

MICHAEL R. BUONAGURO

Barrister and Solicitor

24 HUMBER TRAIL
TORONTO, ONTARIO, M6S 4C1
P: (416) 767-1666
F: (416) 767-1666
EMAIL: mrb@mrb-law.com

March 9, 2018

Ms. Kirsten Walli
Board Secretary
Ontario Energy Board
P.O. Box 2319
26th Floor
2300 Yonge Street
Toronto, ON
M4P 1E4

DELIVERED BY EMAIL

Dear Ms. Walli,

RE: EB-2017-0306/0307 Enbridge Gas Distribution Inc. and Union Gas Limited

Please find enclosed the interrogatories submitted on behalf of the Ontario Vegetable Greenhouse Growers.

Yours very truly,



Michael R. Buonaguro
Encl.

EB-2017-0306/EB-2017-0307

**UNION GAS LIMITED/ENBRIDGE GAS DISTRIBUTION INC.
MAAD APPLICATION AND RELATED RATE-SETTING APPLICATION
INTERROGATORIES OF THE ONTARIO GREENHOUSE VEGETABLE
GROWERS**

March 9, 2017

Michael Buonaguro
Counsel
Ontario Greenhouse Vegetable Growers
24 Humber Trail
Toronto, Ontario
M6S 4C1

Phone 416-767-1666

Email: mrb@mrb-law.com

MAADS APPLICATION

1-OGVG-1

REF: N/A

Please describe and, to the extent possible, quantify the benefits to the shareholders of Amalco of amalgamation beyond any approved deferral period.

1-OGVG-2

REF: Exhibit B, Tab 1, page 38

Please describe how Amalco proposes to continue its current level of customer engagement, including engaging with OGVG on behalf of its members and directly with OGVG's members as appropriate, particularly when the main offices of Amalco are to be maintained in the EGD franchise area?

1-OGVG-3

REF: Exhibit B, Tab 1, page 40.

Are there any net benefits to Union's customers resulting from Union's contracts with EGD? If so, please describe and quantify those benefits, and explain what will happen to those net benefits once Amalco treats those contracts as having expired.

1-OGVG-4

REF: Exhibit B, Tab 1, page 40.

Internal processes will be developed to maintain the fairness and confidentiality of the bidding process used for Amalco procurement of storage services either from third parties or from the unregulated assets of Amalco.

Please confirm that the noted passages describes a process wherein Amalco will, possibly, bid for storage services from itself? If confirmed please explain under what circumstances this could arise and how it would work.

1-OGVG-5

REF: Exhibit B, Tab 1, page 41.

EGD and Union also have existing contracts in place that address operating requirements where existing systems interconnect, and contracts to address shared storage assets. Amalco will develop operating procedures as required to replace operating agreements and ensure a consistent level of reliable service. Any costs related

to operating services or shared storage assets will be managed as part of Amalco's overall operating expenses consistent with the current treatment of those costs, resulting in no harm to ratepayers.

Are there profits embedded in any of the contracts referred to in the cited passage? If so, would Amalco strip the profit from those contracts upon amalgamation, since it would be providing services to itself, or is Amalco proposing to continue to build in a profit for such services and recover that profit from customers? If Amalco proposes to continue to build in a profit for such services, please explain the basis for the profit calculation.

3-OGVG-6

REF: Exhibit B, Tab 1, page 41.

The deferred rebasing period of 10 years is necessary to allow Amalco to integrate and have sufficient time to support making the capital and system investments necessary to generate integration synergies across the combined EGD and Union operations.

The Applicants do not, it appears to OGVG, cite the opportunity to earn a return above the allowed ROE as a result of an extended period of deferred rebasing as a necessary component of the merger. Please confirm that the opportunity to overearn relative to the allowed ROE during an approved period of deferred rebasing is incidental to the Applicant's proposed 10 year deferral period; if not incidental, please explain why the opportunity to overearn during the deferred rebasing period is an important aspect of the merger proposal.

4-OGVG-7

REF: Exhibit B, Tab 1, page 22; Exhibit B, Tab 1, Attachment 12, page 1.

Customers are better off by \$410 million than they otherwise would have been if the utilities had continued to operate on a stand-alone basis.

The estimated integration capital investment from 2019 to 2028 is \$150M.

The estimated O&M savings from 2019 to 2028 is \$680M.

- a) Please confirm OGVG's understanding that based on:
 - i) the Applicants' estimate that ratepayers should save \$410M in rates between 2019 and 2028 as a result of having rates set using the Applicants' proposed Price Cap Mechanism,
 - ii) the estimated merger related capital investment over the 2019 to 2028 period of \$150M, and
 - iii) the estimated merger related O&M savings of \$680M over the 2019 to 2028 period,

the Applicants estimate that they will net (\$680M minus \$410M minus the revenue requirement impact of the forecast \$150M in integration capital investment) over the course of the proposed deferral period as a result of the merger of EGD and Union.

- b) Please provide the estimated revenue requirement impact of the forecasted merger related capital investments of \$150M during the 2019 to 2028 period.
- c) Please break out the estimated \$410M in customer savings between 2019 to 2028 as between EGD customers and Union customers.
- d) Please provide an estimate of the earnings that would be shared with ratepayers as a result of the estimated OM&A savings in each year of the deferral period and the proposed ESM, broken down by year, assuming that aside from the estimated OM&A savings the Applicants earned the allowed ROE.

4-OGVG-8

REF: Exhibit B, Tab 1, page 26; EXHIBIT B, Tab 1, Attachment 12.

- a) Please confirm that the costs and savings in Attachment 12 represent a forecast within the range of costs and savings set out in Table 4; assuming that is confirmed, please confirm that to the extent that the actual costs and savings vary from the forecast in Attachment 12 that the Applicants propose to absorb any additional costs and retain any additional savings within any approved deferral period.

4-OGVG-9

REF: Exhibit B, Tab 1, pages 25-37.

Please explain which of the proposed areas of savings could be pursued (jointly) by EGD and Union as affiliates, and which of the proposed areas of savings cannot be pursued except as a single amalgamated entity as proposed.

RATE SETTING APPLICATION

1-OGVG-10

REF: EXHIBIT B, Tab 1, page 12

Capital projects related to the amalgamation will be funded and managed by Amalco as an integral part of supporting achievement of synergies through the deferred rebasing period.

Please confirm that the Applicants propose to exclude integration related capital investments from ICM treatment. Assuming that is confirmed, please also confirm that

integration related capital investments will not be considered when calculating the threshold amounts for ICM applications. If not confirmed please explain why it would be appropriate for the Applicants to be able to recover the incremental revenue requirement impact of integration related capital investments while at the same time retaining the related savings during any deferral period.

1-OGVG-10

REF: N/A

Please summarize the total earnings sharing amounts that accrued to the benefit of ratepayers in each year from 2008 to the present for each of Union and EGD; in doing so please indicate the total amount of earnings in excess of the allowed ROE in the year, the threshold for sharing that applied, and the ratio of sharing that applied.