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BY EMAIL AND REGULAR MAIL

June 23, 2009

Kirsten Walli, Board Secretary
Ontario Energy Board
P.O. Box 2319, 26th Floor
2300 Yonge Street
Toronto, Ontario
M4P 1E4

Dear Ms. Walli

**Re: Enbridge Gas Distribution Inc. – Clearance of Deferral and Variance
Accounts
EB-2009-0055**

On March 18, 2009, Enbridge Gas Distribution Inc. (Enbridge) filed an application for an order approving the disposition of the balances of certain deferral and variance accounts. Enbridge received comments or submissions regarding the clearance of these accounts from seven parties, namely, the Consumers Council of Canada (CCC), Canadian Manufacturers & Exporters (CME), the Industrial Gas Users Association (IGUA), the Vulnerable Energy Consumers Coalition (VECC), the School Energy Coalition (SEC), Energy Probe Research Foundation (Energy Probe) and the Building Owners and Managers Association of the Greater Toronto Area (BOMA).

In some areas, the comments or submissions of these parties support Enbridge's proposal for the disposition of account balances (e.g., CCC supports the updated evidence with respect to the Tax Rate and Rule Change Account, or TRRCA). Enbridge will not specifically address any of the accounts in respect of which Enbridge's position is supported by other parties, or in respect of which no issue has been raised by other parties. Enbridge will only address the clearance of accounts in respect of which some issue has been raised in the comments or submissions of the seven parties listed above.

CME has advanced a number of points that are not made by any other party.¹ These points that are unique to CME will be addressed under a separate heading below. All other comments will be grouped into the following areas:

- (1) comments by CCC about third party non-LDC energy efficiency initiatives;
- (2) comments by CCC, SEC and CME about the Ontario Hearing Costs Variance Account (OHCVA)
- (3) comments by VECC and BOMA about the Open Bill Service Deferral Account (OBSDA) and the Open Bill Access Variance Account (OBAVA);
- (4) comments by VECC and CME about the Purchased Gas Variance Account (PGVA); and
- (5) comments by VECC, SEC, CME and BOMA about the allocation of account balances.

1. Third Party Non-LDC Energy Efficiency Initiatives

CCC apparently is dissatisfied with the level of detail provided by Enbridge in response to CCC's interrogatory #2² about third party energy efficiency initiatives. CCC suggests that further detail is relevant for two reasons; first, because Enbridge "should be required to demonstrate" that these are appropriate utility activities and second, because the additional details would add clarity to the Earnings Sharing Mechanism (ESM) calculation.

In its interrogatory #2, CCC did not ask anything about whether these efficiency initiatives are appropriate utility activities, so Enbridge did not provide a response to any such issue. However, CCC's point is answered by the Minister's Directive to the Board approved by Order in Council dated August 10, 2006. This Directive deals with future compliance by Enbridge with the restriction on its business activities contained in the Undertakings given to the Lieutenant Governor in Council. The Directive, in effect, creates exceptions to the restriction on Enbridge's business activities and one of the exceptions encompasses services that would assist the Government of Ontario in achieving its goals in energy conservation.³

Examples of the program delivery services being provided to users of this service include:

¹ While not explicitly advancing any of the same arguments as CME, IGUA does say that it will review Enbridge's response to CME's request for further information regarding the "ratepayer share of earnings".

² Ex. I-6-2.

³ A copy of the Directive, together with the Order in Council that approved it, is attached to this letter.

- Marketing;
- Program Delivery;
- Relationship Management (Contractors, Engineering Community, etc.);
- Program Administration; and
- Education and Training.

As for CCC's second point, it must be recognized that the revenue net of costs from these efficiency initiatives has a positive impact on utility earnings and therefore enhances the earnings available for sharing under the ESM. Enbridge has provided the specific revenues and costs for these initiatives that feed into the ESM calculation and further detailed information about the actual activities will not have any bearing on the ESM calculation.

2. OHCVA

The comments that have been made about the 2008 OHCVA relate to both the nature and timing of specific costs, as well as the overall balance of the account.

With respect to the overall balance of the 2008 OHCVA, CME says that the expectation was that Enbridge's legal and consulting costs would be materially lower than the amounts initially budgeted for 2008. Enbridge submits that there was never any expectation that legal and consulting costs would be lower than a particular budget. Rather, when the amount of regulatory costs included in rates was reduced from \$8,842,500 (for 2007) to \$5,842,500 (for 2008), the expectation was that 2008 regulatory costs would be less than 2007 regulatory costs and this expectation has, in fact, been realized.

The total amount of 2007 regulatory costs was \$11.4 million. This total was made up of \$8.8 million included in rates and \$2.6 million recovered through the 2007 OHCVA. The total amount of 2008 regulatory costs is \$8 million. This total is made up of \$5.8 million included in rates and \$2.2 million recorded in the 2008 OHCVA. These 2007/2008 regulatory costs are summarized in Table 1, below:

Table 1
2007/2008 Regulatory Costs

	Fiscal 2007 (\$M)	Fiscal 2008 (\$M)	Reduction in costs to ratepayers (\$M)
Regulatory costs recovered in rates	8.8	5.8	(3.0)
Regulatory costs above the Rates threshold recovered in OHCVA	<u>2.6</u>	<u>2.2</u>	<u>(0.4)</u>
Total Regulatory proceeding costs	11.4	8.0	(3.4)

As shown in Table 1, regulatory costs for 2008 are \$3.4 million lower than 2007 costs. More specifically, the amount included in rates is \$3.0 million lower than in 2007 and the amount recorded in the OHCVA is \$364,000 lower than in 2007. There can be no doubt that an expectation of lower regulatory costs in 2008 than in 2007 has been met and passed through to ratepayers.

As far as timing is concerned, CCC and others question the recovery of certain regulatory costs because they were incurred in 2007. CCC, for example, says that it would be inappropriate for Enbridge to now recover from its customers legal and consulting costs that were incurred in 2007. Enbridge submits that the timing of cost incurrence relative to the 2008 budgeted regulatory costs is not a determinant of whether costs are included in amounts recoverable or returnable through the OHCVA. Certain costs recorded in the 2008 OHCVA – such as OEB costs, consulting costs, point in time legal costs and interim intervenor cost claims – were paid in 2007, while other costs – such as remaining legal costs and final intervenor cost claims – were paid in early 2008.

These costs were paid at different points in time, but they all relate to the proceeding in which the Board considered the Incentive Regulation (IR) plan for Enbridge that took effect as of the beginning of 2008 and all were incurred relative to the 2008 budget. While the majority of Enbridge's costs for this proceeding settled in early 2008 were incurred in the previous fiscal year, this is only to be expected: in order for new rates to be in place as close as possible to the beginning of a particular year, it is necessary for much or all of the regulatory work to be completed in the preceding year.

Since Enbridge generally incurs costs in a year prior to the actual "rate setting year", the OHCVA has always included costs that relate to the particular rate setting year regardless of whether they were incurred in a prior fiscal period. This was the case with the 2006 OHCVA, which produced a credit, or amount returned to ratepayers, of approximately \$646,000.

Comments are also made about the quantum of Enbridge's costs for the IR proceeding. Enbridge submits that these comments lose sight of the fact that 2008 was the starting year of a five year term for Enbridge's first comprehensive IR plan. Expert consultants were needed to address key aspects of the IR plan, such as productivity (X-factor), the implications of a price cap compared to a revenue cap and Z-factors. All of the evidence of each consultant was available and of use for the purposes of technical conferences, interrogatories and the ADR process. The evidence was also needed for the purposes of the hearing that would have occurred had there not been a Board-approved settlement. While, of course, the hearing did not proceed because of the settlement, it is reasonable for the Board to infer that the thoroughness of the evidence is a factor that contributes to a successful settlement of issues.

CCC submits that there is no reason why ratepayers should pay the costs of Enbridge's participation in the Integrated Power System Plan (IPSP) proceeding. As stated in the response to CCC's interrogatory #8,⁴ Enbridge has participated in the IPSP proceeding

⁴ Ex. I-6-8.

because that proceeding includes a review of the use of natural gas for electricity generation in Ontario. The impact of the IPSP on the use of natural gas for electricity generation is an important matter for both Enbridge and its ratepayers and it is entirely appropriate that the cost of Enbridge's participation be recovered through the OHCVA.

3. OBSDA/OBAVA

VECC and BOMA have picked up on evidence by Enbridge that it no longer seeks to clear the balances in the 2008 OBSDA and the 2008 OBAVA as part of this proceeding. In the response to CME interrogatory #2(d)⁵, Enbridge stated that the balances, composition and clearance of these accounts are being addressed in the proceeding dealing with the Open Bill application (EB-2009-0043).

Enbridge agrees that the balances for these accounts can be removed from the totals proposed for disposition in this proceeding.

As an incidental comment, however, Enbridge notes that clearance of the amounts under consideration in this proceeding is now proposed to be implemented with the October 1, 2009 QRAM application. It may yet prove to be the case that clearance of amounts dealt with in EB-2009-0043 can be implemented at the same time (*i.e.*, the October 1st QRAM).

4. PGVA

VECC states that it defers to Board staff's submissions with respect to the PGVA and the Transactional Services Deferral Account (TSDA). Similarly, CME states that it relies on the Board and Board staff to verify the balances in the PGVA. Enbridge has fully responded to all questions about the balances in the PGVA (see the response to Board staff interrogatory #5⁶) and the TSDA (see the response to Board staff interrogatory #3⁷) and has received no further submissions, comments or questions from Board staff about the PGVA or the TSDA. Enbridge therefore submits that it is appropriate for the Board to approve the proposed disposition of these accounts.

5. Allocation of Account Balances

BOMA agrees with Enbridge's proposed allocation of amounts recorded in the 2008 Average Use True-Up Variance Account (AUTUVA), the 2008 Municipal Permit Fees Deferral Account (MPFDA) and the 2008 TRRCVA. CME concurs with BOMA's position in this regard.

However, with support from CME and SEC, BOMA submits that the balance in the 2008 Earnings Sharing Mechanism Deferral Account (ESMDA) should be allocated on the same basis as that used by Union Gas Limited (Union).

⁵ Ex. I-4-2, part (d), p. 3.

⁶ Ex. I-1-5.

⁷ Ex. I-1-3.

Enbridge proposes to clear the balance in the ESMDA based on the allocation of total distribution revenue requirement (DRR) by rate class. This approach to allocation takes into account the manner in which Enbridge's earnings are generated, because it is a share of earnings (over the prescribed threshold) that is recorded in the 2008 ESMDA. The manner in which Enbridge's earnings are generated reflects the distribution of costs and the resultant distribution of revenues received from the various customer classes.

Enbridge acknowledges that, if the objective is to harmonize clearance of the ESMDA with Union's approach, this would mean allocation of the balance in the ESMDA by rate base. For very important reasons, though, Enbridge's IR plan is not harmonized with Union's plan and Enbridge therefore submits that there is no sound basis for standardization of the methodology for allocating earnings sharing amounts. Further, as pointed out by SEC, the difference between use of DRR or use of rate base as the allocator is immaterial.

6. CME Assertions

(a) ESM Amount

CME addresses the calculation of the ESM amount to be shared with ratepayers and, in doing so, relies on certain ratios that CME has derived from the evidence. Enbridge submits that these ratios cannot be used in the way that CME tries to apply them. In fact, if the ratios actually were used in the manner suggested by CME, the result would be a lower ESM amount than the amount put forward by Enbridge.

Relying on Enbridge's consolidated financial statements, CME derives a consolidated margin to revenue ratio (33.6%) and a cost to revenue ratio (66.4%). For the purposes of Enbridge's weather normalization adjustment, CME derives a cost to revenue ratio of 73.9%, which would mean a margin to revenue ratio of 26.1%. CME postulates that it is logical that the ratio for weather normalizing purposes should be the same cost to revenue ratio (66.4%) that it derived from the consolidated financial statements.

The 26.1% margin to revenue ratio implicit in Enbridge's weather normalization adjustment equates to a margin decrease of approximately \$34.8 million. If, instead, this ratio was the 33.6% ratio that CME has derived from the consolidated financial statements, the margin decrease would be \$44.7 million, rather than \$34.8 million. CME's use of ratios would result in a greater reduction of margin than in Enbridge's calculations and would decrease utility income before taxes, thereby decreasing the amount available for earnings sharing. This can be seen in Table 2 (attached), which shows utility return on equity and ESM amounts that result from Enbridge's normalizing adjustments (columns 2 and 3), as well as the decrease to utility return on equity and ESM amounts that would result from using the numbers derived by CME (columns 4 and 5). Table 2 shows that, using the numbers derived by CME, earnings sharing with ratepayers would decline from \$5.6 million to \$0.63 million.

The major factors that contribute to the ratio differences identified by CME are regrouping and reconciling of certain items, including non-utility items. This is set out in Table 3, below. As can be seen from columns 2 and 3 of Table 3, the item which has the greatest impact on the ratio differences is the regrouping of T-service credit amounts within utility

results, compared to consolidated results. This regrouping has no effect on earnings, as can be seen from column 2, but it is carried out in order to match the manner in which gas costs are presented within regulatory filings. Removing just the effect of this regrouping alone would mean a margin to revenue ratio of 34.06% in utility results (while CME derived a margin to revenue ratio of 33.6% from the consolidated financial statements). It can also be seen from Table 3 (column 7) that the weather normalization adjustment removes margin at a margin to revenue ratio of 26.15%, which is lower than the 33.6% ratio that CME suggests should be used within the normalizing adjustment.

Table 3
2008 Margin and Gas Cost % of Revenue
Utility to Consolidated

	Col. 1	Col. 2	Col. 3	Col. 4	Col. 5	Col. 6	Col. 7	Col. 8
	Normalized Utility Margin (M.1.3.pg.)	Reversal of Regrouped T-service Credits (1.7.1.pg.3)	Cumulative Sub-total	Add Back St. Lawrence (1.7.1.pg3)	Add Back TRRCVA & rounding adjst. (1.7.1.pg3)	Cumulative Sub-total	Remove Normalization Adjustment (1.7.1.pg3)	Audited Consolidation Margin (D.1.1.)
1. Sales & Transportation	3,098.9	(277.4)	2,821.5	54.5	1.9	2,877.9	133.1	3,011.0
2. Gas Cost	2,137.8	(277.4)	1,860.4	41.8	(0.1)	1,902.1	98.3	2,000.4
3. Distribution Margin	961.1	-	961.1	12.7	2.0	975.8	34.8	1,010.6
4. % margin of revenue	31.01%	0.00%	34.06%	23.30%	105.26%	33.91%	26.15%	33.56%
5. % gas cost of revenue	68.99%	100.00%	65.94%	76.70%	-5.26%	66.09%	73.85%	66.44%

CME observes that Enbridge's response to Board staff interrogatory #4⁸ did not assist it in understanding the ratios that it derived from the evidence. However, Enbridge did not become aware of CME's intended, and incorrect, use of these ratios until it received CME's submissions in a letter dated June 16, 2009. Had CME presented the ratios at the stakeholder meeting or in an interrogatory, Enbridge would have provided the response that is set out above.

Enbridge's weather normalization methodology was explained in the response to Board staff interrogatory #4 (including the attachment to this response). As stated in the interrogatory answer, the methodology has been approved by the Board and utilized by Enbridge for more than 10 years. For the purposes of this proceeding, Enbridge continued to follow a consistent approach to the calculation of the normalizing adjustment and it did so working from the degree day forecast that underpinned the 2008 Board-approved volumetric forecast.

⁸ Ex.I-1-4.

(b) Unbundled Rates Customer Migration Variance Account

CME asks Enbridge to provide, in its Reply Argument, the amounts paid under Rate 125 for unaccounted for gas (UFG) and storage by a particular customer that migrated from Rate 115 to Rate 125, so that a comparison can be made to the amount of \$195,488 that the customer was paying for UFG and storage under the bundled Rate 115.

The bundled Rate 115 delivery rate recovers costs for distribution, UFG and storage. In contrast, Rate 125 recovers only distribution costs.

In the case of bundled (Sales and T-service) customers, Enbridge has the obligation to provide UFG volumes; hence, the cost of UFG is recovered in Enbridge's delivery rates. On the other hand, customers who take service under the unbundled Rate 125 (as well as Rate 300) provide UFG in kind. Thus, unbundled customers meet their UFG volume obligation by delivering a total volume of gas that is grossed up by the UFG percentage.

The migrating customer elected to take service under Rate 125 and Rate 315 (Gas Storage Service). The customer's UFG costs to Enbridge have been eliminated, because the customer now provides UFG in kind. In deriving the amount in the 2008 URCMVA, Enbridge therefore removed UFG costs of approximately \$133,570 for this customer. Enbridge also removed storage costs of approximately \$61,917⁹ for this customer, given that storage costs are determined using the same Board-approved methodology for both bundled customers and unbundled customers taking storage service under Rate 315. Had the storage costs not been removed, Enbridge would have achieved double recovery, because storage costs would have been recorded in the 2008 URCMVA as if they were an unrecovered cost of the customer migration, yet after migration the customer continues to pay storage costs based on the same methodology as was applied when it took a bundled service.

The amounts recorded in the 2008 URCMVA have been calculated so as to avoid double-counting and are both accurate and appropriate.

(c) MPFDA

CME questions whether municipal permit fees should be treated as a capital item, rather than "as a Cost of Service item, like Municipal Taxes".

The municipal permit fees charged to Enbridge relate mainly to road cuts as a result of construction and maintenance activities. This is specifically recognized in the description of the MPFDA, which is as follows:

The purpose of the 2008 MPFDA is to capture Municipal permit fee costs charged for certain activities, such as road

⁹ The allocation of storage to the migrating customer is relatively low because the customer has a relatively uniform annual consumption profile.

cuts, related to the Company's construction and maintenance activities.¹⁰

In accordance with the applicable accounting rules and guidelines, the costs of these activities are capitalized, unlike municipal taxes which do not relate to a specific activity.

Enbridge's treatment of municipal permit fees is the same as comparable items with capital or rate base implications that are dealt with through other accounts or Y-factors. Examples of these are the Gas Distribution Rule Deferral Account and the Power Generation Y-factor mechanism. The calculation of the revenue requirement impacts of municipal permit fees does not result in any inappropriate enhancement of Enbridge's return and, in fact, if the revenue requirement and rate impacts are not treated in the same manner as other capital items, there will be an inappropriate detrimental impact on Enbridge's return.

7. Conclusion

As intervenors have confirmed to be appropriate, the following adjustments should be made to Enbridge's proposal (updated on May 26, 2009) for clearance of deferral and variance accounts:

- (i) removal of the 2008 TRRCVA balance of \$1.83 million;
- (ii) adjustment of the 2008 ESMVA balance to (\$5.6 million); and
- (iii) removal of the current projected 2008 OBSVA and 2008 OBVA balances.

Table 4, attached, shows the forecast amounts for clearance from deferral and variance accounts as of the May 26, 2009 update, the adjustments that should be made to these amounts, and the revised amounts for clearance from the accounts. The total balance for all accounts, exclusive of interest, is \$24.96 million.

VECC questions why clearance of the total balance for all accounts should occur in two instalments. Enbridge proposes two equal instalments because the total amount and the bill adjustments are similar to those resulting from clearance of 2007 deferral and variance accounts and, in respect of the 2007 accounts, the Board directed Enbridge to clear the total amount over two months in equal instalments.¹¹ Enbridge can clear the total 2008 amount in one or two instalments, depending on the Board's direction in this proceeding.

Enbridge respectfully requests that the Board approve Enbridge's proposed disposition of the deferral and variance account balances.

¹⁰ Ex. I-4-2, part (e), p. 4.

¹¹ Ex.C-2-1, p. 2.

If you have any questions in this regard, do not hesitate to contact us.

Yours very truly,

AIRD & BERLIS LLP

A handwritten signature in black ink, appearing to read "Fred D. Cass". The signature is fluid and cursive, with the first name "Fred" being more prominent.

Fred D. Cass
FDC/

cc: K. Culbert/N. Ryckman
Intervenors



Ontario
Executive Council
Conseil des ministres

Order in Council Décret

On the recommendation of the undersigned, the Lieutenant Governor, by and with the advice and concurrence of the Executive Council, orders that:

Sur la recommandation du soussigné, le lieutenant-gouverneur, sur l'avis et avec le consentement du Conseil des ministres, décrète ce qui suit:

WHEREAS Enbridge Distribution Inc. and related parties gave undertakings to the Lieutenant Governor in Council that were approved by Order in Council on December 9, 1998 and that took effect on March 31, 1999; and Union Gas Limited and related parties gave undertakings to the Lieutenant Governor in Council that were approved by Order in Council on December 9, 1998, and that took effect on March 31, 1999;

AND WHEREAS opportunities exist for Enbridge Distribution Inc. and Union Gas Limited to carry on business activities that could assist the Government of Ontario in achieving its goals in energy conservation;

AND WHEREAS the Minister of Energy may issue, and the Ontario Energy Board shall implement, directives that have been approved by the Lieutenant Governor in Council that require the Board to take steps specified in the directives to promote energy conservation, energy efficiency, load management or the use of cleaner energy sources, including alternative and renewable energy sources;

NOW THEREFORE the attached Directive is approved.

Recommended: _____

Minister of Energy

Concurred: _____

Chair of Cabinet

Approved and Ordered: _____

AUG 10 2006

Date

Administrator of the Government

O.C./Décret 1537 / 2006

Minister of Energy

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MINISTER'S DIRECTIVE

Re: Gas Utility Undertakings

Enbridge Gas Distribution Inc. and related parties gave undertakings to the Lieutenant Governor in Council that were approved by Order in Council on December 9, 1998 and that took effect on March 31, 1999 ("the Enbridge Undertakings"); and Union Gas Limited and related parties gave undertakings to the Lieutenant Governor in Council that were approved by Order in Council on December 9, 1998 and that took effect on March 31, 1999 ("the Union Undertakings").

Pursuant to section 27.1 of the *Ontario Energy Board Act, 1998*, I hereby direct the Ontario Energy Board to dispense,

- under section 6.1 of the Enbridge Undertakings, with future compliance by Enbridge Gas Distribution Inc. with section 2.1 ("Restriction on Business Activities") of the Enbridge Undertakings, and
- under section 6.1 of the Union Undertakings, with future compliance by Union Gas Limited with section 2.1 ("Restriction on Business Activities") of the Union Undertakings,

in respect of the provision of services by Enbridge Gas Distribution Inc. and Union Gas Limited that would assist the Government of Ontario in achieving its goals in energy conservation, including services related to:

- (a) the promotion of electricity conservation, natural gas conservation and the efficient use of electricity;
- (b) electricity load management; and
- (c) the promotion of cleaner energy sources, including alternative energy sources and renewable energy sources.

.../cont'd

In addition, pursuant to section 27.1 of the *Ontario Energy Board Act, 1998*, I hereby direct the Board to dispense, under section 6.1 of the Enbridge Undertakings, with future compliance with section 2.1 of the Enbridge Undertakings in respect of research, review, preliminary investigation, project development and the provision of services related to the following business activities:

- (a) the local distribution of steam, hot and cold water in a Markham District Energy initiative; and
- (b) the generation of electricity by means of large stationary fuel cells integrated with energy recovery from natural gas transmission and distribution pipelines.

Further, pursuant to section 27.1 of the *Ontario Energy Board Act, 1998*, I hereby direct the Board to dispense, under section 6.1 of the Union Undertakings, with future compliance with section 2.1 of the Union Undertakings in respect of research, review, preliminary investigation, project development and the provision of services related to the following business activities:

- (a) the generation of electricity by means of large stationary fuel cells integrated with energy recovery from natural gas transmission and distribution pipelines.

To the extent that any activities undertaken by Enbridge Gas Distribution Limited or Union Gas Limited in reliance on this Directive are forecast to impact upon their regulated rates, such activities are subject to the review of the Ontario Energy Board under the *Ontario Energy Board Act, 1998*.

In this directive, "alternative energy source" and "renewable energy source" have the same meanings as in the *Electricity Act, 1998*.



Dwight Duncan
Minister

TABLE 2

2008 EGD Normalized ROE and Earnings
& Scenario of Normalized ROE & Earnings
using CME Submission

Long CME Submission		EGD Weather Normalized Results			CME Weather Normalized Results		
Line No.		Col. 1	Col. 2	Col. 3	Col. 4	Col. 5	
		EGD Un-normalized Utility Income (\$Millions)	EGD Normalized Adjustment	(Col.1 + Col.2) EGD Normalized Utility Income Ex.M, T1, S3 (\$Millions)	CME Normalizing Adjustment	(Col.1 + Col.4) CME Normalized Utility Income (\$Millions)	
1.	Gas sales	2,461.4	(109.8)	2,351.6	(109.8)	2,351.6	
2.	Transportation of gas	770.6	(23.3)	747.3	(23.3)	747.3	
3.	Distribution & transportation revenue	3,232.0	(133.1)	3,098.9	(133.1)	3,098.9	
4.	Gas costs	2,236.1	(98.3)	2,137.8	(88.4)	2,147.7	
5.	Distribution margin	995.9	(34.8)	961.1	(44.7)	951.2	
5a	Margin to revenue ratio (per CME notion) %		26.1%		33.6%		
5b	Gas cost to revenue ratio (per CME notion) %		73.9%		66.4%		
6.	Transmission, comp. & storage revenue	1.8	-	1.8	-	1.8	
7.	Other operating revenue	38.9	-	38.9	-	38.9	
8.	Interest and property rental	-	-	-	-	-	
9.	Other income	4.3	-	4.3	-	4.3	
10.	Total distribution margin & other operating revenue	1,040.9	(34.8)	1,006.1	(44.7)	996.2	
11.	Operation and maintenance	323.4	-	323.4	-	323.4	
12.	Depreciation and amortization expense	236.7	-	236.7	-	236.7	
13.	Fixed financing costs	0.7	-	0.7	-	0.7	
14.	Debt redemption premium amortization	0.3	-	0.3	-	0.3	
15.	Company share of IR agreement tax savings	7.4	-	7.4	-	7.4	
16.	Municipal and other taxes	44.8	-	44.8	-	44.8	
17.	Interest and financing amortization expense	-	-	-	-	-	
18.	Other interest expense	-	-	-	-	-	
19.	Cost of service (other than gas cost within distr. margin)	613.3	-	613.3	-	613.3	
20.	Utility income before income taxes	427.6	(34.8)	392.8	(44.7)	382.9	
21.	Income tax expense	98.9	(11.6)	87.3	(14.9)	84.0	
22.	Utility income	328.7	(23.2)	305.5	(29.8)	298.9	
23.	Utility Rate Base (M-1-4, M-1-2)	\$millions					
24.	Utility Return on Rate Base (Row 19 / Row 20)	8.084%					
25.	Required Return on Rate Base (M-1-4, M-1-2)	7.887%					
26.	Sufficiency in Rate of Return on rate base (Row 21 - Row 22)	0.197%					
27.	Net Sufficiency (Row 23 x Row 20)	\$millions					
28.	Net Sufficiency (Row 20 / 66.50% reciprocal of tax rate)	\$millions					
29.	50% Earnings sharing to ratepayers (Row 25 x 50%)	\$millions					

Table 4

ENBRIDGE GAS DISTRIBUTION INC.
DEFERRAL & VARIANCE ACCOUNT
ACTUAL & FORECAST BALANCES

Line No.	Account Description	Account Acronym	Col. 1	Col. 2	Col. 3	Col. 4
			Updated: 2009-05-26 Ex.C, T1, S1, pg.3 Forecast for clearance at October 1, 2009	Revised per EGD Reply Submission Forecast for clearance at October 1, 2009		
			Principal (\$000's)	Interest (\$000's)	Principal (\$000's)	Interest (\$000's)
<u>Non Commodity Related Accounts</u>						
1.	Demand Side Management V/A	2007 DSMVA	(616.1)	(126.4)	(616.1)	(126.4)
2.	Lost Revenue Adjustment Mechanism	2007 LRAM	(301.3)	(3.4)	(301.3)	(3.4)
3.	Shared Savings Mechanism V/A	2007 SSMVA	8,247.5	91.8	8,247.5	91.8
4.	Class Action Suit D/A	2009 CASDA	4,709.5	442.9	4,709.5	442.9 ¹
5.	Deferred Rebate Account	2008 DRA	2,057.3	48.5	2,057.3	48.5
6.	Gas Distribution Access Rule Costs D/A	2008 GDARCD A	825.6	-	825.6	- ²
7.	Ontario Hearing Costs V/A	2008 OHCVA	2,252.1	59.8	2,252.1	59.8
8.	Unbundled Rates Customer Migration V/A	2008 URCMVA	485.7	5.4	485.7	5.4
9.	Open Bill Service D/A	2008 OBSDA	309.9	16.5	-	- ³
10.	Open Bill Access V/A	2008 OBAVA	476.7	5.3	-	- ³
11.	Municipal Permit Fees D/A	2008 MPFDA	99.6	-	99.6	- ²
12.	Average Use True-Up V/A	2008 AUTUVA	(2,654.1)	(29.5)	(2,654.1)	(29.5) ⁴
13.	Tax Rate and Rule Change V/A	2008 TRRCVA	-	-	-	- ⁵
14.	Earnings Sharing Mechanism D/A	2008 ESMDA	(5,600.0)	(63.5)	(5,600.0)	(63.5) ⁶
15.	Total non commodity related accounts		10,292.4	447.4	9,505.8	425.6
<u>Commodity Related Accounts</u>						
16.	Purchased Gas V/A	2008 PGVA	23,135.4	(803.4)	23,135.4	(803.4) ⁷
17.	Transactional Services D/A	2008 TSDA	(6,476.0)	(98.3)	(6,476.0)	(98.3)
18.	Unaccounted for Gas V/A	2008 UAFVA	621.2	6.9	621.2	6.9
19.	Storage and Transportation D/A	2008 S&TDA	(1,826.8)	(126.2)	(1,826.8)	(126.2)
20.	Total commodity related accounts		15,453.8	(1,021.0)	15,453.8	(1,021.0)
21.	Total Deferral and Variance Accounts		25,746.2	(573.6)	24,959.6	(595.4)

Notes:

- As approved in EB-2007-0731, the CASDA is to be cleared over 5 years. The first installment was cleared in 2008, therefore the second installment is proposed for 2009. As such, 1/4 of the remaining principal, and 1/4 of the remaining interest forecast to accumulate through June 30, 2012 is proposed for clearance. The forecast interest is based on the Board's current prescribed interest rate for deferral accounts of 1.00% (Q2 2009).
- The forecast 2008 GDARCD A and 2008 MPFDA amounts for clearance are the result of revenue requirement calculations. (Found in evidence at Ex.C, T1, S2 and Ex.C, T1, S3)
- The clearance of Open Bill related deferral and variance accounts will be determined in the EB-2009-0043 proceeding.
- The AUTUVA explanation is found in evidence at Ex.C, T1, S5.
- The TRRCVA balance has been removed as per Ex.M, T1, S1.
- The ESMDA explanation is found in evidence at Ex.B, T1, S1&2, and as updated at Ex.M, T1, S2.
- The 2008 actual versus forecast year end PGVA balance. The forecast year end balance was rolled into the opening 2009 PGVA balance and used in projected rate rider clearances in 2009.