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## BY E-MAIL AND WEB POSTING

September 30, 2011

**To: All Registered Participants in EB-2011-0052**

**Re: Report prepared by Pacific Economics Group Research LLC in relation to the Preliminary Assessment of Incentive Regulation Plans of the Natural Gas Utilities**

The purpose of this letter is to notify participants of the release of Pacific Economics Group Research LLC's report entitled *Assessment of Union Gas Ltd. and Enbridge Gas Distribution Inc. Incentive Regulation Plans* (the "PEG-R Report"), which has been posted on the Ontario Energy Board (the "Board") website at [www.ontarioenergyboard.ca](http://www.ontarioenergyboard.ca).

### Background

On February 25, 2011, a letter was issued announcing that the Board has decided to conduct a preliminary assessment of the incentive regulation plans of Enbridge Gas Distribution Inc. and Union Gas Limited (the natural gas utilities). This assessment is intended to assist the Board in better understanding how the incentive regulation ("IR") plans functioned during the plan terms.

Pacific Economics Group Research LLC ("PEG-R") has been retained to provide staff with expert advice.

On April 29, 2011 Board staff ("staff") held a stakeholder meeting. At that meeting, the scope of this assessment was discussed. In particular, staff clarified that the assessment would include the gathering of fact-based data on how the natural gas IR plans functioned during the plan terms. It was explained that to accomplish this task the assessment would involve the examination of actual historical trends before and during the natural gas IR plans, and compare and contrast utility results with each other and comparable utilities, where appropriate.

On May 19, 2011, staff issued a Staff Assessment Plan that included a description of the process, scope of work and stakeholder feedback from the April 29, 2011 meeting. In this Plan, staff indicated that the consultant's report (i.e., the PEG-R Report) would be

released in September 2011 and filed by staff in the natural gas utilities' upcoming cost of service proceedings. Staff also mentioned that it would issue a Staff Report to the Board ("Staff Report") in September 2011. The Staff Report would be informed by the assessment and therefore, may provide input to a draft Issues List in the proceedings.

All materials related to the consultation are available on the Board's website.

### **Next Steps**

Staff has reviewed the PEG-R Report and is of the view that a Staff Report is not necessary. While this departs from the Staff Assessment Plan as discussed above, staff believes that the PEG-R Report is thorough and clear. As a result, PEG-R's assessment does not require further analysis by staff.

Staff will file the PEG-R Report in the natural gas utilities' upcoming cost of service proceedings. Stakeholders will have an opportunity to question staff's expert on the PEG-R Report, either through interrogatories, cross examination, or both, at that time.

The consultative process began in February 2011 and has culminated in this letter and the release of the PEG-R Report. The Board will address the issue of cost awards for this consultation by separate correspondence.

Questions regarding this consultation should be directed to Laurie Klein at 416-440-7661 or by e-mail at [laurie.klein@ontarioenergyboard.ca](mailto:laurie.klein@ontarioenergyboard.ca). The Board's toll free number is 1-888-632-6273.

Yours truly,

*Original Signed By*

Peter Fraser  
A/Managing Director  
Regulatory Policy