



By E-mail

March 23, 2007

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

Dear Ms Walli

**Enbridge Gas Distribution Inc. 2007 Rate Case**  
**OEB File No.: EB-2006-0034**

**Enbridge Gas Distribution QRAM Application April 1, 2007**  
**OEB File No.: EB-2007-0049**

**Our File No.: 302701-000398**

This letter is further to the statement which I made on behalf of the Industrial Gas Users Association ("IGUA") at Transcript Volume 15, page 82 in the EB-2006-0034 proceeding on Thursday, March 22, 2007, confirming that IGUA no longer has any concerns with the Interim and QRAM Orders Enbridge Gas Distribution Inc. ("EGD") asks the Board to approve effective April 1, 2007.

The purpose of this letter is to describe the nature of our client's concerns and the actions that needed to be taken to alleviate these concerns in order to justify a cost award for all the professional time it took to clear up the confusion EGD's QRAM Application materials created for IGUA.

We initially raised our client's concerns by letter dated March 9, 2007. In that letter, we noted the large Customer and Distribution charge increases in rates to large volume users reflected in the QRAM Application materials. To illustrate this concern, we are attaching copies of Exhibit Q2-3, Tab 4, Schedule 6, pages 7 and 8. From this Exhibit, it can be seen that the Customer and Distribution charge increases for large Rate 115 customers are 22.2% and 23.3% respectively. The Load Balancing charge reduces slightly and basically remains unchanged. For large Rate 170 customers, the Customer and Distribution charge increases are 34.5% and 45% respectively, and, once again, the Load Balancing charge is virtually unchanged.

This information prompted us to state in our March 9, 2007 letter as follows:

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“Until we receive a satisfactory explanation from EGD with respect to the very significant increases it seeks in customer and distribution charges in the rates serving large volume customers, IGUA objects to these increases and submits they are not the proper subject matter of a QRAM application.”

EGD responded by letter dated March 14, 2007, informing us that the explanation for our concerns is found in the materials supporting the Draft Interim Rate Order which EGD circulated on or about February 23, 2007. The purpose of the Interim Order is to reflect the EB-2006-0034 Settlement Proposal authorizing the recovery of \$26M of revenue deficiency, effective April 1, 2007, and the other rate design changes which were agreed upon, including a shift of DSM costs from the Load Balancing charge to the Distribution charge in the various rate classes.

We attach a copy of Exhibit H2, Tab 7, Schedule 1, pages 7 and 8 in the Interim Rate Order materials which shows for Rates 115 and 170, the Customer and Distribution charge increases that are comparable to those shown in the QRAM materials. However, in the Interim Rate Order materials, these increases are substantially off-set by a decrease in the Load Balancing charge. The problem is that this decrease in the Load Balancing charge for Rates 115 and 170 does not show up in the QRAM rates.

We examined the pre-filed evidence to which EGD referred in its letter of March 14, 2007, and could find nothing which explained the Customer, Distribution and Load Balancing charge changes in the April 1 QRAM rates compared to the EB-2006-0034 proposed Interim Rates and by letter dated March 16, 2007, advised the Board and EGD accordingly.

On March 20, 2007, EGD provided a further response to the questions we had raised and, as a result of that letter, we had two extensive telephone discussions with Jacquie Collier of EGD about the matter.

After discussing the matter at some length with Ms Collier, we discovered that the source of the confusion is that the materials filed in support of the Draft Interim Rate Order compare EGD's 2007 rates to its July 1, 2006 QRAM rates. The April 1, 2007 QRAM Application compares the proposed April 1, 2007 QRAM rates to EGD's January 1, 2007 QRAM rates. There is no comparison or explanation of how the April 1, 2007 QRAM rates compare to the April 1, 2007 proposed Interim Rates. Simply put, there is no explanation, in the materials EGD provided, of why the Load Balancing charge reduction, which appears in the materials supporting the Draft Interim Rate Order, disappears in the materials supporting the April 1 QRAM Order.

As a result of discussing this matter with Ms Collier, we now understand that the Load Balancing charge reduction, which appears when one compares EGD's 2007 Interim Rates to EGD's July 1, 2006 QRAM Rates, disappears in the comparison of April 1, 2007 QRAM Rates to January 1, 2007 QRAM Rates is because EGD's October 1, 2006 QRAM Rates incorporate the second last phase of the upstream transportation cost shift. This cost shift operates to increase the Load Balancing charges in Rates 115 and 170 by an amount close to the amount of the reduction in that charge that occurs as a result of



shifting DSM costs from the Load Balancing charge to the Distribution charge. EGD did not explain this in its QRAM Application materials.

Counsel for IGUA and IGUA's President need to be able to explain these matters to IGUA members. We now understand and can explain the situation to the member companies served by IGUA. IGUA was not the only party confused by the QRAM materials. After I had discussed the matter with Ms Collier, I was contacted by Sandy O'Connor, Eastern Region Director, Regulatory and Legal Affairs of TransAlta, who was as confused as we were by EGD's QRAM filing. I explained the matter to Ms O'Connor and was thereby able to alleviate her confusion. TransAlta is not a member of IGUA.

All of this demonstrates that QRAM Applications are not always a "mechanistic" exercise. In this particular case, several hours of professional time was required to understand the implications of the QRAM Application, which, in this case, was being layered on top of an Interim Rate Order. Due diligence examinations of QRAM applications are necessary, even when they are "mechanistic". In this context, we reiterate a submission which we had previously made on behalf of IGUA to the effect that the Board should not refrain from awarding costs to eligible intervenors for conducting due diligence examinations of QRAM applications.

We respectfully request that IGUA be awarded its reasonably incurred costs for clarifying the problem that arose in this case. We suggest that, rather than requiring IGUA to prepare and submit, for assessment, a separate Cost Claim for EGD's April 1, 2007 QRAM Application, the Board should issue a letter directive which will allow IGUA to recover its reasonably incurred costs in connection with its due diligence examination of the Interim Rate and QRAM Orders effective April 1, 2007, in the claim for costs IGUA submits at the conclusion of EGD's 2007 Rate Case.

Please call me if the Board has any questions about the contents of this letter.

Yours very truly

A handwritten signature in black ink, appearing to read 'Peter C.P. Thompson', is written over a horizontal line.

Peter C.P. Thompson, Q.C.

PCT\slc  
enclosures

c. Interested Parties EB-2006-0034  
Murray Newton (IGUA)  
Vince DeRose

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