



**EB-2011-0210**

**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, pursuant to section 36(1) of the *Ontario Energy  
Board Act, 1998*, for an order or orders approving or fixing  
just and reasonable rates and other charges for the sale,  
distribution, transmission and storage of gas as of January 1,  
2013.

### **PROCEDURAL ORDER NO. 1**

Union Gas Limited ("Union") filed a cost of service application on November 10, 2011 with the Ontario Energy Board (the "Board") under section 36 of the *Ontario Energy Board Act, 1998*, S.O. c.15, Schedule B, as amended. The application is for an order or orders approving or fixing just and reasonable rates and other charges for the sale, distribution, transmission and storage of natural gas, effective January 1, 2013. The Board has assigned the application File Number EB-2011-0210.

Union's last cost of service application was conducted in 2006 for rates effective January 1, 2007. For the period 2008 to 2012 Union's regulated distribution, transmission and storage rates were set on the basis of an incentive regulation framework.

The Board issued a Notice of Application and Hearing dated December 1, 2011. The following parties applied for intervenor status (\* denotes a request for cost eligibility):

- Association of Power Producers of Ontario ("APPrO")\*
- Building Owners and Managers Association Toronto ("BOMA")\*
- Canadian Manufacturers and Exporters ("CME")\*
- City of Kitchener ("Kitchener")

- Consumers Council of Canada (“CCC”)\*
- Enbridge Gas Distribution Inc. (“Enbridge”)
- Energy Probe Research Foundation (“Energy Probe”)\*
- Federation of Rental-housing Providers of Ontario (“FRPO”)\*
- Industrial Gas Users Association (“IGUA”)\*
- Jason F. Stacey
- Just Energy Ontario LP (“Just Energy”)
- London Property Management Association (“LPMA”)\*
- Ontario Association of Physical Plant Administrators (“OAPPA”)\*
- Ontario Power Generation (“OPG”)
- School Energy Coalition (“SEC”)\*
- Six Nations Natural Gas Company Limited (“SNNG”)
- Shell Energy North America (Canada) Inc. (“Shell Energy”)
- TransAlta Generation Partnership (“TransAlta Generation”)
- TransAlta Cogeneration LP (“TransAlta Cogeneration”)
- TransCanada Pipelines Limited (“TCPL”)
- TransCanada Energy Limited (“TCE”)
- Vulnerable Energy Consumers Coalition (“VECC”)\*

No objections were received regarding the requests for intervenor status or cost eligibility.

The Board has determined that all parties who requested intervenor status in this proceeding will be granted intervenor status. The list of intervenors in this proceeding is attached as Appendix “A” to this procedural order.

The Board has also determined that APPrO, BOMA, CME, CCC, Energy Probe, FRPO, IGUA, LPMA, OAPPA, SEC, and VECC are each eligible to apply for an award of costs under the Board’s *Practice Direction on Cost Awards*.

Over the last several years the Board has worked with the full range of stakeholders to consider the implications of the anticipated global adoption of International Financial Reporting Standards (“IFRS”). This culminated in the production of the *Report of the Board, Transition to IFRS* in July 2009 (the “Report of the Board”) and subsequently the issuance in June 2011 of the *Addendum to Report of the Board: Implementing*

*International Financial Reporting Standards in an Incentive Rate Mechanism Environment* (the “Addendum Report”).

The Addendum Report recognized the need to provide some flexibility to accommodate unique circumstances in terms of permitting rate applications or Reporting and Record Keeping Requirements (“RRR”) reporting using US Generally Accepted Accounting Principles (“USGAAP”) as an alternative to IFRS.

The Board notes that Union’s application was filed on the basis of USGAAP.

The Addendum Report noted that the Board must consider the general public interest in ensuring efficiency and consistency in utility regulation in Ontario, and will require utilities to explain the use of an accounting standard other than Modified IFRS for regulatory purposes<sup>1</sup>. These requirements are as follows:

The Board requires a utility that adopts USGAAP or an alternate accounting standard other than IFRS, in its first cost of service application following the adoption of the new accounting standard, to:

- demonstrate the eligibility of the utility under the relevant securities legislation to report financial information using that standard;
- include a copy of the authorization to use the standard from the appropriate Canadian securities regulator (if applicable); and
- set out the benefits and potential disadvantages to the utility and its ratepayers of using the alternate accounting standard for rate regulation.

The Addendum Report also noted that the Board retains the authority to require specific accounting standards and practices for regulatory purposes in any case where the Board finds that the public interest requires uniformity in those standards and practices among utilities.

As a result, the Board has determined that it will consider Union’s application for the adoption of USGAAP for regulatory purposes (the “Preliminary Issue”) in advance of further procedural steps. The Board will allow an initial round of interrogatories by registered intervenors and Board staff to seek additional information specifically related to the Preliminary Issue and Union’s evidence on the Preliminary Issue. Following Union’s responses to these interrogatories, Board staff and intervenors may file

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<sup>1</sup> Page 19 of the Addendum to Report of the Board: Implementing International Financial Reporting Standards in an Incentive Rate Mechanism Environment

submissions on whether Union's application for the adoption of USGAAP for regulatory purposes should be accepted by the Board. Union shall then file a reply submission if it so wishes. In order to facilitate this process, the Board will consider interrogatory responses relating to USGAAP from Union's current incentive regulation rates proceeding (EB-2011-0025) as evidence in this proceeding. These are responses to interrogatories from Board staff on a similar issue.

If, following its determination on the Preliminary Issue, the Board decides to approve the use of USGAAP for regulatory purposes by Union, the Board will proceed with its consideration of Union's application and set out further procedural steps.

To more efficiently facilitate this process, the Board has decided to adopt the evidence related to the USGAAP issue from Union's 2012 IRM Proceeding (EB-2011-0025) (the "Adopted Evidence"). A package containing the Adopted Evidence can be found at: [http://www.rds.ontarioenergyboard.ca/webdrawer/webdrawer.dll/webdrawer/rec/318479/view/Union\\_USGAAP\\_Evidence\\_Package\\_20110110.PDF](http://www.rds.ontarioenergyboard.ca/webdrawer/webdrawer.dll/webdrawer/rec/318479/view/Union_USGAAP_Evidence_Package_20110110.PDF)

The Board considers it necessary to make provision for the following matters related to this proceeding. The Board may issue further procedural orders from time to time.

**THE BOARD ORDERS THAT:**

1. The parties listed in Appendix "A" are granted intervenor status in this proceeding.
2. Board staff and intervenors who wish information and material from Union that is in addition to Union's pre-filed evidence with the Board and the Adopted Evidence, and that is relevant to the Preliminary Issue, shall request it by written interrogatories filed with the Board and delivered to Union and all intervenors on or before **January 18, 2012**.
3. Union shall file with the Board complete responses to the interrogatories and deliver them to the intervenors no later than **January 25, 2012**.
4. Board staff and intervenors who wish to make a written submission on the Preliminary Issue must file that submission with the Board, and deliver it to Union and other intervenors, by **February 3, 2012**.

5. If Union wishes to respond to the submissions, the response must be filed with the Board and delivered to intervenors by **February 8, 2012**.

All filings to the Board must quote the file number, EB-2011-0210, be made through the Board's web portal at <https://www.errr.ontarioenergyboard.ca>, and consist of two paper copies and one electronic copy in searchable / unrestricted PDF format. Filings must clearly state the sender's name, postal address and telephone number, fax number and e-mail address. Parties must use the document naming conventions and document submission standards outlined in the RESS Document Guideline found at <http://www.ontarioenergyboard.ca/OEB/Industry>. If the web portal is not available parties may email their documents to the address below. Those who do not have internet access are required to submit all filings on a CD in PDF format, along with two paper copies. Those who do not have computer access are required to file 7 paper copies.

All communications should be directed to the attention of the Board Secretary at the address below, and be received no later than 4:45 p.m. on the required date.

### **ADDRESS**

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P.O. Box 2319  
2300 Yonge Street, 27th Floor  
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Fax: 416-440-7656

**DATED** at Toronto January 11, 2012  
**ONTARIO ENERGY BOARD**

Original signed by

Kirsten Walli  
Board Secretary

Appendix 'A'

To

Procedural Order No. 1

Union Gas Limited

EB-2011-0210

**Applicant and List of Intervenors**

January 11, 2012

**Union Gas Limited  
EB-2011-0210**

**APPLICANT & LIST OF INTERVENORS**

January 10, 2012

**APPLICANT**

**Rep. and Address for Service**

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**Rep. and Address for Service**

**Union Gas Limited**

**EB-2011-0210**

**APPLICANT & LIST OF INTERVENORS**

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January 10, 2012

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**Union Gas Limited**

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January 10, 2012

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**Union Gas Limited**

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January 10, 2012

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**Union Gas Limited**

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**Union Gas Limited**

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January 10, 2012

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