

03 January 2008

Ms Kirsten Walli
Board Secretary
Ontario Energy Board

By e-mail

Dear Ms Walli:

Re: EB-2007-0606-0615 Enbridge and Union IR

OEB BOARD SECRETARY	
File No: <i>EB-2007-0606/0615</i>	SubFile: <i>19</i>
Panel	<i>G.K./P.S./C.C.</i>
Licensing	
Other	<i>R.B./L.K./P.D./M.H.</i>
	<i>J.C./M.M.</i>
00/04	

Please convey this correspondence to the Panel hearing the January 8th presentation of the results of the ADR in regard to Union Gas.

As I am acting for several parties in the IPSP matter I expect to be unavailable to attend on the 8th. GEC is noted as being in the minority on issue 5.1 in regard to customer additions. To assist the Panel in considering the scheduling of the hearing on outstanding issues I can provide the following clarification of GEC's position and its expectation for the oral hearing.

GEC's concern arises due to the evidence of both companies to the effect that they do not achieve profitability on customer additions for many years. Under a 5 year IRR mechanism the inclusion of customer addition related capital in rate base (assuming it is recognized at rebasing) will be significantly delayed relative to the status quo. Our concern is that the companies may find it attractive to forego customer additions, particularly early in the IR period, to enhance short term shareholder earnings.

While GEC would support a Y factor for revenue shortfalls (as Pollution Probe has proposed) we are concerned that such an approach may be difficult to implement. Accordingly, GEC will be advocating an alternative mechanism comprised of a simple incentive for customer additions based on a target of expected customer additions as a percentage of housing starts.

Union has already provided the data we require and a similar request to Enbridge was made before Christmas and subsequently reiterated in an interrogatory. Accordingly, I expect that brief cross-examination of the companies' policy witnesses should be all that is required in the oral phase of the proceeding.

Sincerely,



David Poch

Cc: all parties