BEFORE THE ONTARIO ENERGY BOARD

Union Gas Limited
Enbridge Gas Distribution Inc.
EB-2007-0606/EB-2007-0615

GEC Interrogatories

A. GEC Interrogatories to EGDI

1. Issue Number 1.1 – Implications of Price Cap and Revenue Cap

Please elaborate on how the choice of a revenue cap versus a price cap changes the incentives faced by the company for:

a) system expansion
b) fuel switching to gas
c) DSM
d) marketing expenditures

In answering this interrogatory please indicate whether the inclusion or non-inclusion of a declining use adjustment changes the impact.

2. Issue 4.2 - Declining Average Use Calculation

We understand that the company proposes to continue to rely upon the LRAM that is part of the current 2007-2009 DSM framework. If so, how does the company propose to reflect declining average use in the I.R. formula in a manner that is consistent with the maintenance of an LRAM (i.e. that does not double count the volume reduction and revenue impact of DSM)?

3. Issues 5.1 & 5.2 – Y factors and criteria for disposition

a) Does the company agree that an LRAM is not needed under a revenue cap I.R. framework?

b) Does the company agree that if an LRAM is maintained under a revenue cap I.R. framework any balancing account that seeks to maintain revenue levels within the level allowed must adjust for LRAM revenue? If so how will the time lag in finalizing the LRAM amount be handled?

4. Issue Number 5.2 – What are the criteria for disposition of Y factors?

How does the company propose to include the known costs of DSM in the 2008 and 2009 years and the unknown costs post 2009 in annual rates? For example, will the costs be forecast and included in rates as a Y factor in the year or captured in a deferral account for inclusion in rates in a subsequent period?

5. Issue 12.3.1- What should be the criteria for changes in rate design?

a) Does EGDI propose to increase the fixed component of rates during the I..R. term?

b) What limits is the company proposing on its flexibility to adjust the split between the fixed and variable components of rates?

c) Does the company agree that decreasing the variable component of rates reduces the customers' incentive to conserve gas?

d) Does the company agree with the Board Staff proposal that "Demand Side Management activities should be encouraged" by an I.R. Plan?

B. GEC Interrogatories to Union:

1. Issue Number 1.1 – Implications of Price Cap and Revenue Cap

At B.1.1 p.5, para 15 of its evidence EGDI sates:

> Consequently, an IR regime which provides inadequate revenue growth to meet the cost and growth pressures of the utility will likely have the result of significantly reduced new customer attachments, perhaps on the order of tens of thousands of fewer customers. This would be a significant unintended consequence of the IR plan and one which, presumably, all stakeholders would wish to avoid.

a) Does Union agree that a shortfall in earnings can put pressure on the company to reduce customer attachments in the context of a price cap I.R. framework?

b) What is Union's customer attachment expectation?

2. Issue Number 1.1 – Implications of Price Cap and Revenue Cap

EGDI states "it takes a decade or more to recover the capital costs associated with adding a new residential customer" (At EGDI, B.1.1 p.5,para 17) What does Union estimate as its payback period for a new residential customer under the current rate structure?

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