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ONTARIO ENERGY BOARD

FILE NO.:	**EB-2017-0306** **EB-2017-0307**	**Enbridge Gas Distribution Inc.** **Union Gas Limited**

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DATE: **March 28, 2018**

EB-2017-0306
EB-2017-0307

THE ONTARIO ENERGY BOARD

Enbridge Gas Distribution Inc. and Union Gas Limited.

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

Hearing held at 2300 Yonge Street,
25th Floor, Toronto, Ontario,
on Wednesday, March 28, 2018,
commencing at 9:31 a.m.

TECHNICAL CONFERENCE

A P P E A R A N C E S

MICHAEL MILLAR	Board Counsel
KHALIL VIRANEY KEITH RITCHIE	Board Staff
FRED CASS BONNIE ADAMS ANDREW MANDYAM VANESSA INNIS	Enbridge Gas Distribution Inc./Union Gas Limited
JOHN VELLONE *	Association of Power Producers of Ontario (APPrO)
TOM BRETT	Building Owners and Managers Association, Toronto (BOMA)
SCOTT POLLOCK*	Canadian Manufacturers & Exporters (CME)
JULIE GIRVAN	Consumers' Council of Canada (CCC)
TOM LADANYI BRADY YAUCH	Energy Probe Research Foundation
DWAYNE QUINN	Federation of Rental-housing Providers of Ontario (FRPO)
JAYA CHATTERJEE	City of Kitchener
RANDY AIKEN *	London Property Managers' Association (LPMA)
DAN VALENTE	National Grid Gas Delivery Cos.
JAY SHEPHERD	School Energy Coalition (SEC)

*appearing by teleconference

A P P E A R A N C E S

LINDA WAINEWRIGHT*	Six Nations Natural Gas
LISA JAMIESON	TransCanada Pipelines Limited (TCPL)
DOUG CARTER DAN VALENTE	Unifor
MARK GARNER	Vulnerable Energy Consumers' Coalition (VECC)

*appearing by teleconference

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U N D E R T A K I N G S

Wednesday, March 28, 2018

--- On commencing at 9:31 a.m.

MR. MILLAR: Okay, good morning, everyone. I think we will get started. This is the technical conference for EB-2017-0306/0307, which is the Union/Enbridge MAADs application.

My name is Michael Millar. I am counsel for Board Staff and your host for today and the coming days.

We have two or possibly three days set aside for this technical conference and a very busy schedule, so I am going to propose we get right into it.

Let's start with appearances, and then maybe, Mr. Cass, I will turn to you, and you can introduce your witness panel -- your first witness panel. Thank you.

APPEARANCES:

MR. CASS: Yes, indeed, thank you, Mike. Fred Cass for the applicants. I will also introduce the people who are at the table here with me. Bonnie Adams will be looking after bringing the documents up on the screen, and Andrew Mandyam and Vanessa Innis are also here with me.

MR. SHEPHERD: Jay Shepherd, School Energy Coalition.

MR. BRETT: Tom Brett, Building Owners and Managers Association.

MR. QUINN: Dwayne Quinn on behalf of FRPO.

MR. MILLAR: Thank you.

MR. GARNER: Mark Garner, consultant with VECC.

MS. GIRVAN: Julie Girvan, consultant with Consumers Council of Canada.

MR. LADANYI: Tom Ladanyi, consultant with Energy Probe.

MR. YAUCH: Brady Yauch, with Energy Probe.

MS. JAMIESON: Lisa Jamieson, representing TransCanada Pipelines.

MR. CARTER: Doug Carter, Unifor (audio dropout)

MR. VALENTE: Dan Valente, Unifor national rep.

MR. MILLAR: Before we turn to the phone, anyone else in the room speaking today? Okay. Could we go to the phone, please?

MR. AIKEN: Randy Aiken for LPMA.

MR. VELLONE: John Vellone -- go ahead, Linda.

MS. WAINEWRIGHT: Linda Wainewright, representing on behalf of Six Nations Natural Gas. Thank you.

MR. VELLONE: John Vellone for APPrO.

MR. POLLOCK: Scott Pollock for CME.

MR. MILLAR: Was there one more person?

MS. CHATTERJEE: Yes, Jaya Chatterjee, City of Kitchener.

MR. MILLAR: Okay. Thank you. I think -- is there anyone else on the phone line? Okay. Thank you.

Mr. Cass, I propose to turn it to you. I don't know if there are any preliminary matters, but if there are not, maybe you could just introduce your panel and we can get going.

MR. CASS: Yes, thank you, to make things move as quickly as possible I will ask the witnesses simply to introduce themselves. We will then have one quick evidence correction and then the witnesses will be ready for questions.

MR. MILLAR: Okay.

MR. CASS: So if you could please each introduce yourselves.

ENBRIDGE GAS DISTRIBUTION INC./UNION GAS LIMITED - PANEL 1

Mark Kitchen

Ken Culbert

Warren Reinisch

Dave Charleson

Mike Packer

Paul Rietdyk

MR. KITCHEN: Mark Kitchen, director, regulatory affairs, for Union Gas.

MR. CULBERT: Ken Culbert, manager of policy and strategy and regulatory affairs for EGD.

MR. REINISCH: Warren Reinisch, director of financial planning and forecasting for Union Gas.

MR. CHARLESON: Dave Charleson, vice-president, energy supply and customer care for Enbridge Gas Distribution.

MR. PACKER: Mike Packer, director, information services, Union Gas.

MR. RIETDYK: Paul Rietdyk, vice-president of engineering, construction, and storage and transmission operations for Union Gas.

MR. CASS: As I mentioned, there is one correction to the evidence that came to our attention earlier this morning.

I want to make clear, it doesn't actually relate to the evidence of this panel, so that people understand the intent is not that this panel would address it.

We thought we should make the correction as quickly as possible so that people are aware of it. It relates to the response to Board Staff Interrogatory No. 53, and Warren Reinisch will be able to address that.

MR. REINISCH: Yes, thank you, Mr. Cass. In the response to Board Staff 53, part A, there is a reference to the amount of debt that will be required to be maturing past 2020.

In the response it was listed $2,815,000,000. That should be corrected. The table on page 2 of the same IR response reflects the proper number. It should be $3,395,000,000.

MR. CASS: So that actually relates to the evidence that panel 3 will be addressing.

Panel 1 is now ready for questions. Thank you.

MR. MILLAR: And we have four panels, I believe, that are being put forward by the applicants, Mr. Cass. Just, what will panel 1 be covering at a high level?

MR. CASS: So that was sent out --

MR. MILLAR: Yes.

MR. CASS: -- yesterday.

MR. MILLAR: Sorry to put you on the spot.

MR. CASS: I do have it. I'm sorry, Mike, we're just shuffling paper here a bit.

MR. MILLAR: Yeah, I think I have in front of me what was sent out, which says "MAADs policy/integration".

MR. CASS: I'm only going to be repeating what you just said, Mike, yeah, the MAADs policies, the no-harm test, and issues around integration.

MR. MILLAR: Okay. Thank you very much.

Mr. Shepherd, were you going to start us off?

MR. SHEPHERD: Yeah, can I just ask, who is -- which panel is looking after the impacts of the rate proposal? Well, for example, you've said that FRPO 1 is this panel, but the ICM and the other rate mechanisms are in your panel 2, so I'm not sure I understand.

Can I ask questions about what the financial impacts on ratepayers are going to be of the proposed rate-setting mechanism of this panel?

MR. MANDYAM: Yes.

MR. SHEPHERD: I think somebody has to speak into the mic.

MR. CASS: Yes, you can, Jay.

QUESTIONS BY MR. SHEPHERD:

MR. SHEPHERD: Thank you. I just wanted to clarify that, Mike.

All right. So I'm going to start, and then when I get tired somebody else may want to take over, but I'm starting with FRPO 1, attachment 1.

And we prepared a spreadsheet with some data we got from that, which was very helpful, by the way, that you looked at it and you corrected it.

I'm not going to look at that right now, but sometime later today we'll get a copy of that and we'll start to talk about that. But right...

MR. CULBERT: There are hard copies behind Mike Millar right now.

MR. SHEPHERD: Well, it needs to be reformatted a bit, because the corrected -- it appears a little messy, so we need to -- not your fault. My fault for making --

MR. CULBERT: Copied your work sheet.

MR. SHEPHERD: But on attachment 1 to FRPO 1 I want to start at the second page.

Now, this is a presentation somebody gave to the board of directors of Enbridge Inc., Enbridge Gas Distribution, and Union Gas Limited; is that right?

MR. KITCHEN: It's the board of directors' package, but it would have been Enbridge Inc.

MR. SHEPHERD: This is the Enbridge Inc. one. Okay. Were they different for the three of them?

MR. KITCHEN: No.

MR. SHEPHERD: So this same presentation was given to Enbridge Gas Distribution and Union Gas Limited boards.

MR. KITCHEN: Yes.

MR. SHEPHERD: Awesome. Thank you. And is anybody on this panel -- was anybody on this panel there when that happened, when any of those presentations were made?

MR. KITCHEN: No.

MR. SHEPHERD: Okay. So we asked to have somebody who was there as one of the witnesses. Can you explain why there isn't?

MR. CASS: Well, Jay, we don't have someone who was there. We have the witnesses that we think are best able to answer the questions that are expected overall in this technical conference. As you can see, we have quite a number of witnesses to achieve that.

MR. SHEPHERD: That's fine.

MR. CASS: So we think we've brought the best witnesses overall for the questions that will be asked.

MR. SHEPHERD: All right. So on page 2 of that presentation, this is the executive summary, and a lot of this stuff is dealt with in detail later in the presentation so I'm not going to delve deeply into it on this page, but I want to ask a couple of high-level things.

In the first bullet you talk about having multiple touch points with regulators and government representatives. There are a number of other places where you talk about meeting with the Chair of the OEB, meeting with government representatives and things like that. There is, like, a whole bunch of different references like that.

So what I'd like you to do is undertake to provide us with a list of all those contacts, who was present, and what the subject matter was.

MR. CASS: Jay, I'm just not seeing how that's going to be helpful to the board in its deliberations in this case. So...

MR. SHEPHERD: The presentation to your board of directors says that you were told that certain things would happen by people at the Ontario Energy Board. That's a legitimate area of inquiry.

MR. CASS: Well, if you have some relevant questions in that area, perhaps you might ask them, but I think the question that you asked is -- as I said, I don't see how that will be helpful to the Board.

MR. SHEPHERD: You are refusing to give us information on what contacts you had with the Board?

MR. CASS: I'm indicating that the broad question you asked, I'm refusing to answer, yes. There may be more specific questions that are relevant; I'm not commenting on that.

MR. SHEPHERD: All right. The second -- my second question is on the third bullet. You tell your boards of directors, the three board of directors, that this application keeps rates at inflation over the ten-year term.

Did I misunderstand something? Because I thought that you were expressly saying that you were asking for rates well above inflation, approximately 150 percent of inflation, according it your current forecast.

Am I wrong? Did I miss something?

MR. CASS: So the proposed PCI inflator has a zero productivity factor. So base rates would increase at the rate of inflation through the ten-year period.

With respect to the ICM, which would be incremental capital that's required to ensure reliable operation and to grow our franchise area appropriately based on customer demands, there would be incremental capital requests which would be incremental to the inflationary increase.

MR. SHEPHERD: So at some point, did you tell your boards of directors that this was not correct, that you were not going to keep rates at inflation?

MR. REINISCH: The financial material that was provided in the presentation to the board does include the projections of the increases.

MR. SHEPHERD: And am I right that the compound average growth rate of rates is in the 2.4 percent range? Assuming your 1.7 percent inflation factor, it's around 2.4, is that right?

MR. REINISCH: I'm not familiar with that number. Could you please provide a reference?

MR. SHEPHERD: Well, I -- it's your numbers. I'm asking whether your numbers end up being a 2.4 percent per year compound average rate increase. Do you know?

MR. REINISCH: Could you please provide me with the schedule that you've used to calculate the 2.4 percent, so that we can confirm that?

MR. SHEPHERD: I'm going to ask you to undertake to tell us what the compound average growth rate is of rates that you forecast to your board in this presentation. Will you undertake to provide that? It's just a calculation, right? Simply the --

MR. REINISCH: Yes, we can calculate the math.

MR. SHEPHERD: Thank you.

MR. MILLAR: That's JT1.1.

UNDERTAKING NO. JT1.1: TO ADVISE THE COMPOUND AVERAGE GROWTH RATE OF RATES FORECAST TO YOUR BOARD IN THIS PRESENTATION

MR. SHEPHERD: Then in the fourth bullet here, you talk about the incremental risk, which I'm going to talk to a little bit later. But I just want to make sure I understand what your references are here.

This reference to regulatory mechanisms, that's basically the ICM and the Z-factor, right? Those are the two big ones?

MR. KITCHEN: It includes a Z-factor. It is also the off-ramp that's included in the MAADs policy.

MR. SHEPHERD: And the ICM?

MR. KITCHEN: And the ICM.

MR. SHEPHERD: When you are talking about risk management programs, obviously you have your operational ones, right, your sort of standard how you manage the risks of business operationally.

But the other one you specifically are concerned with in this is hedging interest rates, right? And that's one of the risk management programs you are planning to implement?

MR. KITCHEN: It is one of the things we are considering around interest rates, yes.

MR. SHEPHERD: Thanks. Then the last thing on this page is you say:

"A final decision to proceed with amalgamation is

conditional upon a satisfactory regulatory
decision..."

Has your board of directors -- or have the respective boards of directors --

(Reporter appeals)

MR. MILLAR: Go ahead, Jay.

MR. SHEPHERD: So this last bullet, I want to make sure I understand because this references several places.

Have your boards of directors actually approved the amalgamation of these two companies?

MR. KITCHEN: I would say the board of directors has approved us proceeding with the application and the amalgamation, should we get a satisfactory regulatory decision.

MR. SHEPHERD: Does that mean that if the OEB doesn't give you the decision you've asked for, then you just won't merge? Is that --

MR. KITCHEN: That's --

MR. SHEPHERD: -- or that that's possible?

MR. KITCHEN: I don't think that's what we're saying. What we're saying is that there are a number of things that we've asked for as part of this application, and to the extent that the Board deviates from those requests, we'll need to examine that decision and the reasons for the decision and decide whether or not we proceed with amalgamation.

MR. SHEPHERD: If the Board were to say, as a number of intervenors will be proposing, that you're given permission to amalgamate but you have to come in for a custom IR in 2020, do you believe that you then are in a position where you can say, well, then we're not going to amalgamate?

MR. KITCHEN: I'm not in a position to say that today. I think it would be very hard for the board of directors to approve amalgamation under those conditions. But again, you need to look at the whole decision.

MR. SHEPHERD: So normally the Ontario Energy Board won't consider an application to amalgamate unless it has already been approved. And I'm not sure I have ever seen the Board presented with a proposal to amalgamate only if they get a decision they like -- the application -- they get a decision they like. Is there a precedent you can put us to that would help us?

MR. CASS: No, Jay, there is not. I just wanted to characterize somewhat differently what you've said.

I don't think the applicants are saying they're looking for a decision they like. The applicants are saying that when they get the decision, if the parameters under which they would need to operate cause them to think it would be imprudent to proceed, they can't commit in advance to doing something that may at a later time appear to be not a prudent course of action.

MR. SHEPHERD: So you're suggesting that the Board might make a decision that's imprudent?

MR. CASS: No, I'm suggesting that the parameters created by the Board around the amalgamation might be such that the applicants decide it's not prudent to proceed in the way that they've proposed in this proceeding.

MR. SHEPHERD: Am I right then that the only way that you would not proceed is if the Board -- the Board's decision would require an imprudent course of action? Is that right?

MR. CASS: Jay, I think the answer has been given that the decision will be looked at the time for the board of directors to make an assessment as to whether they can proceed in the manner that they've proposed. The entire decision will have to be looked at and considered.

MR. SHEPHERD: Thank you.

MR. QUINN: Can I interrupt? Sorry, Jay. I just got an email from Linda Wainewright saying they can't hear on the phone.

MR. MILLAR: We'll take care of that.

MR. SHEPHERD: On the next page, page 3 of that material, they ended hundred strategic rationale but the first bullet refers to a 2017 strategic planning session. What was the date of that session?

MR. REINISCH: So I do not have the specific date of the meeting that took place, the planning session, but I believe it did take place in September of 2017.

MR. SHEPHERD: That's interesting, because one of these attachments is a integration memo on July 25th. So the strategic planning session was after that memo?

MR. REINISCH: The strategic planning session referenced in the Board material is an Enbridge Inc.

strategic planning session. So it covers the strategic plan of the entire Enbridge organization.

MR. SHEPHERD: Excellent. Do we have the materials for that session -- (Reporter appeals) I'm trying to project.

MR. MILLAR: Sometimes it looks like it's on -- yeah, it's not on.

MR. SHEPHERD: Do we have the materials for that strategic planning session on the record here somewhere? Only the ones related to Enbridge Gas Distribution and Union Gas. I don't care about all the other stuff. Well, I do, but not really.

MR. REINISCH: Those materials are currently not on the record.

MR. SHEPHERD: Okay. So can you undertake to provide those materials from that strategic planning session, only the ones related to Enbridge Gas Distribution and Union Gas?

MR. REINISCH: We will.

MR. MILLAR: It is JT1.2.

UNDERTAKING NO. JT1.2: TO PROVIDE MATERIALS FROM STRATEGIC PLANNING SESSION RELATED TO ENBRIDGE GAS DISTRIBUTION AND UNION GAS.

MR. SHEPHERD: I have no questions on the presentation outline. My next question is --

MS. GIRVAN: Sorry, Jay, can I just --

MR. SHEPHERD: Sure.

MS. GIRVAN: -- interject as clarification?

So you said that you'll decide when you get the Board decision whether to amalgamate or not, and I think there are several interrogatory answers that say specifically, including CCC number 1:

"If the OEB reduced the rebasing deferral period to five years, management would be unable to proceed with the amalgamation as proposed."

MR. KITCHEN: That's correct.

MS. GIRVAN: So I'm just trying to clarify what Jay was asking.

MR. SHEPHERD: I'm coming to that.

MS. GIRVAN: Okay. You just said you didn't know. This says to me that if you get five years you won't proceed. That's what I wanted to clarify.

MR. KITCHEN: I think when I -- what we meant to -- what it means when we're saying is that it can't proceed on the same basis that we proposed. We can't possibly take in and make the investments that we've included in our application and get the savings that we are going to get if we only have five years.

For example, it would be very difficult to merge our billing systems if we only had a five-year window, given the cost and given the savings that we would need to get to recoup those costs, so it would not be an integration that would look anything that's like in the evidence.

MR. SHEPHERD: Help me understand that. If you filed for custom IR and you could integrate your billing system, the ratepayers would pay for it and they'd get all the benefit; right?

MR. KITCHEN: We are not proposing custom IR. We are proposing to amalgamate under MAADs.

MR. SHEPHERD: But if you did, that's how it would play out, right? We paid for it, we would get the benefit. That's how it works in custom IR.

MR. CULBERT: If we were proposing a custom IR with an amalgamation, which as you've seen in our evidence -- obviously you know our position -- is the board of directors would have to look at the Board's decision and say, is this something that we would want to do, given the circumstances of custom IR, and we don't know the answer to that at this point in time.

You did ask a question earlier. I just want to get clarification, Jay. You said if the Board required the entities to amalgamate under custom IR?

MR. SHEPHERD: I don't think I said -- I said if they gave you permission.

MR. CULBERT: Okay. Sorry, I thought you said if the Board required us to.

MR. SHEPHERD: No, I don't think the Board normally requires you to.

MR. CULBERT: Then I had an answer to a question you didn't ask.

MR. SHEPHERD: And keep going. It makes my job a lot easier.

MR. CULBERT: But you didn't say that, so I won't answer the question.

MR. SHEPHERD: I'm on page 6 of this presentation, just rolling right along, and you said -- you say here -- you are comparing the three regulatory models, and you are treating the MAADs policy as a regulatory model, right?

MR. CULBERT: Sorry, say that again.

MR. SHEPHERD: You treat the MAADs policy as if it's a regulatory model, right?

MR. KITCHEN: A policy.

MR. SHEPHERD: Okay. So you have cost of service, which is gone, you have custom IR, and you have the MAADs policy. Those are your choices, right?

MR. CULBERT: Yes, and the MAADs policy, as we've outlined in evidence and in various interrogatories, needs to have contained within it a price cap.

MR. SHEPHERD: Understood. So on cost of service you said that it doesn't have an earnings sharing mechanism because you are only allowed to earn your allowed ROE. Hasn't Enbridge at least -- and I think the same is true of Union -- always every single year earned more than its allowed ROE? In fact, isn't that a requirement of Enbridge Inc.?

MR. CULBERT: No, there is no such requirement under Enbridge Inc. You know that, Jay.

MR. SHEPHERD: It is, in fact, true that in the last ten years you've never failed to overearn your allowed ROE, have you?

MR. CULBERT: We have earned our allowed ROE, and that's the whole point of incentive regulation, incenting the company to do better through productivities and efficiencies.

MR. SHEPHERD: Can you undertake to provide the achieved ROE and the allowed ROE for each of the last ten years for each of Union and Enbridge?

MR. CULBERT: There is definitely an interrogatory which has multiple years. Whether it has ten or not, I'm not sure, but we'll look at the interrogatories and see if that needs to be updated to include ten.

MR. SHEPHERD: Okay.

MR. MILLAR: JT1.3.

UNDERTAKING NO. JT1.3: TO PROVIDE THE ACHIEVED ROE AND THE ALLOWED ROE FOR EACH OF THE LAST TEN YEARS FOR EACH OF UNION AND ENBRIDGE.

MR. SHEPHERD: On that same page you say that the MAADs policy provides --

MS. GIRVAN: Sorry, can I interject? It is LPMA 18 that sets out, I think it is five years. Thank you.

MR. SHEPHERD: Under the MAADs rate-setting model, you say, "The OEB's MAADs policy provides consolidating distributors with an opportunity", blah, blah, blah. When this was presented to your three boards of directors, were they told that the MAADs policy was developed for electricity only?

MR. KITCHEN: They would have been aware of that, yes.

MR. SHEPHERD: They would. Okay. Thank you.

MR. CULBERT: Can I interject?

MR. SHEPHERD: Yeah.

MR. CULBERT: I think what they were informed of is that the policy was written in the context of the electrics, but that also in the natural gas filing requirements that there is a passage in there that speaks to -- do I need to bring it up?

MR. SHEPHERD: No, we all know.

MR. CULBERT: Okay. Consolidations under MAADs in the natural-gas filing requirement. So they were also informed of that.

MR. SHEPHERD: And you actually went and talked to the Chair of the Ontario Energy Board and asked her whether you could file on this basis, and she said yes; isn't that right?

MR. KITCHEN: I think the -- when we went to speak to the Chair, we were informing her of our intent to apply under MAADs, and she did not see any barriers to doing that.

MR. SHEPHERD: Did you ask, are there any barriers to doing this?

MR. KITCHEN: I don't believe so. Our intention was to file under MAADs.

MR. SHEPHERD: So when you told your board of directors that you -- that you had multiple touch points with regulators, at some point did you go to somebody at the Ontario Energy Board and say: Is it okay for us to file on this basis? And they said yes? I'm going to ask you to undertake if you don't know the details.

MR. KITCHEN: We -- I think if you -- actually, if you turn up BOMA 1 -- not BOMA 1, sorry, LPMA 1.

MR. SHEPHERD: Yes.

MR. KITCHEN: That interrogatory sets out the nature of our discussions.

MR. SHEPHERD: So it says you met with Board Staff as well as the Chair and general counsel to inform them that you were going to file on this basis. But it also says that the discussions were centred on gaining an understanding of the MAADs framework. So you asked them questions; right? Can we do this? Can we ask for a ten-year deferral; right?

MR. KITCHEN: What we did is we told them that we would be filing under MAADs and we would be using the MAADs policy, and that included the ability for the utility to choose a ten-year deferred rebasing period.

We received no indication that there was any impediment to us doing that, but they gave us no indication that it would be a -- it would be a proposal that would not be going before the Board.

MR. SHEPHERD: So you were neither encouraged or discouraged; is that fair?

MR. KITCHEN: I would say that's fair.

MR. SHEPHERD: Who was in the meeting with the Chair the general counsel? Just them?

MR. KITCHEN: It was Cynthia Hanson, Steve Baker, and Jim Sanders.

MR. SHEPHERD: Were either of you there?

MR. KITCHEN: No.

MR. SHEPHERD: No, okay. So you are only -- you are passing on second-hand what Mr. Baker and Mr. Sanders and Ms. Hanson have told you was discussed?

MR. KITCHEN: They provided us with the information as to what was discussed, yes.

MR. SHEPHERD: All right. And when it says you met with Board Staff as well as the OEB Chair, so you had separate meetings with Board Staff about this; right?

MR. KITCHEN: Yes.

MR. SHEPHERD: And who did you meet with on Board Staff?

MR. KITCHEN: I don't recall who was at all the meetings, but Ted Antonopoulos was there, Pascale Duguay, Jane Scott. I think Nancy Marconi was at one of the meetings. But not all the meetings were attended by all the same people.

MR. SHEPHERD: And this was you, Mr. Kitchen, or Mr. Culbert, or both of you?

MR. KITCHEN: It was myself and Andrew Mandyam.

MR. SHEPHERD: And Andrew Mandyam. At any time, did you ask Board Staff whether it was okay to file on this basis?

MR. KITCHEN: We did not ask Board Staff whether or not MAADs applied. We told them it was our intent to file under MAADs, and we were seeking information to ensure that our filing met with any filing requirements that they might have.

MR. SHEPHERD: I don't understand why you had so many meetings with them if you didn't have -- if you were just telling them what you were doing.

MR. KITCHEN: We were also informing them of the progress of our application, the timing of the application. You know, these meetings also were not several hours in length. They were relatively short meetings, sometimes phone calls, sometimes in person.

MR. SHEPHERD: All right. And we asked whether there is any documentation -- or we asked, Randy asked whether there was any documentation and you said no.

I've never actually seen a utility go in and talk to the Board in a formal meeting and not give a presentation, so I'm not sure I understand how there could be nothing in writing. Can you help me?

MR. KITCHEN: There is nothing.

MR. SHEPHERD: Can you help me out with that?

MR. CASS: Okay, I'm not sure what sort of help you are looking for. There is nothing in writing. What are you looking for?

MR. SHEPHERD: So there were no emails saying we want to talk to you about X?

MR. KITCHEN: No.

MR. SHEPHERD: There was no follow-up, nothing?

MR. KITCHEN: No.

MR. SHEPHERD: Doesn't that strike you as unusual?

MR. KITCHEN: No, not at all.

MR. SHEPHERD: Okay. I'm back to FRPO 1.

MR. GARNER: Mr. Shepherd, do you mind, since it's in the same place, if I ask a question on the same thing?

These meetings with the Chair, can they all did they all occur at the Board?

MR. KITCHEN: I don't know. I think that -- I'm not sure if they were all in person even.

MR. GARNER: Okay. But I'm interested specifically if any meetings with the Chair occurred outside of the Board's office. Could you undertake to tell me if that happened or not?

MR. KITCHEN: Yes, we can.

MR. MILLAR: JT1.4.

UNDERTAKING NO. JT1.4: TO ADVISE WHETHER ANY MEETINGS WITH THE OEB BOARD CHAIR TOOK PLACE OUTSIDE OF THE BOARD'S OFFICE

MR. SHEPHERD: I'm on page 7 of your presentation to the boards of directors, and there's a bunch of things going on here. Let me start with the second bullet on the left, where you said: "Revenues are increasing annually at inflation."

We've already talked about the fact that it's more than inflation because of the ICM. But it's actually inflation plus customer growth, right? That's what you are currently forecasting?

MR. REINISCH: That is correct.

MR. SHEPHERD: And in fact, you are expecting that your revenues will increase from 2018 to 2028 by 38 percent, right?

[Witness panel confers]

MR. REINISCH: So rate will increase by inflation through the deferred rebasing term. New customers will bring with them new revenue for new services that we provide them and then we're requesting, as part of the price cap in the MAADs, access to the ICM for incremental capital spends above which we could fund incremental investments with.

MR. SHEPHERD: And the end result is an increase in your revenues of 38 percent over ten years, isn't that right?

MR. CULBERT: Not checking the math, sure, there is an increase from customer pick up. But again, the whole point of the model is that the I, or inflation minus an X, if there is an X, is to cover off the cost increases that the company is facing, as well as those that we're facing from increased customer adds.

MR. KITCHEN: The increase in revenue as driven by growth has nothing to do with the price that the customers pay. The price that customers pay will increase by inflation plus the ICM.

MR. SHEPHERD: My question is really a very simple one, and I'm not sure why you are resisting it because we've gone back and forth about this spreadsheet. It has the number, 38 percent increase?

MR. CULBERT: I'm not disputing it. There is definitely an increase in revenues from customer growth. That happens in every single regulatory model there is.

MR. SHEPHERD: And is 38 percent the current forecast of your increase in revenues over ten years?

MR. CULBERT: Is that on your spreadsheet, Jay?

MR. SHEPHERD: It is, the upper right corner.

MR. CULBERT: That is the total DX revenue growth?

MR. SHEPHERD: Yes. If you don't know the number, we can get to it later. I'm okay with that. I thought you would know this.

MR. REINISCH: Yes. Revenue again is forecasted to grow by approximately 38 percent over the ten-year period.

MR. SHEPHERD: Awesome. Thank you. The other thing that's on here is the second last bullet on the left-hand side. I'm still on page 7, and it says you have an opportunity to integrate demand-side management and continue cost effective delivery of Ontario government low carbon programs.

Your current application doesn't do that, right? It doesn't propose that?

MR. CULBERT: That's correct.

MR. SHEPHERD: And so that changed from the time you presented this to the board of directors to now, or was that always intended to be deferred?

MR. KITCHEN: I don't think that's -- that's not a change at all, because what the bullet says is there is an opportunity and once we get approval to amalgamate from this the OEB and our board, we will go we will enter into detailed planning and that will include how we will address bringing DSM together. But it's the -- opportunity is the key word.

MR. SHEPHERD: So right now, the Board doesn't know how you are going to do that? Our Board, not your board.

MR. KITCHEN: No, they do not, and we have not looked at it.

MR. CULBERT: We don't know how we are going to do that.

MR. SHEPHERD: Is there anything you can say that would help the Ontario Energy Board understand how these are like -- these two programs are likely to be integrated?

MR. KITCHEN: I don't think that that's actually necessary right now. We haven't got approval to amalgamate and/or of the rate-setting mechanism. Until we have those things, there is not going to be any detailed planning done around any part of the integration and at the time we bring -- we will bring forward at some point through the DSM process how we plan to amalgamate them.

MR. SHEPHERD: I understand that. I was giving you an opportunity to give a general statement about this to help the Board understand this particular issue. Obviously, it's going to come up. And so you don't want to say anything about it, that's fine.

MR. CULBERT: Well, I think, Jay, we can't say anything about it, to Mark's point. We don't know at this point in time.

MR. SHEPHERD: That's fine. I'm on page 9 now, and page 9 says that over ten years, the utility will earn $111 million more than under the MAADs approach than it would, I guess, under custom IR. Is that right?

MR. CULBERT: That's correct and there was an interrogatory response that outlined that -- I'll say, benefit.

MR. SHEPHERD: I've seen that.

MR. CULBERT: OGVG 7.

MR. SHEPHERD: And that 111 million, that's assuming all of the risks are realized, right?

MR. CULBERT: It's a -- it's a -- yes.

[Witness panel confers]

MR. REINISCH: So the 111 million is derived based on the forecast, so that would be the forecast we've included, the PCI, the interest rates, the refinancing, the synergy costs, as well as the synergy captures from efficiencies that are implemented over the deferred rebasing period.

So if risks were to materialize, if interest rates were to increase significantly, that earnings would be impacted by any situation that would deviate from the underpinned forecast numbers.

MR. SHEPHERD: Okay, so that's -- I had a hard time understanding some of these numbers, so could you go to page 31 of this presentation?

What page 31 says is that your base case ten-year average annual earnings under this proposal is a $538 million a year, but then -- which it looks like it's about 10 and a half percent ROE. And then you have all these adjustments because of risks to get it down to 418.

So I'm not sure -- like, which is the 111 number? Is it the 538 base case or is it the 418 or is it even the

451, 454?

MR. REINISCH: First I'd like to correct the record, so the 538 average earnings, that represents -- that is on the left axis, the ROE is on the right axis, so for the ROE at that earnings level you would go to 9.5 percent, which is consistent with the ROE on the previous slide that we had looked at.

MR. SHEPHERD: Well, no, it actually -- I'm sorry, but I see where the line is. It goes directly to 10.5. That's what you told your board of directors, right? See, 538, 10.5.

MR. REINISCH: I respectfully disagree. This is a double-axis chart. On the left-hand side, the left axis is the five-year average earnings at 538. That is the gold bar. The blue dotted line, as well as the blue circle, that is to the right axis, which is the annual average ROE. That is at 9.5.

MR. SHEPHERD: All right, so the 538 is the number that converts into 111 million in extra earnings; right?

MR. REINISCH: Correct, the 538 on average over the ten-year period would result in a cumulative of 111 million above allowed ROE.

MR. CULBERT: Again, with all the caveats that are resonant in OGVG 7, which assumes that the price cap that we've assumed would be achieved in its entirety with no X factor, et cetera, so all of the parameters of our application would need to occur.

MR. SHEPHERD: In fact, you told them that your worst case is 418, which is a 7.4 ROE, you say, right?

MR. REINISCH: That is incorrect. The worst case on this -- again, this is a series of scenarios, a series of potential impacts. There's variability around each of those risks, and so each of those risks again in this scenario, if you were to add up all of those risks, you would result in 418, but there is variability in each of the given risks, so any of the risks could deviate, interest rates, for instance, the X factor, any of these risks could materialize and result in earnings that are different than what is shown on this one scenario.

MR. SHEPHERD: Thank you. Back at page 9 --

MR. QUINN: Sorry, Jay, sorry -- it is on -- can I just ask a question on that slide while we're on it? I'm just trying to understand, Warren, are these -- is this analysis of the discrete risks that are covered in words at the bottom or is this somehow cumulative with one risk layered on another? You were talking about the variability around the risk, and I can see the width of the band, but obviously it's going down, declining, throughout the slide. So are these risks measured individually and that's what we're seeing here displayed in terms of ROE and earnings? Or is somehow this slide showing cumulative risk?

[Witness panel confers]

MR. REINISCH: So slides 22 through slides 28 focus in on each of the individual risk areas, so for each of the risk areas -- I'll let Bonnie bring up...

Sorry, slide 24, my apologies. Slide 25. Down one more. So this starts with the discussion of the interest-rate risk, and obviously there is variability around interest-rate risks.

If you go to the next slide, these are the various financial-rate risks, interest-rate risks, inflation risks, tax risks. As you can see by the chart on the bottom right-hand side there is a variability. Again, these are different, both positive and negative impacts to potential returns, so this goes through each of those risks, and I won't go through all five of them at this point, but those risks are then captured on a single slide which represents slide 31, and we have reflected in slide 31 just graphically depicted, if, based on one of the scenarios in each of those risk profiles, what the potential impact to earnings and to return on equity would be.

MR. QUINN: So the interpretation of that is these are discrete risks, they are not cumulative. By the time we get to attachment forecast tracks 10 percent below at 7.4 percent, that is only that risk being realized and none of the others, or are they being added together as you go across the chart?

MR. REINISCH: To get to the right-hand side of the chart it would be cumulative, so one scenario for each risk added together to provide a cumulative picture.

MR. QUINN: So said differently, 7.4 percent recognizes or basically is an estimate based upon your productivity factor increasing by 10 percent, capital disallowance, non-recovery of $100 million, all of those are baked into the 7.4 percent, or is it just the attachment forecast that is represented by that 7.4 percent?

MR. REINISCH: So the attachment forecast, based on the scenario identified in the attachment forecast decreasing by, in this case, 10 percent, it would be the delta between the 7.5 and the 7.4. So this is a cumulative chart.

MR. QUINN: That's what I'm trying to understand. It confused me when I read the "discrete". Now I understand. So thank you.

MR. SHEPHERD: I'm back to page 11 in this presentation. The -- I have two questions about this: You had a series of meetings of the senior leaders of the two utilities to talk about how to -- what the possible ways were to integrate; right?

MR. KITCHEN: Yes, they met jointly.

MR. SHEPHERD: And this was before July, right, because the July memo came out of that; right?

MR. KITCHEN: Yes.

MR. SHEPHERD: So this is between February when the deal closed and July 25th, there was -- Mr. Baker and Sanders and Hanson, all these people had meetings?

MR. KITCHEN: There would have been meeting post-close, yes.

MR. SHEPHERD: To talk about integration?

MR. KITCHEN: Yes.

MR. SHEPHERD: Okay, and then one of the things that you've done is you have ten-year asset management plans; right? And you filed them, in fact?

MR. KITCHEN: Yes, we did.

MR. SHEPHERD: And I guess we're going to talk about those in panel 2; right? Is that -- panel 2 is the ICM stuff, so presumably that's when we talk about capital spending.

But you say here that those plans are "based on engineering assessments of all assets to optimize maintenance versus replacement decisions as required".

Now, there is no reason to think that that's going to change. That approach is going to be the same when you do a combined plan; right?

MR. KITCHEN: Yes.

MR. SHEPHERD: And your current forecasts don't have a -- am I right that they don't have a forecast of saving -- capital savings as a result of the integration? It only has OM&A savings right now?

MR. KITCHEN: The asset management plans were developed independently, and given that we haven't done any detailed planning there would be no capital savings reflected.

MR. SHEPHERD: And so when you went to your board of directors, nobody said to the board of directors, well, we'll probably save some money on capital too, but we don't know what it is yet? Nobody said that?

MR. KITCHEN: Yes, there was nothing in the presentation that dealt with the integration of capital costs.

MR. SHEPHERD: Now, given that you're planning to spend $12 billion in capital over the next ten years, I would have thought that at least somebody would have looked at whether there is some way to save some money if you integrate. Has anybody done that? Whether preliminary or otherwise, has anybody taken a look at that yet?

MR. CULBERT: No, the crux of most of our evidence is until we know what the new structure will look like, including all levels of an organization, there is no way at this point in time to look at the aspects of the Union asset management plan and EGD's asset management plan and how they would be or could be looked at in a singular view, so we haven't got any analysis of that sort.

MR. KITCHEN: What we do have is the high-level planning that we've done around integration of systems and processes, and we've provided those in our evidence and described them in more detail in BOMA 16.

MR. SHEPHERD: But those are actually largely incremental costs, capital costs, to integrate; right?

MR. KITCHEN: They are.

MR. SHEPHERD: But presumably, there are some incremental savings as well because you have a different configuration of your system now.

MR. KITCHEN: And there may very well be, but that work has not been done.

MR. SHEPHERD: All right. Is it fair to assume that it will be greater than zero?

MR. KITCHEN: It will be something. So probably yes, greater than zero. But again, as we move through the deferred rebasing period, any savings that we are able to achieve as a result of the amalgamation ultimately flows to ratepayers and they also get the savings through the interface of systems and to the extent that there are other savings, they will get those, too, eventually.

MR. SHEPHERD: Okay, all right.

MR. CULBERT: As we complete an overall asset management plan, it will determine the view of the necessary capital each and every year. And we're going to be doing a rolling asset management plan, I'll say recalibration every year. But until such time as we have one individual plan, the concept of there will be savings, savings compared to what? Two individual plans which were being run by separate entities? I suppose, but not sure that's really worth anything to relative to what the individual plan might be.

MR. SHEPHERD: Well, you have a forecast of your capital spend.

MR. CULBERT: We do, as individual entities.

MR. SHEPHERD: And that's two separate companies, right?

MR. CULBERT: Yes.

MR. SHEPHERD: So you do not yet have a forecast -- let me understand this. You have forecasts on status quo basis and on an integrated basis in this presentation, right, for over all revenues? And you're assuming, in all your calculations in those forecasts, that your capital plan is identical in both cases, right?

MR. CULBERT: We're assuming at this point in time that that's our view of capital requirements right now.

MR. SHEPHERD: The only delta -- aside from the rate-setting mechanism, the only delta is the OM&A savings and the things that flow out of it?

MR. REINISCH: So the delta is both the O&M savings and as well as the capital costs required to achieve those --

MR. SHEPHERD: The investments to get there, yes. 172 investment to get there and 680 saved, right, million?

MR. CULBERT: 150 as an estimate and 680 in savings.

MR. KITCHEN: At the top of the range.

MR. SHEPHERD: All right. Let me go to page 12 of this presentation. This talks about your opportunity to save money in customer care.

If I understand, basically you have two utilities that both have to do the same thing. They have to bill their customers and talk to them on the phone, and all that stuff, right, make sure that the customers are happy. And there is a bunch of systems associated with that, and there's a bunch of people associated with that, right?

MR. CULBERT: That's correct.

MR. SHEPHERD: And what you are saying is if you integrate those two functions, the Union Gas function and the Enbridge function, you're going to save some money. You are going to save some money on the hardware and software, and you are going to save some money on the people, right?

MR. CULBERT: That's the expectation, yes.

MR. SHEPHERD: And how does that relate to the amalgamation? How does the amalgamation require you -- how is the amalgamation necessary for you to do that integration? Tell me what the connection is between the two.

[Witness panel confers]

MR. PACKER: Mr. Shepherd, I think your question is why is amalgamation a necessity to integrate our CIS systems.

MR. SHEPHERD: Well, your customer care functions, yes.

MR. PACKER: So right now, both companies approach how they fulfill those responsibilities quite differently. You wouldn't -- I don't believe you would embark on a new CIS system without looking at integrating the way work is done, the processes, the structure and so forth. So those go hand in hand, and I don't think you would just do a system without those other changes which require the utilities to amalgamate.

MR. SHEPHERD: Why do they require the utilities to amalgamate? Enbridge Inc. right now standardizes a bunch of things around all its companies; it says you have to do those things the same way. Why couldn't it say Union Gas and Enbridge Gas Distribution, we want you to do customer care in the same way; in fact, we want you to do it in the same office? That's possible, right? There is no reason why you couldn't do that.

Mr. Kitchen and Mr. Culbert are making it difficult for me to see you -- probably intentionally.

MR. PACKER: You are putting a hypothetical to me that I guess is -- in some way might be theoretically possible, but I don't think it's practical.

MR. SHEPHERD: Well, let me ask Mr. Culbert because he's in the front row, and because he's with Enbridge, which is the reason.

Your -- there are a number of things at Enbridge, at Enbridge Gas Distribution, that are -- you do in a standardized way because Enbridge Inc. requires that they be done in a standardized way. Isn't that right?

MR. CULBERT: For example?

MR. SHEPHERD: I'm asking the question.

MR. CULBERT: I'm not sure what...

MR. SHEPHERD: You don't know of any?

MR. CULBERT: Sure, there are services that are taken from head office such as HR services went there, some IT services went there. Sure, they did.

But that's our relationship to Enbridge Inc. and the amalgamation of Union and Enbridge Gas Distribution is something that the board of directors has looked at as being an opportunity for us to integrate under the Board's policies, and that's the extent of our application.

MR. SHEPHERD: Sorry, what I'm trying to understand here, Mr. Culbert, is you have one gas distribution company in Ontario that has something like $35 million of its costs are actually from EI, right, under RCAM or something -- actually under CAM, it's probably 45 million. But under RCAM, it is 35 million or so, right?

MR. CULBERT: Yeah.

MR. SHEPHERD: A big chunk of your costs.

MR. CULBERT: We do have other panel members here that can --

MR. SHEPHERD: I'm asking you about Enbridge first, and then I'm going to come to Union and ask. Am I right that it's in the $35 million range?

MR. CULBERT: I don't know the exact number so -- it's somewhere in that ballpark.

MR. SHEPHERD: Okay. Is there any reason to believe that EI wouldn't simply require the same standardization from Union Gas? Why wouldn't they do that?

MR. CULBERT: Well, what I can comment about -- and there is another Enbridge person here who can possibly speak to it more than I can -- is that the services you are referring to are general IT services for work that's done in the office, the back office, et cetera. It is not charges for our customer care system.

The customer care system is specific at EGD, and I am going to assume it is the same, as you've pointed out, at Union. Those are specific platforms and software packages for customer care services.

We do not have any such thing being controlled or operated by EI. Those are specific to the utilities.

MR. CHARLESON: Perhaps, again when we're talking about customer care, it is a different function from when than when you talk about, say, corporate and kind of back office services.

When you look at customer care, the other thing -- as we operate today as two affiliated companies, we're both governed by the affiliated relationship code, ARC, and ARC has a lot of provisions around customer information, how it has to be segregated, how I has to be managed. So that would be a complicating factor in terms of how trying to operate under a common customer care framework as two independent entities.

MR. SHEPHERD: In the amalgamation scenario, what you are anticipating, I assume, and tell me whether this is right -- and I know you don't have detailed planning yet, but I'm just sort of the -- the movie in your mind is something like a single central customer care operation, which may be in Chatham or may be in Toronto, or may be diverse, but a single operation that shares a lot of services, a lot of people, and thus gains efficiencies. Is that fair?

MR. CHARLESON: Yes, that's fair.

MR. SHEPHERD: Why couldn't you do that without the amalgamation? I mean aside from the sharing of information thing, which I understand you'd have to get consent from the Board. But assuming that you got that, is there any barrier to doing that?

MR. REINISCH: Perhaps I could jump in and be helpful here. We can't look at a function like customer care in isolation of all the other functions and systems that we have, because something like our CIS system is so integrated with everything like our work management systems, our ERP systems.

For example, the functionality of the CIS system at Enbridge Gas Distribution is different than the functionality of the system at Union and how it ties to our asset management systems and our work management systems and the ERP systems, so you can't take a look at the one in isolation.

I agree that in the long-term what we are proposing is to harmonize all those things, and I wouldn't say a single geographic location -- you can do it the same virtually in a number of different locations as well, so we haven't even looked at those sort of things or gone into that detailed planning yet, but you really have to look at the whole in order to fully integrate the systems and processes between the two companies.

MR. SHEPHERD: But there is no barrier -- tell me whether this is correct. There is no barrier to you implementing your customer care integration without an amalgamation, right? As long as you operate the two utilities in concert you can still do the same things, right; the piece of paper that says you are amalgamated doesn't change that.

MR. CHARLESON: Jay, I would agree theoretically you are correct --

MR. SHEPHERD: Okay.

MR. CHARLESON: -- you could do that. However, I don't believe you would be able to achieve the benefits -- the degree of benefits and synergies that you get by amalgamating --

MR. SHEPHERD: Well, the -- and here's the interesting --

MR. KITCHEN: Sorry, sorry, Jay, and not only would you get the benefits, but it would be much more complex than operating as a single entity. We wouldn't have the affiliate code to deal with, we wouldn't have charges going back and forth that would need review by the regulator; it would be a much simpler and more efficient exercise to do an amalgamation.

MR. SHEPHERD: Sort of like KAM. Okay.

MR. KITCHEN: I'm not familiar with KAM, so --

MR. SHEPHERD: So -- believe me, you don't want to know.

What you are proposing is that after you amalgamate you are going to spend $65 million to integrate, and your payback over the first five years, if I calculate this correctly, is only 60 million.

It's in the second five years that you start to get the real serious benefits, another 25 million a year; am I understanding that right?

MR. CHARLESON: Yes, that is correct. There is a significant investment that needs to be made by the shareholder to allow for the amalgamation or the integration of those systems, and that's going to take a period of time, so you are making that investment, and there's limited benefits that you can achieve during that period while you are making that investment, so by the time you get the systems in place -- and again, the 65 million is an estimated number. That could be significantly higher. We may be able to do it for a bit less than that.

Benefits are uncertain. We still have to do the planning to really -- to drive that, but the -- but it's really until you have the systems in place, until you've made the investments, until the shareholder makes the investments to achieve that level of integration, that then creates the platform that you can start to derive greater benefits out of the integration, which will flow in the, kind of the second half of the deferred rebasing period.

MR. KITCHEN: Which is exactly why we need the ten-year time frame. The ten-year time frame, because we have a significant investment upfront, and until we make that investment we can't hammer out the processes that will achieve the savings.

MR. SHEPHERD: This is not the first time that Enbridge has faced this problem of a big front-end investment for great savings in customer care, is it?

MR. CULBERT: I'd say it's probably not the first time for Union Gas either, if I think about it.

MR. SHEPHERD: Well, except that Enbridge actually went through a process where it looked at the long-term costs and benefits of customer care and worked out a plan that allowed it to smooth all of its costs over a long period of time, and it saved a lot of money for both the utility and the ratepayers; right?

MR. CULBERT: We did, and we were both part of that settlement process, Mr. Shepherd, and it took a long time to just hammer out a plan with respect to how we would do that from a rate-making perspective, as well as hiring any consultants necessary to opine and be part of that process.

MR. SHEPHERD: My question was --

MR. CULBERT: You are trying to help us here.

MR. SHEPHERD: My question was going to be, there is no reason why you couldn't do that again?

MR. CULBERT: Well, I guess I'd say that's what we need to go through when we are combining entities; that is the process we will need to go through.

MR. SHEPHERD: But --

MR. CULBERT: It is an extensive, detailed process that we have to go through.

MR. SHEPHERD: But on your current proposal the old approach, which was the company and the customers share the benefits, would not be true any more. In this approach, the company gets all the benefits; right?

MR. KITCHEN: No, I don't agree with that. Under MAADs we make the investment and then the savings go to pay off that investment. We take the risk on those. And the ultimate benefit to ratepayers is that when we rebase in 2029, any of those efficiencies get built into rates.

MR. SHEPHERD: So when the new CIS system, the integrated CIS system, is obsolete and you need a new one, then who's going to pay for that in 2029?

MR. KITCHEN: Well, Jay, to be frank, you know, we haven't even replaced -- run the two systems together to talk about what we are going to do when we have to replace that system that we haven't even brought together. I think it is a bit too far for me to look forward.

MR. SHEPHERD: Let me go to page 13 of your presentation. You -- this deals with distribution work management, and you both have automated systems for -- and sort of real-time automation of your work management processes; right?

MR. PACKER: Yes.

MR. SHEPHERD: And they are not the same systems, but they're -- and they are not compatible, right?

MR. PACKER: They are not the same systems; they are quite different.

MR. SHEPHERD: Is your mic on?

MR. PACKER: The light was on. Is it better now?

MR. SHEPHERD: Yeah, that's good. Because the reason I wanted to ask about that, Mr. Packer, is -- and they are not the same systems, right, and they are quite different, right?

MR. PACKER: Yes.

MR. SHEPHERD: Okay. Is -- this is about the platform you use to do work management. This particular subject is not about how you integrate field operations; it's how you integrate your systems; right?

MR. PACKER: Sorry, what is your reference? I believe that's the reference --

MR. SHEPHERD: On page 13 is -- and this is about how you are going to integrate your work management systems; right?

MR. PACKER: What we are talking about here is the back-shop systems that are used to schedule work in the field.

MR. SHEPHERD: And in fact your estimates, both your OM&A, and you have -- your capital estimate is zero, but your estimates of integration savings, 680 million, that includes zero for field operations; right? There is no amount in that 680 million for field operations right now.

MR. CHARLESON: That's correct.

MR. SHEPHERD: And field operations is, in fact, the biggest expense you have, isn't it?

MR. RIETDYK: So typically -- so this includes generally the systems, the back-shop processes. I think in the future we do contemplate the potential for some potential savings for field operations, but that's not the focus, certainly, in the first five years of the amalgamation.

MR. SHEPHERD: I guess what I'm frying to drive at is, and maybe slowly, is you have a number of your service territories that are contiguous, and as a single entity you will be able to serve them as one; right?

MR. RIETDYK: That's correct.

MR. SHEPHERD: So let me give you an example.

Brampton is close to both of your service territories; right?

MR. RIETDYK: That's correct.

MR. SHEPHERD: If you had a big service centre in Brampton, then you might not need one in Vaughan, right? Or in Maple, let's say.

MR. RIETDYK: Probably going the other way.

MR. SHEPHERD: The point is that you can consolidate.

MR. RIETDYK: So field operations is one of those areas that over the past 15 years has gone through some significant change in productivity improvements. Both companies have invested heavily in automated planning and dispatch savings, in process re-engineering efforts to try to improve productivity because, as you mentioned, it is such a big cost, and the work is tied to the geographic areas that we each work in. Despite the fact we're working in adjacent areas, the work is still tied to those specific areas.

So there's a couple of things that need to happen before we could really operate that as across the province as one, as you suggest. The first is having common systems and business processes right across the piece and as we've laid out, it is going to take quite some time before that happens.

There is another very practical component of this as Well, and that's just our fundamental procedures and detailed work instructions, the materials we use in our system are different, and we also need to align all those, which again is going to take a significant amount of time. That's not a matter of any system. That is literally we have to -- we train and we qualify our staff to our processes and our procedures and detailed work instructions.

My experience with that is that's going to take even longer. So it's going it be a while before we can take advantage of that. And even then, the work is still tied to the geography.

MR. SHEPHERD: So consolidating service centres and things like that is not really top of the list. It may happen eventually, but not tomorrow?

MR. RIETDYK: That's correct, and it would be something that we would look at down the road, when we have actually fully integrated the two many companies.

MR. SHEPHERD: Was anybody -- were any of those witnesses around when Union and Centra merged, Mr. Packer?

MR. PACKER: I think -- I was, I was.

MR. SHEPHERD: Was there any rationalization of field operations in that merger? I understand the merger was not really contiguous areas, but was there any rationalization of field operations?

MR. RIETDYK: I'm not sure I could say rationalization. I'd say when we finally did amalgamate, we were able to look at our policies, processes, job descriptions, how we train and qualify our employees. When we implemented new systems and processes, they became the same across the two organizations, two previous organizations so -- but that took quite some time before we did that.

MR. SHEPHERD: So coming back to the distribution work management, the IT side which is what this is really about, the systems side, right, is there any why reason why you couldn't do that without the amalgamation? Is there something that the amalgamation makes that possible that it wouldn't otherwise be possible?

[Witness panel confers]

MR. PACKER: I think it's the same answer that Mr. Charleson gave on the CIS system. If you don't fully integrate or amalgamate the utilities, you can't get all of the benefits. And in that case, it may not make sense to make the capital investment. You need the significant benefits to offset the cost of the capital investments.

MR. SHEPHERD: Well, in this case, in work management, you are talking about investing $50 million to get 113 million, right? So that's not bad, that customer care --

MR. PACKER: The 50 is a high-level estimate. It could be more or less than that.

MR. SHEPHERD: Understood. But what I'm trying to determine is the connection between the amalgamation and the benefits, how the amalgamation itself frees up more benefits than you might otherwise be able to get without amalgamating.

Can you help us understand what that connection is?

MR. KITCHEN: Well, I look at it and I say it's in the responses that we've already given.

The amalgamation will allow us to be more efficient. We won't have to deal with things this like the affiliate code. We won't have to deal with regulatory approvals around transfer pricing, or costing, or anything else.

As an amalgamated entity, we can operate as one and we will be more efficient doing so. And that goes for CIS. It goes for distribution of work management. It goes for any of the five areas that we've talked about.

MR. SHEPHERD: I was going to go to the next one, utility share shared services, because that's something that you are already doing at Enbridge, right? You have a bunch of shared services already.

MR. REINISCH: Slide 20 goes to the shared services that are specific to the utility, not the corporate shared services.

MR. SHEPHERD: I don't see slide 20.

MR. REINISCH: Sorry, slide 14.

MR. SHEPHERD: Sorry, it refers to what?

MR. REINISCH: It refers to the shared services that are embedded within each utility, not the shared services that are provided by the parent, Enbridge Inc.

MR. SHEPHERD: But right now, there's a bunch of IT services that are provided by EI and indeed by Spectra, right?

MR. PACKER: Yes, there are some corporate functions that have been centralized.

MR. SHEPHERD: So what you are talking about is expanding the scope of that shared service approach to include things that are now within the two utilities. Is that right?

[Witness panel confers]

MR. REINISCH: Could we please bring up BOMA 16, the attachment, page 8 of 20?

MR. SHEPHERD: Page 16 of 20, you said?

MR. REINISCH: Page 8 of 20.

MR. SHEPHERD: Sorry, page 8 of 20, okay.

MR. REINISCH: So the first paragraph under "Utility shared service functions at Enbridge" includes a list of different services that are considered shared service; so finance, human resources, information technology, supply chain management, real estate and enterprise safety operation and reliability.

So the utilities are unique in a number of ways relative to the different business units under the Enbridge Inc. umbrella and there are a number of shared services that are embedded within each of the two utilities today. So Union Gas has specific individuals dedicated to finance, dedicated to human resources, information technology, supply chain management and safety, as does Enbridge. There is a level of duplication in that between the two utilities; it's required to support two legal distinct entities. So there are opportunities...

MR. SHEPHERD: Let me stop you there, sorry, because you've said it is required to support two separate legal entities. I don't know why that is.

MR. REINISCH: Why is it required to support two separate legal entities?

MR. SHEPHERD: Yes. Why do you need more people because you have two separate legal entities?

MR. REINISCH: Let me clarify that two separate entities. Currently, there are two separate systems. There are over, I believe, a hundred IT systems that are currently operated between the two utilities.

As you require -- i you've got the same function, I'll use finance for an example, you've got SAP on one side and Oracle on the other side. You need individuals trained in on operating SAP, individuals trained in operating Oracle.

To expect an individual to be fluent and carry out their work on both of those functions at the same time is very challenging, very difficult, and needing a unique skill set.

MR. SHEPHERD: I understand that. But let's say you decide -- I think you've already decided that SAP is probably the is a way to go for finance; I think I saw that somewhere.

But treat it as a hypothetical, so that Oracle doesn't get mad. There is no reason why you couldn't today say, Union, you have to is switch to SAP, and we are going to train your people and in fact, you are going to use our system because it is a better system.

There is no reason you couldn't do that, right? You could do that tomorrow.

MR. REINISCH: No, the implementation of an ERP, in such as -- I guess, in this case hypothetically, SAP would take a number of years.

MR. SHEPHERD: Sure, but you could do it. You could decide tomorrow and start tomorrow. You don't need to amalgamate to do that.

MR. CULBERT: When you say you could decide to do it, who is it that's deciding that?

MR. SHEPHERD: I think it would be -- Union Gas would have to do it, because they are on the ones on Oracle, right?

MR. CULBERT: But that's what part of the point of our application is. We have two separate management teams running two separate companies. So to attempt to do the work management, combine it into one system or make it one system, whatever, you've got two different management views, discussion points that have to happen to get to a central system, and then you've got the affiliate relationship code that provides complexities going forward.

So if we were to come to the rate-maker every year and say here's what we want to do, here's all the complexities, you are going to be reviewing that type of complex situation for every year going forward. And we're saying it is a much simpler way to do it under amalgamation. That's the whole point of our application.

MR. SHEPHERD: You don't have that problem with Enbridge Inc. or with Spectra, when Enbridge Inc. provides services you don't have regulatory issues that you have to address and explain. I'm just trying to understand how it's different if it's --

MR. KITCHEN: I think it is different because when you get a service that's centralized at corporate you are getting service that is going not only to EGD Union; but it's also going to the liquids business, it is going to the other entities inside of Enbridge.

We are talking about bringing together two gas utilities that essentially do the same sort of business in Ontario. It is inefficient to have -- you know, no matter how much you say, can you do this without amalgamation, it will never be as efficient as doing with it with amalgamation, because -- and utilities shared services is a good example. You are still going to have certain people in each of the two companies doing work that is duplicative.

MR. SHEPHERD: See, that's what I don't understand, so if you -- let's say you standardize on SAP for your finance, and then you do that without amalgamating, you can have a central finance unit which could be in Calgary for all you know that does it for both, right? There is no reason you couldn't do that. There is nothing today that prevents you.

[Witness panel confers]

MR. KITCHEN: What we are talking about when we are talking about amalgamation is amalgamation of the utilities, and they are utility systems that need amalgamating. They are not corporate systems. So when we are amalgamating the two utility systems, it's more efficient to do that in the context of an amalgamation than it is to go through the shared service or shared-service approach or the ARC and the complications of that.

I think, you know, we keep giving you the same answer, and I'm not sure we're -- you are going to get much more of an answer than what we're giving.

MR. SHEPHERD: I'm not disagreeing with you, Mr. Kitchen. I'm trying to get to a different question. You're answering the question: Is it better to amalgamate, is that a more efficient way of doing this? I think everybody in the room agrees it is a more efficient way of integrating the two utilities.

The question is that you appear to be presenting it as binary: We can only do it if we amalgamate, otherwise we get nothing. And I am asking the question: Is that true, or is it, in fact, true that you can get 80 percent of it without amalgamating and the other 20 percent requires amalgamation? Is that a more reasonable way of looking at it? That's all I'm asking.

MR. CASS: Jay, I don't want to be argumentative, but I thought I heard the witnesses say a number of times that the point is it is the better way to do it, it is more efficient to do it through amalgamation, not that it's binary, but it is better or more efficient to do it with amalgamation. I thought I heard that a number of times.

MR. SHEPHERD: You did and I did, and I'm agreeing with that. That's not my question. The question is: Is there a big chunk of these savings that can be saved without amalgamating?

MR. KITCHEN: Just as we haven't done any detailed planning around the costs of the integration or the benefits, we have not looked at how we could possibly bring together the companies in a different way than amalgamation.

Our proposal is to amalgamate, and to amalgamate under MAADs, defer rebasing for ten years, and in those ten years incur costs, get benefits, and pass those back to ratepayers, so I'm not going to speculate, I guess is what I'm saying, on what functions might work in a shared-service world or an affiliate world when our proposal is not to do that.

MR. SHEPHERD: That's why I was pursuing this, Mr. Kitchen, is when you presented it to your board, you present it to them as, we can save $680 million if we amalgamate and we can save zero, the status quo is you save zero, if we don't amalgamate. That's binary, and that's what I'm asking about, because that's not correct, is it?

MR. CASS: What is the question then?

MR. SHEPHERD: The question is if you present to your board, we can save 680 if we amalgamate, we can save zero, the status quo is zero if we don't amalgamate, that's not true, is it?

MR. KITCHEN: I don't think that's what we told the board.

MR. SHEPHERD: Okay.

MR. KITCHEN: What we did is we said that we will need

-- we will come back to you once we have a decision from the OEB and we will bring that back and we will assess whether or not we can proceed with the amalgamation in the way that we intend. If we can't, then we won't, but -- and then at that point, that sets off a whole other round of what we might do, and we haven't turned our mind to that, and we won't turn our mind to it until we actually have a Board decision and make our decision as to whether we proceed.

MR. SHEPHERD: Fair point, and that's really -- if I can bring this right to a conclusion, this particular issue, that's really what I was trying to get at, is you don't want to give the Board the impression that our -- Ontario Energy Board the impression that there is $680 million of efficiencies available only if you amalgamate, because that wouldn't be true, would it? That there is $680 million of efficiencies, some of which you would get if they said, no, you have to come for a custom IR. True? It's a yes/no question.

MR. CULBERT: Well, to Mr. Kitchen's point, we don't know what the different level of savings may or may not be in a different application to the Board, and it's lost on me why the Board would want to entertain a model which, in everybody's view, would have a different level, lower level, of savings over a ten-year term than the model we've proposed. It's lost on me.

MR. SHEPHERD: The -- I have just a couple of other questions on savings.

MR. MILLAR: After that, maybe we can take a break, Mr. Shepherd. Do you have five minutes or so?

MR. SHEPHERD: Yes, yes.

You've said you have $150 million of capital costs to get the savings and $680 million of OM&A savings coming out of that; right? That's what you told your board; right?

MR. REINISCH: Those were both high-level estimates that were in the material.

MR. SHEPHERD: 150, actually, a lot of that is really OM&A, isn't it, like, things like severance costs and stuff like that, it's really OM&A, right? Not capital at all?

[Witness panel confers]

MR. PACKER: Mr. Shepherd, I'm not sure what you are referring to, but if I look at attachment 12, tab 1, the $150 million of cap ex is identified there by category. I don't know how you relate that to O&M. That is capital.

MR. SHEPHERD: Well, I'm looking at page 17 of your presentation, $20 million of severance costs.

MR. PACKER: That's not included in the 150 million of capital.

MR. SHEPHERD: Ah. Maybe that's the difference between the 170 and the 150. Okay.

MR. PACKER: Yes.

MR. SHEPHERD: Thank you.

Then I have just one last question on this then, and that is, you haven't been sitting on your hands for the last 13 months, right? Some things have been happening between Union and Enbridge and some things have been rationalized by EI; right?

MR. REINISCH: So there have been activities undertaken at the EI level to rationalize certain functions. However, at the utility level no detailed planning has commenced --

MR. SHEPHERD: No, I understand that, but I seem to recall -- I don't have a reference for this, but I seem to recall that you guys said sometime in the fall that some -- for example, your IT functions from Union and from Enbridge that were being done separately are now being done by EI because it was just more efficient; right?

MR. PACKER: So I work in the IT department. We are part of an enterprise department, but the applications that I support are specific to Union Gas, and the same as the case on the EGD side. I have a counterpart there who is responsible for EGD's applications. So we are under one common department, but we operate and support each distribution company separately.

MR. SHEPHERD: Here's what I'd like, and I'm not just limiting it to IT; I'm looking at everything.

From February 17th to now, can you give us a list of everything -- every function that was, prior to that time, done by Union Gas or by Enbridge Gas Distribution and now has either been combined or been moved to one of the parent companies? Just a list, whether it's IT, whether it's HR, whatever.

MR. QUINN: Can I give an example, Jay? I think what you are talking about is like Union is now managing the non-utility storage of Enbridge. Is that not correct?

MR. SHEPHERD: There's an example. I am looking for every step in integration that has already happened, or is already in the works. Can you just give us a list?

MR. PACKER: I guess the difficulty I'd have from an IT perspective is it's -- the department I work in is no different than when we were under Spectra. I was still providing services to the utility, but it was within an enterprise department. So I don't know whether that's a change or not in your definition, Mr. Shepherd.

MR. SHEPHERD: Were you part of a Spectra enterprise department before?

MR. PACKER: Yes.

MR. SHEPHERD: And now are part of an Enbridge enterprise department?

MR. PACKER: Yes, by providing services specifically to the utility.

MR. SHEPHERD: So there have been changes in the reporting structures and things like that?

MR. PACKER: That was just a change in the reporting structure, yes.

MR. SHEPHERD: And some of it involved saving some money, presumably?

MR. PACKER: Change of reporting structure, I don't see how that necessarily saves money.

MR. SHEPHERD: In any event, can you undertake to provide a list of the integration steps that have already been taken? If the answer is zero, that will be useful information, too.

MR. CASS: Jay, I was going to suggest that we take this away and talk about whether what you are asking for can be done.

But I'm not sure that we fully understand what you are asking for. Maybe we can chat offline or something, because I'm not sure I understand what you are asking for, so I don't know whether the witnesses do.

MR. KITCHEN: I think we need to chat. But just on the storage aspect, Dwayne, what Union is managing is the X franchise, non-utility storage.

MR. QUINN: I think that's what I said.

MR. KITCHEN: I didn't hear that. I just heard storage, sorry.

MR. QUINN: So that's an example of where there is a transfer of responsibility from Enbridge, it was Enbridge, now to Union. Fair?

MR. KITCHEN: You're managing on their behalf? It's not integrated into storage?

MR. QUINN: Yes, so the people that are doing the work are Union employees, not Enbridge employees like they were in the past.

MR. KITCHEN: Why don't we take...

MR. CASS: Dwayne, you are talking about an unregulated activity?

MR. QUINN: Yes, but it is carried out by employees of Union Gas, not Spectra or not non-utility.

MR. CASS: Whether it is or is not, it's not regulated by this Board.

MR. KITCHEN: And to the extent we are doing it, it is under the affiliate code.

MR. MILLAR: Let's take our morning break. We'll take twenty minutes and that will allow you some time to speak to Mr. Shepherd.

How are go doing for time overall, Mr. Shepherd?

MR. SHEPHERD: What day is it?

MR. MILLAR: The morning of day one.

MR. SHEPHERD: I mean I --

MR. MILLAR: You can go over your --

MR. SHEPHERD: At some point, I'm going to have to take a rest and somebody else can step in. But, I mean, I'm going to go until lunch probably.

MR. MILLAR: Okay, thank you. For people listening on the phone, I ask that you either just stay on the line or if you have to go and come back, try to get back before the break is over because it is distracting to the court reporter when people come on the line and it interferes.

You can also just listen on the webcast, if you are not actually speaking for the rest of the morning.

Okay. Thank you. We'll be back in 20 minutes.

--- Recess taken at 11:06 a.m.

--- On resuming at 11:28 a.m.

MR. MILLAR: Welcome back, everyone. Let's get started again.

Mr. Cass, you had an announcement?

PROCEDURAL MATTERS:

MR. CASS: Just very quickly, thank you, Mike. Warren Reinisch is not available tomorrow. He's on panels 1 and 2. To the extent that we don't finish those panels today, his next availability would be Tuesday.

Dr. Makholm is available and has scheduled his time to come tomorrow, so the proposal is that we could perhaps start with his panel. That would be panel 4, first thing tomorrow morning. Thank you.

MR. MILLAR: Okay, Mr. Shepherd.

MR. SHEPHERD: So we are going to go panel 4 and then panel 3 tomorrow?

MR. MANDYAM: Panel 1 right now --

MR. SHEPHERD: No, no, tomorrow, because we can't do 1 or 2 tomorrow, so it would be 4 and 3.

MR. MANDYAM: So 4 tomorrow starts, yes, but maybe we could get through panels 1 and 2 today.

CONTINUED QUESTIONS BY MR. SHEPHERD:

MR. SHEPHERD: So I had -- this presentation to the board of directors is a PowerPoint; right?

MR. KITCHEN: That is correct.

MR. SHEPHERD: I don't have Microsoft shares, but I'm looking at page 18, and normally when you do a presentation like this there's a business case behind it. You've done an analysis, management or -- line management has done an analysis that then is presented in this format. Is there a business case behind this?

MR. KITCHEN: The closest thing to the business case would be what's provided, the other attachment in FRPO 1, which goes through the estimates of the savings. And then what's contained in BOMA 16.

MR. SHEPHERD: So -- so BOMA 16 and FRPO 1 is all that had been done when you went and asked your board for approval to ask for $29.2 billion.

MR. KITCHEN: I don't think we quite phrased it that way, but, yes.

MR. SHEPHERD: Okay.

MR. QUINN: I had a similar question, Jay, because they link together, but there had to be some analysis. The summary document in BOMA 16 lays out the verbiage as to what the results of the analysis are. There had to be a group or a individual for each of those functional -- or not functional areas, but areas of savings that did the analysis that came up with what a reasonable range would be.

You can't just put your thumb up in the air and say it looks like it's bigger than a bread box. When you are coming up with 50- to $150 million, somebody had to do some analysis.

MR. KITCHEN: There is no further analysis.

MR. QUINN: Okay.

MR. SHEPHERD: Okay. I'm on page 18 of this presentation, and I'm almost actually finished my questions on this presentation, but I do have more on FRPO 1.

But on page 18 you have these annual O&M savings, and I don't understand how you got to these numbers. You had $680 million of savings, and these are then the after-tax component; right? So that's why this -- this totals 411 million; right?

MR. REINISCH: Just for clarity, could you provide a reference to that 680 million in savings?

MR. SHEPHERD: The same page. Estimated O&M savings, 680 million. And then you have the net annual O&M savings, 411 million.

MR. REINISCH: So the table on the bottom right-hand side is after tax.

MR. SHEPHERD: Yes, so I couldn't figure out how that could be, because if your tax rate is 25 percent then that should be 510, not 410. I don't get how that is, plus the fact that most of your 170 million in costs are deductible, which means that, really, after-tax should be 552 million. I don't get where you get 411.

Maybe we could do this just by an undertaking. Take the 680 million that you forecast, show us the taxable component, the deductions, and the net for each year.

MR. REINISCH: Could I direct you to slide 23 of this presentation?

MR. SHEPHERD: Yes.

MR. REINISCH: The middle of the table there is a section called "synergies".

MR. SHEPHERD: Yes.

MR. REINISCH: If you add up the synergies that gets you to the $680 million.

MR. SHEPHERD: Yes.

MR. REINISCH: Then it provides you with the drag due to funded synergy capital, and then if you go down to the after-tax impact of the synergies, those would be the numbers that would appear on the chart on page -- or slide 18.

MR. SHEPHERD: So on 547 million of pre-tax synergies there is 135 million of tax? Because that just doesn't seem correct to me.

MR. REINISCH: So there is $560 million of earnings impact, and then there is an $88 million earnings drag, which gets us down to the 412 million -- sorry, 560 million.

MR. SHEPHERD: Well, you just took me to page 23, which says pre-tax synergies, 547, after-tax, 412. That's 135 million of tax.

MR. CULBERT: No, actually, I can interject. The O&M savings results in a $500 million after-tax impact, and the $133 million drag on the second line you are seeing there, the earnings impact of that is $88 million earnings impact drag, to equate to the 412, so you are right, the O&M is $500 million after taxes.

MR. SHEPHERD: All right. So this net annual O&M savings on page 18 is net of the cost to get there, the capex cost to get there? That's net-net-net in your pocket.

MR. REINISCH: Yes.

MR. SHEPHERD: Okay, so then how does that relate to -- the 111 million over allowed ROE is the 411 that you have here, right? Net after tax savings, which is -- goes directly to ROE, plus 300 million of costs or things that would drive you below ROE, allowed ROE? I'm trying to reconcile how you get from 411 to 111.

MR. REINISCH: So the 111 is the difference between the earnings required to get to allowed ROE and what our forecasted earnings are going to be.

MR. SHEPHERD: Yes.

MR. REINISCH: That is the 111. These savings are, if you take that and you reduce it by these annual savings, that would drop us below the allowed ROE that we have forecasted.

MR. SHEPHERD: So you'd be 300 million below allowed ROE over the ten years, if not for the savings? 411, minus 111?

MR. REINISCH: That is correct.

MR. SHEPHERD: All right. Do you have a calculation of that somewhere?

[Witness panel confers]

MR. REINISCH: So I was looking if I have that information in any of our responses to interrogatories, and unfortunately it does not appear that we do. Would I be able to take an undertaking?

MR. SHEPHERD: Sure, that would be great.

MR. MILLAR: JT1.5.

MR. SHEPHERD: Oh, actually, maybe you could make that 1.6, because I think we agreed at the break that the one I asked before the break would be 1.5; is that right?

MR. MILLAR: Could you repeat what 1.5 is?

MR. SHEPHERD: Really? It is to provide a list of steps that have already been implemented to rationalize activities between the two utilities.

MR. MILLAR: Thank you.

UNDERTAKING NO. JT1.5: TO PROVIDE A LIST OF STEPS THAT HAVE ALREADY BEEN IMPLEMENTED TO RATIONALIZE ACTIVITIES BETWEEN THE TWO UTILITIES.

UNDERTAKING NO. JT1.6: TO PROVIDE THE CALCULATION OF SAVINGS.

MR. SHEPHERD: So I'm now on page 22 of this presentation. These numbers across in blue, that's the ICM-eligible projects, right?

MR. REINISCH: That's correct. That is the capex associated with ICM eligible projects.

MR. SHEPHERD: So in this presentation, you've said to your board of directors that we're seeking to extra funding for $2.5 billion of ICM projects over the ten years, is that right? I just added them up.

MR. REINISCH: Subject to check, yes, that is the approximate amount.

MR. SHEPHERD: And the next question is on 24. And you talked with your board about recovering distribution revenues via a fixed charge. Now you are not proceeding with that, right?

MR. REINISCH: No, there are no --

MR. KITCHEN: We are not proceeding with it in 2019, no. We are still evaluating.

MR. SHEPHERD: My next question is on 27. By the way, your revenue forecasts in this document, on pages 9 and 21, they include the ICM, right? They include what you expect to get from ICM?

MR. REINISCH: That is correct.

MR. SHEPHERD: So on page 27, you say one of your disadvantages is that you can't rebase your capital cost overruns from 2013 to 2018. I know of one, which is the GTA reinforcement; you were over budget on that, right?

MR. REINISCH: That is correct.

MR. SHEPHERD: Do you know -- do you have a current forecast of what your rate base is expected to be at the end of 2018 for each of the utilities, and how it compares to what was expected during your five-year period, your five-year plan?

[Witness panel confers]

MR. KITCHEN: Mr. Shepherd, I think that we'd like an opportunity to see if we've provided that somewhere. I'm not sure that we did, but we want to take a look at the interrogatories and then we will see what we can provide.

MR. SHEPHERD: I think you have provided the end of 2017.

MR. KITCHEN: We definitely provided that.

MR. SHEPHERD: What I am asking for is the forecast for the end of 2018, and I don't think that it is in the -- can you either provide it give us a reference?

MR. KITCHEN: We will undertake to do that.

MR. MILLAR: JT1.7.

UNDERTAKING NO. JT1.7: TO PROVIDE A CURRENT FORECAST

OR A REFERENCE TO A CURRENT FORECAST OF RATE BASE AT THE END OF 2018 FOR EACH OF THE UTILITIES, AND HOW THIS COMPARES TO WHAT WAS EXPECTED DURING THE FIVE-YEAR PERIOD

MR. QUINN: Jay, just to clarify, were you also asking what the expectation was at the outset of the five-year period, or just at this point?

MR. SHEPHERD: No, no, I said at the end of 2018.

MR. QUINN: So you were not asking what their expectation was at the outset of their IRM period?

MR. SHEPHERD: I'm going to look at that in their applications.

MR. QUINN: Okay, all right, thanks.

MR. SHEPHERD: But if you want to provide what your forecast was, that would be useful, too. But I'm not asking for that.

MR. QUINN: If it could be framed in the amendment and added, I was going to ask that same.

MR. SHEPHERD: So the original forecast for the end of 2017.

MR. KITCHEN: We'll see what we can provide in a forecast. As being under a price cap, we wouldn't have had a forecast back -- I'm not sure we would have had a forecast for '18 to compare it to. But let's just -- we'll see what we can provide.

We have Mr. Shepherd's undertaking and we'll see what we can add to it to be helpful.

MR. QUINN: Thank you.

MR. SHEPHERD: I'm on page 33 of this document, and you say that -- so October 31st, you are saying to your board please tell us to go ahead.

And you say: If the terms of our application vary after discussions with the OEB, we'll come back to the board."

So you had discussions with the OEB after this presentation? I thought you filed your application in early November.

MR. KITCHEN: Again, if I'm remembering -- if you pull up LPMA 1.

MR. SHEPHERD: Yes, okay.

MR. KITCHEN: As you see in part B, we had discussions with the OEB in July, August -- OEB Staff in July, August, September, October and November. At the time this presentation was prepared, we still were meeting with Staff in November to talk about filing requirements, filing guidelines, when to ensure that our application was complete, so those are the types of discussions we he had after this meeting.

MR. SHEPHERD: So when you said earlier that you met with the Chair and general counsel and they didn't raise any red flags, that meeting was in November, right? And if you had had that meeting and they had raised a red flag, you would have come back to the Board. Is that -- do I understand that right?

MR. KITCHEN: I guess if there was a red flag raised, we would have been back. But there was no red flag raised.

The meeting we would have had post this meeting was merely to inform them that we had the board of directors approval to proceed.

MR. SHEPHERD: All right. On page 34 of this presentation, you refer to the utilities integration presentation. Is that this presentation, or is that some other presentation?

MR. KITCHEN: It is this presentation.

MR. SHEPHERD: Awesome. Thank you. And then my last question on this particular document is the next page, you had -- you told your board you had a number of materials developed, and the first three are the ones that interest me.

Are those three on the record? That is the key messages in Q and A, the integration leader deck and the technical appendix.

Or maybe to speed this up and simplify it, could you undertake to either tell us where they are in the record or file them? Just those three; the other ones, I don't care.

MR. KITCHEN: I think the stakeholder deck is the third attachment in FRPO 1.

MR. SHEPHERD: The integration leader deck?

MR. KITCHEN: No, the stakeholder plan.

MR. SHEPHERD: That's not the one I'm interested in. I'm interested in key messages in Q and A, integration leader deck, and technical appendix. The first three items, the first two bullets. Can you do that?

MR. KITCHEN: Yes.

MR. MILLAR: JT1.8

UNDERTAKING NO. JT1.8: TO ADVISE THE LOCATION OR TO PROVIDE COPIES OF THE KEY MESSAGES IN Q AND A, THE INTEGRATION LEADER DECK, AND THE TECHNICAL APPENDIX

MR. SHEPHERD: I have just a few questions on attachment 2 to FRPO 1, because most of it is the same.

This is a July memo to your board of directors, right?

MR. KITCHEN: That's correct.

MR. SHEPHERD: And this is only the Enbridge board of directors, or did it go to all three boards as well?

MR. KITCHEN: I think -- I'm not sure. I can check, but I think it was only the Enbridge board.

MR. SHEPHERD: Okay, and who is the author of this?

MR. KITCHEN: I don't think that there is a single author. It was contributed to by many individuals.

MR. SHEPHERD: Nobody had the pen?

MR. KITCHEN: There was feedback given from, as I said, a number of individuals, so by the time you're done, it is not a document written by a single person.

MR. SHEPHERD: Okay, the joys of corporate life.

So on the first page of this it says, "One of the benefits management recognized as part of the Spectra transaction was the potential", blah, blah, blah.

And that sounds like you are saying that right from the start you thought that there was some efficiency and other improvements that could be achieved by combining the operations of EGD and Union; is that fair?

MR. KITCHEN: I guess it depends on what you mean by "from the start". The merger between Enbridge Inc. and Spectra closed on February 27th, '17. Prior to that the two utilities weren't allowed to even talk about anything merger-related, so from my perspective the thinking around mergers started post the -- thought about the amalgamation started post-February 17th.

MR. SHEPHERD: But I guess what I'm asking is: This looks like it's saying that management of Enbridge understood when it was acquiring Spectra that there were going to be some efficiencies, particularly, in gas utility operations that could be achieved; is that right?

MR. KITCHEN: There may have been.

MR. SHEPHERD: All right. The second question I have on this page relates to your discussions with senior Ontario government officials, and I'm not sure I understand why you were discussing this with government officials. Is this because of the undertakings?

MR. KITCHEN: This was merely to inform the Ministry that we were considering amalgamation.

MR. SHEPHERD: All right. The -- I asked that question already. So this document is dated in July, and presumably was drafted even prior to that; right? The -- at this time you are telling your board that your independent experts will support a productivity factor of zero; is that right? Page 5.

MR. KITCHEN: We had preliminary indications of the results, but no final report.

MR. SHEPHERD: You had, like, a draft or...

MR. KITCHEN: I don't think it was a draft.

MR. SHEPHERD: You just had a discussion with the expert and said what --

MR. KITCHEN: We had a high-level understanding of their findings.

MR. SHEPHERD: All right. And on page 8 you say:

> "Rate increases will exceed inflation only in the years that the integrated utility successfully accesses the OEB incremental capital module."

I am right in understanding that you are anticipating applying every year for an ICM, isn't; isn't that right? That's what your forecast is right now?

MR. REINISCH: Based on the forecast that has been used to prepare the analysis, yes, we have exceeded our ability to fund capital required for the safe and reliable operation of the system and continue to economically grow the customer over the long -- customer needs over the long-term.

However, no determination has been made for each individual year. That will take place as we prepare the asset management plan for each of the ten years during the deferred rebasing period.

MR. SHEPHERD: Okay, thank you. I said earlier that I had read somewhere that you had already started to integrate some shared services. That reference is actually on page 12 of this document. Do you see:

> "The integrated utility will continue to support shared service integration activities that

commenced in 2017."

So I am just flagging it for you. There is no question here.

Then I am looking at attachment 3 to FRPO 1, and this is a November 15th presentation. Who is this presentation to?

MR. KITCHEN: This was a presentation to stakeholders and intervenors.

MR. SHEPHERD: This is at the stakeholder event.

And when you presented this to stakeholders, I didn't see here the $680 million number which you had given to your board of directors. Why is that?

[Witness panel confers]

MR. KITCHEN: We provided the range; we didn't feel that we needed to provide the number, so...

MR. SHEPHERD: Okay. I'm moving now to SEC 1. And this is a relatively simple one. We've worded the question poorly, and so you gave us an org chart in the sort of who-reports-to-who sense, which doesn't even actually do that, but it doesn't matter.

But what we were really looking for is a corporate structure chart for Enbridge Inc. now that you've acquired Spectra. So what companies own which and how they interconnect. Presumably this is something that somebody has sitting on their desk in Calgary. We'd just like to see that, because it's complicated; right?

MR. CASS: Yeah, Jay, the difficulty is the overall corporate structure for Enbridge would include lots of things that have nothing to do with this. You would just be looking for the part of that that has to --

MR. SHEPHERD: No, the part of it that just deals with the two gas utilities is simple. We have that. What I'm looking for is the overall one, because there are a lot of relationships, right? These two gas utilities have a lot of relationships with other companies within the corporate group, and so if we see the whole org chart, which is -- it is not a secret; it is a public document -- then we'll be able to ask questions about how the amalgamation will affect all those relationships. And I don't think it is a secret document.

MR. CASS: Okay, Jay, we'll take that away and see what we can provide. If indeed we can provide a public document, then that should not be a problem, but we'll take it away to see what it is.

MR. SHEPHERD: Can we give it an undertaking number just to -- and it is best efforts, obviously.

MR. MILLAR: JT1.9.

UNDERTAKING NO. JT1.9: TO PROVIDE A CORPORATE STRUCTURE CHART FOR ENBRIDGE INC.

MR. SHEPHERD: Okay. The -- you have -- in SEC 3 you refuse to provide the material that you've provided to the Competition Bureau and to the Federal-whatever-they're-called in the U.S. The FTC.

And we understand that it is a big list, and we don't want to see -- we don't want you to back up the truck, because we are not going to read them anyway, but what we would like is, could you give us a list of the documents, just a list, of the documents provided to the federal Competition Bureau and the FTC or the FTC that relates specifically to regulated gas distribution in Ontario.

If something has been filed in this case, we don't care. But any documents that have not been filed in this case and relate to regulated gas distribution in Ontario, could you provide us with a list?

MR. CASS: So, Jay, I think we were expecting that with a later panel, if I'm not mistaken. But we'll take that away and discuss that with them, and we should be able to get back to you on that.

MR. SHEPHERD: Which later panel is this?

MR. MANDYAM: Panel 3.

MR. SHEPHERD: But you said panel 1 was the MAADs policy.

MR. MANDYAM: Yes, gas supply, contracting, gas storage is panel 3, and that was all around the Competition Bureau. So we were connecting it to that.

MR. SHEPHERD: Can we give an undertaking now, and then you can talk to them about what they can give in this conference.

MR. MANDYAM: Mm hmm, okay.

MR. MILLAR: JT1.10.

UNDERTAKING NO. JT1.10: TO PROVIDE A LIST OF DOCUMENTS NOT ALREADY FILED IN THIS PROCEEDING RELATING TO REGULATED GAS DISTRIBUTION IN ONTARIO THAT WERE PROVIDED TO THE COMPETITION BUREAU

MR. CASS: Again, it's an undertaking for me to raise it with them and see what response we can provide to that question, yes.

MR. SHEPHERD: Sort of a follow-up to that, and this indeed may have to go to panel 3, is SEC 5, in which we asked what studies had been done on economies of scale, reduction of competition, blah, blah, blah.

And you said no, we haven't done any of that, other than materials provided to the competition bureau and the FTC. So I assume that means you have done some studies on these subject that were provided to the competition bureau and the FTC, is that right?

MR. CASS: Again, Jay, we were expecting -- I'm sorry if we weren't sufficiently clear. We were expecting those types of questions would be panel 3.

MR. SHEPHERD: I'll save it for them.

MR. CASS: Thank you.

MR. SHEPHERD: Okay. You have provided us in -- I'm trying to remember the number now. In Staff 53, you provided us with the maturities -- the debt maturities that come up during the ten-year deferred rebasing period, which is 3.395 approximately dollars in Staff 53, right? That's the one you corrected.

MR. REINISCH: That is correct.

MR. SHEPHERD: But we looked at your financial statements and it looks like you actually have public debt of about 6.4 billion, right, between the two companies?

MR. REINISCH: Subject to check, yes.

MR. SHEPHERD: 6.395, I have. So what I wondered is could you give us the amounts and maturities of the ones that don't expire during the ten-year rebasing period, the rest of that other 3 billion -- just basically just extend the list, because what we want to do is we want to calculate the total interest impact of all your current borrowing over the time period. The maturities give us the whole picture; they only give us part of it.

So can you do that, basically expand the table on page 2 of Staff 53 to include all existing debt instruments?

MR. REINISCH: Yes, we should be able to extend the response to Board Staff 53 to include not just the expiries during the deferred rebasing period, but also all other outstanding public debt.

MR. SHEPHERD: And I just noted that you don't need to give us a forecast new interest rate because you don't, presumably, have forecasts out that far. We just need the maturities and interest rates and amounts, okay?

MR. REINISCH: Thank you for the clarification, because we don't have a forecast out.

MR. SHEPHERD: I'm sure you don't.

MR. MILLAR: JT1.11.

UNDERTAKING NO. JT1.11: TO EXTEND THE RESPONSE TO BOARD STAFF 53 TO INCLUDE NOT JUST THE EXPIRIES DURING THE DEFERRED REBASING PERIOD, BUT ALSO ALL OTHER OUTSTANDING PUBLIC DEBT

MR. SHEPHERD: My next question is on FRPO 11. This may be panel 2 and if it is, it's on the capital expenditure numbers. So tell me if all my capital expenditure questions should be panel 2, and I'll just move it. Should they be panel 2?

MR. MANDYMAN: Well, it depends if it's ICM or...

MR. SHEPHERD: No, it's actually I want to reconcile the asset management plans to FRPO 11.

MR. MANDYAM: Okay, then that would be panel 2.

MR. SHEPHERD: Panel 2, okay, thank you.

Then my next question is on SEC 20, attachment 1, page 1. You will see that you've referred to the $185 million cost overrun on the GTA projects. That's correct, right, $185 million? This DBRS refers to that, but I presume they got the number from you.

You'll see there: "Estimated cost overruns of approximately $185 million," that's referring to the GTA project, "are not expected to be added to rate base until the company's rebasing year in 2019."

Do you see that?

MR. CULBERT: Yes, we see it.

MR. SHEPHERD: So that number is right, is it, or close enough -- put it that way?

MR. CULBERT: Yes, it should be fairly close.

MR. SHEPHERD: Have you advised the bond rating agencies that under your current proposal, that's not going to go into rate base until 2029?

MR. REINISCH: So after the decision -- or in preparation for the decision to file the amalgamation proceeding, there were meetings with the bond rating agencies and they were informed of our plans, including our financial projections that we would be filing, that this statement of fact in the DBRS filing would have -- that assumption is included in our base case forecast.

MR. SHEPHERD: So has DBRS done an update to your ratings after you filed this application?

MR. REINISCH: Can you scroll town a tiny bit? I just want to make sure I have the right -- yes, I believe they have.

MR. SHEPHERD: And is it in here?

MR. REINISCH: For both is S&P and DBRS, we were working through the various requirements to ensure that we could legally provide it on the public record. We did confirm that we could legally file this one.

We can undertake to ensure that if we are able to file the updated DBRS, or if there is a further update for S&P, we would file that one as well.

MR. SHEPHERD: Okay, this is -- so you are going to undertake to provide, if you are allowed to, any updated S&P or DBRS reports or ratings since they learned about this application?

MR. REINISCH: That is correct.

MR. MILLAR: So that's an new undertaking?

MR. SHEPHERD: Yes.

MR. MILLAR: JT1.12.

UNDERTAKING NO. JT1.12: TO PROVIDE UPDATED S&P OR DBRS REPORTS OR RATINGS SINCE THEY LEARNED OF THIS APPLICATION

MR. SHEPHERD: Then storage and transmission lines is panel 3, is that right?

MR. MANDYAM: Yes.

MR. SHEPHERD: Then I have just -- sorry, I have to find something. I have a question on LPMA 8, attachment 2. It is the Union Gas 2017 annual report.

Are you the right people to ask that question?

MR. KITCHEN: Sorry, Jay?

MR. SHEPHERD: I said you are the right people to ask about this?

MR. KITCHEN: Well, if you put it to us and we can't, we'll figure out who can.

MR. SHEPHERD: This is on page 6 of the annual report. I've never seen this in any of the Union Gas stuff beforehand, so I'm -- that's why I'm asking. It says there is no audit committee of the board. Do you see that at the top of page 6?

And the reason I ask is because the board of directors of Union Gas is -- tell me whether this is true -- one-third Enbridge Inc. management, one-third Union management, and one-third independent; is that right?

MR. KITCHEN: That's correct.

MR. SHEPHERD: So I'm not sure why you don't have an audit committee. That means management controls their audited statements? I didn't think that was legal, let alone appropriate.

[Witness panel confers]

MR. KITCHEN: Sorry, Jay, I'm just looking for an IR that we answered on governance. And I just don't recall the number.

There we go. So if you look at FRPO 10, on page 3, about halfway down it says:

> "Enbridge Inc. employs a governance model whereby certain governance functions that are common across the Enbridge Inc. organizations are overseen at the parent company level. The utilities enjoy, as Amalco will, significant benefits by having committees such as audit, finance, and risk committee, human resources, and compensation committee, the corporate social responsibility committee, and the safety and reliability committee operating at the parent level."

MR. SHEPHERD: So -- I see. That's good. So this is one of the ways in which you've already made the company more efficient by changing the governance at Union Gas so that some stuff is bumped up to EI; right?

MR. KITCHEN: The structure under Spectra was similar, that it was done at a corporate level as well.

MR. SHEPHERD: But now it's all done in one place?

MR. KITCHEN: With the merger of Spectra and EI there is a single -- there are single audit committees and/or the other committees that I just spoke about.

MR. SHEPHERD: All right. I think -- oh, I know, hang on. No. Okay, I think that's all I have right now. Thank you.

MR. MILLAR: Thank you, Mr. Shepherd.

We have panel 1 available. Mr. Quinn, are you ready to go?

MR. QUINN: Yes, thank you, Mr. Millar, I'll --

MR. MILLAR: How long do you think you will be, Mr. Quinn? I am just trying to schedule the lunch break.

MR. QUINN: Probably less than an hour. I might be able to get it done by 1:00, depending on the responses.

MR. MILLAR: Let's check where you are in half an hour, and if you're not close, we'll probably break t hen, and you can continue after lunch.

QUESTIONS BY MR. QUINN:

MR. QUINN: Fair enough, fair enough. Thank you, Mr. Millar.

Good morning, panel. Dwayne Quinn on behalf of FRPO. I think I know most of you.

Mr. Shepherd canvassed some of FRPO 1, but I am going to lead you back to that and go through the ones that I had to ask about and he didn't hit.

So starting with FRPO 1 -- and we actually -- if you flip just to BOMA 16, which is to -- but I don't think you need to turn up BOMA 16. Mr. Kitchen, when I was asking previously about background reports, you said there are no background reports to BOMA 16. Do I have that correct?

MR. KITCHEN: That's correct.

MR. QUINN: Okay, so can you just explain how these estimates were developed? Was there a senior manager that was assigned to each and they just estimated from their own experience, or was there a team of people? How was this developed?

MR. KITCHEN: I think, as it says on slide 11:

"To assess potential integration plans and projections, the senior leaders of both EGD and Union met jointly and reviewed the existing functional areas within each utility."

There is...

MR. QUINN: So no staff, no analysts were involved in any of -- the development of any of these numbers?

MR. KITCHEN: As it says:

"Senior leaders of both EGD and Union met jointly and reviewed the existing functional areas within each utility."

And they came up with estimates.

MR. QUINN: Okay. But I'm asking, how were those estimates created? Out of their own experience, or did they have their staff develop them?

MR. KITCHEN: It is based on experience, the long-term experience of the senior leaders that were involved.

MR. QUINN: I was waiting to see if you had anything to add.

MR. KITCHEN: No, the only thing I could add that in order to come up with the estimates they are very macro-level assumptions, and I can think you can see that as you go through BOMA 16.

MR. QUINN: So there was no meeting minutes from the meetings that these senior leaders had?

MR. KITCHEN: There were no minutes to the meeting. What ended up happening is ultimately the numbers that came out of that meeting were included in what you see in attachment 2 to FRPO 1, and ultimately in BOMA 16, and went into this deck.

MR. QUINN: I guess my concern is, with all due respect to those leaders, one of your large risks is the actual estimate that you've made. Was there any assessment of that test for reasonableness, any approach that was --

MR. KITCHEN: As you can see in the evidence, Mr. Quinn, the estimate is a range. It is not a point estimate; it is not a detailed analysis. It is a range of both cost and benefits, and all those details that we worked out once we have approval to proceed.

MR. QUINN: Okay, thank you.

So in FRPO 1(b) we asked for the cost of hours associated with the last -- associated with rebasing, if the utilities were asked by the Board to rebase. In going through the response that we received, I didn't see a cost associated with those hours. I saw it would take 18 months, but I don't see a cost. Would you be able to provide a cost based upon the last rebasing that each of the respective organizations have done?

MR. KITCHEN: No.

MR. QUINN: And why is that?

MR. KITCHEN: It -- the exercise of producing a rebasing application is -- it takes -- it takes a large -- very large number of people in an organization. For us to try to pull together an estimate of what the cost was is just not practical.

MR. SHEPHERD: Didn't management ask you for one? How much are we going to save by not having rebasing applications? It could be $10 million. Nobody asked?

MR. KITCHEN: I never got that question, Jay, I can tell you that.

MR. SHEPHERD: And nobody asked at Enbridge?

MR. CULBERT: Not to my knowledge, no. I think to add to what Mr. Kitchen is saying, Dwayne, it's not just the internal reviews that we'd have to do. We would have to have to look at what of the Board's policies with respect to custom IR and rate-making application would have to be adhered to. So it is pretty complex exercise for us to attempt to do, to come up with an estimate at this point in time.

MR. QUINN: And appreciate forecasting is difficult, Mr. Culbert, especially under changing circumstances. I'm looking for your own EB-2011-0354; what was the cost of that regulatory proceeding?

MR. KITCHEN: Well, if you --

MR. CULBERT: Go ahead.

MR. KITCHEN: If you are looking -- if you are looking for us to provide the OEB costs associated and the intervenor costs, we can do that easily.

But if you are looking for us to try and figure out within the organization how many hours it takes to actually put together the evidence application and then try to cost that out, I don't think that's even -- it is not even practical, because the number of departments involved in producing a rebasing application, in fact, it involves -- it involves most of them, in some way it touches it. So I'm not sure how we could even do it.

MR. QUINN: Well, it strikes me as peculiar that you've estimated into the future all these synergies, the cost of the synergies and the benefits, but you can't look retrospectively and do the same type of retrospective analysis to say it's approximately 10,000 hours and the actual cost embedded for an employee is $100 an hour. Give us something that would say what is it we are avoiding or deferring in terms of rebasing costs.

[Witness panel confers]

MR. KITCHEN: I think there is a bit of a difference in the type of estimate that we put together to support the application and what you're asking us to do.

First is that for each of the five areas that we looked at, we know currently what those -- we currently have an idea, even if it's at a high-level, as to what each of those functions cost. We have experience in making changes to those systems and to those functions that we can draw on.

In my history, we have never tried to estimate the cost of a cost-of-service proceeding and as I've said, I'm not even sure where we would start to get it.

Like we know -- like we know exactly how much we spend on intervenor costs, because we get the invoice from the

Board. But we don't invoice our various departments to understand how much time they spend on a demand forecast, or on an O&M forecast, or what have you.

MR. QUINN: But you do have cost allocation out of each department to respective functions, and from that you can't infer any kinds of estimates?

MR. KITCHEN: No.

MR. QUINN: Okay, well, I'm -- I consider that --I understand that some of this is rate-making, so I'll consider a different question for your next panel. Let's move on.

Again, you may not need to turn it up, but on page 24 and 28 of the attachment 1, you brought up the prospect for a fixed charge to reduce your risk on volume.

Have I got that correct?

MR. KITCHEN: On page 24? Yes.

MR. QUINN: So right now, you each have your respective NACs or TUVAs (ph) to manage some variability around recovery.

But that's still factored into your level of risk embedded in your ROE?

MR. KITCHEN: ROE is set by way of formula.

MR. QUINN: Okay, let's be specific. So if you are going to a fixed charge application, would you expect any adjustment in the ROE as a result of that change?

MR. KITCHEN: The Board's formula is the Board's formula.

MR. QUINN: Okay.

MR. KITCHEN: I guess the other thing, Dwayne, is I'm not -- I'm not really sure how it enters into the risk discussion from an ROE perspective during a price cap IRM.

MR. QUINN: Well, that's why I'm concerned about it. You would potentially changing a significant construct in your recovery inside of that period without any other adjustments.

And I'm just trying to understand what other compensating adjustments may be there, but I'm hearing none at this point.

MR. KITCHEN: Probably should have left this for the panel that has the rate folks on it, but I'll take it anyway.

First of all, there is something that we are considering looking at and we haven't made a determination as to when we'll bring it forward.

Second, the reason for looking at it is something that we noticed was happening on the electric side, and so that's one of the reasons that we're looking at that time.

So, you know I'm -- if you want to explore it more with the panel that has our rate design representatives on it, I think you can do that then. But that's...

MR. SHEPHERD: Let me ask a follow-up to that. The only reason you would do this is weather risk, right? Because volume risk is already covered.

MR. KITCHEN: Correct.

MR. SHEPHERD: So this is just for weather risk.

MR. KITCHEN: Correct.

MR. SHEPHERD: And you haven't decided to do it yet?

MR. KITCHEN: We haven't decided to do it, and I can tell you we are not bringing it forward in '19.

MR. QUINN: Okay. So the only follow-up question I would have -- and you'll defer it to panel 2, I suspect -- is under a fixed charge distribution cost, how would carbon cap and trade costs be handled?

MR. KITCHEN: We just haven't done the work, Dwayne, so I don't know.

MR. QUINN: I'll consider it for next panel, but I understand -- I think the Board ought to know if there are other fundamental changes that may be occurring inside of this period, when they consider the deferred period, but I'll leave it at that for now.

MR. CULBERT: As you'd understand, though, Dwayne, we would have to do an analysis to determine the interaction between cap and trade and other things, and that's what Mr. Kitchen is saying. We don't have an eyesight to what that would look like is what we're saying.

MR. QUINN: Okay, thank you. I think if we can turn up page 25 of attachment 1, so obviously there's increased exposure over time going from 2019 to 2028. What isn't on this graph is the ROE associated with what that would be on the top and the bottom of the range.

Is it embedded in one of the later tables, or can you provide what the ROE would be in 2028 for the top and the bottom of that potential range towards a -- at the end of a MAADs expiry, as it's called?

MR. REINISCH: This graph on slide 25 is purely an illustrative graph, as noted in the title. There is no underlying data to support the shaded area of this graph. The only line that is actually supported by data is that solid line.

The purpose of this graph was simply to illustrate that as you go out further and further during a deferred rebasing, the range of potential outcomes, i.e. the variability of potential returns, will increase.

MR. SHEPHERD: Can I follow up on that, Dwayne?

MR. QUINN: Go ahead, Jay.

MR. SHEPHERD: I wondered that, too, when I read that and I just assumed that because the lines aren't even, that they must have data point underneath them. Otherwise, why would you have wavy lines?

MR. REINISCH: Again, it is purely illustrative. It is a picture. FRPO 3 does provide a bit of analysis in response to an interrogatory that provides some data on the impact of ROE, if we realize certain levels of investment and savings as a result of integration.

At the end of the day, the chart on page 25 is simply to illustrate the point that as you go further out in time there is an increase in the variability of potential earnings.

MR. QUINN: So if we can flip back, Ms. Adams, to FRPO -- page 25 of that FRPO 1. I guess the witnesses may have it in front of them, but I guess I'm going to ask again then, Mr. Reinisch, to the extent that there are no data points that would support those numbers, can you just give us, so we understand what ranges were considered in creating this, if we extrapolate across and say somewhere around $460 million is the bottom and 750 is the top, what ROE would be associated with those two respective points? I'm doing it from an eyeball. You can do it more precisely if you want, but can you give us the ROE associated with the -- that range, what that would represent?

MR. REINISCH: So I direct you to slide 31, please.

So slide 31 does provide a scenario with the potential number of different risks if they were to materialize all together, what some of the potential impact could be in theory.

There are other risks that is could be -- or these risks could be larger or smaller than that, but that does give you a bookend, if, in this scenario, based along the bottom axis, each of those things was to happen.

MR. QUINN: Okay. Well, you've gone ahead, and so I'll ask the question I had on here. Those show what I've referred to as the doomsday scenarios when they are cumulative, but you are not showing the upper end of what the profitability or ROE could be with more positive outcomes like the bottom end of your range of estimates on your capital and the top end of your range of potential outcomes, so that's what I'm asking for, Mr. Reinisch, is this shows your downside risk. What does your upside look like?

MR. REINISCH: Could I please bring up FRPO 3?

So as you can see the response to B, if we are able to achieve the upper end of the synergy savings that we have identified, the impact over the ten-year period is quite minimal, and only four basis points.

MR. QUINN: So that four basis points would be represented in that graph that you showed on FRPO 25? It seems highly unlikely that .04 percent was what you had depicted in that graph.

MR. REINISCH: So I'll go back to the purpose of that graph and how that graph was generated. It was simply an illustrative graph not supported by data in order to prove the point or communicate the point to the board of directors that the further you go out past any given year, the more risk that you will take with respect to forecast and potential unexpected or unplanned or unforeseen events that can't be mitigated by management. That is the purpose of that graph, not to show a range of potential outcomes.

MR. SHEPHERD: The graph shows an uncertainty around -- symmetrical uncertainty around a mean, around a forecast, but it sounds like what you are saying in FRPO 3 is that it's not symmetrical at all; it is really way more on the downside than the upside; is that right?

MR. REINISCH: The assumptions that we've put into the integration synergy costs and synergy savings are moderate to aggressive, so based on the response to FRPO 3 you are correct in that there is significantly more downside risk if we have to spend more and we don't realize the savings.

MR. SHEPHERD: So instead of being symmetrical it is actually four basis points on the upside and 200 basis points on the downside.

MR. REINISCH: Sorry, 200 basis points?

MR. SHEPHERD: That's what you have on page 31. Actually, 210 basis points, isn't it?

MR. REINISCH: So we had FRPO 3 addresses the synergies. There are a number of other risks that we've identified that go into slide 31.

MR. SHEPHERD: Thank you.

MR. QUINN: Okay, if we can turn up page 27, please.

Now, just to summarize what I'm reading here -- you can tell me if I'm wrong -- if for whatever reason the productivity factor is too high, the utilities would pull the application and apply for custom IR in 2020? Is that a fair summary?

MR. KITCHEN: I think it would -- I can't -- the bullet says that we would remove the request to seek an extension of the current IR models with the intention of a new custom IR in 2020, but before we would actually do that we would have to make an assessment of whether or not that, in combination with the other parameters that the Board finds on, whether or not we'd actually make that decision to pull the application.

MR. QUINN: So I take it from your answer, Mr. Kitchen, there is no report or analysis that has considered this option for management's consideration?

MR. KITCHEN: No.

MR. SHEPHERD: Sorry to interrupt, Dwayne, but I asked you questions about this earlier and you didn't talk about pulling the application. If the Board makes a decision, you can't pull the application; right? You're done, so you can just decide not to proceed with the amalgamation.

MR. KITCHEN: Yes, you're correct.

MR. SHEPHERD: Okay. Sorry, I was just confused.

MR. KITCHEN: Sorry, I think I was responding to Dwayne's question, which I thought said pull the application, but you are correct.

MR. QUINN: Well, it says "remove request for PCRMM and seek extension for custom IR models". The vernacular I used was "pull the application", which the answer to Mr. Shepherd is you would stop the amalgamation and go down parallel paths for custom IRs for the two respective utilities?

MR. KITCHEN: That's the potential. But again, it won't happen until we've actually got the Board's decision and we've had an opportunity to review the decision and the findings and the reasons.

MR. QUINN: I think Mr. Shepherd asked about -- I think we'll turn it up anyway. Page 33. I think I understood your answer, but I just -- you said that:

> "Management will return to the Board if the terms vary based upon discussions with the OEB."

I didn't interrupt him at that time, but what terms would expected to have varied sufficient that you would go back to the board? Like, what terms are you referring to?

MR. KITCHEN: I don't think there was any expectation on our part that anything would vary.

MR. QUINN: But you've told your board you would come back to them if the terms varied. What is "the terms" referring to?

MR. KITCHEN: Well, I think, as Mr. Shepherd alluded to, if there was a red flag raised after we went to the board and told them about the fact that we had board of directors' approval, we'd have to go back to them.

MR. QUINN: But you weren't seeking a decision from the board, you were talking about some terms, and I'm trying to understand that specific reference in context of what would the threshold be to say, okay, something is amiss and we need to talk to our board again after we've talked to the OEB.

MR. KITCHEN: I'm not sure I'm going to give you a very satisfying answer, Dwayne, but there is nothing behind the word "terms" other than if something happened post-board -- post the board of directors' meeting that gave us pause to whether or not we should file, we would go back to them. It's as simple as that. It is kind of like, you know, you're going back to your boss.

MR. QUINN: I think we'll move forward to attachment 2 on page 5. And again, this could get -- I think this is the appropriate panel, but if it's a panel 2 or panel 4 question, let me know. But you were exploring with Mr. Shepherd this OEB sets -- yes, it's near the bottom of the page, "OEB sets rates below inflation," and I think the phrase you used, Mr. Kitchen, is that you had a high-level understanding in July that the productivity would -- the result of the productivity would support an inflationary type increase. Is that --

MR. KITCHEN: That's correct.

MR. QUINN: Okay. I couldn't find it, but are the terms of reference for the engagement of your expert filed anywhere?

What I'm looking for is the terms of reference and you can take it and have panel 2 come back with it if you want as an undertaking. But I'm looking for the terms of reference and the timing associated with the engagement and the delivery of the initial report, and additional documents providing instruction from the utility to the expert.

Mr. Shepherd is saying the agreement is filed. So in addition to that, what I'd be looking for is the timing, if it's not already include included in the document, and then documents providing instructions from the utility to the expert.

MR. SHEPHERD: Staff 32 has the agreement, the statement of work, attachments, a number of things.

MR. QUINN: Okay.

MR. CULBERT: So what additional information are you looking for, Dwayne?

MR. QUINN: Additional instruction provided by the utility to the expert.

MR. CULBERT: The instructions would have been the RFP that was sent out that we received replies for, proposals for.

MR. QUINN: No, I'm looking for while the expert was engaged, whether it be preliminary reports, whether it be initial findings as Mr. Kitchen referred to, any additional instructions provided from either utility to the expert in terms of...

MR. KITCHEN: Other than the provision of data, there would have been no additional instructions.

MR. QUINN: Nothing documented?

MR. KITCHEN: Not just nothing documented; there would have been no additional instructions.

MR. QUINN: Okay. Thanks, Mr. Shepherd. That will save us some time.

On page 6, if we could flip to the next page, please, the adjustment for deferred income taxes is one of the topics on that sheet. I am just making a note of where to find that, Staff-32, okay.

I think it's the third paragraph or second full paragraph down, "Proposed adjustment to 2019 rates." Was this discussed with Board Staff in some of the meetings that were undertaken in preparing the application?

MR. KITCHEN: If memory serves, I believe we told them that there were -- that we may be making an adjustment for deferred taxes.

MR. QUINN: In the context of a MAADs application?

MR. KITCHEN: In a context of our rate-making application, yes. At the time we filed, remember we started out by filing two separate applications.

MR. SHEPHERD: And Board Staff actually told you that they were not going to oppose the end of that adjustment, didn't they?

MR. MILLAR: What was that, Mr. Shepherd? I didn't hear that.

MR. SHEPHERD: Board Staff actually told you that they were not going to oppose the end of that adjustment, didn't they?

MR. MILLAR: We were not going to oppose?

MR. SHEPHERD: Oppose the end of that adjustment, the 17 million dollars a year.

MR. KITCHEN: It would be helpful if you could give me a reference to that.

MR. SHEPHERD: You don't need to answer it, if you don't want to. It is an open secret.

MR. MILLAR: I'm not aware of that secret.

MR. SHEPHERD: That's fine.

MR. KITCHEN: I don't think it's -- we informed them that we would be bringing forward the adjustment. That's all that happened, and we it not get an indication from them that they would not oppose it.

MR. MILLAR: I want to be clear on this. Board Staff meets with both applicants and parties all the time in the context of proceedings that are coming up. That's no secret and there's nothing to hide in any of this.

But certainly Board Staff does not give pre-judgment on any issues in an application. The meetings are largely about timing and process, and things like that. We do hear things from utilities. They tell us what they're planning and we say thank you.

But Staff does not tell them what positions we are going to take in a proceeding because we wouldn't know at that point -- if that's helpful to the parties.

MR. QUINN: Thank you, Mr. Millar. You had asked that I take note at around half an hour. I think we are about half an hour.

MR. MILLAR: So where are you?

MR. QUINN: I'd still have 15 minutes -- well, I'd say 20 minutes to half an hour left.

MR. MILLAR: Okay, why don't we take our lunch break now then and return in one hour.

MR. QUINN: Thank you.

MR. MILLAR: People still on the line, I'd ask again, don't join us part way through. Just listen through the webcast if you can, and you can join us again on breaks because the sound of the incoming call interferes with the recording.

--- Luncheon recess taken at 12:44 p.m.

--- On resuming at 1:47 p.m.

MR. MILLAR: Okay, welcome back, everyone. We are going to continue with Mr. Quinn's questions.

MR. QUINN: Thank you, Mr. Millar.

So I want to start with -- and I'm not sure where the best place -- because it's a general question -- but BOMA 16, page 8, I guess. I will stay in BOMA for a minute. So this is under the utility shared services. I think I heard this morning that these utility shared services are, for lack of a better term, intra-utility savings. Do I have that right? Like, these are savings that Union or Enbridge as utilities would experience, by these services being provided corporately?

[Witness panel confers]

MR. REINISCH: Mr. Quinn, that is incorrect. These are services that reside currently within the utility, so these would be savings at each of the utility. These do not impact Enbridge Inc. directly.

MR. QUINN: Okay. I think we are saying the same thing, but maybe I didn't say it well enough, Mr. Reinisch. These are savings for either Enbridge Gas Distribution or Union Gas Limited?

MR. KITCHEN: Sorry, they are savings to Amalco as a result of integration.

MR. QUINN: At the utility level, not the corporate level.

MR. KITCHEN: Yes.

MR. QUINN: That's the part I'm trying to get to, Mr. Kitchen. Thank you. So --

MR. SHEPHERD: Sorry, can I -- I'm not going to interrupt all afternoon --

MR. QUINN: Okay.

FOLLOW-UP QUESTIONS BY MR. SHEPHERD:

MR. SHEPHERD: -- but this is one of the things that I wanted to get to.

This says that you already started doing this right after the merger, so these are not Amalco savings; right? Or maybe I'm misunderstanding this. It says:

"The Enbridge corporate office functions began to integrate and optimize the combined Spectra and Enbridge shared service at the close of the merger."

So that's savings for Enbridge Inc. and Spectra, that's not savings for the utilities; right?

MR. KITCHEN: So there was savings at corporate as a result of the merger, and then at the utility level, if you read further, it says:

"The utility finance, human-resource information, technology, supply-chain management, real-estate services..."

I'm not going to go on -- those exist within -- those are referred to in functions that exist within the utility. That's what we're talking about the savings related to.

MR. SHEPHERD: So the ones in the corporate office have already happened, or are already happened.

MR. KITCHEN: I'm not sure if they've already happened. They are in process.

MR. SHEPHERD: And those are savings upstream, even though you're paying for them? Shared services you pay for; right?

MR. KITCHEN: Through affiliate charges we will pay for those some of those services, but what this is referring to are those corporate functions that have employees inside the utility.

MR. SHEPHERD: Fine. Thank you.

CONTINUED QUESTIONS BY MR. QUINN:

MR. QUINN: So these are services provided by the utilities to the corporate parent?

MR. KITCHEN: No. Umm... Just a second.

[Witness panel confers]

MR. PACKER: I'll try and be helpful, Mr. Quinn. While the emphasis has been on page 8 of that document, which talks about some of the -- I guess that's under the "benefits" section or the O&M savings assumption section, but if you go back to page 5, this is a similar category of utility shared services that talks about costs. So maybe there's a little bit more information there to help you understand the types of things we're talking about.

We've got applications in each of the utilities that are used by some of the people in these corporate functions that under our proposal we are contemplating combining, and as a result of combining those applications there would be some savings attributed to that.

MR. QUINN: Who would benefit from the savings, Mr. Packer?

MR. PACKER: These would be costs or savings that Amalco would benefit from if we are able to integrate those processes, those systems, the way we're contemplating.

MR. RIETDYK: Dwayne, I would give you another example that might be, you know, even more pragmatic, in the sense that both EGD and Union each have supply-chain groups that do dedicated buying of materials and services for each one of those groups.

Presumably in an amalgamated organization you would have one group that would buy those goods and services and we would see efficiencies, particularly in the areas where the contracts are -- or the service providers overlap.

MR. QUINN: So these are -- and I don't want to use the word "corporate" -- these are functions that the utility requires at a management level that can be combined for savings that would accrue to Amalco; is that --

MR. KITCHEN: I'm not sure what you mean by "management level." They are, as I think as Mr. Rietdyk pointed out, services or groups that exist within the utilities that upon amalgamation will be able to get savings from through the combination of the two utilities.

MR. QUINN: And there is no transfer to the parent in any of this. It's just between --

MR. KITCHEN: This is straight savings to Amalco, and costs that would be borne by Amalco in order to get there as well.

MR. QUINN: Okay. Then I understand, and thanks for your indulgence to explain it in different ways.

What about savings that would result in parental transfers, where you are -- at this point Union's getting the service from Spectra, Enbridge is getting it from EI, those are being saved -- those are being joined through the merger of the parent companies, thus potentially reducing your allocations of costs back to the utilities; where would we find that?

MR. KITCHEN: Mr. Quinn, I think if you held your questions for panel 3, they could probably provide you with more help on that one.

MR. QUINN: Okay. Thank you. Okay then. I think this would be panel 3 then also. So any questions about the data centre agreement is panel 3?

[Witness panel confers]

MR. PACKER: I'm here representing the IT department. I'm not sure what your questions are, but you can try them out on me.

MR. QUINN: Okay. Well, this was one of the examples, Mr. Packer, that I was thinking about, is here is a Union-Spectra service in terms of the data centre, and there is allocations between Spectra and Union. You may or may not need those current facilities. What happened to that data centre as a result of the merge?

MR. PACKER: Nothing happened do it. We continue to use the data centres we've been using under the Spectra organization.

MR. QUINN: Okay, so under the Spectra organization or under the EI organization?

MR. PACKER: When we were under Spectra we had consolidated into two data centres. Now that we are under the Enbridge corporate parent we are still using those data centres.

MR. QUINN: Owned by Enbridge Inc.?

MR. PACKER: They are not owned -- they're services we contract for with third parties. They are our data centres. We provide -- we are provided with a service from a data centre service provider.

MR. KITCHEN: One of the things, Mr. Quinn, that I am at least finding a bit confusing, you talk about under Enbridge or under Spectra. With the merger that closed on the February 27th, Spectra no longer exists. There is EI, right. So to the extent that there were services that were provided through the data centre to Union under Spectra, those services are continuing to be provided and the corporate parent is EI.

MR. QUINN: I guess that's what I was getting to, Mr. Kitchen, so thank you. If I got there in a convoluted way, I apologize.

So these are corporate services that are -- obviously there's been some level of merging or coming together, and there is some rationalizations. But they affect the respective utilities in some way, shape or form in terms of what ultimately may be transfers between the utility and the now one parent, correct?

MR. KITCHEN: You're correct, but I think those types of questions are better for panel 3.

MR. QUINN: Well, this is a merger type question and I'm going to get to it. And if you defer to panel 3, we will find a better way of getting at it.

We talked this morning about how you estimated savings and I won't go back over my summary of it, but it wasn't very satisfying in terms of understanding how you came up with it.

But I would have to believe that Enbridge Inc. had to do some prior analysis prior to its acquisition of Spectra, which likely included not only what could happen between Spectra and Enbridge and all the other functions they do, but in respect of the two utilities they would now own and synergies that could be created.

So you've told us there is no document to show you the -- that supports the analysis behind the range of savings and costs that we see in those summary slides in FRPO 1. But there must be an Enbridge document, an Enbridge Inc. document that analyzed this merger and the potential synergies.

Would you undertake to provide that document?

MR. KITCHEN: No, utilities were not included in any analysis around the merger.

MR. SHEPHERD: How do you know that?

MR. KITCHEN: I was told that.

MR. SHEPHERD: So Enbridge acquired Spectra and deliberately didn't analyze whether there was going to be any benefit to merging the regulated utilities; is that what you're saying?

MR. KITCHEN: That's what I'm saying. They came together and they looked at savings of -- between Spectra and Enbridge Inc., they did not go down to the utilities.

MR. SHEPHERD: Thank you.

MR. QUINN: Okay, moving on. I think because we're in BOMA, if we just stick with BOMA 19 because it pertains to the integration of the distribution work management system.

Now, I see again a range of 30 to 85.

First question is: Does any of that cost reflect the cost of the actual software or software licensing?

MR. PACKER: Can you hear me? I'll break the answer down into two parts.

Again, the range that was identified, that's a high-level estimate. We don't have details around what it will take to fully integrate the work management systems; that's work that has yet to be done.

But if you look at the attachment, there's a $55 million project estimate in there. That is the estimate of replacing Advantex or Service Suite, the current application that we have, with a combination of Click and Maximo. So that's an all-in cost estimate based on that work that we're looking at now, but that does not contemplate the full amalgamation of the two utilities.

MR. QUINN: That's the estimate. Would you -- and can you -- I'm referring this specifically to Enbridge or the Enbridge information, but would you be able to populate that table using the Enbridge experience? In other words, if Enbridge is cost 85, show us the breakdown between that planning, design, build, test, implement from Enbridge's recent work?

Obviously, that WAMS, I guess is what was referred to Mr. Culbert and some of the discussions we've had over the last few years, can you populate that table using the Enbridge experience?

[Witness panel confers]

MR. CULBERT: You are probably wondering why it took so long, Mr. Quinn. Obviously all of that information is on the public record; it's all been communicated before. So we could do that. I guess we were wondering what it's going to be useful for, but we definitely have the information.

MR. QUINN: Well, I would accept that as an undertaking then to populate it, if we could give it a number.

MR. MILLAR: I think that's JT1.12 (sic).

UNDERTAKING NO. JT1.13: TO POPULATE THE WAMS TABLE WITH ENBRIDGE DATA

MR. CASS: Mike, I'd just point out that the cost categories are not going to line up in the way that might be implied by the words "populate the table." So the applicants can do the best they can to come up with a presentation that follows this that we're looking at.

MR. QUINN: Thank you, Mr. Cass. You may be happy to know that we're moving to FRPO 11 from FRPO 1.

MR. CASS: Mike, I didn't hear, but apparently you said J1.12 --

MR. MILLAR: But I lost my list.

MR. CASS: We may be at 13.

MR. MILLAR: Okay, that was 13 then.

MR. QUINN: Now FRPO 11 is quite extensive; it has 10 pages. But if we could flip at least to the first couple of pages, so the assumptions that are going into -- this is possibly panel 2.

I am going to defer to that to panel 2. Sorry.

MR. REINISCH: Sorry, Mr. Quinn. Unless it is specific to ICM and ICM-related questions, I am comfortable speaking to table 11 and if there is specific item that may require the assistance of one of the members of another panel, I will note that.

MR. QUINN: I think, based on what I heard this morning, part of my questions have been answered, Mr. Reinisch. But then I'm getting into rates that probably -- yes, they include ICM, but other components, so...

Let me reformulate my own question anyway, based upon what I heard this morning from Mr. Shepherd and your responses. That will probably be more efficient than trying we've it back through.

So if we move to FRPO 13, what I'm trying to understand here is you've got an apportionment of costs from your respective parents. So we're asking: What are the utility costs and the apportionment to each of the respective utilities? Why can that not be provided in the context of what are the costs to the utilities in the last two years?

MR. CASS: Well, Dwayne, I think the concern is the relevance of it in this proceeding.

As you know, the Board has confirmed the no-harm test in relation to the MAADs application. For the rate mechanism, the proposal is a price cap and in the context of those two things, the no harm test or the price cap mechanism, I don't think that we understood the relevance of where this question was heading. Maybe you can help us there. I'm not sure.

MR. QUINN: Well, I guess, Mr. Cass, that's your application. But that doesn't fetter the Board's discretion to say there may be a different regulatory construct decided by the Board, and we're trying to -- and I was asking questions earlier about, what are the synergies that are created corporately and what the impact is on the utilities, and that's what we're trying to get at. In the last two years there would have been allocations to the respective utilities, which I would suspect may have changed based upon what the actual costs were as provided from the respective corporate parents becoming one. So that's why we asked the question.

MR. CASS: Okay. So Dwayne, I'm still not sure I'm totally clear on that. Might you look at CCC 15 and see if that has anything to do with where you're heading?

MR. QUINN: I did before, but --

MR. CASS: Okay.

MR. QUINN: -- I will go back to it if you want to pull it up.

Okay, if you could flip down to the next line. Is there a total at the bottom for the respective years? So you've got for Union in here -- this is Union's Spectra charges. I think I went through that fairly quickly. So this is EGD?

Sorry, Bonnie, would you mind just going back up to the top of that again. You went quickly and I missed the top headings again. I can't see them. There they are. EGD.

So these are the services provided. How -- can you give me a summary of what's included in this table? Summary for EGD? I know, we have to see it first.

MR. CULBERT: I'm not sure what information you are referring to. What kind of summary -- I'm not sure what you are referring to, Dwayne.

MR. QUINN: Are these services from Enbridge Inc. that Enbridge Gas Distribution is paying Enbridge Inc. for?

MR. CULBERT: Yes, if you scroll down, this is the corporate allocation from EI to EGD; correct.

MR. QUINN: Okay. So is it --

[Microphones not activated]

MR. SHEPHERD: Can I just clarify something? Is this the RKAM, which is...

[Microphones not activated]

MR. CULBERT: Yes, yes, that's correct.

MR. SHEPHERD: So...

[Microphones not activated]

[Reporter appeals]

MR. SHEPHERD: And you have a forecast of RKAM going forward, right, the $52 million a year or something like that, going up.

MR. CULBERT: As Mr. Reinisch points out, we have a placeholder in the budget of $50 million, which is at CCC 50, yeah.

MR. QUINN: Okay, so is it not a comparable table from

Union-Spectra?

MR. KITCHEN: So scroll down, Bonnie.

MR. QUINN: Okay, so in 2017 these actuals are Union Gas Limited to -- in 2017 to EI? Are these payments made -- instead of to Spectra, they are made to EI?

MR. REINISCH: So this would have included both, because the merger between Spectra Energy and Enbridge closed partway through the year, it would have been the sum of corporate expenses and revenues from the parent company.

MR. QUINN: Okay, so to put that in context, the 50 million would be the sum now of Union and Enbridge's total for 2019, so if we added the two tables in 2017, this table and the one that was previous, that would be comparative to $50.2 million in aggregate for the two utilities to EI?

MR. REINISCH: So for clarity, the 2018 costs have not been finalized, so this is strictly -- the 50 million, 50.2 noted in the first page of this response for Enbridge and the 11 million revenues and 18 million expenses for Union Gas for '18 again, that is a forecast, those numbers have not been finalized.

MR. QUINN: Is there a forecast for 2019?

MR. REINISCH: The forecast for 2019 is reasonably consistent with the sum of those two numbers.

MR. QUINN: So they are approximately $50 million plus or minus...

MR. REINISCH: Again, the $50 million plus the 18 million minus the 11 million of revenue.

MR. QUINN: So there's no expected savings for 2019 versus 2018?

MR. KITCHEN: I just want to clarify what Mr. Reinisch is saying and perhaps help you with your answer. The numbers that you see in CCC 15 and the $50 million that was referenced as the forecast for Enbridge, those are in the forecast. The other -- the numbers for Union are -- they're included in the model, in the no-harm test -- are similar to what's in CCC 15. Union does not have a forecast of what the actual allocations will be for '19 and beyond.

MR. QUINN: Does Amalco?

MR. KITCHEN: No. Well, we don't have a forecast as Union, right? And I guess by extension we probably don't have a forecast for Amalco as well.

CONTINUED FOLLOW-UP QUESTIONS BY MR. SHEPHERD:

MR. SHEPHERD: Just again, I just want to jump in. Then how did you do the -- the standalone forecast for FRPO 11 if you didn't have a forecast of the charges from corporate costs?

MR. REINISCH: We took our 2018 forecasted numbers and then we rolled them forward at the inflation assumption.

MR. SHEPHERD: Plus growth.

MR. REINISCH: No. From a cost perspective, you're suggesting?

MR. SHEPHERD: Yeah, you didn't increase the costs for the fact you would have more customers?

MR. REINISCH: So these again, these represent services that the utilities procure from head office.

MR. SHEPHERD: Only inflation.

MR. REINISCH: So only inflation. I'm not -- I'm not understanding where growth factors in.

MR. SHEPHERD: Your assumptions have a line, 2.3, "departmental and others", which would include all your corporate costs; right?

MR. REINISCH: Sorry, which line?

MR. SHEPHERD: 2.3, "Departmental and others". I'm on page -- this is in Union Gas. This is page -- FRPO 11, page 4.

MR. REINISCH: Oh, sorry, I was looking at...

MR. SHEPHERD: So that number, like, 2019, for example, 380 million, that includes 22 million or something from charges, parent company charges; right?

MR. REINISCH: That is correct.

MR. SHEPHERD: Okay. And do we know what the parent company charges are in that line? Or are they literally just 2018 forecast plus 1.73 percent?

MR. REINISCH: 2018 forecast, plus, I believe the assumption for O&M was 2 percent --

MR. SHEPHERD: Is there a breakdown of that line 2.3 somewhere? Some of the aspects of that will have growth in them and some of them will not; right?

MR. REINISCH: There was actually -- when we built the assumptions we actually make a productivity assumption for Amalco that there would be no incremental cost for growth.

Obviously there are incremental costs. I'm sure my colleague Mr. Charleson could list a number of those incremental costs that would appear, but baked into the base line financials we have assumed that there will be no incremental costs as a result of adding approximately 50,000 customers, so there is an implicit productivity assumption baked into our scenario.

MR. SHEPHERD: So then 380 million in 2019 to 393 million in 2020, that 13 million difference is 2 percent of 380 million; right?

MR. REINISCH: Yes.

MR. SHEPHERD: Because it isn't in the math that I learned -- 13 million is not 2 percent of 380 million, is it?

MR. REINISCH: Sorry, between 2019 and 2020?

MR. SHEPHERD: That's right. You said 2 percent a year? 2 percent would be 7.6 million, wouldn't it?

MR. REINISCH: Yeah, for Union standalone for 2020 there may be additional expenses for programs related to the asset management plan.

MR. SHEPHERD: So you do have a breakdown of line 2.3? Can you undertake to provide the breakdown, please, and show how you got those numbers?

MR. REINISCH: We have a more detailed breakdown of 2018 and we can provide -- we can roll forward to that.

MR. SHEPHERD: Yes, that line 2.3 doesn't go up by 2 percent a year. Therefore, presumably, you have a breakdown of some sort that adds up to 380 in that year and 393 in the next year. Can we have that breakdown, please?

MR. REINISCH: We can provide that breakdown for 2020.

MR. SHEPHERD: Thank you so much.

MR. MILLAR: JT1.14.

UNDERTAKING NO. JT1.14: TO PROVIDE A BREAKDOWN FOR 2020 OF THE NUMBER AT LINE 2.3 OF FRPO 11, PAGE 4, "DEPARTMENTAL AND OTHERS", AND TO SHOW ITS DERIVATION

MR. SHEPHERD: Sorry, Dwayne.

CONTINUED QUESTIONS BY MR. QUINN:

MR. QUINN: Not at all, Jay. That is part of what we're trying to understand. That's very helpful. Thank you.

MR. QUINN: Thank you. I'm almost finished, Mr. Millar. So I'd like you to turn up, if you would, LPMA 8, attachment 1, page 39.

MR. KITCHEN: You are in attachment 1, correct? I'm trying to find it myself. But yes, attachment 1.

MR. KITCHEN: We have it.

MR. QUINN: Okay. I'm in the middle of the page. Thank you, Ms. Adams; you got there quicker than I could.

There is a transfers, related-party transactions to Tidal Energy for purchase of natural gas and revenue from optimization services.

Is there a -- on the record, the agreement, any kind of service agreement that Enbridge holds with Tidal for the provision of these services? If this should be panel 3, I can defer.

MR. KITCHEN: It is a better question for panel 3. The contracts were all filed in SEC 2, I believe.

MR. QUINN: I can check SEC 2 in the interim. Thank you, Mr. Kitchen.

I guess what I'm trying to understand is is it -- and just a heads-up for panel 3, revenue sharing versus margin sharing and the aspects of the agreement that pertain to sharing that ultimately happens with ratepayers.

So I don't know if Mr. Charleson will be back with us in panel 3, but that's what our interests are.

MR. CHARLESON: I will be back as part of panel 3.

MR. QUINN: Look forward to seeing you.

If we can turn up Energy Probe 8, it says, as indicated at the beginning of page 20, the 209 million ratepayer benefit in 2019 to 2023, is that just an aggregation of those summary tables and presentations we had previously? Is that the same number?

MR. REINISCH: Sorry, Mr. Quinn, which table are you comparing it to?

MR. QUINN: The tables that were part of 1 FRPO -- the presentation at FRPO 1 and the tables that appeared later on in FRPO 11. I just -- I was trying to link that number back and I couldn't figure out where it came from.

MR. REINISCH: So this is the sum of the benefit from 2019 to 2023 that ratepayers will see under the amalgamated price cap proposal relative to the alternative custom IR scenario used to calculate the no harm test. So it is essentially line 5, Dwayne, yes.

MR. QUINN: Line 5. Okay. And for the first five years, Mr. Reinisch, you're Saying?

MR. CULBERT: Correct, 2019 through '23, yes.

MR. QUINN: So to the extent that the deferred rebasing ended at the end of five years, that is the forecast benefit that would accrue to ratepayers, if I'm reading ratepayer benefit, at that point based upon your forecast?

MR. KITCHEN: No.

MR. QUINN: It's not?

MR. KITCHEN: It is not because if we were to get a deferred rebasing period of only five years, then the -- our ability to actually invest in technology and invest in system changes to get the benefits, would not exist.

So we said we've got a plan -- I shouldn't say we've got a plan. We have a high-level estimate based on a ten-year deferred rebasing period. If we were to get something different, then we would not be able to achieve the same level of savings that we would achieve otherwise.

FOLLOW-UP QUESTIONS BY MS. GIRVAN:

MS. GIRVAN: Sorry, can I just clarify? The 209 is just the difference between what rates would be under price cap versus what rates would be under a custom IR?

MR. KITCHEN: That's correct.

MS. GIRVAN: Okay, that's what that means.

CONTINUED QUESTIONS BY MR. QUINN:

MR. QUINN: Thanks, Julie. Okay, the last question and it refers to Staff 11. But maybe folks here could just tell us off the top of their heads.

I haven't gone through all the undertakings. I didn't find it maybe in the record, but are there any additional undertakings that Union Gas has beyond Chatham employment?

The last sentence says:

"No other conditions of approval related to the undertakings are required. Enbridge undertakings to the Crown would remain post amalgamation."

Thanks, Bonnie. What I'm trying to say, or trying understand is does Union have other undertakings beyond the Chatham employment, which I know is addressed in some interrogatory responses; I'm not asking that. But is there anything beyond Chatham employment that would or would not survive post-amalgamation?

MR. CASS: Just for clarity, Dwayne, the undertakings don't address employment. They address head office; proposed condition addresses employment, just for clarity.

MR. QUINN: No, that's fair.

MR. CASS: The undertakings address head office.

MR. QUINN: Yes, thank you. So beyond the scope of those issues, are there any other undertakings that Union Gas has?

MR. KITCHEN: No, and I can take you to exhibit B, tab 1, page 15, Dwayne, and there we say at line 18, "The substance of the EGD and Union undertakings are almost identical, except for the following", and then it goes into the head office undertaking for Union, section 4.1, and it goes into section 5.2 of the EGD undertakings around British Gas PLC and Consumers undertakings for remain in full force and effect. So there are no other differences.

MR. QUINN: There are no other differences. Union had undertakings, but they are similar to Enbridge; is that what you're saying?

MR. CASS: That's correct.

MR. McGILL: And that's the evidence from the merger, right?

MR. KITCHEN: Yes.

MR. QUINN: Those are my questions, thank you, panel, I appreciate it.

MS. MILLS: Thank you, Mr. Quinn. Mr. Brett, you wanted to go next?

QUESTIONS BY MR. BRETT:

MR. BRETT: Yes, thank you.

Good afternoon, panel. My first question is, in discussions this morning you talked about the fact that you were going to prepare a, I think you said a three-year rolling asset plan for the merged company. My question is, when would that be done? When would be the first year that you would have your merged asset plan complete in your current thinking?

MR. CULBERT: I don't believe we said there would be a three-year rolling plan.

MR. BRETT: Right.

MR. CULBERT: What I was saying is each and every year the asset management plan will be refreshed.

MR. BRETT: Right.

MR. CULBERT: Looking over a future period.

MR. BRETT: Right.

MR. CULBERT: So at this point of time, each of EGD and Union are doing their asset management plans individually.

MR. BRETT: Yes.

MR. CULBERT: And we don't know at what point in time those might be merged into a single asset management plan. We don't --

MR. BRETT: You haven't thought about that at all as to what -- how long that would take or when you would -- I just -- I'm only questioning it because I would have thought you'd want to do that pretty quickly.

MR. CULBERT: Well, you've heard it a multitude of times. We'd need to consider what the Board's decision is with respect to our application before you enter down that path. I mean, obviously it would be something that needs to be undertaken, but we don't have a view to that at this point in time, no.

MR. BRETT: Okay. Now, my second question is, you also discussed this morning -- sorry, you wanted to add to that at all or...

MR. KITCHEN: There's no -- as Mr. Culbert said, there is no plan to -- no detailed plan on how we would merge the plans, but we did at Board Staff 54, part C, indicate that the plans would be merged over the first six years.

MR. BRETT: Over the first six years?

MR. KITCHEN: Yes, how that will take place and how -- and what the plans will look like is unknown at this time.

MR. BRETT: Okay, thanks. You also talked this morning about -- different times about, the problem -- one of the problems with having two -- continuing with two separate utilities, as opposed to merging would be that you would have an affiliate relationship issue which would complicate the operation of your business, but would you agree with me that you would be free to apply to the Board for an exemption from provision or provisions of the affiliate relationship to make it easier for you?

[Witness panel confers]

MR. CHARLESON: Yes, you are correct that you could apply for such an exemption. However, it still doesn't remove a lot of the other challenges and barriers that you would face, in terms of how you operate -- you know, how you drive towards common processes.

You are still having to manage separate bill imaging -- like, for example, on the customer-care side, where you've got two very different, say, bill formats, bill images, your web-based systems are potentially different, so there's -- while you could have that exemption that removes some of the -- say the challenges the relationship affiliate code presents, it doesn't remove other barriers that would really reduce or preclude us from achieving the benefits that we believe customers can achieve from amalgamating.

MR. BRETT: Okay. There was some talk this morning about, you were going to assess whether you would move to a fixed charge method of delivery charge. And you said you were looking at what the electrics were doing and that it -- was your -- was your idea there that you would -- if you would go down this road, you would mimic what the electrics are doing, or were you talking about having the entirety of your delivery charge a fixed charge on a customer basis?

MR. KITCHEN: You know, right now, Mr. Brett, I think it's too early to comment on exactly what we would propose and whether we'd mimic what's on the electric side. I can't really say. I can't say what rate classes would be impacted or how we would actually implement.

As I say, it's something that we'll evaluate, and if we determine that we want to go that way we'll bring forward a proposal at some point.

MR. BRETT: Okay. Just a general question if I may about risk, and I had asked you this, and I can't find the IR easily. I know it's in there, but I'll give you the gist of my question.

The gist my question was: You've been under common ownership now for a year plus a bit, and so you have obviously had time to have conversations with one another and assess the operations and the risks. Even if you haven't come up with a detailed implementation plan, you've had time to talk among the executives and the heads of functions, not to mention whatever analysis that Enbridge did as -- prior to their decision to pull the trigger on Spectra, because I think it's generally agreed that, you know, getting the utilities are -- getting Union Gas was not any significant benefit to Enbridge as parts of its acquisition. I don't think anyone would deny that.

So the question is: Given that you have this knowledge, would you not -- would you agree with me that the overall risk in the amalgamation is less than it would be if you were two arm's length parties? In other words, "less than" is the operative word.

MR. KITCHEN: Let me point you to response to Exhibit C, BOMA 3, Part I.

MR. BRETT: That's my question, I think.

MR. KITCHEN: It is your question, and the answer is provided at part I, and we say there is not any significant reduction to the risk of the amalgamation as a result of Union and EGD operating under a common parent.

There has not been any detailed integration planning conducted that would commence the process of sharing the significant information that will be needed to produce a quality integration plan. EGD and Union will operate -- or EGD and Union operate at arm's length as affiliates, adhering to the affiliate code.

MR. BRETT: But -- fair enough. But you mention elsewhere -- and we'll come to it -- you talked a lot about BOMA 16D and the high-level analysis that you filed in response to that question. You have had meetings among your senior executives. Is it not the case that at least you have the chance to avoid unpleasant surprises prior to doing the merger because you have had contact -- you had enough contact between your senior management teams that you were able to flesh out, at least at a high level, implementation, capital expenditures, and savings, and actually, looking at Schedule 12, which we'll come back to -- attachment 12, rather -- in a fairly detailed manner.

So have you not at least had the opportunity to put yourself in a position where you're not going to have nasty surprises at the corporate level at least?

MR. RIETDYK: So Mr. Brett, you are right that we've had some high-level meetings and discussions around how we both operate our organizations, what the similarities are and what the differences are, and I can assure you that we know enough to know that we have different operating models, different systems, and different processes and even use different materials in our system, so we are sufficiently different that we know it's going to be a significant effort to bring these two organizations together, and that in and of itself drives significant risk.

And I think the other thing that's worth noting is it's not just a single system or process that we're bringing together. We're talking about bringing together every system and process we have, our customer information systems, our work management systems, our ERP systems, and organizational level, the people, and the change management that has to go along with all that as well.

So I suppose that, you know, we are significantly informed to know that it's a lot of work with significant risk.

MR. BRETT: I wouldn't question it's a lot of work.

MR. QUINN: I don't want to interrupt your line of --

MR. BRETT: Go ahead.

FOLLOW-UP QUESTIONS BY MR. QUINN:

MR. QUINN: Mr. Brett, but I thought I'd give you a moment. Mr. Rietdyk, I appreciate different materials and different and components to your systems, they have to be merged. But everything is based upon codes, like the Z-664 or TSSA regulations; correct?

MR. RIETDYK: That's correct.

MR. QUINN: And so while material types may vary, everything meets code?

MR. RIETDYK: That's correct.

MR. QUINN: So the amount of effort you're talking about, can you help me with what does make that amount of effort significant?

MR. RIETDYK: Sure. So as I mentioned before, we qualify our employees to the standards that we use to our policies and our procedures. I will just give a quick example on this one from a practical workforce perspective working on the system, which is where I think you're going on this.

I did some quick research and asked some questions around how many procedures we have in our construction and maintenance manual. There is something in the order of 1,100 procedures in our construction maintenance manual, and we train and qualify our Union Gas employees to those 1,100 procedures.

I asked a similar question of the director of engineering at EGD, how many procedures do you have in your equivalent of your construction maintenance manual, and they've got 1,600.

So you can imagine that they're not the same. They are written differently, and like us, EGD qualifies and trains their employees, trains and qualifies their employees to their procedures, very specific procedures, and they're different.

So while they may have similarities, they're different. And given the safety sensitive nature of what we do, we need to ensure that we align those, and that we then train and qualify our employees on those very specific procedures for working or our assets.

We he can do that. We've done that before. It's just going to take a fair amount of time and a lot of effort to get there.

MR. QUINN: If I may suggest, you've done that already with your contractors. So in other words, contractors that are out there on your behalf are working to your same standards and, in some cases, the procedures. They're also doing work for Enbridge.

Do you have any joint qualifications, such that if a contractor is qualified to Enbridge, they are qualified to Union or vice versa?

MR. RIETDYK: Generally, no. So even something as simple as our welding procedures and our plastic fusion procedures are actually different between the two organizations. So when we qualify, for example, a distribution contractor to fuse plastic pipe on our distribution system, they are qualified under the Union Gas procedure. That would not permit them to work on Enbridge Gas Distribution procedure.

So, yes, again, there is potentials town the road for these types of common practices, but we're nowhere near that yet.

MR. QUINN: Okay, thank you.

CONTINUED QUESTIONS BY MR. BRETT:

MR. BRETT: Could I ask you to look up Exhibit D, tab 1, attachment 11? That's the pro forma summarized balance sheet that you included in your evidence, and we had asked you a question about that in BOMA 22(d). And the question we had asked was please explain the $825 million investment in affiliate item on that pro forma. Please explain the -- just take that sentence. And then you replied and said -- your reply to 22(d) was:

"The investment in an affiliate relates to EBO-17916, OEB-approved non-utility EGD 825 million preferred securities investment in InterProvincial Pipeline System Inc.

So I take the point that it's non-utility, but it's an investment made by the corporation. Can you give me -- can any of you give me a little bit of colour on that, how that arose and how is it that -- you know, that's a large sum of money. How did that come about and what are the circumstances surrounding it? Could you give me an undertaking or could you -- or if you could, could you advise one of the other panels coming up to give me some colour on it?

MR. CULBERT: Can I give any more colour? It was before my time, Mr. Brett. You see the OEB docket number to it, so there was a proceeding that went through the application to the OEB.

MR. BRETT: I'm trying to get that. I haven't got it yet, but it is probably in an or archive somewhere.

MR. CULBERT: So the details in it are probably far more than I can give you, but it is a proceeding that happened before the OEB in past circumstances. It is an investment from EGD into InterProvincial Pipeline, which is now Enbridge Inc.; it doesn't exist any longer.

MR. SHEPHERD: May I interject here? This came up in a case a few years ago.

Am I right -- and perhaps one of your finance people may be familiar with this -- that this was actually an investment in shares and is matched by a debt, and it's a tax thing to get a tax benefit between the two companies?

MR. CULBERT: It's a corporate tax procedure, yes.

MR. SHEPHERD: Okay.

MR. CULBERT: At the time was IPPL, which no longer exists, but it's an arrangement of that sort. But it was reviewed by the OEB and there is no implications from a tax perspective to the EGD utility ratepayers. So that's all been reviewed by the Board in the past.

MR. BRETT: I take it it's still in existence?

MR. CULBERT: It is a preferred securities or share investment, yes.

MR. BRETT: All right. I'll get 179 and then see what it says.

I'd like to go back now to BOMA 2 and try and move along here a bit.

We asked you in BOMA 2 whether, you know, your -- you merged the companies, you are going to -- you are not going to be competing any more. And you pointed out in the answer that we don't compete now except with respect to non-utility storage. Do I take it from that -- and you don't compete in the sense that have your own franchise area. I don't understand that.

But do you not compete in some sort of reputational sense in that, you know, you -- there is a lot of talk in this application about best practices and adopting best practices. It seems to me, watching you over the last 25 years, that neither one of you like to be a laggard and you always sort of push. You always like to be innovating and, you know, best practice. There is a certain rivalry there, it seems to me, to put it at least in my view.

And I guess my question to you is: You are not going lose that? You are now one big utility that covers, for all practical purposes, all of Ontario. There isn't anybody else of any substance or size. Is that not something that ratepayers will -- may feel the lack of?

MR. KITCHEN: Well, I guess first of all, there is no rivalry between myself and Mr. Culbert. But it's not just -- you know, Union and EGD don't just compare themselves to each other in terms of best practices; we compare ourselves to many, many utilities across North America through our AGA and CGA memberships. So there is no loss of pursuit of best practice simply because the two utilities are coming together. That will continue.

MR. BRETT: And I take it --

MR. RIETDYK: Perhaps if I could add to that. Again, as an organization, we are focussed on safely and reliability of our systems, and that's what has led us to each trying to drive best practices within our own individual businesses, why we benchmark across the AGA and CGA. And as we look at an amalgamated entity, we have that benefit of drawing those best practices together to enhance safety and reliability within the distribution system, while still leveraging best practices across North America and sharing our best practices with other utilities in North America.

MR. BRETT: Okay, could you turn up number -- sorry, turn up attachment 12 to your evidence. That's the table that is entitled "Capital investment and high-level estimated O&M savings for utility integration." So that's B, tab 1, attachment 12, page 1.

And you may also want to have handy page 26 from your evidence, which -- table 4, which are the ranges in cost, capital costs.

This question is all about the ranges in capital cost and savings, and we discussed a bit of it, quite a bit of it, actually, already, but I just want to a couple of things that are of interest to me.

First of all, if I look at attachment 12 -- could we turn up attachment 12? This attachment gives us specific numbers for each of the five areas, which are managers identified as areas that -- where integration could take place and savings could be realized.

And it actually, as you can see from it, it lays out the costs, the capital costs, and in the year in which they would be made, and then the savings in the year in which they would be made, and it then gives you some totals, and it was pointed out this morning that you would have -- you have, for example, a total of 150 million in capital, and generating 680 million in savings.

What I want to ask about first is, these are very specific numbers. I mean, these are -- I see the ranges, and you've -- what ranges, you have the ranges, but table 12 are specific numbers, so this tells me that -- have you not had to do a fair amount of work to get to the point where you can actually lay in specific numbers for each of these sectors, and each year over the ten years?

In other words, this isn't -- this is not a broad-brush sort of range like table 4 is on page 26. These are actual projected numbers.

[Witness panel confers]

MR. PACKER: I'll at least address the capital side. I think the best way to get into the details of how the numbers were derived is to look at the attachment to BOMA 16.

There is a fair bit of detail there that talks about how we come up with the range, how we come up with our estimate of where in the range the costs might be. And attachment 12 just tries to spread it over a reasonable period of time. There is really no more detail than what exists in BOMA 16 to support the capital costs that are in attachment 12.

MR. BRETT: That means that -- you've referred to having some meetings with your managers or your leaders between the two companies to get at what these -- to develop these ranges and, I take it, develop this table.

Was this one meeting or was it a series of meetings that took place? I -- can you give me some flavour of how many meetings were there and who -- how many executives were involved in these meetings? I take it it's not just the two presidents, because we are down into some pretty specific stuff here in terms of process, IT investments, and savings from individual IT initiatives.

I mean, we looked earlier at BOMA 19 on the workforce planning. Who was involved in these meetings and how many of these meetings took place?

[Witness panel confers]

MR. KITCHEN: Mr. Brett, I think that there were probably, not a series of meetings as you describe, there was probably one meeting that dealt with the majority of the assumptions and probably one follow-up meeting from that.

As to who attended, there were a number of senior management that did attend, and that would have included directors, vice-presidents, a number of people.

MR. BRETT: From each company?

MR. KITCHEN: Yes.

MR. BRETT: So we are talking about meetings with 20, 25 people, not meetings with four or five or six people.

MR. KITCHEN: Probably more in the five to six, eight people, not 20, 25.

MR. BRETT: That doesn't sound like what you just said, if you were talking about directors and --

MR. KITCHEN: Well, you could have -- within a meeting of five or six people you could have a director, a couple of VPs, a president. All I'm saying is there was a variety of senior folks involved, and they was not -- there was one or two meetings, and they were -- again, they were -- the purpose of the meeting was to come up with high-level estimates of what we thought -- what we thought we could achieve through their experience.

MR. BRETT: Now, so you may have had some meetings of the overall group and then some smaller meetings of the directors involved in each of these areas.

I mean, these areas are quite diffuse, customer care, distribution work management, storage and transmission. These are different directors, these are different segments of the business, so did you have a bunch of other kind of sub-meetings among these mid-management people?

MR. KITCHEN: No.

MR. BRETT: Or was this all done -- all of this work done in one or two meetings of --

MR. KITCHEN: The high-level estimates were prepared, as I've said.

MR. BRETT: Well, how did -- the high-level ranges, and then I've read the -- I've read the table -- or rather attachment -- the attachment to my interrogatory. In many of these cases did you simply -- did you pick sort of the middle of the range, or did you -- how did you arrive at that? How did you arrive at what your actual numbers were going to be? Because the ranges are very broad and the numbers are very specific.

MR. PACKER: Again, Mr. Brett, I think we attempted to explain in that attachment how we picked the number within the range. It varied depending on what it was we were talking about, and we applied our judgment as to what was reasonable, based on implementing similar systems in the past, collective wisdom of senior folks within the company as to what it would take to amalgamate the systems in the future.

MR. BRETT: Could you look at BOMA 9, please, for the moment. Let's just pass through. We've addressed that. And I want to go to...

Now, in the case of management, your numbers about management, if I go back to table 1 -- sorry, attachment 12 and look down at the management line, you have the savings cutting in at -- of 20 million, and you have those starting in 2020, so I guess this is an obvious question, but what you are saying there is that you will be taking the steps to deal with creating a single management team quite promptly after the merger; right? What I'm looking at is the numbers under the savings side for management start at 20 million and they go up for nine years through 180 million, which is one of the largest actual -- largest items of saving in your plan.

And if I look for capital, I don't see any capital, I guess, so you've got severance payments of various types, but those obviously are going to take place in 2018 and '19; is that right?

MR. REINISCH: So, yes, Mr. Brett, in evidence we have indicated that that will be one of the first steps that will be taken by Amalco upon approval, an acceptable approval of the amalgamation.

MR. BRETT: So you're agreeing with me. It will be 18 and 19.

MR. REINISCH: Sorry, Mr. Brett, 2019. So the response to BOMA –

MR. BRETT: 2018, 2019 -- all right.

MR. REINISCH: The response to BOMA 16, attachment 1. The details I believe you're looking for are on page 9 of 20.

MR. BRETT: Right. On page 9 as well, you talk about -- after you discussed the management, you talk about other functions. That's in the second paragraph, and there you talk about the -- I guess what I'd call the staff functions, engineering integrity, information, technology, public affairs, the man side management cap and trade and other low carbon business development and others.

Now, are those -- the $20 million that you put on your table, is that just management, or does that also include savings that you might have from combining these staff departments? And if not, do you have a savings elsewhere for combining the staff departments, or is the answer that there wouldn't be any reduction in the staff departments, at least not one that you can identify at the moment?

MR. REINISCH: So referring back to attachment 2, tab 1, Exhibit B, there is a separate line item that --

MR. BRETT: Sorry, where are you again?

MR. REINISCH: Attachment 12, tab 1. In the O&M savings, there are six different lines identified there. The fifth line is the management that we had spoken to a moment ago, and then the other functions, the bottom line there...

MR. BRETT: I apologize. I see it now, thank you.

MR. REINISCH: You're welcome.

MR. BRETT: Now if we look at 16D, and I think it's page -- I wanted to look at page 5. This came up a little bit this morning, but I wasn't too certain of this.

I want to look at this in conjunction with BOMA 19 that you discussed with Dwayne earlier. I want to read you just a sentence here from this. This is at the bottom of page 4, top of page 5 of attachment 1.

It says:

> "Management estimates that the potential range of implementation costs could be between 30 million

for data and business process migration to 85 million for full implementation."

Then you say:

"The estimate for migrating Union processes and data into Maximo is approximately 50 million."

You said in 19, as I recall it, is that 50 million now is 55 million.

My question is: Is that all consistent? I think you mentioned -- well, that's the question. How do we assess this? What is the -- are these two totally separate operations here that you are doing? I don't quite see -- in other words, what's the relationship between the 55 million and the 85 million, the potential to go to anywhere from between 30 to 85 million? Is the 55 supposed to be the middle of that or your -- is it supposed to be your best estimate of a point, or is it something else?

MR. PACKER: I'll do my best to answer -- there's a bunch of questions there, and I'll do my best to answer the question.

As I understand it, there are a couple of different things going on, Mr. Brett. When you look at distribution work management, we have an estimate of what we think it will take to amalgamate those two functions within the two companies.

What you see in attachment 1 to BOMA 19 is the cost of a project we are in the planning stages of, which is to replace our Advantex Service Suite system.

If amalgamation proceeds, we will need to take into account the amalgamation of the utilities and combine the functionality that exists in both companies related to this function. So this is a project to replace system that we started before amalgamation. It will be need to modified to reflect the impacts of amalgamation.

MR. BRETT: Might it be removed entirely, or possibly?

MR. PACKER: No. We have an end-of-life system called Advantex that will need to be replaced, and that's why we've started the work. But it will be a subset -- I guess maybe one way of looking at it -- of a larger amalgamation project should amalgamation proceed.

So they are related, but they are slightly different in that they're replacing a system and -- but right now, the $55 million real doesn't have an amalgamation piece to it.

MR. BRETT: I'm sorry. Would it be right to say that they're partially additive then?

MR. PACKER: I don't know what your definition of partially additive is.

MR. BRETT: I think what I'm saying is -- when you -- in the sentence that I read, you're saying that implementation cost for the overall merger of the work would be between 30 and 85 million, of which 50 million would be the cost of migrating the data into Maximo.

But I think what I'm hearing you saying about 19 is that that's a project that Union already has ongoing, and that's a budget for that project that you were -- had the merger not taken place, you would have finished that project and spent $55 million on it.

So you are still going to spend some money on it, as I understand from what you just told me. But you are also going to spend between the 30 and the 85 for the migration of the data. Is that not the case, or is that...

MR. PACKER: Again, you have a number of questions in there.

MS. GIRVAN: Can I interject? Maybe, Mike, you can just explain specifically those three numbers. I think that's really what he's getting at.

MR. PACKER: What are the three numbers?

MS. GIRVAN: The three numbers are the 30, the 85 and the 50.

MR. BRETT: That's a good way to put it.

MR. PACKER: I'll do my best. When the evidence was created to support the filing in this proceeding, we had a range that is identified in table 4 of the evidence of 10 to 90 million for distribution work management in total.

For modelling purposes for the financials, we needed to come up with a number to put in there and that is the 55. We have a project underway that is -- I guess it's in the planning stage. I wouldn't say it's underway, but we are trying to plan what our replacement for our Advantex system will be.

What we have included in the capital cost estimate on attachment 1 is the cost to replace Advantex. But in there is some cost associated with an assumption that we'll be migrating to Maximo.

If we don't amalgamate, I don't know whether that assumption will be true or not. We'll have to -- we are not going to finish design until presumably we have a decision in this proceeding.

FOLLOW-UP QUESTIONS BY MR. SHEPHERD:

MR. SHEPHERD: Mike, could I just see if I understand this? You have to replace Advantex. You are it going to spend some money, somewhere between 30 and 85 million dollars to replace it, including migration and new software, and blah, blah, blah. And it might be Maximo that you replace it with, right? Regardless of whether you amalgamate, you have to do that?

MR. PACKER: Yes, the functionality, I agree we will have to do something to replace Advantex. The functionality that is provided fundamentally by Service Suite will likely be provided by a product called Click.

And the question is, do you want to go further and include Maximo as well, and that will be informed by -- through this proceeding.

MR. SHEPHERD: So what I'm trying to understand is, since you have to do it anyway, whatever you are going to spend to replace Advantex, you are going to spend it anyway. It is not a cost related to the amalgamation.

MR. PACKER: No, but it would be a much bigger project, significantly bigger project, to amalgamate all of the systems and all of the things associated with distribution work management than just replacing Advantex.

MR. SHEPHERD: So what's the difference, the cost --

what's the incremental cost associated with the amalgamation route as opposed to just replacing Advantex?

MR. PACKER: Just replacing Advantex I think would be roughly $30 million. And anything that we do beyond just replacing Advantex is in the range of what we've provided in this.

MR. SHEPHERD: So that 55 is in addition to the cost of replacing Advantex.

MR. PACKER: We're funding the replacement of Advantex through our existing IT budget --

MR. SHEPHERD: And the --

MR. PACKER: -- the Click component of it.

MR. SHEPHERD: And the cost -- and the savings driven by this change, you are going to have some savings associated with replacing Advantex as well; right?

MR. PACKER: The justification for replacing Advantex was it was end of life. The vendor was not supporting it. It was not done on the basis of efficiencies or savings; it was an end-of-life software that needed to be replaced.

MR. SHEPHERD: So all of the savings, the future savings, are coming from the integration component, not the replacement project, roughly?

MR. PACKER: Associated with this component, yes, distribution, work management.

MR. SHEPHERD: Thank you.

CONTINUED QUESTIONS BY MR. BRETT:

MR. BRETT: Thanks, Mr. Shepherd.

I just want to go back for a moment, and I'm going to switch perspective here for a couple of seconds. Looking back at 12, attachment 12, and looking at -- I'm going to turn you over to 23, BOMA 23(a) and (b), and 23(a) I had said:

"Please provide a discounted cash-flow analysis of the aggregate expenditures and savings shown in attachment 12 discounted at a current rate, say, 3.5."

And you didn't -- well, you -- then I asked you to do it on a line-by-line basis, and your -- and your reply to me was, well, we won't do it on a line-by-line basis. And we -- but can you do it for the overall -- can you do it for the table as a whole? Because you didn't answer that question.

In other words, looking at the dollars in, dollars out...

MR. KITCHEN: Mr. Brett, given that the answer says that, you know, we've taken a very high-level approach to this, I'm not sure how meaningful it will be. With that said, it is math and we can do it.

MR. BRETT: Okay, that would be helpful. And --

MR. MILLAR: Mr. Brett, let me just give that an undertaking number. JT1.15.

UNDERTAKING NO. JT1.15: TO RESPOND TO BOMA 23

MR. MILLAR: And how are you doing for time, Mr. Brett?

MR. BRETT: I'm just about finished, Mr. --

MR. MILLAR: Okay. Because we'll be looking to break soon, but I'll let you finish.

MR. BRETT: -- literally about finished.

Okay. I think that that -- I'm going to ask you one last question, and it ties into this question I just asked you, and it really goes back to your continued statement that you've done a very, just a high-level analysis.

And is it not the case -- would you agree with me that it is -- it is the case that this attachment 12, while it's helpful, is really almost just illustrative, given the ranges that you have and the very early stage of your thinking about the implementation. In other words, you could have a situation where you spent 150 million, you were at the low end of the capital range, but at the very, very low end of the saving range, or you could have vice versa, or you could have a fourth -- there are four possibilities, right? You've got -- you could have a -- it could work out that you spend much more capital for fewer savings or much less capital for greater savings. And at the moment there really isn't any way very much to know that, so that these are pretty much -- I wouldn't call them illustrative numbers. It's not that you haven't spent some legitimate time and thought into trying to come up with this, but this table could look very, very different than it looks now. Is that not the case?

MR. KITCHEN: Well, Mr. Brett, I think that, first of all, I wouldn't call it illustrative. There was thought and effort to come into the point estimates, otherwise we wouldn't take it to the board of directors, but you are correct in that, you know, in the -- as we develop the plan, as we go through the deferred rebasing period, the numbers will not shake out exactly as they are on this table.

There may be some where we achieve higher savings and spend less. There may be some where we spend more and achieve lower savings. However, you know, based on the expertise and experience we have, we feel that this is a reasonable expectation of what the savings would look like over the ten-year deferred rebasing period.

MR. BRETT: Would I be right in saying that the relationships between the costs and the savings are not linear? In other words, it's not a case of a 45-degree line on a graph? You could have -- it's not the case that if you spend one more dollar on capital you are going to get an equivalent -- the same amount of savings for every incremental dollar that you spend; is that fair?

MR. KITCHEN: I would say that -- well, I could tell you, we didn't do it to that level of precision where we had a graph and I could tell you what every dollar of capital gets you in terms of savings. Is it non-linear? I just -- I don't know, but I can tell you that, you know, that we will be looking to invest in systems that will produce ultimately savings, and those savings will allow us to continue to offer safe, reliable service and ultimately benefit customers.

MR. BRETT: Those are my questions. Thanks.

MR. MILLAR: Thank you, Mr. Brett. We are going to take our afternoon break now, but I did want to get a time check from people with respect to panel 1.

So first, who in this room still has questions for panel 1?

Julie? How long?

MS. GIRVAN: Probably half an hour, maybe a little bit more than that.

MR. MILLAR: Okay. Tom?

MR. LADANYI: 20 minutes to half an hour.

MR. MILLAR: Anyone else? Yes, sir.

MR. VALENTE: Yes, I may have questions depending on what those --

MR. MILLAR: Okay. But probably not too many --

MR. VALENTE: Not too many.

MR. MILLAR: Okay. On the line, I know, Randy, you had -- most of your questions are gone, but there may be one or two left. Anyone else on the phone who has questions?

MR. POLLOCK: Scott Pollock. I probably have about five to ten minutes.

Mr. MILLAR: Okay. Anyone else on the phone?

Sorry. Did I miss anyone in the room? Mark?

MR. GARNER: Yeah, I may have ten, 15 minutes. Board Staff have any?

MR. MILLAR: I don't know if we'll have any by the time everyone else is done. We may not.

So that sounds like at least today. So anyways, let's take 20 minutes now. Let's come back. I'm sorry about the heat. Hopefully it'll be fixed tomorrow. We've put in a request. Do feel free to take off your jackets if that helps, but there will be no other relief.

Okay. See you in 20.

--- Recess taken at 3:17 p.m.

--- On resuming at 3:37 p.m.

MR. MILLAR: Welcome back everyone. It is now just about 25 to 4:00, and we really want to finish panel 1 today.

By time estimates, it is about an hour and a half. So I'd like us to finish by about 5, and get panel 1 done today.

So I'd ask you to keep that in mind. Keep things moving, try not to get bogged down. Stay light, stay cool. Julie, over to you.

QUESTIONS BY MS. GIRVAN:

MS. GIRVAN: Just for Bonnie's sake, I'm going to be referring mostly, at least in the beginning, to the CCC interrogatories.

So first I just want to follow up on something that Mr. Shepherd was dealing with this morning with DSM.

So you are saying with respect to -- just to confirm, with respect to DSM, you haven't looked at integration yet?

MR. KITCHEN: That's correct.

MS. GIRVAN: And what's the impact of that on the board's mid term review?

MR. KITCHEN: To be honest, Julie, I don't think we even turned our mind to that. We've not considered the integration of DSM.

My assumption is the mid-term review will continue on its course.

MS. GIRVAN: Okay, in the context of separate ...

MR. KITCHEN: In the context of separate utilities. We are going to have a -- eventually, we are going to have to come together just to produce the next DSM plan, whatever that might look like.

MS. GIRVAN: Okay, thank you. And the only other question about DSM, what are the impacts on DSM potentially of the establishment of the Green Ontario? Have you thought about that?

Let me follow up. To what extent are you working with Green Ontario and how might that impact you moving forward?

MR. KITCHEN: Well, if you would like, we can find out. We are working with Green Ontario, but I don't have any details that I can share.

MS. GIRVAN: Could you help me with that through an undertaking, please?

MR. KITCHEN: Sure.

MR. MILLAR: Undertaking JT1.16.

UNDERTAKING NO. JT1.16: TO DESCRIBE THE WORKING RELATIONSHIP WITH GREEN ONTARIO AND HOW THAT MIGHT IMPACT THEM GOING FORWARD

MS. GIRVAN: And the questions are really sort of the implications for your DSM, both plans within two utilities, given the establishment of the Green Ontario Fund.

Is that -- I think you understand what I'm getting at -- or Andrew does.

MR. KITCHEN: I understand what you're getting at. I'm just not sure what it has to do with what we're talking about here, but we'll take it.

MS. GIRVAN: Great. I can talk offline with Andrew, thank you.

So in CCC 6 -- it is going to take me a little bit of scrolling to get through these -- there is reference in the answer about the performance benchmarking report that the board had required. I'm just wondering -- it says at the bottom of the answer, CCC number 6:

"A performance metrics benchmarking report is not complete."

And my question is: Is it going to be completed? It's a commitment that was made by Enbridge that they would to at the end of their current IRM plan. Is it in the works, or is it just kind of on hold?

MR. CULBERT: Is it in the works? Do you mean have we hired a consultant or other to do the work? We have not at this point in time. It is in discussions as to how we would proceed in that regard.

MS. GIRVAN: How do you -- and you haven't decided if you are going to do it?

MR. CULBERT: It's in discussion as to how we would go about doing it.

MS. GIRVAN: So that was a previous commitment. Thank you.

So if you turn to CCC 7, please? I just have to pull it up. Okay, so this is -- we had asked for the number of employees FTEs in each year historically and then a projection for 2018.

And my first question is with respect to Union, why have we seen a jump in the number of employees in 2018 relative to previous years?

MR. LANGSTON: That question would be best directed to the representatives on panel 3.

MS. GIRVAN: Okay. Mr. Charleson can't answer that question?

MR. CHARLESON: Not for Union Gas.

MS. GIRVAN: Sorry, you're just one big family now. I keep forgetting that.

Now if you could turn to the second page, and something I noticed here that I would assume that embedded in rates is this 2013 number, so it's -- is that correct? Is that a question for ...

MR. CULBERT: What's embedded in our current approved rates?

MS. GIRVAN: Yes.

MR. CULBERT: It's not the 2013 number. We had a forecast for five years in the forecast for the five years in our customer application, which would have had the number of employees and salaries associated with it.

MS. GIRVAN: Okay.

MR. CULBERT: So it was just a different level than just that in our five years.

MS. GIRVAN: I've noticed that you've reduced the number of employees significantly since really 2013-2014.

And I wondered if you could tell me what the annual impact of that is, so going from -- you had, I guess, 2013 or -- 2014 was the beginning of your plan.

You had 2,200 employees. Now you're down in '18 to 1,900. What's the revenue requirement impact of that difference? Can you estimate that for me?

MR. CULBERT: The revenue requirement impact were those bodies contained in a budget for rate-making purposes with offsetting severance that would have occurred.

[Witness panel confers].

MR. CULBERT: There's a lot of variables that would need to be taken into consideration; outsourcing of activities, where there were any. We talked about the HR services that migrated to Enbridge Inc. at a point in time, et cetera.

So I wouldn't say all of these yearly numbers are necessarily on an apples-to-apples basis. So on a best efforts basis, we could put together something, but –

MS. GIRVAN: In 2018, what was the forecast number of FTEs? Could you find that out for me?

MR. CULBERT: I'd have to find that out. We might have provided in an interrogatory, but I'll find out.

MS. GIRVAN: Okay, that would be helpful. So I'm just trying to look at sort of the annual impact of a reduction and employees of this ballpark --

MR. CULBERT: Are there undertakings for these?

MS. GIRVAN: Yes, please.

MR. MILLAR: JT1.17.

UNDERTAKING NO. JT1.17: TO PROVIDE THE 2018 FORECAST NUMBER OF FTES

MS. GIRVAN: There are two -- well, you can do them all together. And I can further explain off the record if you want in terms of exactly what I'm looking for.

MR. CULBERT: Okay.

MS. GIRVAN: Okay, thank you. Could you please turn to CCC 15? This is an interrogatory that we looked at earlier with respect to your corporate costs.

So what I understood is currently in 2018, the way this works is you've got approximately $50.2 million that Enbridge is paying Enbridge Inc. for services. Is that correct? That's what you said earlier.

MR. CULBERT: That is currently what's in the budget.

MS. GIRVAN: Okay. And then with respect to Union, you have Union paying 18.1 million in 2018, but they're receiving revenues of 11.3 million. That is correct?

MR. CULBERT: That is again currently the preliminary forecast.

MS. GIRVAN: So going forward, say in '19, are the services that both Enbridge and Union get from Enbridge Inc. going to change?

MR. CULBERT: I think that is probably a question best addressed by the panel, panel number 3.

MS. GIRVAN: And what panel is that? What's the name of the panel?

MR. KITCHEN: It's rates, rate zone contracting accounting items.

MS. GIRVAN: Okay. All right. Thank you.

So if you could please turn to CCC 18, and there is just a question. This -- the attachments to this particular interrogatory set out the customer engagement research.

And I just had a clarification question. With respect to the Enbridge one that was prepared by -- who was it prepared by? IPSOS. Why does it say "draft report"? Was there a final report?

MR. CULBERT: I think this is the final report. I'm not sure why it says "draft" on it, but...

MS. GIRVAN: Okay, could you confirm that for me, please?

MR. CULBERT: Yes, I will.

MR. MILLAR: Is that an undertaking, Julie?

MS. GIRVAN: Yes.

MR. MILLAR: So that's JT1.18.

UNDERTAKING NO. JT1.18: TO CONFIRM WHETHER THE REPORT IS THE DRAFT REPORT OR THE FINAL REPORT; IF IT IS THE DRAFT, TO PROVIDE THE FINAL.

MS. GIRVAN: Yup. And if it's not the final report, if we could have the final report.

Now, I'm just scrolling through the rest of that. It's a very long report. Okay. If you could turn to CCC 19, please.

And I just had a quick clarification question. It talked about plans for customer engagement and it refers me to the OAPPA interrogatory.

I just wondered, do you have any plans to undertake customer engagement with your customers regarding your current rate plan, or is the customer engagement relative -- that you've undertaken in, I think, August 2017, is that all we're going to get with respect to this particular rate plan?

[Witness panel confers]

MR. KITCHEN: The customer engagement that was carried out and was contained in the interrogatory response is the customer engagement that we are relying on for the purposes of this rate mechanism.

MS. GIRVAN: Okay.

MR. KITCHEN: We will, however, continue to do customer engagement as we move through the deferred rebasing period in order to help us prioritize our spending activities, particularly through the asset management plan.

MS. GIRVAN: Okay, all right. Thank you. If you turn to CCC 23, please. We'd asked about Union's last cost allocation study. I wanted to confirm that it was undertaken as part of that 2013 rate application. I think that's correct. It says in number -- in section B.

When was that study actually undertaken? Was it undertaken in 2011?

MR. KITCHEN: 2013 rates would have been filed in November of 2011, so, yes, it would have been done during 2011.

MS. GIRVAN: I think it was actually January 2012, but -- so it --

MR. KITCHEN: Well, it may be my memory was just hopeful as to when we would have filed it.

MS. GIRVAN: I think somewhere in that range. Okay. So the actual cost allocation study was undertaken in 2011.

MR. KITCHEN: Yes.

MS. GIRVAN: Okay.

MR. QUINN: That might be subject to check, Mark. I think there was an update done in July of 2012.

MR. KITCHEN: We can look at that, but I'm not sure much turns on it. Julie's point is, when was it last filed. It was filed to support the '13 rates.

MR. QUINN: Okay. Fair enough. Thanks.

MS. GIRVAN: So -- and just to confirm, you're not planning to do a cost allocation study on a broad basis except -- or during the term of the plan except on some small items like transportation.

MR. KITCHEN: On specific items; that's correct.

MS. GIRVAN: Okay. And can you explain to me how you actually undertake a cost allocation study on selected items like the pan handle cost?

MR. KITCHEN: That is probably best left for the --

MS. GIRVAN: The rates.

MR. KITCHEN: -- rates panel.

MS. GIRVAN: Okay, thank you.

CCC number 29, please. And again, this is with respect to specific service charges, and I just wanted to confirm the last time that Enbridge proposed and received approval to update the charges was in 2009 and the last time that Union proposed it was in 2004, and I know it says it is not seeking any approvals from the Board within this application with respect to these charges. Do you anticipate that going forward you will seek changes as part of your annual rate adjustments?

MR. KITCHEN: The challenge I have in answering the question is that, you know, we haven't even done a comparison between the service charges that EGD charges and the service charges that Union charges, and until we actually get -- we do that comparison and we actually get into the deferred rebasing period and begin to bring together some of our processes, so for example, you will notice a number of these are related to meter -- removals of meters, gridlock charges, until we start looking at some of those processes, I don't see us harmonizing these things, but again, if we are going to do it, we'd bring forward the proposal and the board would review it.

MS. GIRVAN: Okay. So it's something you haven't put your mind to --

MR. KITCHEN: No.

MS. GIRVAN: -- either updating or harmonizing.

MR. KITCHEN: No, neither updating nor harmonizing.

MS. GIRVAN: Okay. If you could please refer to BOMA 16 again, attachment 1, and I just want to confirm what this Table -- we are on page 2 -- Table 1 tells us, and I think what this sort of high-level estimate is that on the low side you might only spend $50 million in capital investment. On the high side you might get $750 million in savings; is that what that's telling me?

MR. KITCHEN: I don't think you should interpret the table that way because, first of all, I don't know -- I don't know how you could possibly spend as little as $50 million in capital and expect to get $750 million in savings, so you've kind of picked the two polar ends.

It is -- the way I view the table, if you spend 50 million you may be able to get 350, 250, you may be able to get 750, but whatever the actual outcome is is unknown at this time until we actually do the planning.

MS. GIRVAN: Okay. Thank you.

If you could please turn to LPMA number 23. And what this -- I will wait for you to pull it up.

So what this question asked you is for each Union and Enbridge calculate the threshold percentage in value for each of 2014 through 2018 and then compare the threshold value to the actual capital expenditures in those years.

So I just wanted to just confirm and -- or question -- my question really is, is what this table is actually telling us, and I think what it's telling us is that during your previous IR term -- and this is with respect to Union -- the -- if the ICM had been in place it would have been sufficient or more than sufficient actually to allow you to spend the capital that you wanted -- that you actually spent.

MR. REINISCH: So I guess there's a couple of clarifying points on that. So the first one is, I just wanted to make sure that it's clear that Union Gas operated under a price cap, but it was a settlement agreement, and it did not have the ICM mechanism --

MS. GIRVAN: It had the capital pass-through.

MR. REINISCH: Union was operating under an agreement that provided for the capital pass-through mechanism, which though consistent in many ways with the intent and execution of the ICM, they are two very different mechanisms.

So that's the first point of clarification.

The this table again was prepared for illustrative purposes, so drawing my conclusions from this table is really, I think -- it's user beware.

At the end of the day, when you look at the table itself and you go to line 8, that is the capex that had this happened and this back cast really this scenario taking place.

Union was investing above the capital pass through, this illustrative IC threshold. So the ICM threshold calculation, again based on this scenario, would not have provided Union with sufficient funds to make the investments that Union Gas actually made from 2013 through forecasting.

MS. GIRVAN: All right, then I think I read it wrong. Thank you.

If you could please turn to LPMA 29, this just sets out O&M cost per customer. Can you just explain why there is a significant difference between the Enbridge and the Union cost per customer? Is it just geography really?

MR. REINISCH: This was one of the interrogatories that was identified for panel 3, so I would encourage ..

MS. GIRVAN: Okay, all right. Thank you. Then just quickly, LPMA 38. I just wanted to confirm, and this is in LPMA 38 and 39, so there is a number of base rate adjustments that Union and Enbridge are proposing going forward. And I just wanted to confirm that the removal of the deferred tax adjustment, that is almost entirely paid for by residential customers in terms of the allocation?

MR. KITCHEN: Yes, consistent with the benefit that they receive. When you remove that benefit, their rates go up.

MS. GIRVAN: Okay. And then if you move to the LPMA 39, I guess the same thing with respect to the decrease in revenues associated with CIS, the majority of that is going to be funded by residential customers?

MR. CULBERT: That's correct, in the same fashion that the CIS customer care costs were allocated, yes.

MS. GIRVAN: Okay, great. Thanks. Then with respect to the –

MR. CULBERT: Sorry, that's a benefit.

MS. GIRVAN: Yes, okay. I'm just looking at the OPEB cost, a 6.5 million increase. Have you provided how that's allocated?

MR. CULBERT: Something tells me there was an interrogatory, but I can't recall off the top of my head.

I know it's related to income tax, so however income tax is allocated is the same fashion it will be allocated going forward.

MS. GIRVAN: Okay. I'll have a look to see if that's in there.

If you could please turn to Board Staff 7, it is just a clarification question. These are the calculations of the Union -- it's earnings sharing. And when I look at Union Gas, I just wondered, there is a -- there is an adjustment related to donations.

Can you explain to me how donations fits into the calculation of earning sharing? So if you see in -- basically this is attachment 2 -- attachment 1, sorry, and attachment 2, there is an adjustment in O&M and it's marked by footnote IV.

And if I go down and I see donations, I see 3.4 million in donations. Can you explain to me how the donations fits into the calculation of earning sharing?

[Witness panel confers]

MR. REINISCH: So if you look at the operating and maintenance expense line 7, and this is attachment 1, you can see the total operating and maintenance expenses for 2014 was $396 million -- sorry, 932,000. From that, in order to calculate our utility operating and maintenance expense, we need to remove the unregulated storage which is column B, and then we also adjust to factor in the donations and the CDM program costs.

So that calculation arrives at the total of

379 million.

MS. GIRVAN: So there is an adjustment of O&M, in say 2014, of 3.1 million related to donations.

MR. REINISCH: Again, that is to remove those costs from the calculation of utility earnings.

MS. GIRVAN: That's what I was looking for. Okay, those are my questions. Thank you.

MR. MILLAR: Thank you, Julie. Tom?

QUESTIONS BY MR. LADANYI:

MR. LADANYI: Good afternoon, panel. My name is Tom Ladanyi, for those that don't know me. I am a consultant to Energy Probe. I am going to try to be really brief because it is late in the day.

So if you could turn to FRPO 11, page 2 of 10, it is assumptions for Enbridge Gas Distribution stand-alone utility. You will see line 2.2, RCAM; we talked about that earlier. And actually I have no questions about that line, but if you go down ...

MR. CULBERT: What page, sorry, Mr. Ladanyi, where are we?

MR. LANGSTON: We're on FRPO 11, page 2, line 2.2, RCAM.

Actually, I have no questions about that one, but I have a question regarding Union Gas. If we go further down in that -- in the interrogatory response, I see Union Gas assumptions under table 5.   And I don't see any corporate cost allocation, or any corporate services charge.

Am I right to assume that those are subsumed inside the departmental and others line?

MR. REINISCH: Yes, that is correct.

MR. LAPP: Would it be possible for to you break them out as a separate line as an undertaking? It should be straightforward.

MR. KITCHEN: Just a second? The reason I was taking some time is that I thought we took an undertaking very early in the day to provide that breakout to Mr. Shepherd.

MR. MANDYAM: I think it's JT1.14.

MR. LAPP: Okay.

MR. LADANYI: Thank you, I will continue on to other questions.

Could you turn to CCC number 7, we were just there a few minutes ago, page 2. So there the first question is: So these are head count numbers, not FTE; is that right?

MR. CULBERT: That's correct.

MR. LADANYI: And head count is really the number of employees at a point in time.

MR. CULBERT: That's correct.

MR. LADANYI: So we see here in your notes with the asterisks that the 2018 number is as of February 28th, 2018.

How about the other numbers? What are the dates for the other numbers? Are they year-end numbers? What are they?

MR. CULBERT: I would assume they are year-end numbers.

MR. LADANYI: Could you check that for me, please?

MR. CULBERT: Sure.

MR. LADANYI: Okay. Now --

MR. MILLAR: Is that an undertaking?

MR. LADANYI: Perhaps I might have some more questions about this so we could combine them all.

Now, these number of employees, are these permanent employees or are these contract employees included as well here? Part-time employees?

MR. CULBERT: As Mr. Reinisch points out, these questions really are for panel 3. Panel 3 might have a better answer rather than me taking undertakings. They might have better insights as to --

MR. LADANYI: So I should pursue this -- perhaps -- maybe let me ask a couple of more questions and then we'll see where we go with this.

Do you know what your typical compensation per employee is, including all benefits, bonus, and everything else, nothing hidden, everything all-in that would end up in the revenue requirement?

MR. CULBERT: As an average I do not.

MR. LADANYI: Do not know as an average, so I will be asking that as an undertaking as well. You don't want to take it now; you want to leave it for the other panel?

MR. CULBERT: Yes.

MR. CASS: Yes, Tom.

MR. LADANYI: Yes, Mr. Cass.

MR. CASS: Yes, I think this should be left for the other panel, Tom.

MR. LADANYI: Very good. We'll move on.

Okay, let's go to CCC number 6. The CCC 6 asks for 2016 report. Perhaps -- maybe I'm not observant enough, but I couldn't find the 2016 report. Could you show me where the 2016 report is attached to CCC number 6? Because it looks to me like there is some earlier report, like 2015 report and a 2013 report, perhaps, but I don't see anything about 2016.

MR. CULBERT: What is contained in the attachments are the annual productivity reports that were provided in each year's annual stakeholder day.

MR. LADANYI: Right.

MR. CULBERT: So there should be three of them in there, in EB-2015-0122, 2016 is EB-2015-0122, so there is three years in here.

MR. LADANYI: Is there? Can you just show me which one --

MR. CULBERT: There are two, actually.

MR. LADANYI: They don't seem to be dated, so it is kind of hard to guess where they are.

MR. CULBERT: Well, they are dated on the top of the attachments. Oh, no, so that's this proceeding.

MR. KITCHEN: We go from cover page to cover page.

MR. LADANYI: So which one is 2016?

I would say the first one attached at page -- what is this? 57 is 2016, and the one after that is 2015.

MR. LADANYI: Okay, I'll have a look at that.

Let's move on to BOMA 16. And we have spent a lot of time on BOMA 16 today, so everybody should have it open.

Let's go to attachment 1. So what is the date of this document? I see that there are numbers that seem to be produced at several places that seem to originate from this document, or when was this document prepared, this attachment 1?

Many years ago I used to work for TransCanada Pipelines, and they had a requirement that each document had to be dated. And this is kind of disappointing to be searching for dates of documents, but nevertheless, can you tell me when this was prepared?

MR. CASS: All right, Tom. Well, perhaps you could stick to questions, and we can move on.

MR. LADANYI: This is important, because the sequence of events is important. Okay, fine.

MR. KITCHEN: So the document, Tom, was prepared in response to the interrogatories. However, if you would recall, in FRPO 1 there is a very similar document that was provided to the -- to the board of directors in July. And then you will notice on this document, however, there is an Appendix A and B, which were prepared -- which were prepared -- A, B, and C, which were prepared in response.

MR. LADANYI: Okay, we'll come back to this one. I just wanted to ask you the time lines, because I'm kind of interested in them since you mentioned that.

Just a minute. Bear with me for a second.

Could you turn to FRPO 1, attachment 1, page 35. It says "stakeholder engagement". It is a time line. Okay.

There we are.

Okay. So for a start, who are senior leaders? Who would that be? Are any of you gentlemen senior leaders?

MR. CHARLESON: That would have been kind of the executive team and their direct reports.

MR. LADANYI: So let's come book to that. Is anyone on the panel a senior leader? Maybe you will know if you are a senior leader if you received the call on November 2nd. Did you get a call on November 2nd?

MR. CHARLESON: It was a group conference call that was held to inform senior leaders about that --

MR. LADANYI: So Mr. Charleson, you were on the conference call?

MR. CHARLESON: Yes, I was.

MR. LADANYI: So you must be a senior leader.

MR. CHARLESON: Yes, I am.

MR. LADANYI: Okay. Very good.

MR. CHARLESON: In the context of this --

MR. LADANYI: Okay. And the purpose of this call was what?

MR. CHARLESON: The purpose was to help to inform our senior leaders about the MAADs application, to answer questions they may have, so that they would be able to help to answer questions that their teams and that our broader employee base may have based on the filing of the application.

MR. LADANYI: So nothing was mailed out on November 2nd to senior leaders except possibly an invite to a conference call?

MR. CHARLESON: There might have --

MR. KITCHEN: We'll taking an undertaking, sorry.

MR. LADANYI: Well, don't rush. I may have a few more.

MR. KITCHEN: It was a call. Right? Just as Mr. Charleson said, to inform the senior leaders so that they could appropriately communicate to their staff that we had filed the MAADs application.

MR. LADANYI: All right. Then I go down on the table. I don't want to spend too much time on the call. I am much more interested in the event that took place November 22nd and 23rd, which says "Union EGD senior leader forum."

What was that? Was that some kind of a two-day conference, off-site conference? What was this? Somebody must have attended.

MR. KITCHEN: Yes, it was a meeting of Union and EGD senior leaders, and there was a number of things discussed. One of them was the application, particularly the upcoming application for the rates -- for the rates mechanism.

MR. LADANYI: So did you receive an advance package for this meeting that invited you to the meeting and asked you to read some material?

MR. KITCHEN: I don't recall.

MR. LADANYI: All right. Did you receive any material at the meeting? A PowerPoint presentation, did you receive anything at all?

MR. KITCHEN: There were PowerPoint presentations. In fact, in fact, Andrew and I delivered one on the rates mechanism, so --

MR. LADANYI: Would it be possible for us to see the PowerPoint presentation that you and Andrew -- Mr. Mandyam delivered?

MR. KITCHEN: Yes.

MR. LADANYI: Undertaking.

MR. MILLAR: JT1.19.

UNDERTAKING NO. JT1.19: TO PROVIDE THE POWERPOINT PRESENTATION DISTRIBUTED AT THE EVENT HELD NOVEMBER 22ND AND 23RD.

FOLLOW-UP QUESTIONS BY MR. QUINN:

MR. QUINN: Sorry, Tom, sorry, I think Mark answered yes to the PowerPoint presentation he and Andrew delivered.

Can we get all of it? Because we in FRPO 1 had asked for all presentations to be provided. And, yes, we did get the one to the EI board, but I would have included that presentation amongst your senior leaders.

MR. CASS: Well, Dwayne, I haven't heard that at this meeting there were any presentations that were in any way relevant to this case, except the one that's just been referred to and that the undertaking covers.

CONTINUED QUESTIONS BY MR. LADANYI:

MR. LADANYI: Were there any other presentations from anybody else? For example, was there anybody from --let's put it like this. The Enbridge Inc. finance department who gave a presentation about the savings targets, was there anything else like that?

MR. KITCHEN: No.

MR. LADANYI: Were there savings targets and efficiencies being discussed at all?

MR. KITCHEN: No.

MR. LADANYI: So for two days, you had one presentation?

MR. KITCHEN: I didn't say that. You asked me if those two things were discussed.

MR. LADANYI: Fine, all right. Can you tell me what happened on the rest of the day -- time? So one presentation would take, let's say, maybe an hour, an hour and a half. So what happened the rest of the time? It's two days. Were there some group discussions? What was going on?

[Witness panel confers]

MR. KITCHEN: First of all, the meeting, although it says 22nd, 23rd, it wasn't two days. It was actually two half-days. It started at noon on the 22nd and ended at around noon on the 23rd.

In addition to the presentation that Mr. Mandyam and I did on MAAD and the rate mechanism, there were panels on some of the people's experiences around the enterprise merger implementation -- sorry, implementation.

But I think the easiest thing for me to do would be just to provide the agenda.

MR. LADANYI: Okay, could you do that?

MR. KITCHEN: Yes.

MR. MILLAR: JT1.20.

UNDERTAKING NO. JT1.20: TO PROVIDE THE AGENDA FOR THE MEETING HELD NOVEMBER 22ND AND 23RD.

MR. LADANYI: Could I take you now back to BOMA 16, 16, attachment 1, page 10?

That's a table we've seen several times during this proceeding, page 10 of 20. It is just a very good reference table.

Could you tell me roughly when this table first showed up? Was this table prepared sometime during the summer by somebody? Because we still haven't found out who prepared it, but who would have prepared a table like this?

MR. KITCHEN: Mr. Ladanyi, the table you are referring to also appears in our evidence at attachment 12, and it is the forecast of integration investments and savings would have underpinned the board of directors presentation.

MR. LADANYI: So it was prepared prior to the board of directors presentation which was on November 2nd?

MR. KITCHEN: Yes.

MR. LADANYI: Okay. So when I look at these numbers, they obviously seem kind of high-level. You'd agree with me they are high-level numbers? In fact you say that in the evidence, don't you, in several places.

MR. KITCHEN: It is a high-level estimate, yes.

MR. LADANYI: Okay, so I just -- you know, it is very interesting how high-level they are.

When I look at different columns, for example, and the lines, I look at the lines line called "Additional unidentified efficiencies" and the reason they are not identified is because you couldn't identify them, I guess. But who asked you to put up with more efficiencies? Was it somebody at the Calgary office or head office at Enbridge Inc. saying we do not have enough savings, give us some more numbers. And you couldn't come up with any numbers, so you created a new line -- or somebody either at Enbridge or Union created a new line that said, well, we can't find this stuff, but we'll find it somehow. Is that how it is?

[Witness panel confers]

MR. KITCHEN: There is an IR response that we're just trying to turn up.

There is an IR response, Mr. Ladanyi, that deals with this. But essentially, the unidentified savings required by management to get it back to allowed.

MR. LADANYI: Let me ask you in a slightly different way. Was there a small group working on putting together these numbers in secret? Since most of the senior leaders must not have been involved, they had to be informed about later about it, so they weren't part of this group. There was a select group that came up with these numbers without consulting the senior leaders. Obviously, if they knew all about it, they wouldn't need to be informed, and on that basis...

MR. CASS: If I could stop there, I've been trying not to interfere, because I am hoping it will move along more quickly that way.

But this is a technical conference, as you know, Tom, questions of clarification, not cross-examination. If you want to ask how was a document prepared, fine. But all this innuendo and this commentary, these are not technical conference clarification questions to me.

MR. LADANYI: Sure, well, we'll move on. There are other questions.

CONTINUED FOLLOW-UP QUESTIONS BY MR. QUINN:

MR. QUINN: Before you move on, Tom, I just wanted to loop back. The senior leaders day, I heard Mr. Kitchen undertake to provide an agenda and the presentation that he and Mr. Mandyam did.

Could I also ask in the review of that agenda if there are any other pertinent documents that do reflect on the matters in this case, that those are provided also?

MR. KITCHEN: We will provide the agenda and if there's anything that reflects on MAAD and setting the rate mechanism, we can provide that.

MR. QUINN: Going back to the other one, Mr. Culbert, Mr. Ladanyi was asking about 2014 and '15 productivity results. That's what you filed is '14 and '15.

Your ‘16 productivity results that were part of EB-2007-0102 and were not produced by Mr. McPherson, but Melinda Yan and somebody else, and that document is different and it is absent from what was provided in response to the IR. So there is a missing 2016 productivity report from this record.

MR. CULBERT: I don't believe so. The two reports in there are 2015 and 2016?

MR. QUINN: You might want to do that subject to check, or take an undertaking to check it because I'm looking at the '16 results produced by somebody else for the stakeholder day. I haven't compared one slide presentation to the other, but in flipping through Mr. McPherson's, that looks like 2014. This is 2016, the one I'm looking at.

MR. CULBERT: I will check.

MR. QUINN: Okay, if we could undertake that.

MR. LADANYI: Before we leave, unfortunately --

MR. MILLAR: JT1.21.

UNDERTAKING NO. JT1.21: TO PROVIDE ANY DOCUMENTS THAT MIGHT SEEM RELEVANT TO THIS CASE FOLLOWING THE REVIEW OF THE AGENDA PROVIDED AS JT1.20

MR. LADANYI: Before we leave attachment 1 of BOMA 16, could you just simply tell me who produced it and when. That has to be really straightforward. There is no argument here. There's got to be a straightforward answer to that question.

The origin of the number, when they were put together and by whom.

MR. KITCHEN: It was produced by management. That's the answer you are going to get, Tom.

MR. LADANYI: Management is hundreds of people and I just don't think it's hundreds. But anyway, we can fill it up in a case.

FOLLOW-UP QUESTIONS BY MR. BRETT:

MR. BRETT: Excuse me, Tom, Tom Brett here. I Just want to help clarify. You are looking for the interrogatory and it is a BOMA interrogatory that deals with the unidentified efficiencies of 12 million. It is actually 23D. And there's an answer, 23D as in dog, there is a fairly lengthy answer that talks about the need to reach a certain ROE target and the necessity for the unidentified, and I'm paraphrasing, savings is to reach that target. In other words, it is sort of what you said at the outset.

CONTINUED QUESTIONS BY MR. LADANYI:

MR. LADANYI: Thank you.

So if you turn to FRPO number 1, attachment 2, page 12. You've got it? Under "management functions" and "other", what is "other"?

MR. MILLAR: Sorry, Tom, what page are you on?

MR. LADANYI: We're on page 12 of 12. We've been on this chart several times today. It is on the screen. If you can just turn over and have a look at it.

MR. PACKER: Mr. -- I'm trying to be helpful. If you look at BOMA 16, page 8 and 9, "management functions" and "other" are separated, and there is a description of what each is on those pages.

MR. LADANYI: BOMA 16? Which page, sorry?

MR. PACKER: This is BOMA 16, attachment 1, page 8 and page 9,

MR. LADANYI: So the cost that I see there, potential capital investment, I think we mentioned this before, so this would be -- include in it severance for people who are going to be let go?

MR. PACKER: No, sorry, the capital costs do not include severance. The $150 million is the capital costs to do the system work to amalgamate the two utilities.

MR. LADANYI: I recall a different answer earlier today, but I won't follow up on it. Very good. If that's the case.

MR. PACKER: I think there are references to 170 million and how you reconcile the two is 20, but if you are looking at a capital cost schedule that shows 150, that is just capital cost.

MR. LADANYI: So when you look at potential O&M savings between 170 million and 150 million, how many employee reductions would that be, FTE reductions, assuming let's say each one is 150,000 per employee? Or you can give me your own estimate.

MR. REINISCH: Unfortunately with respect to the detailed planning on other functions, that work is not being conducted, so there is no ability to provide a response.

In order to be helpful with respect to the management function savings, that information is contained on BOMA 16, attachment 1, pages 8 and 9. There is a breakdown at a high level of how the savings were arrived at for management function rationalization.

MR. LADANYI: Okay. I will leave it at that, and Mr. Yauch has a question. No?

MR. MILLAR: Is that it, Mr. Ladanyi?

MR. LADANYI: That's it. Thank you.

MR. MILLAR: Thank you so much. Mr. Garner?

QUESTIONS BY MR. GARNER:

MR. GARNER: I will try and be quick too, but I would just like to follow up on what's being talked about, and I think it really comes down to this issue that keeps coming back and forth, is whether the numbers for the savings and the expenses are bottom up, are up down, if you know what I mean.

So Mr. Charleson, you said you are a member of the senior executive. Do you report to Mr. Sanders? Is that you direct report?

MR. CHARLESON: Yes, I report to Mr. Sanders.

MR. GARNER: Is there anybody else on the panel from Enbridge who directly reports to Mr. Sanders?

MR. CHARLESON: No.

MR. GARNER: Is there anybody on the panel that directly reports directly to Mr. Baker?

MR. PACKER: I report directly to Mr. Baker.

MR. GARNER: Okay. Thank you. So maybe I'll then address it to the two of you at the back.

At any time during this process were you provided or told that there were objectives of Enbridge Inc. to make for savings for this amalgamation?

MR. CULBERT: I wasn't.

MR. CHARLESON: No, there was nothing specifically that came from Enbridge Inc.

MR. GARNER: Was there anything generally, as opposed to specifically then?

MR. CHARLESON: Nothing that...

MR. GARNER: Okay. Thank you.

Now, I want to go to a couple of other things that were here, and let me just pull up my IRs and see where I'm at.

If you look at, I think it's BOMA 5, and you don't really have to pull -- I mean, well, you can pull it up, but BOMA 5 you were asked, I think, about whether -- whether the purpose of the merger was to increase profitability, and in essence you say that's not confirmed, which kind of says that's not the purpose.

But I wanted to explore that, because, are you trying to say in this response that the utility is not attempting to increase its profitability as part of this merger for the benefit of its shareholders? I mean, I know you are saying there is benefits to ratepayers, and I'm not talking about those, but are you trying to say you are not trying to achieve benefits to the shareholder as part of this amalgamation in that response?

MR. KITCHEN: I don't think we are saying that at all. But it's clearly not the major goal of the amalgamation. We are, of course, trying to produce the best outcome for the shareholder, but if you look at -- if you look at the board of directors' presentations, one of the things that jumps out at you is that over the term of the ten-year to firm rebasing period we are averaging 20 basis points above our allowed, and that -- we need the synergies, actually, to get that.

MR. GARNER: Right. Thank you. And I wanted to bring you to that exact point, which I think is done at C Staff 57, where you lay out in that interrogatory -- and I just wanted to explore that with you. I think that's -- what that's showing is the 20 basis points that you are talking about achieved versus allowed, and I wonder if Bonnie can bring it up.

You will see a little table down there, 2019 through 2028. It's -- I think it's C Staff -- I think it's 57. Oh, no, I'm on the wrong place. And now I've lost it, because I was on 57. It's C Staff 2, maybe, page 6. Let me just see if that's the right reference.

No, unfortunately I -- yeah, is it -- because I just lost it. I just had it on my screen and now I've just lost it.

Yes, it is, thank you, Andrew. That is exactly where it is.

So it's got a table, and I believe that's what -- just below that -- keep going. That table there.

Mr. Kitchen, is that what you are driving at? That's the table that shows the 20 basis point sort of goal or achievement in order to -- in order to make it worthwhile, so to speak, call it that way, of the amalgamation, so it is slightly above the allowed rate of return that you are trying -- you are showing to achieve here.

[Witness panel confers]

MR. KITCHEN: That's correct, that's the table that I was referring to, and, you know, I think that, you know, this demonstrates, I think, that one of the reasons that we need the ten-year deferred rebasing period is in order to actually get -- make the investment, get the synergies, and pass on some benefit to ratepayers while still providing a benefit to shareholders.

MR. REITDYK: And I'll add as well that this is something that we've talked about openly as being a win-win situation. You know, there are a number of us who have long histories with both Union and EGD and over the past 15 to 20 years, we've worked very hard to drive productivity improvements and keep rates as low as possible while maintaining our profitability.

And in the course of that, what we see right now is diminishing returns on those productivity improvement efforts.

If you take a look at everything we've done over the past, we are really starting to run out of ideas individually on things to do. And this framework affords us the opportunity to -- the next best chance to drive a step change in productivity improvements that otherwise wouldn't be available to us.

MR. GARNER: And certainly I'm sure the people at Union Gas are just waiting for your productivity improvements and vice versa for the other side, so I'm sure it will be a very interesting time for both you.

But the reason I'm asking the question was if these were then -- I want to bring this to your ESM and I understand your ESM proposal, your earning sharing proposal, is basically based on the concept of the Board's guidelines for electricity. That is correct, isn't it? That's the 300 basis point over whatever -- you used that as your model for this one, is that correct?

MR. CULBERT: Yes, it's based off the principles and goals and objectives of the MAAD principles, yes.

MR. GARNER: And it is get quite different, as was brought up before, between the ones that you are both under -- using right now. You are both using slightly different versions of an ESM proposal, so it is not the same as the current version either one of you have, right?

MR. CULBERT: That's correct.

MR. GARNER: So it kind of begged this question to me when I looked at this. Well, if this is what you are hoping to achieve, then why would the ESM be needed as long as you are making these returns that you've projected for yourself as being required? I mean, what's needed more than what you are putting down here? Why do you need an ESM any more than is capped by these numbers, which are the numbers that you are projecting yourself in order to make this a worthy goal for the utility, and I've heard now from the shareholders' point of view and from the ratepayers' point of view.

And just colour it a bit, because when I read those policies for the board and electricity, they do go into some things about electricity that seem to be specific. But we can have those arguments in some other forum.

What I was trying to figure out is, well, these seem to be the numbers you could live with. Why is that not a correct interpretation?

MR. KITCHEN: I think that, first of all, the reason we've adopted the earnings sharing mechanism that's contained in the evidence is because that is per the rate handbook.

Second, if you look at Board Staff 4, we talk about the fact that the Board has stated that earning sharing mechanisms protect customers from excess earnings, but they can also diminish incentives. And what we want to have is the incentive to go out and pursue as many of the savings as we can, and we want to be able to do that in such a way that we maintain safe and reliable service.

MR. GARNER: Fair enough. Thank you. I want to change gears completely for now, and I want to look at the response to Board Staff 3 and the table that was brought up in the FRPO response from the presentation. And it's the one that had the integration of opportunities in the summary.

And the reason I'm only bringing that up -- I know you can't see both of them, or maybe you can in your own notes and then Bonnie can show you one.

The numbers there are similar, but they're not quite the same, partly because you are taking a point estimate here and partly because the other one -- this table in that response is it a range estimate.

I know this may seem quibbling, but I couldn't figure out how you got to the point estimates versus the range estimates because they are not always just the equidistance point, right? They seem to actually be informed by some other slight concept. It is not always equal; it is not always the same. So I couldn't pattern it from one to the other.

MR. KITCHEN: I think the place to go to look at that is in the -- well, you can look in the appendix to BOMA 16(C) and it's there. But also in the words, we've actually set out how we landed on those points.

MR. GARNER: Fair enough. I'll take a look at that. My next question -- let me just pull up my IRs here.

This has to do with -- and you may not be the right panel, and you can tell me that. Let me start the question this way. When this amalgamation is approved, if it's approved, is it the intent of the amalgamated utility to rebrand?

MR. KITCHEN: We have not had a single discussion about that.

MR. GARNER: Let me suggest to you it is going to be an odd amalgamated utility to have two company names on it, since most single companies have a singular name and not two names. Right?

MR. KITCHEN: There will definitely be a single name. What that is we have not talked about.

MR. GARNER: Right. The only reason I'm asking that is because it goes to the next thing I asked in this interrogatory about bordering areas and that, and this is in VECC Interrogatory No. 36. You answered the interrogatory very well, but I don't think you understood my concern or the thing I was trying to get at.

You answered this interrogatory with respect to something called exchange agreements. This is about customer -- where you would join -- the utilities that join each other, and you answered with this response about exchange agreements -- which was very interesting, because I didn't realize you had such an agreement with each other where you basically transferred, I guess, gas and other things because you're overlapping and maybe not even -- I take it not even at metered points; is that right? They can be non-metered, or are they always at a metered point where you exchange under these exchange agreements?

MR. KITCHEN: No, I think the way the exchange agreements work is that if -- along the boundaries, if it makes sense for Union to serve a customer and they are technically in the EGD area, we will serve the customer and then we just do a transfer at Dawn for the gas with the customer.

They'd be billed as an EGD customer, but we would serve them.

MR. GARNER: So in electricity, they call that load transferring, which is one customer is serving the other -- one utility is serving the actual product, but the other utility is billing the actual product.

MR. KITCHEN: It is more economic for us or for EGD to serve a customer, depending on where they're located.

MR. GARNER: I am familiar with the argument in electricity, and now I see what you were getting at.

The reason I asked this question, and then I asked another question which was, I believe, either above or below this that you actually said you wouldn't answer was I wanted to understand this: What is the impact or what is the potential problem of adjoining customers who now are served by two different utilities who will be under the rebranded singular utility having different rates, but being served by the same utility?

So what I was trying to understand is how large could the problem be or not be of customers who are now served by -- let's call it...

MR. KITCHEN: Amalco.

MR. GARNER: It's a lovely name, Amalco. And they are now being served by Amalco, but with their neighbour they go over and they find out, well, I am not actually getting the same rate; how come? I've walked across the street and how come I'm not getting the same rate as my friend over here. We are no longer Union and Enbridge.

So I was trying to get an understanding of how much and how large you had overlapping territories where that problem might occur, and how many customers you had actually thought about that might occur to.

Do you have any idea to help me with that?

[Witness panel confers]

MR. KITCHEN: It might help us if we try to clarify the request because it really depends, I guess, on do you want customers that are on opposite side of the streets?

Do you want customers who are within a kilometre of each other?

MR. GARNER: That's a good question and a fair one, because what I'm really trying to do -- and I know you are at a very preliminary stage with this whole exercise. But what I'm really trying to understand is to what extent does that problem potentially exist. And to me, that would be people who are within communication of each other, bordering each other would be probably the biggest thing.

And also, I was thinking when my request here was that you would deal with those large population centres as opposed to the small ones, so I wasn't trying to go down through all of Ontario and find out every street you were next to, but there were areas where would you have large groups of populations within each other, so Brampton would be an area, Oakville, Burlington would be an area, outside of Ottawa might be areas, right? You would have these areas where you were going to abut with large groups of people who might find it disconcerting, and that went to a -- I'll to go my next question -- disconcerting that they were being charged different rates even though they were served by the same utility.

MR. CULBERT: So those situations exist now in the electricity sector, right? I am on Hydro One and someone right across the street from me is paying at a low-density rate or I am paying at a low-density rate and they're paying at a medium-density rate. Same company.

MR. GARNER: Yeah, I'm sure it is, and I'm sure the

Board would be happy to hear you use that as the example of continuing such an operation.

So it doesn't really answer my question, though, because I'm still just really trying to figure out how large could that problem be, and anything that you could help us with that would be helpful. And before you answer, Mark, just let me ask you the next one, because it was a question you didn't answer that kind of went to the second part of this, which might help me understand whether this is a big enough problem.

We asked you basically to put together a table of rates, basically using Enbridge and Union, and compare those rates. Now, you did one -- we also asked you to do something with volumes, which you did, and give us a bill kind of concept.

And then you basically said, well, we are not proposing to change rates, so we are not going to give you a table that compares them. Now, that seems to me odd, because the Board, one of the things looking at this is going to want to answer, it seems to us, the same question, which is, are customers going to be charged by a singular utility largely different rates, and where, and how, because the Board is going to run into this problem, potentially, and we're going to see -- certainly suggest to them that you might run into this problem of customers who are dissatisfied with the arrangement of this singular utility.

So both of those would help. One is, show us the rates and compare them so we can understand what the difference is, and then provide us with an analysis of how much of the population or where in the province do you think you are going to have issues with customers served under a singular utility.

And to make this easy, because Mr. -- we're running -- you know, this is -- this is a tough request, I understand that, and it may be hard for you to even answer. What I would ask you to do is, if you could think about it overnight, maybe give it some thought, without giving an undertaking, and then tell us tomorrow if there is anything you think you could do that would help deal with what I think is a reasonable concern and request.

Would that be satisfactory, Mr. Cass?

FOLLOW-UP QUESTIONS BY MR. AIKEN:

MR. AIKEN: It is Randy Aiken. Can I jump in for a minute? There is a comparison of the cost to different types of customers in LPMA 42, attachment 1.

MR. GARNER: Thanks, Randy, I'll look at that. Thanks.

MR. AIKEN: Okay.

MR. MILLAR: Okay. So where are we leaving this?

MR. KITCHEN: I almost have to read the transcript to find out exactly -- there was a lot -- there was a lot said that --

MR. MILLAR: There was an offer to think about it overnight, and is that what we need?

MR. GARNER: Right. There are only two requests, Mark. Request 1 is, could we have a rate schedule -- or rate schedule that shows for both utilities the comparison for like areas? I know for each one of the rate classes showing all of them and what the rates are for all of them so we can compare, which seems to be all public anyways, it is just a matter of putting it into a table.

And the second request was, could you provide an assessment of where the two utilities have large groups of customers who abut, would be the word, maybe, adjoin in the same area and how large of a -- how many customers roughly are in those areas. Is that succinct enough?

MR. CASS: Excuse me, and Mark, both aspects of that are what you are suggesting that we would think about overnight? Is --

MR. GARNER: Yes, exactly --

MR. CASS: -- report on in the morning?

MR. GARNER: -- because I know the -- especially the second might be difficult to do, and it may not even be possible to do.

MR. CASS: No, I can't think of any reason why we wouldn't consider it overnight and let you know in the morning the outcome our thought process. So yes.

MR. MILLAR: Mark, do you need that undertaken --

MR. GARNER: No, I don't. I think tomorrow Mr. Cass will address it --

MR. MILLAR: Do you have more questions, Mark?

MR. GARNER: I do. VECC --

MR. MILLAR: I just know we are getting short on time.

CONTINUED QUESTIONS BY MR. GARNER:

MR. GARNER: I think this will be my last question. VECC 27, I think is the question, and the IR. And that interrogatory, I believe -- see if I can find it. VECC 27. Oh, this was -- it was about the NACC adjustments that both utilities are suggesting in their deferral accounts, and this is really a confusion of -- I am trying to figure out something myself in your plan.

When you have the NACC adjustments that you currently have and you propose to move forward, is the effect of the NACC adjustment in your plan to give you -- to take away the forecast risk of the utility? Tell me what risk is mitigated by that NACC adjustment for you?

MR. KITCHEN: Well, the NACC deferrals, I think in both utilities -- Kevin can correct me if I'm wrong -- deals with general service volumes, and it is really there to recognize decline -- it really started to recognize declines in average use as a result of things such as DSM and, you know, building code changes and such, and so really what it does is it continues to do that, it continues to do that with respect to carbon.

MR. GARNER: But does it do it also, I guess, Mr. Kitchen -- this is where I was wondering, does it also do it for weather generally, because that also becomes an input into the average use?

MR. KITCHEN: No, because the NACC, as I understand, and maybe -- I'm sure you could use the same, so it's normalized.

MR. GARNER: Right. That's what I was wondering. So you can sort of exclude weather from it, and it is just the trend, as you say, in these other factors.

MR. KITCHEN: That's right --

MR. CULBERT: Attempting to model the average use per our model, per Union's model, as accurately as possible.

MR. GARNER: Thank you, those are my questions.

MR. MILLAR: Thank you, Mr. Garner.

Anyone else in the room with questions. Unifor, please.

QUESTIONS BY MR. VALENTE:

MR. VALENTE: Unifor, Dan Valente. Panel, just with respect to BOMA 16, attachment 1, seems to be the flavour of the day, turn our attention to page 6 on the net O&M savings assumptions. Just a couple of questions.

And we've heard today that, you know, these are high-level range of potential savings that were done by your colleagues' senior leadership meetings. We don't know who they were, but they did take place, and I just want to know at a high level under customer care, what's the head-count impact that is built into the -- into this range of savings?

MR. CHARLESON: At this time there has been no head-count impacts identified.

MR. VALENTE: Okay. Because I heard today that we do understand that customer care is made up of systems and people, and you're going to save money on people, which would be a head count.

MR. CHARLESON: Yes, but at this time we still have to do our detailed integration planning. We have to understand where we had from a systems perspective worked through those things. And until we really understand all that, we can't even start to assess what it means in terms of our workforce composition or how we execute the work.

MR. VALENTE: Okay. Well, I --

MR. RIETDYK: Just to clarify, I don't think we are saying that the savings are all people-related. There's a number of system and other savings related as well.

MR. VALENTE: No, no, that's correct, Paul, I understand that. But I just, like, at a high level I've been asking this question at numerous different tables, you know, and the same is with the distribution work management, right, so is there a high-level head-count impact? Because I take it that this -- if I heard correctly today, the distribution work management that we are speaking of here is the back office; correct?

MR. RIETDYK: That's correct. And again, it could be made up of a mix of systems, third-party services, and employees, costs, so it could be a mix of those and we haven't turned our heads to do any kind of detailed analysis of ultimately where that would be.

MR. VALENTE: Okay. Well, in the first paragraph under the distribution work management, the last line talks about increased savings between 2024 and 2028 due to optimizing third-party contracts.

Who are the third-party contracts?

MR. RIETDYK: So an example of that would be our construction alliance partners.

MR. VALENTE: So they are not back office, though.

MR. RIETDYK: No, but they are included in the scope of distribution work.

MR. VALENTE: Okay. So now I understand that statement, because now we are talking about, we are moving into the field, right, like, from 20 -- the date there, right?

MR. RIETDYK: That's correct, it's in the second half of

MR. VALENTE: Right. The second finding. Okay. Thank you.

MR. BRETT: Could I just add a follow-up there?

MR. MILLAR: Quick.

FOLLOW-UP QUESTIONS BY MR. BRETT:

MR. BRETT: Are you saying that there are no employee savings -- no savings as a result of employees leaving in those numbers, in those tables? In other words, the converse to what you just said. Are there any dollars in there attributable to employees being let go, or however you want to call it, or are those going to be additional dollar savings to you over and above what you have in those tables?

MR. CHARLESON: No, what I indicated and I'm hoping I conveyed is we haven't identified how we are going to achieve those savings. There is a lot of work that has to be done in terms of planning. There's definitely savings that we expect to see come from systems and integration of those types of things. But then we do have to assess how the work is being done and are there opportunities that way. But we haven't done any planning at this time, and so we can't say one way or another, in terms of what component or what may or may not arise from, say, adjustments to the workforce.

MR. VALENTE: Which I find interesting, but the next question is on storage and transmission operations, gas supply and control. Once again, any high-level head count impacts?

MR. REINISCH: It is the same answer. We haven't done any kind of detailed assessment planning of that function. Again, these were high-level macro savings that have been identified.

MR. CHARLESON: Again, Dan, as you look at BOMA 16 in the section for the savings, it does indicate primary cost savings expected to come from harmonizing the SKADA system for one.

MR. VALENTE: Right. Let's be honest, the use of the word synergies in the application that the utilities put before this Board, you talk about workforce restructuring and alignment, okay?

I'm sorry, being a Union guy, synergies means potential job losses, so let's be open and honest. And I just want to point out that how is it under the management functions, the senior management did turn their attention to high-level head count. In talking, they used a

25 percent reduction of an estimated base of 450 combined. Can you explain that one?

MR. KITCHEN: I think the simple answer is it's an easier group to look at and identify savings.

MR. VALENTE: Okay. That's all my questions.

MR. MILLAR: Thank you very much.

Anyone else in the room? No. Randy, you have one or two questions. Do you want to go?

QUESTIONS BY MR. AIKEN:

MR. AIKEN: Okay, I have two questions. The first one is on FRPO 11. I don't know that you actually need to turn it up, but it is table 1 for Enbridge and table 5 for Union, and it's line 3.1, "capital expenditures." And I take it that these numbers come from your distribution system plans over the ten-year period.

My question is a two-parter on this one, and that is am I correct that there are no capital expenditures related to the integration cost included in these numbers in these tables?

MR. REINISCH: That is correct, there are no integration-related costs.

MR. AIKEN: And the second part of that same line item is: Are there community expansion costs included in those numbers?

MR. REINISCH: Yes, there are capital costs associated with community expansion in those numbers.

MR. AIKEN: Okay, and then my second question, my final question --

MR. KITCHEN: Randy, I just wanted to add one thing to that. One second....

[Witness panel confers]

MR. REINISCH: Sorry, the other thing I wanted to note is that in table 1 and table 5, the revenues associated with those communities that are considered community expansion are also included.

MR. AIKEN: Yes, I noticed that. Thank you.

My other question deals with the integration capital investment, this range of 50 to 250 million, and the statement -- and this is in CCC 2 -- that this is investment of a shareholder, but the shareholder's risk in that basically ratepayers will not pay for any of this.

So does that mean that by the end of the deferral period, these capital investments will either fully depreciated, or if they are not fully depreciated, any remaining net book value will be tracked separately so it can be kept out of rate base?

In other words, how do we ensure that ratepayers do not pay anything beyond the deferral period?

[Witness panel confers]

MR. REINISCH: Sorry, I cannot confirm that. Again, the capital investments will be at the risk of the shareholder during the deferred rebasing period. Upon rebasing, though, the benefits of the activities will accrue to the ratepayer. And at that point in time, whether there is any residual rate base or not will have to be assessed and will be deliberated before the Board.

MR. AIKEN: It will be determined as part of the rebasing application?

MR. REINISCH: That is correct.

MR. AIKEN: Okay, thank you. Those are my questions.

MR. MILLAR: Thank you, Randy. Scott, are you still there? Do you have a question or two left?

QUESTIONS BY MR. POLLOCK:

MR. POLLOCK: Yes, so I will be very quick. I just have two interrogatories.

If you could pull up CME 2 -- and because I am on the phone, if you could let me know when that is up, I would be much obliged.

MR. MILLAR: It is up.

MR. POLLOCK: All right, great. So the original application stated that field operations were excluded from the scope due to the fact that the service areas for each utility don't directly overlap.

And in response to the IR, you gave what I thought might be a second reason, which is the focus of the amalgamation is to bring together systems and processes that will allow time for field operation procedures to be harmonized.

I just wanted to know for my own clarification is this a second independent reason for why field operations have been excluded, or is there a relationship between the service area is not directly overlapping and the time to bring systems and processes together?

MR. RIETDYK: I think it is both of those, and I spoke to some of those things earlier in terms of the practical requirements to -- before we can bring field operations together, and we need the systems and the processes to be aligned and we need the procedures and detailed work instructions to be aligned as well, and that's going to take some time.

Once that's done, then I think we can consider it. But in the meantime, we need to stay focussed on delivering safe and reliable service for our customers and that, I think, will minimize any of the risk associated with safety and reliability.

MR. POLLOCK: So is the overlap or lack thereof, does it increase the time it takes to get all the processes together, or is the relationship there, just so I'm clear?

MR. RIETDYK: First of all, there is not a direct overlap. We're adjacent to one another in a number of different areas and in addition our main offices, we have a number what we call depots or branch areas within the larger areas, just to minimize travel time for our employees. So we are trying to optimize the work locations to where they actually physically work in the field.

As mentioned before, the business is very much a geographically based business. We work on our customer premises in our system within the geography itself.

So the fact that they're adjacent isn't going to lead to many synergies down the road. There may be some on the edges of our service territories, but I think that's it.

MR. POLLOCK: Thank you. Could you also pull up CME number 4, and let me know when that's up?

MR. MILLAR: Its up, Scott.

MR. POLLOCK: Thank you very much, sir. So in terms of this part (b) of our interrogatory asked if the answer was yes, if you had done initiatives like this before, what were the actual savings as a result of the campaign.

And in your answer, you gave sort of a principled understanding of the cost savings, but not the actual results of any specific campaign. So I guess I was wondering if either of the utilities track the results of e-billing campaigns?

MR. CHARLESON: We would keep a general eye in terms of some of the outcomes from some of our e-bill campaigns. But the difficulty you get into is there's going to be -- it's hard to identify whether the adoption that occurs while a campaign is going on is directly as a result of that campaign, or through other messaging or customer behaviours that have triggered it.

So that's where we felt it was more beneficial just to identify kind of the financial impact that arises from -- from successfully moving more customers to e-bill.

MR. POLLOCK: Understood. To the degree that it's acknowledged that there is a little bit of a buyer beware type of thing with this, would you be willing to provide whatever tracking you do for the e-bill campaign?

MR. CHARLESON: We'd have to look into what we may have.

MR. POLLOCK: Okay. Could you do that for me?

MR. CASS: Scott, I'm not really sure how this is going to be helpful to the Board in the context of the application. There may be some interesting information, but it is escaping me how this is going to help the Board rule on the MAADs application and the rate mechanism.

MR. POLLOCK: Well, I guess my thought was that if one of the central aspects of this application is the benefits to ratepayers, the degree to which they were -- could have and already and will continue to gain some of these benefits even absent the amalgamation might be relevant.

MR. CASS: I'm sorry, Scott, I'm just not seeing the connection between the work that you are asking to be done to turn up this information and the issues that the Board will need to decide in this case.

MR. POLLOCK: Okay, fair enough.

And one final question. In terms of -- I don't think you need to turn it up, but in one the FRPO interrogatories that I asked you about, the productivity that was built into the non-amalgamated revenue requirements for the two utilities, and I was just wondering if the productivity that was embedded into those forecasts included initiatives such as, you know, increased e-bills?

MR. KITCHEN: Could I have the reference? Like, it would be helpful if we turned up the FRPO IR.

MR. POLLOCK: FRPO -- I believe it was 10 or 11. Let me just...

MR. REINISCH: If it would be helpful, I believe it is FRPO 11C.

MR. POLLOCK: Okay. Thank you.

MR. REINISCH: So, yes, the efficiencies from any increase in e-billing would not be included in the base case.

MR. POLLOCK: Okay. Thank you very much. Those are my questions.

QUESTIONS BY MR. MILLAR:

MR. MILLAR: Thank you, Scott.

Anyone else on the line with questions?

Okay. I just have one thing which will be very quick. It's not a Board Staff question, but there was a letter of comment that came in the other day, and I thought I might address it to this panel. It is from a Mr. Blackmore, and rather than try and paraphrase I am just going to read it and hopefully you can respond. It says:

> "With this new company being formed, almost every town and company in Ontario will receive its natural gas from this one company. My question is, will it be monitored and operated in a control room in Ontario as Union Gas does or will it be monitored and operated from Edmonton, as Enbridge Gas currently does?"

MR. CHARLESON: So at this time we don't know what our control-room environment will be. We will obviously be looking at the merits of different operating models for that, so can't speak to where it may reside. However, you know, we will continue to ensure we have the right resources on the ground for monitoring and administering our distribution system to ensure safe and reliable distribution.

PROCEDURAL MATTERS:

MR. MILLAR: Okay. We will leave it at that.

Thank you very much, panel. We are done for the day. Thank you to the court reporter for her patience. We are done back at 9:30 tomorrow morning with panel 4.

And then I should alert parties, we are not looking to sit late tomorrow. It is the last day before a long weekend, and people have commitments at the end of the day, so we will be wrapping up probably by 4:00 at the latest, I would suggest, tomorrow.

And after panel 4, it will be panel 3, correct?

[Microphones not activated]

MR. MILLAR: We have given our estimate for panel 4, but that's it.

[Microphones not activated]

MR. MILLAR: If you have an estimate and you want to give it, please do so. Thank you. We are adjourned.

--- Whereupon the hearing adjourned at 5:12 p.m.