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BY EMAIL AND FILED VIA RESS

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

Dear Ms Walli:

**Re: EB-2013-0046: Enbridge Gas Distribution
2012 Earnings Sharing Mechanism
Withdrawal of Contested Issues re. 2012 GDARCD and 2012 ESM**

We represent Enbridge Gas Distribution Inc. (Enbridge, or the Company).

The Settlement Agreement in this proceeding, which was accepted by the Board on August 20, 2013, indicated that there are three unsettled issues. Within the Settlement Agreement, all parties agreed upon the adjustments to be made to relevant deferral/variance accounts in the event that Enbridge does not succeed in defending its position on each particular unsettled issue. The Board's Decision on Settlement Agreement and Procedural Order No. 2 indicated that the three unsettled issues will proceed to hearing.

Enbridge has determined that it will no longer contest two of the three unsettled issues. Specifically, the Company will not seek to include late payment penalty (LPP) revenue reductions within the 2012 Gas Distribution Access Rule Costs Deferral Account (GDARCD), and the Company will not seek to include revenues received from third parties for their extraction of by-products from Enbridge's gas within the Company's revenues for Earnings Sharing Mechanism Deferral Account (ESM) purposes. Given this determination, Enbridge is implementing the agreed-upon consequences of not convincing the Board of its position on those issues within the relevant deferral and variance accounts.

This determination will allow for the hearing to be focused upon the remaining outstanding issue, which relates to capacity release exchange transactions recorded within the 2012 Transactional Services Deferral Account (TSDA). As Enbridge explained in response to the 2011 ESM Decision (EB-2012-0055), its evidence in the 2011 ESM case did not provide a full explanation and context for the background, methodology and nature of Transactional Services (TS), including capacity release exchange transactions. The Company's filing in this case provides enhanced explanation and context for capacity release exchange transactions. Enbridge's decision not to pursue the other unsettled

issues in this case will allow for appropriate focus to be placed on this TS issue at the September 20th hearing.

As detailed below, the Company has now taken steps to implement the agreed-upon financial consequences of its determination not to contest two of the three unsettled issues.

In relation to the 2012 GDARCDCA item, the Settlement Agreement (Issue 1(v) at page 8) set out the unsettled issue as follows: "Enbridge recorded an amount of \$916,000 in the 2012 GDARCDCA due to a reduction in Late Payment Penalties that resulted from the new minimum payment period provided for amendments to the Gas Distribution Access Rule filed on February 17, 2011 (EB-2010-0280). The issue is whether this amount is properly recorded in the 2012 GDARCDCA." Parties agreed within the Settlement Agreement that "[i]f the Board does not accept that the 2012 GDARCDCA balance should include a reduction in Late Payment Penalties, there would be a corresponding reduction in earnings sharing. Enbridge's 2012 earnings would be adjusted downward by \$916,000 to reflect lower revenues resulting in a reduction of approximately \$458,000 in the amount recorded in the 2012 ESMDDA."

Enbridge has reflected these agreed-upon changes in the relevant accounts by reducing the balance in the 2012 GDARCDCA by \$916,000, and reducing the Company's 2012 earnings by the same amount. This results in a reduction of \$458,000 in the amount recorded in the 2012 ESMDDA.

In relation to the outstanding 2012 ESMDDA item, the Settlement Agreement (Issue 1(x) at page 10) set out the unsettled issue as follows: "whether the commodity costs of gas purchased by Enbridge in Western Canada which Enbridge recovers from ratepayers should be reduced by \$5 million of revenue that Enbridge received from third parties for their extraction of by-products from Enbridge's gas. This revenue was received by Enbridge as a result of the processing of natural gas at a third party extraction plant in Alberta to produce pipeline quality gas by removing natural gas liquids, namely, ethane, propane, butane and condensate." Parties agreed within the Settlement Agreement that "[i]f the answer to the unsettled issue with respect to the 2012 ESMDDA is in the affirmative, then the gas commodity component of the PGVA should be reduced by \$5 million. As well, there will be a reduction in Enbridge's 2012 earnings for the purposes of earnings sharing with ratepayers, resulting in a reduction of approximately \$2.5 million in the balance recorded in the 2012 ESMDDA."

Enbridge has reflected these agreed-upon changes in the relevant accounts. The change to the PGVA balance (a reduction of \$5 million in the commodity component, to reflect the application of extraction revenues to offset commodity costs) has been effected, and is reflected within Enbridge's October 1, 2013 QRAM Application (which will be filed under file EB-2013-0295 on or about September 10, 2013). At the same time, as a consequence of applying the \$5 million extraction revenues to offset commodity costs, the Company's 2012 revenues are reduced by the same amount. This results in a reduction in the amount within the 2012 ESMDDA of \$2.5 million. The accounting treatment described above, where extraction revenues are applied as an offset within the PGVA, will continue for 2013 and subsequent years.

As a result of the adjustments described above, the principal amount for clearance within the 2012 ESM DA is now \$7.39 million, as compared to the previously reported balance of \$10.350 million. This reduction is offset by the fact that the balance to be cleared within the 2012 GDAR CDA is reduced by \$916,000, and a credit of \$5 million has been added to the PGVA.

Enbridge acknowledges that the Board has just issued Procedural Order No. 3 in this case, requiring Enbridge to file a Hearing Plan by September 17th. Given that Enbridge is no longer contesting the intervenor position in relation to the 2012 GDAR CDA and 2012 ESM DA issues, the Company assumes that there are no further outstanding issues in this proceeding related to those items. Accordingly, the Company does not plan to present any witness panels on those issues at the September 20th hearing. The Company's witness panel at the hearing will be focused on the remaining issue, which relates to capacity release exchange transactions, and the 2012 TSDA. Subject to consultation with Board Staff and intervenors, the Company expects that the Hearing Plan will address only address the unsettled aspects of Issue 2, which relate to the inclusion of capacity release exchange transactions within the 2012 TSDA.

Should you have any questions, please contact me.

Yours very truly,

AIRD & BERLIS LLP



David Stevens

cc. Enbridge Gas Distribution
All parties registered in EB-2013-0046