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September 12, 2007

VIA COURIER AND EMAIL

Ms. Kirsten Walli
Board Secretary
Ontario Energy Board
P.O. Box 2319
26th Floor
2300 Yonge Street
Toronto, ON
M4P 1E4

Dear Ms. Walli:

**Re: Union Gas / Enbridge Gas Distribution Inc. - Incentive Rate
Regulation for Natural Gas Utilities
EB-2007-0606 / EB-2007-0615**

Please find enclosed VECC's Factum with respect to the above noted proceeding.

Yours truly,

Michael Buonaguro
Counsel for VECC
Encl.

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 multiyear
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.

**SUBMISSIONS OF THE VULNERABLE ENERGY CONSUMERS COALITION
(VECC) ON THE MOTION RETURNABLE SEPTEMBER 12, 2007**

1. It is VECC's respectful submission that a bifurcation of the proceedings in the manner proposed by Union is inappropriate for the same reasons outlined in the Board's earlier decision on this issue on July 13, 2007. VECC would like to emphasis one submission in particular which it believes is the fundamental reason for maintaining a combined proceeding at this point.

2. In paragraph 1 (a) of its factum Union asserts that

It is now clear, from the evidence Enbridge has filed, that the two proposals are radically different, such that any economics or efficiencies of a joint proceeding to deal with common issues are likely to be small or non-existent;

3. It is precisely because the utilities' proposals are radically different that it would be inappropriate, at this point, to bifurcate the proceedings. VECC respectfully submits that for the Board to determine just and reasonable rates it is necessary to examine and compare the different proposals and make determinations with respect to the appropriateness of governing the two major

natural gas utilities in the province under radically different regulatory mechanisms.

4. VECC respectfully submits that Union's submission fails to recognize the primary reason for combining the applications, which is to provide the Board with comprehensive evidence and argument on alternatives to cost of service regulation so as to enable it to determine, if appropriate, a common incentive based mechanism for natural gas utilities in Ontario as a replacement for the current common cost of service based regulation.
5. Union's comments presuppose that the utilities have determined the basic structure of the incentive mechanism that is to be applied to them by virtue of the form of their respective applications. If Union's position is correct, then it has already been determined that Union's rates will be governed by a price cap, and Enbridge's rates will be governed by a revenue cap; the proceedings, bifurcated or not, would be reduced to an examination of the details of the two schemes as applied to each utility.
6. It is VECC's understanding that the structure that is to be applied to either or both of the utilities remains completely open at this point. It may be that the Board applies a price cap to both utilities, or it may be that the Board applies a revenue cap to both utilities. It may be that the Board decides that Union should be governed by a price cap and Enbridge should be governed by a revenue cap as applied for, or even that some different, modified scheme that neither utility has applied for should govern.
7. However, until that decision is made after properly considering the evidence and submissions for and against the possible mechanisms, it would be premature to bifurcate the proceedings. It is only in a combined proceeding, with full evidence from Union, Enbridge, Board Staff and possibly intervenors that the Board can fairly make a determination about the nature of the incentive mechanism (or mechanisms) that should apply.

**ALL OF WHICH IS RESPECTFULLY SUBMITTED THIS 12th DAY OF
SEPTEMBER, 2007**