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*.

INTERROGATORIES OF THE INDUSTRIAL GAS USERS ASSOCIATION ("IGUA") TO ENBRIDGE GAS DISTRIBUTION INC. ("ENBRIDGE")

1. Reference: EGD Evidence, Ex.B, Tab 1, Schedule 1, pp. 1 to 3
Issue No.: 1.2
Issue: What is the method for incentive regulation that the Board should approve for each utility?

EGD's evidence summarizes its Incentive Regulation ("IR") plan proposal. IGUA wishes to understand the differences between the IR regimes being proposed by Union Gas Limited ("Union") and EGD, and the recommendations of the Pacific Economics Group ("PEG") for each utility. In this context, please provide responses to the following questions

(a) Please prepare a Table comparable to Table 1 in Union's evidence at Ex. B, Tab 1, page 8, summarizing EGD's revenue cap IR proposal.

(b) Please revise the Table to be provided in response to question (a) to show the different results that would ensue if PEG's recommendations relevant to a revenue cap IR plan are adopted.

(c) Please revise the Table to be provided in response to question (a) to show the results that would ensue if PEG's price cap recommendations for EGD were to be approved by the Board.

(d) A few years ago, EGD was attempting to persuade stakeholders to subscribe to a multi-year IR plan. Please provide a summary description of the comprehensive IR plan EGD was then asking stakeholders to endorse and indicate whether it was a revenue cap or price cap plan.

2. Reference: EGD Evidence, Ex.B, Tab 1, Schedule 1, pp. 15 to 22
Issue Nos.: 1.2, 5.1, 6.1
Issue:
1.2 What is the method for incentive regulation that the Board should approve for each utility?
5.1 What are the Y factors that should be included in the IR plan?
6.1 What are the criteria for establishing Z factors that should be included in the IR plan?

The evidence indicates that the IR regime EGD proposes contemplates that a number of components of EGD's base year regulated revenue requirement will continue to be subject to some form of continuing Cost of Service ("COS") regulation for the duration of any IR plan the Board might approve for EGD. In this context, IGUA regards Y factors, including Deferral Accounts, and Z factors as continuing COS features of rate regulation. IGUA wishes to obtain EGD's analysis of the extent to which its regulated revenue requirement will continue to be subject to some form of continuing COS regulation over the duration of any IR plan the Board might approve for EGD. To this end, please provide the following:

(a) EGD's total base year regulated revenue requirement.

(b) The portion of the revenue requirement to be provided in response to question (a) which is EGD's total base year delivery-related revenue requirement.

(c) A segregation of the total regulated revenue requirement to be provided in response to question (a) between the following broad categories:

- Cost of gas, operations and maintenance expenses,
- Depreciation,
- Property taxes,
- Capital taxes,
- Return segregated as follows:
    - Equity return
    - Cost of debt
    - Income taxes

(d) Within each of these broad categories, list and provide the amount of portion of the regulated revenue requirement which, in whole or in part, falls within the categories of Y factors, including Deferral Accounts, and Z factors proposed by EGD.

(e) Using information to be provided in response to the previous questions, estimate the following:

(i) the proportion of the total regulated revenue requirement which will not be subject to some form of continuing COS treatment under the IR plan proposed by EGD, and

(ii) the proportion of the delivery-related revenue requirement for EGD which will not be subject to some form of continuing COS treatment under the IR plan proposed by EGD.

(f) Please list all of the Deferral Accounts for which EGD has obtained Board approval and indicate whether EGD is proposing to eliminate any of those Deferral Accounts as part of its proposed IR plan.

(g) Is EGD proposing to add any Deferral Accounts as part of its proposed IR plan?

3. Reference: EGD Evidence, Ex.B, Tab 1, Schedule 1, pp. 1 to 18
Issue Nos.: 1.1 and 1.2
Issue: 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?

IGUA wishes to have EGD provide schedules which will illustrate the incremental revenues, over and above the base year revenue requirement, which will be available to EGD in an illustrative 1% price cap scenario for EGD in each of the years 2008 to 2012 inclusive; and in an illustrative revenue per customer cap of 2% per year, including, in each case, an estimate of the amount of capital spending which these IR models will support in each of the years 2008 to 2012 inclusive.

Please make the following assumptions:

- a 2007 rate base of $3.7B
- a composite depreciation rate of 4.5%
- a 2007 revenue requirement, including the cost of gas of $3.1B, with the delivery-related revenue requirement component thereof being in an amount of $925M
- over the years 2008 to 2012 inclusive, the addition of 50,000 residential customers per year

If further assumptions need to be made to provide the illustrations, then please make the further assumptions which EGD considers to be reasonable.

Under these assumptions, please provide exhibits which will show the following:

(a) The incremental revenues, over and above the base year revenue requirement, which a 1% price cap for each of the years 2008 to 2012 will produce in each of those years.

(b) The estimated amount of capital spending which the 1% price cap will accommodate in each of the years 2008 to 2012 inclusive.

(c) The incremental revenues, over and above the base year revenue requirement, which EGD's proposed revenue per customer cap of 2% per year will produce for each of the years 2008 to 2012 inclusive, along with the estimated amount of capital spending which EGD's revenue per customer cap of 2% per year will support in each of those years.

(d) Please produce all documents in EGD's possession, including internal e-mail communications, PowerPoint presentations, etc., containing EGD's estimates of the incremental revenues which will be available, on a year-by-year basis, under PEG's Price Cap proposals for EGD and under EGD's revenue per customer Cap proposal, for each of the years 2008 to 2012 inclusive.

(e) Please quantify the opportunities EGD has to enhance and increase the portion of its base year revenue requirement, which is attributable to EGD's use of temporarily idle utility assets, to generate incremental revenues; and produce any and all documents in EGD's possession, including internal e-mail communications, and PowerPoint presentations, etc., containing estimates of this incremental revenue potential, for each of the years 2008 to 2012 inclusive.

(f) Please quantify the extent to which EGD has opportunities to reduce costs included in its 2007 base year revenue requirement; and produce any and all documents in its possession, including internal e-mail communications and PowerPoint presentations, etc., containing estimates of this cost reduction potential for each of the years 2008 to 2012 inclusive.

4. Reference: EGD Evidence, Ex.B, Tab 3, Schedules 1, 2 and 3
Issue Nos.: 1.1 and 3.2
Issue: 1.1 What are the implications associated with a revenue cap, a price cap and other alternative multi-year incentive ratemaking frameworks?
3.2 What are the appropriate components of an X factor?

The evidence indicates that the X factor is an off-set to inflation in the adjustment formula which EGD proposes to apply to its revenue requirement. Consultatives with respect to the X factor issue have revealed that its statistically-derived components are controversial and its judgementally determined components are equally controversial. In this context, please provide responses to the following questions:

(a) Does a negative X factor imply negative productivity?

(b) Does EGD agree that regulators ought not to countenance negative productivity? Please include a brief rationale for EGD's response to this question.

(c) What simplified approaches to the X factor component of the adjustment mechanism did EGD consider? For example, did EGD consider the rate freeze approach or a percentage of inflation approach as simplified approaches to the adjustment mechanism? Please explain the extent to which simplified approaches were considered and the results of EGD's consideration of each approach considered.

5. Reference: EGD Evidence, Ex.B, Tab 1, Schedule 1, page 7
Issue Nos.: 4.1, 4.2 and 4.3
Issue:
4.1 Is it appropriate to include the impact of changes in average use in the annual adjustment?
4.2 How should the impact of changes in average use be calculate?
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)?

The evidence of PEG and Union discusses the average use factor as an adjustment to the X factor. IGUA understand that EGD does not reflect declines in average use as an adjustment to the X factor. Instead, EGD proposes to take declining average uses into account during the course of the annual rate adjustment process. The IR plans Union and EGD propose contemplate that the Demand Side Management ("DSM") matters will be a Y factor adjustment. The evidence also indicates that DSM measures and declines in average use are inter-related. In this context, please provide EGD's response to the following questions:

(a) Is there any reason why declines in average use could not be included within the ambit of matters pertaining to a Y factor for DSM or as a separate average use Y factor?

(b) Under its proposal, will EGD be determining the declines in average use on an annual basis and allocating the impacts thereof to the various rate classes on an annual basis? If so, then how will the impacts of declining average uses be allocated to the different rate classes?

6. Reference: EGD Evidence, Ex.B, Tab 1, Schedule 1
Issue Nos.: 10.1 and 10.2
Issue:
10.1 Should an ESM be included in the IR plan?
10.2 If so, what should be the parameters?

IGUA is interested in obtaining EGD's views on matters pertaining to the appropriateness of including or excluding an Earnings Sharing Mechanism ("ESM") as a feature of its IR plan. In this context, please provide EGD's responses to the following questions:

(a) In EGD's view, does a regulator have a continuing obligation over the duration of an IR regime to monitor the rates being charged to assess whether they remain within just and reasonable limits and are not producing unreasonable returns for utility shareholders?

(b) In EGD's view, is an ESM feature of an IR plan equivalent to treating a portion of equity return, in excess of the utility allowed return, as either a Y factor or a Z factor adjustment to rates?

(c) Is an excessive return "off-ramp" equivalent to a 100% ESM mechanism in favour of the ratepayers?

(d) Did the comprehensive IR plan EGD was urging stakeholders to adopt a few years ago include an ESM mechanism? If so, please provide details of the ESM proposal EGD was then making.

7. Reference: EGD Evidence, Ex.B, Tab 1, Schedule 1, pp. 11 to 15
Issue Nos.: 1.1
Issue: What are the implications associated with a revenue cap, a price cap and other alternative multi-year incentive ratemaking frameworks?

In its evidence, EGD rejects the Price Cap recommendations for EGD. PEG's evidence indicates that the Price Cap Index ("PCI") for PEG's non-residential customer classes would be 0.32%, and that the PCI for EGD's Rate 1 customer class would be 1.49%, when a negative average use adjustment factor is included to reduce the X factor. PEG's evidence suggests that the PCI for EGD's Rate 1 customers would be about 0.68% if the negative average use adjustment is treated as a Y factor rather than as an adjustment which reduces the X factor. On an assumption that the Board requires EGD to adopt a Price Cap plan, please provide responses to the following questions:

(a) What are the statistical confidence levels for the service group PCIs which PEG recommends?

(b) What other regulators have adopted service group PCIs in the IR plans for utilities they regulate?

8. Reference: Enbridge Evidence, Ex.B, Tab 1, Schedule 1, page 4 of 22
Issue No.: 1.1, para. 11
Issue 1.1: What are the implications associated with a revenue cap, a price cap and other alternative multi-year incentive ratemaking frameworks?

Enbridge lists nine IR principles set out by Board Staff in their January 5, 2007 Discussion Paper. At paragraph 12, Enbridge says that it "generally accepts these principles, with equal weighting" as appropriate criteria to consider in IR Plan design.

(a) Please explain what Enbridge means by the phrase "generally accepts these principles, with equal weighting"?

(b) Does Enbridge disagree with any of the nine IR principles?

9. Reference: Enbridge Evidence, Ex.B, Tab 1, Schedule 1, page 5 of 22
Issue No.: 1.1
Issue: What are the implications associated with a revenue cap, a price cap and other alternative multi-year incentive ratemaking frameworks?

At paragraph 13, Enbridge identifies the following objectives:

(a) Maintain a safe and reliable system;

(b) Meet service quality requirements;

(c) Retain incremental ROE resulting from efficiency and proven initiatives; and

(d) Respond to the continuing demand for new customer attachment, recently at a pace of 45,000 to 50,000 new customers per year.

Enbridge goes on to state that all of these objectives cannot be satisfied in a plan that does not adequately compensate the utility for the cost escalation and growth.

(e) Can a Price Cap Plan adequately compensate Enbridge for the cost escalation and growth pressures it faces? If not, why not?

(f) If the answer to (a) is yes, please identify the changes that Enbridge believes would be required to the Price Cap Index set out in the PEG Report.

10. Reference: Enbridge Evidence, Ex.B, Tab 1, Schedule 1, page 1 of 22
Issue No.: 1.2
Issue: What is the method for incentive regulation that the Board should approve for each utility?

Enbridge is seeking approval of a Revenue Cap Plan. When did Enbridge decide to seek approval for a Revenue Cap Plan as opposed to a Price Cap Plan? Please provide all documents, including memoranda and PowerPoint presentations, given to senior management, Enbridge's Board of Directors or Enbridge's Shareholders, with respect to the decision to pursue a Revenue Cap Plan as opposed to a Price Cap Plan.

11. Reference: Enbridge Evidence, Exhibit "B", Tab 1, Sch 1, p. 11 of 22
Issue No.: 1.1
Issue: What are the implications associated with a revenue cap, a price cap and other alternative multi-year incentive ratemaking frameworks?

Please provide a copy of the *International Survey of Performance Based Regulation Mechanisms Approved By Energy Regulators* referred to at footnote 3.

12. Reference: Enbridge Evidence, Exhibit "B", Tab 1, Sch 1, p. 12 of 22
Issue No.: 1.2
Issue: What is the method for incentive regulation that the Board should approve for each utility?

Enbridge states that its depreciation rates are 4.2% and 4.4%, respectively, from mains and services compared to 2.5% and 3.2% for Union, and that this results in significantly higher depreciation expenses. As well, Enbridge states that it has a lower monthly customer charge of $11.95 per month compared to Union's monthly customer charge of $16.00.

(a) Please provide a schedule the contains:

(i) all of Enbridge Gas Distribution Inc.'s depreciation rates; and

(ii) all of Union's depreciation rates;

(b) Please provide a schedule which lists:

(i) all of Enbridge's monthly customer charges; and

(ii) all of Union's monthly customer charges.

13. Reference: Enbridge Evidence, Exhibit "B", Tab 1, Sch 1, p. 13 of 22
Issue No.: 4.1
Issue: Is it appropriate to include the impact of changes in average use in the annual adjustment?

Enbridge states that if average use decline accelerates, then the company expects that it would be forced to make significant capital rationing decisions. Please provide all evidence in Enbridge's possession to support the proposition that average use decline will accelerate over the proposed term of the IR Plan;

14. Reference: Enbridge Evidence, Exhibit "B", Tab 3, Sch 1, p. 3 of 37
Issue No.: 3.1
Issue: How should the X factor be determined?

Enbridge relies upon data and research from the Centre for the Study of Living Standards ("CSLS"). Please provide all data and research from CSLS reviewed by Enbridge relating to its IR Plan.

15. Reference: Enbridge Evidence, Exhibit "B", Tab 3, Sch 1, p. 4 of 37
Issue No.: 3.1
Issue: How should the X factor be determined?

Enbridge relies upon a report by Rao, Tang and Wang entitled *Measuring the Canada-U.S. Productivity Gap: Industry Dimensions.* Please provide a copy of that report.

16. Reference: Enbridge Evidence, Exhibit "B", Tab 3, Sch 1, p. 20 of 37
Issue No.: 3.1
Issue: How should the X factor be determined?

Enbridge refers to a presentation by PEG called *Comparing AltReg Options*. Please provide a copy of the entire presentation.

17. Reference: Enbridge Evidence, Exhibit "B", Tab 3, Sch 1, p. 21 of 37
Issue No.: 3.1
Issue: How should the X factor be determined?

Enbridge states that a positive stretch factor increase the company's risk profile while providing no incremental compensatory return. Enbridge also states that the asymmetrical risk profile of the stretch factor is further magnified in that all productivity-enhancing benefits accrue to customers at the end of the IR term.

At page 32 of its report, PEG observes that Enbridge’s partial factor productivity fell by more than 11% in 2003, and did not subsequently regain much of the lost ground. The year 2003 was the first year following the company’s targeted IR Plan for O&M inputs. Thus, PEG observes there is no evidence that Enbridge’s targeted IR Plan for O&M inputs produced lasting benefits for Enbridge customers.

(a) What assurances, if any, can Enbridge provide that productivity-enhancing benefits will accrue to customers at the end of the proposed IR term?

(b) What steps will Enbridge take to ensure that the productivity-enhancing benefits developed during the IR Plan are long term and not short term?

(c) Will Enbridge be able to track both the short term and long term productivity-enhancing benefits it realizes during the term of the IR Plan? If yes, please explain how?

18. Reference: Enbridge Evidence, Exhibit “B”, Tab 3, Sch 2, p. 14 of 24
Issue No.: 3.1
Issue: How should the X factor be determined?

Dr. Carpenter refers to a survey by Farsi entitled *Cost Efficiency in the Swiss Gas Distribution Sector*. Please provide a copy of that report.

19. Reference: Enbridge Evidence, Exhibit “B”, Tab 3, Sch 1, p. 1 of 37
Issue Nos.: 1.1 and 1.2
Issue 1.1: What are the implications associated with a revenue cap, a price cap and other alternative multi-year incentive ratemaking frameworks?
Issue 1.2: What is the method for incentive regulation that the Board should approve for each utility?

Enbridge does not include a stretch factor in its X factor proposal.

(a) Does Enbridge believe that the sharing of efficiency gains and growth should be shared between customers and utility during the IR plan, or only upon completion of the term of the IR plan?

(b) If Enbridge believes that the sharing of those efficiency gains and growth should be shared between customers and utility during the IR plan, how is this achieved without a positive stretch factor or an Earnings Sharing Mechanism (“ESM”)?

20. Reference: Enbridge Evidence, Exhibit “B”, Tab 3, Sch 3, p. 12 of 64
Issue No.: 3.1
Issue: How should the X factor be determined?

Dr. Bernstein is of the opinion that omitting an X factor component designed to measure future changes in service use that differ from past trends will lead to an incorrect X factor. Dr. Bernstein is also of the opinion that the X factor calculation should account for prospective levels of infrastructure investment that differ. IGUA suggests that, on a prospective basis, there are other items from Enbridge's 2007 Board approved revenue requirement which will likely be lower during the term of the IR plan. In this context, please:

(a) Identify all items contained in the 2007 board approved revenue requirement that will reduce below the 2007 level during the 2008-2012 time period.

(b) List all of Enbridge's long-term debt instruments.

(c) Identify which long-term debt instruments will expire during the 2008-2012 time period.

(d) For all of the long-term debt instruments listed in (c), please provide the reduction in debt costs for the 2008-2012 time period if each instrument is renewed at an interest rate of 6%.

21. Reference: Enbridge Evidence, Exhibit "B", Tab 3, Sch 3, p. 14 of 64
Issue No.: 3.1
Issue: How should the X factor be determined?

Dr. Bernstein states that the regulator cannot promise the regulated firm the fruits of its cost reducing efforts and then turn around and appropriate them at the next Price Cap Review. If the efficiency gains developed during the IR are not shared equally between the shareholder and the customers at the next Price Cap Review, and there is no stretch factor, and there is no Earnings Sharing Mechanism, will any of the benefits derived from the IR Plan flow to the customers? If yes, please explain.

22. Reference: Enbridge Evidence, Exhibit "B", Tab 4, Sch 1, p. 1 of 15
Issue No.: 5.1
Issue: What are the Y factors that should be included in the IR plan?

Enbridge proposes pass throughs at cost of service for certain system safety and integrity projects, and leave to construct applications for power generation customers in new communities.

(a) Please list all system safety and integrity projects and leave to construct applications which Enbridge proposes pass throughs at a cost of service.

(b) For each of the projects and applications listed in (a), please identify the anticipated date to commence those projects or file the applications.

(c) For each of the projects and applications identified in (a), please identify the anticipated cost and show the anticipated allocation of those costs by rate class.

23. Reference: Enbridge Evidence, Exhibit "B", Tab 4, Sch 1, pp. 3 to 7 of 15
Issue No.: 5.1
Issue: What are the Y factors that should be included in the IR plan?

Enbridge has set out the challenges it will face with respect to capital investments, including residential customer attachments, natural gas fired power generation projects, repair and replacement projects, and reinforcement projects. As well, the company has set out its concerns with respect to declining average use. Given all of these challenges, why has Enbridge applied for an IR regulation model instead of a traditional Cost of Service Application?

24. Reference: Enbridge Evidence, Exhibit "B", Tab 4, Sch 1, p. 11 of 15
Issue No.: 5.1
Issue: What are the Y factors that should be included in the IR plan?

Enbridge states that ensuring that shareholders are appropriately compensated for their investment in Ontario must be accommodated in the IR Plan approved by the Board.

(a) Please define what is meant by "appropriately compensated";

(b) Is it Enbridge's position that the IR Plan should be developed so that the shareholder will receive, at a minimum, the current Board approved ROE.

25. Reference: Union Evidence, Exhibit "B", Tab 1, p. 18 of 48
Issue No.: 1.1
Issue: What are the implications associated with a revenue cap, a price cap and other alternative multi-year incentive ratemaking frameworks?

Union states that a Price Cap Mechanism should be used because it better addresses the two items that matter most to customers: the price and quality of the service they receive.

(a) Does Enbridge agree that a Price Cap Mechanism addresses these two items better than a Revenue Cap Mechanism? If not, why not?

(b) Please set out the advantages and disadvantages of a Price Cap Mechanism compared to a Revenue Cap Mechanism.

26. Reference: Union Evidence, Exhibit "B", Tab 1, p. 19 of 48
Issue No.: 1.2
Issue: What is the method for incentive regulation that the Board should approve for each utility?

Union states that a Revenue Cap Mechanism may result in greater controversy and regulatory administration. Does Enbridge agree with this statement? If not, why not?

27. Reference: Union Evidence, Exhibit "B", Tab 1, p. 19 of 48
Issue No.: 1.2
Issue: What is the method for incentive regulation that the Board should approve for each utility?

Union states that price cap parameters that are known in advance will result in more stable and predictable rates than a Revenue Cap Mechanism. Does Enbridge agree with this proposition? If not, why not?

28. Reference: Enbridge Evidence, Exhibit "B", Tab 6, Sch 1, p. 1 of 4
Issue No.: 1.2
Issue: What is the method for incentive regulation that the Board should approve for each utility?

IGUA has previously advocated that Union and Enbridge should file information equivalent to quarterly surveillance reports required by the NEB. In IGUA's view, the utilities should be required to provide the following information:

(a) Financial Statements of both the utility and of its parent company (or, those portions of the parent company financial statements reflecting the utility's contributions)

(b) Rate Base and Capital Expenditures, including:

(i) gross assets by function;

(ii) accumulated depreciation by function;

(iii) allowance for Working Capital by component;

(c) Gas Delivery Volumes by rate class and by sales versus direct customers; and customer additions (number, by rate class, volume)

(d) Revenue from operations, including:

(i) weather normalization;

(ii) by rate class;

(iii) unit revenues by rate class;

(iv) non-distribution revenue by source (storage, T-service, load balancing, miscellaneous fees);

(v) transactional services.

(e) Operating Costs (excluding Cost of Gas)

(i) Operations and Maintenance broken down by major cost elements (executive, information services, legal and regulatory, engineering, operations, buildings, communications, etc.);

(ii) Depreciation, Amortization and Depreciation;

(iii) Corporate Cost Allocation;

(iv) Income Tax, Corporation Tax, Capital Tax;

(v) DSM program costs.

(f) Cost of Gas

(i) Average cost of gas purchases for sales customers;

(ii) Average cost of gas used in operations;

(iii) Lost and unaccounted for gas;

(iv) Cost of transportation by upstream contract, both total and average/per unit cost.

(g) Return on Equity (dollar and percentage)

(h) Deferral Account Balances

(i) Cost Allocation

(i) Allocation of costs by customer class

(ii) Allocation of rate base by customer class

(j) Rate Design Schedules

Please identify from the information listed in (a) through to (j) which items Enbridge opposes to producing on a quarterly basis. For those items to which Enbridge opposes quarterly reporting, please provide an explanation.

29. Reference: PEG Report, p. vii
Issue No.: 3.1
Issue: How should the X factor be determined?

PEG states in its report that no evidence has been brought to its attention concerning the recent operating efficiency of Enbridge or Union. Please explain why Enbridge did not provide any evidence to PEG with respect to its operating efficiency.

30. Reference: PEG Report, p. v
Issue No.: 1.2
Issue: What is the method for incentive regulation that the Board should approve for each utility?

Enbridge has identified that a Revenue Cap Mechanism should be used. PEG has calculated a Price Cap Index and Revenue Cap Index for Enbridge.

(a) If the Board determines that a Price Cap Mechanism is more appropriate than a Revenue Cap Mechanism, does Enbridge accept the Price Cap Index as set out in the PEG Report?

(b) If the answer to (a) is no, please identify which components of the Price Cap Index set out at iv and v of the PEG Report Enbridge does not accept. For those components of the Price Cap Index that Enbridge does not accept, please provide an explanation.