

Energy and Utilities Board
Interrogatory No. 1

Reference: EGNB Cost of Capital and Ten Year forecast
Exhibit A, Evidence of EGNB, A4 and A5, page 3 of 10

Interrogatory:

1. Is it possible to quantify the risks outlined?
2. If so please provide a quantification of each of the risks mentioned in the evidence both:
 - (i) at the beginning of the franchise; and
 - (ii) as of today.
3. If not quantifiable, then for each year since the origin of the franchise please describe the risk as “increased”, “decreased” or “no change” from the previous year.
4. With respect to A5, please identify risks in the New Brunswick market that were not apparent at the beginning of the franchise operations.

Response:

1. EGNB does not believe it is possible to quantify the risks outlined.
2. Not applicable.
3. EGNB believes it is difficult to summarize the complexities of the risks faced by the business into simple “increased”, “decreased” or “no change” characterizations. These characterizations do not reflect in any way the degree of change or impact on overall business risk. With these caveats, the following chart provides EGNB’s assessment of the change in these risks over time in general terms:

Risk	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Market											
- Marketplace	NC	NC	NC	NC	NC	NC	NC	NC	NC	NC	NC
- Economy	NC	NC	NC	NC	NC	NC	NC	I	I	I	NC
- Awareness	NC	NC	D	D	D	D	D	D	D	D	D
Competition	NC	I	I	I	I	I	I	D	NC	I	I
Gas Supply	NC	NC	NC	NC	NC	NC	NC	I	NC	NC	NC
Regulatory	NC	NC	NC	NC	NC	NC	NC	NC	I	I	I
Deferral	NC	NC	I	I	I	I	I	I	I	I	I

NC – No Change I – Increase D – Decrease

4. EGNB believes that most of the risks in A5 were generally apparent at the beginning of the franchise operations. However, two risks identified in A5 that were not completely apparent at that time were: i) the significant extent to which the Deferral Account would need to grow in order to develop the business in New Brunswick, and ii) the effort that would be required to change the apprehension felt towards natural gas by potential New Brunswick customers and their willingness to gain acceptance of natural gas as a safe and viable energy alternative. Further, EGNB did not know at the beginning of the franchise operations that neither the northeast or northwest laterals would be developed.

Energy and Utilities Board
Interrogatory No. 2

Reference: EGNB Cost of Capital and Ten Year forecast
Exhibit A, Evidence of EGNB, A9, page 9 of 10

Interrogatory:

1. Please provide the “latest forecast” that predicts the recovery of the balance will extend beyond 2040.
2. Please provide any past forecasts provided to the Board of Directors of EGNB.
3. Please provide any information about the recoverability of the deferral account provided to the Board of Directors or investors.
4. Does EGNB have any other forecasts relating to the risks facing EGNB associated with the deferral account?

Response:

1. The forecast filed as Exhibit C of the evidence for this hearing is the latest forecast which predicts the recovery of the balance (of the deferral account) will extend beyond 2040. In the forecast, EGNB expects that recovery of the deferral account will not begin until 2016 and will be amortized over 30 years.
2. The following is a summary of the deferral recovery forecasts that have been provided to EGNB’s Board of Directors since inception:

Forecast Date	PAD* (millions)	Peak Year	Crossover Year
May-10	\$ 172.40	2015	2016
Feb-10	\$ 168.70	2011	2016
Nov-09	\$ 157.90	2010	2012
May-09	\$ 194.00	2012	2013
Feb-09	\$ 267.60	2022	2026
Nov-08	\$ 160.90	2010	2012
May-08	\$ 127.70	2008	2009
Feb-08	\$ 125.00	2008	2009
May-07	\$ 126.80	2009	2010
Feb-07	\$ 126.00	2009	2010
Nov-06	\$ 125.80	2009	2010
May-06	\$ 118.60	2008	2010
Nov-05	\$ 113.30	unknown	2009
May-05	\$ 108.20	2007	2009
Nov-04	\$ 127.10	2011	2014
May-04	\$ 127.10	2011	2015
Nov-03	\$ 118.90	2013	2015
May-03	\$ 69.20	2003	2014
May-02	\$ 38.80	unknown	unknown
Mar-00	\$ 15.50	unknown	unknown
Proposal	\$ 13.30	2006	2007

* Peak Accumulated Deferral

3. In the 2005, 2007 and 2008 equity offering documents the risk of continual deferral of costs if the market never sufficiently developed, and therefore the recoverability of these deferred costs, was highlighted. These documents were filed in response to Board Interrogatory No. 3(2) and the references mentioned above appear under the heading "Development Period" on pages 109, 182 and 222 of the attachments. EGNB is not aware of any other documents that have been provided to its Board of Directors or investors that address the recoverability of the Deferral Account. In advance of applying for an extension to the Development Period in 2004, there was discussion surrounding the Deferral Account as it related to requesting an extension. At the time, the increasing size of the Deferral Account meant that recovery was not likely within the initial franchise period. The request made as part of the Development Period extension process was to ensure that investors would remain comfortable with the business model and its risk level.
4. EGNB does not have any other forecasts relating to the risks facing EGNB associated with the Deferral Account.

Energy and Utilities Board
Interrogatory No. 3

Reference: EGNB Cost of Capital and Ten Year forecast,
Exhibit A, Evidence of EGNB, A9, page 9 of 10

Interrogatory:

1. Does EGNB expect to require any additional capital?
2. Please provide a copy of the original Offering Memorandum and any other memorandum or similar documents that have been provided to existing or new investors.
3. For every capital call since the Offering Memorandum please provide the following information:
 - a. Amount of Capital Call
 - b. Amount of money raised.

Response:

1. Yes. Although plans are not yet finalized, EGNB has been planning an equity call for later in 2010. Capital requirements in the latest forecast, filed as Exhibit C of this proceeding, peak in 2013 at approximately \$453 million.
2. Please see the attached redacted copies of the original, 2005, 2007 and 2008 Offering Documents. These documents contain some information that relates to personal information of certain investors that EGNB considers to be confidential and a contractual commitment that contains specific confidentiality provisions, precluding disclosure of the agreement.
3. The following table provides the requested information:

Year	Amount of Capital Call	Amount of money raised
2005	\$70.3 million	\$70.3 million
2007	\$30.0 million	\$30.0 million
2008	\$30.0 million	\$30.0 million

**Energy and Utilities Board
Interrogatory No. 4**

Reference: EGNB Cost of Capital and Ten Year forecast
Exhibit C, Ten Year forecast, Schedule 1, Note 9 Pages 9-11

Interrogatory:

1. Please provide all supporting calculations and documents for the estimate of annual attachments.
2. Please provide historical attachments by month.
3. Please provide all supporting annual revenue calculations (by class).
 - a. Please provide monthly calculations if available.
4. Note 9 shows an increase in average annual use by customer in some classes, however the assumptions associated with the Operating revenue (Exhibit C Schedule 2, page 4 of 7) do not indicate an increase in annual use. Please reconcile the difference and provide supporting documentation for the average annual use used in the forecast.
5. Please provide revenue forecast using no increase in annual average use for any class.
6. Please provide revenue forecast using no increase in rate of attachment from 2009 for the SGS, GS and CGS classes.
7. Please provide specific rates used in forecast after 2015.

Response:

1. Please see the response to Public Intervenor Interrogatory No. 4(3).
2. EGNB's records of monthly attachments do not begin until September 2001, where all attachments to that point in time are captured. The following table provides the historical changes in the total number of attached customers by month:

CUSTOMERS ATTACHMENTS BY RATE CLASS												
Year	Month	SGS	SGSC	SGSRE	SGSRO	GS	CGS	LFO	HFO	CLVOPS	OPS	TOTAL
2001	SEP	13	-	-	-	11	4	1	1	-	-	30
2001	OCT	12	-	-	-	19	5	2	-	-	-	38
2001	NOV	27	-	-	-	28	8	-	-	-	-	63
2001	DEC	17	-	-	-	9	3	1	-	-	-	30

CUSTOMERS ATTACHMENTS BY RATE CLASS												
Year	Month	SGS	SGSC	SGSRE	SGSRO	GS	CGS	LFO	HFO	CLVOPS	OPS	TOTAL
2002	JAN	35	-	-	-	19	9	-	1	-	-	64
2002	FEB	14	-	-	-	21	9	-	1	-	-	45
2002	MAR	6	-	-	-	12	5	-	-	-	-	23
2002	APR	5	-	-	-	(5)	1	2	-	-	-	3
2002	MAY	-	-	-	-	7	-	-	-	-	-	7
2002	JUN	15	-	-	-	5	2	1	1	-	-	24
2002	JUL	11	-	-	-	8	1	-	-	-	-	20
2002	AUG	42	-	-	-	4	1	-	-	-	-	47
2002	SEP	35	-	-	-	4	1	-	-	-	-	40
2002	OCT	196	-	-	-	66	9	2	1	-	-	274
2002	NOV	82	-	-	-	26	3	-	1	-	-	112
2002	DEC	265	-	-	-	53	6	2	-	-	-	326
2003	JAN	76	-	-	-	32	6	-	-	-	-	114
2003	FEB	33	-	-	-	15	(2)	-	-	-	-	46
2003	MAR	44	-	-	-	6	(4)	-	-	-	-	46
2003	APR	9	-	-	-	17	6	-	-	-	-	32
2003	MAY	15	-	-	-	2	(3)	1	-	-	-	15
2003	JUN	60	-	-	-	1	-	2	-	-	-	63
2003	JUL	51	-	-	-	9	-	(1)	-	-	-	59
2003	AUG	104	-	-	-	13	1	1	-	-	-	119
2003	SEP	140	-	-	-	20	3	(1)	-	-	-	162
2003	OCT	179	-	-	-	16	1	1	-	-	-	197
2003	NOV	138	-	-	-	22	5	-	1	-	-	166
2003	DEC	132	-	-	-	15	-	-	-	-	-	147
2004	JAN	57	-	-	-	13	6	-	(1)	-	-	75
2004	FEB	29	-	-	-	9	1	-	-	-	-	39
2004	MAR	4	-	-	-	8	2	1	-	-	-	15
2004	APR	5	-	-	-	(3)	-	-	-	1	-	3
2004	MAY	46	-	-	-	(37)	17	(1)	1	-	-	26
2004	JUN	42	-	-	-	13	2	-	-	-	-	57
2004	JUL	31	-	-	-	9	2	1	(1)	-	-	42
2004	AUG	51	-	-	-	10	4	-	-	-	-	65
2004	SEP	75	-	-	-	15	4	2	-	-	-	96
2004	OCT	97	-	-	-	21	10	-	-	-	-	128
2004	NOV	84	-	-	-	11	5	-	1	-	-	101
2004	DEC	150	-	-	-	23	11	-	-	-	-	184
2005	JAN	41	-	-	-	23	12	-	1	-	-	77
2005	FEB	39	-	-	-	12	6	-	-	-	-	57
2005	MAR	19	-	-	-	7	2	2	-	-	-	30
2005	APR	27	-	-	-	1	4	(2)	-	-	-	30
2005	MAY	12	-	-	-	18	1	1	-	-	-	32
2005	JUN	88	-	-	-	(19)	(8)	(1)	-	-	-	60
2005	JUL	88	-	-	-	(13)	(4)	-	-	-	9	80
2005	AUG	73	-	-	-	18	2	-	(1)	-	-	92
2005	SEP	107	-	-	-	11	6	(2)	-	-	-	122
2005	OCT	196	-	-	-	22	5	2	-	-	-	225
2005	NOV	183	-	-	-	17	4	-	-	-	2	206
2005	DEC	98	-	-	-	11	4	1	-	-	-	114
2006	JAN	71	-	-	-	27	3	(1)	-	-	-	100
2006	FEB	56	-	-	-	23	4	1	-	-	-	84
2006	MAR	23	-	-	-	9	5	-	-	-	-	37
2006	APR	17	-	-	-	14	1	-	-	-	-	32
2006	MAY	104	-	-	-	4	4	-	-	-	3	115
2006	JUN	46	-	-	-	10	3	-	-	-	7	66
2006	JUL	64	-	-	-	2	2	1	-	-	-	69
2006	AUG	84	-	-	-	2	3	(1)	-	-	-	88
2006	SEP	92	-	-	-	15	2	1	-	-	-	110
2006	OCT	132	-	-	-	13	4	-	-	-	-	149
2006	NOV	245	-	-	-	18	(5)	-	-	-	-	258
2006	DEC	252	-	-	-	7	3	(1)	-	-	-	261

CUSTOMERS ATTACHMENTS BY RATE CLASS												
Year	Month	SGS	SGSC	SGSRE	SGSRO	GS	CGS	LFO	HFO	CLVOPS	OPS	TOTAL
2007	JAN	(4,584)	880	877	3,116	9	3	-	-	(1)	-	300
2007	FEB		13	32	217	8	1	-	-	1	1	273
2007	MAR		7	24	61	6	-	-	-	-	-	98
2007	APR		2	16	178	3	-	-	-	-	-	199
2007	MAY		8	15	129	4	3	-	-	-	(1)	158
2007	JUN		-	32	74	11	3	1	-	-	(1)	120
2007	JUL		24	25	232	17	1	-	-	-	-	299
2007	AUG		36	42	201	44	1	1	-	-	(3)	322
2007	SEP		29	53	117	32	-	(1)	-	-	-	230
2007	OCT		33	55	53	44	3	-	-	-	-	188
2007	NOV		39	84	56	34	1	-	-	-	-	214
2007	DEC		33	64	20	28	4	1	-	-	-	150
2008	JAN		21	22	32	25	2	-	-	-	-	102
2008	FEB		19	22	15	16	4	(1)	-	1	-	76
2008	MAR		(5)	6	1	1	2	-	-	(1)	-	4
2008	APR		27	44	16	13	3	-	-	1	-	104
2008	MAY		27	20	9	29	2	-	-	-	-	87
2008	JUN		4	12	5	7	-	-	-	-	-	28
2008	JUL		40	75	18	33	3	-	-	-	-	169
2008	AUG		(34)	34	20	66	(11)	1	-	(1)	-	75
2008	SEP		2	32	40	31	2	-	-	1	-	108
2008	OCT		44	29	(29)	34	6	1	-	-	-	85
2008	NOV		44	61	125	29	3	1	-	(1)	-	262
2008	DEC		17	27	53	25	6	-	-	-	-	128
2009	JAN		18	34	13	23	(2)	(1)	-	-	(2)	83
2009	FEB		11	21	15	6	3	-	-	-	-	56
2009	MAR		9	8	1	8	3	-	-	-	(1)	28
2009	APR		-	7	4	4	2	-	-	-	-	17
2009	MAY		6	10	10	-	(3)	-	-	(1)	-	22
2009	JUN		-	27	28	4	(2)	-	-	-	-	57
2009	JUL		(5)	19	12	6	1	1	-	-	-	34
2009	AUG		8	26	11	5	1	2	-	-	-	53
2009	SEP		17	38	20	9	3	(1)	-	-	-	86
2009	OCT		11	42	31	31	6	(1)	2	-	-	122
2009	NOV		16	35	45	12	5	2	-	-	-	115
2009	DEC		5	39	40	51	(20)	-	-	-	-	115

3. Please see the response to Public Intervenor Interrogatory No. 6(1). EGNB is only able to provide monthly calculations for 2010 and 2011, as the remaining years of the forecast are developed on an annualized basis.
4. The increase in throughput that can be seen in Note 9 relates to the addition of new customers in the various rate classes throughout the year, not to an average increase in throughput per customer in those years. The annual usage varies per customer, based on historical consumption of the customer and forecast of weather patterns. A standard annual consumption for the rate class, as shown in Exhibit C, Schedule 2, page 4, is assumed for new customers added to the system.
5. As stated in 4. above, no increase in average annual use has been applied to the revenue.

6. The following table provides the requested revenue forecast:

Revenue	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Small general service (SGSRE)	\$ 2,005	\$ 2,584	\$ 3,233	\$ 3,735	\$ 4,339	\$ 4,865	TBD	TBD	TBD	TBD
Small general service (SGSRO)	4,725	5,786	6,738	7,352	7,924	8,358	TBD	TBD	TBD	TBD
Small general service (SGSC)	3,515	4,761	5,620	6,154	6,651	7,030	TBD	TBD	TBD	TBD
General service (GS)	11,548	16,037	19,148	21,323	23,379	25,029	TBD	TBD	TBD	TBD
Contract general service (CGS)	11,818	16,100	18,680	20,295	21,771	22,857	TBD	TBD	TBD	TBD
Contract large general service (CLGS-LFO)	7,555	10,997	14,224	14,585	14,574	14,573	TBD	TBD	TBD	TBD
Contract large general service (CLGS-HFO)	723	1,772	1,837	1,740	847	723	TBD	TBD	TBD	TBD
Contract large volume off peak (CLVOPS)	-	-	-	-	-	-	TBD	TBD	TBD	TBD
Off peak service (OPS)	37	43	44	45	46	46	TBD	TBD	TBD	TBD
Total Revenue	\$41,927	\$58,079	\$69,524	\$75,229	\$79,530	\$83,481	\$81,601	\$83,695	\$83,608	\$85,114

7. In preparing the 10 year forecast, EGNB began calculating the market based rates, based on the established market based rate formula. These calculations resulted in the following rates:

Rates (in \$ / GJ)	2016	2017	2018	2019
Small general service (SGSRE)	\$ 11.2861	\$ 11.6719	\$ 12.0403	\$ 12.4333
Small general service (SGSRO)	13.2029	13.2736	13.3146	13.2439
Small general service (SGSC)	14.1803	14.2520	14.2943	14.2244
General service (GS)	15.1266	15.2066	15.2572	15.1930
Contract general service (CGS)	14.4778	14.5578	14.6082	14.5440
Contract large general service (CLGS-LFO)	10.7432	10.7192	10.6903	10.5727
Contract large general service (CLGS-HFO)	0.1811	0.0325	0.0325	0.0325
Contract large volume off peak (CLVOPS)	10.8584	10.9184	10.9562	10.9080
Off peak service (OPS)	11.3450	11.4050	11.4429	11.3948

In the 10 year forecast model the revenue delivered by market based rates exceeded the revenue requirement, beginning in 2016. EGNB assumed that this would result in some change to rates that would limit EGNB's revenues to meet its revenue requirement. To model this, EGNB considered the excess revenue arising from the application of market-based rates as an overall revenue reduction. The following table summarizes this approach:

Revenue (in \$,000s)	2016	2017	2018	2019
Small general service (SGSRE)	\$ 6,296	\$ 7,089	\$ 7,880	\$ 8,693
Small general service (SGSRO)	8,850	9,304	9,722	10,050
Small general service (SGSC)	7,566	7,952	8,288	8,520
General service (GS)	28,406	30,162	31,702	32,830
Contract general service (CGS)	25,802	27,014	28,021	28,744
Contract large general service (CLGS-LFO)	14,482	14,452	14,415	14,264
Contract large general service (CLGS-HFO)	543	386	386	386
Contract large volume off peak (CLVOPS)	-	-	-	-
Off peak service (OPS)	46	46	46	46
	91,991	96,405	100,461	103,533
Less Revenue Reduction	(10,915)	(13,227)	(17,355)	(18,913)
Total Revenue	\$ 81,076	\$ 83,177	\$ 83,105	\$ 84,620

Energy and Utilities Board
Interrogatory No. 5

Reference: EGNB Cost of Capital and Ten Year forecast
Exhibit C, Ten Year forecast, Schedule 1, Note 1, Page 3 of 12, Distribution
Mains

Interrogatory:

1. Please provide number of metres of new main used to arrive at the forecast costs.

Response:

1. The forecast of distribution mains includes both new mains and anticipated relocations of existing mains. The following table provides the metre information used to arrive at the forecast:

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Infill - New Mains										
Total Commercial	6,666	7,414	12,276	5,412	4,334	5,368	2,728	4,642	3,124	3,212
Total Residential	12,254	12,650	12,628	29,964	29,766	21,692	21,164	15,532	20,416	16,082
Metres	18,920	20,064	24,904	35,376	34,100	27,060	23,892	20,174	23,540	19,294
Relocations										
General Mains Relcoations	1,250	500	500	500	500	500	500	500	500	500
Hanwell Rd Relocation			2,100							
Metres	1,250	500	2,600	500	500	500	500	500	500	500
Total Metres	20,170	20,564	27,504	35,876	34,600	27,560	24,392	20,674	24,040	19,794

Energy and Utilities Board
Interrogatory No. 6

Reference: EGNB Cost of Capital and Ten Year forecast
Exhibit C, Ten Year forecast, Schedule 1, Page 2 of 12, Installation Services.

Interrogatory:

1. Please provide revenue calculations for Installation services.

Response:

1. The following table provides additional detail regarding Installation Services revenues based on the type of work performed (in \$,000):

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
<u>Installation (New)</u>										
SGSRE	2,227	1,921	2,038	2,065	2,052	1,955	2,231	2,104	2,029	1,947
SGSRO	910	926	976	979	947	895	900	858	817	781
SGSC	615	615	672	586	506	439	490	439	387	359
GS	1,988	1,891	2,072	1,810	1,547	1,366	1,502	1,366	1,203	1,122
CGS	1,921	1,482	1,572	1,391	1,301	1,211	1,301	922	922	831
<u>Installation (Replacement)</u>										
Residential	-	-	29	46	94	134	181	343	529	545
Commercial	2	7	22	31	34	27	34	91	144	162
<u>Service</u>										
Residential	493	586	693	837	940	1,035	1,188	1,300	1,415	1,516
Commercial	248	360	456	561	646	732	862	967	1,078	1,147
	<u>8,403</u>	<u>7,789</u>	<u>8,531</u>	<u>8,306</u>	<u>8,066</u>	<u>7,794</u>	<u>8,688</u>	<u>8,390</u>	<u>8,524</u>	<u>8,411</u>

EGNB has not provided specific revenues by type of job and units of work as it believes this information is commercially sensitive given the competitive nature of its Installation Services activities.

Energy and Utilities Board
Interrogatory No. 7

Reference: EGNB Cost of Capital and Ten Year forecast
Exhibit B, Kathy McShane Evidence, Page 6, Line 161

Interrogatory:

1. Does Ms. McShane have any evidence that the Return on Equity was too low at any point from 2000 to present? Please provide.
2. How would Ms. McShane be able to determine if the Return on Equity was too high at any point since the June 2000 decision? What evidence or signs would there be?

Response:

1. No, the reference in the preamble to the interrogatory was a general statement regarding the importance of a fair return.
2. At the outset, it is important to recognize that a fair and reasonable return on equity for any utility falls within a range. For a greenfield utility like EGNB for which there were no direct comparables when the initial return on equity was assessed and subsequently approved by the Board, the determination of a fair and reasonable return on equity would have been subject to more judgment and to a wider range of estimates than for a mature utility. Thus any subsequent determination of whether the initial return on equity was too high would need to take into account the fact that the initial return on equity, while reasonable, could not be estimated with precision.

Moreover, the specific circumstances under which the return on equity was initially set must be taken into account. In EGNB's case, for example, the return on equity established in June 2000 was to be fixed during the initial development period. As a result, EGNB was exposed to (and accepted) the risk that the cost of equity would rise while the allowed return on equity was fixed. Since EGNB had accepted the risk that the cost of equity would rise, the fact that the cost of equity might have declined (or increased) would not lead to the conclusion that the allowed return on equity was too high (or too low) within the specific context of EGNB's regulatory framework.

With those two caveats, the determination of whether the return on equity was too high, i.e., had it been subject to potential review subsequent to June 2000, would consider such factors as whether:

- a. there had been a material change in the business risk that would point to a lower required return on equity;

- b. the cost of capital generally had declined materially, as evidenced, for example, by trends in actual and forecast interest rates.
- c. the returns available to enterprises of comparable risk had declined materially. Trends in the allowed returns for other regulated companies, including those for mature utilities and those adopted for other greenfield or new regulated entities may provide a signal that the allowed return is too high.

Energy and Utilities Board
Interrogatory No. 8

Reference: EGNB Cost of Capital and Ten Year forecast
Exhibit B, Evidence of Kathy McShane, Page 27, Line 689.

Interrogatory:

1. Please provide a copy of the Consensus Forecast (April 2010).

Response:

1. The April 2010 Consensus Forecast is attached.