ONTARIO ENERGY BOARD

Enbridge Gas Distribution Inc. (EGD) and Union Gas Limited (Union)
Application for approval of a rate setting mechanism and associated parameters from January 1, 2019 to December 31, 2028

Industrial Gas Users Association (IGUA)
Submissions on Issues List

1. As was the case in the Applicants' companion application for leave to amalgamate [EB-2017-0306] (Merger Application), the Applicants' January 26, 2018 issues list Argument in Chief (AIC) in this rate setting mechanism application presupposes "*holus-bolus*" applicability of the Board's MAADs policy to the Applicants' post-merger rate making.

2. The alternative working consensus issues list developed through intervenor discussions and filed with our letter dated January 23, 2018 (Intervenor Issues List) makes no such presupposition, and for the reasons set out below should be adopted as the preferred approach for directing the scope of this proceeding.

3. IGUA adopts and endorses the following position as recently articulated by OEB Staff in Staff's Merger Application issues list submission[1] (emphasis added):

> *Prior to discussing the appropriate issues in this proceeding, it is important to understand the purpose of an issues list. The issues list serves to scope the parameters of the hearing. It establishes the matters that can be considered by the OEB in making its ultimate decision. In effect it sets out the broad questions that are at issue in the proceeding. It does not serve to provide "answers" to any of those questions, it simply sets out the matters that parties are permitted to discuss as part of the hearing.*
>
> *... Issues should only be excluded from the issues list, therefore, if the panel is certain that the matter has no relevance to the proceeding.*

[1] EB-2017-0306 OEB Staff Submission, January 26, 2018, page 3.

In that submission OEB Staff endorsed adoption of the broader intervenor proposed issues list to guide the scope of inquiry in the Merger Application.

Rate Policies Relied On

4. The Applicants rely on the rate making policies set out in the Board's 2016 *Handbook for Utility Rate Applications* (Rate Handbook).

5. The Rate Handbook states[2] [emphasis added]:

> *This Handbook applies specifically to rate applications, under any of the legislative sections identified above, which are intended to set rates for a multi-year period (Custom IR), or for the first year of a multi-year period (Price Cap IR or Revenue Cap IR).*

6. The rate filing envisaged by the Rate Handbook is then described as a *"comprehensive rate application"* which has three main components; 1. a business plan; 2. historical and forecast information; and 3. rate models. The Rate Handbook proceeds (Chapter 5) to detail the considerations that the OEB expects to apply in reviewing each of these three main components of the *"comprehensive rate application"*.

7. The Rate Handbook then goes on (in Chapter 6) to set out and detail the rate setting options that it expects to apply to each of the types of entities which it regulates. In respect of electricity distributors[3], the Rate Handbook describes 3 incentive rate-setting methodologies; Price Cap IR, Custom IR and the Annual IR Index. The Price Cap IR, the model which the Applicants in this case have proposed to apply to their post-merger rates, is described as follows[4] (emphasis added):

> *Price Cap IR: Under this methodology, base rates are set through a cost of service process for the first year and the rates for the following four years are adjusted using a formula specific to each year.*

8. The Rate Handbook addresses rate setting expectations for natural gas utilities at page 25, where it states (emphasis added):

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[2] Rate Handbook, page 6, top.
[3] Rate Handbook, page 23.
[4] Rate Handbook, page 23, bottom.

> *Natural gas utilities may choose either Custom IR or Price Cap IR. Under either approach, the term must be a minimum of 5 years. For Price Cap IR it would include a cost of service year and at least four years using an incentive adjustment mechanism.*

9. It is thus clear that a Rate Handbook compliant Price Cap IR plan application consists of a year 1 cost of service rate proposal and a proposed formula for subsequent adjustment of the cost of service determined rates for the subsequent 4 years.

10. That is not, of course, the rate framework that the Applicants are proposing in this application. In this application, the Applicants are proposing a 10 year Price Cap IR plan which follows, and adjusts rates arising from, two 5 year rate plans (one formulaic and one custom), each of which in turn commenced on the basis of cost of service filings of forecasts of 2013 costs (and in EGD's case, similar forecasts for each of the subsequent 4 years), which forecasts were made in 2012.

11. It is thus apparent that the rate framework proposed by the Applicants is not only not dictated by the Board's Rate Handbook, it is, in fact, a departure from the Rate Handbook.

MAADs Policy Relied On

12. In proposing a departure from the Rate Handbook, the Applicants rely on the Board's "MAADs policy" which contemplates that consolidating entities may choose, without particular justification, the post-merger period for which they would like to defer a rate rebasing application, up to 10 years. This aspect of the "MAADs policy" essentially provides an exemption from the Rate Handbook requirement that a Price Cap IR plan commence with cost of service determined rates.

13. The Rate Handbook itself addresses mergers only to indicate, in reiterating the MAADs policy codified in the Board's *Handbook to Electricity Distributor and Transmitter Consolidations* (Electricity Consolidation Handbook), that rate setting is generally not a consideration in reviewing a consolidation through a merger, acquisition, amalgamation or divestiture.[5] (This one paragraph section of the Rate Handbook then goes on to list the considerations relevant to the first cost of service application following the consolidation.)

[5] Rate Handbook, page 21.

14. In their AIC the Applicants assert an "inter-relationship" between the Board's "MAADs policy" and the Rate Handbook as it applies to gas distributors, and in so doing refer to Appendix 3 to the Rate Handbook.[6] Appendix 3 to the Rate Handbook summarizes other OEB accounting and rate-setting policies that are, in some manner, applicable to rate applications.

15. Among these other OEB policies is the OEB's "MAADs policy". Accordingly, as cited by the Applicants' AIC[7], it is stated in Rate Handbook Appendix 3:

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

16. This sentence provides no link, express or implied, between consolidation applications, on the one hand, and rate applications on the other (be they gas or electric distributor rate applications). Rather that link is provided earlier in the brief section of Appendix 3 from which the foregoing reference is taken, where the March 26, 2015 *Report of the Board: Rate-Making Associated with Distributor Consolidation* (Consolidation Rate Making Report) is referred to. Following reference to this report, the earnings sharing and incremental capital pass through mechanisms developed by the Board and discussed in the Consolidation Rate Making Report are noted.

17. The introduction to the Consolidation Rate Making Report states [emphasis added]:

> *The Ontario Energy Board's renewed regulatory framework is a comprehensive performance based approach to regulation. The framework sets expectations that electricity distributors will seek out efficiencies to increase productivity and manage costs. The OEB issued a letter on February 11, 2013, announcing an initiative to assess how the OEB's regulatory requirements for electricity distributors may affect the ability of distributors to realize operational or organizational efficiencies.*
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> ...
>
> *The report of the Ontario Distribution Sector Review Panel, issued in December 2012, set out a vision for consolidation resulting in less costly and more efficient delivery of electricity, with a predicted cost savings of $1.2 billion over the next ten years. When the Minister of Energy responded to the Panel's report, he indicated that he expected that the sector would find ways to achieve those savings through more efficient service delivery, including negotiated consolidations. This view was carried forward in the government's December 2013 Long Term Energy Plan ("LTEP"), where it is stated that the government expects electricity distributors to*

[6] AIC, paragraph 8.
[7] AIC, paragraph 10.

> *pursue innovative partnerships and transformative initiatives that will result in savings for electricity ratepayers.*
>
> ...
>
> *After considering the government's policy expectations, the results of the consultations, and the OEB's own expectations that the distribution sector should continue to seek out efficiencies especially through consolidation, the OEB has concluded that it will proceed at this time with amendments to its rate-making policy associated with electricity distributor consolidation.*
>
> *This report sets out the OEB's amendments to its rate-making policy for electricity distributors following a MAADs transaction.*

18. The policies reflected in the Consolidation Rate Making Report were expressly driven by, and expressly address, consolidation in the electricity distribution sector. The word "gas" does not appear anywhere in this report.

19. The "MAADs Handbook" referred to in the one sentence from Rate Handbook Appendix 3 cited in the AIC is the Board's January 19, 2016 *Handbook to Electricity Distributor and Transmitter Consolidations* (Electricity Consolidation Handbook). The introduction to the Electricity Consolidation Handbook states [emphasis added]:

> *The Commission on the Reform of Ontario's Public Services, the Distribution Sector Review Panel and the Premiers [sic] Advisory Council on Government Assets have all recommended a reduction in the number of local distribution companies in Ontario and have endorsed consolidation.*
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> ...
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> *The OEB recognizes that there is a growing interest in and support for consolidation. The OEB has a statutory obligation to review and approve consolidation transactions where they are in the public interest. In discharging its mandate, the OEB is committed to reducing regulatory barriers to consolidation.*
>
> ...
>
> *While the Handbook is applicable to both electricity distributors and transmitters, most of the OEB's policies and prior OEB decisions have related to distributors. Transmitters should consider the intent of the Handbook and make appropriate modifications as needed to reflect differences in transmitter consolidations.*

20. The Electricity Consolidation Handbook was also expressly developed in response to government policy and reports focussed on the public interest benefits expected from consolidation of Ontario's (then) 75 plus electricity distributors. It expressly applies to

electricity distributors and transmitters. The word "gas" does not appear anywhere in Electricity Consolidation Handbook.

21. Neither does the word "gas" appear anywhere in the Rate Handbook Appendix 3 section cited by the Applicants in their AIC in an attempt to link the Board's "MAADs policy" to rate making for gas distributors.

22. In short, there is nothing in the Rate Handbook, including Appendix 3 thereto, which even by implication links the Board's MAADs policy, including the post-consolidation rate making framework thereunder, to rate making for merging gas utilities.

23. As in the Merger Application, the applicability of the Board's MAADs policy, including the post-merger rate framework developed thereunder, to the Applicants' post-merger rate making is an open issue.

24. The Applicants' proposed issues list (Applicants' Issues List) presupposes applicability of the Board's MAADs policy to post-merger rate making in the circumstances of the proposed merger. The Intervenor Proposed List makes no such assumption.

25. Considering the foregoing, and accepting that *"[i]ssues should only be excluded from the issues list if the panel is certain that the matter has no relevance to the proceeding"*[8], the Applicant's AIC provides no basis for such certainty. The intervenor approach to issues definition, and the Intervenor Issues List, is the more appropriate starting point for initially defining the scope of inquiry in this application.

26. Consistent with their (unsupported) presupposition that the Board's MAADs Policy, and associated post-consolidation rate making parameters, apply to the Applicants' proposed merger, paragraph 38 of the Applicants' AIC states:

> *The Applicants submit that considerable time, effort and resources have gone into development of the Board's policies for rate-making and for utility consolidations. The rate-making and consolidation policies come together as an interrelated 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.*

[8] See paragraph 3, above quoting from Board' Staff' Merger Application issues submission.

27. It is disingenuous for the Applicants to suggest that intervenors have ignored the Board policies, when the Applicants themselves are proposing a departure from the Rate Handbook wholly unsupported by any Board policies, and without even recognizing the legitimate issue of whether the MAADs policy applies to the proposed gas utility merger or not.

28. Apart from the lack of any necessary link in existing Board policies between the MAADs policy applicable to the electricity sector and the EGD/Union rate plan proposal before the Board in this application, and apart from the legal imperative for this Hearing Panel to at least turn its mind to whether the MAADs policy should apply in the circumstances before it or not, there are number of reasons why the question of whether the MAADs policy should be applied to this application, in whole or in part, is an important question in the particular circumstances before us:

(a) The Board's MAADs policy was developed to incent electricity distributor consolidation, in accord with the strong policy position of the provincial government. In the current instance, Enbridge Inc.'s acquisition of Spectra, and thus of Union Gas Limited, has already occurred. It is arguable that the incentive function of the Board's electricity MAADs policy is not required in this instance.

(b) Government and Board policy is to encourage electricity distributor consolidation in order to extract efficiencies from the sector that would not otherwise be pursued and obtained, to the ultimate benefit of electricity ratepayers. In the current instance, given the already established joint ownership of the two primary Ontario gas distributors, it is legitimate to argue that the Board can expect, and indeed must require in determining just and reasonable rates, efficiencies from co-ordinated operation of EGD and Union. It could be reasonably argued that such efficiencies are to be expected and should be required from regulated entities who must exercise prudence in operating their monopoly, franchised services in the public interest.

(c) It could also be reasonably argued that an *"ab initio"* evaluation of whether the Board's electricity MAADs policy should apply, and if so with what modifications, if any, to post-merger rate making in this instance is a required consideration in this case simply given the scale and scope of the two regulated entities bringing this rate setting mechanism proposal forward. The combined 2018 revenue requirement of these two regulated utilities is $4.3 billion (and extrapolated for 10 years would be in the order of $50 billion), and they have a combined 3.6 million customers. Clearly these are not like the typical Ontario electricity distributors for whom the Board's MAADs policy and associated rate making mechanisms were developed.

29. The issue for the moment is not whether any of these arguments are ultimately persuasive. Rather the issue is whether these lines of inquiry are reasonable, and reasonably

necessary for the Board to properly consider the proposed post-merger rate plan advanced by EGD and Union.

30. IGUA believes that they are.

31. It must also be considered that the implications of applying the Board's MAADs related rate making policy, unmodified, are significant. They include:

(a) No benefit of any synergies to ratepayers for 10 years, subject only to sharing in years 6 through 10 but only, on the Applicants' formulation, if the utilities over earn by 300 basis points (bp). In today's terms, that would be a 12% return to the shareholders before ratepayers see any benefit from the merger.

(b) We note that this 300 bp dead band proposed by the utilities is actually a Board stipulated rate plan off ramp. That is, the Board will inquire, in this eventuality, whether the rate plan has gone off the rails and requires adjustment, even without the utilities "proposing" it. The fact that this is a general Board mandated off ramp intended to deal with extreme excursions from acceptable rates indicates the significance of the utilities' proposal for adopting it as part of their proposed merger program.

(c) The 10 year rebasing deferral is proposed by the Applicants in the face of both utilities coming off of 5 year rate plans designed, assumed by the Board, and represented by the utilities when approval was sought, to incent sustained efficiencies that would accrue to the benefit of ratepayers following the conclusion of the rate plan. We are not aware of any instance to date in which a utility consolidation has been approved and rebasing deferral granted in the circumstance where the constituent entities are both coming off extended rate plans prior to the effective date for the proposed consolidation, and proposing to skip (not really defer) rebasing for another decade.

32. Again, the issue for the moment is not whether these particular circumstances themselves indicate that the Board's electricity MAADs rate making policy should not be applied, or should not be applied without modification, to the Applicant's post-merger rates. Rather the issue is whether inquiry in these particular circumstances is reasonable, and reasonably necessary, for the Board to properly consider the application placed before it by EGD and Union.

33. IGUA believes that it is.

Contested Issues

Intervenor Issues List issues A1, A2, B1, B2, C1

34. The degree to which the MAADs policy applies to the Applicants' proposed merger will be determined in the Merger Application. To set out an issues list in the current application which presupposes a Merger Application determination that the MAADs policy applies would prematurely and inappropriately limit the scope of inquiry in this companion Rate Framework application.

35. Further, even if the MAADs policy is determined in the Merger Application to apply insofar as the test for approval of the merger and the availability of a 10 year rebasing deferral, the applicability of the rate making framework aspects of the MAADs policy will be determined in the instant proceeding.

36. Considering, then, that an automatic rebasing deferral option attendant on a merger may be determined in the Merger Application to not be available to the Applicants, or in the instant proceeding it may be determined (for the reasons set out above) that the rate making framework aspects of the MAADs policy should not apply, or not apply in their entirety, the issue of what rate making framework should be used to set rates during the deferral period (Intervenor Issues List issue 1) - cost of service or otherwise - is a primary issue for consideration in this case.

37. By the same token, if it is determined in the Merger Application that the Board's MAADs policy rebasing deferral option does not apply to the Applicant's proposed merger, and thus that the Applicants' rate plan proposal would in fact be a departure from the Board's Rate Handbook (which does not, without a year 1 rebasing, contemplate application of a Price Cap IR), necessary considerations include:

    (a) How the (then) new rate framework proposed by the Applicants addresses the Board's principles for Renewed Regulatory Framework (RRF) rate making (Intervenor Issues List issue A2).

    (b) If the framework to be applied is an IRM other than as contemplated by the Rate Handbook (i.e. without year 1 cost of service determined rates), what parameters are appropriate for this particular IRM framework (Intervenor Issues List issue A3).

38. Intervenor Issues List issues B1 and B2 regarding setting 2019 rates are relevant because if the Board determines that its rate making policy requires rebasing as part of an

appropriate rate framework for the Applicants post-merger, but that it is now too late to implement this requirement for 2019 rates, it is then necessary to consider how rates for 2019 should be set. That is, if the MAADs policy is determined not to apply to the proposed merger in the manner asserted by the Applicants, then there is a timing problem with respect to setting 2019 rates (as acknowledged by the Applicants' at AIC paragraph 40), and the matters articulated in Intervenor Issues List issues B1 and B2 will require consideration.

39. We note that the Applicants themselves have made it clear that they intend to adjust certain cost allocations in setting 2019 rates[9], which adjustment is captured in Intervenor Issues List issue B2(c). Yet the Applicants oppose inclusion of this issue in the current application, in which they propose a Rate Cap adjustment formula be applied to 2018 rates which embed current cost allocations. Other parties have raised concerns about current allocation of other costs, and/or about altering allocation of some costs without a more complete cost allocation review.[10] These concerns are also captured under Intervenor Issues List issue B1(c).

40. Intervenor Issues List proposed issue C1 – *Should rates/conditions of service be harmonized, and if so when and how?* – was not commented on by the Applicants in their AIC. If the Hearing Panel accepts, for the purposes of *ab initio* establishment of the issues list in this matter, that the question of whether the MAADs policy rate making framework applies, in whole or in part, is an appropriate question, then the MAADs policy prescription that rate harmonization issues are to be determined at the time of the first cost of service application post-consolidation might not apply, and Intervenor proposed issue C1 should be included on the Board directed issues list.

Intervenor Issues List issue A4

41. Intervenor Issues List proposed issue A4 is:

> *Are there determinations requested in the merger approval application which will have to be reconsidered in light of the Board's determination on the appropriate rate framework to be applied post-merger (e.g. deferral period, earnings sharing*

[9] EB-2017-0087, Union 2018 Rates, ExB.IGUA.4, part c).
[10] EB-2017-0087, Union 2018 Rates, LPMA January 8, 2018 Submissions; Merger Application, City of Kitchener Issues List comments.

parameters, other), and how should the Board address these in its determination on each of the two applications.

42. The Applicants have requested further explanation of this proposed issue.[11]

43. This proposed issue is intended to address a concern (which IGUA will consider through the discovery phase of this proceeding and of the companion Merger Application proceeding) that there are necessary interrelationships between the two applications, and that if the applications are to proceed separately as framed and proposed by the Applicants[12], then there may need to be some mechanism to ultimately reconcile the determinations made in the two applications.

44. For example, parties may well argue (and in IGUA's view reasonably so) that the MAADs policy, and in particular the 10 year deferral option, should not be determined to be applicable to the proposed merger in isolation of considering the rate making implications of applying that policy, and conversely consideration of the appropriate post-merger rate framework in the particular circumstances of this application must be heavily influenced by the determination of whether the Applicants may defer rebasing for another 10 years.

45. By way of more particular example:

(a) If rebasing is allowed to be deferred at all, should there be earnings sharing prior to year 6 in order to protect ratepayers?

(b) Does the fact that a merger "incentive" in this instance is not pursuant to government or board policy, and is not required for now commonly owned EGD and Union, commend earnings sharing prior to year 6 in order to protect ratepayers?

46. While IGUA concedes that the notion that determinations in one proceeding should be contingent on determinations made in another, contemporaneous, proceeding presents some awkward procedural issues, given that this is how the Applicants have framed and filed these two parallel applications, the issue is engaged and must be acknowledged and considered.

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[11] AIC, paragraph 42.
[12] November 28, 2017 letter from Andrew Mandyam filed with respect to both this application and the Merger Application.

Intervenor Issues List issues A5 through A8

47. The Applicants' have argued that Intervenor Issues List issues A5 through A8 are *"unnecessary or inappropriate for determination by the Board, or do not arise as legitimate issues in the circumstances of this case".*[13]

48. Intervenor proposed issues A5 through A7 each relate to how various rate making issues, generic or gas specific, will be addressed should the Applicants' 10 year deferral proposal be granted. Issue A8 simply flags the issue of how annual rate adjustment processes should proceed in the context of this singular proposed merger.

49. IGUA submits that the issues are on their face relevant to the proceeding, and as no rationale has been provided by the Applicants for excluding them they are appropriate for inclusion.

"Duplicate Issues"

50. The Applicants have argued that certain of the Intervenor Issues List proposed issues are duplicative of their own proposed issues, and add nothing. In fact, the Intervenor proposed issues in these areas are broader, and should be preferred. In particular:

    (a) ***Deferral & Variance Accounts.*** The Applicants argue that Intervenor Issues List issues A9, A10 and A11 are duplicative of Applicants' Issues List issues 11 and 12. However, there is a difference between the two deferral and variance account related issues formulations. The difference is that the Applicants' formulation doesn't expressly contemplate additional accounts beyond those proposed. The Intervenors' formulation does. IGUA submits that the Intervenors' formulation is both clearer and appropriately broad (and subsumes the Applicants' formulation).

    (b) ***I, X, Y and Z factors.*** The Applicants' Issues List issues 1, 2, 3 and 6 reference the Applicants' proposed I, X, Y and Z factors as starting points. The Intervenor Issues List issues 3(b), (c), (f) and (e) broaden the initial question (i.e. ask what the appropriate factors are, and not whether the Applicants' proposed factors are appropriate), and should be preferred. (In this respect, we note that, in adopting the intervenor proposal to add an issue regarding a productivity stretch factor, the Applicants have, in their proposed issue 3, adopted the intervenor approach to formulation of the issue without a limiting assumption. The Applicants' proposed issue 3 reads; *"Should there be a productivity stretch factor and if so, what should it be?"*, rather than, for example, *"Is the proposal not to include a stretch factor appropriate?"*)

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[13] AIC, paragraph 43.

(c) ***2019 "Base" Rate Adjustments.*** The Applicants' Issues List issues 7-10 pose issues with respect to specific proposed adjustments. Intervenor issues B2(a) through (e) indicate broader scope to consider what adjustments are appropriate, and include adjustment categories in areas of revenues, cost allocations and rates.

Accepted Issues

51. At paragraph 27 of their AIC the Applicants accept as "additional issues" certain of the issues included in the Intervenor Issues List. We submit that the organization of these issues on the Intervenor Issues List, which collects the IRM formula issues under one main issue (A3), is the more logical in the context of a scope of inquiry which acknowledges that IRM may be one, but not necessarily the only, option for the appropriate rate plan approach post-merger.

52. In respect of the Applicants' proposed additional issues themselves:

(a) ***Stretch Factor.*** The wording proposed by the Applicants in their issue 3 is essentially the same as that of the Intervenors' proposed issue A3(d), and either is appropriate. (We don't believe that anything turns on the use by the Applicants of the word "factor" vs. "expectation" in referring to the concept of a productivity "stretch" in the context of an IRM formula discussion.)

(b) ***ICM.*** The Applicants' proposed issue 5 is too narrow compared to the Intervenors' proposed issue A3(h), in that the Applicants' formulation assumes capital pass through availability, and that assumption is premature.

(c) ***Previous Board directives and utility commitments.*** The Applicants' issue 16 does not expressly refer to <u>past</u> Board directives and utility commitments, as does the Intervenors' proposed issue C2. Further, there may be instances in which the Applicants have not advanced a proposal to address previous directives or commitments which it is argued should be addressed. For these reasons, IGUA endorses the Intervenor formulation of this issue as the appropriately broad starting point.

(d) ***Reporting during deferred rebasing period (Applicants' 14 vs. Intervenor C4) and stakeholder engagement (Applicants' 15 vs. Intervenor C5).*** The difference between the Applicants' formulation of these issues and the Intervenors' formulation is that the Applicants use the term *"appropriate"* while the intervenors use the term *"required"*. The Intervenor formulation should be preferred (and subsumes *"appropriate"*).

Conclusion

53. The 15 parties identified in IGUA's counsel's letter to the Board herein dated January 23, 2018 with which the Intervenor Issues List was submitted, and other parties not expressly identified in that letter, have followed the Board's procedural directions and statement of expectations and spent a considerable amount of time and effort discussing their respective concerns with the application and co-operatively developing the Intervenor Issues List.

54. While each of the named (and unnamed) parties will make their own submissions on the details included in the Intervenor Issues List, in IGUA's view the list represents a strong consensus on the appropriate scope under which the Board should commence its inquiry in respect of this singular and significant application.

55. The Applicants are proposing, in this application and their companion Merger Application that the Board determine the basis upon which gas distribution rates for recovery of $50 billion dollars will determined in the decade to come. The Applicants are proposing (through the Merger Application) to defer rebasing, already more than 5 years past, for another decade, for a total of 15 years without a cost of service review. The Applicants' proposed rate plan must be considered within this singular context.

56. In IGUA's respectful submission the Board should not accept the proposal by the Applicants to apply to a proposed post-merger rate making framework developed in an entirely different context for an entirely different purpose without at least considering whether such a course is appropriate.

57. The Applicants urge the Board to proceed narrowly, without engaging in such a consideration, even before the evidentiary record is properly developed.

58. Other parties, including IGUA, urge the Board not to so constrain its review, at least not at this early stage.

59. The Intervenor Issues List is both well-defined and appropriately and responsibly cast, and should form the basis for the Board's deliberations in this matter as it proceeds.

ALL OF WHICH IS RESPECTFULLY SUBMITTED by:

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February 2, 2018

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