TIMING FOR EGD's 2010 RATE ADJUSTMENT PROCEEDING

1. In its Decision on the Issues List for Phase II of this proceeding (Procedural Order No. 6), the Board established the following as Issue 8: "What should be the timing of the next IRM filing (2010 rates)? "

2. EGD's original pre-filed evidence did not address Issue 8. This updated evidence sets out EGD's experience in this 2009 rate adjustment proceeding, and its proposal for timing of the 2010 proceeding.

Experience in EGD's 2009 Rate Adjustment Proceeding

3. The IRM Settlement Agreement (Issue 12.1 at page 30) requires that EGD file information for the purposes of the annual rate adjustment by October 1st of each year. This filing date is intended to allow for a Board-approved rate order by December 15th and implementation of new rates by January 1st.

4. In accordance with the IRM Settlement Agreement, EGD filed its 2009 Application by October 1, 2008 (the filing date was September 26, 2008). The Board published the Notice of Application on October 20th, and issued Procedural Order No. 1 on November 13th.

5. Procedural Order No. 1 noted that there would not be sufficient time to permit final rates to be in place for January 1st, and directed that EGD's January 1st QRAM rates would be interim. Among others things, the Procedural Order provided for a Technical Conference on December 4, 2008 and a Settlement Conference on December 10, 2008. A complete settlement of all Phase I issues was reached at the Settlement Conference and the Board issued a decision on December 18th approving the settlement. The 2009 rates resulting from that decision will be implemented as part of EGD's April 1, 2009 QRAM Application.

Witnesses: R. Bourke
K. Culbert
A. Kacicnik

EGD's Proposals for the 2010 Rate Adjustment Proceeding

6. There are a number of issues that may arise if a decision is made to change the filing deadline for EGD's 2010 rate adjustment application to an earlier date.

7. The IRM Settlement Agreement provides that rates are to be adjusted each year using an Adjustment Formula. The main variables in the Adjustment Formula are the inflation index and the forecast average number of customers for the subject year. The inflation index is determined by calculating the year-over-year change in Statistics Canada's Gross Domestic Product Implicit Price Index Final Domestic Demand ("GDP IPI") between Q2 of the previous year and Q2 of the current year.

8. Given that Statistics Canada will not be releasing the GDP IPI for Q2 of 2009 until August 31, 2009[1], a move to an earlier filing date will require using different inputs than those specified in the IRM Settlement Agreement. Further, any move to an earlier filing date will mean that the customer forecast information used in the Adjustment Formula will be less current.

9. EGD believes that regulatory efficiency and effectiveness is an important consideration and that it should be given particular weight in the context of using an IR formula as a rate setting mechanism. If EGD filed its full application package a month or more earlier than the current October 1st deadline, then an issue will arise about whether EGD should update all of the information in that package at a later date. For example, the Settlement Agreement sets out a requirement regarding the use of GDP IPI information from Q2 of 2009. Similarly, issues may arise about an update of the customer additions forecast. In addition to being time-consuming and inefficient, this could lead to arguments about whether other parts of EGD's

[1] http://www.statcan.gc.ca/release-diffusion/2009-eng.htm#4

application should also be updated at the same time. This would also mean that the new rates set for the following year would be based on less current information.

10. In this context, EGD believes that all reasonable efforts should be made to preserve the timeline for the annual IRM filing established in the IRM Settlement Agreement. EGD accepts that the procedure must allow for a final rate order to be in place by January 1st, but submits that there are ways to accomplish this without changing the timeline set out in the IRM Settlement Agreement.

11. It is EGD's view that the 2009 rate adjustment process, which is based on a predetermined IR formula and Board-approved forecast and rate design methodologies, moved very efficiently, productively and effectively when the parties were able to come together "face to face" to address the application of the Adjustment Formula. This face to face contact occurred first at the Technical Conference on December 4th and then again at the Settlement Conference on December 10th. Unfortunately, though, the Technical Conference took place almost 10 weeks after the filing of the application on September 26th. The entire timeline contemplated by the IRM Settlement Agreement for the rate adjustment process - from application to implementation of rates - is in the order of 13 weeks. Given that almost 10 weeks elapsed before the parties actually came together to discuss the result of the Adjustment Formula for 2009, EGD believes that consideration should be given to areas where the efficiency and effectiveness of the earlier elements of the process can be enhanced.

12. One area where EGD sees potential for enhanced efficiency relates to the triggering of the Board's Notice of Application at the beginning of the process. EGD believes that, insofar as the annual rate adjustment pursuant to the Adjustment Formula is concerned, the Board could issue a Notice of Application on the basis of EGD's Application document. Given the nature of the rate adjustment that results from

application of the Adjustment Formula, EGD is aware of no reason why a complete evidentiary filing is needed before the Notice of Application can be issued.

13. EGD believes that the Application document, with information about the approximate rate impact of the relief sought, could be filed in advance of the October 1st filing date set out in the IRM Settlement Agreement and that, upon receipt of the Application document, the Board could proceed with the Notice of Application. EGD could complete its evidentiary filing by October 1st, following which it would be entirely possible to have the first face to face meeting of the parties (presumably, a Technical Conference) in October or, at the latest, November. This is in itself would produce a significant enhancement to the date of December 4th for the Technical Conference in the 2009 rate adjustment process and would put the process on track for rates to be in place as of January 1st. Some issues, if any, might have to be addressed in a later phase of the proceeding, but the result of the application of the Adjustment Formula could be determined in a timely fashion.

14. EGD submits that this approach would permit rates to be implemented for January 1st, and is preferable to changing the filing deadline for its complete Application, including supporting evidence.

Witnesses: R. Bourke
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