

1 **1.0 - IGPC-1**

2 **Ref: Exhibit 1, Tab 1, Schedule 3, Pages 1 and 2**

3 **Preamble: NRG and EPCOR identified that it would make offers to personnel and that**
4 **certain agreements that have yet to be negotiated in order to be able to conclude the**
5 **transaction. IGPC wishes to understand how outstanding issues have progressed since**
6 **filing of the Application and any potential risks to the level of service customers receive.**

7 a) **Do NRG/EPCOR expect any significant staff changeover as a result of the**
8 **transaction? If so, please provide a description of the plan to ensure**
9 **continuity of service and retention of institutional knowledge.**

10 b) **Please update the status of the renewal of the franchise agreement with**
11 **Oxford County. Do NRG/EPCOR anticipate any concerns regarding the**
12 **renewal? If so please describe and provide the plan to manage such issue.**

13 c) **Please update the status of the regulatory transition services agreement with**
14 **Ayerswood Development Corp.**

15 **Response:**

16 (a) No significant staff changeover is expected as a result of the proposed transaction. As
17 described in VECC-4, all employees of NRG have accepted employment with EPCOR
18 effective upon completion of the sale transaction, other than, as contemplated by the Asset
19 Purchase Agreement, the current president and ultimate owner of NRG, Anthony Graat,
20 and the two Co-Chairs of NRG.

21 (b) NRG believes that it has reached an agreement with Oxford County, and is advised that:
22 (a) a recommendation will be made to Council (at its May 24th Council meeting) to execute
23 the negotiated franchise agreement; and (b) an authorizing by-law would be brought
24 forward at the June 10th Council meeting. Should the recommendation not be made at the
25 May 24th Council meeting, NRG will file an application with the Board to approve a
26 franchise agreement with Oxford County (based on the standard form Model Franchise
27 Agreement).

28 (c) EPCOR and Ayerswood Development Corp. are currently finalizing this agreement based
29 upon the term sheet attached to the Asset Purchase Agreement as Schedule 1.1F, however,
30 as expected, no difficulty or controversy has been encountered as it is a straightforward fee
31 for service arrangement.

1 **1.0 - IGPC-2**

2 **Ref: None.**

3 **Preamble: IGPC wishes to understand whether there will be any change in the level of**
4 **service that will be offered to customers.**

5 a) **Please list any exemptions that NRG has from any Board requirement such**
6 **as GDAR or the ARC.**

7 b) **For each such exemption listed in (a), does EPCOR plan to continue with the**
8 **exemption in the near term or for an indefinite period of time. Please explain**
9 **the rationale.**

10 c) **Please list any outstanding Board orders or commitments applicable to NRG**
11 **and the current status of such order or commitment.**

12 d) **Does EPCOR undertake to fulfill the requirements of the orders or**
13 **commitments? If not, please explain.**

14 **Response:**

15 (a) NRG is currently exempt from sections 2.1.1, 2.1.11 and 2.1.13 of the Board's *Natural*
16 *Gas Reporting & Record Keeping Requirements Rule for Gas Utilities*. It is not exempt
17 from any provisions of the *Gas Distribution Access Rule* or the *Affiliates Relationships*
18 *Code*.

19 (b) EPCOR plans to continue with the exemptions listed in a) as it feels the exemptions are
20 appropriate for the utility. The exemptions relate to reporting requirements for distribution
21 system expansion projects which originated from EBO 188, a Board decision in a generic
22 proceeding that applied to Enbridge and Union Gas' successor companies only. While
23 NRG currently applies a similar economic evaluation test to its expansion projects as the
24 Board sets out in EBO 188, the reporting requirements from which NRG is exempt would
25 be onerous for the utility and provide little value considering that NRG's expansions are
26 limited to approximately 250 to 300 customer additions annually. EPCOR intends to
27 continue NRG's practice of applying a similar economic evaluation test to expansion
28 projects as the Board sets out in EBO 188.

29 (c) NRG believes that there are two relevant commitments: (i) the Union Gas penalty, which is
30 addressed in the response to Union Gas-1; and (ii) the directive in EB-2010-0018 to
31 undertake and file a Competitive Market Study and a System Integrity Study. With respect
32 to the latter, the two studies were completed in accordance with the Board direction and
33 filed in NRG's 2017-2021 rate application (EB-2016-0236).

- 1 (d) With respect to the Union Gas penalty, please refer to Union Gas-1. EPCOR will file the
2 Competitive Market Study and System Integrity Study (in their current form) when it re-
3 files the rate application.

1 **1.0 - IGPC-3**

2 **Ref: Attachment 10, Page 26**

3 **Preamble: EPCOR has identified additional expansion into the natural gas distribution**
4 **business near Kincardine. IGPC wishes to understand, and be assured, that such**
5 **expansion will not adversely impact the ratepayers of NRG.**

- 6 a) **Please provide an update of the EPCOR expansion into the Kincardine area.**
- 7 b) **Please describe the benefits, if any, that current NRG customers may receive**
8 **from this expansion.**
- 9 c) **Please describe the risks, if any, that current NRG customers may be exposed**
10 **to under this expansion. What steps has EPCOR taken to mitigate those**
11 **risks or shield the NRG customers from such risks?**

12 **Response:**

- 13 (a) Please see the response to 1-Staff-13 a) i., ii. for an update on EPCOR Southern Bruce Gas
14 Inc.'s expansion plans into the Kincardine area.
- 15 (b) If EPCOR Southern Bruce Gas Inc. becomes the natural gas distributor in the Kincardine
16 area it will enable development of a second system that may eventually be approximately
17 the same size as NRG's system. This could allow for the sharing of certain support
18 functions. Implementation of any such sharing would be subject to relevant Affiliate
19 Relationships Code for Gas Utilities requirements and approval by the OEB in future gas
20 distribution rate applications. Any immediate benefits are expected to be modest.
- 21 (c) Current NRG customers will not be exposed to any risks under the proposed expansion by
22 EPCOR Southern Bruce Gas Inc. EPCOR and EPCOR Southern Bruce Gas Inc. are
23 separate legal entities and their liabilities and assets are not comingled. This should help
24 protect each customer base from risks associated with the operations of the sister company.