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February 6, 2009

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: Ontario Energy Board ("Board") File No. EB-2008-0106
Commodity Pricing, Load Balancing and Cost Allocation
Methodologies for Natural Gas Distributors**

Pursuant to the Board's Procedural Order No. 2, attached please find the interrogatories of Enbridge Gas Distribution to the Gas Marketer Group of their evidence.

The interrogatories have been filed through the Regulatory Electronic Submission System and two paper copies are being forwarded to the Board via courier.

Yours truly,

S Zspratt for

Lorraine Chiasson
Regulatory Coordinator

cc: Mr. F. Cass, Aird & Berlis LLP (via email)
EB-2008-0106 Interested Parties (via email)

Commodity Pricing, Load Balancing and Cost Allocation Methodologies EB-2008-0106

Enbridge Gas Distribution Inc. Interrogatories to the Gas Marketer Group

General Questions

1. Please identify (by title or position and name of company) all authors of any part of the evidence of the GMG.

2. Please provide the names of the witnesses who will testify in this proceeding in support of the GMG evidence and provide their CVs.

3. Please advise whether any part of the GMG evidence has been filed in any other proceeding in Ontario or any other jurisdiction. If any part of the evidence has been filed in any other proceeding, please identify the jurisdiction, the regulator or other body with which the evidence was filed and the docket number or other identifying information for the particular proceeding.

4. The GMG evidence states as follows: "While this evidence is made on a collective basis, each company retains the right to comment separately or abstain from taking any position on any issue raised."

   (a) Please clarify the meaning of this statement.

   (b) Do all of the members of the GMG agree with all of the contents of the GMG's written pre-filed evidence? If not, please indicate with specificity every aspect of the evidence that is not agreed to by all of the members of the GMG and identify each member of the GMG that is not in agreement with each such aspect of the evidence. If all members of the GMG do agree with all of the contents of the evidence, please indicate what "position" is referred to in the statement that each company retains the right to abstain from taking any position on any issue raised.

   (c) If any member of the GMG will "comment separately" from the written pre-filed evidence, please advise when during the course of this proceeding other parties will be given the full content of such separate comments.

5. Please provide a graph that shows the AECO Monthly Index as shown at Schedule F-2, Line 1 and the Rider F as shown at Schedule F-3, Line 10 on a monthly basis for the last three years.

6. Please recreate Schedule M-2 showing monthly Actuals and Forecasts for the last three years.

7. Using the AECO Monthly Index for the past three years provided in response to Interrogatory #5 please update the Table provided in EGD's evidence at page 10 of 60.

8. Using the AECO Monthly Index provided in response to Interrogatory #5 please provide a graph comparing the average Broker price and the AECO Monthly Index on a monthly basis for the last three years.

Referenced Questions – Exhibit E8, E14, E19

9. Reference: page 24, Question 3.1
   "Yes. A single Ontario-wide monthly reference price that reflects the cost of gas delivered to the reference point, E.g. Dawn or city-gate, would provide consumers with pricing which supply/demand in the consuming area. It is the most accurate signal in order to drive consumption behavior. In addition, it could better reflect the increasingly diverse sources of potential diverse supply sources such as LNG and Arctic Gas."

   a) Please explain how a single Ontario-wide reference would be impacted by a diverse supply portfolio.
   b) In its evidence EGD stated that a single Ontario-wide reference would deviate from the distributor's operating and rate making practices. Is GMG advocating that the reference price should reflect the supply portfolio of the distributor?

10. Reference: page 22
   "Balances within the PGVA accounts are directly related to the accuracy of, and the method used in forecasting. The size of the resultant rider is dependent on the variance within the deferral account and the mechanisms used to dispose of such riders, including the length of time for disposition, the existence of any triggers or thresholds, and any discretion allowed by the utilities in the process."

   Could GMG confirm that EGD in its evidence proposed to eliminate the trigger mechanism relating to riders and that it also proposed to clear the balance over a twelve month period to minimize adjustments.

11. Reference: page 10
    ”The rate setting mechanism of utilities should match, as much as practicable, the methodology used to procure supply.”

    Would GMG not agree that the current methodology for determining the reference price already matches the methodology to procure supply – refer to EGD evidence page 9, paragraph 31.

12. Reference: page 8
    ”Further to this, customers have been paying the carrying costs of the less accurate forecasting methodologies….”

    If price variances against forecast are captured in the PGVA and interest is calculated on the PGVA balance can GMG explain how customers are paying carrying costs.

13. Reference: page 8
    Table 2: Forecasted/estimated PGVA balances with corresponding Rider

    Has GMG considered the impact an MRAM would have on adjustments to the PGVA regarding inventory revaluation and the impact that may have on the variances being collected from customers?

14. Reference: page 3
    “Further to this, the current Board approved….. (Para 2)
    “Specifically, system gas would be ‘all short term, all the time’”. (Para 4)

    Is EGD correct in assuming that GMG is suggesting that the price payable by customers for their consumption in August should be based upon the market prices for August and the price payable in December would be based upon December prices? Given that EGD’s purchases in August exceed demand and those excess volumes are injected into storage for withdrawal in the winter is GMG suggesting that the price differential between summer and winter prices should not be passed onto customers?

15. Reference: page 5
    ”The existing methodology ….supply procurement protocol aligned with the rate setting mechanism.”

    It is EGD’s view that using forward 12 months prices as the QRAM rate setting mechanism is consistent with its supply procurement protocol because gas consumed in any month may either be purchased in the same month or withdrawn from storage.

Please explain why using a single month purchase price is appropriate in this instance?

16. Reference: page 7
“The mandate to purchase all supply on a monthly index basis should also allow utilities to report the prices that the wholesale market is transacting at…”

    a) Does GMG believe that the utility should purchase sufficient supply in a month to meet demand and to not utilize storage?

    b) If the answer to a) above is yes, please explain if GMG believes it is appropriate for direct purchase MDV deliveries to utilize storage in order to meet direct purchase customer demand.

    c) If the answer to a) is yes, please explain how EGD should change its procurement to match monthly demand.

17. Reference: page 27, B.1
Issue: Review of Load Balancing Obligations for Natural Gas Distributors

    “With respect to the issue of drafting, as Direct Purchase customers bring in approximately 60% of the supply into the province without the ability to balance on a frequent basis as imposed by the utilities, it stands to reason that system gas would be drafting on Direct Purchase supply from time to time.”

    Please provide evidence to support this statement. In your response, please include:

    a) your understanding of the difference between the load balancing service provided by Enbridge to all customers and the Direct Purchase customers' obligation to deliver their MDV and manage banked gas account (BGA) balances,

    b) an explanation as to the relationship between the level of the Direct Purchase supply into the province and system gas drafting that supply, and

    c) an explanation as to how the Direct Purchase customers balance their loads given that Enbridge does this balancing for all bundled customers.

18. Reference: page 28
“The GMG supports Enbridge's proposal to implement three-point- balancing and MDV re-establishment and requests that the Board codify this and direct that it be implemented as soon as reasonably possible, but no later than 12 months from the date of the Decision in this proceeding.”

Please indicate where in its evidence Enbridge proposes to implement three point balancing?

19. Reference: page 28
“The GMG contends that drafting can occur on either System Supply, or on Direct Purchase supply, dependent on the variables of weather, time of year, burner tip consumption, and the availability of suspensions. While Enbridge’s response to GMG IR#26 does not agree with the position that system customers can draft on DP supply, during the Technical Conference Ms. Giridhar stated in lines 9 through 15 on page 121 of the November 27, 2008 transcripts:

”So, from that perspective, is the utility drafting from the direct purchase customer? Yes, at the time of the year when the direct purchase customer is packing the system, we are drafting from them, and vice versa, but that is the design of the system and the load balancing mechanism, and that is the mechanism that the direct purchase customer has chosen from the utility.”

The frequency of balancing allowed by market participants has a direct impact on drafting, in that the greater the frequency, the less likely the issue of drafting will arise provided demand is accurately measured. GMG is agreeable to the three-point-balancing employed by Union provided the weather normalized MDV re-establishment occurs at the same time”

Would the GMG not agree that this quote is taken out of context in order to support its position that DP supply is being drafted by system gas customers given the full transcript starting on page 118 line 21 to page 121 line 26 as well as EGD’s responses to GMG IRs 19, 20, 26 and to VECC IR 6.

20. Reference: page 26, 5.1
Financial Prudence

(a) Given that the Utility adjusts rates to recover its required overall carrying costs based on forecast information, please explain your comment that there is no risk of recovery on gas in inventory?
(b) Please explain the manner in which a perception of risk associated with an individual item, such as carrying costs on storage, is embedded within the OEB approved formula ROE and associated risk premium?

21. Reference: page 26, 5.1
Carrying cost requirement on working capital recovery

GMG's evidence seems to be stating that the Utilities are earning a duplicate return on working capital elements associated with natural gas prices and related changes in prices.

Please provide calculations which show and explain how the utilities earn an additional return on working capital already recovered for under the gross return?

22. Reference: page 30
"To an industry participant, these differences may be easily deciphered; however consumers are not familiar enough with the terminology to make an adequate comparison of competing gas supply offers".

Please provide the supporting customer research to substantiate this assertion.

23. Reference: page 15
On page 15 of its evidence the GMG provides a six-step process for GCFR calculation.

a) Please confirm that the GMG is proposing the same process for Ontario distributors. If GMG's proposed process is different for Ontario distributors then please provide in detail the steps involved in GMG's proposed methodology for Ontario distributors.

b) Please confirm that the GMG is proposing to use a forecast of monthly consumption as the volume forecast to be used in its proposed methodology. If not, please provide a detailed description of how volumes will be derived to be used in the GMG's proposed methodology.

24. Reference: page 31, E.2, Item 11.3
"The implementation of all changes should be completed as soon as possible and no later than 12 months from the date of the Decision in this proceeding."

Please explain the process and the analysis that the GMG used to ascertain that 12 months is sufficient time for the planning and execution required for an error-free implementation, without operational disruptions, of the outcomes from this proceeding, given the impact on a range of operations and key systems within the Company, such as EnTRAC and CIS.

25. Reference: page 10
"At a high level, the calculation of the Effective Rate would be similar to that submitted in Union's IR8.1 (b) Attachment 1: Reference Price + Fuel Charges + Gas Supply Admin Charge + Intra-Month PGVA Balance + Other Deferral Account Balances = Effective Rate"

and page 26

”Standardization of pricing mechanisms and the use of a widely reported monthly index price as the reference price input will allow the appropriate transparency so that any customer, market participant, or Board Staff member can recreate and verify the reference price and the Effective Rate put forth by each distributor in its Rate Adjustment Application."

Applying the formula above please show step by step calculations required to derive the Effective Rate and describe how this formula and approach will translate into customers being able to readily recreate and verify reference prices and rates by rate class put forth by each distributor in rate adjustment applications.