



EB-2017-0307

**Enbridge Gas Distribution Inc. and Union Gas
Limited**

**Application for approval of a rate setting mechanism
and associated parameters from January 1, 2019 to
December 31, 2028**

PROCEDURAL ORDER NO. 1

December 22, 2017

Enbridge Gas Distribution Inc. (Enbridge Gas) and Union Gas Limited (Union Gas), jointly referred to as applicants, filed an application dated November 23, 2017 with the Ontario Energy Board (OEB) under section 36 of the *Ontario Energy Board Act, 1998*, for approval of a rate setting mechanism and associated parameters, effective January 1, 2018. The applicants have requested the rate setting framework for a period of 10 years ending in December 2028.

Enbridge Gas' rates for the period 2014 to 2018 have been set using custom incentive regulation while Union Gas' 2014-2018 rates have been set using a price cap adjustment. Both utilities were expected to file a rebasing application to set rates for 2019. On November 2, 2017, Union Gas and Enbridge Gas filed an application¹ to amalgamate into a single company. The applicants indicated that in preparing the amalgamation and rate setting framework applications, the applicants have been guided by the OEB's Handbook to Electricity Distributor and Transmitter Consolidations which provides guidance on applications for mergers, acquisitions, amalgamations and divestitures (MAADs) for electricity utilities.

The OEB issued a Notice of Hearing on December 1, 2017. The last date for intervention was December 16, 2017. The following parties applied for intervenor status:

¹ EB-2017-0306

- 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)
- Energy Probe Research Foundation (Energy Probe)
- Federation of Rental-housing Providers of Ontario (FRPO)
- Independent Electricity System Operator
- Industrial Gas Users Association (IGUA)
- Just Energy Ontario L.P.
- London Property Management Association (LPMA)
- Municipality of Chatham-Kent
- National Grid
- Ontario Association of Physical Plant Administrators (OAPPA)
- Ontario Greenhouse Vegetable Growers (OGVG)
- Ontario Power Generation Inc.
- Rover Pipeline LLC
- Six Nations Natural Gas Company Limited
- School Energy Coalition (SEC)
- TransCanada PipeLines Limited
- Vulnerable Energy Consumers Coalition (VECC)

APPrO, BOMA, CME, CCC, Energy Probe, FRPO, IGUA, LPMA, OAPPA, OGVG, SEC and VECC also applied for cost eligibility. No objections were received regarding the requests for intervenor status or cost eligibility.

All parties that requested intervenor status in this proceeding are granted intervenor status. The list of intervenors in this proceeding is attached as Schedule B to this procedural order.

APPrO, BOMA, CME, CCC, Energy Probe, FRPO, IGUA, LPMA, OAPPA, OGVG, SEC and VECC are each eligible to apply for an award of costs under the OEB's *Practice Direction on Cost Awards* (Practice Direction). Cost eligible intervenors should also be aware that the OEB will not generally allow the recovery of costs for the attendance of more than one representative of any party, unless a compelling reason is provided when cost claims are filed.

The OEB also expects that intervenors will combine their interventions with those of similarly interested parties, will co-operate with all other parties to the extent possible and will be mindful to avoid duplication. The OEB draws the attention of cost eligible intervenors to sections 4.03 and 5.01 (d), (e) and (f) of the Practice Direction. The OEB directs parties to determine at the outset of this proceeding where there is duplication and overlap of the interests represented by each of the cost eligible intervenors and that such intervenors make best efforts to avoid duplication and to maximize cost efficiencies that can be gained by combining interventions.

Enbridge Gas, SEC and CME have filed letters proposing approaches for the review of the current application and of the applicants' separately filed rate setting mechanism application. APPrO has suggested that the OEB should seek submissions from all parties with respect to the procedural steps for reviewing the application.

The OEB has reviewed the letters filed to date and considered the submissions therein but will not seek broad input from all parties on the appropriate procedure for this matter.

Expert Evidence

If OEB staff or any intervenor plans to file expert evidence in this proceeding, they shall file a letter with the OEB describing the nature of the evidence, whether the expert evidence will be commissioned jointly with other intervenors, and the estimated cost. The estimated cost should include an explanation of any assumptions regarding the purpose and scope of the participation of the expert in the proceeding, and should include an estimate of any incremental time that will be spent by counsel or any other consultant(s) in relation to the expert evidence.

After reviewing any such material, the OEB will consider whether and to what extent the evidence is relevant to the proceeding and if so, whether any costs associated with the participation of any expert(s) or the preparation of any expert report(s) will be eligible for cost recovery in accordance with the Practice Direction, to the extent that cost recovery may be sought.

Issues List

A draft issues list as proposed and filed by the applicants has been included as Schedule A to this Procedural Order. An Issues Conference, involving OEB staff, intervenors and the applicants, will be convened to review the draft issues list with the objective of developing a proposed issues list for presentation to the OEB. If necessary, an Issues Day will be convened following the Issues Conference at which time the OEB will hear submissions with respect to any contested issues.

Technical Conference

A technical conference will be held to provide for clarification on interrogatory responses as set out in the order below. If parties wish to file specific questions in advance, they may do so.

The applicants have requested an oral hearing. The OEB has not yet determined whether it will proceed by way of a written or oral hearing. This will be determined at a later date.

It is necessary to make provision for the following matters related to this proceeding. The OEB may issue further procedural orders from time to time.

IT IS THEREFORE ORDERED THAT:

1. An Issues Conference, involving OEB staff, intervenors and the applicants, will be convened in the OEB's hearing room at 2300 Yonge Street, 25th Floor, Toronto, on **January 22, 2018** at 9:30 a.m. to review the draft issues list (attached as Schedule A) with the objective of developing a proposed issues list for presentation to the OEB. The Issues Conference will not be transcribed. A proposed issues list will be formulated and presented to the OEB at the conclusion of the Issues Conference.
2. If necessary, an Issues Day proceeding will be convened in the OEB's hearing room at 2300 Yonge Street, 25th floor, Toronto, on **January 25, 2018** to hear submissions with respect to any contested issues.
3. OEB staff and intervenors that require information and material from the applicants that is in addition to the evidence filed, and that is relevant to the hearing, shall request it by written interrogatories filed with the OEB and delivered to the applicants and all intervenors by **February 12, 2018**.
4. The applicants shall file with the OEB complete written responses to all interrogatories and serve them on all intervenors by **February 28, 2018**.
5. OEB staff or any party that wishes to file evidence shall, as soon as possible and no later than **March 5, 2018**, inform the OEB by letter of their plans to file expert evidence in this proceeding, the estimated costs including assumptions regarding the participation of the expert in the proceeding and incremental time that will be spent by counsel or any other consultant(s) in relation to the expert evidence.

6. A transcribed technical conference will be held in the OEB's hearing room at 2300 Yonge Street, 25th Floor, Toronto, on **March 7, 2018**, at 9:30 a.m.
7. Any technical conference undertakings shall be filed with the OEB and served on all intervenors by **March 19, 2018**.
8. If the OEB has approved the filing of evidence by OEB staff or any intervenor, that evidence shall be filed with the OEB, and copied to the applicants and other intervenors, by **April 9, 2018**.
9. If any party is seeking information and material with respect to any evidence filed by OEB staff or any intervenor that is in addition to the evidence filed with the OEB, and that is relevant to this proceeding, that information shall be requested by written interrogatories filed with the OEB, and copied to the applicants and other intervenors, by **April 24, 2018**.
10. Any party that receives interrogatories on its evidence shall file with the OEB complete responses to the interrogatories and copy the responses to the applicants and other intervenors by **May 11, 2018**.

All filings to the OEB must quote the file number, **EB-2017-0307** and be made electronically in searchable/unrestricted PDF format through the OEB's web portal at <https://www.pes.ontarioenergyboard.ca/eservice/>. Two paper copies must also be filed. 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.oeb.ca/OEB/Industry>. If the web portal is not available, parties may email their documents to the address below.

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.

With respect to distribution lists for all electronic correspondence and materials related to this proceeding, parties must include the Case Manager, Khalil Viraney at Khalil.Viraney@oeb.ca and Board Counsel, Michael Millar at Michael.Millar@oeb.ca.

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DATED at Toronto, December 22, 2017

ONTARIO ENERGY BOARD

By delegation, before: Kristi Sebalj

Original signed by

Kristi Sebalj
Registrar

Schedule A

Procedural Order No. 1

**Enbridge Gas Distribution Inc. and Union Gas Limited
Rate Setting Mechanism Application**

EB-2017-0307

Draft Issues List

December 22, 2017

DRAFT ISSUES LIST

EB-2017-0307

1. Is the proposed inflation factor appropriate?
2. Is the proposed X factor appropriate?
3. Is the proposed Y factor treatment appropriate?
 - a. Continued pass-through of routine gas commodity and upstream transportation costs, demand side management cost changes, lost revenue adjustment mechanism changes for the contract market, Cap-and-Trade costs and normalized average consumption/average use
4. Is the proposed Z factor and associated materiality threshold of \$1.0 million appropriate?
5. Is the proposed adjustment to reflect the full amortization of Union's accumulated deferred tax balance at the end of 2018 appropriate?
6. Is the proposed adjustment to unwind smoothing of costs related to EGD's Customer Information System and customer care forecast costs appropriate?
7. Are the proposed deferral and variance accounts appropriate?
8. Should the following deferral accounts be discontinued as proposed?

EGD

179.16	Customer Care CIS Rate Smoothing Deferral Account
179.34	Constant Dollar Net Salvage Adjustment Deferral Account
179.96	Relocations Mains Variance Account
179.98	Replacement Mains Variance Account
179.24	Post-Retirement True-up Variance Account
179.58	Earnings Sharing Mechanism Deferral Account

Union

179-120	CGAAP to IFRS Conversion Costs
179-134	Tax Variance Deferral Account

9. Is the proposed scorecard appropriate?

Schedule B

Procedural Order No. 1

**Enbridge Gas Distribution Inc. and Union Gas Limited
Rate Setting Mechanism Application**

EB-2017-0307

Applicants and List of Intervenors

December 22, 2017

**Union Gas Limited
EB-2017-0307**

APPLICANT & LIST OF INTERVENORS

December 22, 2017

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**Union Gas Limited
EB-2017-0307**

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December 22, 2017

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**Union Gas Limited
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**Union Gas Limited
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**Union Gas Limited
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**Union Gas Limited
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December 22, 2017

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**Union Gas Limited
EB-2017-0307**

APPLICANT & LIST OF INTERVENORS

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