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By electronic filing and by e-mail

May 19, 2010

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

Dear Ms Walli,

Enbridge Gas Distribution Inc. ("EGD")
2009 ESM and Other Deferral and Variance Accounts Clearance Review
Board File No.: EB-2010-0042
Our File No.: 339583-000067

Please find enclosed the Interrogatories of our client, Canadian Manufacturers & Exporters ("CME").

Please contact me if you require any further information.

Yours very truly,

Peter C.P. Thompson, Q.C.

\slc
enclosure
c. Norm Ryckman (EGD)
Intervenors EB-2010-0042
Paul Clipsham (CME)

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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 the clearance or disposition of amounts recorded in certain deferral or variance accounts.

INTERROGATORIES OF
CANADIAN MANUFACTURERS & EXPORTERS ("CME")

2009 Earnings Sharing Amount

References: Exhibit B, Tab 1, Schedules 1, 2, 3 and 4
Exhibit D, Tab 1, Schedules 1 and 2

Questions

1. The evidence in paragraph 1 of Exhibit B, Tab 1, Schedule 1 states that an analysis of the impact of weather normalization on volumes and gas in storage was conducted following the close of year end processing and that this analysis lead to a revision of the Earnings Sharing calculation contained in the audited Financial Statements for Enbridge Gas Distribution Inc. ("EGD Inc.") to increase it from $18.75M to $19.3M. Please provide the following information:

   (a) The estimates of background information supporting the accrual in the Financial Statements of $18.75M; and

   (b) The analysis that was done following the close of year end processing that shows how the impact of weather normalization on volume and gas in storage increased the Earnings Sharing calculation to about $19.3M.

2. The audited Financial Statements at Exhibit D, Tab 1, Schedule 1 indicate that the actual equity ratio for the consolidated entity EGD Inc. at December 31, 2009, was about 28.2%. We derive this actual equity ratio from the total equity for 2009 of $1,967.3M shown in Exhibit D, Tab 1, Schedule 8 by total liabilities of $6,977.8M. At December 31, 2008, the actual equity ratio derived by expressing the 2008 shareholders equity of $1,937.7M as a proportion of the total liabilities of $6,285.1M is about 30.8%. Using these figures, we estimate that, on average, the actual equity ratio of EGD Inc. for 2009 was about 29.5%. Please provide the following information:

   (a) Please confirm that the actual average equity ratio for EGD Inc. was about 29.5% for 2009. If EGD Inc. regards that ratio to be incorrect, then please provide EGD Inc.'s calculation of the actual average equity ratio for EGD Inc., the consolidated corporate entity, for 2009.

   (b) Please re-calculate the "Required Rate of Return %" of 7.470% shown at line 26 of Exhibit B, Tab 1, Schedule 2 and derived at Exhibit B, Tab 5, Schedule 1, page 1, column 4, line 6 by using the actual average common equity ratio for EGD Inc. for 2009 of 29.5%. In responding to this question, please provide the calculations in Exhibit B, Tab 5, Schedule 1, page 1 using common equity ratio of 29.5% instead of the 36% ratio shown in column 2 at line 5 and increase the short-term debt ratio of 1.66% and costs at line 2 of Exhibit B, Tab 5, Schedule 1, page 1 to reflect a short-term debt ratio of capital structure in an amount of 8.16%, being the sum of 1.66% plus 6.5% which is the amount by which the actual equity ratio of EGD Inc. is less than 36.0%.

(c) Please re-do the Part (A) Earnings calculation in Exhibit B, Tab 1, Schedule 2, page 1 using 29.5% as the "Required Rate of Return %" amount.

(d) Please re-calculate the "Common Equity Amount" shown at line 40 in Exhibit B, Tab 1, Schedule 2, page 1 of $1,366M, derived from Exhibit B, Tab 5, Schedule 1, page 1, column 1, line 5 by multiplying the actual 2009 average equity ratio of 29.5% by the total rate base amount of $3,794.4M shown in line 6, column 1 of Exhibit B, Tab 5, Schedule 1, page 1.

(e) Please provide the calculations in Part (B) of Exhibit B, Tab 1, Schedule 2, page 1 using the 29.5% actual average common equity amount and short-term debt costs at line 35 of Exhibit B, Tab 1, Schedule 2, page 1 based on an 8.16% short-term debt component of capital structure and the cost of short-term debt at 1.66%.

Unregulated Storage Revenues and Costs

References: Exhibit B, Tab 1, Schedule 4, pages 2 and 3, item (c), (d), (e) and (g)
Exhibit D, Tab 1, Schedule 2, pages 5 and 6

Questions

3. The evidence indicates that one of the causes for 2009 over 2008 increases in "Other Revenue" for the consolidated entity, EGD Inc., was revenue from the unregulated storage business. The evidence indicates that the company expanded its storage capacity by 6% to sell unregulated storage services into the storage market and that additional storage expansion for this purpose is planned to be in service in 2010. Please provide the following information:

(a) All capital expenditures incurred by EGD Inc. to December 31, 2009, to expand its storage capacity by 6%.

(b) The 2009 carrying costs on these incremental expenditures using the capital structure and costs shown in Exhibit B, Tab 5, Schedule 1, page 1.

(c) A description of all other storage assets that are partially used to support the provision of unregulated storage services, along with the carrying costs incurred to support those assets and the manner in which responsibility for a portion of those costs has been allocated to the unregulated storage business.

(d) Please provide the total 2009 Costs of Service, excluding return, related to both the incremental assets and commonly used assets that support the provision of unregulated storage services and include a description of the method used to allocate such Costs of Service associated with the commonly used assets to the unregulated storage business.

(e) Please provide the amount of 2009 unregulated storage revenues that were excluded for the purposes of determining 2009 utility earnings and the ratepayers share thereof.

Deferral and Variance Account Clearance on October 1, 2010

References: Exhibit A, Tab 3, Schedule 1
Exhibit C, Tab 1, Schedule 1
Exhibit C, Tab 2, Schedule 2, page 2

Questions

4. The evidence indicates that, because of testing and analysis with respect to the implementation of the Harmonized Sales Tax ("HST"), any increments to the balances recorded in 2009 Deferral Accounts after February 28, 2010, will not be cleared on October 1, 2010, but at some, as yet, unspecified date. In connection with this proposal, please provide the following information:

(a) When does EGD Inc. propose to clear amounts recorded in 2009 Deferral Accounts after February 28, 2010?

(b) Can EGD Inc. provide forecasts of balances that will likely be recorded in these accounts between March 1, 2010, and June 30, 2010, so that these forecasted amounts could be included in the amounts to be cleared on or about October 1, 2010?

(c) Would it not be better to clear July 1, 2010, forecast balances on October 1, 2010, rather than allowing four (4) months of further accumulations to be cleared sometime thereafter?

(d) What are the HST implications of clearing deferral account amounts recorded prior to July 1, 2010, on a date after July 1, 2010? Will the amounts attract GST based on the date of their clearance and regardless of whether they were incurred and recorded before July 1, 2010?

Reconciliation of Regulatory Deferral Account Balances with Financial Statements Amounts

References: Exhibit C, Tab 1, Schedule 1, page 2
Exhibit D, Tab 1, Schedule 1, page 16

Questions

5. The Financial Statements show amounts for various deferral and variance accounts pertaining to the utility that differ from the amounts shown in column 1 of Exhibit C, Tab 1, Schedule 1, at page 2. Please provide the following information:

   (a) A reconciliation of each of the actual balances shown in column 1 of Exhibit C, Tab 1, Schedule 1 at page 2 with the amounts shown for each of these deferral accounts for 2009 in the Consolidated Financial Statements for EGD Inc. at Exhibit D, Tab 1, Schedule 1, page 16.

Gas Distribution Access Rule ("GDAR") Deferral Account

Reference: Exhibit C, Tab 1, Schedule 2

Questions

6. It is proposed that a revenue requirement/cost of service type of calculation be used to collect the capital and operating expense amounts recorded in this deferral account. The costs of debt used in the calculation are 7.31% for long-term and 4.12% for short-term, being rates that exceed the rates shown in Exhibit B, Tab 5, Schedule 1 of 6.90% for long and medium-term debt and 1.66% for short-term debt. For preference shares, the rate used is 5% compared to the 3.35% shown in Exhibit B, Tab 5, Schedule 1, page 1. For equity, the return is 8.39% rather than 8.31% shown in Exhibit B, Tab 5, Schedule 3, page 1, line 12. As well, the components of the capital structure used in the revenue requirement calculation pertaining to amounts recorded in this deferral account differ from the components of capital structure shown in Exhibit B, Tab 5, Schedule 1, page 1. Please provide the following information:

   (a) Please explain why cost of capital rates that differ form those shown in Exhibit D, Tab 5, Schedule 1 are used in this revenue requirement calculation.

   (b) Please explain the derivation of the depreciation rate that is being used in the calculation.

   (c) Please calculate the amount recoverable if the carrying costs on the amounts of capital expenditure from ratepayers are limited to a 50/50 mix of long and short-term debt capital and exclude any equity and preference share return and related income taxes.

Municipal Permit Fees Deferral Account

Reference: Exhibit C, Tab 1, Schedule 3, page 1

Questions

7. A revenue requirement/cost of service type of calculation is also proposed to recover costs recorded in this deferral account. Please provide the following information:

   (a) The depreciation rate being used with respect to this account.

   (b) A calculation similar to the calculation requested in Question 6 (c) that limits recovery from ratepayers to costs associated with a 50/50 mix of long and short-term debt capital and excludes any return associated with preference and equity capital and related income taxes.

2009 Actual Average Use True-Up Variance Account

Reference: Exhibit C, Tab 1, Schedule 5

Questions

8. Please advise whether the amounts recorded in this variance account are limited to the effects of conservation or whether they also capture the impacts on actual average uses of all events other than weather.

9. Please estimate the recoverable amount if the effects of this variance account are limited in scope to conservation only.

Ontario Hearing Costs Variance Account

Reference: Exhibit C, Tab 1, Schedule 6, page 1

Questions

10. In connection with the amounts shown at lines 1, 4, 10, 11, 12, 13, 14 and 15 of Exhibit C, Tab 1, Schedule 6, page 1, please provide the following information:

    (a) A complete list of all of the expenditures reflected in each of the line items.

    (b) Where the expenditures involve amounts paid to professional services advisers, including lawyers and consultants, the name of the service provider, the hourly rate paid, and the estimated total number of hours covered by these expenditures.

Clearance of 2009 Deferral and Variance Account Balances

Reference: Exhibit C, Tab 2, Schedule 2

Questions

11. Please revise this schedule to show the clearances that would likely ensue if forecasted balances to July 1, 2010, were to be included in the amounts to be cleared to ratepayers.