

March 24, 2014

VIA RESS AND COURIER

Ms. Kirsten Walli
ONTARIO ENERGY BOARD
P.O. Box 2319, 27th Floor
2300 Yonge Street
Toronto, Ontario
M4P 1E4

Ian A. Mondrow
Direct: 416-369-4670
ian.mondrow@gowlings.com

Assistant: Cathy Galler
Direct: 416-369-4570
cathy.galler@gowlings.com

Dear Ms. Walli:

Re: EB-2014-0039: Enbridge Gas Distribution Inc. (EGD) April 1, 2014 QRAM Application.

Industrial Gas Users Association (IGUA) Additional Submissions.

In its March 21, 2014 letter herein addressed to EGD, the Board indicated that it will allow parties the opportunity to file a written submission on the evidence as it currently exists on the record of this proceeding, and on whether the Board should consider rate mitigation measures to smooth the impact on EGD customers of recent increases in the commodity price.

In its March 17th submissions herein, IGUA commented that it saw no reason that the relief requested by EGD should be denied, since the record as it existed at that time revealed no shortcomings in the manner in which EGD had managed its gas supply exigencies during the extreme weather period that manifested over the January through March 2014 period. IGUA further noted that both CME and Board Staff had asked a number of substantive questions of EGD, and that IGUA would review EGD's responses to those questions, and that our March 17th comments were subject to that review.

IGUA has reviewed the additional information filed by EGD, and continues to be of the view that the record as it currently stands reveals no shortcomings in the manner in which EGD has managed its gas supply exigencies over this past winter season. IGUA does, however, indicate below that some additional response from EGD could assist the Board and interested parties in confirming this conclusion.

Prudence of gas purchasing approach.

IGUA appreciates EGD's responses to the questions raised in IGUA's March 17th comments, and in response to the questions posed by Staff and CME. Despite careful review of all of the information now on the record, however, it remains unclear to us what purchasing pattern EGD adopted for the incremental gas requirements that it identified as the winter season progressed. It is respectfully submitted that it is not the prudence of EGD's gas supply plan that is in issue, but rather the prudence of EGD's response to the atypical circumstances which it faced over the last 3 months or so.

In its March 13, 2014 comments on Union's April 1, 2014 QRAM, IGUA expressed appreciation for the detail provided by Union in its prefiled materials regarding, *inter alia*, the rationale and timing of Union's gas purchase responses to the market and supply/demand dynamics as they developed over this past winter. IGUA found that explanation, and its emphasis on the anticipatory "layering" approach to incremental gas purchases that Union adopted, very helpful, and supportive of the conclusion that Union had acted prudently in the circumstances. The Hearing Panel's decision on Union's QRAM reflects a similar conclusion.

IGUA has been unable to determine with similar clarity the rationale and timing for EGD's particular incremental gas purchases. It is not clear to IGUA on what dates EGD purchased significant incremental gas supplies, and for what delivery periods. In purchasing on the spot market on a forward basis (i.e. for delivery in later periods), Union was able to control exposure to gas price spikes. IGUA suggests that it would be helpful for the Board and interested parties if EGD could provide information in its further reply comments that is similar to the information provided by Union in this respect. IGUA found the information provided by Union at Tab 1, page 6, Table 1 of Union's QRAM filing, and the pages that follow, and in Appendix A to that evidence, to be directly on point.

Rate smoothing.

We have had the benefit of review of Staff's submissions of even date on the issue of rate impact mitigation.

IGUA's constituents are generally not impacted by this QRAM application to the same degree as those customers taking most or all of their gas from EGD. Accordingly, IGUA does not take a position on whether the current circumstances justify a departure from the general principle that prices for system supply should reflect market prices and thus provide gas pricing transparency, and fairness and equity among all customer groups.

However, IGUA does agree with Board Staff in two respects:

1. The Hearing Panel on this application has the discretion to direct recovery by EGD in a manner other than as provided for in the Board's decision in EB-2008-0106 (*Methodologies for Commodity Pricing, Load Balancing and Cost Allocation for Natural Gas Distributors*). Contrary to EGD's assertion, such a ruling would not "effectively amend" the earlier decision of the Board. Rather it would be an exercise by a different panel of the Board in different circumstances of that panel's discretion to consider and mitigate price impacts on ratepayers arising from the current application. (The standard QRAM process, and its application in normal gas price circumstances, would remain unaltered.)
2. EGD has not made out a case for compensation for any deferred recoveries at a weighted average cost of capital, as opposed to at the Board's prescribed interest rate as is generally the case for deferral account balances. If the Board does determine that rate mitigation is appropriate, EGD's carrying costs for deferred balances should be assessed at the prescribed interest rate generally applicable to deferral account balances.

Yours truly,



Ian A. Mondrow

- c. Dr. Shahrzad Rahbar (IGUA)
Andrew Mandyam (EGD)
Tania Persad (EGD)
Fred Cass (Aird & Berlis LLP)
Daniel Kim (OEB Staff)
Valerie Young (Aegent)
All Interested Parties (EB-2012-0459)