

ONTARIO ENERGY BOARD STAFF INTERROGATORIES

Natural Resource Gas Limited - EB-2017-0215

Correction to Purchased Gas Transportation Variance Account Reference Price for Fiscal Years 2011 to 2015

Interrogatory #1

Ref: Natural Resource Gas Limited Evidence, Page 1

Natural Resource Gas Limited (NRG) has requested approval of certain corrections to the Purchased Gas Transportation Variance Account (PGTVA) reference prices.

- a) Please explain the purpose of the PGTVA. What costs are recorded in the PGTVA and do the balances represent a variance between forecast and actual costs?
- b) Are positive balances in the PGTVA a debit or a credit to ratepayers?
- c) When were the PGTVA balances last disposed of by the OEB? Please provide the balances that were cleared and the charge or credit applied to the different rate classes.

Interrogatory #2

Ref: NRG Evidence, Page 2

In its evidence NRG has indicated that its consultant made a calculation error by basing the reference price on the Union Gas Limited transportation volume as opposed to NRG's load forecast sales volume. The load forecast sales volume includes not only the Union Gas transportation volumes but also volumes purchased by NRG from producers within NRG's franchise areas.

- a) Does NRG incur any transportation costs for volumes purchased from producers within NRG's franchise area? If yes, please provide a detailed explanation as well as costs incurred for fiscal years 2011 to 2015.
- b) Do NRG customers pay an additional charge representing transportation costs for gas purchases from producers within NRG's franchise areas?

- c) If NRG does not incur any transportation costs for volumes purchased within its own franchise area, please provide the sales volume excluding volumes purchased within NRG's franchise area. Also, please explain why the reference price calculation should not exclude volumes purchased within NRG's franchise area or purchases where transportation costs are included in the commodity costs.

Interrogatory #3

Ref: NRG Evidence in EB-2010-0018, Exhibit D1, Tab 2, Schedule 1, Pages 1-2

In EB-2010-0018, NRG has noted that gas transportation costs are the costs paid by NRG to Union Gas for storage, load balancing and transportation across the Union Gas system to NRG. If that is the case, why is not appropriate to base the reference price on Union Gas Limited transportation volumes?

Interrogatory #4

Ref: NRG Evidence, Page 2

NRG has recalculated the reference prices based on the load forecast sales volumes. The reference prices have been calculated as:

PGTVA Rate Class 1 – 5: \$0.018339/m³

PGTVA Rate Class 6: \$0.009885/m³

- a) Please provide the fiscal year ending balances in the PGTVA for each of the years from 2011 to 2015 using the recalculated reference prices and the existing¹ reference prices.
- b) Assuming the balances as of fiscal year end 2015 is disposed of by the OEB, what would be the rate impact/rate rider for NRG's ratepayers using the recalculated reference prices and the existing reference prices?
- c) Does the difference in the balances calculated using the correct and incorrect references prices for the fiscal years 2011 to 2015 meet the materiality threshold (OM&A Expenses) for any of the individual fiscal years as established by NRG in EB-2016-0236?

¹ As per EB-2010-0018 Rate Order

Interrogatory #5

Ref: NRG Evidence, Page 3

NRG has noted that the adjustments to the PGTVA reference prices does not change the distribution rate charged to customers – it just correctly allocates how much of the distribution rate relates to transportation costs.

- a) Please provide a more detailed explanation of the above statement and explain how the transportation costs are part of distribution rates.
- b) Based on the above understanding, please confirm that correction of the reference prices would not have an additional impact on ratepayers as compared to using the existing reference prices since the distribution rates have been established using the total load forecast and not just Union Gas Limited transported volumes. If it cannot be confirmed, please provide a detailed explanation.
- c) Please confirm whether correction of the reference prices is a matter of reallocating costs accurately as compared to recovery of actual costs incurred that NRG has not been able to recover from ratepayers as a result of using incorrect reference prices. If the above statement is incorrect, please provide a detailed explanation including reasons.

Interrogatory #6

Ref: NRG Evidence, Page 1

On February 17, 2011, the OEB issued Rate Order EB-2010-0018 approving certain rates and charges for the distribution of natural gas. Appendix B to the Rate Order approved two PGTVA's, one for customers in rates 1 through 5 and another for Integrated Grain Processors Co-operative Inc. in rate class 6. NRG has requested the OEB to amend the EB-2010-0018 Rate Order to reflect corrected reference prices for the PGTVA's.

- a) On what basis can the OEB correct the reference prices that were part of a final Rate Order?
- b) In NRG's opinion, would amending the EB-2010-0018 Rate Order amount to retroactive ratemaking? Please provide reasons for the response.