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November 14, 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-2016-0236–Natural Resource Gas Limited
Interrogatories of Vulnerable Energy Consumers Coalition (VECC)

Please find enclosed the request for the Intervention of VECC in the above-noted proceeding. We have also directed a copy of the same to the Applicant.

Yours truly,

M. Garner for M. Janigan

Michael Janigan
Counsel for VECC

Laurie O'Meara, VP Administration
Email: lomeara@cpirentals.com

REQUESTOR NAME	**VECC**
TO:	**Natural Resource Gas Limited**
DATE:	**November 14, 2016**
CASE NO:	**EB-2016-0236**
APPLICATION NAME	**2016-17 Rates**

VECC-1

Reference: E1/T1/S13/pg.3

a) What is the name of the two potential natural gas suppliers noted at the above reference?

VECC-2

Reference: E1/T1/S13/Appendix I

The system integrity study identifies pressure issues in the south-west quadrant of NRG's service territory. In the draft report two solutions are offered to alleviate the issue (1) extension of the Glencolin line; (2) doubling gas flow from 2nd concession and fairground, quadrupling gas flow from the Scotia line well group, and adding the John Wise loop. In the final report a 3rd option is added which is to increase gas flows from the Scotia line by 7 times.

a) Does NRG agree with these conclusions? If not please explain why.
b) Please confirm that the Scotia line provides access to the NRG Corp gas supply only. Does it provide access to other gas wells?
c) Please provide the incremental costs to NRG of increased gas flow from the Scotia line.
d) Which option is NRG choosing to implement?

VECC-3

Reference: E1/T1/S13/Appendix I

The second issue addressed by the system integrity study is pressures with respect to the Brownsville Area. The two options to address this issue are (1) extending the Wilson Line and increase the pressure on the Ostrander Road regulator to 50 psi or (2) extending the Wilson Line and looping the Ostrander Road Line.

a) Does NRG agree with these conclusions?
b) If yes which option is it proposing to implement and when?

VECC - 4

Reference: E1/T1/S13/Appendix I

The System Integrity Report further states that "[I]*ncreasing flow from the NRG Corp Gas wells could alleviate low pressures in the southern areas of the NRG System. However, the increase in flow rate is significant*"

a) Please provide the current flow from the NRG Corp Gas wells and the required flows to address the low pressure issues as defined by the SNC Lavelin System Integrity Report.

VECC - 5

Reference: E1/T1/S13/Appendix I

a) The System Integrity study is based on the peak demands on one day – November 12, 2014. Please provide the peak demand on this day and show the actual system peak demand for each year 2010 through 2015.
b) The System Integrity study assumes grain drying on the peak demand day. What rate class do grain drying customers fall into? How many such customers are currently in NRG's franchises?
c) Does NRG offer a curtailment service to these customers? If not why not. Has NRG had any discussion with the grain drying customers with regard to a lower cost interruptible service?
d) Please explain why interruptible rates for these customers would not provide the least cost alternative to dealing with peak demand low pressure on the NRG system.

VECC - 6

Reference: E1/T1/S13/Appendix I

a) Please explain why the Supply Parameters in Table 3.5-1 and 3.5-2 were changed from the draft to the final Study.

VECC-7

Reference: E1/T1/S13/Appendix I

In the draft report it states that low pressure in the Brownville area would be addressed by extension of the Wilson line. In the final report this recommendation is changed and the requirement for changes to the pressure regulators and loop of the Ostrander Road pipeline are added to the recommendation.

a) Please explain why this change was made.
b) Please provide all e-mail communications between NRG and SNC Lavelin with respect to the change from the draft to the final Report with respect to the Wilson Line Extension. If these are already included in the revised study please indicate (by PDF page) which emails address this specific issue.

VECC-8

Reference: E4/T1/S4

a) Please provide the derivation of the 9.87% inflation rate used at page 3 of the reference.

VECC-9

Reference: E1/T2/S4/Summary of Cost of Service

a) Please amend the table to show the Board approved amounts.
b) Please explain what is “adjusted” in the adjusted actual or forecast columns.

Exhibit 2 Rate Base / Capital Expenditures

VECC-10

Reference: E2/T1/

a) Please provide the forecast capital additions for the 2018-2021 period.
b) Please explain how the recommendations of the SNC Lavelin System Integrity Report are implemented in the capital budget for NRG over the 2017 – 2021 period.

VECC-11

Reference: E2/T1/S3

a) Please explain how the recommendations of the SNC System Integrity Report are implemented in the capital budget for NRG over the 2017 – 2021 period.

VECC-12

Reference: E2/T1/

a) Please provide the number of meters replaced in each year 2012 through 2017 (forecast) by type (AL425 and AC250).
b) Please provide the meter type cost (actual and forecast) in each year.
c) Please explain the difference in meter type.
d) What was the life of a refurbished meter (by type) prior to the Measurement Canada policy change and what is it subsequent.
e) Please provide the Measurement Canada policy which instigated the proposed change in meter depreciation rates.
f) Please provide the 2016 and 2017 depreciation cost for meters based on the current and proposed depreciation rates.
g) What is the revenue requirement impact in 2017 of the change in meter depreciation rates?

VECC-13

Reference: E2/T1/S1

a) Please explain what costs are incurred due to franchise renewals.
b) Why are these costs not expensed (rather than capitalized).

VECC-14

Reference: E2/T1/S1/pg.4

a) Please provide the total cost of the new billing system separating hardware, software and any incremental operating/licence costs out.
b) What is the in-service date of the new billing system?

VECC-15

Reference: E2/T1/S3

a) Please update the table “Summary of Utility Capital Additions” to add two columns – one showing 2016 spending to date and the second showing forecast year-end spending.

Exhibit 3 – Load Forecast

VECC-16
Reference: E3/T1/S1/pg.6

a) For Rate 2 NRG used 2015 values. Why did it not use an average of years?
b) Please provide the difference if rather than 2015 being used to forecast 2017 NRG were to use the average of 2013-2015.

VECC-17
Reference: E3/T1/S1/pg.8

a) What is redacted from the top of page 7?
b) Please provide the unredacted version of the Annual Summary shown on page 8.
c) NRG has forecast no change in any of its commercial (R1/Industrial/Contract) customer numbers. Please explain why.

VECC-18
Reference: E3/T1/S2/page 1-4

a) Please provide the unredacted versions of pages 1-4 of this exhibit including the summary of Operating Revenues table.
b) Please provide the annual revenues from IGPC for each of 2012 through 2015

Exhibit 4 – Operating Expenses

VECC-19
Reference: E4/T1/S1/pg.4

a) Please show the derivation of the $259,503 in inflationary costs shown at page 4.
b) Please explain why OM&A expenses would increase by the rate as the growth rate of customer (i.e. $825,571).

VECC-20

Reference: E4/T1/S2

a) Is NRG a member of Ontario Call One?
b) Please provide the cost of locates in each of 2012 through 2015

VECC-21

Reference: E4/T1/S2/pg.5

a) Please explain what the "sales incentive" program and its impact on costs in 2017.

VECC-22

Reference: E2/T1/S1

b) NRG explains that the IGPC related insurance (Transfer Stations and Business interruptions) was purchased to mitigate risk against income losses of a disruption to IGPC. Please confirm that the annual cost of this insurance is in total $30,908 + 25,580 = 56,488.
c) If this is correct and based on the $5,000 deductible this income loss would have to exceed $60,000 in order to be economic. Under the proposed fixed rate for this customer how long would service need to be disrupted for this 60k amount to be reached?
d) Please reconcile this insurance amount with the insurance listed at $105,618 in the OM&A IGPC costs (E4/T4/S1/Table 4-4-1-A/pg.1)
e) Since the purpose of the insurance is to mitigate earnings risk what reduction in the ROE request is made to account for this earning risk mitigation?

VECC-23

Reference: E2/T1/S2

a) NRG explains that it has costs related to the Ontario Green Button Initiative. Please provide the scope and budget for this project and its proposed implementation date.

VECC-24

Reference: E2/T1/S2

a) Please explain the $54,000 in consulting fees in 2017. What consulting contracts are anticipated?

VECC-25

Reference: E2/T1/S2

a) Please provide a table showing all one-time OM&A costs in 2017 (for example consulting fees).
b) Please provide details as to what services are provided to NRG by Ayerswood Development Corporation. Please show the cost for these services in each of 2012 through 2017.

VECC-26

Reference: E4/T1/S2

a) In 2011 NRG had a staff compliment of 19.3 FTEs. In 2017 it is proposing funding through rates of a staff compliment of 22 FTEs. Please provide a list of the 2011 through 2017 positions and the number of FTEs in each position.
b) Please provide a list of the 3 incremental positions in 2017 as compared to 2011 and explain what incremental responsibilities are undertaken by these new positions.
c) Please explain the variance in the executive and management category as between 2011 and 2012.

VECC-27

Reference: E4/T1

a) NRG has sold its water heater business. What services did NRG offer with that business.
b) How many FTEs were allocated to the water heater business in the last cost of service applications?

VECC-28

Reference: E2/T1/S2

a) NRG executive and management compensation expenses have increased from $400k in 2011 to $1 million in 2017. The salary increase between 2015 and 2016 is over 40%. What third-party expert compensation studies has NRG contracted for which support this increase). Please provide these studies.

VECC-29

Reference: E2/T31/1

a) Table 4-3-1-A lists 2016 and 2017 tax amounts as “actual.” Please confirm this is meant to be forecast.
b) Please provide a breakdown of the increase in 2011 actual property taxes of $415k and those forecast to be $615k in 2017 by showing the amounts related to existing property tax increases and those associated with new taxable properties.
c) Please provide the actual income tax paid by NRG in each of 2012 through 2015.

Exhibit 5/6 Cost of Capital

VECC-30

Reference: E6/T1/S2

a) Please update the cost of capital evidence for the new Board ROE/Debt amounts (October 27, 2016).

VECC-31

Reference: E6/T2

a) What is the current cost rate of the existing Bank of Nova Scotia loans?
b) NRG current long-term debt from the Bank of Nova Scotia is less than the long-term debt in the regulatory capital structure ($7.2m vs 7.6m).
c) When does NRG expect to finalize its new loan arrangements?
d) The Bank of Nova Scotia currently lists it prime rate at 1.67%. The suggested amount of 5.45% is 378 basis points above prime. What was the prime rate when the original loans were negotiated?
e) Please provide any available third party evidence that the 5.45% is a reasonable proxy for a 20 year bank loan.
f) Is NRG eligible to borrow from Infrastructure Ontario?

Exhibit 8

VECC-32

Reference: E8/T1/S1/pg.2/Table 8-1-1-A

a) Rate 4 has a revenue-to-cost ratio of 114% whereas revenue 3 and 5 are at 76.6% and 63.6% respectfully. Why is NRG not adjusting rates to reflect revenue-to-cost ratios nearer to 100% for these classes?

Exhibit 9

VECC-33

Reference: E6/T1/S2

a) Please explain why the productivity factor for electricity distributors is appropriate for a gas utility like NRG.
b) How has NRG determined it should use a stretch factor of 0.1% given the Board's stretch factors for electricity distributors ranges from 0 to .60%?

VECC-34

Reference: E8/E9

a) Please show the proposed fixed charge for all rate classes for each of the rate years 2017 through 2012.
b) NRG proposes to adjust the residential fixed charge by increasing it each year of the rate plan by 50 cents. Given this how does NRG propose to make the appropriate downward adjustment to the variable (delivery) charge in each year?

END OF DOCUMENT