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March 9, 2009

Kirsten Walli
Board Secretary
Ontario Energy Board
2300 Yonge Street
27th floor
Toronto ON M4P 1E4

Dear Ms Walli,

Enbridge Gas Distribution Inc. 2009 Rates

Board File No.: EB-2008-0219
Our File No.: 339583-000017

Enclosed please find the Phase 2 Interrogatories of Canadian Manufacturers & Exporters ("CME") to Enbridge Gas Distribution Inc. ("EGD") in this proceeding.

Please contact me if you require any further information.

Yours very truly,

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

Peter C.P. Thompson, Q.C.

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enclosure

c. Norm Ryckman (EGD)
Fred Cass (Aird & Berlis)
Interested Parties EB-2008-0219
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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. for an Order or Orders approving or
fixing just and reasonable rates and other charges for the
sale, distribution, transmission and storage of gas
commencing January 1, 2009.

**Phase 2 Interrogatories of
Canadian Manufacturers & Exporters ("CME")
to Enbridge Gas Distribution Inc. ("EGD")**

Issue 1 – New IFRS Deferral Account

Ref: Exhibit C, Tab 1, Schedule 2

1. In its Natural Gas Forum ("NGF") Report dated March 30, 2005, at page 31, the Board stated that an appropriate balancing of risk and reward in an Incentive Regulation ("IR") Framework will result in a reduced reliance on deferral and variance accounts. In Interrogatory Responses in its Application for 2009 Rates, Union Gas Limited ("Union") stated that:

"Under incentive regulation framework, the expectation is that material cost increases will be dealt with by Z Factors and not Deferral Accounts."

Union's evidence indicated that Canadian accounting authorities initially raised the potential conversion from Canadian Generally Accepted Accounting Principles ("Canadian GAAP") to IFRS during 2006. Union's evidence in its Application indicated that its parent company, Spectra Energy Corp. ("Spectra") engaged Ernst & Young LLP ("E&Y") in October 2007 to assist Spectra, Westcoast Energy Inc. ("WEI") and its subsidiaries and Union to convert their Financial Statements to IFRS. In its Decision with Reasons in Union's 2009 Rates Application, the Board proceeded from the premise that Union's IFRS transition and conversion costs for 2009 must be shown to satisfy the Z Factor criteria in the approved IR Mechanism. Having regard to these circumstances, please provide the following information:

- (a) When did EGD's parent company, Enbridge Inc. ("EI"), first become aware of the need to transition and convert to IFRS?
- (b) How many companies in the EI group of companies will be transitioning and converting their financial statement reporting to IFRS?

- (c) When did EI and/or EGD first retain an external accounting firm to assist them in transitioning and converting to IFRS? Please produce a copy of the initial retainer agreement.
- (d) What plans did EI and/or EGD make in the 2007 calendar year for transitioning and converting to IFRS?
- (e) How much did EI and/or EGD spend in 2007 with respect to any activities related to the transition and conversion to IFRS?
- (f) What plans did EI and/or EGD make with respect to transitioning and converting to IFRS in 2008?
- (g) How much did EI and/or EGD spend in 2008 with respect to any activities related to the transition and conversion to IFRS?
- (h) What actions are planned with respect to the transition and conversion to IFRS in 2009?
- (i) Please provide details of EGD's 2009 budget with respect to activities pertaining to the transition and conversion to IFRS and specify the extent to which any budgeted costs are an allocation of costs expected to be incurred by EI.
- (j) Please confirm that the Z Factor mechanism in the Settlement Agreement at Exhibit E1, Tab 1, Schedule 1 is the only mechanism that permits EGD to seek material increases in costs not covered by existing deferral accounts or the Y Factor provisions of the Settlement Agreement.

Issue 2 – Change in Non-Energy Service Charges

Ref: Exhibit C, Tab 1, Schedule 3

- 2. Please confirm that there are no provisions in the Settlement Agreement which permit EGD to increase charges for non-energy services during the term of the Board approved IR Mechanism.
- 3. Please confirm that the increased costs which EGD seeks to recover by increasing some charges for non-energy services do not satisfy the Z Factor criteria in the Settlement Agreement.
- 4. Assume the Board finds that any changes to non-energy service charges cannot be effective before expiry of the term of the IR Mechanism. In this scenario, does EGD seek approval of the increased charges shown at Exhibit C, Tab 1, Schedule 3, page 2; or does EGD wish to reserve the right to seek different increases in non-energy service charges at a later date which is closer to the termination date of the Board approved IR Mechanism for EGD?

Issue 3 - Force Majeure

Ref: Exhibit C, Tab 1, Schedule 4, pages 1 and 2

5. Please provide a copy of the General Terms and Conditions contained in the Company's service contracts with rate classes other than Rates 1 and 6 and produce copies of the contract forms used for such rate classes.
6. Please provide copies of the documents pertaining to Rates 1 and 6 which are referenced in paragraph 5 of Exhibit C, Tab 1, Schedule 4 at page 2, which are stated to lack a limitation on liability provision.
7. Please provide details of any occasions, within the last twenty (20) years, when an event of *force majeure* has been claimed by either EGD or any of its customers served on Rates 1 and 6.
8. Please describe how the revisions EGD is proposing to the *force majeure* provisions of contracts serving Rates 1 and 6 alter the current allocation of risk as between EGD and the customers.

Issue 3 - Late Payment Penalty Changes

Ref: Exhibit C, Tab 1, Schedule 4, pages 2 and 3

9. How many service contracts for unbundled services contain payment terms that are different from those provisions in the General Terms and Conditions?
10. Has EGD contacted, in writing, each of the customers whose contract terms will be affected by the amendments proposed in paragraph 8 of Exhibit C, Tab 1, Schedule 4 at page 3? If so, then have any of the affected customers informed EGD, in writing, that they oppose the proposed changes? If none of the affected customers have been contacted in writing, then please explain why EGD has not communicated, in writing, with each of the affected customers to seek their consent to the proposed amendments.
11. Will any of the proposed changes to the penalty provisions of some existing contracts have the effect of reducing risks EGD currently faces under the existing penalty regime? If so, then please provide details of the extent to which the risks EGD faces will be reduced and the risks customers face will be increased.

Issue 5 – Revision to the GDAR IVA Fee

Ref: Exhibit C, Tab 1, Schedule 6

12. At Exhibit C, Tab 1, Schedule 6, page 3, paragraph 8, it is stated that "Gas vendors unanimously supported the flat fee per transaction proposal". In the context of this statement, please provide the following information:

- (a) Is the on-bill charge of 30¢ per transaction agreed to by all those who will be paying the charge?
- (b) If not, then please point to the provisions of the Settlement Agreement which operate to permit EGD to change the IVA charge.

Issue 6 – In-Franchise Title Transfer ("ITT") Fee

Ref: Exhibit C, Tab 1, Schedule 7

- 13. In Exhibit C, Tab 1, Schedule 7 at page 7, it is stated that "In the Spring of 2008, the Company consulted with interested parties to discuss the continuance of the ITT Service between pools with dissimilar points of acceptance" and that "interested parties agreed that the exchanges between dissimilar pools was a valuable load balancing service and should continue". In the context of these statements, please provide the following information:
 - (a) Any documents the Company has in its possession pertaining to the consultation to which the Company refers, including details of those present at the consultation; and
 - (b) The amount the Company currently charges for ITT Service compared to the 2.5¢/Gj the Company now proposes.
- 14. Using the current billing system, which calls for the Company to pay a transportation credit to customers with an Ontario point of acceptance, please provide an illustration, with a supporting bill, to show how the Company currently accommodates and charges for ITT transactions between a customer with a Western Canada point of acceptance and a customer with an Ontario point of acceptance.
- 15. Please explain how the adoption of the new billing system, which will show upstream transportation as a separate charge on the bill, prevents the Company from continuing to provide and charge what it currently charges for ITT service involving transactions between a customer with a Western Canada point of acceptance and a customer with an Ontario point of acceptance. What is it about the format of the new bill that requires the current regime to be changed?

Issue 7 – Firm Capacity on Upstream Transportation

Ref: Exhibit C, Tab 1, Schedule 8
Exhibit C, Tab 1, Schedule 10

- 16. In Exhibit C, Tab 1, Schedule 10, page 2, it is stated that,
 - "EGD is proposing to direct its efforts to increase firm transport to the franchise predominantly to the smaller volume customers who receive their supply and transport from agents/marketers/brokers. These customers already pay for firm upstream transport (albeit reflective of

EGD's firm transport portfolio, rather than their agents' transport arrangements) through their Board approved delivery charges."

Having regard to these statements:

- (a) Please provide illustrations of how much small to medium sized manufacturers served on Rate 100 and Rate 110, who acquire direct purchase gas from a marketer at an Ontario point of acceptance, pay for firm upstream transport.
 - (b) In particular, please show the flow of funds between the end-use customer, EGD and the marketer (where EGD is collecting payments due to the marketer), and specify whether it is EGD, the customer, or the marketer that retains any difference between the amount the customer is paying for firm upstream transport and the price the marketer is paying for upstream transport.
 - (c) Please provide information showing the approximate spreads between the price for firm and interruptible upstream transport on TransCanada PipeLines ("TCPL") over the period January 1, 2008, to February 28, 2009.
 - (d) Is it the end-use customer or the marketer that is primarily exposed to EGD for a marketer's failure to deliver?
 - (e) How many times in the past ten (10) years, and in what amounts, has EGD made claims against smaller direct purchase customers for their marketer's failure to deliver?
17. Assume the Board finds that the changes EGD is proposing cannot become effective before the term of EGD's currently approved IR Mechanism expires. Under this assumption, what action, if any, will EGD take in connection with its gas supply planning to assure system reliability for the duration of the currently approved IR Mechanism?