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November 27, 2012

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

Dear Ms Walli:

**Re: Enbridge Gas Distribution Inc. ("Enbridge")
Ontario Energy Board File No. EB-2012-0055
2011 Earnings Sharing Mechanism and Other Deferral and Variance
Accounts Clearance Review
Undertaking Response**

Enclosed please find the response to Undertaking J1.1 from the hearing held on November 22, 2012 for the above noted proceeding.

This submission was filed through the Board's RESS and will be available on the Company's website at www.enbridgegas.com/ratecase.

Please contact the undersigned if you have any questions.

Yours truly,

[Original signed by]

Lorraine Chiasson
Regulatory Coordinator

cc: Mr. F. Cass, Aird & Berlis LLP
All Interested Parties in EB-2011-0354

UNDERTAKING J1.1

UNDERTAKING

Tr: 45

To advise how much extra gas could be delivered at Dawn using Mr. Quinn's scenario, and describe who benefits from savings and who calculates them.

RESPONSE

The Company would like to clarify the undertaking asked by Mr. Quinn. During cross examination Mr. Quinn suggested to the panel that rather than release a portion of its' long-haul capacity to a marketer for purposes of a Transactional Services deal what if the Company instead had left the long-haul capacity empty, accrued FT RAM credits and moved gas from Empress to Dawn using IT on TCPL. If so, how much additional gas could the Company move as a result of the transportation savings generated from such a deal.

Mr. Quinn's hypothetical scenario gives rise to a number of issues and concerns such as the following:

- 1) Is the Company taking on the role of a Marketer?
- 2) Leaving firm pipeline capacity empty in order to contract for interruptible capacity
- 3) Commodity Price Risk (monthly vs daily pricing)
- 4) Ability to RFP for Gas Procurement
- 5) Availability of Interruptible Transportation
- 6) Variation from supply plan

Enbridge Gas Distribution Inc. ("EGD" or the "Company") has a number of transportation contracts with TransCanada Pipelines ("TCPL"), Alliance Pipeline, Vector Pipeline and Union Gas Limited. One particular contract with TCPL is for Firm Transportation Service ("FT") from the Empress Receipt point to the Eastern Delivery Area ("EDA"). This contract assists EGD in its ability to meet peak, winter, and seasonal demands. EGD operates this contract at 100% Load Factor. In the winter the Company relies on this contract as well as other services, such as storage withdrawals to meet the demand in the EDA. In the summer the Company continues to flow this contract at 100% Load Factor with any gas in excess of demand in the EDA being diverted to storage.

Witness: K. Culbert
D. Small

In the Compendium provided by Mr. Quinn and filed as Exhibit K1.1 at page 8 of 10 there is a copy of an Interrogatory response filed by the Company in EB 2011-0354 at Exhibit I, Issue D2, Schedule 8.5, page 1 of 1. Line 3 of that schedule identifies EGD's Empress to EDA contracted TCPL FT capacity of 196,970 GJ's/day. Line 4 identifies the amount of that capacity that has been assigned to Ontario Direct Purchase customers.

As described by Mr. Small to Mr. DeRose at pages 11 to 14 of the transcript opportunities may arise whereby the Company can enter into an Empress to Dawn exchange arrangement with a counterparty. Under the terms of that exchange agreement the Company would assign a portion of its long-haul FT contract to that counterparty (see Line 5 of the above mentioned schedule). The Company would continue to buy gas at Empress but instead of flowing gas on TCPL it gives the gas to the counterparty who in turn gives the gas back to the Company at Dawn.

During the months of April to October 2011 the Company, after consultation with, and approval from, Gas Control, released 41,088 GJ's per day of long-haul FT Capacity. Lines 19 and 20 of the schedule mentioned above represent the credit to be received from TCPL because of assigning the long-haul FT capacity and the amount being billed by the counterparty to facilitate the exchange. The difference of \$485,800 represents the (net) value or price differential between Empress and Dawn and equates to approximately \$0.38/GJ. This amount is booked as Transactional Services Revenue which is shared 75:25 between ratepayer and Shareholder.

Mr. Quinn asked the Company to provide a calculation that would determine the amount of additional gas that the Company could have purchased at Empress and transported using the transportation cost savings.

The Company does not think it is appropriate to do the calculation based upon the (net) savings of \$485,800 identified above because this amount represents the value that can be generated by a Marketer who has the ability to buy and sell gas at various receipt points and take advantage of commodity price spreads.

The Company has prepared the calculation (see attachment) based upon the transportation savings that may have been accrued by the Company if it had tried to do a similar type of transaction. That transaction would be to purchase gas at Empress, which EGD did as part of the exchange, purposely leave the long-haul FT empty and to pay the applicable demand charge. However, leaving the FT capacity empty would

Witness: K. Culbert
D. Small

have generated FT RAM credits that would be used to offset IT transportation costs to move the gas from Empress to the Southwest Zone.

The attached schedule provides the FT and IT tolls for Empress to Eastern Zone (EDA) and for Empress to Southwest Zone (Dawn) as well as the formula for calculating the FT RAM credits.

Item # 11 represents the demand charges for the month of April 2011 of the 41,088 GJ's of capacity that would be left empty. Line # 12 represents the amount of eligible FT RAM credits and Line # 13 represents the cost of the Interruptible transport to move the gas from Empress to Dawn. Line # 14 represents the net transportation that would be incurred by the Company if it were to attempt to replicate this transaction and Line # 15 represents the transportation saving - \$297,300 or \$0.24/Gj – the Company could have generated. This assumes that the IT transportation was indeed available each day when the Company bid for it and that because the Company could no longer RFP for a monthly supply at Empress it would have to buy gas on the day and there could be a price differential between Empress monthly and Empress daily.

By following the Company's treatment of the exchange deal the ratepayer received 75% of \$485,800 or \$364,350 however, following Mr. Quinn's proposed transaction the ratepayer would receive 100% of \$297,300 which is less than if it were treated as a Transactional Service transaction. The Company's role should not be that of a marketer. A marketer is in the business of generating revenues by buying and selling commodity through a number of bundled services at multiple receipt points and with varied types of counterparties.

Using Mr. Quinn's suggestion with \$297,300 of transportation savings the Company could have, in theory, moved an additional 142,769 GJ's from Empress to the Southwest Zone using IT Transportation. As a result, the Company's planned purchases that are a function of operational demand requirements, the Company would have backed off a similar amount of purchases at Dawn in the month of April or sometime during the summer because of available capacity in storage. This approach would have resulted in greater variation in gas purchases, greater reliance on daily purchases, and a lower ability to RFP purchases. Finally, while IT transport is unlikely to be cut in the summer, engaging in such purchases in other months could result in greater risk of cuts of IT. In accordance with its system reliability concerns and the System Reliability Agreement, the Company does not encourage the concept of leaving firm transport empty and using interruptible transport instead. Overall, the transactional

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service approach used by the Company generated greater benefit to the ratepayers and lower operational risk for the Company, compared to Mr. Quinn's suggested transaction.

Finally, the Company does not accept Mr. Quinn's assertion that savings generated by this type of exchange should go to the PGVA. As described by Mr. Small at transcript page 60 "...in my mind are simply exchanges. And they're exchanges that are going to come about because a third party wants to enter into a transaction with us." The purpose of Transactional Services is to generate revenue from transportation and storage assets that are surplus to the utilities needs on a short term or seasonal basis. This is such an example and any monies generated via that third party transaction should go to the Transactional Services Deferral Account.

Witness: K. Culbert
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Item #

TCPL - Empress to Eastern Zone FT Toll

1.	- Demand Charge	\$/GJ/Mth	63.84842
2.		\$/GJ	2.09913
3.	- Commodity Toll	\$/GJ	0.14377
4.	100% Load Fatcor FT Toll	\$/GJ	2.24290
5.	IT Bid Floor	\$/GJ	2.46719

TCPL - Empress to Southwest Zone FT Toll

6.	- Demand Charge	\$/GJ/Mth	53.88793
7.		\$/GJ	1.77166
8.	- Commodity Toll	\$/GJ	0.12129
9.	100% Load Fatcor FT Toll	\$/GJ	1.89295
10.	IT Bid Floor	\$/GJ	2.08224

Long-haul FT RAM Formula

Long-haul FT RAM credit = (Unutilized Daily Quantity) X [(100% load factor long-haul FT toll x 1.1) - FT Long-haul Commodity]
(Unutilized Daily Quantity) X [(2.24290 x 1.1) - .14377]
(Unutilized Daily Quantity) X (2.32342)

	Daily quantity	Total Release in the month of April 11
	GJ	GJ
FT Capacity Released	41,088	1,232,640

	Transportation Charges	\$(000's)	
11.	Empress to Eastern Zone FT Demand Toll (41,088 Gj/day X \$63.84842/Gj/mth)	2,623.4	
12.	FT RAM Credit (1,232,640 Gj X \$2.32342/Gj)	(2,863.9)	
13.	Empress to Southwest Zone IT Toll (1,232,640 Gj X \$2.08224/Gj)	2,566.7	
14.	Net Transportation Cost (Item # 11 + Item # 12 + Item # 13)	2,326.1	
15.	Net Transportation Savings (Item # 11 minus Item # 14)	297.3	Avg per unit savings - \$/Gj 0.241173
16.	Additional volume that could be moved through IT (Gj's) (Item # 15 / \$2.08224)	142,769	