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By email

March 14, 2014

Andrew Mandyam
Director, Regulatory Affairs
Enbridge Gas Distribution Inc.
500 Consumers Road
North York, ON M2J 1P8

Dear Mr. Mandyam,

Enbridge Gas Distribution Inc. ("EGD")
April 1, 2014 QRAM Application
Board File No.: EB-2014-0039
Our File No.: 339583-000007

We need responses from EGD to the following questions in order to enable us to make submissions on behalf of Canadian Manufacturers & Exporters ("CME") with respect to the Quarterly Rate Adjustment Mechanism ("QRAM") Application which was circulated on Wednesday, March 12, 2014.

1. Please provide a list of benchmarks which are available to assist the Board and interested parties in evaluating the prudence of EGD's gas buying and transportation usage and procurement during the January 1, 2014 to March 31, 2014 cold snap.

2. Without limiting the generality of the previous question, please provide the following information:

    (a) What is the maximum daily curtailability available to EGD under the auspices of its interruptible contract arrangements and, on a day-to-day basis during the cold snap, to what extent did EGD utilize that curtailability?

    (b) What factors determined the actual sources of gas supply which EGD relied upon during the cold snap compared to the sources reflected in EGD's budget? For example, as shown in the response to question 10 in Exhibit Q2-2, Tab 1, Schedule 1, pages 4 and 5, "Chicago Supply" was budgeted to be the source of about 295.6 10^6 m^3 of supply. However, on an actual basis, a volume less than the budgeted amount was acquired from that source, namely about 279.0 10^6 m^3. The actual cost information provided in the response to question 15 in that Exhibit indicates that the average cost in February for "Chicago Supply" was about $352.6 10^6 m^3. In contrast, the average cost of "Delivered Supply" purchased in February in amounts greatly in excess of the budgeted volumes was in the order of $769.0 10^6 m^3. This information raises the obvious question of why an amount of "Chicago Supply" less than that budgeted was replaced with "Delivered Supply" costing substantially more.

(c) Similarly, the evidence in response to questions 10 and 15 in Exhibit Q2-2, Tab 1 indicates that the actual cost of "Peaking Supply" in January and February 2014 was in order of \$1,845 10^6 m^3 for January and \$1,564 10^6 m^3 for February. Are these prices something that EGD contracts for in advance of a winter season? If so, then on what basis are the extremely high contractual prices rationalized? If these are "market" prices which are not determined in advance under the provisions of a contract, then please explain how that "Peaking Supply" market operates to produce such high prices?

(d) What is the actual average landed cost per GJ of each of the budgeted and incremental supplies purchased by EGD in January and February 2014? What sources of information are available to determine how EGD's actual costs of these budgeted and incremental supplies compare to the actual costs of budgeted and incremental supplies incurred by other distributors in the same period?

3. The evidence indicates that, for system gas users, the total annual bill impact of the combined effect of the gas cost increases and Purchased Gas Variance Account ("PGVA") clearances which EGD is asking the Board to approve in this QRAM Application will materially exceed 10%. Is this conclusion correct? If so, then, for system gas users in each rate class, please provide the annual bill impact of the combined effect of the gas cost increases and PGVA clearances which EGD is asking the Board to approve.

4. What "rate shock" mitigation measures, if any, did EGD consider, having regard to the Board's prior precedent decisions to the effect that such measures should be considered when a utility proposes rate increases which will produce an annual bill increase in excess of 10%?

5. In EGD's Application for rates for the years 2014 to 2018, evidence has been filed which indicates that EGD's 2013 Rates are too high by an amount in the order of \$37M. Assuming that the Board may wish to take these 2013 normalized over-earnings into account when considering ways in which the rate increases being requested in this QRAM Application might be mitigated, please provide an exhibit which will show how the amount of \$37M of 2013 over-earnings would be allocated to each rate class, assuming that a Rate Base responsibility factor is used to allocate the amount.

Prompt responses to these questions would be appreciated so that we can take the requested information provided into account when considering an appropriate response to the QRAM relief which EGD seeks in this particularly unusual QRAM Application.

Yours very truly,

Peter C.P. Thompson, Q.C.

c. Board Secretary, Ontario Energy Board
Fred Cass (Aird & Berlis LLP)
All Interested Parties EB-2012-0459
Paul Clipsham (CME)

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