

**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 or fixing just and reasonable rates and other charges for the sale, distribution, transmission and storage of gas commencing January 1, 2008.

**BEFORE:** Gordon Kaiser  
Presiding Member and Vice Chair

Paul Sommerville  
Member

Cynthia Chaplin  
Member

**FINAL RATE ORDER ARISING FROM THE EB-2007- 0615 PROCEEDING**

Enbridge Gas Distribution Inc. ("EGDI", or the "Company") filed an application dated May 11, 2007 with the Ontario Energy Board (the "Board") under section 36 of the *Ontario Energy Board Act, 1998*, for an order or orders approving or fixing just and reasonable rates for the sale, distribution, transmission and storage of gas for EDGI's 2008 fiscal year commencing January 1, 2008. In this proceeding, the Company sought approval of an Incentive Regulation ("IR") plan with a five year term from 2008 to 2012, inclusive. The Board assigned file number EB-2007-0615 to the application (the "Application").

On December 18, 2007, the Board issued a Decision ordering that EGDI's rates shall be interim effective January 1, 2008.

On January 31 and February 1, 2008, the Board heard the presentation of a Settlement Agreement in the Application. A revised Settlement Agreement was filed on February 4, 2008 and accepted and approved by the Board on that date. On February 11, 2008 the Board issued its Decision approving the Settlement Agreement.

The Settlement Agreement, dated February 4, 2008, addressed most of the components of an IR plan for setting rates for EGDI for the years from 2008 to 2012. The IR plan is a five year plan prescribing how the Company's distribution revenue that will be recovered in rates is to be set each year. Under the IR plan, most elements of this distribution revenue will be limited by a revenue per customer cap, while some will be determined on a cost pass-through basis. The revenue per customer cap will be adjusted each year, based in part on an inflation factor.

In its February 11, 2008 Decision, the Board noted that the IR plan meets "the relevant criteria for an acceptable incentive rate plan" and "is in the public interest".

Following the approval of the Settlement Agreement and the IR plan, there remained an outstanding issue about how the impact of customer additions should be treated under the IR plan. The Board heard oral testimony about this issue on February 1, 2008 and subsequently received written argument about the issue. On March 11, 2008, the Board issued a Decision determining that no adjustment to the IR plan related to customer additions is required.

The Board's February 11, 2008 Decision directed EGDI to file a draft final rate order by April 2, 2008. The Board noted that it expects that the new rates would be implemented with the Company's billing cycles commencing July 1, 2008.

On April 2, 2008, EGDI filed a draft final rate order package comprised of a letter and supporting materials and documentation reflecting the Board's findings, including the following elements:

- 2008 financial statements incorporating the impacts of the Board's Decision applicable to the 2008 fiscal year, and setting out the application of the Board-approved IR plan on 2008 rates, including the derivation of the 2008 Distribution Revenue per Customer Cap and 2008 Total Revenue;
- Final 2008 rates designed to recover 2008 total revenue of \$2,867.01 million based on the 2008 budgeted volumes and the October 1, 2007 reference price for gas costs;
- Rider E unit rates, applicable to volumes during July 2008, to allow the Company to recover the full year effect of the approved final 2008 rates (because interim rates based on 2007 revenue requirement will be in place from January 1 to June 30, 2008);
- A one-time adjustment based on customers' actual consumption for the period January 1, 2007 to December 31, 2007 with respect to the clearing of a number of final deferral and variance account balances, as well as costs related to the disposition and decommissioning of the EnergyLink program;
- Accounting treatment descriptions for all 2008 deferral and variance accounts;

- The completed Customer Care/Customer Information System (“CIS”) Settlement Template setting out the annual revenue requirement for customer care and CIS costs for the years from 2008 to 2012 (inclusive).

Supporting materials with respect to the derivation of 2008 rates, the composition and clearance of certain deferral and variance accounts, including the EnergyLink costs, and the Customer Care/CIS Settlement Template were also included with the draft rate order package.

The Board notes that the costs of the EnergyLink program were addressed in its 2007 Test Year Rate Order for EGDI (EB-2006-0034). The EnergyLink costs proposed for recovery by EGDI are less than the allowable limits set by the Board in that proceeding.

The Board also notes that certain deferral and variance accounts Demand Side Management (“DSM”) deferral and variance accounts presented for clearance as part of this rate order were initially presented to the Board for clearance in a separate Application from EGDI dated December 7, 2007. That application was assigned file number EB-2007-0893. The prefiled evidence for that application includes a settlement agreement among all interested parties agreeing that the amounts recorded in the DSM accounts should be cleared as at April 1, 2008, together with all the other deferral and variance account that the Company was expected to be clearing at that time. The clearance of the Company’s deferral and variance accounts is now proceeding as part of this final rate order, in conjunction with the July 1, 2008 QRAM, rather than as at April 1, 2008. The Settlement Agreement in this case provides that the clearance of the DSM accounts should occur in conjunction with the July 1, 2008 QRAM, unless specified differently as part of the EB-2007-0893 case. Given that there has been no order or disposition in that case, this final rate order addresses the

clearance of the DSM accounts that had been the subject of the EB-2007-0893 case.

As part of the EB-2006-0034 rate proceeding, the Board approved the Customer Care/CIS Settlement Agreement, through which EGD and stakeholders agreed to an approach for determining the revenue requirement that will be recovered over the 2007 to 2012 period for all of the Company's customer care and CIS costs except for bad debt expenses. The Customer Care/CIS Settlement Agreement contains a Template that is to be used to calculate the total customer care and CIS revenue requirement to be recovered over the 2007 to 2012 period, along with the approach to be taken to smooth those costs and derive normalized annual revenue requirements for each year from 2008 to 2012. At the time that the Customer Care/CIS Settlement Agreement was approved by the Board in March 2007, the Template could not be completed, primarily because some of the new contracts that define the customer care and CIS costs for the period from 2007 to 2012 had not yet been awarded. The Customer Care/CIS Settlement Agreement contemplated that once these contracts were awarded, and the parameters of the IR plan were set, the Template could be completed, through a defined "true-up" process.

EGD has now completed the Template and the members of the Steering Committee that represents Intervenor in the Consultative process related to customer care and CIS issues have confirmed that they agree with the manner in which EGD has completed the Template, and with the total and annual smoothed revenue requirements that result.

The Settlement Agreement in this case provides that the customer care/CIS costs resulting from the "true-up" process will be treated as a Y factor in each year of the IR term. Given that the Y factor for 2008 customer care/CIS costs is a necessary component of the 2008 Total Revenue to be recovered in the 2008 rates, and can only be derived and determined by completing the "true-up"

process, the approval of EGDI's 2008 rates requires approval of the completed Customer Care/CIS Settlement Template that results from the "true-up" process.

In these circumstances, it is appropriate and efficient to approve both the 2008 rates, and the completed Customer Care/CIS Settlement Template (including the annual customer care/CIS revenue requirements for 2008 to 2012) as part of this Rate Order.

The Board notes that intervenors received notice of the Company's draft rate order, including Enbridge's proposed treatment of EnergyLink program costs, the clearance of the DSM accounts and the approval of the Customer Care/CIS Settlement Template and the associated customer care/CIS revenue requirements for 2008 to 2012, and while IGUA did provide some comments and request additional information, which EGDI provided, no intervenor filed any objections by the April 16, 2008 deadline.

Upon reviewing the materials, the Board finds it appropriate to issue a 2008 rate order effective January 1, 2008, and implemented beginning July 1, 2008, reflecting the Board's EB-2007-0615 Decision.

The Board acknowledges that this rate order will be immediately superseded by another rate order, docket number EB-2008-0069, effective July 1, 2008, implementing the changes associated with the July 2008 Quarterly Rate Adjustment Mechanism ("QRAM"). The two orders provide an administrative path regarding the resulting rates.

**THE BOARD ORDERS THAT:**

1. The Financial Statements, attached as Appendix "A" to this order, are accepted as the basis for the rates in this order.

2. The rates in the Rate Handbook, attached as Appendix “B” to this order, are hereby approved effective January 1, 2008. These rates will be immediately superseded by the rates resulting from the July 2008 QRAM decision.
3. The adjustment to July 2008 volumes shall be calculated using the unit rates included in the Rider E attached as Appendix “C”.
4. The following deferral and variance accounts, as well as costs related to the EnergyLink program, shall be cleared by one-time adjustment to customers’ actual consumption for the period January 1, 2007 to December 31, 2007, as indicated in the attached Appendix “D”:
  - a. 2007 Purchased Gas variance account,
  - b. 2007 Transactional Services variance account,
  - c. 2007 Unaccounted for Gas variance account,
  - d. 2007 Union Gas Deliverability & Space variance accounts,
  - e. 2007 Deferred Rebate Account,
  - f. 2005 DSM variance account,
  - g. 2006 DSM variance account,
  - h. 2005 Lost Revenue Adjustment Mechanism variance account,
  - i. 2006 Lost Revenue Adjustment Mechanism variance account,
  - j. 2006 Shared Savings Mechanism account,
  - k. Class Action Suit deferral account (2008 portion of 5 year clearance),
  - l. 2007 Debt Redemption deferral account,
  - m. 2007 Ontario Hearing Costs variance account,
  - n. 2007 Gas Distribution Access Rule deferral account,
  - o. 2007 Electric Program Earning Sharing variance account,
  - p. 2006 Corporate Cost Allocation Methodology deferral account,
  - q. 2007 Unbundled Rate Implementation Cost deferral account,
  - r. 2007 Open Bill Service deferral account,
  - s. 2007 Open Bill Access variance account, and

- t. EnergyLink costs.
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- 5. The accounting treatment for the Company's fiscal 2008 deferral and variance accounts, including the applicable interest rate, shall be in accordance with the descriptions contained in the attached Appendix "E".
  - 6. The completed Customer Care/CIS Settlement Template, including the annual customer care/CIS revenue requirements for 2008 to 2012, attached as Appendix "F", is accepted and approved.

**ISSUED** at Toronto, May ●, 2008

ONTARIO ENERGY BOARD