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October 16th, 2018

Ms. Kirstin Walli
Board Secretary
Ontario Energy Board
2300 Yonge Street, 27th Floor
Toronto, ON M4P 1E4

Dear Ms. Walli

Re: Interrogatories, OM Limited Partnership Rates Application
Ontario Energy Board File Number: EB-2018-0234

Attached are OM Limited Partnership's responses to the interrogatories for the above proceeding.

Should you have any questions, please do not hesitate to contact me.

Yours truly,

A handwritten signature in black ink, appearing to be "SL", with a long horizontal line extending to the right.

Scott Lewis
OM Limited Partnership
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519-871-0876

OM Limited Partnership
Response to Interrogatories by
OEB Staff

Interrogatory #1

Ref: Exhibit 1, Tab 3, Schedule 1
Exhibit 1, Tab 5, Schedule 1

Preamble:

OMLP is a new distribution utility that will serve one customer, namely Maricann. The OMLP system was designed specifically to meet Maricann's demand requirements and service preferences at the new greenhouse facility. This rates application is in response to the need for a rate order in order to commence service to Maricann's new greenhouse facility. OMLP is not permitted to serve additional customers without first applying for and receiving approval of the OEB. OMLP is not seeking to serve any additional customers as part of this application.

Question:

Please confirm whether or not OMLP foresees it providing gas service to additional customers in the future using the facilities constructed to serve Maricann.

Response:

OMLP does not foresee providing gas service to additional customers in the future using the facilities constructed to serve Maricann.

Interrogatory #2

Ref: Exhibit 1, Tab 3, Schedule 1

Preamble:

OMLP requested that the OEB make its Rate Order effective September 1, 2018. In the event that the OEB were unable to provide a Decision and Order by September 1, 2018, OMLP requested that the OEB declare the proposed rate interim, effective September 1, 2018. The OEB issued an interim rate order effective September 19, 2018 (the day the order was issued).

Question:

When did OMLP begin providing gas service to Maricann's new greenhouse facility?

Response:

OMLP has not commenced gas delivery to the Maricann facility yet. Maricann expects to be in a position to take natural gas by November 5th, 2018. OMLP estimates first gas delivery to commence on November 5th, 2018.

Interrogatory #3

Ref: Exhibit 1, Tab 3, Schedule 1

Preamble:

OMLP requests approval of an exemption in whole from the Affiliate Relationship Code for Gas Utilities.

Question:

Please confirm that OMLP is aware that if the OEB were to approve a request for an exemption in whole from the *Affiliate Relationship Code for Gas Utilities*, that such exception may no longer be applicable in the event that OMLP were to begin serving one or more additional customers

Response:

OMLP confirms that it is aware of this.

Interrogatory #4

Ref: Exhibit 1, Tab 3, Schedule 1

Preamble:

OMLP requests approval of an exemption in whole from the Gas Distribution Access Rule.

Question:

Please confirm that OMLP is aware that if the OEB were to approve a request for an exemption in whole from the *Gas Distribution Access Rule*, that such exception may no longer be applicable in the event that OMLP were to begin serving one or more additional customers.

Response:

OMLP confirms that it is aware of this.

Interrogatory #5

Ref: Exhibit 1, Tab 4, Schedule 1

Preamble:

OMLP owns a custody transfer meter site located at 138 8th Concession Road, Langton, Ontario.

Question:

Please confirm that the custody transfer meter site may also be called a “tie-in system” and that it provides dehydration, odourization, pressure regulation, volumetric measurement and other capabilities.

Response:

OMLP confirms that the custody transfer meter site provides dehydration, odourization, pressure regulation, and volumetric measurement and may also be called a “tie-in system”.

Interrogatory #6

Ref: Exhibit 1, Tab 5, Schedule 1

Preamble:

OMLP is requesting an exemption in whole from the Gas Distribution Access Rule, including the service quality requirements performance standards, measurements and reporting.

Questions:

- a) What, if any, reporting to the OEB does OMLP propose?
- b) If OMLP is proposing some form of reporting, what is the timing and frequency of that reporting?

Response:

- a) OMLP proposes no reporting except every 5 years and only if a rate adjustment is sought.
- b) Not applicable as OMLP is not proposing reporting except as stated in a).

Interrogatory #7

Ref: Exhibit 1, Tab 5, Schedule 1, page 4
Exhibit 10, Tab 1, Schedule 1

Preamble:

Z-factors and Y-factors would be available to OMLP subject to certain criteria and approval by the OEB upon any application that includes such factors.

Questions:

- a) Please provide examples of Z-factors OMLP believes could be applicable to its operations.
- b) Please provide examples of Y-factors OMLP believes could be applicable to its operations.

Response:

- a) **OMLP believes the following Z-factors could be applicable to its operations:**
 - **Changes in statutes and regulations**
 - **Changes in tax rates and/or CCA rates**
 - **Changes to financial accounting reporting requirement guidelines**
 - **Regulatory orders**
 - **Un-insured losses**
 - **Litigation costs**

- b) **OMLP believes the following Y-factors could be applicable to its operations:**
 - **Capital expenditure costs for system safety and integrity**
 - **One-time billing adjustments**

Interrogatory #8

Ref: Exhibit 2, Tab 1, Schedule 2

Preamble:

In its application for certificate of public necessity¹, OMLP stated the capital cost of the tie-in system was estimated to be \$205,000. In the same proceeding, in an interrogatory response², OMLP stated the capital cost of the pipeline along 8th Concession Road was estimated to be \$335,000. The total of these two values is \$580,000. In its current application, OMLP states that the asset value included in the rate base is \$680,981, an increase of approximately \$100,000 or 17%.

Question:

Please account for the difference between the estimated capital cost of \$580,000 and the asset value included in rate base of \$680,981.

Response:

The capital cost estimates for the tie-in system and 8th concession road did not include franchises and consents. \$42,747 was included for franchises and consents in the rate base asset value.

Some time delays during the 8th concession pipeline installation added some labour, engineering, supervision, and equipment rental costs above what was budgeted. Additionally, boring was required in some sections where plowing was budgeted which added \$17,526.

There are some additional costs associated with the tie-in system due to extended timelines and some modifications requested by the customer for future expansion.

¹ EB-2017-0289, OMLP application for certificate of public necessity, Section 6, page9

² EB-2017-0289, OMLP response to OEB staff interrogatory #6 ³ Municipal Franchises Act, 1990.

Interrogatory #9

Ref: Exhibit 4, Tab 2, Schedule 1

Preamble:

OMLP has included \$40,000 amortized over five years as the cost associated with the current proceeding. OMLP has not forecast any other regulatory costs for the IR term.

Provincial legislation³ requires that there be a Franchise Agreement between the Municipal Corporation and the gas distributor serving customers in that Municipality in cases where the pipeline is located in public road allowance.² In April 2001, the Ontario Energy Board issued the revised 2000 Model Franchise Agreement (MFA) to serve as a model for such agreement. The form of MFA must be approved by the OEB through a proceeding triggered by an application from the gas distributor.

Questions:

- a) Although OMLP has not forecast any other regulatory costs for the IR term, does OMLP anticipate any on-going OEB related fees? Please explain.
- b) Please confirm whether OMLP's new pipeline on 8th Concession Road, Langton, Ontario, is within the public road allowance.
- c) If the pipeline on 8th Concession Road, Langton, Ontario, is within the public road allowance, when does OMLP intend to file an MFA application?
- d) In the event that an MFA application is required, would OMLP need to adjust its regulatory cost estimate, or can the existing budget accommodate the costs of that proceeding?

Response:

- a) **The regulatory cost shown in Exhibit 4, Tab 2, Schedule 2, of the EB-2018-0234 rate application is \$1,000. This is the cost OMLP has forecast for OEB costs. As indicated at lines 16-19 on page 1 of Exhibit 4, Tab 2 Schedule 1, this is the forecast amount of OEB costs allocated to OMLP.**
- b) **OMLP confirms that the new pipeline on 8th Concession Road, Langton, Ontario, is within the public road allowance.**
- c) **OMLP expects to file an MFA application within the next 2 weeks.**
- d) **OMLP has not had experience with an MFA application proceeding. OMLP estimates \$20,000 for the process however this cost would be capitalized and put into rate base and amortized over the length of agreement and therefore does not have an impact on revenue requirement.**

² Gas Franchises Handbook, https://www.oeb.ca/documents/gas_franchise_handbook_230502.pdf

Interrogatory #10

Ref: Exhibit 4, Tab 2, Schedule 1
Exhibit 4, Tab 4, Schedule 1

Preamble:

OMLP filed evidence on its tax rates including federal and provincial income tax and municipal property tax.

Question:

If tax rates change, does OMLP propose to apply for 50:50 sharing with the customer? Please explain.

Response:

If tax rates changes, OMLP proposes that this would be a Z-factor event and if the tax changes qualified as a Z-factor event, including meeting the materiality threshold criterion, OMLP would bring forward an application for review of the event and would propose as part of that application any sharing with the customer.

Interrogatory #11

Ref: Exhibit 5, Tab 2, Schedule 2

Preamble:

OMLP is requesting a return on equity of 9.00%.

Question:

Is OMLP proposing a ROE of 9% for the entire 5 years? Or, does OMLP anticipate that the OEB's deemed ROE will change and OMLP will update its revenue requirement? Please explain.

Response:

Yes, OMLP is proposing a ROE of 9% for the entire 5 year period. OMLP does not expect to update its revenue requirement for the 5 year period under the proposed price cap where $I - X = 0$.

Interrogatory #12

Ref: Exhibit 8, Tab 1, Schedule 1

Preamble:

OMLP states that fluctuations within the capability of the distribution system do not materially impact any of the forecast costs. Similarly, fluctuations in the total annual volume of gas consumed by the customer do not have any material impact on any of the costs of the distribution system.

Questions:

- a) Is there a need for OMLP to provide load balancing services to Maricann? Please explain.
- b) If load balancing services are required, please briefly explain how they will be accomplished.
- c) If load balancing services are required, how will Maricann be charged for the service?
- d) If load balancing services are required, what will be the cost to Maricann?

Response:

- a) **No. Load balancing within the contracted delivery quantities will be handled within the proposed rate structure. Maricann is currently constructing a Compressed Natural Gas offloading facility for peak shaving and emergency backup.**
- b) **No load balancing services are required by OMLP.**
- c) **Not applicable since load balancing services are not required.**
- d) **Not applicable since load balancing services are not required.**

OM Limited PartnershipResponse to Interrogatories by
Union Gas Limited

1. *Reference:* OMLP Application – Exhibit 1, Tab 2, Schedule 1, Page 1

OMLP states that it is a new gas distributor, that it has no historical data to file and that it will commence to distribute gas to its one customer upon receipt of a rate order from the OEB.

Reference: EB-2017-0289 Decision and Order dated June 14, 2018, page 5 The Ontario Energy Board states that OMLP is not exempt from the need to have an approved tariff to serve the new greenhouse facility and that a rate order will be required prior to commencing service to the new Greenhouse Facility.

Reference: EB-2018-0234 - Decision and Interim Rate Order, September 19, 2018 The OEB approved the interim rate as proposed effective September 19, 2018.

Reference: OMLP Application - Exhibit 1, Tab 5, Schedule 1, Page 2

OMLP states in its application dated August 13, 2018 that all of the assets needed to serve Maricann have been constructed and placed into service upon provision of service to the customer.

Questions:

- a) Please confirm when all of the assets in the OMLP system to serve Maricann were placed into service.
- b) Please confirm that OMLP did not supply any gas to the Maricann operations in Norfolk County prior to September 19, 2018.
- c) If OMLP did supply gas to Maricann prior to September 19, 2018, please provide details on when the service was commenced, amounts provided and rates charged.
- d) Please provide details of all franchise agreements that OMLP has in place with lower-tier and upper-tier municipalities in which it has assets for distribution of gas. If no franchise agreements exist, please explain why.

Responses:

- a) All of the assets in the OMLP system to serve Maricann have not yet been placed into service as of October 16, 2018. OMLP estimates first gas delivery to commence November 5th, 2018.
- b) OMLP did not supply gas to Maricann prior to September 19, 2018.
- c) Not applicable as OMLP did not supply gas to Maricann prior to September 19, 2018.
- d) OMLP does not have any franchise agreements in place with lower-tier and upper-tier municipalities in which it has assets for distribution of gas. However, OMLP is currently in the process of obtaining one.

2. *Reference:* OMLP Application - Exhibit 1, Tab 5, Schedule 1, Page 2 and Exhibit 4, Tab 2, Schedule 5

OMLP states that it is requesting an exemption from the *Affiliate Relationship Code for Gas Utilities*.

Reference: Affiliate Relationship Code for Gas Utilities (ARC)

Article 2.3.9 - Where a reasonably competitive market exists for a service, product, resource or use of asset, a utility shall charge no less than the market price of the service, product, resource or use of asset when selling that service, product, resource or use of asset to an affiliate.

Questions:

- a) Please provide details of how and why OMLP should be exempt from the Affiliate Relationship Code.
- b) Given that ON-Energy will be providing services to a separate and related company and that this is not simply a cost allocation exercise, please explain how article 2.3.9 of the ARC is not relevant to OMLP.
- c) Given that OMLP and ON-Energy may each have access to non-public information, please explain how article 2.2 of the ARC (Sharing of Services and Resources) is not relevant.

Responses:

- a) **OMLP is requesting an exemption from the Affiliate Relationship Code because OMLP is limited in its operation and as such will not have its own employees and accounting services and will rely on ON-Energy Corp. to provide these services. The regulated utility, OMLP, is not providing any services to ON-Energy.**
- b) **Given that ON-Energy will be providing services to a separate and related company and that this is not simply a cost allocation exercise, article 2.3.9 of the ARC is not relevant as OMLP is right at market with the gas it is providing to the customer and as such we feel that we are charging a competitive market price for that gas.**
- c) **Given that OMLP and ON-Energy may each have access to non-public information, article 2.2 of the ARC (Sharing of Services and Resources) is not relevant because the customer will have access to this information through partial ownership of OMLP.**

3. *Reference:* OMLP Application - Exhibit 1, Tab 5, Schedule 1, Page 3 and Exhibit 5, Tab 2, Schedule 2

OMLP states that it is requesting a return on equity of 9%

Reference: OMLP Application - Exhibit 1, Tab 5, Schedule 1, Pages 3 and 4 OMLP has proposed a fixed monthly charge to be applied to Maricann and that it is not requesting the establishment of any new deferral or variance accounts in this proceeding.

Reference: OMLP Application - Exhibit 1, Tab 5, Schedule 1, Page 4

OMLP has proposed a trigger mechanism with an annual regulatory return on equity dead band of +/- 300 basis points. If OMLP's regulatory financial performance is outside of this earnings dead band, a regulatory review may be initiated.

Reference: OMLP Application - Exhibit 10, Tab 1, Schedule 1

OMLP states that it has filed a test year cost of service application based on 12-month period from the commencement of service to the customer, to be followed by 4 years of a price cap incentive plan where the inflation factor less the productivity and stretch factors is set to 0% for each of the 4 years.

Question:

Please confirm OMLP's intention to annually file for approval of rates.

Response:

OMLP does not intend to annually file for approval of rates. OMLP is proposing an ROE of 9% for the entire 5 year period. OMLP does not expect to update its revenue requirement for the 5 year period under the proposed price cap where $I - X = 0$.

4. *Reference:* OMLP Application - Exhibit 2, Tab 7, Schedule 1

OMLP states that compressed natural gas offloading facilities are being installed to back up and bolster pipeline gas at the facility.

Question:

Please confirm whether the CNG offloading facilities are an asset included in OMLP's regulated rate base.

Response:

CNG offloading facilities are not an asset included in OMLP's regulated rate base.

5. *Reference:* OMLP Application - Exhibit 3, Tab 1, Schedule 2

OMLP states that Maricann's annual volumes will be 8,800,000 m³ and that its firm contract demand will be 30,000 m³.

Question:

Please confirm that Maricann's required volumes are not expected to vary from these amounts during the first 5 years of operation.

Response:

Maricann's required volumes are going to fluctuate based on their demand. OMLP stated that Maricann's annual volumes will be 8,800,000 m³ and that its firm contract demand will be 30,000 m³ as this was the forecast for the test year that was developed in conjunction with Maricann and reflects current expectations of gas consumption. Maricann had advised OMLP that these volumes are for the facility currently under construction. Maricann may plan sometime in the future to expand the size of their Langton facility.