

**ONTARIO ENERGY BOARD**

**EPCOR Natural Gas Limited Partnership (EPCOR)**

**Application for leave to construct a natural gas transmission pipeline and associated facilities and for associated approvals to serve the Municipality of Arran-Elderslie, the Municipality of Kincardine and the Township of Huron-Kinloss**

**INTERROGATORIES**

**of**

**INDUSTRIAL GAS USERS ASSOCIATION (IGUA)**

1. **Reference:** ExA/T3/S1/p4, para. 13. The evidence indicates that contractual discussions with industrial customers in the service area are expected to conclude prior to construction start.

**Questions:**

- (a) Have such contractual discussions concluded?
- (b) Have contracts been executed?
- (c) If contracts have not been executed, do these contracts have to be executed prior to construction?
- (d) If discussions have not concluded, please provide a general indication of the outstanding issues in these discussions. Are there outstanding issues related to project costs or other costs to serve and/or anticipated recovery of such costs in EPCOR's rates?
- (e) Would the inability to conclude any of the anticipated contracts lead to the cancellation or material alteration of the project? If so, please provide further explanation of the risks to, and potential impacts on, the project.
- (f) Is future ratemaking an issue in any of these discussions? If so;
  - (i) Please describe the issue(s) and the prognosis for resolution of the issue(s).

- (ii) Please provide a general description of EPCOR's anticipated approach to setting rates for its new service territory, including whether EPCOR anticipates having more than one rate zone (given the multi-part/multi-stage system proposed).
2. **Reference:** ExA/T3/S1/p7, para. 22. The evidence indicates that the construction time line for the project has been altered from the 2 year schedule in the Common Infrastructure Plan (CIP) presented by EPCOR in EB-2016-0137/0138/0139 (see page 21, paragraph 15 and page 37) and now contemplates construction over 3 summers, to take into account the impact of the current Leave to Construct approval time-frame expectations.
- Questions:**
- (a) Has the extended construction schedule increased project costs?
  - (b) If so;
    - (i) Please indicate by how much (in both dollar and percentage terms)?
    - (ii) Please confirm that these increased costs will not have an impact on the rates which EPCOR put forward in its CIP and which it has committed to for the Rate Stability Period, or on the capital cost to be included in rates to be set following conclusion of the Rate Stability Period.
    - (iii) How does EPCOR propose to manage these increased costs?
    - (iv) Have any material aspects of the project's specifications or construction plan been modified in reaction to the extended schedule in order to mitigate these increased costs?
3. **Reference:** ExA/T7/S1/p2. The evidence provides the project costs and key metrics and revenue requirements, which formed the basis for EPCOR's CIP.

**Reference:** ExA/T7/pp3-4. The evidence addresses the Rate Stability Period and states: *Commitments made during the rate stability period transfers [sic] risk relating to the Project and potential revenues to EPCOR if customer attachments do not occur as forecast...*

**Reference:** ExA/T8/S1/p1, para. 3. The evidence states;

- (i) EPCOR's understanding that Union Gas will file an LTC application with the Board to seek approval to construct its interconnection facilities at Dornoch.
- (ii) EPCOR will enter into a firm upstream Transportation Agreement approved by the OEB.
- (iii) EPCOR will submit a gas supply plan with its rate application [EB-2018-0264] which will include storage assets.

**Preamble:** In (then) Union Gas' Application for approval of its proposed M17 Rate to provide EPCOR with service [EB-2018-0244], issues arose as to;

- (i) the allocation (as between EPCOR and existing Union Gas customers) of the costs of upstream reinforcement to serve EPCOR; and
- (ii) the availability to EPCOR of cost based storage services from Union Gas.

To the best if IGUA's knowledge these issues remain unresolved.

We understand that gas supply and other upstream costs were excluded from the competing CIPs submitted by EPCOR and Union Gas in EB-2016-0137/0138/0139, and we therefore assume that the costs associated with any such upstream reinforcement or market based storage requirements were not included in the rate commitment made by EPCOR in its CIP.

**Questions:**

- (b) Please confirm whether our understanding, as recited immediately above, is correct, and if not please provide correction as warranted.
- (c) Please indicate to what extent EPCOR's attachments and volume forecasts are sensitive to these upstream reinforcement and storage costs.
- (d) If our understanding is correct, and if material additional upstream reinforcement and/or storage costs materialize, will EPCOR seek a change to its Rate Stability Period rate commitment?
- (e) Please confirm that Enbridge Gas (EG) has held a reverse open season related to the potential reinforcement. Is EPCOR aware of the results of that reverse open season? If so, please provide any details of which EPCOR is aware.
- (f) Based on EPCOR's most current information, when does EPCOR anticipate that an upstream reinforcement by EG will be required to be in service in order to match EPCOR's customer attachment and volume forecasts?
- (g) Please provide any update of which EPCOR is aware regarding the EG applications relevant to EPCOR's project:
  - (i) Dornoch connection LTC application.
  - (ii) Upstream reinforcement LTC application.
  - (iii) Rate M17 application.

4. **Reference:** ExA/T7/S1/p2. The evidence provides the project costs and key metrics and revenue requirements, which formed the basis for EPCOR's CIP.

**Reference:** ExA/T7/pp3-4: The evidence addresses the Rate Stability Period and states: *Commitments made during the rate stability period transfers risk relating to the Project and potential revenues to EPCOR if customer attachments do not occur as forecast...*

**Reference:** ExA/T7/S1/p5, para. 13: The evidence states: *As part of the Board's competitive CIP process, EPCOR is required to take additional risks not common to other utilities including market risk during the rate stability period.* [Emphasis added.]

**Questions:**

- (a) Please clarify whether EPCOR anticipates that its Rate Stability Period rates would be subject to adjustments for inflation and OEB prescribed cost of capital parameters.
  - (b) Please confirm that EPCOR's intention is to allocate the \$22 million in available provincial gas expansion funding reflected in project costs across its entire customer base (i.e. as an offset to overall project costs and resulting revenue requirement).
  - (c) Please confirm following conclusion of the Rate Stability Period the risk of lower customer attachments and/or lower volumes than forecast shift back to ratepayers.
5. **Reference:** EB-2016-0137/0138/0139 CIP Submission, page 39, paragraph 24. The CIP Submission indicates that collaboration opportunities discussed in the CIP would, if firmed up and yielding operational efficiencies, form part of the LTC.

**Question:**

Please provide an update on the collaboration opportunities discussed in the CIP and their impact, if any, on the LTC application.

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