

October 25, 2017

**COURIER & RESS**

Ms. Kirsten Walli  
Board Secretary  
Ontario Energy Board  
2300 Yonge Street, 27th Floor  
Toronto, ON M4P 1E4

Dear Ms. Walli:

**Re: South Bruce Expansion – CIP Proposals (Board File Nos. EB-2016-0137/0138/0139) – Union Gas Ltd. Correspondence regarding process**

This correspondence is further to Union Gas Limited's ("Union") and EPCOR's correspondence both dated October 20, 2017.

In its letter, Union confirmed that it defined 'volume' as the amount of gas that would flow through the meters or be consumed by the customer whereas EPCOR has applied this definition only to mass market customers (using the agreed upon NAC). For large agricultural and industrial customers, EPCOR stated that it used "capacity under contract<sup>1</sup>" to define volume and under the heading "EPCOR Planned Cumulative Volume" EPCOR stated that "volumetric customers include forecasted natural gas annual usage whereas capacity contracts would use the full annual capacity<sup>2</sup>". Union also indicated that the contrasting definitions of "volume" create a misalignment for comparison purposes between key comparison metrics noted in the CIP proposals including Cumulative 10 Year Volume and Cumulative 10 Year Revenue Requirement per unit of volume, with the result being an 'apples to oranges' comparison.

EPCOR in its letter confirmed these different approaches and offered to provide, if asked, consumption numbers for the customers in question and reflect these in the two key metrics – i.e. the cumulative 10-year revenue requirement per unit of volume and the cumulative 10-year volume.

EPCOR's proposal to provide consumption figures for these customers at this time is inconsistent with and would bring into question the integrity of the competitive process. In doing so, EPCOR would be permitted to restate and resubmit certain competitive numbers with full knowledge of Union's competitive proposal information, since "capacity" and volumetric amounts are two different concepts and the volumes in question are not formulaic in their derivation. In other words, EPCOR would be permitted to adjust volumes for these customers with full knowledge of Union's competing submission. It would be inappropriate to allow

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<sup>1</sup> EPCOR CIP Proposal, p. 15, para. 6

<sup>2</sup> EPCOR CIP Proposal, p. 31, para. 3

EPCOR to resubmit a part of its competitive proposal for purposes of evaluation where that party has full knowledge of the other's proposal.

Furthermore, unlike capacity, Union's definition of "volume" (metered flow) is wholly consistent with the CIP parameters as established by the Board. Board Staff's wording in their July 20, 2017 Progress Report to the Board states on p. 5 Item 3:

*3. **Cumulative volume** (m3) – the cumulative volume of **throughput** per year, over the ten-year rate stability period. This metric would be calculated in a similar manner to the second criteria, but **based on the volume consumed by the customers** to better depict the various customer classes and their demand....<sup>3</sup>*

In addition, at p. 6 of their Progress report, under the heading Customer Consumption, Board Staff noted:

*Proponents agreed that **consumption levels forecast** for any large commercial or industrial customers should not be set in common, but rather left to competition in each proponent's proposal.*

Pursuant to the Board's Decision on Preliminary Issues and Procedural Order No. 8, the Board accepted the agreed upon parameters set out in Board Staff's Progress Report.<sup>4</sup>

Throughout this proceeding, volume has been consistently referred to as meaning 'consumption' or 'throughput' and at no time did any party talk about using "capacity" as a metric. It is not appropriate, after the fact, to create a new definition of volume for purposes of evaluation. If Union had known the definition was to be changed to capacity rather than consumption, it would have bid differently. Furthermore, it would also be inappropriate to rectify the difference in definitions by a resubmission when both confidential proposals have been made public.

Based on the foregoing, Union submits that the Board should give no weight to the volume metrics provided in the proposals. Doing so does not harm the integrity of the process as the Board has a number of other key measures established by it on which it can rely, including:

1. Cumulative Annual Revenue Requirement,
2. Present Value of the Revenue Requirement, and
3. Number of Customer Attachments.

The Board requested the submission of these key measures and they were provided by both parties in their proposals. These measures are most relevant in terms of cost to serve the customers, which the Board indicated is their main concern and focus in terms of the competitive process.

If you have any questions with respect to this submission please contact me at 416-865-7512.

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<sup>3</sup> Notwithstanding its use of capacity as a basis, EPCOR appears to agree with this as it defines the Cumulative Volume metric as "the volume consumed by customers", EPCOR CIP Proposal, p.14, para. 4

<sup>4</sup> Decision on Preliminary Issues and Procedural Order No. 8, p. 3 "A full description of the parameters that were agreed upon can be found in the OEB Staff Report filed on July 20, 2017. The OEB has summarized the agreed upon parameters below and finds that they are appropriate"

Yours truly,

*(Original signed by)*

**Charles Keizer**

cc: Karen Hockin, Union  
Mark Kitchen, Union  
Bruce Brandell, EPCOR Southern Bruce Gas Services  
Richard King, Osler  
Britt Tan, EPCOR Utilities Inc.  
Intervenors