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April 8, 2016

VIA E-MAIL

Ms. Kirsten Walli
Board Secretary
Ontario Energy Board
P.O. Box 2319
2300 Yonge St.
Toronto, ON
M4P 1E4

Dear Ms. Walli:

Re: EB-2016-0004 – Ontario Energy Board Community Expansion Program
Interrogatories of Vulnerable Energy Consumers Coalition (VECC)

In accordance with Procedural Order No. 2 please find enclosed the interrogatories of VECC in the above-noted proceeding.

Yours truly,

M. Garner/for

Michael Janigan
Counsel for VECC

Intervenors – EB-2016-0004

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REQUESTOR NAME	**VECC**
TO:	**Union Gas Limited (Union)** **Enbridge Gas Distribution Inc. (EGD)** **Canadian Propane Association (CPA)** **Parkland Fuel** **Ontario Geothermal Association**
DATE:	**April 8, 2016**
CASE:	**EB-2016-0004 Community Expansion**

Interrogatories for Union Gas (Union)

Union-VECC-1
Reference: Exhibit A/T1/pg.3

(a) Does Union contend that the Ontario Electricity Support Program is contrary to the role of the Ontario Energy Board as an economic regulator of just and reasonable rates? Please distinguish or compare the Program with a program of subsidization of uneconomic natural gas expansion.

Union – VECC-2
Reference: All

a) Please produce a table which shows and contrasts the proposal of Union with the proposal of Enbridge.
b) Please provide a column in the above table with Union's comment as to the reason for any differences in the two proposals.
c) Specifically comment on the impact to Union's proposal if the Board were to accept Enbridge's proposal for a System Expansion Surcharge.
d) Specifically comment on Enbridge's proposal for a differentiated Community Expansion Portfolio and how, if the Board were inclined to accept this proposal, how this would impact Union's proposed projects
e) Enbridge has proposed that community expansion projects should be treated as a "Y-factor" with the incremental revenue requirement of community

expansion addressed as part of the annual rate setting process. Please comment on this proposal and contrast it to Union's position

Union-VECC-3

Reference: Enbridge Gas Distribution (EGD) evidence Table 3, page 19

a) For the proposed Union Community projects please produce a table similar to Table 3 of EGD's evidence which shows the PI's of projects if the EBO 188/Community Expansion proposals of EGD were applied.

Union-VECC-4

Reference: Exhibit A/T1/pg.4; Schedule 1, pg. 18

a) At the above reference and in other places Union makes the point that imposing a charge on Union's customers for the purpose of subsidizing another utility's cost of service would be contrary to the established ratemaking principle of "benefits follow costs." Please explain what benefits Union exists customers are provided through their subsidization of non-profitable system expansions.
b) If community expansion projects are non-profitable without a subsidy from existing ratepayers what difference does it make to an existing Union customer as to whom gets that subsidy?
c) At Schedule LEI states in respect to jurisdiction-wide cross-subsidization model that existing utilities may be adversely impacted by increased costs and possibly lower demand without enjoying the benefits of an increased customer base. Given that the addition of community expansion customers has a negative net present value please explain how adding these customers can lead to a net benefit.
d) Please explain why existing customers should not be better off/prefer having the equivalent subsidy proposed by the incumbent utility (i.e. Union) provided to a separate utility who then takes on both the business and financial risk of servicing these community expansions.

Union-VECC-5
Reference: Exhibit A/T1/Page 28

a) Union proposes a number of requirements for new utilities. Which of the requirements listed at page 28 does Union Gas currently seek explicit approval from the Board?
b) In light of the fact that a natural gas utility is licensed by the TSSA and not the Ontario Energy Board, please provide Union's understanding of the OEB's authority to mandate the utility requirements contemplated by Union.

Union-VECC-6
Reference: Exhibit A/T1/pg.33

a) In the evidence Union postulates that existing utilities are a priori more economical than a new utility due to economies of scale. Notwithstanding the reference to the Ontario budget electricity utility consolidation, what evidence has Union presented which supports this theory? Specifically, has Union researched Ontario electrical utilities? If so how please explain why a number of mid-size utilities have lower costs/rates than some larger utilities and how this fits with the theory postulated by Union.

Union-VECC-7
Reference: Exhibit A/T1/pg.38

At the reference it states: "*Union's understanding is that the Ontario Government intends for the announced loans and grants to be applicable to projects that regulator flexibility on its own would not make economically feasible*."

a) Please provide the basis for this understanding.

Union-VECC-8
Reference: Exhibit Schedule 1/page 5

a) At the above reference it states that one of the principles adopted by Union Gas was that "[*N]atural gas distributors should not be exposed to financial risk related to the incremental new community expansion capital* *investment.*" If this is the case, and Union has no financial risk, please explain why these investments should attract the same rate of return as the Board provides for usual utility investments.

Union-VECC-9
Reference: Schedule 1, page 14

a) Please explain/provide the quantitative analysis which supports the rankings shown in Figure 4: LEI ranking of funding mechanisms with respect to Union's application.

Interrogatories for Enbridge Gas Distribution (EGD)

EGD-VECC-1
Reference: A/T1/pg.17 & A/T1/Appendix E

a) How does actual attachment rate affect the calculation of the Temporary Expansion Surcharge?
b) Please explain why the TES is not accounted for as a contribution in-aid of construction.

EGD-VECC-2
Reference: Page 3

At the above reference is a discussion which states that in the early years community expansion is a detractor to profitability but at some future point cash flows cross over such that these projects begin to contribute to profitability (see bullet 10).

a) Is it the intent of EGD's proposed policy to bring all community expansion projects to a PI of 1 or greater through a combination of surcharges, aid to construct and municipal tax credits?
b) If not please explain how a project which a profitability index of less than 1 (or the equivalent negative NPV) results in net profitability.

EGD – VECC-3
Reference: All

f) Please produce a table which shows the elements of the proposal of EGD and contrasts and compares that with the proposal of Union Gas.
g) Please provide a column in the above table with EGD's comment as to the reason for the difference in any specific aspect of the two proposals.

EGD-VECC-4
Reference: Page 6

a) EGD states that it is of the opinion that no changes are required to EBO 188 with respect to the costs that should be included in the economic assessment of projects. However, Union Gas proposes specific changes to the EBO 188 Guidelines and specifically (Union Exhibit A/T1/pg.8-16) seeks to have a number of changes to customer forecast time period.
b) Please provide EDG's position s to Union Gas' proposed changes to EBO 188.
c) Does EDG expect the Board to approve multiple guidelines for different utilities or is seeking a uniform set of rules?

EGD-VECC-5
Reference: Page 13

a) Please provide the source and date for Table 1. Please explain how the annual bill amount is calculated by showing both the quantity consumed and the prices applied to that quantity.

EGD-VECC-6
Reference: Page 20

a) EGD has proposed a rate impact limit on existing customers of $24 per year. Please explain the rationale for this figure (why was it chosen).
b) EGD has forecast costs of approximately $410 million to attach 16,000 homes under its proposal. This works out to approximately $25k per customer attached. Please provide the current average attachment costs for: i) an infill customer; (ii) a new subdivision or service territory customer attached under the current EBO 188 rules.

EGD-VECC-7
Reference: Page 30, Table 1

a) Table 1 appears to show the Typical RPP and the RPP after the inclusion of community expansion projects. If this is correct, it would appear that it is theoretically possible to develop community expansion projects at a slower rate and thereby keep the NPV of the RPP at, or approximate to zero. Is this correct?
b) If so please provide a table which shows the number of projects which could be developed each year while maintain the NPV of the Typical RPP at approximately zero.
c) If this were done what would be the rate impact of the community expansion program on existing customers?
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Interrogatories for the Canadian Propane Association (CPA)

CPA-VECC-1
Reference: CPA Evidence p.3-7

(b) Does the CPA contend that the Ontario Electricity Support Program is contrary to the role of the Ontario Energy Board as an economic regulator of just and reasonable rates? Please distinguish or compare the Program with a program of subsidization of uneconomic natural gas expansion.
(c) Are there network externalities that benefit existing natural gas customers when service is expanded to unserved communities? If so how can they be measured?
(d) Are there social objectives set out in the OEB Act that uneconomic natural gas expansion may serve to advance even though such expansion may not be in accordance with the strict application of the cost of service principles you have cited on page 6.

CPA –VECC- 2

Reference: CPA Evidence p 8, 9

a) Please explain the regulatory approach to holding utilities accountable for forecast errors or "incentivized" for accuracy.

CPA-VECC- 3

Reference: CPA Evidence Exhibit 3 Tab 3, p.6

a) Please explain the process and result of removing the utility return on the subsidy provided for expansion of natural gas service

CPA-VECC 4

Reference: CPA Ex3 Tab3 p.10

a) Is the CPA's position that uneconomic natural gas expansion should be only funded by rates and surcharges from the newly served customers?

CPA-VECC 5

Reference: CPA Evidence Exhibit 9 Tab 9 pp. 8-12

"*With a long payback period and an expectation of relatively low propane and furnace oil prices for the foreseeable future, GPMi expects that few customers will choose to convert to natural gas service*."

a) Please provide the price difference between natural gas and propane and furnace oil that would drive meaningful rates of conversion to natural gas.

b) Are the penetration levels of propane use set out on page 12 of this GPMi exhibit capable of being increased?

CPA-VECC - 6

Reference: CPA Evidence Ex.9, Tab 9 p.13

a) Please explain why economic losses to the propane industry by customer replacement of propane by natural gas would not be at least matched by economic gains by the natural gas industry.

CPA-VECC-7
Reference: pg.3/Footnote 1

At the above reference CPA defines subsidization as : "*Natural gas subsidization" means the* *<u>permanent subsidization</u>* *of natural gas expansion projects (i.e. subsidies for uneconomic expansion projects) by existing consumers either by payments to a consumer's own utility company or to another utility company."*

a) Please confirm that in CPA's understanding subsidization that is not permanent but only lasts a few years is not "natural gas subsidization".

b) Please confirm that the discussion of subsidization in CPA evidence refers to permanent subsidization.

Interrogatories for Parkland Fuel (Parkland)

Parkland-VECC-1

a) In Paragraph 12 there is a statement that methane and carbon dioxide are "toxic". Please provide a definition of a toxic gas and explain why Parkland considers methane and carbon dioxide toxic gasses.

Interrogatories for Ontario Geothermal Association (OGA)

OGA-VECC-1

Reference: page 5

a) Please provide OGA understands of "contributions in aid of construction". Do new customers provide contributions in aid of construction? Why does OGA believe that these are subsidies? Please provide OGA's definition of the word "subsidy"

OGA-VECC-2

Reference: page 28

a) Please explain the term "cost /benefit ratio" as OGA understands it. Is it the same as the EBO188 Profitability Index? If not, please explain the differences and provide a mathematical formula that shows how OGA's cost/benefit ratio is calculated.

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