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VIA RESS, EMAIL, & COURIER

December 17, 2010

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

Re: Enbridge Gas Distribution Inc. ("Enbridge") – Written Comments and Interrogatory Responses for the Q1 QRAM Application
Ontario Energy Board (the "Board") No. EB-2010-0347

On December 10, 2010 Enbridge filed the Q1 QRAM Application, EB-2010-0347 with the Board. In Enbridge's letter to the Board, which accompanied the Application, Enbridge set out December 15, 2010 as the date for Interested Parties to file written comments on the Application. Enbridge received interrogatories from Board Staff and the Federation of Rental-housing Providers of Ontario ("FRPO"). Enbridge also received comments from Canadian Manufacturers & Exporters ("CME"), Industrial Gas Users Association ("IGUA"), and FRPO.

Please find attached interrogatory responses to Board Staff #1 and #2 and FRPO #1 and #2. The Company's reply to IGUA's and FRPO's submission regarding EGD's intent to file the disaggregated impacts in rates of the System Reliability Decision with future QRAM filings is discussed in response to FRPO Interrogatory #1, part d).

Please contact the undersigned if you have any questions.

Sincerely,

Robert Bourke
Manager, Regulatory Proceedings

cc: Interested Parties (EB-2010-0347)

BOARD STAFF INTERROGATORY #1

INTERROGATORY

Reference: Exhibit Q1-3, Tab 4, Schedule 8, pages 1-4

Preamble:
For the Rate 100 rate class, the proposed unit rates found at page 1 of the above referenced exhibit do not reconcile with the supporting exhibits found at pages 2-4.

Question 1
Please explain the reasons for these differences.

RESPONSE

See response to Question 2.

Witness: A. Kacicnik

BOARD STAFF INTERROGATORY #2

INTERROGATORY

Reference: Exhibit Q1-3, Tab 4, Schedule 8, pages 1-4

Preamble:
Since there are no projected volumes for Rate 100 in 2011, it would appear that Enbridge is proposing to use the unit rates applicable to Rate 6 as a proxy for the purpose of establishing the Gas Cost Adjustment Rider (Rider C) for Rate 100.

Question 2
Can you please confirm that this is the case? If so, please provide the rationale supporting this approach and demonstrate that doing so would not generate variances in the PGVA if a customer was to take service pursuant to Rate 100 in 2011.

RESPONSE

Confirmed. Since Rate 100 no longer provides a price advantage over Rate 6, the Company has forecast that all Rate 100 customers would migrate to Rate 6. As noted in the preamble, the Company has not budgeted any customers or any volumes for Rate 100 in 2011. However, while the vast majority of Rate 100 customers have migrated to Rate 6, there remain some customers in the Rate 100 class. Those customers' volume is accounted for in the Rate 6 volumes forecast (given that the forecast assumes all customers will have migrated to Rate 6).

Using the unit rates applicable to Rate 6 as a proxy for Rate 100 matches the Company's forecast of customer migration to Rate 6 and the fact that Rider C amounts forecast to be paid out to or recovered from migrating customers in Rate 6 would not be cleared given that some customers are remaining on Rate 100 service.

Without making Rider C applicable to the Rate 100 class, Rate 100 customers would not be part of PGVA disposition, resulting in insufficient clearing of the PGVA and in Rate 100 customers not receiving Rider C adjustment for commodity, transportation and load balancing. By applying the Rate 6 Rider C to Rate 100 customers, Enbridge is ensuring that PGVA amounts are cleared appropriately to all customers on the system.

Witness: A. Kacicnik

FEDERATION OF RENTAL-HOUSING PROVIDERS OF ONTARIO
INTERROGATORY #1

INTERROGATORY

REF: Ex. Q1-2, Tab 3, Sch.1, Page 5

and

EB-2010-0231 Ex. C, Tab 1, Sch. 1, Appendix A, Pages 11 and 14

Preamble: In paragraph 15, EGD presents a table with the respective allocations of System Reliability Costs by rate class. In EB-2010-0231, EGD presented unit rate impact for average-sized customer s in representative rate classes.

1) Cost Allocations for Short Haul Assignment and Peak Supply

a) Please provide a reconciliation between the table in paragraph 15 and the respective unit cost tables in EB-2010-0231 to demonstrate the proposed proportional allocation is in effect.

b) Please confirm that actual costs for the respective reliability provisions will be reconciled and impact the respective rate class Rider C. If not, please describe how the difference between forecast and actual costs will impact the respective rate classes.

c) Please confirm that paragraph 16 should be interpreted to mean that EGD will not be continuing to severe and report costs for these System Reliability provisions separately. If that is not correct, please provide an enhanced description of EGD's intent for separation and reporting.

d) With EGD's answer to c) above as context and with the provision for reviewing System Reliability under the Material Change in Circumstances provision in the EB-2010-0231 Settlement Agreement, please describe how ratepayers would be assured that systemic costs are properly removed from rates should Reliability be achieved in a different manner.

RESPONSE

a) System Reliability costs are lower within the January 2011 QRAM for both the short haul assignment and the peaking replacement elements of the System

Reliability solution as compared to the estimates provided at the time of the EB-2010-0231 Settlement, which were based on the April 2010 QRAM.

Costs associated with short haul assignment have decreased from $5.4 million to $3.1 million, and peaking replacement costs have decreased from $17.8 million to $15.5 million.

The level of costs and proportional allocations to the various rate classes compare favorably to the estimates provided in the EB-2010-0231, as is the case for the corresponding unit rates shown in the table below.

	Allocation of Short Haul Assignment Costs	Unit Rate Impact of Short Haul Assignment	Allocation of Peaking Replacement Costs	Unit Rate Impact of Peaking Replacement
	($M)	$/m3	($M)	$/m3
Rate 1	1.6	0.0004	8.4	0.0018
Rate 6	1.3	0.0004	6.7	0.0015
Rate 9	0.0	0.0004	-	-
Rate 100	-	0.0004	-	0.0015
Rate 110	0.1	0.0004	0.1	0.0002
Rate 115	0.0	0.0004	0.0	0.0001
Rate 125	-	-	-	-
Rate 135	0.0	0.0004	-	-
Rate 145	0.0	0.0004	-	-
Rate 170	0.1	0.0004	-	-
Rate 200	0.1	0.0004	0.2	0.0010
Rate 300	-	-	-	-
	3.1		15.5	

b) Confirmed. The variances in forecast versus actual costs will be captured in the PGVA and recovered from or refunded to respective customers through Rider C.

c) Confirmed. EGD will not continue to separately report System Reliability costs as part of each QRAM application.

d) As shown within this QRAM application at Exhibit Q1-2, Tab 3, Schedule 1, pages 4 and 5, the Company can determine the cost of System Reliability based on natural gas prices, transportation costs, and basis differentials prevalent at the time of a QRAM application. The terms of System Reliability Settlement Agreement (EB-2010-0231) explicitly set out the System Reliability solution parameters at Exhibit C, Tab 1, Schedule 1, pages 6 – 10. Should a material

change in circumstances occur necessitating a change to the System Reliability solution, the Company would determine and lay out the level of costs for the existing solution based on the Settlement Agreement, as it did within this QRAM, and then remove those costs from rates as per the Board-approved cost allocation and rate design methodology, which was also approved as part of EB-2010-0231. In other words, the costs can be removed from rates at a future point in time in the very same manner as they were introduced into rates as part of this QRAM.

In the Company's view, it is not necessary to disaggregate and report System Reliability costs as part of each QRAM application, nor is such a reporting requirement part of the Settlement Agreement. The Company supports its view with the following rationale.

The Settlement Agreement does not contain any requirement for any such ongoing separate reporting of System Reliability costs. While the Company did separately report on System Reliability Costs in this case, that was done because this is the first time that such costs will be recovered in rates, and in order to show changes from the forecast amount of such costs that had been reported by the Company in EB-2010-0231 and EB-2010-0146. Those circumstances will not exist in future QRAM Applications.
Given that System Reliability solution is a component of the Company's gas supply portfolio, it is subject to the mechanistic nature of the quarterly gas cost adjustment carried out in each QRAM application. The System Reliability costs will be part of the gas supply portfolio costs as set out in the Company's QRAM application materials.

As highlighted above, should a material change in circumstances occur that affects security of supply to Enbridge's franchise area necessitating changes to the existing System Reliability solution or development of a new solution (as contemplated at page 15 of the Settlement Agreement, under the heading "Material Change in Circumstances"), the Company can remove the costs of the existing solution from rates at a future point in time in the very same manner as they were introduced into rates as part of this QRAM (and replace them with costs of a new or modified solution, if needed). Therefore, it is not necessary to disaggregate and report System Reliability costs as part of each QRAM application.

FEDERATION OF RENTAL-HOUSING PROVIDERS OF ONTARIO
INTERROGATORY #2

INTERROGATORY

REF: Ex. Q1-2, Tab 4, Sch.1, Page 3

Preamble: In paragraph 7, EGD states "The increase in the seasonal load balancing costs are offset by a decrease in carrying costs of gas in inventory."

2) Impact of Reduced.
   a) Please provide the quantified amount of inventory and the reduction in carrying costs.

   b) Are the reductions in carrying costs are being applied against the System Reliability Costs prior to allocation?

   c) Is there a decreased requirement for seasonal storage? If so, what is the quantity and how are the assets being utilized? What are the resulting revenues and the costs and how are they being allocated?

RESPONSE

a) As outlined in Enbridge's QRAM methodology at Exhibit Q1-1, Tab 2, Schedule 1, Appendix A, page 3, paragraph 7, as part of each QRAM application the Company calculates the value of gas in storage based on the proposed PGVA reference price. The determination of the annualized change in the value of gas in storage for the January 1, 2011 QRAM application is explained at Exhibit Q1-2, Tab 2, Schedule 1, page 1 paragraph 3, For the January 1, 2011 QRAM, the reduction in the carrying cost of gas in inventory and the working cash impact is $1,366.9 million as determined at Exhibit Q1-3, Tab 2, Schedule 2, page 1.

b) The revaluation of carrying costs for gas in inventory is a standard component of a QRAM application and is independent of the System Reliability costs. The $18.6 million for System Reliability as outlined in Exhibit Q1-2, Tab 3, Schedule 1, page 4, paragraph 14 excludes the gas in inventory amount.

c) No, there is no decreased requirement for seasonal storage. The reduction in carrying costs for gas in inventory is a function of the PGVA reference price decrease.

Witness: J. Collier