EB-2016-0004

**Ontario Energy Board**

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

**AND IN THE MATTER OF an** **Application under the Ontario Energy Board’s own motion to consider potential alternative approaches to recover costs of expanding natural gas service to communities that are not currently served**

# Interrogatories on Intervenor Evidence

# Energy Probe Research Foundation

**Union Gas Limited (Union)**

**Vulnerable Energy Consumers Coalition (VECC)**

**Canadian Propane Association (CPA)**

**Enbridge Gas Distribution Inc. (EGDI)**

**Epcor Utilities (EPCOR)**

**NORTHEAST-GULICH**

April 8, 2016

**INTERROGATORIES TO UNION GAS LIMITED**

**GENERAL**

**Union – Energy Probe - IR #1**

1. Is Union relying on its Evidence in EB-2015-0179 in this proceeding? i.e. is Union including either all, or portions of its evidence and IR responses in EB-2015-0179 in this proceeding. If so, please indicate a complete listing of references to that evidence, including IR responses.
2. If Union is not including all the evidence and IR responses in this proceeding provide a complete list and references to the underlying EB-2015-0179 evidence which Union relies upon in this case. Example Union references Exhibit B.Staff.2b. under Issue #1.
3. Please map the evidence from EB-2015-0179 that Union is relying upon in this proceeding to the EB-2016-0004 Issues List.

**Union – Energy Probe - IR #2**

**Ref:** Exhibit A, Pages 3 and 4,

EB-2015-0179, Exhibit B.Staff.2 b)

Preamble: “However, Union maintains that the Board’s jurisdiction, while broad, does not include authority to require that Union’s customers subsidize the expansion undertaken by another distributor into communities that do not have natural gas service. Union’s response to EB-8 2015-0179, Exhibit B.Staff.2 b) states, “… ***as there is no explicit legislative authority for* *the Board to create such a mechanism, it is questionable that the Board could enact such a mechanism even if it was so inclined.”***Furthermore, express authority to establish such a subsidy regime is required because rates, established in the absence of such a regime, would not be established in accordance with the just and reasonable standard.

1. Under a scenario where the Board were to find that a general charge should be imposed on all existing and/or new gas utility customers in order to finance the Community Expansion program, please provide in detail Union’s views regarding such a scenario. List all assumptions, such as whether this would be rate-based, if the charge should be utility-specific and customer-based or volume based etc.
2. Compare/contrast the above Scenario to the Ontario LIEP Assistance program for Low Income electricity customers.

**Union – Energy Probe - IR #3**

**Ref:** Exhibit A, Tab 1, Page 7

Preamble: Union proposes that limited levels of cross subsidization are in the public interest. Please reference Union’s proposal at EB-2015-0179, Exhibit A, Tab 1 (Updated), Section 4.3 (p. 24), Section 4.4 (p. 29), and Section 7 (p. 38) for further details on Union’s submission.

1. What is Union’s specific proposal regarding changes to the Project and Portfolio thresholds? Please discuss in detail.
2. Specifically, discuss how the Portfolio requirements should be modified to accommodate projects with a PI>0.8 with/without CIAC.

**Union – Energy Probe - IR #4**

**Ref:** Exhibit A, Tab 1, Page 8

Preamble: Union’s recent Rolling Project Portfolio history has resulted in a positive Net Present Value (NPV) averaging $14.6 million per year over the most recent three years. A similar pattern has existed for an extended number of years. Absent the provision of a minimum project PI threshold of 0.8, this annual $14.6 million favourable NPV could have been used to support additional projects at PI’s lower than 0.8 even without a need for subsidization from existing customers.

1. Please provide the supporting schedules/Working Papers for this statement.
2. Based on Union’s customer addition forward outlook, please provide a projection of the Rolling Portfolio net NPV for outlook periods of 3,5, and 10 years using:
	* 1. Current EBO 188 Guidelines
		2. A reduced individual project threshold less than 0.8 that Union believes is appropriate

**Union – Energy Probe - IR #5**

**Ref:** Exhibit A, Tab 1, Page 11

Preamble: As explained in EB-2015-0179, Exhibit B.LPMA.14, Union has historically based the capital costs in the economic analysis of a project on the minimum pipeline system design necessary to service the demand expected through the project’s customer forecast period. In some cases a project will be planned with a preferred design, for example with increased pipe size, to account for other system needs. Union has not historically included the cost premium for a preferred system design in the economic analysis, and proposes that this practice be confirmed.

1. Please provide examples of projects where the preferred design (rather than minimum) was approved.
2. For each indicate supporting rationale and the cost and NPV difference.
3. Please explain why the additional cost of the preferred design should not be covered under the CIAC.

**Union – Energy Probe - IR #6**

**Ref:** Exhibit A, Tab 1, Page 13

Preamble: ...the 1 E.B.O. 188 requirement to use existing rate schedules creates a barrier for existing utilities to compete with new entrants. This barrier is the result of the existing utilities being unable to develop unique rate schedules that will reflect the costs of expansion. For this reason Union proposes that the requirement to use existing rate schedules be excluded from the Guidelines. Although Union continues to prefer to apply postage stamp ratemaking principles as noted in its response to Issue 5, existing utilities should not be prevented from resorting to community or project specific rates to make projects feasible.

1. Please explain why community-specific rates (except for TES) are appropriate.
2. Specifically, provide an illustration for a new community, without a franchise, where an existing utility (e.g. Union) and a new entrant (e.g. EPCOR) propose to provide distribution service.

**Union – Energy Probe - IR #7**

**Ref:** Exhibit A, Tab 1, Pages 15/16

Preamble: A review of E.B.O. 134 is not required in this proceeding. The Board reviewed E.B.O. 20 134 in the context of filing guidelines and issued adjusted guidelines February 21, 21Filed: 2016-03-21 EB-2016-0004 Exhibit A, Tab 1, Page 16 of 38, 2013

 *“These requirements apply to all Ontario Energy Board regulated gas utilities requesting approval to construct new transmission facilities. For the purpose of these Guidelines* 4 ***transmission pipelines are defined as*** *any planned or proposed pipeline project that would provide transportation services* ***to move natural gas on behalf of other shippers within Ontario****. Distribution system expansion pipelines that are subject to the filing guidelines set in the E.B.O. 188 would not be subject to the proposed filing requirement.”* ***(Emphasis Added)*.**

1. Please define Transmission Pipeline Expansion and the relevant characteristics as applied to Economic Tests as encompassed by EBO 134.
2. Please define Distribution System Expansion and the relevant characteristics as applied to Economic Tests as encompassed by EBO 188.
3. Please confirm the economic tests for Transmission Pipeline and System Expansion are both derived from the EBO 134 Decision.
4. Accordingly, please explain why any amendments to the Distribution System Expansion Guidelines should not, as applicable, be applied to Transmission Pipeline expansion.

**Union – Energy Probe - IR #8**

**Ref:** Exhibit A, Tab 1, Page 21

Preamble: Consistent with Union’s proposal that limited levels of subsidization from existing ratepayers is in the public interest, Union proposes that Stage 2 and Stage 3 analysis are an appropriate means of considering the broader public benefits of Community Expansion Projects on a *collective basis*. (emphasis added).

1. Please explain what is meant by *on a collective basis*, as opposed to individual community project basis.
2. Please provide the format an EBO 188 Stage 2 and Stage 3 analyses and provide an illustrative example based on EBO 134.
3. Specifically, indicate if Union is proposing to include environmental aspects in the analysis and provide an illustration of such factors and analyses.

**Union – Energy Probe - IR #9**

**Ref:** Exhibit A, Tab 1, Page 22,

 EB-2015-0179, Exhibit A, Tab 1, 12 (Updated), Section 4.1 (p. 15), and Section 4.2 (p. 23).

Preamble: In addition to the rationale provided in EB-2015-0179, surcharges provide a mechanism to allow for the expansion customers to make an additional contribution to financial feasibility of a project over time, while providing a means to revert to postage stamp rates once the surcharge period has expired. In other words, once the surcharge period has expired customers in the expansion areas will see rates that are the same as rates in any surrounding communities that previously had natural gas service.

1. Please define and distinguish CIAC and Surcharges.
2. Please provide the criteria Union proposes for each of CIAC and Surcharges, including how in general these will be calculated for CE projects.
3. In providing this response, please indicate the source of the proposal, such as EBO 188 or recent practice and precedent.

**Union – Energy Probe - IR #10**

**Ref:** Exhibit A, Tab 1, Page 24

Preamble: At the same time, it is Union’s position that the Board should avoid, where possible, prescriptive ratemaking approaches and allow utilities to bring forward rate proposals that can be reviewed on their merits. It is important that utilities be allowed to maintain flexibility to propose their own rate proposals based on the public interest and the just and reasonable standard.

1. Please define the “Just and Reasonable Standard” with reference to the Act, regulatory precedent and practice.
2. Describe how Union will implement the “standard” for rates for existing and new Community Expansion customers. In particular, should distribution rates be based on the “standard” and/or whether CIAC and Surcharges should be calculated and shown separately on the bills.

**Union – Energy Probe - IR #11**

**Ref:** Exhibit A, Tab 1, Page 24

Preamble: Union supports an allowance for the recovery of the revenue requirement in rates that is outside the Board approved incentive regulation framework as proposed in EB-2015-0179, Exhibit A, Tab 1 (Updated), Section 4.5 (p. 32).

1. Please explain why the unanticipated implementation of the CE projects does not affect customer numbers and revenue and margin in the IRM period.
2. Please provide more details on the treatment of revenues/costs and associated Revenue Requirement during the IRM period and upon rebasing in 2019.

**Union – Energy Probe - IR #12**

**Ref:** Exhibit A, Tab 1, Page 25/26

Preamble: Making any modifications to the current Model Franchise Agreement would, in all likelihood, be an extensive process, and Union does not support a need for review of or change to existing agreements. Further to this, Union proposes that the current Model Franchise Agreement continue to be adopted by all parties across the province, as opposed to allowing broad variations in Franchise Agreements to begin to occur.

1. Please discuss barriers to new entrants arising from the combination of existing gas distribution franchise agreements and the Model Franchise Agreement. Please frame the response(s) in terms of both gas distribution and alternative energy supply.
2. Please clarify Union’s position regarding connection of new distributor to the Union system at either Transmission or Distribution levels
3. Does Union believe it is/is not inefficient for a Municipality to have two Municipal Franchise Agreements? Please discuss.

**Union – Energy Probe - IR #13**

**Ref:** Exhibit A, Tab 1, Page 28/29

Preamble: Prior to Board approval of newly established Franchise Agreements or Certificates, Union proposes that the Board should ensure that any utility proposing to provide natural gas service to a community will be capable of meeting minimum requirements of an LDC.

1. Please provide the sources for the proposed criteria. If they are based on regulatory precedent please provide references and extracts from the decisions/orders.
2. In Union’s view, do all regulated and non rate-regulated distributors meet these criteria? Specifically note areas that do not, e.g. DSM.
3. In Union’s view, should all distributors be required to screen new connections and “blitz” new Community Expansion communities with DSM programs prior to connecting new customers?
4. Who should pay for these programs, existing rates or rates paid by Community Expansion customers?
5. Is there a case for a Distribution Licence similar to Electricity to protect gas consumers? Please Comment.

**Union – Energy Probe - IR #14**

**Ref:** Exhibit A, Tab 1, Page 31

Preamble: The most significant barrier to expansion to additional communities is economic in nature. The challenge, then, is one of either making projects less costly so that they can meet required economic feasibility criteria, or adjusting the feasibility criteria. 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. For this reason, Union has proposed adjusting the criteria. Union submits that an effort by the Board to encourage RFI or RFP processes and competition from multiple parties to service any specific area will not be helpful if projects proposed by new entrants still need to meet the current E.B.O. 188 criteria.

Is Union suggesting that the EBO 188 Guidelines should be specifically modified for Communities that are subject to RFI or PFP processes? Please explain in detail.

**Union – Energy Probe - IR #15**

**Ref:** Exhibit A, Tab 1, Page 38

EB-2015-0179, Exhibit B, CPA.1, Attachment 1, p. 3

Preamble: Based on 2015 figures, the estimated annual difference in energy cost between natural gas and electricity was $2,465. Union does not foresee this substantial difference being eliminated through the implementation of the Ontario government’s cap and trade program.

1. Please update the analysis/comparison in the Reference.
2. Please provide an update to the current and forecast cost outlook for other fuels –propane and fuel oil.
3. Please indicate the assumptions, including whether the estimates are based on wholesale or delivered costs
4. Please chart the cost of energy and fuels for home heating and hot water and combinations of these uses for an average home in the major Community Expansion areas.
5. Indicate the basis for the annual use in terms of conversion efficiency and provide separate estimate for a home that has been upgraded using either Federal or Ontario CDM/DSM programs.

**Union – Energy Probe - IR #16**

**Ref:** EB-2016-0004 Schedule 1;

LEI Evidence Page 8 and Page 17

Preamble: LEI was retained by Union to provide a high level overview of the funding mechanisms employed in community expansion programs in the provision of natural gas services. LEI’s work was not intended to be exhaustive, or to provide specific and detailed recommendations. Specifically, LEI was tasked with providing answers to the following questions:

1. What funding mechanisms are adopted for community expansion projects, for example from existing and/or new ratepayers?
2. What requirements, if any, are placed on incumbent utility customers to help fund expansion projects for new or other utilities?
3. Please indicate if, in its Scope of work, LEI reviewed the Background to the levels of subsidy the Board set out in EBO 188, as reflected in the thresholds for the Project and Rolling Portfolio.
4. Please provide range of cross subsidization that your research found-- expressed as $/customer or $/customer per year and if possible the relative relationship of this to the customer distribution or total bill.
5. Does LEI have a comment on Union’s proposed minimum Project PI of 0.4 (before government grants), or on the Rolling Portfolio?

**Union – Energy Probe - IR #17**

**Ref:** EB-2016-0004 Schedule 1;

LEI Evidence Page 3

Preamble: Our research indicates that cross-subsidization for rural expansion in each case does not require ratepayers of an existing company to bear the expansion costs of a new entrant or existing competitor. Instead, if charges are passed on to ratepayers they are done so in a uniform method whereby all ratepayers in the utility are charged equally, for example through a mark-up to existing rates applied to *all ratepayers in a province or through the implementation of a broad based tax borne by all taxpayers*.(emphasis added)

1. Please reconcile this statement with Union’s evidence that it’s existing residential ratepayers should pay up to $24 per year to subsidize Community Expansion (CE) (page 7).
2. Does LEI support such broad-based approach(es) (as opposed to individual utility cross- subsidization)? If so, please explain the basis for this support/preference or non-support/preference. In particular, discuss whether this approach will allow new entrants (such as EPCOR) to operate on the same basis as incumbent utilities.
3. Please discuss the advantages/disadvantages that incumbent utilities have, including, but not limited to, large rate base, Franchise Agreements, ratepayer funded DSM programs and so on.
4. Is there an economic basis/empirical evidence that demonstrates that incumbent utilities provide expansion of distribution service to rural areas at a lower cost than new entrants?

**Union – Energy Probe - IR #18**

**Ref:** EB-2016-0004 Schedule 1;

LEI Evidence Pages 13/14 Figure 4

Preamble: In selecting among funding mechanisms, consideration should be given to the specific project which funds are to be recovered for. In terms of scale, Union’s application for community expansion projects estimates a $135 million cost to provide access to 18,000 new ratepayers, or approximately 1.2% of its existing 1.4 million ratepayers, and 0.5% of the 3.4 million natural gas ratepayers across the province. Under the context of this expansion, LEI has ranked the above funding mechanisms in Figure 4 based on their alignment with the previously described rate design principles. These rankings may change when applied to other expansion projects or other jurisdictions.

1. Please explain the scale used in the Rankings chart i.e. is it 0-4 or other?
2. Please explain why new Community Expansion customers’ funding has a lower simplicity/transparency than Funding from existing ratepayers.
3. Please explain why jurisdictional funding has a lower transparency than taxpayer funding.
4. Please provide an overall ranking showing which of the options are preferred based on this assessment.
5. How would this chart change if Union proposed a larger CE program than that proposed in EB-2015-0179?

**Union – Energy Probe - IR #19**

**Ref:** EB-2016-0004 Schedule 1;

LEI Evidence Pages 13/14

Preamble: In Ontario funding options available to natural gas distributors are being led by the Ministry of Economic Development, Employment and Infrastructure with support from the Ministry of Energy and the Ministry of Agriculture and Rural Affairs. Announced funding includes, the Natural Gas Access Loan, which will provide up to $200 million over two years to help communities partner with utilities to extend access to natural gas supplies and a $30-million Natural Gas Economic Development Grant to accelerate projects with clear economic development potential. Though these funding mechanisms exist, unlike the NCPC, there is currently no legislation which establishes the OEB as the administrator of them.

Does LEI have an opinion regarding administration of the NGAL and how this fits into the economic evaluation of projects?

**Union – Energy Probe - IR #20**

**Ref:** EB-2016-0004 Schedule 1;

LEI Evidence Pages 13

Preamble: Subject to the overall cost of expanding the network, internal cross-subsidies within a utility’s customer base may allow for sufficient recovery of investment. The total cost impact to a customer, or customer group, can be minimized subject to the cost allocation methods adopted.

1. Please explain this statement in more detail, in particular regarding cost allocation.
2. Please provide any analysis that supports “a moderate level of cross-subsidization.”
3. Does LEI have a recommendation as to which approaches are appropriate in Ontario?

**INTERROGATORIES ON THE EVIDENCE OF THE VULNERABLE ENERGY CONSUMERS COALITION**

**VECC – Energy Probe - IR #1**

**Ref:** Ladyani and Hariton Report Page 37 lines 1-11:

London Economics Inc. Evidence pages 2 & 13

Preamble: Union and LEI have suggested that there are 4 options for funding CE projects.



1. Considering these options in turn, please provide a chart that shows your views on the advantage of each, including a Community Expansion Fund (Option 3).
2. Why is a Community Expansion Fund superior compared to the other options? Please explain.
3. In formulating your answer, consider the 5 considerations outlined on Page 37 of your evidence.

**VECC – Energy Probe - IR #2**

**Ref:** Ladyani and Hariton Report Page 39 lines1-4

Preamble: These alternatives to recover natural gas system expansion costs are not income-based. This means that there may arise possible real and perceived inequities from the fact that lower income urban gas customers may be providing a subsidy for expansion of natural gas service to wealthier customers in rural and remote regions particularly cottage country.

1. Confirm this “harm” is associated with any level of subsidy from existing ratepayers.
2. Confirm that LIEP is available to low income customers.
3. Should the LIEP also be used as part of Community Expansion program? Please discuss.
4. Please provide an example or alternatively an illustration of a Community Expansion fund that inter-alia takes account of differences in Income Levels. Indicate the Costs/Sources of subsidies and benefits to the various participants.
5. Should Low Income DSM Programs be specifically targeted at Low Income Community Expansion customers? Please discuss.

**VECC – Energy Probe - IR #3**

**Ref:** Ladyani and Hariton Report Page 38 lines 16-19:

Please explain the “Reverse Auction” (RA) and how would this work. For example, at the time of the awarding of a gas distribution franchise, or at the time of the project application.

1. Provide examples of such Auctions undertaken by Regulators and Government Departments.
2. Please discuss in detail how the RA would work, including for non-gas distribution options such as Propane, LNG and geothermal?
3. Please discuss the Reverse Auction objectives/outcomes from a ratepayer, Gas Utility and Community Expansion customer perspective.
4. Please indicate the evaluation criteria that you would propose, including GHG reductions, energy conservation-CDM/DSM etc.

**INTERROGATORIES ON THE EVIDENCE OF THE CANADIAN PROPANE ASSOCIATION (CPA)**

**CPA – Energy Probe - IR #1**

**Ref:** CPA Evidence page 6

Preamble: The Legislature has never given the Board jurisdiction to subsidize natural gas expansion. When the Legislature chose to grant the Board jurisdiction to subsidize electricity expansion, it amended the OEB Act to add section 79. Section 79 expressly grants the Board the authority to require existing customers to subsidize rural or remote electricity customers: "All consumers are required to contribute towards the amount of any compensation required under subsection (3) in accordance with the regulations." However, the Legislature has chosen not to make any such amendment to the OEB Act for natural gas subsidization.

Please provide a list and precise of any and all legal cases that have confirmed the CPA position that the Board has no mandate authority to impose a subsidy for Community Expansion.

**CPA – Energy Probe - IR #2**

**Ref:** CPA Evidence page 8

Preamble: The Board should not depart from the principles set out in EBO-188. However, if it chooses to revert to considering broader costs and benefits as suggested in EBO-134, the Board must consider both the benefits and the costs of expanding natural gas service to areas that are already serviced by other fuel suppliers.

1. Has CPA considered if the EBO 188 Guidelines should be modified to include some form of Stage 2 and or Stage 3 economic cost/benefit analyses?
2. If so, provide the framework, assumptions and weighting that CPA believes should be used with reference to EBO 134 and proposals made by Union and Enbridge.
3. How should the Board address the incremental costs/benefits to communities already serviced by other fuel suppliers?

**Interrogatories on Evidence of Charles Budd, Navigant**

**CPA – Energy Probe - IR #3**

**Ref:** Exhibit 3, Tab 3, Evidence of Charles Budd, Navigant

Preamble: By relying upon the principles of basing rates on costs and no harm to ratepayers, the OEB is performing the role of facilitating rational natural gas expansion and ensuring that there is no undue cross-subsidization between existing and new customers. The OEB should continue to apply the principles and policies of EBO 188 and EBO 134. Departure from the economic testing prescribed in EBO 188 and EBO 134 should result from government policy as opposed to OEB discretion.

1. Please provide comments on the no harm principle and provide relevant regulatory precedent and examples.
2. Given the Government’s Letter of Direction to the Board please indicate how should departures from the current EBO 188 Guidelines be addressed? Comment specifically regarding amendments vs exceptions.
3. If EBO 134 Stage 2 and Stage 3 analyses were to be considered what would the framework and analyses.
4. In addition what weighting should be applied to the Stage 2 and Stage 3 analyses in a Community Expansion context?

**CPA – Energy Probe - IR #4**

**Ref:** Exhibit 3, Tab3, Evidence of Charles Budd, Navigant

Preamble: The OEB should incorporate the Ontario Government’s recently announced loan and grant programs into the economic feasibility analysis for expansion. To the extent that such loans or grants reduce or offset investment or costs that would otherwise be borne by new or existing ratepayers, the impacts should be reflected in the PI analyses.

Using the current EBO 188 Economic Analysis framework, (set out in Appendix B of the Board Decision) please provide an illustration how Government Grants/Loans could be incorporated in the DCF analysis. List all relevant assumptions

**INTERROGATORIES ON ENBRIDGE EVIDENCE**

**EGDI – Energy Probe - IR #1**

1. In Enbridge’s view, is Energy Probe’s table, (attached) which includes the cost per customer and the length of time it would take to recoup the costs of switching to natural gas, a reasonable estimate of the real cost of connecting new customers in the Community Expansion program?
2. If not, please provide a revision.

**EGDI – Energy Probe - IR #2**

**Ref:** Enbridge Evidence, page 4

Enbridge states on page 4:

“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 customer for a period of time through rates. Overtime, as the revenue requirement associated with these new customers’ declines, they contribute to lowering rate for customer who preceded them and cross subsidize newer customers.”

1. Does Enbridge have any evidence that older/existing customers at any point STOP subsidizing new customers? Is it more likely that older, more profitable customers, are continuously used to subsidize the gas system?
2. Can Enbridge provide evidence that at any point it has stopped charging older customers for any expansion to its distribution network?

**EGDI – Energy Probe - IR #3**

**Ref:** Enbridge Evidence

Can Enbridge provide an annual breakdown of number of new customers it has added since the 1990s?

**EGDI – Energy Probe - IR #4**

**Ref:** Enbridge Evidence, page 5

Enbridge states on page 5:

“More regulated utilities would increase the level of effort and cost required to regulate them. In short the regulator burden would increase.”

Does Enbridge have any evidence to suggest that a more competitive environment – with more gas companies competing for new customers – would actually cost customers more (as regulatory costs would outweigh the benefits of competition)?

**EGDI – Energy Probe - IR #5**

**Ref:** Enbridge Evidence, page 7

Enbridge states on page 7:

“The conversion or replacement of heating systems, water heaters, and sale and installation of other natural gas appliances will create employment opportunities.”

Has Enbridge completed any studies on the employment impacts to the province of expanding the natural gas system to uneconomic communities? Has it looked at the job losses in other sectors that may be negatively impacted (propane and others)? Has it done any studies on the impact on local electricity systems that will be selling less power? If so, please provide these studies.

**EGDI – Energy Probe - IR #6**

**Ref:** Enbridge Evidence, Table 1, page 15

Can Enbridge please provide all the assumptions – cost of electricity and so on – used to create Table 1, page 15?

**EGDI – Energy Probe - IR #7**

**Ref:** Enbridge Evidence, Table 4, page 26

In Table 4, page 26, how did Enbridge calculate the forecasted number of customers? Can it provide the evidence to support those figures?

**EGDI – Energy Probe - IR #8**

**Reference:** Enbridge Evidence, page 20

Enbridge states on page 20:

“Enbridge expects that once more detailed assessments of the design and construction requirements of these projects and scheduling are completed and once the work is tenderded the contingency amounts can be reduced resulting in lower overall capital cost estimates.”

Can Enbridge provide an estimate to what level of contingency amounts it is using in Table 3, page 19, Column 5?

Please detail how this is different than the normal level of contingency amounts it uses?

**EGDI – Energy Probe - IR #9**

**Ref:** Enbridge Evidence, page 21

Can Enbridge detail the derivation of the amount of the System Expansion Surcharge (SES) needed – it is currently proposing $0.23/m3 (page 21) – for each community to bring its PI up to 0.8.

**EGDI – Energy Probe - IR #10**

**Ref:** Enbridge Evidence, Table 2, page 16

Can Enbridge please breakdown the “potential customers” in Table 2, page 16 by type (residential, industrial and commercial)?

**Interrogatories to John Todd. President of Elenchus Research Associates**

**EGDI – Energy Probe - IR #11**

**Ref:** Mechanisms for Supporting Natural Gas Community Expansion Projects

On page 4 and 5, the evidence reviews an OEB decision from 1983 related to community expansion programs, in which the Board approved the cross subsidies for expansion on the grounds that “and cross subsidy which may result is offset by the benefits…”

Given that there were both federal and provincial funds at the time that also helped mitigate the cross subsidy, please respond to the argument that the gas companies’ community expansion programs should be put on hold until the provincial government clarifies its loan and grant program?

**INTERROGATORIES TO ADONIS YATCHEW, CHARLES RIVER ASSOCIATES, ON BEHALF OF EPCOR UTILITIES.**

**EPCOR – Energy Probe - IR #1**

**Ref:** Expert Evidence: Adonis Yatchew, Charles River Associates, On behalf of EPCOR Utilities

The evidence states in paragraph 30, page 12:

“The maximum potential support from the Expansion Reserve could be based on expected annual sales, average 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 major component of the community expansion program is that it will have wider “social benefits.” Would EPCOR considering including a Stage 2 or Stage 3 test in its framework?

If so, please provide the proposed analysis framework, input assumptions and an example of each test.

**EPCOR – Energy Probe - IR #2**

**Ref:** Expert Evidence: Adonis Yatchew, Charles River Associates, On behalf of EPCOR Utilities

The evidence states in paragraph 37, page 13:

“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.”

Does EPCOR have any evidence that details lower rates for existing customers based on the uneconomic expansion of the natural gas system?

If please, provide details of this.

**EPCOR – Energy Probe - IR #3**

**Ref:** Evidence of EPCOR Adonis Yatchew, Charles Rivers Associates page 12

29. To achieve the significant benefits of expansion and following the policy direction from the Government, the Board should establish and administer an Expansion Reserve which would be funded by a small volumetric levy on Province-wide sales of natural gas to current customers. System expansion brings direct and indirect benefits throughout the Province.

30. 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. Confirm that the Expansion Reserve is to be funded from Sales of Gas as opposed to transmission and distribution revenues and margin and accordingly will include the variability of gas prices.

1. Please indicate all other jurisdictions where such a levy is utilized and for each provide a review of the approach.
2. Please explain in detail how such a fund would be applied to a new CE project using one of EPCORs proposed Franchises and the framework for analysis with an illustrative example.

**INTERROGATORIES ON EVIDENCE OF NORTHEAST-GULICH**

**Northeast-Gulich – Energy Probe - IR #1**

**Ref:** Gulich Evidence Page 6 Table 1

1. Please explain in more detail what Table 1 is supposed to illustrate and what conclusions ratepayers should reach.
2. Confirm most rates for gas distribution service are based on a fixed monthly charge plus a unit rate based on consumption.
3. Confirm the fixed charge is based on system-wide costs, based on the principle of minimum system to serve.
4. Is this evidence intended to change the fixed variable split? If so, please explain using either Union or Enbridge residential rates what is proposed.
5. If the intent is to provide a different rate design structure for distribution systems based on in-situ LNG, please explain the rate design and illustrate how this would work for Union and EGD, as well as new entrants such as EPCOR.