamble: We understand that the Township has an existing franchise agreement with Union Gas, and that Union Gas provides service in parts of the township already. On this basis, we understand the Township's preference is to continue to work with Union Gas to service other parts of the township – this makes good sense.

The South Bruce municipalities do not have an existing franchise with Union Gas, and Union Gas does not provide service in the South Bruce municipalities. Rather, following a competitive RFP process the South Bruce municipalities have entered into a franchise agreements with EPCOR, and the South Bruce municipalities would prefer to work with EPCOR to service the municipalities.

- a) Is the Township is suggesting that other municipalities, such as the South Bruce municipalities, must be forced to deal with Union Gas rather than another company? If yes, why? If no, why not?
- b) If Union Gas refused to complete the desired expansion in the Township territory, would the Township prefer to have no gas service in that area or would the Township consider working with another distributor if they were able to provide service in that area?
- c) Does the Township believe that other municipalities, such as the South Bruce municipalities, should be given a fair and equal access to any potential cross-subsidies that might be made available to facilitate gas system expansions? If no, why not?