# SUMMARY OF COMMUNITY ENGAGEMENT BY OEB STAFF

EB-2016-0236

#### **NATURAL RESOURCE GAS LIMITED**

Application for 2017 Rates: Community Meeting on October 13, 2016

January 30, 2017

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#### 1 INTRODUCTION

Natural Resource Gas Limited (NRG) is a natural gas distribution company regulated by the Ontario Energy Board (OEB). It is a privately owned utility that sells and distributes natural gas in southwestern Ontario.

NRG's franchise area is located south-east of London and includes the towns of Aylmer, Belmont, Brownsville, Port Burwell, Springfield, Straffordville and Vienna. The company provides natural gas to over 8,000 customers.

Natural Resource Gas Limited (NRG) filed an application with the Ontario Energy Board (OEB) on August 9, 2016, seeking approval to charge new rates for the sale, transmission and distribution of natural gas effective October 1, 2016. NRG applied for a one year cost of service rates and a four year rate adjustment based on an incentive ratemaking (IRM) framework. The IRM framework proposes an annual adjustment to distribution rates based on an inflation, productivity and a stretch factor. For a typical residential customer beginning October 1, 2016, the proposed increase was \$8.90 per month.

A Notice of Hearing was issued on August 30, 2016.

Further to the Notice of Hearing, the OEB hosted one community meeting on October 13, 2016, in the Malahide Community Centre located in Springfield, Ontario regarding NRG's 2017-2021 rates application.

This is an OEB staff report summarizing the outcomes of this community meeting. This report will be placed on the public record of the OEB hearing of this application along with copies of any written presentations made at the meeting. This report includes a summary of comments, questions and concerns raised during the community meeting by customers who attended the meeting. This summary is intended to capture the range of perspectives that were shared, rather than to provide a verbatim transcript of the meeting.

Customers are also able to submit individual written letters of comment with the OEB, either during a community meeting or any other time during the course of the OEB's review of an application. The OEB places written letters of comment on the public record of the specific proceeding. All comments must be submitted to the OEB before the decision-makers in that case begin to consider their decision on the application. In making its decision, the OEB considers everything on the public record, including all

comments when determining whether to grant the requests made by NRG in this application.

#### 2 THE PROCESS

The OEB convenes community meetings in the service territories of local distribution companies that have applied to the OEB to change their rates through a cost of service proceeding.

Community meetings are part of the OEB's process of reviewing a rate application. The OEB has established a Customer Engagement Framework to ensure that the perspectives of customers served by rate-regulated entities are considered in the OEB's decision-making process.

The meetings are hosted by OEB staff in order to inform customers about the role of the OEB in rate-setting and the processes involved. OEB representatives explain the various ways that customers can become involved in the adjudicative process. A copy of the OEB's presentation has been attached to this report as Schedule A.

To assist customers in better understanding the application, the utility makes a presentation explaining its proposals for capital, operations and other spending that result in the requested rate change. A copy of NRG's presentation is attached to this report as Schedule B.

Customers and municipal officials are also invited to make presentations outlining their thoughts on the utility's proposals.

Following the presentations, customers have the opportunity to ask questions of the OEB and the utility about the application and the regulatory process. The issues raised by customers in the community meetings are documented and used by OEB staff in reviewing the application, asking interrogatories and making submissions to the OEB panel hearing and deciding the application. Any verbal comments provided to OEB staff at the community meeting are summarized in this report with no attribution.

In addition to providing verbal comments to OEB staff, customers attending the meetings may express their concerns directly to the OEB by providing individual comments (with attribution) through an online form on the computers provided or by filling in a hard copy comment form, which is then submitted to the OEB by OEB staff.

#### 3 SUMMARY OF THE MEETINGS

#### Representatives and Attendees at Meeting

The meeting was held at the Malahide Community Centre in Springfield, Ontario from 6:30 p.m. to 8:30 p.m. Approximately 35 customers attended the meeting to hear presentations from OEB staff and NRG. Prior to the presentations, OEB staff and NRG were available to informally talk to attendees and answer questions. OEB staff and NRG representatives responded to questions from attendees during and following the presentations.

The following OEB staff and NRG representatives attended the meeting:

#### **OEB Staff**

Theodore Antonopoulos, Director of Rates Michael Millar, Legal Counsel Khalil Viraney, Project Advisor Sylvia Kovesfalvi, Manager of Stakeholder Relations Andrew Bodrug, Consultant

#### NRG

Brian Lippold, General Manager

OEB staff and NRG presented at the meeting. One NRG customer also made a presentation outlining some of the concerns regarding NRG's costs and rates.

Meeting participants had questions related to NRG's requested rate increase and the disparity in rates between NRG and Union Gas Limited.

#### **Customer Presentation**

One customer of NRG made a brief presentation. The presenter provided a comparison of the NRG and Union Gas bills. The presenter noted that although commodity costs are fairly similar, NRG's distribution rates are 40-50% higher than Union Gas'. Mr.

Crane indicated that NRG customers are paying too much and the application will further increase prices. Seniors who are on a pension that rise modestly each year would find it difficult to pay the additional costs. The presenter lastly suggested that NRG should probably sell itself to Union Gas.

#### **Questions and Comments from Participants**

One of the participants inquired from OEB staff as to how they get paid. OEB staff's response noted that the OEB receives its funding from the utilities it regulates, and it was essentially the utilities' ratepayers that were paying the salaries of OEB staff.

Questions and comments were similar in nature from most participants and focused on the disparity in rates between Union Gas and NRG and the significant increase that NRG was seeking in the current application.

Participants expressed concern about the proposed \$100 annual increase to rates if NRG's application was approved as filed. In this context, OEB staff clarified that the rate increase had not yet been approved by the OEB and the OEB would be thoroughly reviewing NRG's requests before making a decision.

One customer stated that NRG was not a competitive supplier among the other gas suppliers within the Province and that NRG should not be allowed to have a monopoly.

A couple of customers noted that they did not have gas service which was promised by NRG years ago. NRG in response clarified that it was sometimes expensive to connect a single customer. OEB staff further clarified that the OEB reviews costs to connect a single customer and sometimes a capital contribution (upfront payment) is required from the customer in order to get service.

One customer asked NRG as to why he was not able to purchase/rent a natural gas furnace from NRG. NRG in its response noted that it made a decision to get out of the rental business three years ago. NRG further informed the attendees that the OEB discouraged the utilities' rental business and it had ordered Union Gas and Enbridge to exit the rental business. NRG agreed with the independent service providers of gas equipment in its territory that NRG's rental business was providing an unfair advantage to NRG. NRG therefore decided to exit the business.

#### **SCHEDULE A**

# ONTARIO ENERGY BOARD PRESENTATION NATURAL RESOURCE GAS LIMITED EB-2016-0236 OCTOBER 13, 2016





### **About the Ontario Energy Board**

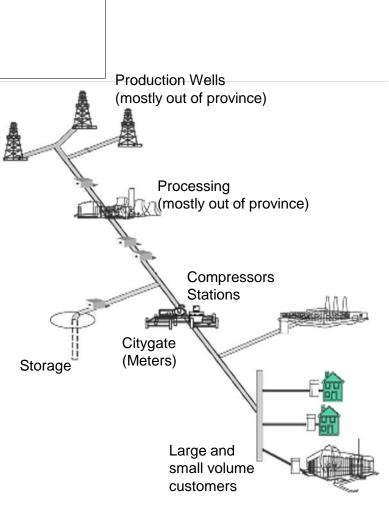
OEB Community Meeting – Springfield, Ontario

October 13, 2016

### Who We Are

- The Ontario Energy Board is an independent public agency.
  - Regulating gas since 1960 and electricity since 1999
- Our goal is to promote a sustainable and efficient energy sector that provides energy consumers with reliable energy services at a reasonable cost.

#### OEB Regulatory Oversight of Natural Gas



#### **Sets Rates:**

- For pass-through of costs for gas commodity and transportation (QRAM)
- For Distribution of natural gas

#### Other Approvals

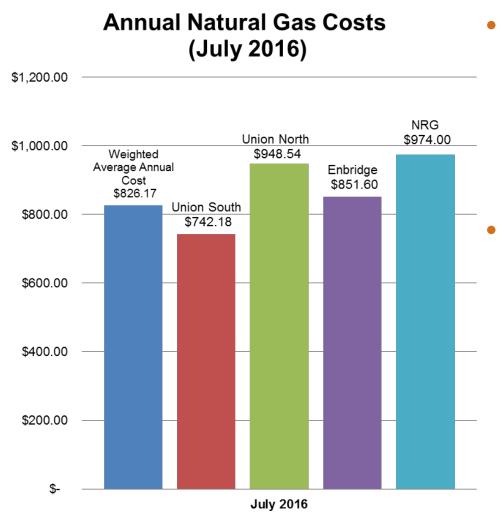
- Certificate of public convenience and necessity establishing service territory for gas utilities
- Franchise Agreements with municipalities
- Construction of pipelines larger than 20km, \$2M
- Designates area for natural gas storage pools
- Recommends licences for gas wells
- Mergers and acquisitions for transmitters, distributors or storage companies
- Licences Natural Gas Marketers



## The OEB Sets Rates

- The OEB reviews the "rates" that a local utility can charge customers
- A rate is an amount that recovers:
  - a utility's costs of providing distribution service (e.g. operations, maintenance, administrative expense, capital projects)
  - a return on equity

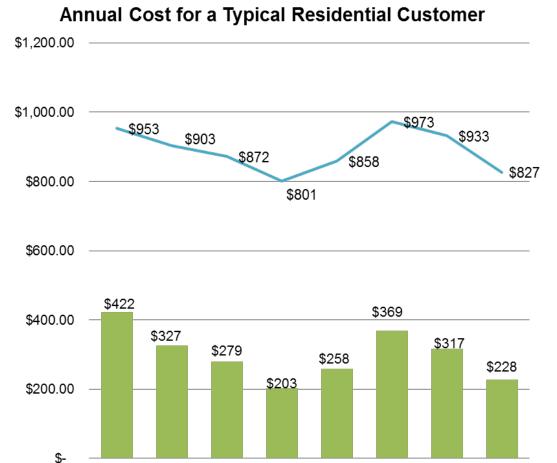
#### Cost Varies by Distributor and Service Area



Reflects current July 2016 rates at typical residential consumption levels (in effect for the period July 1, 2016 to September 30, 2016).

Variation in costs by distributor is a reflection of customer density and composition, gas supply origin, gas purchasing strategy, and asset vintage.

### The OEB and Gas Commodity



2012

2013

−Total Bill

2014

2015

2016

- Gas commodity costs have fallen an annual average of 6.6%
- Prices are set through the Quarterly Rate Adjustment Mechanism (QRAM) Process
- Trade-off between market prices and price stability
- Based on a forecast of market prices; also sets a price adjustment based on commodity cost variances in previous periods
- A pass-through to consumers based on the actual prices paid by the distributor (forecast + true-up process)

2010

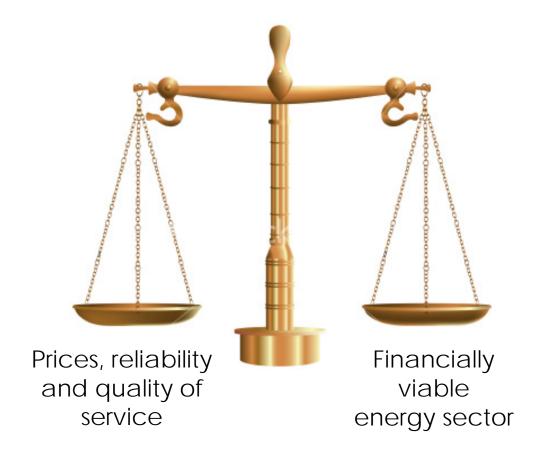
2011

Commodity

2009

## Delivering Value – Ensuring Reliability

The OEB's job is to align various objectives to ensure reliability



#### OEB Rate-Setting Process: Hearing Steps

1. Application **Customer Notification** 2. Customer Input 3. OEB Reviews all Information 4. Decision

Oral or written

Number of activities at each stage

Various Representatives

Timeline: ~ 9 months

Occurs every 5 years

### Be Heard in the OEB's Process

 Application Customer Notification



Social Media







2. Customer Input



Community Meeting



Write a Letter



Intervenor Contact the OEB



3. OEB Reviews all Information



4. Decision



Posted on OEB Website & Sent to Participants



## **OEB Hearings**

- Open to all
  - Evidence is public

 All written hearing materials posted on OEB website

 All oral hearings open to the public and broadcast through OEB's website

### What Can You Do Tonight?

- OEB wants to hear from you. We encourage you to:
  - Ask questions
  - Provide comments (in hard copy or on laptops)
- Apply to become an active participant in our hearing
  - Become a monitor
  - Follow the proceedings
- Your voice helps the OEB do our job:

Ensuring utilities deliver value by focusing on what matters most to you





## What Happens Next?

 The OEB Panel decides on written or oral hearing

- Then they consider the information
  - Utility's application
  - Your comments
  - Intervenor submissions



## Contact OEB to Learn More





416-314-2455 Toll Free 1-877-632-2727



www.ontarioenergyboard.ca



Twitter: @OntEnergyBoard



Address: Ontario Energy Board, 2300 Yonge Street, Suite 2701, Toronto, Ontario M4P 1E4



### Your Voice Matters – Thank You



# SCHEDULE B NATURAL RESOURCE GAS LIMITED PRESENTATION EB-2016-0236 OCTOBER 13, 2016



#### **NATURAL RESOURCE GAS LIMITED**

## **AGENDA**

- About NRG
- Rates Process
- Strategic Priorities
- Capital
- O.M. & A.
- Questions/Answers

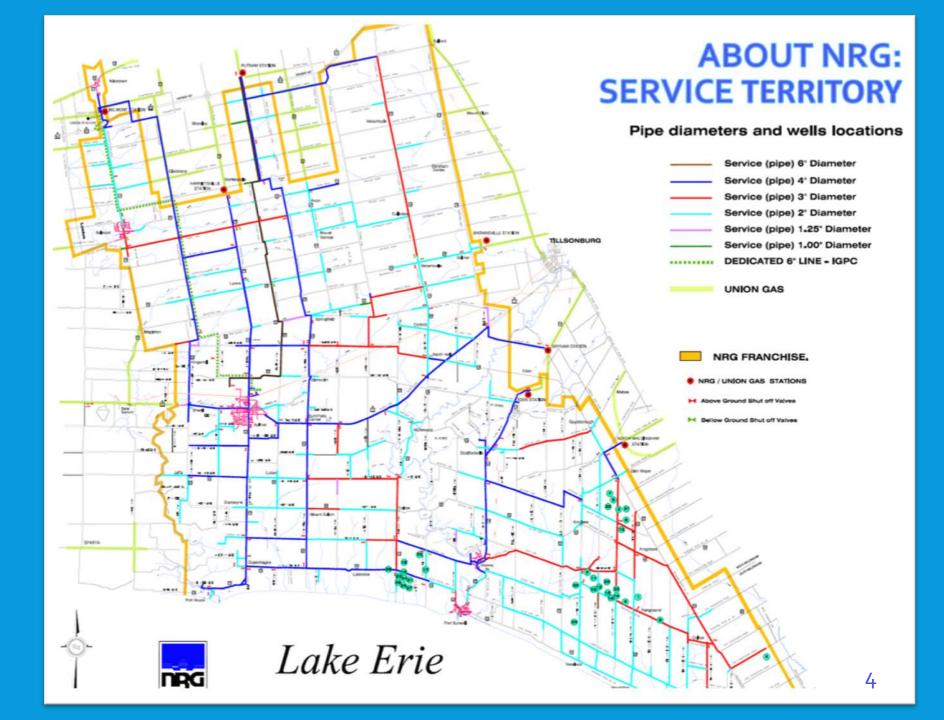




# **ABOUT NATURAL RESOURCE GAS:**

- Locally and privately owned utility.
- Employs approximately 25 full-time staff
- NRG supports local suppliers, contractors service providers
- 8500 customers in Middlesex, Oxford, Norfolk
   & Elgin Counties
- NRG is 1 of 3 regulated Gas Utilities in the Province of Ontario
- Maintains a network of underground gas infrastructure large enough to span from the Grand Banks to Vancouver Island
- NRG supports the community with sponsorship of local sports associations, teams, events and charities



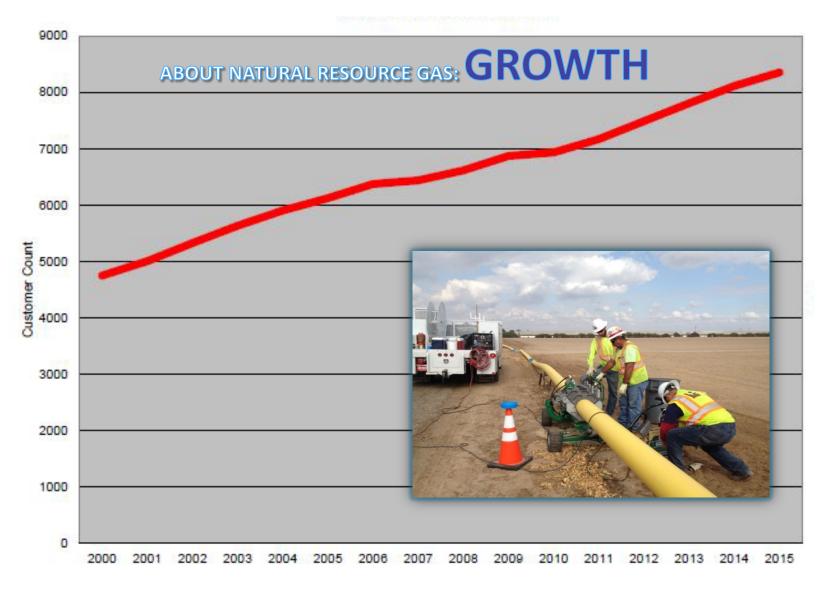


#### **About Natural Resource Gas:**



#### **SCORECARD**

- Service Quality Exceeds all industry targets
- Safety Response Maintained 100% Compliance
- Asset Management On Schedule
- 100% on-time service connections
- Financial Ratios Maintain profitability within allowed band



- Steady growth rate of 2.5-4.5% /year (36.5% over last 10 years)
- Growth and stability is positive for ratepayers

#### RATE-SETTING PROCESS



- THE CURRENT COST OF SERVICE (C.O.S.) APPLICATION RESULTED IN INTERIM RATES EFFECTIVE OCTOBER 1, 2016
- THROUGH THE C.O.S. PROCESS, RATES ARE ADJUSTED TO CONSIDER PRUDENT COSTS REQUIRED TO OPERATE, GROW AND MAINTAIN A SAFE DISTRIBUTION SYSTEM
- APPLICATIONS ARE REVIEWED BY THE OEB AND REGULARLY UNDERTAKE A SETTLEMENT PROCESS WITH INTERVENORS.
- RATE IMPACT IS FORECASTED TO BE GREATEST IN THE FIRST YEARS (2016/17)
   AND LESS IN SUBSEQUEST YEARS
- IMPORTANT: RATE PAYERS ARE REPRESENTED BY INTERVENORS LIKE V.E.C.C. (VULNERABLE ENERGY CONSUMERS COALITION). THEY PROTECT THE VULNERABLE & BY EXTENSTION, THEIR WORK BENEFITS THE RESIDENTIAL RATE PAYER OF NRG.

# ACHIEVING JUST AND REASONABLE RATES



- Customer Focus
  - Provide value for customers
  - Better ways to gauge household consumption and understand bills
  - Greater Payment Options
  - Improved communication tools through robust billing messages
- Operational Effectiveness
  - System reinforcement projects aimed at bolstering system reliability and ensuring property protection and public safety
  - Asset Management Plans address prioritization of asset replacement
- Public Policy Responsiveness
  - Distribution System Growth ensures ability to connect to affordable, safe and abundant natural gas in predominantly rural areas
- Financial Performance
  - Prudent 5 year capital plan and OM&A strategy



Enter your monthly gas usage

Select month for usage estimate:

Enter your monthly natural gas usage: 377 m<sup>3</sup>

Step 2: Click to view results

Calculate

Union Gas Limited (southern) 10.8927 ¢/m<sup>3</sup> **Enbridge Gas Distribution Inc.** 10.6439 ¢/m<sup>3</sup> **Natural Resource Gas Limited** 16.6850 ¢/m<sup>3</sup>

The rate for NRG includes storage and transportation charges.

Enter your monthly gas usage Jan \* Select month for usage estimate: m<sup>3</sup> Enter your monthly natural gas usage: 377 ep 2: Click to view results Calculate ptional: See how your bill might look on a con

Monthly Bill Statement

**Delivery** (what is this charge?)

**Delivery Charge Price Adjustment** 

Gas Supply Charge (what is this charge?)

Cost Adjustment (what is this charge?)

Transportation Price Adjustment

Storage Charges (what is this charge?)

Total Natural Gas Charges

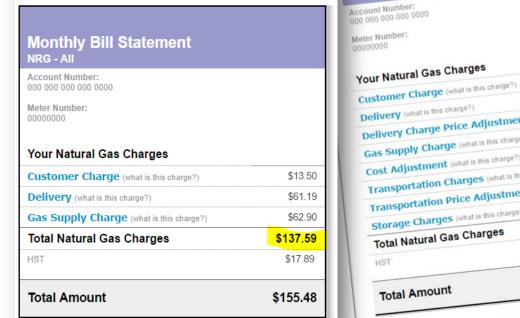
**Total Amount** 

Transportation Charges (what is this charge?)

Union - Southern

HST

Optional: See how your bill might look on a contr





Step 1: Enter your monthly gas usage

Step 2: Click to view results

Calculate

Select month for usage estimate:

Enter your monthly natural gas usage: 377

Optional: See how your bill might look on a contri

Jan ▼

m<sup>3</sup>

\$154.08

Account Number: 000 000 000 000 0000

Total Amount

Meter Number:

\$21.00

\$14.24

\$3.52

\$43.62

(\$2.56)

\$15.85

\$0.00

\$2.65

\$98.32

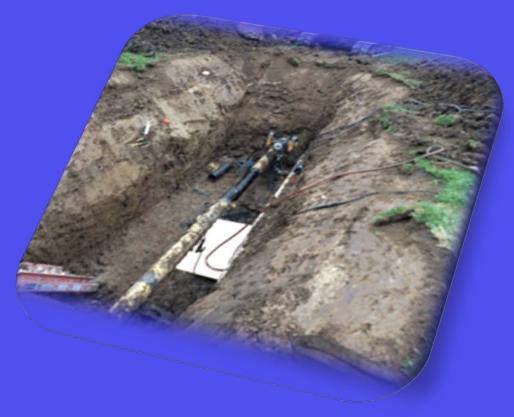
\$12.78

\$111.1

Your Natural Gas Charges	
Customer Charge (what is this charge?)	\$21.00
Delivery (what is this charge?)	\$32.69
Delivery Charge Price Adjustment	\$4.93
Gas Supply Charge (what is this charge?)	\$43.28
Cost Adjustment (what is this charge?)	(\$6.37)
Transportation Charges (what is this charge?)	\$24.47
Transportation Price Adjustment	\$1.48
Storage Charges (what is this charge?)	\$14.88
Total Natural Gas Charges	\$136.35
HST	\$17.73

### **NRG'S STRATEGIC PRIORITIES**





- Safety
- Reliability
- Rates
- Conservation
- Community Focus
- Agribusiness Support

### **Explanation of Prudent Capital Additions**

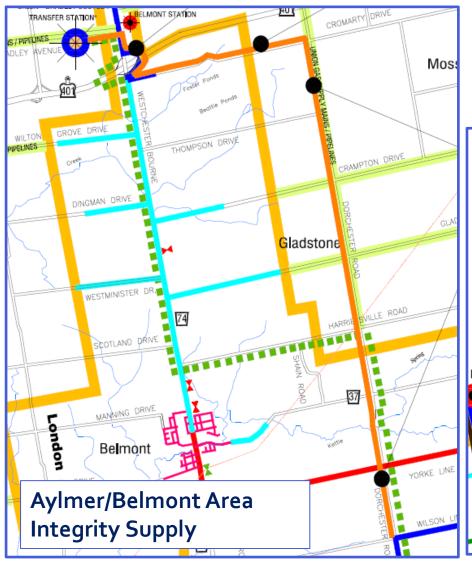
	Test	Bridge	Actual	Actual	Actual	Actual	Actual	Actual
	2017	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
Mains - Additions	425,000	2,046,520	56,544	55,483	49,023	350,150	422,291	117,826
- Replacements	150,000	6,500	0	0	0	0	0	2,160
Services - Additions	212,096	135,000	188,548	100,574	199,720	199,126	100,085	86,842
- Replacements	0	0	0	0	0	0	0	1,490
Ethanol Pipeline	200,000	0	0	0	0	0	0	0
New Steel Mains	0	0	0	0	0	0	0	0
Meters	131,189	125,026	276,027	260,412	176,570	73,713	22,920	103,219
Meter - IGPC	0	0	14,512	0	0	0	0	0
Regulators	63,500	62,250	14,512	22,302	71,354	42,387	17,105	16,139
Franchises	0	30,000	39,047	115,157	373,270	0	1,450	6,197
Land	0	15,000	0	0	0	0	0	0
Buildings	60,000	12,000	0	3,285	1,758	0	0	0
Furniture & Fixtures	4,200	2,000	6,214	21,653	2,946	10,083	0	0
Computer Equipment	20,000	9,000	15,638	6,076	6,972	3,640	1,159	5,214
Computer Software	89,500	200,000	10,977	9,327	7,504	3,952	16,800	21,115
Machinery & Equipment	17,700	98,100	47,243	40,158	38,373	5,328	3,741	4,347
Communication Equipment	7,500	12,000	0	15,889	4,730	0	10,196	6,500
Automotive	84,600	79,200	15,632	126,257	54,384	55,064	65,571	14,075
Rental Water Heaters	0	0	123,708	166,120	147,245	220,239	153,853	192,902
Total Capital Expenditures	1,465,285	2,832,596	808,603	942,693	1,133,848	963,682	815,171	578,027

Reasons for major variance
Pipeline Installations
Accounting Change -Regs
MCAN Changes to policy
20-year renewal
Required for reporting and CR
Safety policy and CNG
Ancilliary sales removed

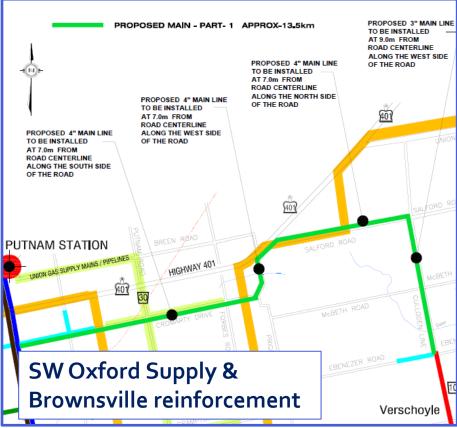
# CAPITAL: INVESTMENTS THAT SAVE OPERATIONAL DOLLARS OVER TIME



#### **CAPITAL: REINFORCEMENT PROJECTS**



# 2016 Major Capital Projects completed YTD



# OPERATIONS, MAINTENANCE & ADMINISTRATION





#### O.M. & A:



# 2017 Application for 3.866 M costs vs 2.629 M approved in 2011. Key drivers for increase:

- o 22% Growth in customer since 2011
- Inflation, increased legal cost
- Growing contractor and consulting costs in response to regulatory & environmental policy changes
- Acquisition of talent & additional consulting
- Recruitment costs, succession planning and training cost that come with replacement of experienced staff
- Process and field safety improvements

# SUMMARY OF ITEMS IN COS APPLICATION



- ✓ SEEKING APPROVAL FOR ADDITION TO CAPITAL
- ✓ INCREASE OF 1.2 MILLION IN OPERATING, MAINTENANCE & ADMINISTRATION COSTS
- ✓ ADDITIONAL 500,000 m3 LOCAL WELL GAS @ \$8.43/MCF
- ✓ CUST CHARGE \$13.50 TO \$18.50 then 50¢/yr (UNION AT \$21)
- ✓ **APPROVAL OF 4-YEAR IRM** (INCENTIVE RATE-MAKING PLAN)



#### **BILL IMPACT**

Year	Distribution	Total	Annual	
rear	Portion of Bill	\$ Change	% Change	
2006	445.37			
2009	468.76	23.39	1.3%	
2010	470.09	1.33	0.2%	
2011	472.38	2.29	0.5%	
2013	475.29	2.91	0.6%	-
2014	479.67	4.38	0.9%	
2015	488.08	8.42	1.8%	
2016	588.35	100.27	20.5%	
2017	593.06	4.71	0.8%	
2018	597.80	4.74	0.8%	
2019	602.58	4.78	0.8%	
2020	607.40	4.82	0.8%	
	0	CT 2016 through	2020 AVERAGES.	
	597.84	23.86	4.0%	= 23.86/
Notes: 1)	This assumes 0 change t	o Commodity - V	Vithout Union Sys	tem Gas
	2) Above are Pre-Settler	nent figures		

## REASONS FOR 2016 VARIANCE?

- ✓ 2 Pipeline Projects

  Engineering

  Legal/Land Acquisition

  TSSA Variances
- ✓ **5Yr Rate-case**Consulting costs

  Legal Fees
- ✓ System Integrity Study

  OEB Directed
- ✓ Increases to staff level, labour & contract costs
- ✓ Software system Upgrade

  Cap and Trade

**Payment Options** 

- ✓ Challenges with UG for increased volumes
- ✓ TSSA Audit Year
- ✓ USD impact on services

# LOOK FOR IN NOVEMBER



Outfitting your home with energy-smart upgrades can help you save 3 ways:

SAVE MONEY NOW.

Improve the energy efficiency of your home and get up to \$5,000 of your renovation costs back.

2 SAVE MONEY LATER.

Increased energy efficiency will decrease your energy bill by up to 20% every year.

3 INCREASE THE VALUE OF YOUR HOME.
An energy-efficient home is more attractive to future buyers.

# How to take advantage of the Home Reno Rebate:

- Call a participating certified energy advisor before starting your renovations. For a complete list, go to uniongas.com/homereno.
- 2 Complete your pre-renovation energy assessment.

3 Review your assessment and renovation options with your energy advisor.

4 Complete at least two of the eligible renovations with a reputable contractor.

5 Call your advisor to complete your post-renovation assessment.

Your advisor will collect and submit all the necessary paperwork to Union Gas. You will get your rebate cheque within 90 days of submission. +We recommend that you get quotes from at least three reputable contractors.



## QUESTIONS



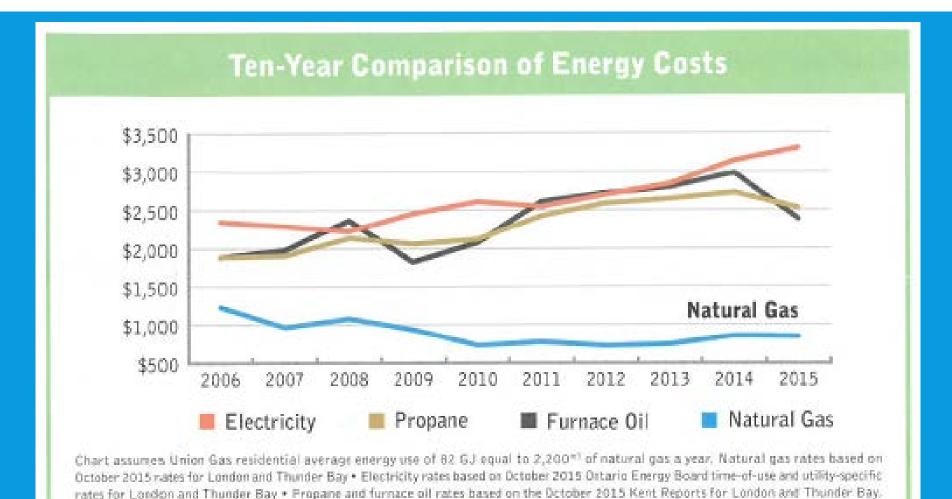
### THANK YOU TO OUR CUSTOMERS!



We promise to continue to deliver safe, affordable & abundant natural gas to your home or business

#### REFERENCES FOR Q AND A: TRENDS IN GAS PRICING

**COURTESY OF UNION GAS** 



# REFERENCES FOR Q AND A: OMB COMAPARBLES IN GAS PRICING



Gas Rate Structure (effective May 1 2016)

These rates apply to all customers <u>except</u>, Interruptible Customers and Direct Purchase Customers (Retailer)

monthly	
Block #1	1st 1500 m <sup>3</sup>
Block #2	Next 3500 m <sup>3</sup>
Block #3	Next 70000 m <sup>3</sup>
Block #4	All over 75000 m <sup>3</sup>

per m<sup>3</sup> \$0.3302 \$0.2956 \$0.2738 \$0.2613

Residential Service Charge (Monthly)
Commercial Service Charge (Monthly)

\$21.00

	Components that make up the m3 rate								
per m <sup>3</sup> (cubic meter)	Commodity	Transportation & Storage	Local Distribution Costs		Total				
Block #1	0.1285	0.1156	0.0861	\$	0.3302				
Block #2	0.1285	0.1156	0.0515	\$	0.2956				
Block #3	0.1285	0.1156	0.0297	\$	0.2738				
Block #4	0.1285	0.1156	0.0172	\$	0.2613				

# REFERENCES FOR Q AND A: OMB COMAPARBLES IN GAS PRICING

	Tratorar G	as Rates - Kitchener Utilities		
10.5	4.0	7.1543	21.6543	77 Ciday
19.0	3.0	7.4042	29.4042	73 ¢/day
				x31 = 226

#### Current rates for general service M2 customers

General service M2 - annual consumption greater than 50,000 m3

Amount of Natural Gas Used Per Month	Supply Rate ¢/m <sup>3</sup>	Transportation Rate ¢/m <sup>3</sup>	Variable Delivery rate ¢/m <sup>3</sup>	Net Rate ¢/m <sup>3</sup>	Daily Fixed Charge
First 1,000 m <sup>3</sup>	10.5	4.0	6.6466	21.1466	\$2.30/day
Next 6,000 m <sup>3</sup>	10.5	4.0	6.5677	21.0677	\$2.30/day
Next 13,000 m <sup>3</sup>	10.5	4.0	6.3326	20.8326	\$2.30/day
All over 20,000 m <sup>3</sup>	10.5	4.0	6.0505	20.5505	\$2.30/day
Previous Rate for first 1,000 m <sup>3</sup>	19.0	3.0	6.6466	28.6466	\$2.30/day

The above fees are also subject to an additional 13% HST.