

January 23, 2017

VIA RESS AND COURIER

Ms. Kirsten Walli
ONTARIO ENERGY BOARD
P.O. Box 2319, 27th Floor
2300 Yonge Street
Toronto, Ontario
M4P 1E4

Ian A. Mondrow
Direct 416-369-4670
ian.mondrow@gowlingwlg.com

Assistant: Cathy Galler
Direct: 416-369-4570
cathy.galler@gowlingwlg.com

Dear Ms. Walli:

**Re: EB-2017-0307 – Enbridge Gas Distribution Inc. (EGD) and Union Gas Limited (Union)
Rate Setting Mechanism Application.**

Alternative Proposed Issues List.

This letter is written on behalf of a number of intervenors in this matter and to file with the Board an alternative proposed issues list (Alternative Issues List) for consideration.

Background

As was the case with the companion application by EGD and Union for approval to merge [EB-2017-0306], intervenors have made early efforts in connection with this proceeding to discuss and coordinate views on the appropriate scope for the proceeding. From those discussions a working consensus issues list emerged, as an alternative to the issues list pre-filed by the applicants. A version of that consensus alternative issues list was provided to Board Staff and the utilities last Friday, in advance of the issues conference in this matter held earlier this week.

There was no consensus reached at the issues conference on an issues list for this matter. The attached version of a consensus alternative issues list has since been revised somewhat from the version first circulated.

Alternative Issues List

The following parties (Endorsing Parties) have endorsed the filing of the attached Alternative Issues List as the basis for their own respective submissions on the issues appropriate for this proceeding:

Gowling WLG (Canada) LLP
Suite 1600, 1 First Canadian Place
100 King Street West
Toronto ON M5X 1G5 Canada

T +1 416 862 7525
F +1 416 862 7661
gowlingwlg.com

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Six Nations Natural Gas
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VECC

The Endorsing Parties support the Alternative Issues List as the basis for their own respective comment on additions or modifications once the submissions of the utilities are considered and the Endorsing Parties further consider their own respective views of the matter prior to providing their own respective submissions.

The Endorsing Parties are filing the attached Alternative Issues List now so that other parties, including Board Staff and the applicants, can provide their comments on this alternative in their respective submissions. This would assist each of the Endorsing Parties in finalizing their issues positions, and best assist the Hearing Panel in its issues deliberations.

Yours truly,



Ian A. Mondrow

c: A. Mandyam (EGD)
M. Kitchen (Union)
F. Cass (Aird & Berlis)
C. Smith (Torys)
S. Rahbar (IGUA)
K. Viraney (Board Staff)
M. Millar (Board Staff)
I. Richler (Board Staff)
Intervenors of Record

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**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**

PROPOSED ISSUES LIST

[Bold & italicized numbers reference utilities' proposed issues list.]

A. THE APPROPRIATE RATEMAKING FRAMEWORK

1. If the Board grants the Applicants' request for approval of a merger and deferral of rate rebasing, what rate making framework (the "Framework") should be used to set rates during the deferral period? (An IRM formula, a Custom IR plan, or another rate setting mechanism?)
2. How should the framework ensure:
 - (a) Customer engagement, and the reflection of customer interests and preferences through the provision of "value for money" services which are responsive to customer preferences?
 - (b) Operational effectiveness through ongoing continuous improvement in productivity and cost performance while delivering system reliability, quality of service and "value for money"?
 - (c) Public policy responsiveness?
 - (d) Financial performance which demonstrates continuing financial viability, sustainable efficiency improvements and returns that are not excessive?
 - (e) Rational expansion of gas transmission and distribution systems and rational development and safe operation of gas storage?
3. If the Framework is an IRM formula:
 - (a) Should it be a rate cap or a revenue cap?
 - (b) What is the appropriate inflation factor [I]? **[1]**
 - (c) What is the appropriate productivity factor [X]? **[2]**
 - (d) Should there be a productivity stretch expectation and if so what should it be?
 - (e) Should there be pass through (Y factor) treatment for: **[3]**
 - (i) Gas commodity and upstream transportation costs?

- (ii) Demand side management (DSM) costs?
 - (iii) A lost revenue adjustment mechanism (LRAM) for the contract market?
 - (iv) Cap-and-trade costs?
 - (v) Changes to normalized average consumption/average use?
 - (vi) Other factors?
- (f) Should there be a Z factor, and if so what are the appropriate parameters and materiality threshold? **[4]**
- (g) Should there be an earnings sharing mechanism and if so what are the appropriate parameters?
- (h) Should capital module (ICM & ACM) mechanisms be available, and if so under what parameters?
4. Are there determinations requested in the merger approval application which will have to be reconsidered in light of the Board's determinations on the appropriate rate framework to be applied post-merger (e.g. deferral period, earnings sharing parameters, other), and how should the Board address these in its determinations on each of the two applications?
5. What changes to rates, regulated services, cost allocation or rate design should be permitted or required during the rate plan period and what process should be required for such changes to be made?
6. How should gas cost, gas transportation and related delivery rate adjustments be made post-merger, and what process should be required for such adjustments to be made?
7. What are the implications of the merger for gas supply planning and costing and how will those impact cost allocation and rates?
8. What should the annual rate adjustment process be?
9. What deferral and variance accounts should continue?
10. What deferral and variance accounts should not continue? **[8]**
11. What additional deferral and variance accounts are appropriate? **[7]**

B. SETTING 2019 RATES

1. Given the timing, prior commitments and determination of the appropriate rate setting mechanism, how should rates be set for 2019?
2. What adjustments, if any, are appropriate in setting 2019 rates, including:

- (a) Adjustments to costs? **[5] [6] [Addendum filed 2018-01-11]**
- (b) Adjustments to revenues?
- (c) Adjustments to cost allocations?
- (d) Adjustments to rates?
- (e) Other adjustments?

C. OTHER

- 1. Should rates/conditions of service be harmonized, and if so when and how?
- 2. How should past Board directives and utility commitments be addressed (including those listed at ExB/T1/Att5)?
- 3. Is the proposed scorecard appropriate? **[9]**
- 4. What reporting should be required during the rate plan period?
- 5. What stakeholder engagement should be required during the rate plan period?