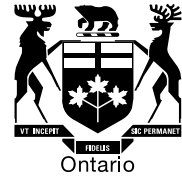


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BY E-MAIL

February 17, 2017

Kirsten Walli
Board Secretary
Ontario Energy Board
2300 Yonge Street, Suite 2701
Toronto, ON M4P 1E4

Dear Ms. Walli:

**Re: Natural Resource Gas Limited
Cap and Trade Compliance Plan
Ontario Energy Board File Number: EB-2016-0330**

In accordance with Procedural Order No. 2, please find attached OEB staff's public interrogatories related to the above noted proceeding.

In addition to the enclosed Interrogatories that OEB Staff is filing on the public record of this proceeding, OEB staff has also submitted interrogatories to Natural Resource Gas Limited (NRG) with respect to strictly confidential information (Strictly Confidential IRs) seeking further details on information and evidence filed by NRG that has been designated as strictly confidential. Accordingly, the Strictly Confidential IRs cannot be filed on the public record of this proceeding. Similarly, the interrogatory responses that NRG will file in response to the Strictly Confidential IRs will not be placed on the public record unless NRG indicates that it is providing non-confidential information in response to a Strictly Confidential IR.

The Strictly Confidential IRs address the strictly confidential evidence and consist of the following topics on the Issues List:

Issue 1.4 – Is the gas utility's Compliance Plan overview reasonable and appropriate?

OEB staff submitted one interrogatories consisting of 10 questions on NRG's Compliance Plan overview which is discussion in sections of the evidence that have

been designated as strictly confidential in Exhibit 3.

Issue 1.5 – Has the gas utility reasonably and appropriately conducted its Compliance Plan option analysis and optimization of decision making?

OEB staff has submitted 3 Interrogatories consisting of 16 questions on components of NRG's proposed Compliance Plan and compliance options discussed in the sections of the evidence that have been designated as strictly confidential in Exhibit 3.

Issue 1.7 - Has the gas utility reasonably and appropriately presented and conducted its Compliance Plan risk management processes and analysis?

OEB staff submitted 2 interrogatories consisting of 16 questions on risk management and scenario analysis which is contained in portions of the evidence designated as strictly confidential in Exhibit 3.

Yours truly,

Original signed by

Josh Wasylyk
Project Advisor, Application Policy & Climate Change

OEB STAFF PUBLIC INTERROGATORIES

Natural Resource Gas Limited Cap and Trade Compliance Plan EB-2016-0330

February 17, 2017

Issue 1 – Cost Consequences

Staff IR-1

Topic: Administrative Costs

Ref: Exhibit 3 / Page 19 of 34 – Administrative Costs

Preamble:

NRG has indicated that its 2017 administrative costs are \$100,000, made up of consulting services (\$80,000), legal services (\$10,000), auditing services (\$5,000) and communications and marketing (\$5,000).

Questions:

- a) Please expand on the rationale for engaging Blackstone Energy Services Inc. under a two-year contract at \$80,000 per year. What is the scope of the work of Blackstone Energy Services Inc.? For example, are they responsible for advising NRG on its Cap and Trade strategies and developing the Cap and Trade Compliance application?
- b) Please discuss the appropriateness of NRG's overall administrative costs relative to its compliance plan cost, on a percentage basis, as it is significantly greater than that proposed administrative costs of Enbridge and Union.
- c) Please discuss if NRG considered the need and appropriateness of increasing its bad debt amount in relation to the impact of the Cap and Trade program.

Issue 1.1 - Are the volume forecasts used reasonable and appropriate?

Staff IR-2

Topic: Forecasting Period

Ref: Exhibit 2 / p. 7

Preamble:

NRG indicates that it will opt to generate one-year forecasts of volume, GHG emissions and carbon prices for the year 2017.

Also, NRG states it will provide annual forecasts of the remaining three years of the compliance period to be submitted by August 1 of the filing year.

Questions:

- a) Is NRG choosing Option 1 or Option 2 as per the filing guidelines (Exhibit 2, 1, i)? Please explain.

Staff IR-3

Topic: Volume Forecasts

Ref: Exhibit 2 / p. 7

Preamble:

NRG states that its facility-related consumption will include only natural gas loss during distribution. Distribution loss is calculated by dividing the volume of gas delivered by the volume of gas purchased.

Questions:

- a) Does NRG own or operate a fleet of vehicles that are used in its service territory? Please explain.
 - i. If yes, please update NRG's 2017 volume forecast to include the natural gas consumption from this facility.
 - 1. Please update the relevant evidence.
- b) Does NRG own or operate any buildings for office use and/or its fleet of vehicles? Please explain.

- i. If yes, please provide NRG's 2017 volume forecast to include the natural gas consumption from this facility.
 - 1. Please update the relevant evidence.

Staff IR-4

Topic: Forecasts – Volume and Emissions

Ref: Exhibit 2 / Page 7

Preamble:

NRG has provided information related to its 2017 volume forecast.

Questions:

- a) Please discuss whether NRG's 2018 abatement activities (customer- and facility-related) should be classified as: a) public information, b) confidential information as per OEB's Rules of Practice and Procedure and Practice Direction on Confidential Filings, and/or c) strictly confidential information as per the *Climate Change Act* and *Cap and Trade Regulation*.
 - i. If in 2018, Ontario is linked with the WCI market, would Union's answer above change?
- b) Please discuss whether NRG's 2018 offset activities should be classified as: a) public information, b) confidential information as per OEB's Rules of Practice and Procedure and Practice Direction on Confidential Filings, and/or c) strictly confidential information as per the *Climate Change Act* and *Cap and Trade Regulation*.
 - i. If in 2018, Ontario is linked with the WCI market, would Union's answer above change?
- c) If details on abatement programs and offsets are marked as strictly confidential, how does NRG intend to present the volume and GHG forecasts as part of future Compliance Plans when it has abatement activities and offsets to propose?

Issue 1.2 – Are the GHG emissions forecasts reasonable and appropriate?

Staff IR-5

Topic: GHG Emissions Forecasts

Ref: Exhibit 2 / p. 9 -10

Preamble:

NRG states that it used the factors outlined in Table 3 to convert natural gas consumption volume to GHG emissions.

Questions:

- a) Please explain why NRG created only one emission factor despite the different uses of natural gas by its customers and facilities.
 - i. For example, please explain why NRG's ON.400 emission conversion factor (tonnes CO₂e/m³) for customer-related volumes is not 0.001875.
- b) Please identify the source of NRG's default CO₂ emissions factor of 49.01 kg per GJ.
- c) Please explain whether NRG used ON. 403 (a) Methodology 1 (equation 400-1) or Methodology 2 (equation 400-2) to calculate its carbon dioxide emissions as outlined in the Guidelines for Quantification, Reporting and Verification of Greenhouse Gas Emissions.
- d) To calculate its CH₄ emissions, did NRG use ON.404 (a) calculations (equation 400-7) as outlined in the Guidelines for Quantification, Reporting and Verification of Greenhouse Gas Emissions? Please explain.
- e) To calculate its N₂O emissions, did NRG use ON.404 (a) calculations (equation 400-8) as outlined in the Guidelines for Quantification, Reporting and Verification of Greenhouse Gas Emissions? Please explain.
- f) Please confirm that Union's Higher Heating Value (HHV) is 0.03881 GJ/m³ and not 0.039.

- g) If NRG owns or operates a fleet of vehicles that are used in its service territory (as per Staff IR-3), please update NRG's 2017 GHG emissions forecast to include the natural gas consumption from this facility.
 - i. Please update the relevant evidence.
- h) If NRG owns or operates any buildings for office use and/or its fleet of vehicles (as per Staff IR-3), please update NRG's 2017 GHG emissions forecast to include the natural gas consumption from these facilities.
 - i. Please update the relevant evidence.

Issue 1.4 - Is the gas utility's Compliance Plan overview reasonable and appropriate?

Staff IR-6

Topic: Overview of Compliance Plan

Ref: Exhibit 3 / p. 12 - 13

Preamble:

NRG indicates that in establishing the Cap and Trade Compliance Plan for the calendar year 2017, it will follow the guidelines established by the OEB.

Questions:

- a) As per OEB's Compliance Plan Filing Guidelines (Exhibit 3, 1.), has NRG established clear governance and accountability with respect to the development and implementation of its Compliance Plan? Please explain.
- b) As per OEB's Compliance Plan Filing Guidelines (Exhibit 3, 1.), does NRG have policies and processes that describe the checks and balances in place to ensure effective risk management and compliance monitoring? Please explain.
- c) As per OEB's Compliance Plan Filing Guidelines (Exhibit 3, 1.), does NRG have the resources and capabilities to participate in the primary and secondary cap and trade markets (e.g., appropriate trading personnel, awareness of market tools, brokerages and exchanges)? Please explain.

- d) As per OEB's Compliance Plan Filing Guidelines (Exhibit 3, 1.), does NRG have any creditworthiness analysis of counter-parties and financial intermediaries that NRG may deal with? Please explain.

Issue 1.6 - Are the proposed performance metrics and cost information reasonable and appropriate?

Staff IR-7

Topic: Performance Metrics and Cost Information

Ref: Exhibit 3 / p. 17

Preamble:

NRG outlines in Table 8 its estimated costs based on the forecasted cost per tonne of GHG at \$17.47 CAD per tonne.

Questions:

- a) Is NRG's forecasted cost per tonne \$17.47 CAD or \$17.41 CAD as stated in Ex 2, page 11? Please explain.
- b) Enbridge Gas Distribution Inc. and Union Gas Ltd. have used \$17.70 CAD per tonne, an estimate of the 2017 Ontario reserve price, to forecast the costs of their compliance plans because the Ontario minimum auction reserve price is higher than the 21-day CCA strip. Please comment on whether NRG agrees with this approach.

Issue 1.10 - Are the gas utility's proposed greenhouse gas abatement activities reasonable and appropriate?

Staff IR-8

Topic: Compliance Plan – Abatement Activities

Preamble:

NRG has not proposed any abatement activities as part of its 2017 Compliance Plan.

Questions:

- a) Please indicate why NRG has not included any customer- and facility-related abatement programs in its 2017 Compliance Plan.

Issue 2 - Monitoring and Reporting – Are the proposed monitoring and reporting processes reasonable and appropriate?

Staff IR-9

Topic: Monitoring and Reporting

Ref: Exhibit 4 / p. 25

Preamble:

NRG indicates that monitoring and reporting will commence starting 2017 calendar year and the appropriate information will be reported in this section.

Questions:

- a) Does NRG have any concerns with the proposed reporting templates outlined in Enbridge Gas Distribution's Compliance Plan application – EB-2016-0300, Exhibit D, Tab 1, Schedule 5, pages 3 – 5? Please explain.
- b) Does NRG have any concerns with the proposed reporting templates outlined in Union Gas Limited's Compliance Plan application – EB-2016-0296, Exhibit 4, Schedules 1 and 2. Please explain.

Issue 3 – Customer Outreach – Are the proposed customer outreach processes and methods reasonable and appropriate?

Staff IR-10

Topic: Customer Outreach

Ref: Exhibit 5 / pp. 26-28

Preamble:

NRG describes its customer outreach activities and has indicated that it has undertaken a number of activities to ensure customers are informed about the Cap and Trade program and its impacts.

Questions:

- a) Please discuss NRG's experience to-date related to the communication material distributed to its customers? In your response, please discuss how the information has generally been received by customers and the volume of inquiries/comments submitted to NRG's call centre.
- b) Is NRG considering any changes to its communication strategy based on feedback and customer response based on the early response to the Cap and Trade program?
- c) What tools has NRG developed to help customers quantify cap and trade costs? Is NRG developing any additional tools (i.e., bill calculators, etc.)?

Issue 4 – Deferral and Variance Accounts - Are the proposed deferral and variance accounts reasonable and appropriate? Is the disposition methodology appropriate?

Staff IR-11

Topic: Deferral and Variance Accounts

Ref: Exhibit 6 / Page 29 of 34

Preamble:

NRG states that in its current rate application filing (EB-2016-0236) it has requested to establish a deferral account for the purpose of recording and tracking its Cap and Trade costs. NRG further indicates that the appropriate information will be reported in this section for the next compliance plan.

As part of EB-2016-0236, NRG filed a letter on December 1, 2016 requesting the OEB to place its Application in abeyance as it sought to transfer its entire natural gas distribution system to EPCOR Natural Gas Limited Partnership.

In NRG's leave to transfer application (EB-2016-0351, Ex.1, T1, S1, p.3), NRG indicated that it requested that the OEB continue to consider the establishment of a deferral account in relation to Cap and Trade notwithstanding that the remainder of the EB-2016-0236 application was put in abeyance. On November 24, 2016, the Board approved this deferral account on an interim basis effective January 1, 2017.

Questions:

- a) Please describe what the deferral account applied for in EB-2016-0236 was meant to capture.
- b) Please provide a copy of the OEB decision approving NRG's request for a deferral account.
- c) If applicable, is NRG seeking approval in this proceeding to establish new deferral and variance accounts to record the difference between actual and forecast costs for customer- and facility-related obligations?

- d) Please indicate where NRG proposes to dispose of the new deferral and variance accounts that deal with customer- and facility-related obligations. In your response, please indicate if NRG proposes that they would be dealt with as part of the Cap and Trade Compliance Plan applications or as part of a separate deferral account disposition proceeding?
- e) How does NRG propose to dispose of any balances? For example, would this be as a one-time adjustment or would the balances be spread over time? If so, over what period of time? Would the recovery of these balances be included in the Delivery Charge or presented as a separate line item?

Issue 6 - Implementation – What is the implementation date of the final rates and how will the final rates be implemented?

Staff IR-12

Preamble:

NRG received approval from the OEB on November 25, 2017 to incorporate customer-related and facility-related obligation costs in rates on an interim basis effective January 1, 2017.

Questions:

- a) Please discuss how NRG proposes to recover any variance between the OEB's Interim Decision issued on November 25, 2016 and the Decision and Final Rate Order for this proceeding. In your response, please discuss if NRG proposes to clearly indicate any difference between the Interim Rates and Final Rates on a customer's bill.
- b) Please indicate how NRG proposes to reconcile the HST related to any differences between Interim Rates and Final Rates.