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February 4, 2008

VIA COURIER AND EMAIL

Ms. Kirsten Walli
Board Secretary
Ontario Energy Board
P.O. Box 2319
26th Floor
2300 Yonge Street
Toronto, ON
M4P 1E4

Dear Ms. Walli:

Re: Union Gas / Enbridge Gas Distribution Inc. - Incentive Rate Regulation for Natural Gas Utilities
EB-2007-0606 / EB-2007-0615

Please find enclosed VECC's submissions with respect to the above noted proceeding.

Yours truly,

Michael Buonaguro
Counsel for VECC
Encl.

EB-2007-0606
EB-2007-0615

IN THE MATTER OF the *Ontario Energy Board Act, 1998*, S.O. 1998, c. 15 (Sched. B);

AND IN THE MATTER OF an Application by Union Gas Limited for an Order or Orders approving a multi-year incentive rate mechanism to determine rates for the regulated distribution, transmission, and storage of natural gas, effective January 1, 2008;

AND IN THE MATTER OF an Application by Enbridge Gas Distribution for an Order or Orders approving or fixing rates for the regulated Inc. , transmission, and storage of natural gas, effective January 1, 2008;

AND IN THE MATTER OF a combined Board proceeding pursuant to section 21(1) of the *Ontario Energy Board Act, 1998.*

ARGUMENT OF THE VULNERABLE ENERGY CONSUMERS COALITION

The Vulnerable Energy Consumers Coalition ("VECC") makes the following submissions with respect to the issue as to whether there should be a Y-factor pass-through, or other similar regulatory treatment, in the case of costs related to customer additions for the proposed multi-year incentive regulation plans for Union Gas Limited ("Union") and Enbridge Gas Distribution Inc. ("Enbridge" or "EGD").

VECC understands that the Pollution Probe proposal is that the revenue deficiency associated with new customer additions be made a Y-factor under the multi-year incentive scheme (Tr. Vol. 2, p. 91) while the Green Energy Coalition ("GEC") proposes a symmetrical incentive for customer additions "that pivots around an expected number of customer additions that's tied to housing starts … ." (Tr. Vol. 2, p. 93)

VECC opposes the proposals of Pollution Probe and GEC with respect to any additional financial incentives to attach customers beyond the incentives already included in the respective Settlement Agreements reached between intervenors and Union and Enbridge. VECC believes that any such additional incentives are unnecessary and may only serve to increase ratepayers' costs for the following reasons:

1. VECC submits that Union and EGD both have a vested financial interest in attaching as many customers as is economically viable through the term of the multi-year gas IR plans. Both Union and Enbridge have testified that the failure to attach all customers who are economically viable in any given year would risk losing such customers for the life of related customer equipment, e.g., for 10 or 15 years in the case of a furnace acquired by the potential customer for space heating. (Tr. Vol. 2, pp 10-11, and p. 69)

2. VECC submits that Union has historically attached a high priority, re capital expenditures, to economically viable customer additions historically and is unlikely to change this during a five-year IR plan. Union testified that even facing a shortfall in revenues and the need to manage costs in any given year, reducing the capital allocated to customer additions would be the last item reduced. (Tr. Vol. 2, p. 9) Union added that even in 2003, when the shareholder was in "dire financial straits" and Union was trying to cut capital spending as much as possible, it still attached over 30,000 customers on a greatly reduced capital budget. (Tr. Vol. 2, p. 12) Similarly, when Union was effectively under rate freezes in 2005 and 2006, it attached 55,000 customers. (Ibid)

3. VECC submits that EGD has also testified that it also attaches a very high priority to customer attachments, even in the event that capital spending needs to be constrained. (Tr. Vol. 2, p. 68) With respect to cutting new customer attachments, EGD's witness stated that "if a utility is short of revenues, it would be the very last thing you would want to do is cut a revenue-producing capital investment." (Tr. Vol 2, pp 83-84) Further, EGD's proposed plan for a revenue per customer cap provides a direct financial incentive to add customers. (Ibid and Tr. Vol. 2, p. 87) In addition, EGD stated that their investors are very interested in seeing EGD grow by attaching new customers. (Tr. Vol. 2, pp 69-70) Finally, EGD and intervenors have agreed that EGD should have a Y-factor relating to any large power plants located in their franchise area, making a constraint on capital spending less likely.

4. VECC submits that that the proposals advanced by Pollution Probe and GEC are unnecessary with respect to incenting economic customer attachments and would only serve to raise costs paid by ratepayers. As such, VECC submits that the proposals advanced by the opposing parties be rejected.

All of which is respectfully submitted this 4th day of February, 2008.

Michael Buonaguro
Counsel for VECC