



EB-2007-0606
EB-2007-0615

IN THE MATTER OF the *Ontario Energy Board Act 1998*, S.O.1998, c.15, (Schedule B);

AND IN THE MATTER OF an Application by Union Gas Limited for an Order or Orders approving or fixing a multi-year incentive rate mechanism to determine rates for the regulated distribution, transmission and storage of natural gas, effective January 1, 2008;

AND IN THE MATTER OF an Application by Enbridge Gas Distribution Inc. for an Order or Orders approving or fixing rates for the distribution, transmission and storage of natural gas, effective January 1, 2008;

AND IN THE MATTER OF a combined proceeding Board pursuant to section 21(1) of the *Ontario Energy Board Act, 1998*.

PROCEDURAL ORDER No. 4

Union Gas Limited ("Union") filed an Application on May 11, 2007 under section 36 of the *Ontario Energy Board Act, 1998*, S.O. c.15, Sched. B, as amended, for an order of the Ontario Energy Board (the "Board") approving or fixing a multi-year incentive rate mechanism to determine rates for the regulated distribution, transmission and storage of natural gas, effective January 1, 2008.

Enbridge Gas Distribution Inc. ("Enbridge" or "EGD") filed an Application on May 11, 2007 under section 36 of the *Ontario Energy Board Act, 1998*, S.O. c.15, Sched. B, as amended, for an order of the Board approving or fixing rates for the distribution, transmission and storage of natural gas, effective January 1, 2008.

The Board has assigned file number EB-2007-0606 to the Union Application and file number EB-2007-0615 to the Enbridge Application and has issued a Notice of Applications and Combined Proceeding dated May 25, 2007.

The Board's Notice indicated that Union and Enbridge (the "Companies", the "Applicants") would be filing written evidence in support of their respective Applications in due course.

On June 27, 2007 the Board issued Procedural Order No. 1 which set out, amongst other things, the combined proceeding timetable. The timetable anticipated the filing of the Companies' written evidence by July 9, 2007.

On July 9, 2007 the Board issued Procedural Order No. 2 to set a date to hear submissions regarding the schedule for the proceeding and whether the Union and Enbridge applications should continue to be heard on a combined basis. In an oral decision, dated July 13, 2007, the Board found that the Applications would continue to be heard on a combined basis and the timetable would be extended to provide additional time for the filing of evidence.

The Board issued Procedural Order No. 3 on July 16, 2007 which included an updated case timetable.

On Issues Day, August 10, 2007, the Board heard submissions from the parties on the issues the Board should consider in the proceeding. By way of an oral decision, the Board defined the Issues List for the combined proceeding. The Board-approved Issues List is attached as Appendix A.

Please be aware that further procedural orders may be issued from time to time.

The Board therefore orders that:

1. The issues for the combined proceeding EB-2007-0606 / EB-2007-0615 are as set out in Appendix A attached to this Order.

DATED at Toronto, August 13, 2007.

ONTARIO ENERGY BOARD

Original signed by

Peter H. O'Dell
Assistant Board Secretary

APPENDIX A

UNION GAS LIMITED ENBRIDGE GAS DISTRIBUTION INC. EB-2007-0606 / EB-2007-0615

ISSUES LIST

1. Multi-Year Incentive Ratemaking Framework

- 1.1 What are the implications associated with a revenue cap, a price cap and other alternative multi-year incentive ratemaking frameworks?
- 1.2 What is the method for incentive regulation that the Board should approve for each utility?
- 1.3 Should weather risk continue to be borne by the shareholders, and if so what other adjustments should be made?

2. Inflation Factor

- 2.1 What type of index should be used as the inflation factor (industry specific index or macroeconomic index)?
 - 2.1.1 Which macroeconomic or industry specific index should be used?
- 2.2 Should the inflation factor be based on an actual or forecast?
- 2.3 How often should the Board update the inflation factor?
- 2.4 Should the gas utilities ROE be adjusted in each year of the incentive regulation (IR) plan using the Board's approved ROE guidelines?

3. X Factor

- 3.1 How should the X factor be determined?
- 3.2 What are the appropriate components of an X factor?
- 3.3 What are the expected cost and revenue changes during the IR plan that should be taken into account in determining an appropriate X factor?

4. Average Use Factor

- 4.1 Is it appropriate to include the impact of changes in average use in the annual adjustment?

**UNION GAS LIMITED
ENBRIDGE GAS DISTRIBUTION INC.
EB-2007-0606 / EB-2007-0615
ISSUES LIST**

4.2 How should the impact of changes in average use be calculated?

4.3 If so, how should the impact of changes in average use be applied (e.g., to all customer rate classes equally, should it be differentiated by customer rate classes or some other manner)?

5. Y Factor

5.1 What are the Y factors that should be included in the IR plan?

5.2 What are the criteria for disposition?

6. Z Factor

6.1 What are the criteria for establishing Z factors that should be included in the IR plan?

6.2 Should there be materiality tests, and if so, what should they be?

7. Natural Gas Electricity Interface Review (NGEIR) Decisions

7.1 How should the impacts of the NGEIR decisions, if any, be reflected in rates during the IR plan?

8. Term of the Plan

8.1 What is the appropriate plan term for each utility?

9. Off-Ramps

9.1 Should an off-ramp be included in the IR plan?

9.2 If so, what should be the parameters?

10. Earning Sharing Mechanism (ESM)

10.1 Should an ESM be included in the IR plan?

**UNION GAS LIMITED
ENBRIDGE GAS DISTRIBUTION INC.
EB-2007-0606 / EB-2007-0615
ISSUES LIST**

10.2 If so, what should be the parameters?

11. Reporting Requirements

11.1 What information should the Board consider and stakeholders be provided with during the IR plan?

11.2 What should be the frequency of the reporting requirements during the IR plan (e.g., quarterly, semi-annual or annually)?

11.3 What should be the process and the role of the Board and stakeholders?

12. Rate-Setting Process

12.1 Annual Adjustment

12.1.1 What should be the information requirements?

12.1.2 What should be the process, the timing, and the role of the stakeholders?

12.2 New Energy Services

12.2.1 What should be the criteria to implement a new energy service?

12.2.2 What should be the information requirements for a new energy service?

12.3 Changes in Rate Design

12.3.1 What should be the criteria for changes in rate design?

12.3.2 How should the change in the rate design be implemented?

12.3.3 What should be the information requirements for a change in rate design?

12.4 Non-Energy Services

12.4.1 Should the charges for these services be included in the IR mechanism?

12.4.2 If not, what should be the criteria for adjusting these charges?

12.4.3 What should be the criteria to implement new non-energy services?

**UNION GAS LIMITED
ENBRIDGE GAS DISTRIBUTION INC.
EB-2007-0606 / EB-2007-0615
ISSUES LIST**

12.4.4 What should be the information requirements for new non-energy services?

13. Rebasing

13.1 What information should the Board consider and stakeholders be provided with at the time of rebasing?

14. Adjustments to Base Year Revenue Requirements and/or Rates

14.1 Are there adjustments that should be made to base year revenue requirements and/or rates?

14.2 If so, how should these adjustments be made?