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Our File No.

August 14, 2014

VIA MAIL

Enbridge
500 Consumers Road
North York, ON
PO Box 650
Scarborough, ON M1K 5E3

Attention: Ms. Kirsten Walli

Dear Ms. Walli:

Re: EB-2012-0459 Enbridge Gas Distribution Inc. ("Enbridge")
2014-2018 Rate Application
Technical Conference-Draft Rate Order

Please find attached BOMA's submissions with respect to EGD's draft rate order in the above proceedings.

Yours truly,

FOGLER, RUBINOFF LLP

Thomas Brett
TB/am

Encl.

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MEMORANDUM

TO:	File	**DATE:**	August 14, 2014
FROM:	Thomas Brett	**DIRECT LINE:**	416.864.9700
FILE NO.:		**E-MAIL ADDRESS:**	tbrett@foglers.com
SUBJECT:	BOMA Consents On The Enbridge Gas Distribution Rate Order ("EGD")		

1. SMOOTHING OF RATE CHANGES OVER THE 5 YEAR PERIOD

BOMA agrees with schools that a phasing in of the Site Restoration Costs ("SRC") refund should be done in a manner that provides the smoothest possible trajectory for distribution rates over the 5 year IRM term, with smooth defined as the least year to year variability in either direction. BOMA members value rate and bill stability highly because rates that fluctuate up and down frequently make annual budgeting and negotiation of leases with tenants more complicated.

BOMA supports the SRC refund pattern suggested by Schools in the spreadsheets it provided this morning with its substantial rate smoothing effects, subject to my arithmetic corrections suggested by EGD.

While the Board increased the SRC refund from $259.8 million (EGD's proposal) to $379.8 million (P. 62 of its decision) it did not address the amounts that EGD should refund in each of the 5 years of the IRM plan. EGD has stated that its proposed refund profile would minimize the rate increase required in the next rebasing year (EB-2012-0459, P. 26). However, it is not clear at this time that a substantial increase in rates would be required in any case in 2019 as a result of the costs savings to be achieved by EGD during the IRM plan period. Moreover, the consequences of EGD's proposal which include a very large decrease in rates in 2014, followed by a large increase in 2015, and annual increases of between 8% and 19% in 2016, 2017 and 2018, create too much variability, and will be difficult for commercial customers to handle. BOMA views the smoothing proposal as a useful refinement to EGD's original proposal that can be undertaken without the need for additional evidence.

As to the amount of work required to produce the revised Revenue Requirements, if schools can make a reasonable estimate with a few hours' work, it does not seem the task for EGD to flesh out the more detailed numbers would be as time consuming as EG suggests. Even if it were time consuming, the improved result would justify the additional work.

2. TREATMENT OF THE COST OF DEBT

In its decision, the Board states that:

"Having already determined that the return on equity and cost of debt should be determined on a consistent basis, the Board concludes that the cost of debt should also be set each year through the annual rate adjustment proceeding" (P. 55).

BOMA is of the view that the cost of debt includes the term of the debt. The term chosen for the debt and a change in the term of a debt issue can impact the cost of the debt as much as a change in interest rates, and will affect the cost of an issue even if the yield curve remains the same. So in the event EGD decides to change the term of the proposed issue subsequent to the approval of the annual forecast, the debt cost should be trued-up to reflect the change, that is the forecast cost should be adjusted to reflect the actual coupon rate. This approach avoids the Board micromanaging the company's treasury function while protecting ratepayers from systematic term reductions from forecast.

BOMA also believes that the embedded cost of debt should be adjusted in each annual rate adjustment proceeding to reflect the actual costs of the debt issued since the previous proceeding. Contrary to EGD's position in TCU-Ro 1.4, it would not be impractical to do so. It is also analogous to the annual adjustments being made to the cost of equity. Since the actual data are available it makes sense to use the most recent numbers to calculate the cost of financing the rate base. The fact that the amount of rate base and the amount of embedded debt is increasing should not affect that conclusion.

3. BASIS OF ALLOCATION OF THE $49.3 MILLION REFUND

BOMA is of the view that the period of months' consumption on the basis of which the allocation of the 49.3 million refund is made should be the 9 months of actual gas consumption from January 1, 2014 to September 30, 2014. This period is long enough to be representative of annual consumption and fair to the various rate classes. To use only the month of October would not be fair. EGD using the 9 month period is not, in BOMA's view retroactive rate making. EGD would be refunding the $49.3 million on a prospective basis. BOMA also believes that the refunds should be paid in a manner that minimize the number and variability of rate changes.

EGD discussed three methods of allocation at page 2 of the technical conference, and TCU-RO 1.6 summarized the three options. BOMA would accept either option 2 or option 3 as both are major improvements over EGD's original proposal. BOMA prefers option 3, as it is concerned that while the forecast consumption in the 3 months of October, November and December while prospective would not be as representative period as the 9 month period. If the smoothing proposal is accepted for Rider D there would be no payment of Rider D in 2014.

TB/am