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August 15, 2014

Kirsten Walli
Board Secretary
Ontario Energy Board
2300 Yonge Street, 27th floor
Toronto, ON M4P 1E4

Dear Ms Walli,

Enbridge Gas Distribution Inc. ("EGD") 2014 to 2018 Rates Application	
Board File No.:	**EB-2012-0459**
Our File No.:	**339583-000165**

Please consider this correspondence as the submissions of Canadian Manufacturers & Exporters ("CME") with respect to the Draft Rate Order ("DRO") that EGD filed on July 31, 2014. We have had the benefit of reviewing the submissions of Board Staff, SEC and APPRO prior to the filing of these submissions, and as such, have adopted the arguments of others where possible.

Allocation of the SRC Refund Amount

The Board ordered the SRC Refund Amount to be increased by $120M from $259.8M proposed by EGD to $379.8M.

EGD's DRO proposes to front-end load the refund amounts from 2014 to 2018 (see Appendix A, Schedule 1, page 3, para. 6). The refund amounts EGD proposes to allocate to each of the years 2014 to 2018 are $96.8M, $90.4M, $83.9M, $77.5M and $31.1M respectively.

For 2014, EGD's DRO adds a $96.8M refund to a $62.1M sufficiency which produces a steep $150M reduction in 2014. On the other hand, at the end of the period 2018, when the revenue deficiency is $187.2M, the SRC refund amount is only $31.1M, producing an increase of $150M. The result is that ratepayers will experience a very significant rate reduction followed by very significant rate increases.

In reviewing the DRO, CME requested that EGD consider an alternative pattern of SRC refund that would smooth the rates from 2014-2018. EGD refused to undertake any such analysis unless the Board requires them to do so.

In the face of EGD refusing to provide assistance to Intervenors' consideration of a smoothing approach, SEC prepared a spreadsheet that compares EGD's DRO proposal to a smoother alternative refund pattern. That spreadsheet is attached to SEC's submissions.

The SEC spreadsheet shows that under EGD's DRO proposal, the resulting rate increases and decreases for 2014 to 2018 would be -15.25%, 6.07%, 12.95%, 5.82% and 9.56%, respectively. By comparison, SEC's "Smoother Alternative Refund Pattern" would result in rate increases and decreases for 2014 to 2018 of 3.04%, 1.21%, 1.31%, 1.26% and 1.15%.

CME strongly urges the Board to consider adopting the "Smoother Alternative Refund Pattern" set out by SEC. In the alternative, it would be appropriate for the Board to direct EGD to file further evidence justifying why their proposed 5 year rates, which range between an annual reduction of -15.25% to an annual increase of 12.95% is in the public interest.

Cost of Debt Adjustment

EGD has filed limited evidence on the cost of debt adjustment mechanism. The adjustment proposal is addressed in Appendix A, Schedule 1, pages 4 and 5, in paras. 9 and 10 and Appendix F, page 1 of 1, para. 9. Moreover, for debt issuances, EGD proposes no adjustment mechanism (Appendix H).

EGD proposes to lock in now the magnitude and timing of its debt issuances over the next 5 years. The only item which they plan to adjust in each year is the forecast cost of debt for the ensuing year.

CME agrees with SEC that in adjusting the cost of debt for each year of the five-year plan, EGD should use the best available information – which is the rate actually being paid as opposed to a prior forecast. For this reason, CME supports SEC's proposal to begin with the actual weighted average rate on embedded debt and then adjust it on an annual basis by adding the forecast cost of future issuances.

Calculation and Refund of Rider E Adjustment for 2014

As set out in Appendix C, Rider E is required because EGD's 2014 rates will not be implemented until October 1, 2014. Because there is a revenue sufficiency for 2014 of $62.1M, EGD must refund to customers 9 months of that revenue sufficiency.

EGD has calculated the amount to be refunded on the basis of originally forecast volumes for 2014, instead of on the basis of actual volumes for 2014.

CME supports and adopts SEC's argument that the amount to be refunded in Rider E should be calculated on the actual volumes.

If you have any questions or concerns, please do not hesitate to contact us directly.

Yours very truly,

Vincent J. DeRose

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