

February 14, 2012

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Kirsten Walli
Board Secretary
Ontario Energy Board
Suite 2700
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Your reference
EB-2011-0277

Our reference
01015413-0019



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Dear Ms. Walli:

**Enbridge Gas Distribution Inc. (EB-2011-0277)
Submission of Association of Power Producers of Ontario**

The Association of Power Producers of Ontario ("APPRO") respectfully files this written submission regarding the remaining issues in the above-noted proceeding.

Background

Enbridge Gas Distribution Inc. ("Enbridge" or the "Applicant") filed an Application on September 1, 2011 with the Ontario Energy Board (the "Board") under section 36 of the Ontario Energy Board Act, 1998, S.O. c.15, Sched. B, as amended, for an order of the Board approving or fixing rates for the distribution, transmission and storage of natural gas, effective January 1, 2012. The Application is for rates for 2012 to be set under the multi-year Incentive Regulation plan methodology as approved by the Board under File No. EB-2007-0615.

The Board received a Settlement Agreement dated November 29, 2011 (the "Settlement Agreement"), which it subsequently accepted. All issues were settled with the exception of the following:

1. Y factor – Gas Cost & Carrying Cost
2. Z factor – 2012 Pension Funding
3. Z factor – 2012 Cross Bores / Sewer Laterals
4. Variance account for Z factor – 2012 Pension Funding
5. Variance account for Z factor – 2012 Cross Bores / Sewer Laterals
6. Transition Impact of Accounting Changes Deferral Account
7. Cost allocation of Z factors

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APPrO only takes issue with #2 and #4 (it takes no position with respect to issues #1, 3, 5, 6 or 7. Regarding issues #2 and #4, APPrO submits that:

- Enbridge has not satisfied the Z-factor criteria and the 2012 costs in relation to a pension funding shortfall thus do not qualify for Z-factor treatment (and are not recoverable by Enbridge); and
- As a result, there is no need to establish a variance account for Z factor – 2012 Pension Funding.

Submission

We have had an opportunity to review the submissions by BOMA on issues #2 and #4. APPrO endorses those submissions.

Enbridge clearly has management-related responsibilities with respect to its pension plans (as confirmed by Mr. Kancharla, Enbridge is involved in the day-to-day management of pension plan design and plan performance).¹ Enbridge has framed the advent of the annual certificate requirement in June 2009 as being beyond the control of its management and not being an event in respect of which Enbridge could have taken risk mitigation steps. With respect, the requirement to contribute the 2012 service costs is initiated where Enbridge is unable to file an actuarial cost certificate showing a surplus. To that end, the funding requirement is only triggered when Enbridge's pension plan moves from a surplus to a deficit – a circumstance inextricably linked to the management and performance of its pension funds.

As argued in BOMA's submission, the mediocre performance of the pension fund's investments were well within the control of management and Enbridge did not implement risk mitigation steps. Consequently, Enbridge has not satisfied the Z-factor criteria and the 2012 costs in relation to a pension funding shortfall do not qualify for Z-factor treatment.

APPrO urges the Board to reject Enbridge's request for Z-factor treatment of the 2012 service costs.

Yours very truly,

"Signed"

John Beauchamp

JB/mnm

Cop(y/ies) to: All Parties to EB-2011-0277

¹ Transcript Volume 1, pages 118-119 (January 24, 2012).