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April 30, 2018

Same Day Courier

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

Attention: Ms. Kirsten Walli, Board Secretary

Dear Ms. Walli:

**Re: Unifor Initial Position Submissions pursuant to Procedural Order #5
Enbridge Gas Distribution Inc. and Union Gas Ltd.,
Ontario Energy Board File No. EB-2017-0306 & EB-2017-0307**

In these submissions Unifor responds to Questions 1 and 2 of the Board's request for Initial Positions, as set out in Procedural Order #5. Unifor will not provide responses to Questions 3, 4 and 5.

Unifor has reviewed Enbridge Gas Distribution and Union Gas Limited's ('EGD' and 'Union Gas' or 'Applicants' hereafter) MADD Application with reference to the Ontario Energy Board's ('OEB') statutory mandate with respect to price, as well as the protection of consumer interests relating to the adequacy, reliability and quality of gas service. Having done so, Unifor is of the position that the Applicants have not provided sufficient information in order to apply the 'No Harm' Test and thereby allow the Board to render a positive decision. As a result, the Amalgamation Application should not be approved until such time as the information necessary to make a proper determination is provided.

In Unifor's Interrogatory of March 9 2018, we outlined a series of questions about the estimated cost efficiency opportunities (found on Exhibit B, Tab 1, p. 25 of 44) pertaining to Amalco, including the upper and lower bounds of the potential Operation and Maintenance ("O&M") savings, the nature of the workforce restructuring and alignment opportunities, and the system and process integration proposals. In their response, the Applicants directed us to their reply to

the Building Owners and Managers Association Interrogatory (Exhibit C.BOMA.16), which we have reviewed.

On the one hand, the Applicants have flagged potential O&M cost savings of \$680 million over ten years (\$530 million net of the required capital investment, from Appendix A, Attachment 1, on page 10, Exhibit C.BOMA.16). However, given the scale of the proposed 'efficiencies' and 'synergies', many of which would involve significant reductions in staffing levels, not enough information has been provided to conclude that the adequacy, reliability and quality of the gas service will be maintained. The Applicants have not disclosed: (i) the overall reductions in staffing levels by service area, (ii) how the staffing reductions will be achieved (through attrition, layoffs or some combination therein), (iii) the timeline for staffing reductions, or (iv) how the adequacy, quality and reliability of the gas service will be ensured with fewer personnel delivering the services. Without this information, how is the Board able to determine that service and safety will not be jeopardized in favour of cost reductions and financial interests?

In their Answer to the Interrogatory from the BOMA, the Applicants state that many of the synergy opportunities are related to the elimination of 'duplicate systems and processes' (Attachment 1, on page 2, Exhibit C.BOMA), while noting that some existing services will be outsourced (in Customer Care, for example, Attachment 1, on page 6, Exhibit C.BOMA) or will be 'optimized' using third party contracts (in Distribution Work Management, for example, Attachment 1, on page 7, Exhibit C.BOMA). While the Applicants state that they will ensure that they are 'maintaining or improving customer service levels while lowering the total costs to provide customer service' (Attachment 1, on page 6, Exhibit C.BOMA), they do not specify how they will measure and monitor the quality of the outsourced services. As it stands, outsourcing to third parties can easily lead to a worsening in the quality of the service and thus jeopardize the integrity of the system as contractors often offer lower costs precisely because they focus on their own profits. Furthermore, contracting with third parties makes them one step removed from the regulation of the Board and therefore immune from oversight in relation to the adequacy, reliability and quality of gas service delivery in Ontario. It is therefore incumbent upon the Applicants to provide the Board with sufficient information so an informed decision can be made as to whether the Amalgamation will meet the strictures of the No Harm test.

Although in the context of rate setting, as opposed to amalgamation, the Board has expressed its expectation that applicants, including Enbridge, provide information about the use and cost of third party contractors if the use of such contractors has a material impact on an application:

Pursuant to section 36 of the Ontario Energy Board Act ("OEBA"), rates must be "just and reasonable" and the applicant bears the burden of proof. The Board's focus is, and always has been, to ensure that costs are reasonable and prudently incurred before allowing recovery of those costs through rates. In the context of EGDI's outsourcing arrangements, the Board has stated its expectations that EGDI will file evidence that will allow the Board to understand the basis for the cost of the outsourced services. The Board requires this evidence in order to

decide whether to allow those costs to be recovered in rates. Ultimately, the burden of proof lies with EGDI. If the Board is not satisfied that the rates applied for are just and reasonable, the Board may fix such other rates as it finds to be just and reasonable.

Ontario Energy Board, Reasons for Decision on Motion, RP-2001-0032, February 10, 2003

In the instant case, the Applicant's integration plan lacks sufficient detail and specificity to conclude that the adequacy, reliability and quality of the gas service will in fact be maintained despite the reduction in staffing levels. Although EGD and Union claim that 'it has not been feasible to develop an extensive and detailed integration plan' (EB-2017-0306, Exhibit B, Tab 1, page 26), it remains the case that unspecified staffing reductions underpin much of the cost savings estimates, but there is no coherent plan to ensure service levels are maintained. The Applicants have not provided sufficient information so that the Board can even estimate the head-count of the combined enterprise, nor to understand how the reduction in staffing by rationalizing services will affect the ability of Amalco to properly provide service delivery, nor how service quality or safety will be maintained for those functions that are outsourced to third-party contractors. In essence then, the Board is being asked to buy a pig in a poke, which does not lend itself to making a determination that ensures the adequacy, reliability and quality of gas service by Amalco to Ontarians.

Sincerely,



BARRY E. WADSWORTH
Associate Counsel

/s/cope343

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