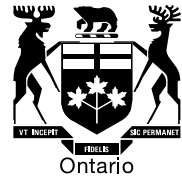


**Ontario Energy
Board**
P.O. Box 2319
27th. Floor
2300 Yonge Street
Toronto ON M4P 1E4
Telephone: 416- 481-1967
Facsimile: 416- 440-7656
Toll free: 1-888-632-6273

**Commission de l'énergie
de l'Ontario**
C.P. 2319
27e étage
2300, rue Yonge
Toronto ON M4P 1E4
Téléphone: 416-481-1967
Télécopieur: 416-440-7656
Numéro sans frais: 1-888-632-6273



BY E-MAIL AND WEB POSTING

April 27, 2012

To: Kirsten Walli, Board Secretary; File No.: EB-2011-0210

Re: Revised Report prepared by Pacific Economics Group Research, LLC in relation to the Preliminary Assessment of Incentive Regulation Plans of the Natural Gas Utilities (EB-2011-0052)

Pursuant to Procedural Order No. 4, Board staff is filing the attached Pacific Economics Group Research, LLC's revised report entitled *Assessment of Union Gas Limited and Enbridge Gas Distribution Inc. Incentive Regulation Plans* (the "PEG-R Report") dated April 2012, as evidence in the above noted proceeding.

The PEG-R Report has been revised from a previous version dated September 2011 (which, though available to all stakeholders, had not been filed in this proceeding) to correct a minor factual error pertaining to the description of the earnings sharing mechanism in the Union Gas Limited incentive regulation plan, as per Board staff's errata issued on November 1, 2011. For your convenience the errata sheet is also attached.

Yours truly,

Original Signed By

Neil McKay
Manager, Natural Gas Applications

Attachments: PEG-R Report
Errata Sheet (dated November 1, 2011)

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BY E-MAIL AND WEB POSTING

November 1, 2011

To: All Registered Participants in EB-2011-0052

**Re: Report prepared by Pacific Economics Group Research, LLC in relation to the Preliminary Assessment of Incentive Regulation Plans of the Natural Gas Utilities
Board File No.: EB-2011-0052**

Today Board staff has issued an errata with respect to Pacific Economics Group Research, LLC's ("PEG-R") report entitled *Assessment of Union Gas Limited and Enbridge Gas Distribution Inc. Incentive Regulation Plans* (the "PEG-R Report") dated September 30, 2011.

Board staff and PEG-R have become aware of a minor factual error in the PEG-R Report pertaining to the description of the earnings sharing mechanism ("ESM") in the Union Gas Limited ("Union") incentive regulation plan.

In 2009, the calculation of Union's ESM was revised. The revised ESM calculation has two sharing bands rather than one. The revised summary table that appears on pages 20-21 of the PEG Report is provided in the Attachment.

The description of Union's ESM in the PEG-R Report differs from the above description. This correction, however, has no impact on PEG-R's empirical analysis or its substantive conclusions regarding Union's incentive regulation plan or PEG-R's comparison of that plan with Enbridge Gas Distribution Inc.'s incentive regulation plan.

Questions regarding this consultation should be directed to Laurie Klein at 416-440-7661 or by e-mail at laurie.klein@ontarioenergyboard.ca. The Board's toll free number is 1-888-632-6273.

Yours truly,

Original Signed By

Peter Fraser
A/Managing Director
Regulatory Policy
Attachment: Errata Sheet

Errata Sheet dated November 1, 2011
Summary of Incentive Regulation Plans for Union and Enbridge

Table One (Revised)		
Summary of Incentive Regulation Plans for Union and Enbridge		
Plan Elements	Union	Enbridge
Base	2007 Approved Rates	
Form	Price Cap	Revenue per Customer Cap
Annual Adjustment Mechanism	PC=(I-X) +Y +Z+ AU	$DRR_t = \left(\frac{DRR_{t-1} - (Y_{t-1} + Z_{t-1})}{C_{t-1}} \right) * (1 + P * INF) * C_t + Y_t + Z_t$ <p>where, DRR = Annual Distribution Revenue INF = inflation factor C = average # of customers P = inflation coefficient; 2008-2012: 60%, 55%, 55%, 50%, 45%</p>
Inflation Factor ("I or INF")	Canada GDP IPI (Final Domestic Demand); updated annually	
X Factor	1.82%; fixed for plan term	No X factor. Annual inflation coefficient (P) is used to adjust the annual distribution revenue by a percentage of the annual rate of inflation.
Average Use ("AU")	Difference between average of the most recent three years' actual weather normalized volume and actuals; difference captured in a deferral account; calculated annually.	Difference between forecast use per customer and weather normalized actual use per customer; difference captured in a variance account; calculated annually.
Term	5 years	
Y Factor	Y factors are outside the price / revenue per customer caps; routine adjustments such as DSM; and considered to be cost pass-throughs.	
Z Factor	Z factors are also outside the price / revenue per customer caps; non-routine (or unexpected) adjustments are outside of management's control; and considered to be cost pass-throughs.	
Off-ramp	In 2008, Union exceeded Board's ROE by 330 basis points ("bp"). As a result, off-ramp provision was eliminated for rest of plan term and original ESM calculation was modified.	Board to review IR plan if weather normalized actual ROE \pm 300 bp approved ROE (based on Board's ROE guidelines).
Earnings Sharing Mechanism	If actual ROE is more than 200 bp but less than 300 bp above approved ROE (based on Board's ROE guidelines); excess earnings will be shared between customer and shareholder on a	If weather normalized actual ROE is 100 bp above approved ROE (based on Board's ROE guidelines); excess earnings will be shared between customer and shareholder on a 50/50 basis.

Table One (Revised)		
Summary of Incentive Regulation Plans for Union and Enbridge		
Plan Elements	Union	Enbridge
	<p>50/50 basis.</p> <p>Also, if actual ROE is more than 300 bp above approved ROE; excess earnings will be shared between customer and shareholder on a 90/10 basis.</p>	
Reporting Requirements	Annual reports filed with the Board	
Rebasing	Cost-of-service filing at the end of the IR plan term	