

Frequently Asked Questions: Potential Projects to Expand Access to Natural Gas Distribution

Updated April 17, 2020

In order to assist all proponents with any questions they may have regarding the Guidelines for Potential Projects to Expand Access to Natural Gas Distribution, the OEB has prepared an FAQ document. The FAQs in this document are based on questions raised by proponents to date. Any proponents that have additional questions may submit those to BoardSec@oeb.ca with the subject “EB-2019-0255 – Questions on Guidelines”.

Responses to all questions will be posted in an updated FAQ document. **Updates will be identified by date, and any changes relative to the previous version will be shown in red font.**

GENERAL

Will proponents have an opportunity to make changes or corrections to any projects filed in batches prior to June 3, 2020?

Posted April 14, 2020

While the OEB wants to ensure that its report to the Ministry of Energy, Northern Development and Mines is based on the best available information, the OEB is not contemplating that changes or corrections would be permitted after the filing deadline given the limited time that will be available for the completion of the OEB’s report, and to ensure fairness in the process for all interested proponents. Proponents should therefore make every effort to provide project information that is as complete and accurate as possible as of the filing deadline.

Should proponents submit a single document (containing a single cover letter and multiple proposals), or should each proposal be submitted as a separate document?

Posted April 14, 2020

Separate documents will be required for each project, with the possible exception of information required by Part II of the Guidelines (Description of Proponent’s Technical Expertise and Financial Capability) that is to be filed by proponents that are not rate-regulated natural gas distributors. For proponents employing the same organizational or financial structure approaches for multiple projects, the Part II information may be filed

once as a stand-alone document. For proponents with different organizational or financial structure approaches for various projects, the Part II information should be included in the separate document submitted for each project.

The government's 2017 Natural Gas Grant Program (NGGP) did not allow for the costs and revenues associated with new construction growth to be included in the calculation of required grant funding, but the OEB's 2020 Guidelines do not stipulate whether the impact of forecast new construction growth is to be included in the funding calculations for the province's 2020 natural gas expansion program. Can the OEB clarify whether or not the costs and revenues associated with forecast new construction growth should be included in the determination of required grant amounts in the 2020 natural gas expansion program?

Posted April 17, 2020

Consistent with leave to construct applications and in accordance with EBO 188, proponents should include forecast customer attachments over the ten-year period. That would include existing customers and new customer growth.

PART IV OF THE GUIDELINES

In Part 4.2 of the Final Guidelines, where proponents are to use the OEB-prescribed interest rate for construction work in progress (CWIP), should proponents include Interest During Construction (IDC) as part of project costs?

If a proponent does not intend to include IDC as part of the revenue requirement to be recovered in rates if the project goes ahead, then IDC can be excluded as part of the project costs.

For Part 4.2 of the Guidelines, where proponents are asked to provide the total forecast of capital costs of the project at the end of the rate stability period, the inflation rate to be used is the most recent quarter average GDP IPI FDD. Where and how is the inflation rate to be used?

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The OEB recognizes that some projects may include capital cost outlays in year one and in future years. To the extent that there are capital outlays in future years, any inflationary assumption used to estimate future capital costs should be based on the GDP IPI FDD.

For further clarity, an inflationary adjustment could be used for the purpose of calculating the revenue requirement over the ten-year rate stability period and capital

costs at the end of the rate stability period (i.e., year ten). An inflationary adjustment would provide an opportunity for proponents to better estimate their revenue requirement and capital costs, given that they will be held to the project costs over the rate stability period.

PART VII OF THE GUIDELINES

In previous EBO 188 financial analyses, including Community Expansion projects, most current rates in effect as of the date of filing were used to determine revenue as well as most current estimate of O&M costs. These were not adjusted for inflation over the course of the discounted cash flow (DCF) analysis. Can you confirm that this practice continues to be appropriate, and is consistent with the OEB's expectations for this filing?

Posted April 17, 2020

Part VII of the Final Guidelines requires proponents to calculate the Profitability Index (PI) of the project. This calculation should be carried out in accordance with EBO 188, and in the same way as a proponent would calculate the PI in a leave to construct application.