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July 25, 2014

VIA EMAIL, COURIER and RESS

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

Dear Ms. Walli:

**Re: Ontario Energy Board EB-2014-0199
Review of the Quarterly Rate Adjustment Mechanism Process
Enbridge Gas Distribution Inc. - Comments on Potential Scope Phase II**

In its EB-2014-0199 Notice of Proceeding and Procedural Order No. 1, the Ontario Energy Board (the "Board") indicated that it will review the Quarterly Rate Adjustment Mechanism ("QRAM") for natural gas distributors and that the review will proceed in two phases. The Board stated that the second phase of the review will include an examination of underlying drivers of the QRAM, including the cost and risk trade-offs of different gas supply planning parameters.

The Notice of Proceeding and Procedural Order invited comments from interested parties on the potential scope of the second phase of the QRAM review. Such comments are to be provided by way of a letter filed with the Board no later than July 25, 2014.

This letter sets out the comments of Enbridge Gas Distribution Inc. ("Enbridge") regarding the potential scope of the second phase of the QRAM review.

Enbridge submits there are three key gas supply planning parameters that impact the cost and risk trade-off of a gas supply plan. These three planning parameters are:

- 1) Design Criteria – These are the weather assumptions which determine the level of assets available to meet demand under extremely cold weather

conditions. Design Criteria are typically probability adjusted to take into account that a utility will experience these types of demand conditions infrequently but must be prepared to meet these demand conditions should they occur. More conservative Design Criteria will typically reduce demand and commodity pricing exposure.

- 2) Storage Requirements – Storage Requirements refer to the amount of natural gas storage assets contained within a gas supply plan and how those storage assets are assumed to be operated. Storage allows for the purchase of lower cost gas during periods of low demand in the summer which are then dispatched during periods of high demand in the winter. Storage asset operational assumptions determine the amount of gas in storage at a point in time. These points in time are typically referred to as “storage targets”. The amount of storage assets contained within a gas supply plan and storage targets will impact the amount of unplanned gas procurement, if required, when executing a gas supply plan. Greater amounts of storage and maintenance of storage balances over extended cold weather periods will typically reduce demand and commodity pricing exposure.
- 3) Supply Plan Composition – These are the types of assets that are contained within a gas supply plan. Upstream transportation assets, delivered supplies such as peaking supplies and natural gas storage all have differing service attributes¹ which influence development and execution of a gas supply plan. Reliance on annual firm transportation capacity will typically reduce demand and commodity pricing exposure relative to peaking supplies.

Enbridge respectfully requests that, in the second phase of the QRAM review, the Board examine the cost and risk trade-offs of each of the categories listed above,

Yours truly,

(Original Signed)

Kevin Culbert
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¹ Service attributes refer to the characteristics of a particular service. For example: firm or interruptible, term, price, availability and nomination windows would be considered service attributes.