VECC INTERROGATORY #4

INTERROGATORY

Reference: Exhibit C2/T1/S1/pg.1

Preamble: The actual Canadian inflation rate for 2017 as measured either monthly (January-Sept) or annual Sept 2016 –Sept 2017 is between 1.54% and 1.55% (see for example http://www.inflation.eu/inflation-rates/canada/historic-inflation/cpi-inflation-canada-2017.aspx). This would appear to make the forecast of 2017 inflation rate (shown in table) of 2.1% highly improbable.

a) If EGD were to assume an inflation factor of 1.6% for 2017 and 2018 what difference would this make to the 2018 rate proposal?

b) What would be impact on average use based on the conversion of nominal to real prices in the average use modelling (see E2/T2/S1/pg.20/par 19) if the lower inflation figure were adopted?

RESPONSE

a) & b) Based on an updated Ontario outlook (2017 Q3) provided in response to BOMA #9 at Exhibit I.C2.EGDI, inflation is expected to be 1.6% in 2017 and 1.8% in 2018. This is lower than the inflation forecast (2.1% in 2017 and 2.0% in 2018) that was used to determine real gas prices which is a driver variable in the models. A lower inflation forecast would have resulted in higher real gas prices which would have produced a slightly lower average use forecast for both Rate 1 and Rate 6. It is estimated that the Company's volumetric budget for General Service customers would have been approximately 0.01% lower (about 1 million m^3) than the proposed budget of 9,590.3 million m^3 had the currently updated inflation forecasts been used.

Witness: M. Suarez