

**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**

October 3, 2013

Ms. Kirsten Walli  
Board Secretary  
Ontario Energy Board  
2300 Yonge Street, 27th Floor  
Toronto ON M4P 1E4

Dear Ms. Walli:

**Re: Enbridge Gas Distribution Inc. 2014-2018 Rates EB-2012-0459  
Description of Pacific Economics Group Research LLC's Written Assessment**

In light of intervenor inquiries, Board staff is providing further details on the scope of Pacific Economics Group Research LLC's ("PEG") written assessment of Enbridge Gas Distribution Inc.'s ("Enbridge") proposed Customized Incentive Regulation (IR) Plan.

PEG will review the Customized IR Plan proposal put forward by Enbridge as well as the empirical and analytical support for the proposal from Concentric Energy Advisors ("CEA") and London Economics International ("LEI"). There are two main components of PEG's analysis: 1) an analysis of the regulatory design issues; and 2) an analysis of the empirical work provided in support of the plan. For both components, PEG's analysis will be guided by the principles of sound incentive regulation, the Board's objectives and policies, and the methods for undertaking rigorous empirical research necessary to calibrate incentive regulation plans.

PEG's analysis of the regulatory design issues will examine the following topics: 1) the "Customized IR"/"Building Block" form of the incentive regulation proposal; 2) LEI's analysis of the UK building experience; 3) Enbridge's proposed changes in the Z factor; 4) the interaction between the earnings sharing mechanism and the form of the IR proposal; 5) Enbridge's proposed sustainable efficiency incentive mechanism; 6) the relationship between Enbridge's proposed plan term and sustainable efficiency incentives; 7) the AU factor; and 8) variance/deferral accounts associated with Enbridge's capital projects.

Furthermore, PEG's analysis of the empirical work provided in support of Enbridge's proposal will examine: 1) the basic approach of how this research is used to assess regulatory alternatives; 2) CEA's recommended inflation factor; 3) CEA's benchmarking

evidence; 4) CEA's productivity evidence; and 5) Enbridge's capital and operating expenditure forecasts in relation to productivity.

Yours truly,

*Original Signed By*

Pascale Duguay  
Manager, Natural Gas Applications