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NOVA SCOTIA UTILITY AND REVIEW BOARD

4 **IN THE MATTER OF:** *The Gas Distribution Act*

5 **AND IN THE MATTER OF:** **An Application by Heritage Gas Limited for Approval**
6 **to extend and modify its Customer Retention Program**
7 **pursuant to Section 22 of the *Gas Distribution Act***
8

9 **INFORMATION REQUESTS**

To: Heritage Gas Limited (“HGL”)
From: Canadian Propane Association (“CPA”)
Responses Due: December 18, 2019
Contact Person: Nancy G. Rubin, Q.C.
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11 Issued at Halifax, Nova Scotia, this 4th day of December, 2019.

12 **Request IR-1:**

13 **Reference: Page 3, line 2.**

14 Please confirm that the referenced “Consensus Agreement” from September 2016 was limited to
15 the Consumer Advocate as counterparty and that other intervenors, (CPA, Canadian Oil Heat
16 Association (COHA), Mr. Allen, and the Province) did not have the opportunity to provide input
17 and did not sign off on the “Consensus”.

18 **Request IR-2:**

19 **Reference: Page 3, lines 6-8. “The CRP has been a success to date – accomplishing the**
20 **desired outcomes and enabling Heritage Gas to remain competitive with alternative energy**
21 **prices and thereby retaining commercial customers on its natural distribution system.”**

- 1 (a) Please articulate the “desired outcomes” in the statement above preceding
2 the underlined word “and”.
- 3 (b) How is “success” measured, quantitatively?
- 4 (c) Please provide a comparative table showing the delivered price of natural
5 gas versus “alternative energy prices” on a monthly bases since the CRP
6 was approved.

7 **Request IR-3:**

8 **Reference:** At line 7, HGL speaks of “retaining” commercial customers and on page 5,
9 line 10, HGL states, “*the retention of the RC1A customers is strategically important*”.

- 10 (a) Please confirm that notwithstanding the expressed focus and the strategic
11 importance of “retaining” existing RC1 large commercial customers, the
12 reduced base energy charge (“BEC”) is also available to new RC 1 large
13 commercial customers.
- 14 (b) Please indicate how many “existing” customers (as of the date the CRP
15 was begun) and how many new customers have enjoyed a reduced BEC.
- 16 (c) Please provide a copy of any marketing or promotional material prepared
17 for or available to RC1A customers that address pricing of natural gas
18 versus propane or other energy options, and the advantage(s) of natural
19 gas.

20 **Request IR-4:**

21 Please outline the internal process of HGL, including all input data, formula(s) and approvals
22 required to set the BEC within the allowed pricing band.

23 **Request IR-5:**

24 **Reference:** Page 5, Table 2 (Customer count, throughput, delivery revenues).

- 25 (a) Please provide a comparable table for each calendar year as of December
26 31st, for the years 2015, 2016, 2017, 2018 and the most current date for
27 which data is available in 2019.
- 28 (b) In providing the above requested table, please include an additional row

1 for delivery revenues (undiscounted BEC) i.e. revenues for the GJs
2 throughput at standard undiscounted rates. Provide this information, by
3 year as requested in (a).

4 **Request IR-6:**

5 **Reference: Page 5, lines 14-22. “In the 2016 CRP Application, ICF International (“ICF”)**
6 **provided evidence on the propane trends in the Northeastern market ... the CRP**
7 **application in 2016 anticipated that the 2015 – 2016 propane-pricing imbalance would**
8 **reverse by the end of 2020 ...”**

9 (a) Did HGL retain ICF or any other consultant to update its evidence on
10 propane trends and the competitive landscape? If not, why not?

11 (b) Please provide a copy of any reports prepared by ICF International or any
12 other consultant for HGL, or any internal analysis prepared with respect to
13 the competitive landscape so as to justify the extension of the CRP until
14 the end of 2023.

15 (c) Please provide HGL’s forecast comparison of the delivered price of natural
16 gas versus alternative energy prices, on a monthly basis to the end of the
17 period for which the extension of the CRP is sought.

18 **Request IR-7:**

19 **Reference: Page 6, lines 10-13. “Heritage Gas anticipated the decline and eventual loss**
20 **of local offshore supply...However, a number of projects affecting the relative price of the**
21 **commodities have faced challenges that were not anticipated when the CRP was approved**
22 **in 2016.”**

23 (a) What steps were taken to obtain or secure alternative sources of natural
24 gas?

25 (b) Please outline what, if any, assumptions regarding reliability and security
26 of supply have changed since HGL’s application for approval of a long term
27 natural gas transportation contract and cost recovery mechanism (matter
28 M08473) and how HGL has addressed these changes.

29

1 (c) Please provide the evidence supporting each of the bulleted statements
2 that follow the above statement.

3 **Request IR-8:**

4 (a) Please provide copies of all studies, reports, market research or other
5 documents on which Heritage Gas relies to provide confidence to the Board
6 and Intervenors that its projections will bear out and Heritage Gas will not
7 simply return for yet another extension of the CRP in 2024?

8 (b) What spread does Heritage Gas consider to be necessary to be
9 “competitive” in comparing the delivered price of natural gas relative to the
10 price of alternate energy fuels (propane and furnace oil)?

11 (c) In setting the BEC, is it HGL’s objective to reduce the delivered price of
12 natural gas to RC1A customers below the price of propane?

13 (d) At what specific dollar point relative to alternative energy prices will HGL
14 terminate the CRP?

15 **Request IR-9:**

16 (a) Please provide a table showing, for each year from 2016 to present, the
17 total forecasted and actual numbers of customers by class and the
18 customer forecast for 2020, 2021, 2022 and 2023. Please break down
19 Rate Class 1 into its three subclasses.

20 (b) Please provide a table showing, for each year from 2016 to present, the
21 total forecasted and actual throughput by customer class (breaking down
22 RC1 into its subclasses) and Heritage Gas’ throughput forecast for 2020,
23 2021, 2022 and 2023.

24 (c) Please update the response to CPA IR-10 from M07346, the spreadsheet
25 showing customers lost and at risk since February 29, 2016.

26 **Request IR-10:**

27 On how many occasions did Heritage Gas adjust the BEC since the range was approved? Please
28 provide copies of each notification filing, with supporting information.

29

1 **Request IR-11:**

2 **Reference: Page 8, lines 1-2 “In every year the CRP deferrals have been more than the**
3 **revenue discount.” and Figure 2.**

4 (a) Does HGL agree that as a general principle, deferrals shift costs from
5 current customers to future customers?

6 (b) Please confirm that the deferrals approved relate to depreciation and OMA
7 and were intended to offset the projected reduction in revenue from the
8 reduced BEC.

9 (c) Please confirm that Figure 2 shows that to the end of 2019, HGL projects
10 it will have deferred \$10.6 million in excess of the actual revenue reduction?

11 (d) Given that this mismatch has occurred every year, why did HGL not apply
12 for a modification to the conditions of approval of the CRP to match the
13 deferral to the revenue reduction sooner?

14 **Request IR-12:**

15 Please describe and quantify the value derived from all initiatives taken by HGL to reduce costs
16 in the business since approval of the CRP.

17 **Request IR-13:**

18 **Reference: In matter M09096, the application for approval of the 2020-2022 Efficiency Plan**
19 **and Budget, HGL and EfficiencyOne entered into a settlement agreement by which the two**
20 **agreed to study/review the program design and operation of the “custom incentive**
21 **program” related to VRF electric heat pump measures in multi-unit residential buildings**
22 **(MURBs) in areas where natural gas is available.**

23 **HGL’s stated concern was “unintended and counterproductive effects” of offering**
24 **incentives to increase electricity usage where natural gas is available.**

25 (a) Please explain the “unintended and counterproductive effects” referenced.

26 (b) Does HGL agree that the reduction in the BEC is similar to the incentive
27 offered to these MURBs? If not, please explain.

28

1 (c) Has HGL undertaken any study or review of the effect of the CRP upon
2 propane and other alternative energy suppliers? If so, please produce.

3 (d) Does HGL agree that there is also a counterproductive effect upon propane
4 and other alternative energy suppliers from the artificial reduction in the
5 BEC (below the cost to serve) for RC1A customers?

6 **Request IR-14:**

7 Please file details of HGL's parent company's current cost of debt.

8 **Request IR-15:**

9 **Reference: In a joint News Release, found at the following URL,**
10 https://atrf.com/Documents/ACI_PSP_ATRF_Joint%20Press%20Release.pdf **it states that**
11 **AltaGas Canada Inc is to be acquired by Public Sector Pension Investments and the**
12 **Alberta Teachers Retirement Fund in a \$1.7 Billion transaction.**

13 (a) Please provide an update on the status of this transaction and how it affects
14 HGL.

15 (b) Please file details of how this transaction will or may affect HGL and the
16 parent's cost of debt.