May 10, 2017

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

Dear Ms. Walli:

Re: EB-2015-0179 – Union Gas Limited – Community Expansion – Interrogatories from the Consumers Council of Canada

I am representing the Consumers Council of Canada ("Council") in the above-referenced proceeding. The Council has the following interrogatory questions for Union Gas Limited ("Union"):

1. (Reference: Ex. A1/T1/Addendum, Table 1: Comparison of Union's Initial and Updated Proposals) Under "Customer Forecast risk" Union indicates that under the "Updated Proposal" the Utility bears the Customer Forecast risk in the event that actual customer attachments fall below the forecast attachment rate, as opposed to under the Initial Proposal, wherein all ratepayers took on that risk.

    a) Please explain how, under the Updated Proposal, Union bears the Customer Forecast risk?

    b) Please provide an example of how Union bears the Customer Forecast risk in a hypothetical scenario where Union completes one of the four planned projects by the end of December 2017 as set out in the Application, but no customers ever attach such that the revenue from customers for the project is zero. In particular please describe how Union continues to bear that risk assuming Union rebases its rates in a 2019 Cost of Service application.

2. (Reference: Decision in EB-2016-0004 dated November 17, 2016, p. 21) In the EB-2016-0004 Decision the Board stated as follows:

    An incumbent utility with existing rates may still propose to collect a surcharge over and above those rates to make up for the shortfall in revenues to cover the cost of the expansion. This form of funding does not depart from the mechanics or principles embodied in the E.B.O. 188 assessment.

a) Did Union consider whether it may be possible and appropriate for one or more of the proposed Projects to be included in Union's portfolio of system expansion projects at an individual PI below 1.0 and at or above .8 in accordance with the existing E.B.O. 188 requirements? If so why was such a proposal rejected, and if not why not?

b) If Union were to include one or more of the proposed Projects at an individual PI of less then 1.0, how would that impact that or those Projects? For example, would it simply be the case that the proposed Project specific term of the System Expansion Surcharge would be lowered, or would there be other alternative or additional changes to the Project?

3. (Reference: Ex. A /T1/ Addendum, p. 8) Union asserts as follows:

   There are no potential customers in the areas proposed to be served that meet eligibility criteria for Union's contract rate classes. However, to the extent that having natural gas available attracts new customers eligible for contract rate classes in the areas serviced by the four proposed Projects; Union's proposal does not extend the SES to these customers (Rates M4, M5, M7, T1, T2, 20, 100). Rather, any future contract customers in the areas serviced by the four Projects will be required to commit to contract terms that will ensure their attachment can meet a minimum P.I. of 1.0.

   a) What benefits, if any, will existing customers of one of the Projects experience if and when a Contract Customer connects to the Project? For example, would the attachment of a Contract Customer change the Project economics in such a way as to allow the term of the System Expansion Charge to be lowered?

4. (Reference: Ex. A/T1/Addendum/p. 8) Union asserts as follows:

   The SES will be fixed at $0.23/m^3$ throughout the duration of 1 the SES term. Union proposes that this approach meets the Board requirement for "a minimum rate stability period of 10 years (for example)". While the SES for applicable customers will be added to the existing Rate M1, M2, 01 or 10 delivery charges on each bill, and the existing rates may change over time, a fixed SES rate provides a large measure of stability for periods of longer than 10 years.

   a) In forecasting the revenue generated by the SES over the proposed term for each Project, did Union account for the impacts of Demand Side Management, declining average use, Climate Change Action Plan spending, or any other impacts on the volumes that customers will be consuming that may materially reduce the revenue that will be generated by the SES? If so how, and if not why not?

Yours truly,

Julie E. Girvan

Julie Girvan

CC: Union Gas Limited
All parties