

# AIRD BERLIS

Scott Stoll  
Direct: 416.865.4703  
E-mail: sstoll@airdberlis.com

October 4, 2018

SENT VIA EMAIL, COURIER AND RESS

Ms. Kirsten Walli  
Board Secretary  
**Ontario Energy Board**  
2300 Yonge Street  
27<sup>th</sup> Floor, P.O. Box 2319  
Toronto, ON M4P 1E4

Dear Ms. Walli

**Re: EPCOR Natural Gas Rate Application**  
**Board File No. EB-2018-0235**

---

We are counsel to Integrated Grain Processors Co-operative Inc. ("IGPC").

Pursuant to Procedural Order No. 1 dated September 19, 2018, please find attached Interrogatories of IGPC.

If there are any questions, please contact the undersigned.

Yours truly,

AIRD & BERLIS LLP



Scott Stoll

SAS/ar  
Encl.

cc. Parties List

33852170.1

**IGPC-1**

**Evidence Reference:** Exhibit A, Exhibit B, Exhibit C

**Preamble:** ENGLP's predecessor filed an application for rates, EB-2016-0236, which is currently in abeyance. As such, the current rates continue to be premised upon the rates approved in EB-2010-0018 and escalated through the IRM approved as part of EB-2010-0018 and subsequent Board Orders. As part of proceeding EB-2016-0236, the rates charged by ENGLP and its predecessor NRG, have been interim since October 1, 2016. IGPC is interested in understanding the implications of the current application on the interim rates that are currently in place and ENGLP's position regarding consideration of the assessment of just and reasonable rates.

**Questions:**

- a) Confirm that under the current proposal in Exhibit A, Exhibit B and Exhibit C that rates charged would be considered final. If not, please explain.
- b) Confirm there has been no review of ENGLP's (or NRG's) distribution costs since EB-2010-0018.
- c) Confirm that the costs (amount of rate base, OM&A) approved in EB-2010-0018 continue to form the basis of the current rates. If not please, explain.

**Responses:** a)

**IGPC-2**

**Evidence Reference:** Exhibit A, Exhibit B, Exhibit C

**Preamble:** IGPC is interested in understanding the implications of the current application on the interim rates that are currently in place and the dependency of certain approvals on other relief sought by ENGLP as part of this Application.

**Questions:**

- a) Do all rate classes have to be subjected to the same percentage rate increase? Please explain why or why not.
- b) Would ENGLP's financial wherewithal be materially impacted if the increases sought in Exhibit A, Exhibit B and Exhibit C were not granted?
- c) What programs, services or capital projects would be deferred or cancelled as a result of a denial of the relief sought in Exhibit A, Exhibit B or Exhibit C?

**Responses:** a)

### IGPC-3

**Evidence Reference:** Exhibit A, Exhibit B, Exhibit C

**Preamble:** IGPC understands that ENGLP intends to apply a formulaic approach to rates that would increase rates using the IRM formula used by electricity distributors and that the formula incorporates an efficiency or productivity improvement factor. IGPC understands that where a distributor chooses to remain in an IRM formula rather than being subject to a cost of service review or customized IR that the distributor must apply the worst (largest) efficiency or productivity factor. IGPC is interested in understanding how ENGLP's (and NRG's) assessment of its efficiency and the changes in operations, revenues and costs since EB-2010-0018 to provide some context to the improvements that NRG and ENGLP have already undertaken and those planned for the next year.

- Questions:**
- a) Has ENGLP, or its predecessor NRG, performed any studies to determine the efficiency or productivity of its operations? If so, please provide such studies or reports.
  - b) What efficiency matters or productivity improvements have been implemented by NRG/ENGLP since 2011? Please provide details including a description of the improvement, when implemented, the savings and expected persistence of the savings.
  - c) Please provide a chart(s) with the applicable factors for the IRM formula for each electricity distributor group, for each year since 2011.
  - d) What has ENGLP's, or NRG's, return on equity (actual and deemed), been for each of the past 5 years.
  - e) What has been the historical Full Time Equivalents for ENGLP and its predecessor for each of the past 7 years.
  - f) What has been the actual customer count for each rate class for each of the past 7 years?
  - g) What has ENGLP's distribution and other revenue been for each of the past 5 years?

**Responses:** a)

**IGPC-4**

**Evidence Reference:** EB-2016-0236, page 254 of 432 in pdf of Application; Exhibit 8, Tab 1, Schedule 3, page 1, Lines 16 to 17;

EB-2010-0018

**Preamble:** IGPC is interested in determining the reasonableness of the current and proposed rates being applied to IGPC. IGPC understand that under EB-2016-0236 that the proposed rates for IGPC would have reduced for the then approved rates.

- Questions:**
- a) Please provide the annual revenue, earned by ENGLP and NRG from Rate 6 since EB-2010-0018.
  - b) What was the net income of NRG/ENGLP for each year since EB-2010-0018?
  - c) What was the amount of rate base that formed the basis of Rate Class 6 in EB-2010-0018?
  - d) What amounts have been added to the rate base for Rate Class 6 since EB-2010-0018?
  - e) What is the annual amount of depreciation for Rate Class 6 that was approved by the Board in EB-2010-0018?
  - f) What is the amount of rate base for Rate Class 6 for each year since EB-2010-0018.
  - g) Please provide a table showing the actual and deemed cost of long-term debt, short-term debt and equity for each year since EB-2010-0018.
  - h) Has the rate base of Rate Class 1 thru 5 increased since EB-2010-0018? If so, by approximately how much?
  - i) Please provide copies of all agreements between ENGLP and IGPC.

**Responses:** a)

**IGPC-5**

**Evidence Reference:** EB-2016-0236, EB-2010-0018

**Preamble:** IGPC is interested in determining the reasonableness of the current rates being applied, and the future rates that are proposed, for IGPC. IGPC understand that under EB-2016-0236 that the following: (a) proposed rates for IGPC would have reduced for the then approved rates; (b) the percentage of existing rate base of Rate 6 to total rate base had decreased; (c) the percentage of income of Rate 6 to total income had decreased; and (d) NRG/ENGLP has continued to add customers to every category. IGPC further understands the ENGLP will need to invest in rate base to reinforce the system to serve other existing customers.

**Questions:**

- a) What was the amount of the proposed rate reduction that Rate Class 6 would have experienced had the proposal in EB-2016-0235 been approved?
- b) What would have been the annual savings to Rate Class 6 had the Board approved the requested rates in EB-2016-0236 through the period of October 1, 2016 to January 1, 2020?
- c) Please confirm that certain operating, maintenance and administration costs have been allocated to the various rate classes based upon the relative contribution to rate base of such class.
- d) Please provide for each rate class the operating, maintenance and administration costs and relative amounts from EB-2010-0018 that were allocated on basis of rate base.
- e) Is part of the delay or basis for the current request the need to develop a more robust system reinforcement plan to continue to supply ENGLP's customers (other than Rate 6) based upon updated system integrity analyses and plan.

**Responses:** a)

## IGPC - 6

**Evidence Reference:** EB-2016-0236

**Preamble:**

In EB-2016-0236, NRG had proposed using the rate base for the 2017 Test Year throughout the IR period. When there is no capital to be spent in a rate class during the IR period, IGPC is of the view such a rate class can over contribute to the earnings of the utility through such an IR period.

**Questions:**

- Do the Tables below provide an accurate summary of the change in Rate Base for Rate 6 over the IR period had the proposal by NRG been approved in EB-2016-0236? Explain?
- Do the Tables below provide an accurate summary of the change in Revenue Requirement (Costs Allocated to IGPC) for Rate 6 over the IR period? Explain.
- Do the Tables below provide an accurate estimation of the Rate 6 Revenue Requirement if rates were to be set upon the actual rate base rather than the inflated 2017 Test Year Rate Base? Explain.
- Would depreciation actually increase when there are no expenditures on capital during the period?

Impact of Proposed IR Approach on IGPC

| 1 Costs Allocated to Rate 6 (IGPC)<br>- as Proposed in EB-2016-0236 | Adjustment<br>for 2018 - 2021<br>IR (I + X + S) | 2017<br>Re-Base<br>(E6, T1, S1) | 2018      | 2019      | 2020      | 2021      |
|---|---|---------------------------------|-----------|-----------|-----------|-----------|
|   |   |                                 | IR        | IR        | IR        | IR        |
| OM&A  | IR 1.5%   | 205,073                         | 208,149   | 211,271   | 214,440   | 217,657   |
| Administrative and General  | IR 1.5%   | 200,398                         | 203,404   | 206,455   | 209,552   | 212,695   |
| Property Tax  | IR 1.5%   | 87,000                          | 88,305    | 89,630    | 90,974    | 92,339    |
| Depreciation  | IR 1.5%   | 256,008                         | 259,848   | 263,746   | 267,702   | 271,718   |
| Return  | IR 1.5%   | 200,729                         | 203,791   | 206,848   | 209,950   | 213,100   |
| Income Tax  | IR 1.5%   | 62,167                          | 63,100    | 64,046    | 65,007    | 65,982    |
| IGPC Revenue Requirement (2017 - 2021) - Line A                     |   | 1,011,425                       | 1,026,596 | 1,041,995 | 1,057,625 | 1,073,490 |

Incentive Rate (IR) Setting Proposal (E1, T1, S2) - for 2018 - 2021 rates  
Inflation factor (I), productivity factor (X), and a stretch factor (S)  
Estimated IR Adjustment (I + X + S) 1.5%

| 2 Revised Approach to recognize declining Rate Base | 2017<br>(E2, T2, S1) | 2018      | 2019      | 2020      | 2021      |
|---|----------------------|-----------|-----------|-----------|-----------|
| IGPC Rate Base                                      | 2,924,759            | 2,668,751 | 2,412,743 | 2,156,735 | 1,900,727 |
| IGPC Rate Base (previous year average)              |                      | (256,008) | (256,008) | (256,008) | (256,008) |
| IGPC Depreciation Expense                           |                      |           |           |           |           |
| IGPC Rate Base                                      | 2,924,759            | 2,668,751 | 2,412,743 | 2,156,735 | 1,900,727 |
| % change in Rate Base from 2017                     |                      | -8.8%     | -17.5%    | -26.3%    | -35.0%    |

| Revised IGPC Revenue Requirement<br>for 2018 - 2021 | Adjustment<br>for 2018 - 2021 | 2017<br>Re-Base<br>(E6, T1, S1) | 2018      | 2019      | 2020    | 2021    | Total |
|---|-------------------------------|---------------------------------|-----------|-----------|---------|---------|-------|
|   |                               |                                 | IR        | IR        | IR      | IR      |       |
| OM&A  | IR 1.5%                       | 205,073                         | 208,149   | 211,271   | 214,440 | 217,657 |       |
| Administrative and General                          | IR 1.5%                       | 200,398                         | 203,404   | 206,455   | 209,552 | 212,695 |       |
| Property Tax  | IR 1.5%                       | 87,000                          | 88,305    | 89,630    | 90,974  | 92,339  |       |
| Depreciation  | IR 1.5%                       | 256,008                         | 259,848   | 263,746   | 267,702 | 271,718 |       |
| Return (6.86% x IGPC Rate Base)                     | RoRB 6.86%                    |                                 | 183,205   | 165,631   | 148,056 | 130,482 |       |
| Income Tax  | IR 1.5%                       | 62,167                          | 63,100    | 64,046    | 65,007  | 65,982  |       |
| IGPC Revenue Requirement (2017) - Line B            |                               |                                 | 1,006,011 | 1,000,779 | 995,731 | 990,872 |       |
| RoRB (E6, T1, S1)                                   |                               | 6.86%                           |           |           |         |         |       |

| 3 Impact of IR Approach                           | 2017     | 2018     | 2019     | 2020     | 2021      |
|---|----------|----------|----------|----------|-----------|
| Change in IGPC Revenue Requirement - Line (A - B) | (20,585) | (41,217) | (61,894) | (82,618) | (206,314) |
| % Reduction of Revenue Requirement                | -2.0%    | -4.0%    | -5.9%    | -7.7%    |           |

**Response:**

a)

**IGPC-7**

**Evidence Reference:** EB-2016-0351, E1, T1, S1, page 4, lines 1 to 7  
EB-2018-0235, Exhibit A, Exhibit B, Exhibit C

**Preamble:** Under the current ENGLP proposal, all customers are being asked to pay more to ENGLP than current rates. In its application to acquire the assets of NRG, ENGLP had indicated that customers would pay lower rates than if NRG had continued to own and operate the distribution company.

**Questions:**

- a) How does ENGLP expect to demonstrate that customers will be better off with their acquisition of the distribution company when all rate classes are seeing an increase in rates? Please explain in detail.
- b) When will ratepayers expect to start to experience these benefits?
- c) Does ENGLP have a rate trajectory that would demonstrate the benefits to customers to compare its current operation to that of NRG?

**Responses:** a)



**IGPC - 8**

**Ref:** EB-2016-0235, Exhibit 2,  
EB-2010-0018,

**Preamble:** Please confirm that the current application incorporates a 5% depreciation rate for the Ethanol Pipeline. This is presumably based upon the Settlement Agreement in EB-2010-0018.

**Questions:**

- a) Confirm the depreciation in EB-2010-0018 for the Ethanol Pipeline was based upon the Settlement Agreement and set at a rate of 5%.
- b) Is ENGLP aware of the depreciation rate used by Union Gas Ltd. or Enbridge Gas Distribution Inc. for steel main or for other natural gas utilities operated by ENGLP (or its related companies)? If so, please provide such depreciation rates.
- c) Has NRG done any studies, analyses or reviews of the Ethanol Pipeline and an appropriate depreciation rate based upon the life expectancy of the asset? If so, please provide.

**Response:** a)

**IGPC-9**

**Evidence Reference:** EB-2018-0235, Exhibit D, page 6

**Preamble:** IGPC is supportive of establishing a rate structure that is just and reasonable and reflect the elasticity of costs to be incurred by ENGLP in providing distribution service to IGPC.

- Questions:**
- a) Please confirm that no other ratepayers would be impacted by the switch to a fixed monthly rate for Rate 6.
  - b) Please confirm that under the current proposal the upstream supply by Union Gas would be fully covered by IGPC and other ratepayers of ENGLP would not be at risk.
  - c) Please confirm that this relief can be implemented even without the Board granting the relief sought in Exhibit A, Exhibit B or Exhibit C. If you cannot confirm this, please explain.
  - d) Please confirm that almost all expenses of ENGLP are independent of the volume consumed by IGPC. Which expenses, if any, are related to volume consumed? Please provide examples with related amounts.
  - e) Please confirm that other than the demand costs of Union Gas that all other cost incurred by ENGLP in respect of providing service to IGPC are independent of the actual demand of IGPC. If you cannot confirm this, please explain with amounts.
  - f) What are the approximate O&M costs applicable to IGPC in 2017 and 2018? Please provide a detailed chart.
  - g) What is the amount (\$/unit/month) of the Union Gas charge? When does ENGLP expect this amount to change and by how much?

**Responses:** a)

**IGPC-10**

**Evidence Reference:** EB-2018-0235, page 5

**Preamble:** ENGLP has indicated that it is planning to invest approximately \$600,000 in capital in 2018 to serve IGPC's increased consumption.

- Questions:**
- a) Please provide a status of the capital expenditure referenced above and planned for 2018 in respect of IGPC?
  - b) What is the current forecast of the amount of capital expenditure in 2019 to be made for serving IGPC ?
  - c) What is the amount that has been spent year to date in this regard?
  - d) Which rate year, and how much, will those amounts be recorded?
  - e) What is the approximate impact such an expenditure would have on ENGLP's revenue requirement in a cost of service rate application? Please show the calculation
  - f) Has IGPC begun to operate its expanded facility?
  - g) Have you started to invoice IGPC for the additional volumes? If so, how much?

**Responses:** a)

**IGPC-11**

**Evidence Reference:** EB-2018-0235, Exhibit E, page 5 and 6

**Preamble:** The credit balance for Rate Class 6 is \$544,304 which includes \$43,734. IGPC is interested in the disposition of the PGTVA and REDA Variance accounts.

**Questions:**

- a) Please confirm the amounts to be disposed of have been audited and as of which date was the audit completed.
- b) Does ENGLP have the funds currently available to repay the amounts that are to be disposed of in this Application.
- c) Please confirm the request in Exhibit E is independent of the requests in Exhibit A, Exhibit B, Exhibit C, and Exhibit D. If not confirmed, please explain.
- d) Please provide a copy of NRG's audited financial statements for the fiscal years ending September 30, 2016 and September 30, 2017.
- e) Please provide any audited financial statements for the period since September 30, 2017. If none are available, please provide any unaudited available statements.

**Responses:** a)