

BY RESS FILING AND COURIER

26 January 2018
Ontario Energy Board
Attn: Ms. Kirsten Walli, Board Secretary
P.O. Box 2319
2300 Yonge Street, 27th Floor
Toronto, Ontario, M4P 1E4

Dear Ms. Walli:

Re: EB-2017-0306 – Enbridge Gas Distribution Inc. (Enbridge Gas) and Union Gas Limited (Union Gas) - Application for Amalgamation – Comments on Applicant Issues List by the City of Kitchener (“Kitchener”)

Pursuant to the Procedural Order 2, dated 16th January 2018, issued by the Board, Kitchener provides following comments.

Kitchener is an embedded gas distributor to over 70,000 customers in the Union South franchise territory and receives storage and transportation services under Rates T3 and M12. Kitchener will be directly impacted by this Application.

In an effort to ensure that all issues are adequately addressed, Kitchener participated in the intervenor discussions that resulted in the alternative proposed issues list filed with the Board on January 17, 2018. Kitchener endorses and wholly supports this alternative proposed issues list as it finds it to be more comprehensive and inclusive of issues that must be addressed in order to support an unprecedented merger of two major gas utilities in Ontario.

Kitchener finds that the original issues list submitted by the applicants is vague and presupposes an outcome in their favor by referencing what Kitchener believes are loosely applicable precedents from the electricity sector. The applicant's issues list does not address the scope of issues in enough detail to substantiate a claim of “no harm” or any other appropriate test of merger. The alternative list proposed by the intervenors places first the fundamental question of which test is most appropriate and then outlines underlying questions in order to clarify it.

Kitchener believes that it is not appropriate to strictly follow and comply only with the minimum requirements of the MAADs policy in this case and simply accept a “no harm” test, in light of the fact that there is limited precedent with respect to gas utility mergers of this magnitude. Regardless of which test is found to be most appropriate, the

applicants must demonstrate that its merger is in the public's best interest. To demonstrate this, the applicants must provide evidence of planned implementation of just and reasonable rates through a fair rate model. In order to provide for demonstration of a fair rate model, at minimum, a full cost allocation study should be conducted as a condition of the merger to shed light on any inequities in the standalone utility rate models. This creates a clean and fair starting point for a merged rate model. This concern is captured under issue #6 of the alternative issues list.

In conclusion, Kitchener recommends that the Board accept the alternative (intervenor) issues list as a more comprehensive and complete record of issues in this proceeding. Also, Kitchener recommends that the Board thoroughly reconsider the applicants approach to strictly follow and comply with the minimum requirements of the MAADs policy as it does not capture the uniqueness of the case. Finally, Kitchener recommends that in order to justify the approval of a merger, the applicants should be required to demonstrate that such a merger is in the public's best interest through planned implementation of just and reasonable rates through a fair rate model. This can only be accomplished by completing, at minimum, a comprehensive cost allocation study as a condition of the merger.

Respectfully submitted,



Danny Persaud
Manager, Gas Supply Operations & Regulations

Cc: M. Kitchen (Union)
A. Mandyam (Enbridge)
F. Cass (Aird & Berlis LLP)
Intervenors