

# ONTARIO

## ENERGY

BOARD

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| **FILE NO.:** | EB-2013-0202 |  |
| **VOLUME:****DATE:****BEFORE:** | **1****October 3, 2013****Ken Quesnelle****Paula Conboy****Ellen Fry** | **Presiding Member** **Member****Member** |

**EB-2013-0202**

#### THE ONTARIO ENERGY BOARD

Union Gas Limited has applied to the Ontario Energy Board for a multi-year Incentive Regulation Mechanism that will be used to set Union’s regulated distribution, transportation and storage of gas rates over the 2014 to 2018 period. Under the proposal residential Customers of Union Gas in the Southern service area would see an increase of approximately 0.3% in their average annual bill while customers in the North would see a 0.2% decline in their average annual bill during the 5 year period. Other customers, including businesses, may be affected as well.

Hearing held at 2300 Yonge Street,

25th Floor, Toronto, Ontario,

on Thursday, October 3rd, 2013,

commencing at 9:36 a.m.

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VOLUME 1

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BEFORE:

 KEN QUESNELLE Presiding Member

 PAULA CONBOY Member

 ELLEN FRY Member

MICHAEL MILLAR Board Counsel

KHALIL VIRANEY Board Staff

PASCALE DUGUAY

GEORGE VEGH Union Gas

VALERIE YOUNG Association of Physical Plant Administrators

TOM BRETT Building Owners and Managers Association (BOMA)

PETER THOMPSON Canadian Manufacturers & Exporters

 (CME)

DAVID MacINTOSH Energy Probe Research Foundation

DWAYNE QUINN Federation of Rental-housing Providers of Ontario (FRPO)

JAMES GRUENBAUER City of Kitchener

RANDY AIKEN London Property Management Association (LPMA)

MICHAEL BUONAGURO Ontario Greenhouse Vegetable Growers

JAMES WIGHTMAN Vulnerable Energy Consumers'

 Coalition (VECC)

ALSO PRESENT:

CHRIS RIPLEY Union Gas

[--- On commencing at 9:36 a.m. 1](#_Toc368567368)

[Appearances 2](#_Toc368567369)

[Preliminary Matters 3](#_Toc368567370)

[**UNION GAS - PANEL 1 4**](#_Toc368567371)

**R. Birmingham, M. Kitchen, Affirmed**

 [Examination-In-Chief by Mr. Vegh 4](#_Toc368567372)

 [Presentation of the Settlement Agreement](#_Toc368567373)

 [by Mr. Birmingham 5](#_Toc368567373)

 [Cross-Examination by Mr. Millar 34](#_Toc368567374)

 [Questions from the Board 42](#_Toc368567375)

[--- Whereupon the hearing concluded at 10:47 a.m. 44](#_Toc368567376)

[EXHIBIT NO. K1.1: STATEMENT OF QUALIFICATIONS OF UNION WITNESS PANEL. **Error! Bookmark not defined.**](#_Toc368565424)

 No undertakings were filed in this proceeding

 Thursday, October 3, 2013

 --- On commencing at 9:36 a.m.

 MR. QUESNELLE: Good morning. Please be seated.

 The Board sits today on the matter of an application filed by Union Gas Limited on July 31st, 2013 with the Ontario Energy Board, pursuant to section 36 of the Ontario Energy Board Act. The application is for an order or orders approving a multi-year IRM framework to determine rates for the distribution, transmission and storage of natural gas, effective January 1, 2014. The Board has assigned application file number EB-2013-0202.

 In this application, Union has applied for a ratemaking framework for the period 2014 to 2018. Union's proposed IRM parameters are the product of a comprehensive settlement agreement between Union and stakeholders. The agreement was filed as part of Union's application.

 The Board issued a notice of application and hearing dated August 14th, 2013. In Procedural order No. 1, the Board established the approved list of intervenors for this proceeding. The Board further directed intervenors that were not party to the settlement to file a letter informing the Board of their position on the agreement. The Board has received letters from all of those parties.

 The purpose of the hearing today, as established in Procedural Order No. 2, is to have Union Gas Limited present the proposed settlement agreement to the Board and to answer any questions that the Board Staff of the Board Panel may have with respect to the proposed settlement.

 My name is Ken Quesnelle and I'll be presiding over today's hearing. With me on the Board are Board Members Paula Conboy and Ellen Fry. And I'll now take appearances.

Appearances:

 MR. VEGH: Good morning, Mr. Chair, and good morning, Ms. Conboy, Ms. Fry. George Vegh, counsel for the applicant, and I'm joined by Chris Ripley, manager of regulatory applications at Union Gas.

 Union also has two witnesses, who will introduce themselves when the evidentiary record is being taken.

 MR. QUESNELLE: Thank you, Mr. Vegh.

 MR. BRETT: Good morning, Mr. Chair and Panel. My name is Tom Brett. I represent the Building Owners and Managers Association.

 MR. QUESNELLE: Good morning, Mr. Brett.

 MR. QUINN: Good morning, Mr. Chair and Panel. Dwayne Quinn on behalf of Federation of Rental Housing Providers of Ontario.

 MR. QUESNELLE: Good morning, Mr. Quinn.

 MR. BUONAGURO: Good morning. Michael Buonaguro for the Ontario Greenhouse Vegetable Growers.

 MR. QUESNELLE: Good morning.

 MR. WIGHTMAN: Good morning. James Wightman on behalf of VECC.

 MS. YOUNG: Good morning. Valerie Young for the Association of Physical Plant Administrators.

 MR. QUESNELLE: Ms. Young.

 MR. MacINTOSH: Good morning. David MacIntosh for Energy Probe.

 MR. QUESNELLE: Mr. Macintosh, good morning.

 MR. MILLAR: Good morning, Mr. Chair, Members of the Panel. Michael Millar, counsel for Board Staff. With me today are Khalil Viraney and Pascale Duguay.

 MR. QUESNELLE: Thank you. Mr. Millar?

 MR. MILLAR: There are some people joining us on the phone as well today, Mr. Quesnelle. Perhaps we could take their appearances as well?

 MR. QUESNELLE: Thank you. Appearances from anyone on the phone?

 MR. THOMPSON: Peter Thompson, Mr. Chairman, representing CME.

 MR. QUESNELLE: Good morning, Mr. Thompson.

 MR. AIKEN: Good morning, Panel. It's Randy Aiken, representing the London Property Management Association.

 MR. QUESNELLE: Thank you, Mr. Aiken. Welcome to you both.

 MR. GRUENBAUER: Good morning, Mr. Chair and Panel. It's Jim Gruenbauer for the City of Kitchener.

 MR. QUESNELLE: Good morning, Mr. Gruenbauer.

 Anyone else? Okay. Thank you very much. Mr. Vegh, any preliminary matters you'd like to raise?

 MR. VEGH: No, thank you.

Preliminary Matters:

 MR. QUESNELLE: I have one, and perhaps you can just let me know how this should be dealt with. Perhaps it will go to your witness panel. Just wanted to touch base back on the letters that we received from the parties that were not parties to the settlement but are intervenors, letters from both the OPA and the Vegetable Growers Association, the Ontario Greenhouse Vegetable Growers, that submitted letters that have interpretations of the settlement.

 So perhaps if you could just let me know, would your witness panel be prepared to speak to those letters and whether or not Union is concurring with the interpretations presented or -- we can do that at any time.

 MR. VEGH: So the witness panel will be prepared to address that.

 MR. QUESNELLE: We'll swear in the witnesses, then.

UNION GAS - PANEL 1

 **Rick Birmingham, Affirmed**

 **Mark Kitchen, Affirmed**

 MR. QUESNELLE: Thank you, Ms. Fry. Mr. Vegh?

Examination-In-Chief by Mr. Vegh:

 MR. VEGH: Thank you, sir. The witnesses have been sworn. I would ask that they each identify themselves for the record.

 MR. KITCHEN: I'm Mark Kitchen, director of regulatory affairs.

 MR. BIRMINGHAM: I'm Rick Birmingham. I'm the vice president of regulatory lands and public affairs.

 MR. VEGH: Thank you. Mr. Kitchen, perhaps I'll just start with you. I've handed up a document to Board Staff that I believe their handing to go the Panel now, called "Statement of Qualifications of Mark D. Kitchen."

 Mr. Kitchen, I won't ask you to go through it. You've been in front of the Board on several occasions. Perhaps you could just confirm the accuracy of the information in this document.

 MR. KITCHEN: Confirmed.

 MR. VEGH: Perhaps we can mark this as an exhibit.

 MR. MILLAR: I would suggest -- we received two; one from Mr. Kitchen and Mr. Birmingham. I'd suggest we just mark them together as Exhibit K1.1.

 MR. QUESNELLE: Thank you.

 MR. MILLAR: These are statements of qualifications.

EXHIBIT NO. K1.1: STATEMENT OF QUALIFICATIONS OF UNION WITNESS PANEL.

 MR. VEGH: Thank you. Mr. Birmingham, can you confirm that the information respecting your experience et cetera in K1.1 is accurate?

 MR. BIRMINGHAM: Confirmed.

 MR. VEGH: Thank you. With that, I would like to ask the witness panel, perhaps starting with you, Mr. Birmingham, to just address and present the settlement agreement to the Panel.

Presentation of the Settlement Agreement by Mr. Birmingham:

 MR. BIRMINGHAM: Thanks, Mr. Vegh.

 Good morning, Panel. I'm very, very pleased to present the incentive regulation settlement agreement for Union Gas, as found at Exhibit A, tab 2, for the consideration of the Board. A summary of the agreement is found at Exhibit A, tab 1, pages 1 to 3.

 The parameters of the incentive regulation framework are consistent with but not identical to the incentive regulation mechanism for 2008 to 2012 that was approved by the Board. We believe this proposal meets the Board's objectives and other objectives, as laid out at Exhibit A, tab 1, pages 12 to 13.

 The proposals to set regulated distribution, transmission and storage rates using a formula that includes an inflation factor, which is often referred to as the I-factor, a productivity factory, which is often referred to as the X-factor, an adjustment for normalized average consumption, which of course in our industry we have to have an acronym for everything, so this is NAC, N-A-C. There are certain pre-determined pass-through items that are included, and those are Y-factors. And then there are certain non-routine adjustments that may arise during the term of the incentive regulation, and those are referred to as Z-factors.

 I plan to present the settlement agreement by reviewing the key elements of the agreement as contained at Exhibit A, tab 2. And I would like begin at section 1.2 on page 8.

 Section 1.2 deals with adjustments to base rates. As required by the Board, Union's 2013 base rates were established through a robust cost of service review. We are proposing two adjustments to those Board-approved rates. The first one is to levellize the deferred tax drawdown, and the second one is to provide an upfront productivity commitment to customers of $4.5 million, which will remain in place for the incentive regulation term. I just wanted to turn briefly to each of those base adjustments.

 The first proposal is an adjustment to the deferred tax drawdown. This is an increase of 3.152 million to our rates, which will levellize the difference between the credit that is owed to ratepayers during the 2014 to 2018 period and what has been included in our 2013 rates.

 So let me just explain, though unfortunately it's a bit of a painful accounting history on this. But in the late '90s Union Gas Limited was accounting for income taxes under what is referred to as the normalized or deferred tax method. So this accounted for income-tax liabilities where those liabilities would arise either in the current period or in future periods from that period's economic activity.

 Our sister company at the time, Centra Gas, was accounting for taxes on what's known as the cash basis or the taxes-payable basis, so their income-tax liability was recorded based on simply what they owed that year, with no consideration for future tax liabilities from the economic activity that was generated in that period.

 There was a proposal then, and which was approved by the Board, to merge Union Gas and Centra Gas, and so we had to choose one of the income-tax accounting methodologies. And the predominant methodology across North America at the time, and still is, is the taxes payable or the cash basis of accounting for taxes.

 So Union Gas had to move to the cash basis for accounting for income taxes, but at the time we had accumulated over $300 million of deferred taxes on our balance sheet, and so we had to find a way to return those to customers. So we proposed to the Board, and the Board approved, a methodology that would return that to ratepayers over a 17-year period.

 So we are now at the point where, coming into our 2013 rates, within our Board-approved rates is a $15 million credit to ratepayers that is associated with this return of the deferred taxes.

 If we left that unchanged, over the five-year term of the incentive regulation agreement, what would happen, of course, is that $15 million stays in our rates, so we would be returning $75 million. It is $15 million each year for the five-year term.

 The challenge that we had, of course, is that there is only $64 million owing to ratepayers, so we had to make an adjustment to make sure that ratepayers received what was owed to them, not more and not less, and that is what this levellization adjustment does.

 So the $15 million that's currently in our rates should be taken down to something in the order of about 12 million and then grossed up for taxes, which gets you to the 3.152 million.

 The last thing I'd mention about this is that the intention of this adjustment is to keep ratepayers and the company whole, and this is a very similar adjustment to what happened to our base rates for 2008-to-2012 incentive regulation framework. It's just that it went the other way; that is, the credit that was in rates at the time was too low compared to what we needed to give customers over the 2008-to-2012 period, and so we actually had to have rates come down.

 The second adjustment is a rate reduction of $4.5 million. This is in addition to the X-factor, or the commitment with respect to the productivity factor in the pricing mechanism. It will be in place at the -- we would put that in place in our 2014 rates application, and it will stay in place for the remainder of the incentive regulation term.

 I'd next like to turn to section 1.2.3, which is the winter warmth program. Simply, we're going to --

 MR. QUESNELLE: If you don't mind, if I can just interrupt as you are going through, if you don't mind.

 MR. BIRMINGHAM: Oh, absolutely.

 MR. QUESNELLE: The 4.5 million you say stay in place for the term. Can you expand on that?

 MR. BIRMINGHAM: Yes, we make a one-time adjustment so our rates come down at that point, and then they stay at that level, subject to the mechanisms that are within the incentive regulation framework. But there's no further adjustment from that, so it's a one-time adjustment that's made at the beginning of the term.

 MR. QUESNELLE: Thank you.

 MR. BIRMINGHAM: So with respect to section 1.2.3, the winter warmth program, simply, we are continuing to use the winter warmth funding, and those funds are still available to the United Way and their related agencies. When those funds expire, we would otherwise apply to the Board for the funds that would be required under the Low-Income Energy Assistance Program, but the incentive regulation agreement means that what we will do is, we will fund those requirements as they are needed, ourselves, and we will not apply for rate recovery until we rebase under cost of service.

 And in many respects, this is consistent with the principle that once the rates and the costs within the incentive regulation framework are set they remain unchanged until rebasing, unless there's a specific provision to deal with them.

 So that ends the base rate section. At this point I should mention -- and I'll deal with this when we get to section 9, but the agreement does last for five years. So it's 2014 to 2018. And that will also provide some context for some of the other parameters that are inside the framework.

 So turning to section 2, which is the inflation factor, if I could draw your attention to page 12. What we're proposing to use is the annual change in GDPIPI FDD, using the second-quarter change from the immediately preceding year to which rates apply compared to the year previous to that.

 This is the very same approach that we used for the 2008 to 2012 incentive regulation framework. That change is usually available by August 31st of the year to which we are looking to set rates, and therefore it would be available for the annual filing with the Board, which, our commitment is to do that by September 30th, and you'll see that in section 13.1.

 Now, the rate impacts of this agreement have been modelled using an I-factor of 1.63, but I wanted to let the panel know that for 2014 rates, now that the amount is available, assuming Board acceptance of the agreement, the I-factor would actually be 1.27 percent; that is, Statistics Canada has released the second-quarter change for 2013 compared to the second-quarter change of 2012, and that change is 1.27 percent.

 The next section is section 3, which is the productivity factor, or the X-factor. The proposal in the incentive regulation agreement is to use an I-factor of 60 percent -- sorry, an X-factor of 60 percent of inflation.

 This is a change from our last incentive regulation mechanism, where we had a fixed productivity factor. And again, we've modelled the rate impacts at 1.63 percent times 60 percent, so the X-factor in the modelling of the rate impacts that you will have seen in the schedules would be 0.98. But at least for 2014 it would be 1.27 times 60 percent, so that would be 0.76 percent.

 I wanted to stop at this point and just talk about the net pricing factor. So this is inflation less productivity, or the I-factor minus the X-factor.

 So the proposal in the incentive -- in the settlement agreement is to use 40 percent of inflation; that is, 40 percent of the change in GDP. And we've modelled the rate impacts using 1.63 times 40 percent, or 0.65 percent. But for 2014 we'll be actually applying for 1.27 percent times 40 percent, which would be half a percent. So 2014, our rates would be going up by half a percent, absent some of the other aspects of the framework.

 So the result is that, with all other things remaining equal, the rate impacts are even lower than the ones that you will have seen in the schedules.

 Now, for context, with respect to the net pricing factor, half a percent for Union Gas is about $4.6 million. And this amount is actually less than our salary and wages and benefits annual increase, which tends to be around $6 million, and it also doesn't account for the changes in our other O&M costs, nor does it account for any inflationary impacts in our capital. And it's in addition to the four-and-a-half-million-dollar upfront productivity commitment that is the base rate adjustment.

 And the reason I mention this is that customers will then receive, at least for 2014, $9 million in productivity commitments, and Union will need to make real productivity gains just to maintain its earnings. We actually think that's one of the objectives that the Board wants out of incentive regulation.

 Turning to section 5 in the normalized average consumption adjustment. This is almost identical to the last incentive regulation framework for 2008 to 2012. And all we've done is we've tried to simplify the calculation in two ways. What we did last time is we had an adjustment for average use. And average use was calculated by taking the normalized average consumption and removing the impact of the lost revenue adjustment mechanism that is associated with our demand-side management programs for general service customers. And the LRAM, or the lost revenue adjustment mechanism, for general-service customers was treated as a pass-through item; that is, it's a Y-factor.

 So we still had an adjustment for average use and adjustment for the lost revenue adjustment mechanism. All we're doing is putting them together and calling it NAC. So it's the same adjustment; we're just dealing with it in one step rather than two. There are no changes to risk profiles for either the company or the customers, there's no impact on our demand-side management programs.

 The other minor simplification that we've made is that we're actually going to compare our actual NAC to the NAC that is in rates on a year-by-year basis, rather than previously where we used -- we compared a three-year historical average to our actual, and that was just overly complex. So we're going to use a much simpler way to calculate this. So again, a simplification but no real change from the last mechanism. And it does account for the declining use in the general service market for Union Gas.

 The next section I wanted to turn to, Panel, was section 6, which are Y-factors or pass-through items. This starts at on page 14 of the agreement. And on page 15 with respect to sections 6.1 and 6.2, this is the cost of gas and upstream transportation. And those costs will continue to be passed through to customers, and there are no changes from our existing processes and no changes to the scope of those items.

 Section 6.3 deals with incremental demand-side management costs, and any incremental demand-side management costs that are approved by the Board will be continue to be passed through to customers. Again, this is no change. We have modelled basically an inflationary increase with respect to our demand-side management costs. In the rate impacts, those costs could be higher or lower, depending on the guidelines that the Board sets for our demand-side management programs beyond 2014.

 Section 6.4 is the lost revenue adjustment mechanism for contract rate volume customers. Again, this will continue to be passed through to customers. Previously, this pass-through item was to deal with both general service customers and contract rate customers. Now, because we're deal with the general service customers under the NAC adjustment, we only need a pass-through item for the lost revenues that are associated with our contract rate classes.

 Section 6.5 is new to the framework, and it deals with unaccounted-for gas volume variances. Currently, price variances that are associated with our unaccounted-for gas cost are passed through to customers via the QRAM process. This is the quarterly rate adjustment mechanism for our commodity costs.

 The proposal in the settlement agreement is to now capture unaccounted-for gas volume variances in a deferral account for disposition to customers during the annual non-commodity deferral account disposition application to the Board. That deferral account, however, is subject to a dead band of plus or minus $5 million, around the amount that is included in rates at the time. So there is effectively a dead band that is completely to the company's account.

 The example that we've included in the evidence is that currently in our 2013 rates, the cost of unaccounted-for gas is about $14 million. So to the extent that unaccounted-for gas on an actual basis is either all the way up to $19 million or as low as $9 million, that would be to the company's account. To the extent that the actual cost of unaccounted-for gas was beyond those thresholds, it would be that amount that would be recorded in the deferral accounts. And that is reset every single year, so if we move, then, into 1015 and we were looking at, at the end of 2015, what's in the deferral account, in my example let's say that the amount that is now in rates is $16 million, then the dead band would still be plus or minus $5 million.

 So anything as high as 21 million or as low as 11 million would be to the company's account. Anything outside those amounts would then be recorded in a deferral account for disposition to customers.

 I think the proposal is intended to represent a balance between continuing to motivate the company to examine unaccounted-for gas volumes, but also recognizing that much of unaccounted-for volume, at least at Union's level, is uncontrollable.

 The next Y-factor or pass-through item is on page 18, section 6.6, where we are proposing a pass-through adjustment for major capital additions. Now, this feature of the settlement agreement addresses significant and necessary investments that cannot be managed within the price cap framework. It allows these significant investments to be included in rates during the incentive regulation term.

 And there are eight criteria that apply to these special projects, and they're listed on pages 19 to 22 of the settlement agreement, but the key criteria are as follows.

 Any qualifying project must exceed two financial thresholds, being a net annual delivery revenue requirement of at least $5 million and a capital cost of at least $50 million.

 The second key factor is any qualifying project will be subject to a full regulatory review prior to being included in rates.

 And then the third key aspect of it is that any qualifying project will be subject to both an annual true-up for the net delivery revenue requirement, as well as an end-of-term assessment.

 A good example of a qualifying project is the Parkway West project, which is being addressed by the Board under EB-2012-0433. The annual net delivery revenue requirement for that project is over $16 million in its first full year of service. And that can be seen at EB-2012-0433, schedule 12.1 updated.

 For context, this compares to Union's 2014 price cap increase of 4.6 million. So it's clear that the project would not be constructed without the ability to adjust rates at the time the project is ready for service.

 Similarly, the capital cost for that project is 219.4 million, and that can be found at EB-2012-0433, schedule 11.1 updated.

 And for context, this compares to Union's total 2013 Board-approved capital budget of 267.7 million. Again, it's very clear that the project would not be constructed without the ability to adjust rates during the incentive regulation term.

 So the parties to the settlement agreement are proposing a way to address the rate recovery certainty and timing of these unusual levels of investment on a project-specific basis, and to ensure that only the actual net delivery revenue requirement is reflected in rates.

 Finally, I'd note that the parties to the settlement agreement expect that the Parkway West project and the Parkway D Brantford-to-Kirkwall project would qualify for capital cost pass-through treatment under this segment of the settlement agreement, provided that the Board grants leave-to-construct approval with no material changes to the projects.

 I'd next like to move to Z-factors, but I thought I might stop for any questions, because this is a fairly new feature of incentive regulation for us.

 MR. QUESNELLE: Mr. Birmingham, perhaps you could expand on the anticipated process we'd be looking at when

–- and I'm looking at subsection (vi), where you're talking about the project being subject to a full regulatory review equivalent to a leave-to-construct project.

 Can you put some dressing on that for us as to what you anticipate would be the scope of that type of process?

 MR. BIRMINGHAM: Especially with Thanksgiving coming up, I love dressing. Yes. Thank you.

 I guess what we were trying to do is come up with a process that is similar to the leave-to-construct process. So when you look at a project like Parkway West, that is subject to the leave-to-construct requirements of the Board, and there's a full hearing that deals with all aspects of that project. The preferred environmental route, the need, it looks at alternatives, it looks at the overall economics.

 The only thing a typical leave-to-construct application wouldn't look at necessarily is the specific rate impact, so the cost allocation to the different rate classes and then what that means for rates to customers.

 So what we're proposing here is in a leave-to-construct application, the Board would actually deal with all of those factors and would assess the eight criteria that are here for each of those projects under a leave-to-construct application.

 The concern then came out: Well, what if there is a project that doesn't require leave to construct? So you have something that's structured already. What happened if you needed to do something that would otherwise qualify under these criteria, but doesn't require leave to construct?

 And the simplest example of that might mean a large computer system, so let me say that there's a large computer application that needs to be put in place, and the capital cost is $100 million, and the net delivery revenue requirement is 10 million. So that would otherwise qualify under all these criteria.

 But there is no requirement for leave to construct. So our proposal is to make sure that we file our annual rate application with the Board no later than July 1st of the year prior to when the rates apply, so that the Board and parties could have a full examination of that project.

And again, that would be looking at all aspects of the project, so it would be need, it would be alternatives, it would be cost allocation rate impacts.

 And the reality is, with something like that it would probably be brought forward to stakeholders and the Board well in advance of that time, but the idea is to have a full regulatory review of any project that would qualify under this pass-through well before it's actually put into rates.

 MR. QUESNELLE: Can you help me out, then, distinguishing who would the interested parties be in something that is equivalent to a leave to construct that doesn't require a leave to construct? How would we scope that, as far as suggesting if you start with an equivalent of leave to construct being -- that being the comparison, what would you expect to be in this process that -- or what would you not expect in this process which is required in a leave to construct?

 MR. BIRMINGHAM: I think most of the aspects that would be contained in a leave to construct application would be dealt with in this non-leave to construct equivalent, if I can put it that way, and the only thing would be those things that aren't relevant to the project. So as an example, an environmentally preferred route obviously doesn't apply to something like the computer system.

 But I think all the other aspects, in terms of the details and the prudence of the investment, would be dealt with in the process, and I would expect that all stakeholders who are engaged in our rates applications would be participating.

 MR. QUESNELLE: So when you provide the example that you did, I could see where the environmental impacts may not be something that would be applicable and relevant to the computer upgrade or computer system -- customer information system, whatever -- but if it is an addition to plant which doesn't cross over the thresholds that would kick any leave to construct requirement, but that it does have a footprint, a geographic footprint, would you expect that an equivalent to leave to construct in that situation would also bring in the environmental requirements that you would typically have?

 What we're trying to do here is get our heads wrapped around what would we put out as a process, or how would the Board hear something like this and scope it within the framework that the parties have expected here in what they have agreed to and serve the purpose which I think is being articulated? But there is no legislative requirement to have a leave to construct where -- wanting to ensure we know how to scope that project and have the authority to have intervenors heard or not heard in a process like that.

 MR. BIRMINGHAM: Well, the application would be made under section 36 of the act, because it would be made in the context of our annual rates application, and I guess in that respect it's almost like a mini cost-of-service application to deal with that specific project in the context of our annual rates filing.

 MR. QUESNELLE: Okay.

 MS. CONBOY: The two projects that you mentioned that are already in the pipe, if you will, in terms of a leave to construct application, what -- how do you propose to deal with those, in terms of -- if I understand you correctly, you're saying going forward those projects that require a leave to construct, we would like to scope it such that we deal with the ordinary leave to construct and an add-on, if you will, to deal with the rate impact issues and the cost-allocation issues.

 Well, we've got two projects here that you've mentioned are already subject to a leave to construct, one of them going to an oral hearing, I believe, next week, if I'm not mistaken.

 MR. BIRMINGHAM: The oral hearing is already commenced.

 MS. CONBOY: Are you then going to say, Okay. We've got our leave to construct, and just for these two projects we'll apply under section 36 for the rate impacts, but going forward those leave to constructs that aren't -- haven't already been applied for, then we'll scope it to have the regular leave to construct plus this add-on?

 MR. BIRMINGHAM: The current projects that are in flight, so the Parkway West and the Parkway D, Brantford-to-Kirkwall pipeline applications, have been made under both section 90 and 91, as well as section 36 --

 MS. CONBOY: Oh, they have. Okay.

 MR. BIRMINGHAM: -- so we have asked for the assessment against these criteria and rate recovery in those applications. So that's fully within the scope of that panel to deal with.

 MS. CONBOY: Okay. Great. I hadn't appreciated that they had that additional section. Thank you.

 MR. MILLAR: Mr. Quesnelle, I'm sorry to interrupt. It's Michael Millar here. May I just ask a quick follow-up question?

 MR. QUESNELLE: Certainly. By all means, Mr. Millar.

 MR. MILLAR: Mr. Birmingham, for the major capital additions, we're discussing cases that wouldn't require leave to construct, and I was struck by what you said about it being sort of like a mini cost-of-service, which made some sense to me.

 In what respect would your proposal for large projects that don't require leave to construct be different from what I guess would be a targeted cost-of-service rates case? Or would it essentially be the same?

 MR. BIRMINGHAM: It wouldn't be. It would be identical.

 MR. MILLAR: Okay. So it would be more akin to a cost-of-service than a leave to construct? Is that fair to say? For ones that do not actually require leave to construct --

 MR. BIRMINGHAM: That don't require leave to construct; that's right.

 MR. MILLAR: Okay. And are you satisfied that that is adequately reflected in this agreement? I see some of the intervenors nodding, but is that what this agreement says?

 MR. BIRMINGHAM: Yes.

 MR. MILLAR: Thank you.

 MR. QUESNELLE: Thank you, Mr. Millar. Thank you, Mr. Birmingham.

 MR. BIRMINGHAM: Panel, I might also add that -- you'll see this further when we get to a review of the annual stakeholder meeting, but it's also our commitment to identify any of these projects, whether they are brought forward in the context of a leave to construct or a rates application, to identify that to all stakeholders, including the Board, as soon as we know about them, so that parties are aware of it, and that we can construct the appropriate process.

 I'd next like to turn to the Z-factors which is section 8, on page 23. And the Z-factors, as the Board will know, is intended to -- generally, to address material cost impacts during the incentive regulation term that are unforeseen and outside of the utility's control, so for instance a change in regulations and the associated cost of compliance with that change.

 This provision is actually the same as one that was included in Union's last incentive regulation framework, with two exceptions. The first one is that we've updated the criteria for the Board's decision in EB-2011-0277, and we've increased the financial threshold from 1.5 million to 4 million.

 Next on page 24 is section 9, which is the term of the plan, and as I mentioned, the proposed term is to be five years, being the years 2014 to 2018 inclusive.

 Section 10 is off-ramps, and the parties have agreed that, in light of all of the parameters within this framework, that no off-ramps are necessary.

 I would comment that there's nothing about that agreement that necessarily binds the Board. The Board always has the ability to initiate a review if the circumstances warrant. But of course, any sort of Board review under an equivalent off-ramp would then terminate this settlement agreement. But at this point it's the party's assessment that no off-ramp is necessary.

 Section 10 is the earnings-sharing mechanism. That's on page 25 of the settlement agreement. So in addition to an ongoing productivity commitment of 60 percent of inflation, or the X-factor, and in addition to the upfront productivity commitment of four-and-a-half million dollars as the base rate adjustment, ratepayers can benefit from and are protected by an earnings-sharing mechanism.

 The mechanism is the same as Union's most recent incentive regulation framework, except for two significant changes. The first one is, the amount of earnings above the allowed return on equity that is attributed wholly to the company has been halved, from 200 basis points to 100 basis points. And the second significant change is that the return on equity that is in rates and the return on equity that will be used for the earnings-sharing calculation and the thresholds that are within the earnings-sharing calculation have been fixed at the 2013 Board-approved rate of 8.93 for the term of the incentive regulation framework.

 So the effect of these two changes is that utility earnings between 8.93 and 9.93 are attributed wholly to the company. Utility earnings from 9.93 to 10.93 are shared equally between ratepayers and the company, and then any earnings above 10.93 accrue 90 percent to customers, 10 percent to the company.

 I would also note this mechanism is asymmetrical in that any earnings below 8.93 percent are attributed 100 percent to the company.

 MR. KITCHEN: In terms of reporting requirements, which are contained in section 12 of the agreement at page 27, Union has expanded the reporting requirements in two ways.

 First, Union will increase the number of schedules that it provides to stakeholders and the Board related to its most recent history year from 18 to 21.

 Second, Union will facilitate the exchange of information and increase transparency by convening an annual funded stakeholder meeting. The meeting will take place after the release of -- the public release of Union's year-end financial statements, but before it files for disposition of its non-commodity deferral account balances.

 Turning to section 13, this section 13 is really the section that is the subject of the letters that were received from the OPA and from OGVG.

 First, section 13.1 describes the annual rate-setting process. Union will file for approval of any Z-factor adjustments or any new services in time to allow the Board to allow those issues to be resolved, such that rates can be implemented effective January 1st of each year.

 Further, we committed to file the draft rate order no later than September 30th. Subject, of course, to the comments by Mr. Birmingham on major capital projects that don't require leave to construct.

 We'll also file, as soon as reasonably possible following the release of our audited financial statements, the request for approval to dispose of our non-commodity deferral account balances. It's also in this proceeding that Union will file the earnings-sharing calculation, and to the extent that there any earnings sharing calculated, we will dispose of them as part of that proceeding. This is the same process that that we followed throughout the last IRM, and is nothing -- is no change.

 Section 13.2 deals with the creation of new regulated services. This is also a feature that comes from our last IRM, and is really the subject of the OPA's letter where they have indicated that they understand that Union will be able to create new services and seek approval of those services from the Board. And we agree with their submission. To the extent that we do develop new services, of course we will make an application and those new services will be subject to Board approval and full regulatory review.

 Section 13.3 addresses four other issues that are outside of the settlement and remain to be dealt with in subsequent proceedings.

 The first issue is the M1, M2, Rate 01, Rate 10 volume break point. This issue arose out of Union's 2013 rebasing proceeding in the form of a directive to undertake a comprehensive cost allocation study, which included a volume break point reduction proposal as part of its 2014 rate application. Union will be responding to that directive when it files its 2014 rate application.

 The second issue is the Parkway obligation working group. This issue also arose out of our 2013 rebasing proceeding. Parties in that proceeding agreed to establish a working group that would review Union's Parkway delivery obligation. That issue will be dealt with in evidence filed in the 2014 rate application.

 The third item is the review of Union's gas supply planning process, also a Board directive from the 2013 rebasing proceeding. We actually filed the review of the gas supply planning process in our 2012 non-commodity deferral account proceeding, EB-2013-0109. And that directive will be dealt with in that proceeding, and to the extent that there are any changes or any findings that impact our gas supply planning process, they will be implemented in the context of that proceeding.

 Finally, parties will have an opportunity to review the M5 interruptible rate and the T3 large wholesale rate cost allocation and rate design. This was the subject of Mr. Buonaguro's letter on behalf of OGVG, and we agree with his interpretation of that letter. And that will also -- our expectation will also be dealt with in the 2014 rate application.

 Finally, section 13.4 addresses the treatment of miscellaneous non-energy charges. Those are charges related to connection, reconnection, the direct-purchase administration fee. Those rates are outside of the price cap formula, and will only adjusted based on an application to make adjustments.

 Section 14 addresses what will happen at the end of the IR term. Union will, subject to any agreement, subsequent agreement from parties to extend the IR term, prepare a full cost of service filing, regardless of whether or not Union files to set rates on a cost of service basis for 2014, or not.

 And the reason that we will be doing -- will be preparing the application is -- there's really two reasons.

 One is that as a practical matter, Union requires to start the preparation of its evidence and application in 2016 in order to meet a 2017 filing date so that we can get through the regulatory process and have rates implemented January 1st of 2019. So we have to do the work anyway.

 Secondly, it's my view and our view that intervenors will want to see and understand what cost of service would look like relative to what the IRM may look like going forward. And they will want an opportunity to review not just the revenue requirement changes, but also the cost allocation changes that have happened over the five-year term.

 MR. QUESNELLE: Mr. Kitchen, would you envision or it is envisioned that the Board would have any responsibility to facilitate that?

 MR. KITCHEN: In terms of discussions with intervenors about extending the term, I think that we would want to have it facilitated.

 We have -- in this proceeding we dealt with Mr. Ken Rosenberg. I think it is a worthwhile exercise. In terms of whatever may come at that point about extending the term, that obviously would be subject to Board approval and the Board would either except or reject any extension.

 MR. QUESNELLE: Thank you for that.

 What about in terms of the review of your filing, whether or not you actually file with it the Board or compile it for review by the stakeholders? Would you see that the Board would have any responsibility within that review?

 MR. BIRMINGHAM: I think the idea, Mr. Chair, would be that we would prepare the information primarily for discussion with stakeholders initially. To the extent that that information was useful in extending the agreement, it may well be that we would file that proposal with the Board for their approval. And we may need to file cost of service type information so the Board has all the information in front of it.

 Certainly if there wasn't an agreement and we were filing under a cost of service application, all that information would be made available to the Board.

 MR. QUESNELLE: Thank you, Mr. Birmingham.

 MR. KITCHEN: I just wanted to touch briefly on the estimated IRM rate impacts. The rate impacts themselves for the 2014, 2018 IRM are described at Exhibit A, tab 1, page 45 and 46, and are detailed in Exhibit A, tab 2, appendix C, which is an attachment to the settlement itself. The assumptions underpinning the estimated rate impacts are also set on at Exhibit A, tab 2, appendix C.

 Mr. Birmingham already touched on the inflation factor of 1.63. That was the -- 1.63 percent. That was the inflation factor that was assumed when the estimated rate impacts were provided. And when you apply an X-factor of 60 percent, you get an inflationary increase of 0.65 percent based on inflation of 1.63.

 Second important consideration, a point to bear in mind in terms of the rate impacts, is that the estimated rate impacts include the costs associated with the Parkway West project, Parkway D, and the Brantford-Kirkwall pipeline, which -- both are before the Board right now.

 The total bill impact for an average residential customer in Union South is estimated to be 1.3 percent over the five-year term. In Union North, the estimated total bill impact is estimated as 0.8 percent over the entire term. What this means is that in real terms, the vast majority of our customers will see rate decreases over that period.

 For the contract market, the impacts vary by class of approximately minus -- or negative 8 percent to positive 8 percent over the five-year term, and those contract rate impacts can be found at Exhibit A, tab 2, Appendix C, page 5, 6, and 7.

 Ex-franchise rate impacts, those are for our Dawn-Trafalgar services, and other transmission services are found at page 4 of Exhibit A, tab 2, Appendix C. The estimated rate impacts for this group of services ranges from 19 to 22 percent over the five-year term, which is primarily driven by the Parkway projects, Parkway West, Parkway D, and Brantford to Kirkwall.

 Even -- I just want to make a comment that even with these large rate increases the rates for these services are still within the historical range, which is approximately 7 to 10 cents per gJ, but still within that historical range.

 MR. BIRMINGHAM: So just a few other items, Mr. Chair, if I could.

 At Exhibit A, tab 1, Appendix A, Union has filed a report by London Economics International. That report is a review of Union's proposed incentive regulation parameters and a comparison of those parameters to the other -- to incentive regulation parameters approved by other North American regulators, and at page 9 of that report, London Economics concluded the proposed incentive regulation parameters for 2014 to 2018 are in line with the Board's objectives, and application of the parameters is consistent with the approaches taken by similar North American gas distribution businesses operating under incentive regulation parameters.

 Also at Exhibit A, tab 1, Appendix B, Union filed a study by NRG Research Group. That study found that, among other things, 62 percent of Union's residential customers would find a delivery charge rate increase at the rate of inflation to be acceptable. And of course, our proposal is such that the delivery rate change would be well below the rate of inflation should the Board accept the settlement agreement.

 So Mr. Chair, members of the Panel, that concludes our presentation, subject to any further questions. Union believes that the proposed incentive regulation framework meets the Board's objectives with respect to utility productivity, service to customers, and investment levels.

 The result will be rates that increase at 40 percent of inflation for most of our customers, absent other possible adjustments. The result will also be continued investment in our province by Union and excellent service to customers. The comprehensive settlement agreement before you represents a compromise among a broad set of interests.

 Thank you very much for your attention and your patience, and on behalf of all parties I respectfully request your approval. Thank you.

 MR. QUESNELLE: Thank you, Mr. Birmingham.

 Mr. Millar, do you have any further --

 MR. MILLAR: Just a couple of questions, if I may, Mr. Chair.

 MR. QUESNELLE: Thank you. And the Panel may have some afterwards as well.

Cross-Examination by Mr. Millar:

 MR. MILLAR: Good morning, panel. Just a few things I'd like to go through. First of all, this case is a bit unusual, though not without precedent, in that the settlement discussions took place prior to the application; is that correct?

 MR. BIRMINGHAM: That is correct.

 MR. MILLAR: And doubtless both Union and the parties would have incurred some costs for that. With respect to intervenor costs, is it your understanding that parties will be seeking to recover that through this proceeding, or is that being handled in some other fashion?

 MR. BIRMINGHAM: It's already being addressed, Mr. Millar. All of the stakeholders, to our knowledge, have submitted their cost claims to us. That was our request at the beginning of the initial consultations with stakeholders, and we're in the process of paying those out.

 MR. MILLAR: So that won't go through the Board?

 MR. BIRMINGHAM: No. I suspect that if there are any costs that go through the Board, it would only be the costs for this proceeding.

 MR. MILLAR: For this proceeding, yes, but the settlement costs Union is paying.

 MR. BIRMINGHAM: That's correct.

 MR. MILLAR: Thank you. A quick question on the productivity commitment. As you discussed it, it comes in two parts. First there's a $4.5 million cut off the top, and then there's the 60 percent cut on the GDP IPI FDD. And I think you said that works out to somewhere in the neighbourhood of $9 million per year; is that right?

 MR. BIRMINGHAM: That's right.

 MR. MILLAR: And can you comment -- I recognize there may be some limitations on what you can say, given the confidentiality requirements surrounding settlement discussions, but are you able to comment on why the productivity commitment has been split in two that way? About half of it seems to be in the -- off the -- off the top cut, and the other half through the X-factor.

 MR. BIRMINGHAM: Yeah, I guess a couple of comments, Mr. Millar. The first one is, I think from our perspective the productivity actually can come in three pieces. It comes in the form of the base rate adjustment of four-and-a-half million dollars, it comes in the form of the 60 percent --

 [Fire alarm sounds.]

 MR. QUESNELLE: So hopefully we can finish up before we're asked to evacuate.

 MR. MILLAR: Sorry, I think you were interrupted, Mr. Birmingham.

 MR. BIRMINGHAM: I'll go quickly, Mr. Millar. I think it could come in three pieces. There's the base rate adjustment, as you said, there's the 60 percent of inflation, and then I think there's the possibility of additional productivity benefits to customers, to the extent that the earnings-sharing mechanism is engaged.

 [Fire alarm sounds.]

 MR. MILLAR: Should we try to continue?

 MR. QUESNELLE: Yes, I think we should. I'm hoping that --

 MR. BIRMINGHAM: So with respect to the settlement discussions, Mr. Millar, as you'll appreciate, there are a number of elements that go into this framework, and the result is really an attempt to find some combination of elements that all the parties are prepared to agree to. You may know from some of the supporting materials that this was, you know, it wasn't an intention to split base rates and productivity factor and the pricing formula and other things. It's when you get into the negotiations, you try to find something that's workable for everyone, and this is the combination that we arrived at, where parties could agree, and we believe it's workable.

 MR. MILLAR: Thank you for that. Let me move on. Yes, very quickly, at page 19 -- this is a question with respect to the major capital additions. I think it's relatively straightforward as presented here -- you discuss single new projects. And without getting into details, there have been some other cases before the Board on the electricity side that I appreciate are quite different, where there was some dispute about what a single new project actually meant, as opposed to, for example, a series of projects that's a program.

 And I recognize that doesn't appear to be coming up here. It seems to be relatively clear. But I'm wondering if you can provide any comment on what "single new project" means.

 MR. BIRMINGHAM: Okay. I think from our perspective, and I think from the perspective of the stakeholders and the parties to the agreement, Mr. Millar, the intention here is to have Union, by and large, manage its capital requirements under the price-cap framework and the parameters.

 There are some extraordinary circumstances where that can't happen. The Parkway West example is one. The Parkway D and Brantford-Kirkwall pipeline we view as a project because it meets a single set of demands or single need on the -- on our system, and so that is another example.

 I guess to the extent that there is an investment that's required that meets all these criteria, that would be a single project, as distinguished from a program -- maybe I can deal with it in the context of, for instance, something like an integrity program.

 So from our perspective, if there was an increased requirement for integrity investments in our transmission distribution system, two possibilities could happen. One is that if there is a significant investment that was required, let's say a large replacement of an entire transmission pipeline that met all the criteria, $100 million, $10 million, net delivery revenue requirement, that project itself could be brought forward under the capital cost pass-through provision of this agreement.

 To the extent that something like an accelerated integrity program is delivered as a result of an order from an outside agency, for instance the TSSA, and the cost of compliance meets the Z-factor requirement, then we could bring it forward under that.

 So that type of program wouldn't be brought forward necessarily under the major capital item, unless there is some aspect of that program that otherwise qualified.

 But if there was a full program, like an asset integrity program, that is the general business of the utility to take care of that. It would only be where there is a change that is driven by an outside agency or force where we could look at applying under the Z-factor provision of the agreement. And of course if there is that type of program that might qualify as a Z-factor but also have a major capital cost element to it, you would have to apply under both of those, but you would remove the cost of the major capital element of the program, deal with that under the major capital pass-through and the remainder through the Z-factor.

 MR. MILLAR: Thank you. Moving on to the ESM, the earnings-sharing mechanism, the ESM as it's structured, and indeed as it was structured in the last agreement, contemplates that earnings from, say, year 1 are not cleared through rates until year 2. And there isn't a deferral account or any other formal mechanism established to track those revenues.

 Does Union or indeed any of the other parties have any concerns with respect to rate retroactivity for clearing amounts from year 1 in year 2?

 MR. BIRMINGHAM: We do not, Mr. Millar. But I will say that to the extent that the Board has any concern or question about that, we would be happy to file for a deferral account, an accounting order in our 2014 rates to address a deferral account for the earnings sharing portion.

 MR. MILLAR: Can you comment on why you don't think it's necessary?

 MR. BIRMINGHAM: Because this -- what would happen is if the Board is to accept the settlement agreement, this is -- it's essentially agreeing to deal with these things on a prospective basis, or I guess said another way, as a de facto deferral account.

 MR. MILLAR: Thank you very much. One final matter. In most agreements -- and if I recall correctly, in this agreement as well, though I couldn't put my finger on it as I sit here –- there's a clause in most settlement agreements that states that the written agreement as filed forms the entire agreement and there's nothing outside of the written agreement.

 Is there a similar provision in this settlement agreement?

 I thought there was, but I couldn't find it as I sat here. It may be that it's not there.

 MR. BIRMINGHAM: I don't recall that it is there, Mr. Millar, but I will confirm that there is nothing outside of the settlement agreement that would otherwise impact the settlement agreement.

 MR. MILLAR: My question to you is: Does this panel's presentation and explanation of some of the elements of the settlement agreement, does that form part of the settlement agreement?

 In other words, imagine the Board, upon reading the settlement agreement, was either confused or thought something wasn't perfectly clear, but then upon hearing your explanation –-

 [Building intercom announcement]

 MR. QUESNELLE: It is hard to ignore that thing, isn't it?

 [Laughter]

 MR. QUESNELLE: Anyway. Mr. Millar?

 MR. MILLAR: Yes, I'm sorry. My question was: Imagine the Panel wasn't quite clear on some of the point as set out in the written settlement agreement, but upon hearing your explanation of them they were satisfied and they felt that that explanation gave them what they needed to be satisfied with the agreement.

 Can they rely on what's been said in this room today? In other words, is that part of the settlement agreement?

 MR. BIRMINGHAM: I would not characterize our testimony today as part of the settlement agreement. I would characterize it as evidence supporting the settlement agreement, and the Board can rely on it.

 MR. MILLAR: Let me give you an example to see if we're on the same page here.

 Imagine -- there was some discussion about the new capital additions and the language surrounding a leave to construct, and I think you agreed with me that for projects that don't require a leave to construct, it's perhaps more akin to a mini-cost of -- or a targeted cost of service hearing, truly, than a leave-to-construct. Indeed, there's nothing in the settlement agreement that's inconsistent with that, but it doesn't use the words "targeted cost-of-service hearing"; it refers to it as being more akin to a leave to construct.

 If the Panel was satisfied with that explanation, in other words that it really did seem more like cost of service than leave to construct, do we have -- would the Board have to come back and say: We need an amendment to the settlement agreement before we accept it? Or could they accept this agreement as is and then rely on what was said here today in the event any disputes arise in the future of the nature of those future applications?

 MR. BIRMINGHAM: I understand. It is the latter, Mr. Millar, that they can rely on the testimony given here today.

 MR. MILLAR: And there are other parties in the room who are not with the utilities. Does anyone have cause to disagree with that? People are shaking their heads, for the record. Thank you for that. That's very helpful.

 MR. QUESNELLE: Just to be complete on that, Mr. Millar, for anyone who is not in the room but on the line, I offer you the same opportunity.

 MR. THOMPSON: I have no cause to disagree with it, Mr. Chair. It's Peter Thompson.

 MR. QUESNELLE: Thank you, Mr. Thompson.

 MR. MILLAR: Thank you, Mr. Chair. Those are my questions. Thank you, panel.

 MR. QUESNELLE: Thank you. Ms. Fry?

Questions from the Board:

 MS. FRY: Yes. I was listening to your explanation of a project versus a program, and I'm not quite clear. I think, if I understood correctly, you are saying that a significant distinction is generally a program is something that's imposed by an external body, whereas a project is something that your company would initially internally.

 If I understood that correctly, is that the sole distinction in your mind between a project and a program, or would you care to elaborate?

 MR. BIRMINGHAM: I would care to elaborate, because I didn't want to limit it to that. I would say a program can be one that's initiated by the utility or one that is imposed by an external agency.

 To the extent that the program is initiated by the utility, if there is some aspect of that that would otherwise qualify as a major capital pass-through, we could bring that forward under those provisions.

 But by and large, most of those programs are going to be able to be managed within our existing Board-approved capital budget, so I don't see many aspects of -- I don't see the likelihood of that arising.

 The greater likelihood is that if there are increased costs that have to be dealt with, that we believe aren't going to be manageable within the price cap framework, it would be imposed by an external agency. And we'd have to take a look at that and decide whether that had any aspect of major capital that might be eligible for the pass-through criteria here. But otherwise, we would then look to the criteria under the Z-factor and determine whether it was -- it applied there.

 MS. FRY: Okay. So I'm still trying to be clear on understanding what the line is between a project and a program. Let me give you a for-instance.

 For instance, what if you had a whole bunch of quite low-cost activities with the same purpose, but that if you added them up, they came across the threshold for a project under this regime.

 Would you consider that that is a program, or is that a project?

 MR. BIRMINGHAM: I would consider that to be a program, and would not qualify under the major capital pass-through criteria.

 MS. FRY: Thank you.

 MR. QUESNELLE: If there is nothing else, Mr. Vegh, the Panel has no more questions of this panel.

 I would like to thank the panel. Thank you very much for this presentation. I think it has been very helpful. We've had –-

 [Building intercom announcement]

 MR. QUESNELLE: Again, it's been very helpful. I especially take note of Mr. Millar's question and your response to the characterization of how we should receive the presentation this morning, as evidence supporting the settlement, and to whatever end that is used. But in the short-term it will be used by us in the next day or so to take a look at it and ensure that we fully understand the supporting evidence in combination with the settlement that has been submitted to us.

 I think we have a new light in which we're looking at some of the elements of it, or at least a more thorough understanding of the certain elements, so the Panel will want to deliberate on that, given that new understanding, and we also are very cognizant of the need of Union to -- or desire of Union to get their 2014 application in, and, being cognizant of that, we will issue a decision in due course, but promptly, I'm sure. Okay?

 If there's nothing else, Mr. Vegh?

 MR. VEGH: Thank you.

 MR. QUESNELLE: We're adjourned.

 --- Whereupon the hearing concluded at 10:47 a.m.