

May 10, 2016

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

Dear Ms. Walli:

Re: EB-2016-0004 - Natural Gas Expansion Generic Proceeding – Union Gas Limited (“Union”) – Interrogatory Response - Updated

Please find attached an updated response to Exhibit S15.Union.Environmental Defence.1.

Yours truly,

[Original Signed by]

Chris Ripley
Manager, Regulatory Applications

c.c.: Charles Keizer, Torys
All Intervenors (EB-2016-0004)

UNION GAS LIMITED

Answer to Interrogatory from
Environmental Defence

Reference: Exhibit A, Tab 1, pp. 5-22

Does Union agree that existing gas consumers should be required to subsidize expansions of Ontario's natural gas distribution system only if all of the following criteria are met:

- a) The expansion will lead to a net reduction in Ontario's greenhouse gas emissions [e.g., this could occur if the new customers' previous energy source (e.g., heating oil) had higher greenhouse gas emissions];
- b) Expanding the gas system is the most cost-effective, feasible option to achieve the greenhouse gas emission reductions [i.e., do not expand the gas distribution system using existing customer subsidies if the emission reductions could be achieved at a lower cost by energy efficiency or renewable energy investments (e.g., home energy retrofits, heat pumps)]; and
- c) The subsidy is necessary to make the project happen [e.g., do not require existing customers to subsidize an expansion of the gas system if the cost could be recovered from the new customers via a surcharge on their gas rates]?

If "no", please fully justify your response. Please specifically address each of the three criteria in your response. Note that the above three criteria would not be to the exclusion of other criteria required for community expansion.

Response:

Union does not agree that existing gas consumers should only be required to subsidize expansions if all of the three criteria above are met. Although Union agrees that the impact of GHG emissions is one of the factors that should be considered in the evaluation of a project, emissions are not the only factor that should be considered. The overall public benefits of proceeding should be the most significant factor.

With respect to conditions (a) and (b) above, considering emission impacts only would not take into account consumer choice. Union has made its proposals as a means of addressing requests from consumers and from municipalities, and their needs should not be ignored in weighing the costs and the benefits of an expansion project. The most urgent need expressed by these parties is the cost savings that would result from converting from other fuels to natural gas. Examples of this are provided at Exhibit S15.Union.Staff.8. Energy efficiency efforts will not result in

comparable savings for these consumers, and renewable energy investments are more costly than converting.

With respect to condition (c), Union agrees that subsidies from existing customers should not be utilized if there is not a clear public benefit. The degree of required subsidization from existing customers should be also considered in weighing the costs and benefits of proceeding with a project. As stated at Exhibit S15.Union.BOMA.52 and Exhibit S15.Union.IGUA.6, Union's proposals result in an estimated bill impact of \$2.91 per year (an average of \$0.24 per month) for a typical existing residential customer with annual consumption of 2,200 m³. This is a manageable level of subsidization in view of the benefits that would result.