Fogler, Rubinoff LLP
Lawyers

77 King Street West
Suite 3000, PO Box 95
TD Centre North Tower
Toronto, ON M5K 1G8
t: 416.864.9700 | f: 416.941.8852
foglers.com

Reply To: Thomas Brett
Direct Dial: 416.941.8861
E-mail: tbrett@foglers.com
Our File No. 176656

March 8, 2018

VIA RESS, EMAIL AND COURIER

Ontario Energy Board
2300 Yonge Street
27th Floor
Toronto, Ontario
M4P 1 E4

Attention: Kirsten Walli,
Board Secretary

Dear Ms. Walli:

Re: EB-2017-0306/0307: Enbridge Gas Distribution Inc. and Union Gas Limited Application for Amalgamation and Rate-Setting Mechanism

Pursuant to Procedural Order No. 3, please find enclosed herewith BOMA's Interrogatories.

Yours truly,

FOGLER, RUBINOFF LLP

Tom Brett per

Thomas Brett
TB/dd
Encls.
cc: All Parties *(via email)*

EB-2017-0306
EB-2017-0307

ONTARIO ENERGY BOARD

Enbridge Gas Distribution Inc. and Union Gas Limited
Application for Amalgamation and Rate-Setting Mechanism

INTERROGATORIES OF

BUILDING OWNERS AND MANAGERS ASSOCIATION, GREATER TORONTO ("BOMA")

March 8, 2018

Tom Brett
Fogler, Rubinoff LLP
77 King Street West, Suite 3000
P.O. Box 95, TD Centre North Tower
Toronto, ON M5K 1G8

Counsel for BOMA

<u>Interrogatories of BOMA with respect to EB-2017-0306</u>

1-BOMA-1

1. ***Ref:*** ***pp 20-21, Table 3***

(a) To allow BOMA to better understand Table 3, please provide detailed background information in support of the proposed annual rebasing revenue requirement in 2019, and the forecast increase in annual costs each year for the next ten years, for both capital and OM&A costs (separately).

Preamble: In describing the stand-alone option, shown in Table 3, the applicants state:

> *"The revenue requirement for the stand-alone utilities shown at lines 1 through 3 in Table 3 represents status-quo operations for the deferred rebasing period based on the following assumptions:*
>
> - *EGD and Union would rebase in 2019 and 2025 and rates are set using a Custom IR framework during the 2020 to 2024 and 2026 to 2028 periods;*
> - *Capital expenditures are based on the utilities' Asset Management Plans to support growth and replacement and maintenance of existing assets. The combined growth reflects customer attachments of an average of 45,000 per year consistent with historic trends.*
> - *Operating costs increase for inflation and growth, pension and other programs related to asset management."*

(b) Please provide copies of the Union and the EGD Asset Management Plans.

1-BOMA-2

2. ***Ref:*** ***General***

(a) Given that the Board's statutory objectives for natural gas include the facilitation of competition in the sale of gas used (section 2.1), and that EGD and Union are by far the largest sellers of gas to users, especially residential and small business users, and given that "competition" should be viewed to include not only price competition, but competition in the variety of options for gas service available, please explain why the creation of a single gas utility for virtually the entire Ontario market is not harmful to customers as it will reduce the options available to them.

(b) Currently, with two strong management teams in place, customers benefit from the innovation and best practice of each of the utilities often being adopted by the other large utility (see the number of times adoption of best practices from one to another have been advanced as benefits of the merger), due to the "competition" between the two organizations to meet regulatory pressures and innovate more vigorously than their counterpart. Please explain why the removal of the incentive to develop best practices going forward does not leave ratepayers of each utility worse off than today.

1-BOMA-3

3. ***Ref: Exhibit B, Tab 1, p3***

The evidence notes that amalgamation allows for greater operating efficiencies including potential economies of scale, as well as continuous improvement through best practices.

(a) Please provide details of the greater operating efficiencies that will be achieved as a result of the merger. Please specify each area of operation, the nature of the efficiencies to be achieved, when such efficiencies would begin, and the cost savings to Amalco that would result.

(b) Potential Economies of Scale - Given that both Union and EGD are already very large companies, why should we expect further material economies of scale?

(c) Please provide the details on the various economies of scale that will be realized, the dollar value of each such economy of scale, the likelihood of it being achieved, and in what year such economies would commence.

(d) Given that the two companies occupy largely different franchise areas, is it realistic to expect material reduction in the combined staff of the two companies, other than perhaps at the senior management level? Please discuss.

(e) Please provide an estimate of the likely FTE reduction and the associated cost savings as a result of amalgamation. Please identify such reduction and savings for each of senior management, middle management, professionals including engineering/legal, financial, administrative, IT, field staff, and any other identifiable category of employees.

(f) To what extent will existing contracts allow such reductions? Which categories?

(g) Please provide the magnitude of any other quantifiable benefits arising from the merger to Amalco and its customers.

(h) Given the fact that the rate base, OM&A and taxes, and debt of the two companies, will be added together as a result of the merger, please confirm that the merged company should be able to earn a return equivalent to the existing rates of return of Union and EGD.

(i) Please confirm that because Union and EGD are already under common ownership, and have been for the last year, and that there is consequently the ability for EGD to access the important business information of Union, and vice versa, the risks of the merger are substantially reduced relative to a merger of two arms-length companies where transfer of information prior to the closing of the merger is much more limited, creating greater risks.

(j) Given that neither Union nor EGD has had a cost of service (rebasing) proceeding since 2013, and given the complexity of merging two large companies, does it not make sense to start the merged entity off with a thorough cost of service hearing? Will not this process serve the public interest in allowing the Board and intervenors and the company transparency on the "going-in" costs for the new regime? The cost of service hearing would be followed by an IRM plan, either price cap or custom IR plan? Please discuss fully.

1-BOMA-4

4. ***Ref:*** ***Ibid, p3***

The applicant states that "continuous improvement through best practices will result from the merger". Given the fact that each of EGD and Union are very large, mature companies, that consistently innovate and develop best practices in their own franchise area, and that in these circumstances, one company can learn from the advancement of best practices of the other, and would do so as a financial and reputational matter and to meet ratepayer and regulatory pressures, is it not likely that the incentive to develop additional best practices will decline under the merger, after which one company (Amalco) will serve 98% of the Ontario market?

1-BOMA-5

5. ***Ref:*** ***General***

With respect to the proposed merger, please confirm that:

(a) the merger is not being done pursuant to the requirement of any law, regulation, directive, or policy, relating to natural gas, of the Government of Ontario, or the Minister of Energy of Ontario. If you cannot confirm any part of this question, please discuss fully;

(b) the merger is not being done pursuant to any order of the Ontario Energy Board directing such a merger;

(c) the primary purpose of the merger is to increase the profitability of the combined company, relative to the profitability of EGD and Union, in particular, during the requested ten-year rebasing period due to the fact that the forecast savings from the merger over the ten-year period are far larger than the forecast implementation costs and transaction costs, as outlined in Exhibit B, Tab 1, Attachment 12, and Exhibit B, Tab 1, page 20 of 44.

1-BOMA-6

6. ***Ref:*** ***Ibid, p44***

(a) Given the size and maturity of the two merging companies, Union and EGD, please explain in detail how the merger is required to allow for "greater strategic focus and capability to face the challenges and opportunities of what developments in the Ontario energy sector". Please be as specific as possible in your response.

2-BOMA-1

7. ***Ref:*** ***Exhibit B, Tab 1, p17***

(a) The applicants have indicated at p 17 of 44 that the transaction costs related to the amalgamation are not material. Please provide the amount of transaction costs incurred to date and the estimate of future transaction costs until December 31, 2018.

(b) The evidence states that "all transaction costs will be <u>largely</u> incurred, paid for, and financed, prior to January 1, 2019, and hence will be borne by the EGD and Union shareholders, and not by ratepayers" (our emphasis).

(i) Will transaction costs incurred, paid for, or financed, after January 1, 2019 be paid for by ratepayers? Please explain.

(ii) What amount of transaction costs will be incurred, paid for, and financed after December 31, 2018?

2-BOMA-2

8. ***Ref: Ibid, p 23***

Preamble: *"In addition, Amalco will face risks associated with the changing economic environment with respect to interest rates and the move to a lower carbon economy".*

Please confirm that Amalco will face the same risks related to the risks noted in the preamble as Union and EGD would face in the stand-alone case.

2-BOMA-3

9. ***Ref: p 26, Table 4, Capital Investment, OM&A Reduction and OM&A Savings***

Union and EGD have been under common control since February 2017, and have already begun communication about how to achieve economies from the merger. Please modify

Table 4 to show the proposed capital expenditures and potential OM&A savings in each year of the ten year period.

2-BOMA-4

10. ***Ref:*** ***Capital Structure, p13***

(a) Please explain why Union and EGD plan to redeem their issued and outstanding preference shares prior to amalgamation.

(b) Please provide details of each class of preferred shares that EGD and Union currently have outstanding including information on redemption conditions, procedures, and premiums payable to redeem the shares prior to the end of the term.

(c) Please provide the costs incurred in such redemption, relative to leaving the preferred shares outstanding, including penalties, premiums for early redemption, and the like, as well as the redemption transaction costs per sé.

(d) Please confirm that any costs associated with the redemption of preferred shares, including redemption premiums, or market losses, are for the shareholders' account.

(e) Please advise of any other changes to the capital structure the two companies propose to make prior to amalgamation.

(f) Please provide copies of any reports of rating agencies on Enbridge Inc., Enbridge Gas Distribution, and Union Gas Ltd., issued in the last eighteen months.

2-BOMA-5

11. ***Ref:*** ***Ibid, p17***

Preamble: "The evidence suggests that Amalco has undertaken to maintain a substantial presence in Chatham".

(a) Please list the number of FTEs and personnel at Union's Chatham facilities at this time, and the number of FTEs, personnel, that will remain at Amalco's Chatham facilities two years after the amalgamation is approved, if it is approved.

(b) Has Amalco entered into an agreement with the City of Chatham, or does it intend to enter into an agreement with the City (and, if so, when), which will guarantee a specific level of personnel that will be located in Chatham, whether at Union's existing facilities or otherwise, or a set of principles or guidelines that will be used to determine the size of the continuing presence in Chatham? Please provide details of the agreement or informal commitment.

(c) Please provide a copy of, or a link to, documents filed by Enbridge Inc. with either the OSC or the SEC, in connection with the acquisition of Spectra Inc. Please provide a list of such documents.

2-BOMA-6

12. ***Ref:*** ***Ibid, p26***

(a) Please provide an estimate of the number of personnel removed and the savings that will be achieved by the reduction of compensation, both management and non-management, due to the merger. Please show these savings for each year from 2019 to 2028, with an explanation for the amount of savings in each year.

(b) Aside from the reduction due to elimination of duplicate management shown in line 5 of Table 4, what percentage of "potential OM&A savings" shown on p26, Table 4 are due to reduction in total personnel compensation? Please provide data for each line.

(c) Why is it necessary to align all the business practices between the two parts of Amalco?

(d) Does the comparison of the cost per customer between the two companies include Union's transmission business?

2-BOMA-7

13. ***Ref:*** ***Exhibit B, Tab 1, Attachment 11***

(a) Please show how the Pro Forma Income Statement, Balance Sheet, and Statement of Cash Flow were assembled from existing Union and EGD 2017 Financial Statements.

(b) Please provide comparable pro forma statements for each year from 2020 to 2028. In so doing, please explain how each year's pro forma statements were created based on modifications to the pro forma statement for the previous year.

(c) Please provide the details of the proposed ACM and/or ICMs that are included in the estimate of the Revenue Requirement. Please show the amount of the proposed ICM/ACM for each year.

2-BOMA-8

14. ***Ref: Ibid, p42***

Amalco has stated that it may apply for further rates using an ICM at any time during the ten-year rebasing period. Given the fact that Amalco proposes to recover all of its merger implementation capital expenditures through its 100% share of the savings created by such expenditures, please provide a more definitive statement on whether and to what extent Amalco plans to make use of ICM funds during the proposed ten-year rebasing deferral period, and for what purpose. Please discuss:

(a) in which year does it propose to apply for an ICM;

(b) does it propose to do so in 2019, 2020, or 2021;

(c) what specific projects does Amalco propose to include in such ICM requests? Please discuss the categories of expenditures, eg. system access (both moves to accommodate shifts in provincial/municipal/agency infrastructure, and to connect new gas loads, to comply with change policy, system renewal/replacement, public policy related expenditures, capital expenditures, and general plant.

(d) for what amounts, in which years, does Amalco propose to seek ICM support? If the exact amounts are not yet known for the out years, please provide a range;

(e) please confirm that none of the capital expenditures fall in the category of implementation expenditures, which have been described at B1-1, Attachment 12.

2-BOMA-9

15. ***Ref: Ibid, p43***

Please provide a list of the accounting changes which will be implemented as a result of the merger. Please discuss each likely change in detail, including the likely impact on Amalco's revenue requirement and customer rates.

2-BOMA-10

16. ***Ref: Ibid, p29***

The evidence states that the combined customer care annual expenditure is $150 million.

(a) Please break that amount down by company, and by category of expenditure, so as to give a clear picture of customer care activities and their costs. Please include both OM&A and capital.

(b) Please define the scope of what are considered customer care expenditures in each company. Please identify any material differences.

(c) What is the customer care cost per customer for each of Union and EGD in 2016 and 2017, and (forecast) for 2018?

(d) The company states it intends to deliver customer care savings of $15 million (10% reduction to combined customer care expenditures in 2020-2023:

(i) Please explain how the reduction ($4 customer care per customer will be achieved).

(ii) Please confirm that the steps taken to achieve the level of savings in 2020, 2021, 2022 and 2023, including increasing the percentage of e-bill customers, increasing collection efficiencies and "work force adjustment", do not require material capital expenditures. Please explain each of the initiatives in detail, showing what savings are forecast per each year from each activity, eg. from increasing the percentage of e-bill customers by a forecast amount and savings per additional e-bill.

(iii) Please confirm what level of capital expenditure in 2019, 2020, 2021 is required to achieve the $4 per customer reduction in 2020. In what year will Amalco realize its 10% target? Will any capex be required to reach this target? How much?

(iv) Please advise the status of the planning for these changes since February 2017 (the EGD/Spectra acquisition closing date).

(v) Please explain the increase in annual savings from $15 million to $26 million in 2024.

(vi) Please account for the manner in which EGD customer care expenditures have been handled pursuant to the CIS Settlement Agreement over the last several years in setting the customer care baseline. The intent here is to set a "customer care baseline", and to explain the $150 million stated in evidence.

(vii) Please provide a detailed schedule for the integration of the customer care software program. Why is it necessary to integrate customer care operations to a single software system? What are the costs, benefits, risks in making this integration?

(viii) Please provide a detailed explanation of the proposed $65 million cost of implementing the software integration.

(ix) Please deal with the apparent inconsistency between the numbers in Attachment 12 and the range for the same task included in Table 4, which provides a range from $25 million to $110 million.

(x) The evidence is that the project time will take two to three years. What is the schedule for the implementation of the project capex planned for each year, and describe the components of the project plan to be accomplished in each year? Please provide a copy of the implementation plan.

2-BOMA-11

17. ***Ref:*** ***Table 4, p26***

(a) What is the reason for the very wide range of forecasts for customer care capital expenditures (from $25 million to $110 million) – a range of more than 400% over the period 2019-2028, and the very large range in forecast savings (from

$120 million to $250 million)? Should the number be superseded by the estimates in Attachment 12, or are these ranges still operative?

(b) Please provide a more realistic forecast of the amount or range for both capital expenditures and savings.

(c) Assuming that there is no deferred rebasing period, please explain how the applicants will ensure that the customers are not exposed to additional risk that will outweigh the benefits of the integration of the software.

(d) What precautions in legal contract development will be used to ensure cost control of the project, in light of the lack of cost control in EGD's first customer care software installment some years ago (which led eventually to the CIS Settlement several years later)?

(e) Would EGD be agreeable to capping the costs of the software integration program for rate-making purposes? At what level? Please discuss.

(f) Please provide the same analysis as described in section 16, above, for each of the other areas of operation in Table 4, not covered elsewhere in these Interrogatories, namely Utility Shared Services, and Storage and Transmission. Please discuss in detail. Given that EGD and Union personnel have been able to discuss and plan their transition to unified operations for more than a year, BOMA expects the answer can be provided in some detail. BOMA also understands that at least for some activities of the companies, very extensive discussions have already taken place.

2-BOMA-12

18. ***Ref: Distribution Work System, p32***

Please provide the current net capital cost of the Maximo software platform in the EGD rate base, and the current maintenance/sustainment costs for the software. Are the latter capitalized in OM&A? Please describe and provide the cost of any comparable work management system in Union. Please provide a "baseline" distribution work system cost for Union and EGD.

2-BOMA-13

19. ***Ref: Ibid, p32***

(a) Please explain the various tasks that are included in the Distribution Work System project, as described on p32 and the concomitant costs.

(b) What is the $30 million for "data and business practice migration", and $85 million for full implementation? What tasks are included in "full implementation" other than data migration?

(c) Please explain the "second estimate" for data migration and process in the next line, at $50 million. Why are these two separate?

(d) Please show how these estimates are consistent (or not) with the minimum capex shown on line 2, column 1 of Table 4 for Distribution Work Management.

(e) Please provide an estimate for the project, broken down by tasks, in detail, which, inter alia, shows the capex forecast in each year, the amount of work that is being contracted out to various contractors, versus how much is being done internally, by Amalco personnel. Is all the internal work capitalized? If not, please provide the OM&A required.

(f) Has the EGD transformation to a new work system management already begun?

(g) When do the initial forecast savings of $11 million per year in work management system begin? Why do the savings increase to $16 million per year in 2026? What do these savings consist of – compensation, royalties, or other? Please specify.

(h) How are the claimed savings measured against the baseline? What is the current combined cost of distribution work management, which would form a baseline for the measurement of the claimed savings?

(i) Please provide a breakdown of and support for the proposed $11 million annual savings, and the $16 million annual savings.

(j) Is the proposed 10% further reduction costs and work force planning incremental to the savings discussed above? Please discuss what is meant by moderate to aggressive. Please show consistency of the savings estimate with Table 4 savings estimate.

2-BOMA-14

20. ***Ref: Ibid, p33***

Given that both EGD and Union have "optimized workforces and optimized internal processes on a stand-alone basis", and given that their systems are mainly internal and not customer-facing, and given EGD's very recent and very large expenditure to create the Maximo system, is it necessary or prudent for EGD to embark on such a costly process to "integrate" the two systems? Please explain fully.

2-BOMA-15

21. ***Ref: Ibid, p36-37***

Preamble: The evidence suggests, at Table 4, p26, line 5, entitled Management Functions and Other, that a single management team at Amalco will replace two management teams at Union and EGD. This proposal accounts for the largest potential savings from the merger, and promises such savings without large capital expenditures, other than severance and termination costs.

(a) Please provide the justification for forecast savings of $180 million over ten years. What will the estimated annual savings be for each year from 2019 to 2028? How were these savings calculated? Which components of compensation were included? Are the savings all cash savings, or are they forgone increases? Please discuss fully.

(b) What is the baseline for which the proposed savings are calculated? Please provide the amount of total management compensation at the two companies that provides the baseline for the calculation of the savings shown in the Table (and Attachment 11). Please explain fully.

(c) Has the new management team been selected? When will it be announced?

(d) Does the capex range ($5 million to $20 million) on Table 4 for "Management Function and Other" entirely consist of severance payments? If not, what else is included in the forecast capex range? Why is the range so wide? How many individuals will receive severance payments or equivalent payments due to losing their jobs as a result of the merger? Please provide a more realistic and current estimate than wide range provided. Please discuss. How does the information presented in Table 4 square with the information provided in Attachment 11?

(e) What does the "Other" item in Table 4 refer to? Please specify what the capital expenditures and savings are. Please provide a description of each project/savings included in "Other".

2-BOMA-16

22. ***Ref: Exhibit B, Tab 1, Attachment 11***

(a) Please describe how each of the pro forma statements were assembled on a step by step basis. Are the statements Amalco corporate statements or regulated Amalco company statements?

(b) Please confirm that the pro forma shown will be for calendar year 2019.

(c) Please provide comparable statements for each of the next four years.

(d) Please explain the "$825 million investment in affiliate" item. Please explain the detailed components of the regulatory assets and regulatory liabilities.

(e) Please explain the components of the "deferred revenue taxes item". Please explain the components of the capital expenditures and the proposed $103 million.

2-BOMA-17

23. ***Ref: Exhibit B, Tab 1, Attachment 12***

(a) Please provide a discounted cash flow analysis of the aggregate expenditures and savings shown in Attachment 12, discounted at current interest rate, say 3.5%.

(b) Please provide a similar discounted cash flow analysis for each line of the table, i.e. Customer Care (capital vs. savings), etc.

(c) How do the capex numbers (totals) reconcile with the ranges in Table 4? Are they updates to the ranges shown on Table 4, based on more current information? Please explain fully.

(d) Please provide a rationale for including "unidentified efficiencies" of $12 million in 2021, $17 million in 2022, and $28 million in 2023, in the Table on Attachment 12. What do those substantial numbers represent? Please provide details.

(e) Given that over a five-year deferred rebasing period, Amalco would reap an estimated $257 million in savings from a capital investment over the same period of $150 million, which is a return of its original capital plus a profit of $107 million, why does it ask for a deferred rebasing period of ten years, rather than five years? Please provide an NPV analysis on the two streams of revenue shown in the Table, the total capex over ten years, and the total savings over the same period. What is the NPV ratio?

2-BOMA-18

24. ***Ref: Exhibit B, Tab 1, p26, Table 4***

For each of the four combinations of costs and savings estimates of Table 4, minimum investment/minimum savings, minimum investment/maximum savings, maximum investment/minimum savings, maximum investment/maximum savings, show the cash outflows and inflows pre-tax over the proposed ten-year rebasing period. Please provide a net present value (discounted cash flow) savings calculation for each of the four cases.

<u>Interrogatories of BOMA with respect to EB-2017-0307</u>

1-BOMA-1

25. ***Ref: Application p22; Exhibit B, Tab 1, p5 of 31***

(a) Please explain why the "incremental cost of capital" should be used to calculate the revenue requirement to fund the ICM capital investment, given that all of the company's cash flow is fungible and is available to fund all of its capital expenditures and that the ICM may include high priority, eg. system access and system service investments that should properly be part of the company's base capital budget.

(b) Please define what is meant by the company's "incremental cost of capital". Please provide a full definition and explanation, for example, please identify what the capital referred to is incremental to, and how does it differ from other capital.

1-BOMA-2

26. ***Ref: Exhibit B, Tab 1, p3 of 31***

Please confirm that the sentence at line 17, which states that the industry productivity factor is zero, quoted from EB-2010-0379 Report of the Board, Rate-Setting Parameters and Benchmarking under the Renewed Regulatory Framework for Ontario's Electricity Distributors, refers only to the electricity industry, and not the natural gas distribution industry. If you disagree, please provide justification and evidence on what the industry specific productivity factor for the natural gas distribution industry is.

1-BOMA-3

27. ***Ref: Issue 1, p9***

Please explain fully on what basis does Union expect <u>higher than historical and existing cost pressures</u> from line locations, increased system access projects, and "depreciation increase even when managing maintenance capital expenditures to this level of depreciation" (our emphasis).

1-BOMA-4

28. ***Ref:*** ***Z-factor Questions, pp 11-12***

(a) Please explain more fully why an increase in interest rates of any magnitude should qualify as a Z-factor. Please discuss. Why is this not a risk that EGD should adopt as part of its ten-year claim on energy savings? Please provide any precedents in either the natural gas or electricity cases in Ontario where a change in interest rates during an IRM term have been approved as a Z-factor.

(b) With respect to the request that government policy changes, such as climate policy, be considered for Z-factor treatment, given that the government's climate change policy is now well known, please explain why potential evolution of that policy should not be considered a risk of doing business and not eligible for Z-factor treatment.

(c) Given that EGD's Z-factor materiality criteria in EB-2012-0459 was $1.5 million, and given the fact that Amalco is at least 5/3 larger than EGD, why should the materiality threshold for Amalco not be at least $2.5 million? Please discuss fully. Please explain fully why the applicants think the materiality factor for the merged utility should be only $1 million.

1-BOMA-5

29. ***Ref:*** ***Ibid, p13***

(a) In calculating the ICM materiality threshold value, please explain why it is appropriate for Union to use a value for rate base from six years ago (2013), given the very rapid growth in Union's gas utility rate base since that time.

(b) The evidence states variously that Amalco "may" or "will" apply for rate adjustments using the ICM during any deferred rebasing period. Please confirm that the correct version is that Amalco will apply for ICMs. Will ICMs be used, or could they be used, to fund the implementation costs listed in Exhibit B, Tab 1, Attachment 12 in EB-2017-0306. Please discuss fully.

(c) Please provide a rate base continuity schedule for Union from 2012 to 2018, inclusive. Please show the relationship of the 2018 rate bases for Union and EGD to the 2019 pro forma rate base shown on Attachment 11 of EB-2017-0306.

(d) Please explain why the Board should not employ the method traditionally used by the Board to calculate the cost of capital for the IRM period as at the time of this application (debt and equity) and not change it simply because Amalco wishes to increase the ICM (deferred rebasing period) from five to ten years. Why should changes to the cost of capital not be a risk of doing business given the Amalco's proposed claim to 100% of the savings over a ten year period? (BOMA assumes the 300 basis point threshold for earnings sharing in years six to ten is unlikely to come into play because of its very large size).

(e) Please confirm that if the Board were to authorize a five-year custom IR for Amalco, Amalco would not be eligible for the ACM/ICM, but would be limited to the capital expenditures forecasted over the plan period.

(f) Please provide the actual ROEs achieved by each of EGD and Union in the years 2012 through 2017, inclusive. Please indicate whether these were actuals, or were "normalized" in any way.

1-BOMA-6

30. ***Ref:*** ***Exhibit B, Tab 2 – Questions for NERA***

(a) Please provide the copies of NERA's final proposal to EGD and Union, and the contract executed for the service, including the Statement of Work and all other pertinent information.

(b) Please confirm that your mandate did not include the development of a total productivity factor for the natural gas industry in Canada. Please discuss.

(c) What is the productivity growth, or decline of the Canadian, and separately, the American, gas distribution industry over the last twenty years? What is the total factor productivity growth over the last twenty years (or for as long as data is available) for the two industries.

(d) How long have the utilities regulated by the AUC been subject to incentive rate-making using a price cap or revenue cap formula? Have they been subject to PBR for a different period of time than Ontario electricity and gas utilities? Please explain fully with respect to each major Alberta gas and electric utility.

(e) Do you agree that whether the stretch factor the Ontario regulator applies derives from the relative efficiencies of the utilities at a point in time, or the level of its total productivity index per sé, the application of the stretch factor still involves the regulator making a judgement about the need for a stretch factor in the particular amount?

2-BOMA-1

31. ***Ref:*** ***Conformance with RFF; B-1, p37***

"In preparation for their respective 2019 rate applications, both EGD and Union undertook extensive customer engagement activities in an effort to understand customer preferences".

(a) Please provide copies of any and all third party customer engagement studies, customer satisfaction studies, and any other studies to determine customer needs and preferences in the last three years by both EGD and Union.

(b) If no third party expert firm were used, please provide copies of all internal surveys, consultations, engagement documents, used by Union to determine customer needs and preferences, together with the customer responses to such efforts.

(c) Did either EGD or Union conduct any customer engagement activity specifically to determine customer needs and preferences with respect to the proposed merger, or were questions designed to elicit such needs and preferences as part of the studies, consultations, referred to in (a) or (b) above?

(d) Please confirm that any study conducted (and the results from the study) during the proposed deferred rebasing period will be included in the next annual rate increase application.

(e) Does EGD agree that the feature of the Z-factor should be those provided in EB-2012-0459, at pp18-20? If not, please explain why the proposed Z-factor should be defined differently.

3-BOMA-1

32. ***Ref: Rates Harmonization***

Please confirm each of the rate zones maintain its current rate structure. When a cost allocation study is completed for the 2019 rate application, will Amalco propose common rate options, classifications, definitions, and structures for the entire Amalco service area, or will the existing Union and EGD rate options classifications, definitions, and structures remain in place?

13-BOMA-1

33. ***Ref: Ibid, p31/Attachment 5***

(a) Please provide a copy of the Normalized Average Consumption ("NAC") study that Union agreed to file in EB-2016-0118, but which it has not yet filed. Has the study been completed? If not, can Union file the study prior to the amalgamation? Please provide a date when the study will be filed.

(b) In the event deferred rebasing were approved for either five or ten years, please explain why, given that when commitment by EGD was made, it was anticipated that rebasing would take place in 2019. Why would the study be done no later than the end of 2019?

14-BOMA-1

34. ***Ref:*** ***Exhibit B, Tab 1, Attachment 2***

(a) Why does the scorecard not include an annual customer satisfaction survey by a respected third party advisor, as in the case with electricity distribution scorecard?

(b) Please explain why a more comprehensive scorecard should not be developed more akin to the scorecards required of electricity distributors, including a safety matrix (damages and injuries to third parties, or person or property, other measures of reliability, violation or absence of violation of government/gas industry pipeline safety regulations, and the like); and for public policy, cost per unit of emission credits/allowances over time.

15-BOMA-1

35. ***Ref:*** ***Ibid, p27***

Please provide copies of each of the reports provided to the Board during EGD's 2014-2018 custom IR and Union's 2014-2018 price cap IRM, for each of 2014 through 2017.

16-BOMA-1

36. ***Ref: Ibid, p27***

Please explain why the proposed biennial stakeholder meeting should not be provided every year, rather than every other year, given the complexity of the proposed changes, the large amounts of money involved, and the importance of protecting customers through the ICM term, whichever ICM approach is used, but especially in the event the proposed ten-year rebasing period is approved.