

**REF: Exhibit A, Tab 1, page 11**

Preamble: *“Union has not historically included the cost premium for a preferred system design in the economic 20 analysis, and proposes that this practice be confirmed.”*

1. Historically, has Union identified specifically the enhanced design features and justified the reasons for these enhancements? If not, why not?
2. In the case of municipally ordered relocation, is Union’s practice to cost the minimum design for the purpose allocating costs to the municipality then absorbing the cost premium of enhancements in utility budgets? If not, please clarify.
3. Enbridge has identified in its filed evidence (Filed 2016-03-21, Page 17, paragraph 50):  
*“The Company (**Enbridge**) has identified a subset of communities where a preliminary analysis indicates that gas service could be more economically provided through the utilization of LNG as an alternative to transmission mains as a means of transporting natural gas to these locations.” (bold added for clarity).*
  - a) Under the practice that Union is asking to be confirmed, is it Union’s position that approaches such as LNG as alternative to transmission mains need not be identified as a minimum design if more economic?
  - b) Please explain Union’s position on the need to investigate the most economic delivery systems and specifically identify and justify enhancements.

**REF: Exhibit A, Tab 1, page 14**

Preamble: *“After the initial 10 year period, it is likely that additional customers will attach to a new system when their heating system requires replacement. Applying a general rule of thumb that typical heating equipment has a life of up to 25 years would result in 4% of remaining potential customers converting each year from year 11 to 25.*

4. Is the underlying assumption of this approach that all of the customers whose heating equipment fails will convert to gas if it is available in the community?
  - a. If yes, please provide the evidence that supports this assumption.
  - b. If not, please explain the rationale.

**REF: Exhibit A, Tab 1, page 19**

Preamble: *“It is Union’s position that upstream transmission<sup>10</sup> and storage costs should continue to be excluded from the economic assessment of a distribution project. Only incremental directly attributable costs are appropriate to include as compared against incremental revenues.”*

5. Are storage related revenues included in the DCF analysis?
  - a. If so, could Union’s Excess over Average storage allocation methodology combined with unit storage costs not provide an estimate of the impact? If not, why not?
6. Are revenues associated with the embedded cost of the Dawn-Parkway system included in the rates used to determine the projected revenues.
  - a. If so, could that portion of revenue stream be estimated and extracted to ensure an appropriate matching of incremental revenues and costs? If not, why not?
7. How would Union propose that the Board direct a third party distributor to economically evaluate the costs for storage and transmission services to their proposed distribution franchise?
  - a. Please provide Union’s views on the Board’s need to create a level playing field in the treatment of these costs for incumbent and new utilities.

**REF: Exhibit A, Tab 1, page 22**

Preamble: *“Union supports the use of surcharges as proposed in EB-2015-0179, Exhibit A, Tab 1 12 (Updated), Section 4.1 (p. 15), and Section 4.2 (p. 23).”*

8. Please provide Union’s views on the merits of a surcharge being in place for forty years or until the project reaches a profitable position as proposed by Enbridge in its evidence (Filed 2016-03-21, page 21).

**REF: Exhibit A, Tab 1, page 31 and****EB-2015-0179 Transcript Pre-hearing Conference 20151218, page 44, lines**

Preamble: *“The challenge, then, is one of either making projects less costly so that they can meet required economic feasibility criteria, or adjusting the feasibility criteria. Union does not believe that there are cost reduction opportunities that would reduce the capital costs of expansion significantly enough to overcome the financial viability barrier that currently exists. For this reason, Union has proposed adjusting the criteria. Union submits that an effort by the Board to encourage RFI or RFP processes and competition from multiple parties to service any specific area will not be helpful if projects proposed by new entrants still need to meet the current E.B.O. 188 criteria.”*

9. Please provide the major drivers of the significant cost reduction in Union’s estimates to feed South Bruce.
  - a. Please quantify the specific driver and source of the change (e.g., technological, new routing, enhanced project knowledge, etc.).

**REF: Schedule 1, Section 2.2 and**

**EB-2015-0156 “Jurisdictional Review of Natural Gas Distribution System Expansion,”  
KPMG Report prepared for the Ontario Energy Board, March 31, 2015”**

Preamble: London Economics states: “To provide answers to Union’s questions, LEI has reviewed the alternative funding mechanisms adopted across various North American natural gas (New York, North Carolina and Nebraska), electricity (Ontario and Alberta) and telecommunication (USA and Canada) markets.

10. How were the North American natural gas jurisdictions chosen?
11. What jurisdictions were considered and subsequently eliminated and why?
12. What is London Economics view on the merits of the approach used in Maine and Alaska as described by KPMG in the above referenced report to the Board.

