ONTARIO ENERGY BOARD

Application by Enbridge Gas Inc. (EGI) for approval of a System Expansion Surcharge, Temporary Connection Surcharge and an Hourly Allocation Factor

INTERROGATORIES

of

INDUSTRIAL GAS USERS ASSOCIATION (IGUA)

1. **Reference:** ExA/T2/S1/p2, paragraph 3.(ii).

   Preamble: In referencing Small Main Extension and Customer Attachment Projects for which the Profitability Index is less than 1, the Application states that EGI *"may"* apply a Temporary Connection Surcharge (TCS) to small volume customers served by the project.

   Question: In what circumstances would EGI not apply such a surcharge?

2. **Reference:** ExA/T2/S1/p2, paragraph 3.(iii).

   Preamble: In referencing Development Projects, the Application states that EGI *"may"* apply an Hourly Allocation Factor (HAF) to allocate the capital costs of the project amongst the existing and future customers of those facilities within the project area.

   Question: In what circumstances would EGI not apply such an allocation factor?

3. **Reference:** ExB/T1/S1/p1, paragraph 2.

   Preamable: The evidenced states that the Hourly Allocation Factor is a cost allocation mechanism to be used for economic feasibility calculations and *"note a rate"*.

   Questions:

   (a) Please confirm that the HAF would be used to calculate CIACs from customers to be served by the Development Project.

(b) Please confirm that a CIAC is a “rate”.

(c) Please confirm that EGI is seeking approval in this application for a methodology for determination and application of an HAF to determine CIACs from customers to be served by Development Projects.

4. **Reference:** ExB/T1/S1/p7, paragraphs 17 and 18.

Preamble: In discussing Community Expansion Projects the evidence states that actual capital costs of a project will be brought forward for inclusion in rate base at the time of the next rebasing following the 10 year rate stability period (RSP) being proposed for application to such projects.

Questions:

(a) Please confirm that this proposal is not intended to displace the current OEB approach to Community Expansion Project competitions in which proponents are expected to assume the risk of capital costs of the project and to <u>not</u> include any capital costs overruns (relative to the forecasts underpinning approval of the project) in rate base even after the completion of the RSP.

(b) If not confirmed, please explain the basis upon which EGI proposes that the Board alter the foregoing approach.

5. **Reference:** ExB/T1/S1/p14, paragraph 42.

Preamble: EGI proposes that for larger Development Projects the HAF would be applied only to large volume customers.

Questions:

(a) Would CIACs or similar charges in support of the project (whether up front or over time) be required only of the larger customers to whom the HAF would be applied?

(b) If so, would the rate paid by the customers to whom CIAC or similar charges were applied exclude any of the remaining (unrecovered) costs of the Development Project?

(c) If not, would the larger customers not be paying for both their own capacity allocation plus a portion of the remaining capacity of the project which will serve other customers?

(d) If so, is this a cross-subsidy?

(e) If so, please provide EGI’s justification for such a cross-subsidy.

6. **Reference:** ExC/T2/S1/p5, paragraph 20.

Preamble: The evidence provides that for the EGD Rate Zone, if a main is oversized to meet future growth potential, it may be re-priced at the size required to meet customers' load requirements for feasibility calculations.

Questions:

(a) Would the re-pricing be based on a proportion of the forecast project cost for the entire planned capacity, or would it be based on a project at the size required to meet customers' load assuming that this was the project that was to be built?

(b) If the latter, please confirm that the re-pricing would not take account of any economies of scale (i.e. a proportionately lower incremental cost to upsize the project).

(c) Would the re-pricing be used to derive the HAF to be applied to the project and its customers?

(d) If question (b) is confirmed and the answer to question (c) is yes, please also confirm that the CIACs or other contribution charges derived based on the HAF and the re-priced project would result in proportionately higher cost recovery from customers to whom CIACs or other contribution charges are applied than from customers not subject to such charges.

7. **Reference:** ExC/T2/S1/p10, paragraphs 42 and 43.

Preamble: The evidence says that for the EGD Rate Zone the maximum revenue horizon to be used for feasibility calculations for small volume customers is 40 years and for large volume customers is 20 years.

Questions:

(a) Please confirm that the time horizon is an input to the calculation of any required contribution charges, where such charges are applicable.

(b) Please provide the rationale for using a time horizon for large volume customers that is half that for small volume customers.

(c) Please provide any historical data that supports the 20 year time horizon chosen for large volume customers.

8. **Reference:** ExC/S2/p2, last full paragraph and /p3, first full paragraph.

Preamable: The evidence regarding the Union Rate Zone Distribution New Business Guidelines in respect of calculation of portfolio Profitability Indices refers to *"normalized"* reinforcement costs.

Question: What is meant by *“normalized”* in this context?

9. **Reference:** ExC/T2/S2/p8, top.

Preamble: The evidence states that the length of a customer “Service Lateral” is measured from the property line of the customer’s premises to the customer’s meter.

Question: How is the length of pipe from the existing main or lateral to the property line treated?

10. **Reference:** ExC/T3/S1.

Preamble: The evidence is titled *“Proposed Amendments to Conditions of Service”*.

Questions:

(a) Please clarify which rate zone the proposed amendments are intended to apply to.

(b) Please provide a comparison version of this Schedule highlighting the changes to the current Conditions of Service.

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