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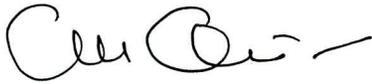
Ms.Kirsten Walli, Board Secretary
Ontario Energy Board
2300 Yonge Street,
Suite 2701
Toronto, ON M4P 1E4


RECEIVED
NOV 17 2015
ONTARIO ENERGY BOARD

Dear Ms. Walli:

Re: OEB File No EB-2015-0179
Union Gas Limited (Union) Community Expansion Program
Interrogatories from EPCOR Utilities Inc. (EPCOR)
To Union Gas Limited

Further to Procedural Order No. 1, attached please find the interrogatories from EPCOR Utilities Limited in connection with the above noted matter.



Gordon E. Kaiser
Counsel for EPCOR Utilities Inc.

Copy:
Chris Ripley, Manager of Regulatory Applications, Union Gas Limited
Charles Keizer, Torys LLP

UNION GAS COMMUNITY EXPANSION PROJECT
EB – 2015-0179 Filed 2015-11-17

Interrogatories submitted by EPCOR Utilities Limited.

1. In its Application of July 23 to the Ontario Energy Board (EB-2015-0179) Union Gas applies for certain Orders to provide the necessary financial assistance to allow Union to construct facilities that will extend natural gas into markets which are otherwise uneconomical.

Union is asking for the following Orders:

- (a) An Order allowing a Temporary Expansion Surcharge (TES) of \$.23 per m³.
- (b) An Order allowing Union to charge Municipalities an Incremental Tax Equivalent (ITE) equal to the forecasted property tax payments Union will be making.
- (c) An Order establishing the term for the TES and ITE.
- (d) An Order allowing Union to include in rate base the total cost of a capital project when the project goes into service.
- (e) An Order allowing automatic recover in rates each year of any deficiency between the forecasted net revenue requirement and the actual revenue requirement achieved. (This money is to be funded by the TES and placed in deferral account to be cleared annually)
- (f) An Order allowing a Temporary Connection Charge (TCS) to be charged to all existing customers of approximately \$2 per month or \$24 per year over the multiyear expansion program.

Question: If the Board refuses to grant one or more of these Orders what are the implications for the other Orders?

THE TES

2. Union proposes a TES rate of \$.23 per m³ for new customers in new expansion areas. To calculate this amount Union assumes that the average residential customer will save \$1600 per year by converting to natural gas. Union also estimates that the one-time cost of conversion is approximately \$4000. That means that after paying the conversion costs the customer saves \$1932 over 3.75 years or \$515 per year. Union assumes that the average annual consumption is 2200 m³. Accordingly the \$ 515 equals \$.23 per M³. Union therefore argues that in the first 3.75 years the total savings will be paid to the utility in the form of a TES. That is the customer is neutral. The Conversion cost is offset by the savings. After the 3.75 years the customer saves \$1600 per year.

Question:

- (a) Is this rate dependent on the achievement of a specific conversion rate?
- (b) If so what is that rate?
- (c) If Union fails to achieve that rate what are the implications for the TES rate proposed.

3. The government of Ontario in establishing the natural gas expansion project has established a grant program of \$ 20 million and a loan fund of \$200 million. The government is not specific as to the purpose to which these funds should be directed.

Union makes no submission with respect to the use of government funds except to say that they will be used to reduce any capital costs.

Question:

- (a) Does Union intend to apply under the government grant program?
- (b) If so, what will Union's request be?
- (c) If the government grants that request what are the implications for this application?
- (d) If not, why not?

THE ITE

4. Union has asked the Board to allow Union to charge the Municipalities an annual fee which would be equal to the forecasted property taxes Union would pay during the TES term. The Municipality must agree to this prior to construction. The municipality would only pay the ITE on projects with a PI of less than .8.

Question:

- (a) What authority does the Board have to issue the requested Orders?
- (b) If the municipality refuses what adjustment will Union make to other rates?
- (c) What authority does the Board have to include in rates an amount that reflects the refusal by municipality to waive property taxes?

THE TES TERM

5. Union proposes that the maximum TES term be 10 years. The term is the time it takes project to reach PI of 1 or to breakeven. The term can be less than ten years for more profitable projects. The term ends at year 10 for every customer regardless of when the customer connected.

Question: What action will Union take if none of the projects reach a PI of 1 in less than 10 years?

6. Union proposes to adjust rates annually to recover any shortfall in the actual net revenue received compared to the net revenue requirement allowed and to fund that payment by the TES charge.

Question:

- (a) Has Union estimated the expected revenue shortfall?
- (b) If so, how much is it and what projects does it relate to?

THE TCS

7. Union proposes that all customers should make a contribution to the natural express gas expansion program. This is called the temporary connection surcharge or TCS. Existing customers would pay approximate two dollars per month over the multiyear expansion program. Union proposes to complete approximately 30 projects and provide natural gas service to approximately 20,000 homes and businesses including seven first nations at a total cost of \$150 million.

Question:

- (a) What percentage of the total cost of \$150 million will be funded by the TCS?
- (b) Will the rate be adjusted if Union elects not to proceed with all 30 projects?
- (c) Does Enbridge intend to implement a similar TCS charge in its territories?
- (d) If Enbridge elects not to implement a similar program what are the implications for the Board in terms of discrimination between ratepayers?
- (e) Will utilities other than Union that have before the board applications under the gas expansion program have access to the funds raised from Union's existing customers through the TCS charge?
- (f) If so, how will the Board allocate the funds between utilities?
- (g) How will Union allocate the funds raised through the TCS charge between projects?
- (h) What action does Union intend to take if specific customers refuse to pay the TCS charge?

THE CAPITAL PASS THROUGH

8. Union proposes that the Union be allowed to include in rate base the Project capital when it becomes used and useful and in service. Union indicates it is necessary to avoid the problem that inclusion in rate base may be delayed if utilities are in a multiyear rate plan.

Question:

- (a) Will this adjustment be made in an annual application to the Board?
- (b) If not, what process does Union intend to follow?

Intervenor:

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