

January 26, 2018

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

Dear Ms. Walli:

Re: EB-2017-0307 – Enbridge Gas Distribution Inc. and Union Gas Limited – Rate Setting Mechanism – Argument-in-Chief on Issues List

On November 23, 2017 Enbridge Gas Distribution Inc. and Union Gas Limited (collectively “the Applicants”) filed for approval of a rate setting mechanism and associated parameters under EB-2017-0307. In accordance with Procedural Order No. 2 issued on January 23, 2018, enclosed is the argument-in-chief of the Applicants with respect to the Draft Issues List.

If you have any questions on this matter, please contact me at 519-436-5334.

Sincerely,

[original signed by]

Vanessa Innis
Manager, Regulatory Applications

cc: Andrew Mandyam, EGD
Mark Kitchen, Union
Fred Cass, Aird & Berlis
EB-2017-0307 Intervenors

ONTARIO ENERGY BOARD

IN THE MATTER OF the *Ontario Energy Board Act*,
1998, S.O. 1998, c.15 (Sched. B);

AND IN THE MATTER OF an Application by Enbridge
Gas Distribution Inc. and Union Gas Limited, pursuant
to section 36 of the *Ontario Energy Board Act*, 1998,
for an order or orders approving a rate setting
mechanism and associated parameters during the
deferred rebasing period, effective January 1, 2019.

ARGUMENT-IN-CHIEF ON DRAFT ISSUES LIST

Introduction

1. In this proceeding, Enbridge Gas Distribution Inc. (“EGD”) and Union Gas Limited (“Union”) have applied under section 36(1) of the *Ontario Energy Board Act*, 1998 (the “OEB Act”) for approval of a rate-setting mechanism effective January 1, 2019. Enbridge and Union (the “Applicants”) filed an addendum to the evidence in support of the application (the “Addendum”) on January 11, 2018. The Addendum arose from the Settlement Proposal in Enbridge’s 2018 rate adjustment case, EB-2017-0086.
2. With the application, the Applicants filed a Draft Issues List (the “Draft Issues List”) for this proceeding.¹ On December 22, 2017, the Board issued Procedural Order No. 1, to which the Draft Issues List was attached as Schedule A.
3. Procedural Order No. 1 made provision for an Issues Conference on January 22, 2018 to review the Draft Issues List, with the objective of developing an issues list for presentation to the Board. Procedural Order No. 1 also said that, if necessary, an Issues Day proceeding would be convened on January 25, 2018.
4. In accordance with Procedural Order No. 1, the Issues Conference was held on January 22, 2018. No agreement was reached with regard to an Issues List for this proceeding.
5. On January 23, 2018, the Board issued Procedural Order No. 2. Procedural Order No. 2 provides for the Applicants to file argument-in-chief with respect to the Draft Issues List by January 26, 2018. Procedural Order No. 2 also provides for submissions by intervenors and Board staff to be filed by February 2, 2018 and reply argument to be

¹ Pre-filed evidence, Exhibit A-3.

filed by February 9, 2018. This is the argument-in-chief of the Applicants with respect to the Draft Issues List, filed in accordance with Procedural Order No. 2.

Draft Issues List

6. The Applicants have applied separately to the Board, under docket number EB-2017-0306, for approval to amalgamate effective January 1, 2019 and to defer rate rebasing for 10 years from 2019 to 2029. The Draft Issues List prepared by the Applicants was developed based on Board policies and guidance related to consolidation and rate-making. These policies and guidance documents provide a comprehensive and inter-related approach for natural gas utilities.

7. The Board's *Handbook to Electricity Distributor and Transmitter Consolidations* ("Consolidation Handbook")² provides guidance with regard to the appropriate rate-setting plans for consolidating distributors that have chosen a deferred rebasing period.

8. The aspects of the Consolidation Handbook that inter-relate with rate-making matters have been incorporated by reference into the Board's policies for rate proceedings. More particularly, the Consolidation Handbook is referred to in Appendix 3 to the *Handbook for Utility Rate Applications* ("Rate Handbook") issued by the Board in October of 2016.³

9. According to its explicit wording, the Rate Handbook is applicable to natural gas utilities (as well as electricity distributors and other entities regulated by the Board).⁴ The Rate Handbook draws on and refers to inter-related Board policies and, under the heading Rate-setting Policies, it says:

The OEB has a number of accounting and rate-setting policies that are applicable to rate applications. Appendix 3 includes summaries of these policies. ... Utilities and stakeholders should consult the relevant policy documents ... for detailed information.⁵

10. Appendix 3 to the Rate Handbook includes a section called Rate-setting Policies for Consolidation.⁶ This section of Appendix 3 to the Rate Handbook refers to the Consolidation Handbook, which it describes as the "MAADs Handbook", and says:

The MAADs Handbook provides guidance to applicants and stakeholders on how the OEB will review applications for consolidation.⁷

² [*Handbook to Electricity Distributor and Transmitter Consolidations*](#), January 19, 2016.

³ [*Handbook for Utility Rate Applications*](#), October 13, 2016.

⁴ Rate Handbook, page 1.

⁵ Rate Handbook, page 29.

⁶ Rate Handbook, Appendix 3, page v.

⁷ Rate Handbook, Appendix 3, pages v-vi.

11. Returning to the Consolidation Handbook, it is indicated in the Consolidation Handbook that during the deferred rebasing period, consolidating distributors will remain on their existing ratemaking plans until the end of the terms of the respective plans. The Handbook also prescribes that, from the time of expiry of the term of each existing plan to the end of the deferred rebasing period, Price Cap IR will be the rate-making model for each of the consolidating distributors.⁸

12. In accordance with the Consolidation Handbook, the Applicants have applied in this proceeding for approval of a Price Cap IR model that will apply from the expiry of their current rate-making plans to the end of the 10-year deferred rebasing period. During 2018, Enbridge will be operating in the last year of its Incentive Rate-setting ("IR") plan approved by the Board in EB-2012-0459 ("Custom IR") and Union will be operating in the last year of its Price Cap IR plan approved by the Board in EB-2013-0202.⁹ Thus, the Applicants seek approval of a Price Cap IR plan that will apply for the entire deferred rebasing period from 2019 to 2029.

13. The Draft Issues List was developed with a view to approval by the Board of a Price Cap IR plan, and associated parameters, that will apply during the deferred rebasing period. It was prepared and filed before the EB-2017-0086 Settlement Conference and, as a result, it does not include the issues addressed in the Addendum.

14. The Applicants propose that two issues be added to the Draft Issues List to reflect the evidence in the Addendum. The two new issues are set out as items 9 and 10 in the revised version of the Draft Issues List that is attached hereto as Attachment 1 (the "Revised Draft Issues List").

15. As well, the Revised Draft Issues List includes other issues that the Applicants have added, upon consideration of a proposal made on behalf of a number of intervenors (the "Intervenor Proposal"). The Intervenor Proposal was filed with the Board by counsel for the Industrial Gas Users Association ("IGUA") on January 23, 2018 and is attached as Attachment 2.

16. The Applicants submit that their Revised Draft Issues List should be approved because it is aligned with Board policy and guidance, it identifies the relevant issues for the proceeding based on the evidence (including issues arising from the Addendum), and it incorporates those issues from the Intervenor Proposal that are relevant.

17. The Applicants do not accept the other aspects of the Intervenor Proposal because the proposals are either contrary to established Board policy or they introduce

⁸ Consolidation Handbook, pages 13-14 and, at page 15, Table 1 – Rate-setting Options During the Deferred Rebasing Period.

⁹ Exhibit B-1, page 3.

inappropriate or unnecessary wording changes from the Applicants' proposal. These areas are discussed further in the next section.

Intervenor Proposal

18. The issues set out in the Intervenor Proposal can be grouped into three categories, as follows:

- (i) issues from the Draft Issues List but with wording changes or other adjustments in most instances (referred to herein as "Duplicate Issue Areas");
- (ii) issues that, subject to appropriate wording, the Applicants agree to add to the Draft Issues List and which have been incorporated into the Revised Draft Issues List (referred to herein as "Additional Issue Areas"); and
- (iii) issues that the Applicants submit should not be included in the final Issues List for this proceeding (referred to herein as "Contested Issues").

19. The Applicants will address each of these three categories of issues from the Intervenor Proposal under the sub-headings that follow.

Duplicate Issue Areas

20. The following issues from the Intervenor Proposal are already incorporated in the Applicants' Revised Draft Issues List: A.3(b), A.3(c), A.3(e), A.3(f), A.9, A.10, A.11, B.2(a) and C.3. Each is discussed below.

21. There is one common issue with identical wording in both the Draft Issues List and the Intervenor Proposal. This is the issue with respect to the scorecard proposed by the Applicants.¹⁰

22. The Draft Issues List includes two issues with respect to Deferral and Variance accounts¹¹ and the Intervenor Proposal separates these into three issues.¹² The Applicants submit that the content of the three issues in the Intervenor Proposal is the same as the content of the two issues in the Draft Issues List and that nothing of value is added to the Draft Issues List by separating the two issues proposed by the Applicants into three.

¹⁰ Item 9 in the Draft Issues List and item C.3 in the Intervenor Proposal.

¹¹ Items 7 and 8 in the Draft Issues List.

¹² Items A.9, A.10 and A.11 in the Intervenor Proposal.

23. The Intervenor Proposal re-words the issues in the Draft Issues List with respect to the inflation factor and the X-factor for the Price Cap IR model.¹³ The Applicants submit that nothing of value is added to the Draft Issues List by the re-wording of these issues as set out in the Intervenor Proposal.

24. Similarly, the Intervenor Proposal re-words the issue in the Draft Issues List with respect to Y-factor treatment and, again, the Applicants submit that nothing of value is added to the Draft Issues List by the proposed re-wording.¹⁴ Further, the Intervenor Proposal includes an additional item to be considered for Y-factor treatment, namely, "Other factors".¹⁵ It seems very unlikely to the Applicants that intervenors will propose other factors for Y-factor treatment in addition to those put forward by the Applicants; hence, the Applicants submit that this proposed addition to the Draft Issues List is unnecessary and inappropriate in the circumstances of this case.

25. The Intervenor Proposal has condensed a number of issues about adjustments proposed by the Applicants, including a reference to the Addendum, into a three-word sub-item to a proposed issue.¹⁶ The Applicants submit that this is not an improvement on the wording of the Draft Issues List (as expanded upon by the Revised Draft Issues List) with respect to the proposed adjustments.

26. To summarize these points with respect to Duplicate Issue Areas, first, all items in the Draft Issues List, as well as the two additional issues referred to in paragraph 14, above, are duplicated in the Intervenor Proposal and, second, the Applicants submit that the wording of these items in the Draft Issues List, as expanded upon by the Revised Draft Issues List, is appropriate and has not been improved upon in the Intervenor Proposal.

Additional Issue Areas

27. As alluded to above, the Applicants have considered the Intervenor Proposal and have concluded that issues in the following areas are within the scope of this case and should be added to the Draft Issues List:

- (i) whether the Price Cap IR model should include a stretch factor in the formula and, if so, what the appropriate stretch factor should be [Item A.3(d) in the Intervenor Proposal];

¹³ Items 1 and 2 in the Draft Issues List and items A.3(b) and (c) in the Intervenor Proposal.

¹⁴ Item 3 in the Draft Issues List and item A.3(e) in the Intervenor Proposal.

¹⁵ Item A.3(e)(vi) in the Intervenor Proposal.

¹⁶ Item B.2(a) in the Intervenor Proposal.

- (ii) whether the proposed parameters¹⁷ for calculating treatment of qualifying capital investments for the purposes of the Incremental Capital Module (“ICM”) are appropriate [Item A.3(h) in the Intervenor Proposal];
- (iii) how previous Board directives and utility commitments should be addressed; [Item C.2 in the Intervenor Proposal]
- (iv) what reporting is appropriate during the deferred rebasing period [Item C.4 in the Intervenor Proposal]; and
- (v) what stakeholder engagement is appropriate during the deferred rebasing period [Item C.5 in the Intervenor Proposal].

These additional issues are all included in the Revised Draft Issues List.¹⁸

Contested Issues

28. The remaining issues on the Intervenor Proposal are unnecessary or inappropriate: A.1, A.2, A.3, A.3(a), A.3(f), A.3(g), A.3(h), A.4, A.5, A.6, A.7, A.8, B.1 B.2(b) - (e) and C.1.

29. The Applicants submit that the Intervenor Proposal is framed as a general reopening and re-examination of Board policies, including the Consolidation Handbook, the Rate Handbook and the Board’s *Filing Requirements for Natural Gas Rate Applications* (the “Gas Filing Requirements”).¹⁹

30. The Intervenor Proposal begins by setting out an issue about “the rate making framework” that “should be used to set rates during the deferral period”, if the Board grants the Applicants’ request for approval of a merger and deferral of rebasing. This issue, as put forward in the Intervenor Proposal, refers to,

An IRM formula, a Custom IR plan, or another rate setting mechanism.²⁰

31. The proposal that the Board engage in a general consideration of a rate-making framework that “should be used during the deferral period” is contrary to the Consolidation Handbook, which makes clear that, from the time of expiry of the term of existing plans to the end of the deferred rebasing period, Price Cap IR will be the rate-making model for consolidating distributors.

¹⁷ Pre-filed evidence, Exhibit B-1, pages 15-16.

¹⁸ Items 3, 5, 14, 15 and 16 in the Revised Draft Issues List.

¹⁹ [*Filing Requirements for Natural Gas Rate Applications*](#), February 16, 2017.

²⁰ Intervenor Proposal, item A.1.

32. The Intervenor Proposal is also contrary to the Rate Handbook, which contemplates two rate-making options for natural gas utilities, Custom IR or Price Cap IR.²¹ In allowing Custom IR or Price Cap IR as the rate-making options for gas utilities, the Rate Handbook certainly gives no support for the notion that, in a gas distributor rates proceeding, the Board should or will engage in a general consideration of an appropriate rate setting mechanism. Of course, as discussed above, the Consolidation Handbook and the Rate Handbook are both parts of a set of inter-related and integrated Board policies and a Price Cap IR model is the rate-making option that applies in the circumstances set out in the Consolidation Handbook.

33. Further, the Intervenor Proposal is contrary to the Gas Filing Requirements. In the Introduction to Chapter 1 of the Gas Filing Requirements, it is unequivocally stated that:

Going forward, there will be two rate-setting policies available for natural gas utilities: Price Cap Incentive Rate-setting (Price Cap IR) and Custom Incentive Rate-setting (Custom IR). The requirements of Chapter 1 are applicable to both rate setting methods.²²

34. There can be no doubt that the Board expects Applicants to follow the guidance set out in Board policies when filing applications. The Gas Filing Requirements say that:

The OEB will consider an application complete if it meets all of the applicable filing requirements. ... If an application does not meet all of these requirements ... the OEB may suspend its review ... unless satisfactory justification ... has been provided or until revised satisfactory evidence is filed.²³

(Emphasis in original.)

35. As well, the Rate Handbook says that: "The OEB expects utilities to file rate applications consistent with this Handbook unless a utility can demonstrate a strong rationale for departing from it."²⁴ No rationale has been presented in this case for departing from Board policies.

36. In fact, the Intervenor Proposal is written as if the Board policies do not exist. Notwithstanding Board policies with respect to rate models available in gas distributor rate proceedings and with respect to rate models that apply during a deferred rebasing period, the Intervenor Proposal calls on the Board to embark on a general consideration

²¹ Rate Handbook, page 25.

²² Gas Filing Requirements, Chapter 1, Overview, page 1.

²³ Gas Filing Requirements, Chapter 1, Overview, page 2.

²⁴ Rate Handbook, page 1.

of the “rate making framework” that “should be used to set rates during the deferral period”.

37. By seeking a general consideration of the rate making framework that will apply during the deferred rebasing period, the Intervenor Proposal invites a reopening and re-examination of the Board’s policies with regard to appropriate rate models. This is evident not only from the first issue in the Intervenor Proposal, but also from many other aspects of the Intervenor Proposal, such as the following:

- (i) proposed Issue A.2, which contemplates consideration of a general rate making framework in relation to a number of different factors, as enumerated in five sub-items;
- (ii) proposed Issue A.3, which begins with the words “If the Framework is an IRM formula” and, again, conveys an expectation that the Board will or may consider a Framework that does not include an IR formula;
- (iii) proposed Issue A.3(a), which asks whether the rate making framework should be a rate cap or a revenue cap;²⁵
- (iv) proposed Issue A.3(f), which asks whether there should be a Z-factor;²⁶
- (v) proposed Issue A.3(g), which asks whether the rate framework should include an earnings sharing mechanism (“ESM”);²⁷
- (vi) proposed Issue A.3(h), which asks whether capital module mechanisms should be available;²⁸ and
- (vii) proposed Issue C.1, which asks whether rates/conditions of service should be harmonized and, if so, when and how.²⁹

²⁵ Again, the Consolidation Handbook sets out that Price Cap IR is the rate model available to consolidating distributors from the time of expiry of the term of each existing plan to the end of the deferred rebasing period. (See above.)

²⁶ The Rate Handbook says (at page 27): “The OEB has a policy for Z-factors for electricity distributors and transmitters that applies for any rate-setting option chosen by a utility. ... The OEB has approved Z-factor mechanisms for natural gas distributors in previous proceedings, and they may propose mechanisms in their future rate applications.” See also the Gas Filing Requirements (at pages 39-40), section 2.9.3.

²⁷ The Consolidation Handbook says (at page 16) that: “Consolidating entities that propose to defer rebasing beyond five years, must implement an ESM for the period beyond five years.”

²⁸ The Consolidation Handbook sets out (at page 17), the availability of the ICM during the deferred rebasing period.

²⁹ The Consolidation Handbook says (at page 17) that: “A consolidating entity is expected to propose rate structures and rate harmonization plans following consolidation at the time it files its rebasing application. Distributors are not required to file details of their rate-setting plans, including any proposals for rate

38. The Applicants submit that considerable time, effort and resources have gone into the development of the Board's policies for rate-making and for utility consolidations. The rate-making and consolidation policies come together as an inter-related and integrated package to guide applications just like this one. The intervenors who have put forward the Intervenor Proposal, however, seek to sweep all of this aside and to set the Board out on a reconsideration of many aspects of Board policy.

39. There is no legitimate basis for the Issues List in this case to set the Board out on a reconsideration of its rate-making and consolidation policies. Further, it is both inefficient and impractical to reopen and re-examine the Board's policies in an individual case when no good reason has been brought forward for doing so.

40. In the circumstances of this case, the proposal to re-examine the Board's policies also gives rise to a timing issue. It is expected that, following the release of the Board's determinations in respect of the EB-2017-0306 merger application and this application, approval will be sought for rates effective January 1, 2019. (If the Board approves the merger application and the proposed rate model, then it is expected that an application for 2019 rates will be made on the basis of the approved rate model.) A reconsideration of Board policies in this proceeding, such as is necessary to address all of the issues in the Intervenor Proposal, would jeopardize the ability to have 2019 rates in place for January 1, 2019.

41. The submissions above with respect to Duplicate Issue Areas, Additional Issue Areas and Contested Issues have addressed most of the issues set out in the Intervenor Proposal. As well, there are certain issues in the Intervenor Proposal that are Contested Issues because they are unnecessary or inappropriate, or because they do not arise as legitimate issues in the circumstances of this case, or both.

42. For example, Issue A.4 in the Intervenor Proposal asks whether determinations requested in the merger application will have to be reconsidered in light of the Board's determinations on the appropriate rate framework. Subject to further explanation of this proposed issue in intervenor submissions, the Applicants find it inconceivable that the Board will make determinations in respect of the merger application and then reconsider those determinations in its conclusions with respect to this application. Indeed, one advantage of proceeding in accordance with existing Board policies, such as the inter-related and integrated policies discussed above, is that doing so tends to remove a risk of inconsistent findings.

harmonization, as part of the application for consolidation. These issues will be addressed at the time of rate rebasing of the consolidated entity." Similarly, the Gas Filing Requirements say (at section 2.1.9, pages 17-18) that: "In the first cost of service application following a consolidation, the applicant is expected to address any rate-making aspects of the MAADs transaction, including a rate harmonization plan and/or customer rate classifications post consolidation." See also section 2.8.2 of the Gas Filing Requirements (page 36).

43. Whatever may be the reason for its inclusion in the Intervenor Proposal, the Applicants submit that Issue A.4 is unnecessary and inappropriate. Similarly, subject to further explanation in intervenor submissions, the Applicants submit that Issues A.5 to A.8, B.1 and B.2(b) to (e) are unnecessary or inappropriate for determination by the Board, or do not arise as legitimate issues in the circumstances of this case.

44. The Applicants respectfully request that the Board approve the Revised Draft Issues List (Attachment 1 to this argument-in-chief) as the Issues List for this proceeding.

All of which is respectfully submitted.

January 26, 2018

[original signed by]

Fred D. Cass
Counsel for the Applicants

ENBRIDGE GAS DISTRIBUTION INC. AND UNION GAS LIMITED

RATE SETTING MECHANISM APPLICATION

REVISED DRAFT ISSUES LIST

1. Is the proposed inflation factor appropriate?
2. Is the proposed X factor appropriate?
3. Should there be a productivity stretch factor and if so, what should it be?
4. 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
5. Are the proposed parameters for calculating treatment of qualifying capital investments through the OEB's ICM appropriate?
 - a. Separate materiality threshold calculations using rate base and depreciation expense last approved by the Board
 - b. Using incremental cost of capital to calculate the revenue requirement to fund capital investment
6. Is the proposed Z factor and associated materiality threshold of \$1.0 million appropriate?
7. Is the proposed adjustment to reflect the full amortization of Union's accumulated deferred tax balance at the end of 2018 appropriate?

8. Is the proposed adjustment to unwind smoothing of costs related to EGD's Customer Information System and customer care forecast costs appropriate?
9. Is the proposed adjustment to EGD's Pension and OPEB costs appropriate?
10. Is the proposed adjustment to reflect the removal of EGD's tax deduction associated with the discontinued SRC refund appropriate?
11. Are the proposed deferral and variance accounts appropriate?
12. 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

13. Is the proposed scorecard appropriate?
14. What reporting is appropriate during the deferred rebasing period?
15. What stakeholder engagement is appropriate during the deferred rebasing period?
16. Is the proposed method of addressing directives and commitments during the deferred rebasing period appropriate?



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
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Assistant: Cathy Galler
Direct: 416-369-4570
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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
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100 King Street West
Toronto ON M5X 1G5 Canada

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Gowling WLG (Canada) LLP is a member of Gowling WLG, an international law firm which consists of independent and autonomous entities providing services around the world. Our structure is explained in more detail at gowlingwlg.com/legal



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OAPPA

FRPO
CME
Kitchener Utilities
IGUA
BOMA

Energy Probe
Six Nations Natural Gas
OGVG
TCPL
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,

A handwritten signature in blue ink, appearing to read "Ian A. Mondrow".

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

TOR_LAW\ 9426083\1

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**

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?