



500 Consumers Road
North York ON M2J 1P8
P.O. Box 650
Scarborough, ON
M1K 5E3

Shari Lynn Spratt
Supervisor, Regulatory Proceedings
Tel 416-495-5499 or 1-888-659-0685
Fax 416-495-6072
Email egdregulatoryproceedings@enbridge.com

February 12, 2014

VIA RESS, EMAIL and COURIER

Ms Kirsten Walli
Board Secretary
Ontario Energy Board
2300 Yonge Street, Suite 2700
Toronto, Ontario, M4P 1E4

Dear Ms Walli:

**Re: Enbridge Gas Distribution Inc.
Application for Final Approval of Rider C Commodity Unit Rates
Ontario Energy Board ("Board") File No. EB-2014-0043**

Enclosed please find an application and supporting evidence by Enbridge Gas Distribution Inc. ("Enbridge") for an order approving or fixing just and reasonable rates for the sale, transmission, distribution and storage of gas commencing April 1, 2014.

In accordance with Board's Decision and Interim Order of December 20, 2013, wherein the Board approved Enbridge's commodity unit rates contained in Rider C on an interim basis, attached please find Enbridge's application and supporting evidence in request of an order for final approval.

Please do not hesitate to contact me with any questions.

Yours Truly

[original signed]

Shari Lynn Spratt
Supervisor, Regulatory Proceedings

cc: EB-2012-0459 Interested Parties

APPLICATION FOR FINAL APPROVAL OF COMMODITY UNIT RATES

<u>Exhibit</u>	<u>Tab</u>	<u>Schedule</u>	<u>Contents of Schedule</u>	<u>Witnesses</u>
<u>A - Administration</u>				
A	1	1	Exhibit List	A. Kacicnik
	2	1	Application	T. Persad
		2	Proposed Refund of Amounts from Purchased Gas Variance Account	A. Kacicnik
<u>B – Supporting Schedules</u>				
B	1	1	Q1 – EB-2013-0406 Application	T. Persad
	2	1	EB-2013-0406 Exhibit Q1-2, Tab 1, Schedule 1	D. Small
	3	1	EB-2013-0406 Exhibit I, Tab 1, Schedule 1	A. Kacicnik D. Small
	4	1	EB-2013-0406 Decision and Interim Order	
<u>Decision and Order</u>				

IN THE MATTER OF the *Ontario Energy Board Act*, 1998,
S.O. 1998, c. 15 (Sched. B), as amended;

AND IN THE MATTER OF an Application by Enbridge Gas
Distribution Inc. for an Order or Orders approving or fixing
rates for the sale, distribution, transmission and storage of
gas.

**APPLICATION TO APPROVE
DISPOSITION OF AMOUNTS FROM
PURCHASED GAS VARIANCE ACCOUNT**

1. The Applicant, Enbridge Gas Distribution Inc. (“Enbridge”) is an Ontario corporation with its head office in the City of Toronto. It carries on the business of selling, distributing, transmitting and storing natural gas within Ontario.

2. Enbridge hereby applies to the Ontario Energy Board (the “Board”), pursuant to section 36 of the *Ontario Energy Board Act*, 1998, as amended (the “Act”) for an Order or Orders approving or fixing just and reasonable rates for the sale, distribution, transmission and storage of gas.

3. On December 10, 2013, Enbridge applied in accordance with the Quarterly Rate Adjustment Mechanism (“QRAM”) process for a rate adjustment relating to gas costs effective January 1, 2014 (the “QRAM Application”). In the QRAM Application, Enbridge proposed a refund of \$10.1 million from the Gas Acquisition – Commodity and the Gas in Inventory Re-valuation Components of the Purchased Gas Variance Account (“PGVA”). This refund was included within the commodity components of Rider C proposed by Enbridge in the QRAM Application.

4. On December 20, 2013, a Decision and Interim Order by delegated authority (the "Interim Order") was issued in respect of the QRAM Application. The Interim Order indicated that the proposed refund of \$10.1 million raises possible issues of rate retroactivity that are not typically dealt with by a delegated authority. The disposition of the \$10.1 million was approved on an interim basis, subject to a separate application to be filed by Enbridge as soon as possible and prior to the filing of its April 2014 QRAM application.

5. Enbridge therefore applies for an order of the Board giving final approval for the Rider C commodity unit rates that were approved on an interim basis in the Interim Order. As set out in Enbridge's evidence, the proposed refund of \$10.1 million included within the commodity components of Rider C should not be affected by any retroactivity considerations.

6. Enbridge further applies to the Board pursuant to the provisions of the Act and the Board's *Rules of Practice and Procedure* for such final, interim or other Orders and directions as may be appropriate in relation to the Application and the proper conduct of this proceeding.

7. Enbridge requests that a copy of every document filed with the Board in this proceeding be served on Enbridge and its counsel, as follows:

- (1) Mr. Andrew Mandyam
Director, Regulatory Affairs and Financial Performance
Enbridge Gas Distribution Inc.

Telephone: 416-495-5499

Fax: 416-495-6072

Email: EGDRegulatoryProceedings@enbridge.com

(2) Ms. Tania Persad
Senior Legal Counsel,
Regulatory

Telephone: 416-495-5891
Fax: 416-495-5994
Email: tania.persad@enbridge.com

Address for personal service: Enbridge Gas Distribution Inc.
500 Consumers Road
Willowdale, Ontario
M2J 1P8

Mailing address: P. O. Box 650
Scarborough, Ontario
M1K 5E3

DATED: February 12, 2014 at Toronto, Ontario.

ENBRIDGE GAS DISTRIBUTION INC.

Per: [original signed]
Andrew Mandyam
Director, Regulatory Affairs and Financial
Performance

IN THE MATTER OF the *Ontario Energy Board Act*, 1998, S.O. 1998, c. 15 (Sched. B), as amended;

AND IN THE MATTER OF an Application by Enbridge Gas Distribution Inc. for an Order or Orders approving or fixing rates for the sale, distribution, transmission and storage of gas.

**PROPOSED REFUND OF AMOUNTS FROM
PURCHASED GAS VARIANCE ACCOUNT**

1. On December 10, 2013, Enbridge applied in accordance with the Quarterly Rate Adjustment Mechanism (QRAM) process for a rate adjustment relating to gas costs effective January 1, 2014 (the “QRAM Application”). A copy of the QRAM Application is attached as Exhibit B, Tab 1, Schedule 1.

2. In the QRAM Application, Enbridge proposed a refund of \$10.1 million from the Gas Acquisition – Commodity and the Gas in Inventory Re-valuation Components of the Purchased Gas Variance Account (“PGVA”). This refund was included within the commodity components of Rider C proposed by Enbridge in the QRAM Application. The reasons for the proposed refund were set out in the evidence filed by Enbridge in support of the QRAM Application, at Exhibit Q1-2, Tab 1, Schedule 1, pages 3 to 5, paragraphs 8 and 12. A copy of Exhibit Q1-2, Tab 1, Schedule 1 is attached as Exhibit B, Tab 2, Schedule 1.

3. Board Staff Interrogatory #1 posed a number of questions about the proposed refund of \$10.1 million. One of the questions asked by Board Staff was whether, in Enbridge’s view, the proposed refund would raise any concerns with respect to rate retroactivity.

4. In Exhibit I, Tab 1, Schedule 1, Enbridge responded to all of the questions posed in Board Staff Interrogatory #1 and, in doing so, Enbridge explained that the proposed refund does not give rise to rate retroactivity concerns. A copy of Exhibit I, Tab 1, Schedule 1 is attached as Exhibit B, Tab 3, Schedule 1.

5. On December 20, 2013, a Decision and Interim Order by delegated authority (the "Interim Order") was issued in respect of the QRAM Application. The Interim Order indicated that the proposed refund of \$10.1 million raises possible issues of rate retroactivity that are not typically dealt with by a delegated authority. The disposition of the \$10.1 million was approved on an interim basis, subject to a separate application to be filed by Enbridge as soon as possible and prior to the filing of its April 2014 QRAM application. A copy of the Interim Order is attached as Exhibit B, Tab 4, Schedule 1.

6. For the reasons set out in Exhibit B, Tab 3, Schedule 1, the proposed refund of \$10.1 million included within the commodity components of Rider C should not be affected by any retroactivity considerations. Enbridge therefore seeks an order of the Board giving final approval for the Rider C commodity unit rates that were approved on an interim basis in the Interim Order.

ONTARIO ENERGY BOARD

IN THE MATTER OF the *Ontario Energy Board Act*, 1998, S.O. 1998, c. 15, Sched. B, as amended.

AND IN THE MATTER OF an Application by Enbridge Gas Distribution Inc. for an Order approving or fixing interim rates for the sale, distribution, storage, and transmission of gas effective January 1, 2014.

APPLICATION FOR RATE ADJUSTMENT Gas Costs First Quarter - Test Year 2014

Introduction

1. Enbridge Gas Distribution Inc. ("Enbridge") hereby applies to the Board for an order approving or fixing interim rates for the sale, distribution, storage, and transmission of gas effective January 1, 2014. This Application is made pursuant to, and the order would be issued under, section 36 of the *Ontario Energy Board Act, 1998*, as amended.
2. This Application and the supporting evidence were prepared in accordance with the process for Enbridge's Quarterly Rate Adjustment Mechanism ("QRAM"). The Board approved the original QRAM process, and subsequent modifications, in the following proceedings:
 - RP-2000-0040: The QRAM process was prescribed, under Issue 2.2, in the "Settlement Proposal (Main Case)" dated May 11, 2001; see Exhibit N2, Tab 1, Schedule 1, pp. 13-18 of 54. The Board approved the entire Settlement Proposal on May 30, 2001; see transcript volume no. 1, pp. 107-9.

- RP-2002-0133: The QRAM process was modified, under Issue 4.2, in the Settlement Proposal dated March 14, 2003; see Exhibit N1, Tab 1, Schedule 1, pp. 21-25 of 93. The Board approved the entire Settlement Proposal on March 20, 2003; see transcript volume 1, para. 687.
 - RP-2003-0203: The QRAM process was modified, under Issue 15.11 in the Settlement Proposal dated June 17, 2004, Exhibit N1, Tab 1, Schedule 1, pp. 56-58 of 59. The Board approved the entire Settlement Proposal on June 16, 2003; see transcript volume 1, paragraphs. 32 to 39.
 - EB-2008-0106: The QRAM process was modified in the Board's Decision dated September 21, 2009 at pages 5, 16 and 22.
3. The particulars of the QRAM process are described, for ease of reference, in Appendix A to this Application. Pursuant to the Board's direction, the "Regulatory Framework" has further been modified to include procedures for processing cost claims and awards, if any.

Utility Price and Customer Impacts

4. Enbridge's utility price approved in the EB-2012-0459 Decision on Motion dated November 5, 2013 is $\$173.817/10^3\text{m}^3$ ($\$4.612/\text{GJ}$ @ $37.69 \text{ MJ}/\text{m}^3$). The utility price of $\$173.817/10^3\text{m}^3$ reflects the October 1, 2013 QRAM prices applied to the 2014 gas supply portfolio. Enbridge has recalculated the utility price for the first quarter of Test Year 2014 using the prescribed methodology reflecting a higher commodity cost. The recalculated utility price is $\$182.043/10^3\text{m}^3$ ($\$4.830/\text{GJ}$ @ $37.69 \text{ MJ}/\text{m}^3$).
5. The resultant rates would increase the total bill for a typical residential customer on system gas by \$24.00 or 2.5% (approx.) annually and, for a typical residential customer on direct purchase, would increase the total bill by \$13.00 or 2.1% (approx.) annually.

PGVA

6. The new PGVA rider methodology adopted by the Company in its January 1, 2010 QRAM filing allows it to make adjustments through rate riders for variances in commodity, transportation and load balancing costs for all bundled customers.
7. Effective from January 1, 2014 to December 31, 2014 the Rider C unit rate for residential customers on sales service is (0.8799) ¢/m³, for Western T-service it is 0.0578 ¢/m³ and for Ontario T-service it is 0.2238 ¢/m³.

Regulatory Framework

8. The QRAM process includes the regulatory framework for interested parties as well as the Board and its staff to examine the Application with the supporting evidence and, thereafter, for the Board to issue an order disposing of the Application. Enbridge's list of interested parties is presented in Appendix B; the list includes the name(s) of the parties and their respective representative(s).
9. The following is the prescribed regulatory framework for processing the Application:
 - Any responsive comments from interested parties are filed with the Board, and served to Enbridge and the other interested parties, on or before December 15, 2013.
 - Any reply comments from Enbridge are filed with the Board, and served on all interested parties, on or before December 17, 2013.
 - The Board thereafter issues an order approving the applicable rate adjustments or modifying them as required, effective January, 2014.
10. Enbridge requests that the Board issue such an order on or before December 20, 2013 (if possible). Enbridge would then be able to implement the resultant rates during the first billing cycle in January 2014.
11. The following procedures are prescribed for cost claims for QRAM applications, as directed by the Board on February 14, 2007:
 - Due to the mechanistic nature of the QRAM application, the Board does not anticipate awarding costs. Parties that meet the eligibility

criteria contained in the Board's Practice Direction on Cost Awards may submit costs with supporting rationale as to how their participation contributed to the Board's ability to decide on this matter.

- Any party eligible for an award of costs must file a claim with the Board and Enbridge no later than ten days from the date of the Board's decision and order. Should Enbridge have any comments concerning any of the claims, these concerns shall be forwarded to the Board and to the claimant within seven days of receiving the claims. Any response to Enbridge's comments must be filed with the Board and Enbridge within seven days of receiving the comments.
12. Enbridge also requests that all documents in relation to the Application and its supporting evidence, including the responsive comments of any interested party, be served on Enbridge and its counsel as follows:

(1) Mr. Andrew Mandyam
Director, Regulatory Affairs

Telephone: (416) 495-5499
Fax: (416) 495-6072
Electronic access: egdregulatoryproceedings@enbridge.com

(2) Ms. Tania Persad
Senior Legal Counsel,
Regulatory

Telephone: (416) 495-5891
Fax: (416) 495-5994
Electronic access: tania.persad@enbridge.com

Address for personal service: Enbridge Gas Distribution Inc.
500 Consumers Road
Willowdale, Ontario
M2J 1P8

Mailing address: P.O. Box 650
Scarborough, Ontario
M1K 5E3

DATE: December 10, 2013

ENBRIDGE GAS DISTRIBUTION INC.

(Original Signed)

Per: _____
Andrew Mandyam
Director, Regulatory Affairs

FORECAST OF GAS COSTS

Purpose of Evidence

1. The Company is updating its' forecast of gas costs effective January 1, 2014 in accordance with the Quarterly Rate Adjustment Mechanism pricing methodology in place and stemming from Settlement Agreements and Board Decisions in RP-2000-0040, RP-2002-0133, RP-2003-0203 and EB-2008-0106.
2. The Company recalculated the Utility Price based upon a 21-day average of various indices from November 1, 2013 to November 29, 2013 for 12 months commencing January 1, 2014 and applied these monthly prices to the 2014 forecasted annual volume of gas purchases as filed as an update in EB-2012-0459 at Exhibit D3, Tab 3, Schedule 1. The updated volumetric forecast was approved by the Board on an interim basis as per their decision dated November 5, 2013. The recalculated Utility Price is $\$182.043/10^3\text{m}^3$ ($\$4.830/\text{GJ}$) (as per Exhibit Q1-3, Tab 1, Schedule 1, p. 1). This represents a unit cost increase of $\$8.226/10^3\text{m}^3$ or $\$0.218/\text{GJ}$ to the October 1, 2013 reference price of $\$173.817/10^3\text{m}^3$ ($\$4.612/\text{GJ}$) as shown at EB-2012-0459 Exhibit D3, Tab 3, Schedule 1, page 1, updated October 29, 2013.
3. The Company is proposing to change its Utility Price effective January 1, 2014 to $\$182.043/10^3\text{m}^3$ and change rates accordingly.
4. The recalculated Utility Price of $\$182.043/10^3\text{m}^3$ represents an annual Western Canadian price of approximately $\$3.224/\text{GJ}$ at Empress (Exhibit Q1-3, Tab 1, Schedule 4, Column 1). This compares to the forecasted October 2013 Utility Price of $\$173.817/10^3\text{m}^3$ which represented an annual Western Canadian price of approximately $\$3.130/\text{GJ}$ at Empress. The forecasted October 2013 Utility Price was based upon a 21-day average of various prices, exchange rates and basis

Witness: D. Small

differential from August 2, 2013 to August 30, 2013 for the 12 month period October 2013 to September 2013.

5. Exhibit Q1-3, Tab 1, Schedule 2, page 1, is intended to serve a number of purposes. Column 6, Item # 13 indicates that, based on the forecast of gas supply purchase volumes for the 12 months January 1, 2013 to December 31, 2013, the Company projects a \$ 66.0 million credit balance in the Purchased Gas Variance Account at the end of December 2013 relating to the Company's gas supply acquisition excluding the impact of any true-up of any over/under collection of Rider C amounts. Column 7, Item # 13 provides the Forecasted Clearance amount from the October 2013 QRAM (\$73.4 million debit). Column 8, Item # 13 represents the amount in the PGVA that will need to be cleared via a prospective Rider effective January 1, 2014 (\$7.4 million debit). Columns 9 through 12 break down that PGVA balance into Commodity, Transportation and Load Balancing components. Column 6, Item # 26 indicates that, based on the 2014 forecast of annual gas supply purchase volumes for the 12 months commencing January 1, 2014, the Company projects a \$(0.0) million balance in the Purchased Gas Variance Account at the end of December 2014.
6. Included in Column 1 is amount for Extraction Revenue of \$2.6 million for the period of January 1, 2013 to November 30, 2013 and represents a reduction to the Company's acquisition costs.
7. Exhibit Q1-3, Tab 1 Schedule 2, page 2, Items 1.1 to 1.12 provides a monthly summary of the variances associated with the January 2013 to December 2013 purchases; Items 2.1 to 2.12 provide a summary of the variances provided in the October 2013 QRAM: and Items 3.1 to 3.12 represent the monthly variances to be

Witness: D. Small

cleared as part of the January 2014 QRAM. Exhibit Q1-3, Tab 1 Schedule 2, pages 3 and 4 provide the breakdown of the various monthly supplies of the Company by commodity, transportation and load balancing variance.

8. Exhibit Q1-3, Tab 1, Schedule 2, pages 5 through 9 and Exhibit Q1-3, Tab 1, Schedule 3, page 3 provide the calculation of differences between forecast and actual amounts recovered or refunded through Rider C. Exhibit Q1-3, Tab 1, Schedule 2, page 5, Item 6 provides a breakdown, by quarter, of the forecasted recovery amounts with each QRAM's Rider C amounts associated with the Commodity component of the PGVA. Exhibit Q1-3, Tab 1, Schedule 2, page 5, Item 12 (\$1.5 million) represents the actual Rider C amounts refunded in the previous quarter. Exhibit Q1-3, Tab 1, Schedule 2, page 5, Item 13, (\$0.3 million) represents the Rider C variances that would be typically collected or refunded to customers within the January 2014 QRAM. However, Exhibit Q1-3, Tab 1, Schedule 2, page 5, Item 14 (\$7.8 million) represents an additional credit that needs to be refunded to customers. During an internal review of previous QRAM calculations a mechanical error was discovered in Schedule 2, page 5 of the October 2012 QRAM. Exhibit Q1-3, Tab 1, Schedule 2, page 6 provides the revised October 2012 QRAM schedule. Column 9 of Exhibit Q1-3, Tab 1, Schedule 2, page 5 represents the total Rider C variance that needs to be cleared as part of the January 2014 QRAM.

9. Exhibit Q1-3, Tab 1, Schedule 2, page 7, Item 6 provides a breakdown, by quarter, of the forecasted recovery amounts with each QRAM's Rider C amounts associated with the Transportation component of the PGVA. Exhibit Q1-3, Tab 1, Schedule 2, page 7, Item 12 (\$0.5 million) represents the actual Rider C amounts recovered in the previous quarter. Exhibit Q1-3, Tab 1, Schedule 2, page 7,

Witness: D. Small

Item 13, Column 9 (\$0.0 million) represents the Rider C variances that need to be either collected or refunded to customers within the January 2014 QRAM.

Exhibit Q1-3, Tab 1, Schedule 2, page 8, Item 6 provides a breakdown, by quarter, of the forecasted recovery amounts associated with each QRAM's Rider C amounts associated with the Load Balancing component of the PGVA.

10. Exhibit Q1-3, Tab 1, Schedule 2, page 8, Item 12 (\$1.2 million) represents the actual Rider C amounts recovered in the previous quarter. Exhibit Q1-3, Tab 1, Schedule 2, page 8, Item 13, Column 9 (\$0.0 million) represents the Rider C variances that need to be either collected or refunded to customers within the January 2014 QRAM. Exhibit Q1-3, Tab 1, Schedule 2, page 9, Item 4 represents the variance associated with the Upstream T-Service Transportation costs payable for Western T-Service transportation versus the toll imbedded in the rates for the July 2013 to September 2013 period. The July 2013 QRAM was prepared prior to the NEB approval of a TCPL toll change effective July 1, 2013. As a consequence of the toll change EGD paid less for Western T-Service transportation cost than forecast. These variances (\$6.8 million) were recorded in the PGVA account and now must be cleared.
11. Actual data for Q4 (October 2013 to December 2013) is not available at this time.
12. Exhibit Q1-3, Tab 1, Schedule 3, page 1, provides the revaluation of gas inventory based on the 2014 forecast of volumes and the change in the PGVA Reference price. The total in Item 27, Column 6 (\$15.1 million) represents the amount that would be typically used to form the January 1, 2014 Rider C unit rates as depicted at Exhibit Q1-3, Tab 4, Schedule 8. However, also included on Schedule 3, page 1 at Item # 28 is an adjustment to the April 2013 QRAM. As part of the internal

Witness: D. Small

review mentioned above, a mechanical error was detected in an exhibit previously filed as part of the April 2013 QRAM. The total amount to be cleared is identified at Exhibit Q1-3, Tab 1, Schedule 3, page 1, Item # 29. Exhibit Q1-3, Tab 1, Schedule 3, page 2 provides the revised schedule and the associated adjustment (\$2.3 million) that is required.

13. Exhibit Q1-3, Tab 1, Schedule 3, page 3, Item 6 provides a breakdown, by quarter, of the forecasted recovery amounts associated with each QRAM the Rider C amounts associated with the inventory re-evaluation component of the PGVA. Exhibit Q1-3, Tab 1, Schedule 3, page 2, Item 12 (\$4.3 million) represents the actual Rider C amounts recovered in the previous quarter. Exhibit Q1-3, Tab 1, Schedule 3, page 3, Item 13, Column 9 (\$0.4 million) represents the Rider C variances that need to be either collected or refunded to customers within the January 2014 QRAM.
14. The derivation of the January 1, 2014 Reference Price is based upon TCPL tolls effective July 1, 2013 as per NEB order RH-003-2011 dated March 27, 2013. The TCPL toll relative to the January 1, 2014 QRAM is $\$59.017/10^3\text{m}^3$ (\$1.566/GJ) as per Exhibit Q1-3, Tab 1, Schedule 1, page 1. This represents no change from the October 2013 QRAM.

BOARD STAFF INTERROGATORY #1

INTERROGATORY

At Exhibit Q1-2, Tab 1, schedule 1, pp. 4-6, Enbridge identifies two errors that it has discovered from previous QRAM proceedings. Page 3 describes a "mechanical error" from the October 2012 QRAM that resulted in ratepayers not being credited with \$7.8M that they were entitled to. At page 6, another mechanical error from the April 2013 QRAM is described, which resulted in ratepayers not being credited with \$2.3M that they were entitled to. Enbridge proposes to refund this \$10.1M to ratepayers through the current QRAM application.

(a) Please provide additional detail about the nature of the "mechanical error" that resulted in improper figures being presented to the Board in the October 2012 and April 2013 QRAM proceedings. What steps, if any, have been taken to ensure that similar errors do not occur in the future?

(b) Does the \$10.1M Enbridge proposes to refund to ratepayers include interest? If not, what would the figure be if interest charges were included?

(c) Enbridge appears to be requesting that the Board authorize a "correction" to two previous final rate orders (i.e. the Board's orders from the October 2012 and April 2013 QRAM proceedings). In Enbridge's view, does this raise any concerns with respect to rate retroactivity? Please explain.

(d) What is the approximate rate impact associated with the \$10.1M? In other words, if the \$10.1M were not refunded to customers through this QRAM, all else being equal what impact would this have on the rate?

RESPONSE

a) The mechanical errors came to light during an internal review of previous QRAM calculations. This review revealed that two formulae within Excel spreadsheet models were incorrectly summing the line items for the determination of the Gas Acquisition – Commodity Component of its PGVA balance for its October 2012 QRAM, as well as, the determination of its Gas in Inventory Re-valuation PGVA balance for its April 1, 2013 QRAM. This is the nature of the mechanical errors referred to in evidence at Exhibit Q1-2, tab 1, Schedule 1, pages 3 and 6.

Witnesses: A. Kacicnik
D. Small

Enbridge corrected the two errors. The corrected exhibits have been included within this QRAM evidence at Exhibit Q1-3, Tab 1, Schedule 2, Page 6 of 9 (Updated EB-2012-0352 Exhibit Q4-3, Tab 1, Schedule 2, page 5 of 7) and Exhibit Q1-3, Tab 1, Schedule 3, Page 2 of 3 (Updated EB-2013-0045 Exhibit Q2-3, Tab 1, Schedule 3, page 1 of 2).

The two errors are calculation errors only. In the preparation of its QRAM evidence, the Company follows the QRAM process as approved by the Board for Enbridge.

Enbridge has taken steps to add an additional layer of verification / validation for formula error and recalculation of key results (as part of its internal review process) to prevent such errors occurring in the future.

- b) The \$10.1 million which Enbridge proposes to refund to ratepayers does not include interest. Enbridge notes that the current Board approved interest rate is 1.47%.

Given the stage that this application is at, and the number of exhibits, as well as, the customer rate notices that would be impacted, Enbridge respectfully proposes to determine and address interest associated with these balances as part of its April 1, 2014 QRAM application.

- c) In Enbridge's view, the proposed corrections do not give raise to retroactivity given that:
- the rider inclusive of corrections will be applied to customers' bills on a prospective basis; and
 - in accordance with the Board-approved methodology, the derivation of the Rider C unit rates within a QRAM application reflect both forecast and actual balances for the components of the PGVA, as well as, a true up mechanism of over and under collections or refunds to customers.

The two proposed corrections from previous QRAMs can be viewed in the same manner as the true-up mechanism which currently exists within the current QRAM methodology. At Exhibit Q1-1, Tab 2, Schedule 1, Appendix A, Page 3 paragraph 13, the Company's QRAM methodology allows Enbridge to record variances reflecting the difference between the amount that was forecast to be recovered in the previous quarter from rate riders and the amount that was actually recovered. These variances are included in the establishment of the rate rider unit rates for the next 12 month period.

As a result, Enbridge updates quarterly its rate rider unit rates to reflect the updated forecast of PGVA balances and the historical variance.

Witnesses: A. Kacicnik
D. Small

- d) The Rider C unit rates are rate riders which are applied to customer bills in conjunction with Enbridge's Board approved rates for gas supply, transportation, load balancing and delivery.

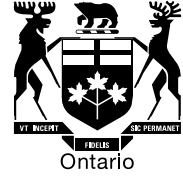
The Company's proposed rate impacts stemming from the change in revenue requirement for this QRAM would not change if the \$10.1 million were not being refunded to customers. The correction of \$10.1 million only impacts the commodity component of Rider C and is only applicable to Sales (i.e. system gas) service customers.

The proposed Sales service Rider C, inclusive of the two corrections, results in a credit of approximately \$29 annually for a typical residential customer. If the \$10.1 million were not refunded to customers, the Rider C would result in a credit of approximately \$24 annually for a typical residential customer or approximately \$5 annually less than the Company's proposal.

Witnesses: A. Kacicnik
D. Small

Ontario Energy
Board

Commission de l'énergie
de l'Ontario



EB-2013-0406

IN THE MATTER OF the *Ontario Energy Board Act*, 1998, S.O. 1998, c.15 (Schedule B);

AND IN THE MATTER OF an application by Enbridge Gas Distribution Inc., pursuant to section 36(1) of the *Ontario Energy Board Act*, 1998, for an order or orders approving or fixing just and reasonable rates and other charges for the sale, distribution, transmission, and storage of gas as of January 1, 2014;

AND IN THE MATTER OF the Quarterly Rate Adjustment Mechanism approved by the Ontario Energy Board in proceedings: RP-2000-0040, RP-2002-0133, RP-2003-0203 and EB-2008-0106.

By Delegation, before: Pascale Duguay

DECISION AND INTERIM ORDER
December 20, 2013

Enbridge Gas Distribution Inc. ("Enbridge") filed an application with the Ontario Energy Board (the "Board") dated December 10, 2013 for an order approving or fixing rates for the sale, distribution, transmission, and storage of gas effective January 1, 2014 (the "Application"). The Application was made pursuant to Enbridge's approved Quarterly Rate Adjustment Mechanism ("QRAM").

The Application and supporting written evidence was provided to interested parties including the intervenors of record in Enbridge's 2014 rates proceeding, Board File No. EB-2012-0459. The Application set out the procedural schedule for interested parties to file comments and for Enbridge to reply to those comments. Comments from interested parties were to be filed on or before December 15, 2013 and reply comments from Enbridge were due on or before December 17, 2013.

The Board received a comment letter on December 13, 2013 from the Canadian Manufacturers & Exporters (“CME”) and a comment letter on December 16, 2013 from and the Industrial Gas Users Association (“IGUA”). Board staff filed two letters with questions and comments, both dated December 16, 2013.

CME stated that it did not oppose the relief sought by Enbridge. Board staff posed questions about the two “mechanical errors” identified in the Application including questions about retroactivity and steps that would be taken to ensure that such errors do not re-occur. The mechanical errors related to a total of \$10.1 million in gas costs that should have been refunded to customers in prior QRAMs but were not due to calculation errors. Board staff also posed questions about the Extraction Revenues of \$2.6 million, amounts relating to the Alliance and Vector transportation costs, and several incorrect footnote references in the Rider C schedules.

IGUA stated that it had no objection to approval of the Application as filed but agreed with Board staff’s implicit suggestions about minimizing future calculation errors and the helpfulness of separate reporting of the Extraction Revenues in future QRAMs.

On December 17, 2013 Enbridge replied that the mechanical errors were the result of incorrect spreadsheet formulae and that the two errors constituted calculation errors only. Enbridge stated that they have taken steps to add an additional layer of verification / validation to prevent such errors in the future. Enbridge stated that it is appropriate to proceed with the QRAM Application as filed and that the corrections do not give rise to retroactivity given that the Rider C rates are calculated in accordance with the Board-approved QRAM methodology that reflects both actual and forecast balances as well as true-up mechanisms of over or under collections. Enbridge agreed to provide separate reporting of the Extraction Revenues commencing with the April 2014 QRAM. Enbridge explained that the Alliance and Vector costs were adjusted due to a small exchange rate forecast change. Enbridge also provided corrected footnote references to the Rider C calculations and stated that it would address interest amounts associated with the mechanical errors in its April 1, 2014 QRAM application.

Enbridge’s forecast of the utility price for the first quarter of 2014 is \$182.043/10³m³.

Effective July 1, 2010 Enbridge implemented the new Purchased Gas Variance Account (“PGVA”) disposition methodology ordered by the Board in its Amended Decision in the EB-2008-0106 QRAM generic proceeding. Under this methodology, Enbridge is to

identify, with supporting documentation, the elements of the PGVA that are attributable to commodity, transportation and load balancing. Based on this breakdown, individual riders are determined and applied (where applicable) to sales service, western bundled T-service and Ontario T-service customers based on the Board approved cost allocation methodology. Enbridge has, in accordance with the disposition methodology, proposed to prospectively dispose of these amounts using the unit rates set out in Rider C - Gas Cost Adjustment Rider.

I have considered the evidence and find that it is appropriate to adjust Enbridge's rates, per the filed application, effective January 1, 2014 to reflect the new utility price of \$182.043/10³m³. This utility price shall also be used in determining the amounts to be recorded in the 2014 PGVA for the first quarter.

With respect to the proposed refund of \$10.1 million contained in the commodity components of Rider C, this raises possible issues of rate retroactivity that are not typically dealt with by a delegated authority. I will therefore approve the disposition of this amount on an interim basis. This issue will be considered by the Board in a separate application to be filed by Enbridge as soon as possible and prior to the filing of its April 2014 QRAM application.

The unit rates contained in Rider C to prospectively dispose of the PGVA balance as of December 31, 2013 are approved with the exception of the commodity unit rates of Rider C which are approved on an interim basis.

IT IS ORDERED THAT:

1. The rates approved for Enbridge as part of the Board's Decision and Order EB-2013-0295 dated September 23, 2013 shall be superseded by the rates provided in Enbridge's Rate Handbook for EB-2013-0406 as contained in Appendix "A" attached to this Decision and Interim Order. The commodity unit rates contained in Rider C are approved on an interim basis pending a review of the treatment of the errors disclosed in this proceeding. Enbridge shall file a separate application as soon as possible and prior to the filing of the April 2014 QRAM application to address this matter.
2. The rates shall be effective January 1, 2014 and shall be implemented in Enbridge's first billing cycle commencing in January 2014.

3. The utility price used in determining amounts to be recorded in the first quarter of Test Year 2014 Purchased Gas Variance Account shall be \$182.043/10³m³.
4. The applicable customer notice set out in Appendix “B” attached to this Decision and Order shall accompany each customer’s first bill or invoice following the implementation of this Decision and Interim Order.
5. The parties for service shall be those on the list of interested parties attached as Appendix “C” to this Decision and Interim Order.
6. A decision regarding cost awards will be issued at a later date. Parties eligible for a cost award shall submit their cost claims by **January 10, 2014**. A copy of the cost claim must be filed with the Board and a copy is to be served on Enbridge. Cost claims must be prepared in accordance with the Board's *Practice Direction on Cost Awards*.
7. Enbridge will have until **January 17, 2014** to object to any aspect of the cost claims. A copy of the objection must be filed with the Board and one copy must be served on the party against whose claim the objection is being made.
8. Any party whose cost claim was objected to will have until **January 24, 2014** to make a reply submission as to why their cost claim should be allowed. One copy of the submission must be filed with the Board and one copy is to be served on Enbridge.

All filings to the Board must quote file number **EB-2013-0406** and consist of two paper copies and one electronic copy in searchable / unrestricted PDF format filed through the Board’s web portal at www.errr.ontarioenergyboard.ca. Filings must clearly state the sender’s name, postal address and telephone number and, if available, a fax number and e-mail address. Please use the document naming conventions and document submission standards outlined in the RESS Document Guideline found on the “e-Filing Services” webpage of the Board’s website at www.ontarioenergyboard.ca. If the web portal is not available you may email your document to BoardSec@ontarioenergyboard.ca.

ISSUED at Toronto, December 20, 2013

ONTARIO ENERGY BOARD

Original Signed By

Pascale Duguay
Manager, Natural Gas Applications