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2008-04-02

VIA COURIER

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

Dear Ms. Walli:

**Re: EB-2007-0615 Enbridge Gas Distribution Inc. (the "Company")
Incentive Regulation Rate Case
Draft Final Rate Order for 2008**

Attached please find the Company's draft materials for inclusion in the Board's Final Rate Order for 2008, which have been prepared subsequent to the issuance of the Ontario Energy Board's ("Board") Decision with Reasons in Enbridge Gas Distribution Inc.'s Incentive Regulation Rate Case, dated March 11, 2008.

The materials for inclusion in the Board's Draft Final Rate Order for 2008 include the following:

Appendix "A" – Financial Statements incorporating the impacts of the Board's Decision with Reasons in the EB-2007-0615 proceeding, applicable to the 2008 Test Year;

Appendix "B" – Rate Handbook reflecting final 2008 rates;

Appendix "C" – Rider E will apply as an adjustment to customers' actual consumption for the month of July 2008;

Appendix "D" – 2007 Deferral Account Clearing will apply as a one-time adjustment based upon customers' actual consumption for the period January 1, 2007 to December 31, 2007. This disposes of the final 2007 and other years' deferral account balances. This adjustment will be implemented in the July billing cycle;

Appendix "E" – Accounting treatment for all 2008 Deferral and Variance Accounts; and

Appendix "F" – Customer Care and CIS Settlement Template (the "Template") for all years of the incentive regulation plan - 2008 through 2012.

The customer rate notices will be filed as part of the July 1, 2008 QRAM under docket EB-2008-0069 which will be filed May 30, 2008.

Supporting documentation (Working papers and the “C” exhibits used in support of rate design) related to the rates in Appendices B and C, and the one time charge determination in Appendix D, is included following Appendix D.

Additional schedules and material filed in support of certain components of other appendices, is included in this package after the tab entitled “Supporting Schedules”. An index identifying the schedules contained in this tab is attached to the end of this letter.

Approvals Requested: The Settlement Agreement in the Company’s Incentive Regulation (“IR”) proceeding EB-2007-0615, filed at Exhibit N1, Tab 1, Schedule 1, covers the five year period 2008 through 2012. This settlement provides for an annual rate setting process in which certain components of the approved IR mechanism (i.e. GDPIPIFDD or the customer additions forecast) will be updated to reflect the most current forecast of information for those components in that respective annual rate filing which is due to be filed on or before October 1 of the preceding year (i.e. October 1, 2009 for the establishment of 2010 rates).

As part of the Final Rate Order, the Company is requesting the Board’s approval of the results of the application of the Approved IR mechanism on its 2008 Test Year rates. (Note: the schedule titled “2008 Distribution Revenue per Customer Cap” filed with Appendix A – Financial Statements has continued to show the years 2009 through 2012 for illustrative purposes only).

Further, the Customer Care and CIS Settlement Template (the “Template”), filed as Appendix F with this draft rate order submission, represents an agreement between the Company and stakeholders which resolves the level of CIS / Customer Care costs (excluding bad debts expense) that are to be recovered in rates in each of the five years covered by the IR Settlement Agreement. The Company requests that the Board approve the completed Template, and attach it as an Appendix to the Rate Order, and approve the inclusion of \$92,416,426 as a 2008 Y factor representing the Company’s CIS and Customer Care costs to be recovered in the 2008 Test Year.

Once the Template is approved, each of the CIS and Customer Care Y factor amounts for the individual years 2009 through 2012 will be incorporated into the revenue requirement determination for each of the annual rate submissions related to those respective years.

Deferral and Variance Accounts: The Company’s proposals related to the clearing of deferral and variance accounts, filed at Appendix D in this submission, include the recovery of amounts related to the following:

- In its Decision in the Class Action Suit Deferral Account (“CASDA”) proceeding, EB-2007-0731, dated February 4, 2008, the Board stated that it “expects the Company to propose the same equal one-time recovery amount per customer per rate class”¹. The Company’s proposed first year recovery amount has complied with this directive and includes a portion of the interest forecast to be incurred over the recovery period. (Note: the total balance in CASDA, including interest, is to be recovered over the five years of the IR plan);

¹ EB-2007-0731 Decision, page 14

- In the EB-2007-0893 proceeding, the Company has requested the Board's Approval to clear the DSM related variance account balances for the 2005 and 2006 years, in the net amount of \$11,129,564. This amount has been established as a result of the negotiations which culminated in the Settlement Proposal signed by the Company and interested parties, and filed as Exhibit B, Tab 2, Schedule 1 in that proceeding. In order to facilitate the recovery of an amount that is the subject of a settlement agreement with stakeholders and to mitigate the accumulation of additional interest on these balances, the Company has proposed to, and designed the recovery of, the net 2005 and 2006 DSM related variance accounts in this draft rate order;
- As stated in the covering letter to its Draft Final Rate Order for the 2007 Test Year, dated August 3, 2007, the Company was unable to determine or recover, the amounts related to the 'wind-down' of the EnergyLink program within the time line required for the implementation of 2007 final rates (effective October 1, 2007). Instead, the Company proposed to bring forward these costs for clearance in 2008. No party objected to this proposal. The Board's Decision in EB-2006-0034 allows the recovery of these costs as "it would be unfair to the company to have to absorb these costs"². The Company has now completed the determination of these costs and has included a proposal for their recovery in Appendix D;
- In the Company's 2007 Test Year proceeding, EB-2006-0034, the Regulatory Cost Allocation Methodology ("RCAM") remained as the only issue that had not been entirely resolved via settlement and / or Board Decision. As a result of the potential for the Board to order any additional review of the RCAM process by the independent expert, Meyers Norris Penny LLP, the Company did not request the clearance of the 2006 Corporate Cost Allocation Methodology Deferral Account ("CCAMDA") coincident with the other 2006 deferral and variance accounts (i.e. a one-time clearance at October 1, 2007).

However, in the second phase of the 2007 proceeding, the RCAM issue was subdivided into several sub-topics, only two of which were not included in a subsequent settlement agreement (Exhibit N1, Tab 4, Schedule 1, dated Sept. 27, 2007), and those two sub-topics proceeded to an oral hearing (Decision pending). As it would seem to be an extremely remote possibility that there would be any further need for the 2006 CCAMDA, the Company's proposal to clear it is included in Appendix D.

- The 2007 Gas Distribution Access Rule Costs Deferral Account ("GDARCD") contains an accumulation of costs which are both O&M and capital in nature. As a result, a calculation determining the revenue requirement associated with these costs over the IR period has been included in Appendix D. The resultant 2008 fiscal year amount has been included in the Company's clearing proposal; and
- As a result of the completion of the Customer Care / CIS Settlement Template (filed as Appendix F), the 2007 Customer Care Variance Account ("CCVA") which had been an element of the original design of the CIS/Customer Care True-Up process, will not be required. Consequently there is no amount related to a 2007 CCVA in the Company's clearance request.

² EB-2006-0034 Decision with Reasons, page 33.

Proposed Time Table: The Company proposes the following review and implementation process with respect to the issuance of the Board's final Rate Order for 2008:

- Intervenors wishing to comment on the attached materials in support of the Final Rate Order must file their submissions by April 16, 2008;
- The Company requests that the Board approve all Appendices filed with this letter and issue the Final Rate Order on or before April 30, 2008. The Order is effective January 1, 2008, but will be implemented on July 1, 2008:
- The Company will file a Draft Rate Order under docket EB-2008-0069 on May 30, 2008, seeking approval of rates effective July 1, 2008 using the Board Approved QRAM methodology: and
- Appendix "B", attached herein, will be immediately superseded by the July 1, 2008 QRAM rates approved under docket EB-2008-0069.

Yours truly,

A handwritten signature in black ink, reading "Robert Bourke". The signature is fluid and cursive, with the first name "Robert" and last name "Bourke" clearly distinguishable.

Robert Bourke
Manager Regulatory Proceedings

Encl.

cc: Mr. F. D. Cass, Aird & Berlis (via courier)
EB-2007-0615 Interested Parties (via email only)

Index of Materials in support of the Final Rate Order for 2008

Appendix “A” – Financial Statements

Appendix “B” – Rate Handbook reflecting final 2008 rates.

Appendix “C” – Rider E for the month of July 2008.

Appendix “D” – 2007 Deferral Account Clearing

Supporting Documentation –Working Papers and the “C” Exhibits

Appendix “E” – Accounting treatment - 2008 Deferral and Variance Accounts.

Appendix “F” – Customer Care and CIS Settlement Template (the “Template”)

Supporting Schedules

Schedule 1 – Summary – Sharing of Tax Change Forecast Amounts

Schedule 2 – Class Action Suit Deferral Account Clearance within (2008)

Schedule 3 – EnergyLink Program recoverable costs (2007 Board Approved)

Schedule 4 – 2007 Gas Distribution Access Rule Costs Deferral Account

Schedule 5 – Request for approval of completed Customer Care/CIS Settlement Template and resulting Y factor for 2008