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July 24, 2008

**VIA EMAIL and COURIER**

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

Dear Ms. Walli:

**Re: Ontario Energy Board File No. EB-2008-0106  
Commodity Pricing, Load Balancing and Cost Allocation  
Methodologies for Natural Gas Distributors**

Pursuant to Procedural Order No. 1, we have attached the written submissions of Enbridge Gas Distribution on the draft Issues List.

Yours truly,

A handwritten signature in blue ink that reads 'L Chiasson'.

Lorraine Chiasson  
Regulatory Coordinator

cc: Mr. F. Cass, Aird & Berlis LLP  
EB-2008-0106 Interested Parties

**IN THE MATTER OF** a proceeding initiated by the Ontario Energy Board to determine methodologies for commodity pricing, load balancing and cost allocation for natural gas distributors.

**WRITTEN SUBMISSIONS  
OF ENBRIDGE GAS DISTRIBUTION INC.  
ON THE DRAFT ISSUES LIST**

1. Procedural Order No. 1 in this proceeding provides for parties to make written submissions on the draft Issues List that was attached as Appendix B to the Procedural Order. These are the written submissions of Enbridge Gas Distribution Inc. ("EGD") on the draft Issues List.

2. EGD's written submissions fall into two different areas. First, under the headings that follow, EGD will address several general points that relate to more than one specific issue. Second, EGD will address a number of the specific proposed issues in the draft Issues List.

**I. General Submissions**

**(a) Issue Preambles**

3. In the draft Issues List, proposed Issues 1 to 5 and 7 to 9 are preceded by a statement described in each instance as a preamble. It appears to EGD that these preambles create uncertainty about the facts that lie behind the issues set out in the Issues List. For example, the preamble to Issue 5 says that EGD makes a change in

the revenue requirement for several items (carrying cost of gas in inventory, capital and large corporation taxes, and working cash allowance) whereas Union Gas Limited ("Union") and Natural Resource Gas ("NRG") do not make these adjustments. EGD believes that similar adjustments or pass-throughs are made by one or both of the other gas distributors, but that they are made through certain variance or deferral accounts. In other words, similar cost or revenue requirement impacts are passed through to ratepayers, but by different means.

4. While the issue preambles may assist parties in their consideration of the draft Issues List that accompanied Procedural Order No. 1, Enbridge questions whether any purpose would be served by including preambles in the final approved Issues List for this proceeding. If the issues in the Issues List are expressed with clarity, there should be no need for preambles and, indeed, in many other proceedings before the Board, it has been entirely possible to clearly express the issues in an approved Issues List without preambles. Enbridge is not aware of any reason why the issues in this case require an additional level of explanation that is not needed in other cases.

5. Alternatively, if the Board does not accept this submission, Enbridge submits that the Board should be scrupulous to ensure that the preambles are both factually correct and neutral. It is important to avoid factual discrepancies or inconsistencies because the statements in each preamble underpin the particular issue or issue that follows. It is important that the preambles be stated in neutral terms, because there may otherwise be a perception that some aspect of a particular issue has been pre-determined, or that one side or another of a particular issue has been given an advantage by the framing of the Issues List.

**(b) Standardization**

6. The draft Issues List assumes that the end result of this proceeding will be a decision that requires standardization of methodologies used by the three gas distributors. This can be seen in the headings for Parts A and B of the draft Issues List, both of which refer to "Review and Standardization". It can also be seen in the proposed issues that specifically refer to standardization (Issues 6.1, 7.1 and 8.2) and in a number of proposed issues (Issues 1.2, 2.2, 4.1, 4.2, 4.3, 4.4 and 5.2ii) that presumptively indicate that there is a particular methodology appropriate for use by "all" natural gas distributors.

7. Standardization may well be a laudable objective and, indeed, it may have been one of the Board's primary reasons for initiating this proceeding. This does not mean, though, that the proceeding should start with presumptions about where standardization can be achieved effectively. Instead, EGD submits that the final approved Issues List should allow scope for the Board to hear and consider evidence and arguments on standardization in an open and orderly manner. At a minimum, the Issues List should be structured to allow the Board to consider, first, the methodologies currently used by the three gas distributors; second, whether there should be standardization of aspects of these methodologies; and, third, how standardization can be effected in those areas where the Board decides that it is appropriate.

8. To the extent that the outcome of this proceeding is greater standardization of methodologies used by the three gas distributors, changes will have to be made by at least one distributor. There are likely to be costs associated with such changes and the costs could be substantial. For example, a change by EGD to a load balancing methodology similar to Union's could require EGD to make significant changes to computer systems at a cost that would not be inconsiderable. Also, customers of any distributor making changes will have to acquaint themselves with the new methodology

and possibly will have to adjust to a different billing or presentation of charges. EGD submits that it is very important that the issues in this proceeding be framed to leave open for consideration the balance between, on the one hand, the perceived benefits of standardization and, on the other hand, the costs and other implications of changing methodologies.

9. EGD therefore submits that the word "all" should be deleted from proposed Issues 1.2, 2.2, 4.1, 4.2, 4.3, 4.4 and 5.2ii. EGD submits further that each of these proposed issues, as well as the three proposed issues that specifically refer to standardization (Issues 6.1, 7.1 and 8.2), should be framed in a manner that opens up for consideration whether standardization is appropriate. Specific wording suggestions in this regard can be found in Part II of these submissions.

**(c) Advantages and Disadvantages of Particular Approaches**

10. A number of issues in the draft Issues List (Issues 1.1, 3.1, 4.1, 4.4 and 8.1) refer to the advantages and disadvantages of different approaches. Of course, different stakeholders will have very different perceptions of what is an advantage and what is a disadvantage of any particular approach. EGD submits that, in each instance, these issues should explicitly indicate that advantages and disadvantages will be considered from three different perspectives, namely, the ratepayer, gas retailer and distributor perspectives.

**(d) Alternative Methodologies**

11. Procedural Order No. 1 states that, once the Issues List has been determined by the Board, a further procedural order will be issued directing the three distributors to file evidence. Because this evidence will be filed before the distributors have heard the proposals of other parties with respect to alternative methodologies, it is not possible for

the evidence to contain any response by the distributors to such proposals. EGD submits that it is critical that the procedural steps in this case make allowance for a response by the distributors to any alternative methodologies that may be suggested by others and that sufficient time be allowed for the distributors to fully examine the implications of such alternative methodologies.

### **(e) Implementation**

12. In the event that the outcome of this proceeding is that one or more of the distributors must make methodology changes, a number of implementation issues will flow from that result. These issues include how much the changes will cost (which, as already referred to above, is more than just an implementation issue because costs may be relevant to whether a particular change should be made at all), who will bear the costs of the changes, how the changes will be implemented and what timing is appropriate for implementation. EGD submits that all such issues should be explicitly included in the final approved Issues List.

## **II. Submissions on Specific Issues**

### **(a) Issue 1**

13. For the reasons already given, EGD submits that the standardization presumption should be removed from proposed Issue 1.2 and, instead, standardization should be left open for the Board's consideration. Suggested wording for a new Issue 1.2 is as follows: Should there be a standardized trigger mechanism for natural gas distributors? The addition of this new Issue 1.2 would cause proposed Issue 1.2 to be renumbered as 1.3 and, in order to make the wording neutral insofar as standardization is concerned, EGD suggests the following for Issue 1.3: If a trigger mechanism is

desirable for any or all of the natural gas distributors, what methodology or methodologies should be used?

**(b) Issue 2**

14. Proposed Issue 2.2 repeats the presumption of standardization. EGD submits that Issue 2.2 should be changed to the following: What methodology or methodologies should be used by natural gas distributors?

**(c) Issue 4**

15. Consistent with the comments made above, EGD suggests that both the second part of proposed Issue 4.1 and the second part of proposed Issue 4.4 be changed to the following: What methodology or methodologies should be used by natural gas distributors? EGD submits further that the draft Issues List does not make clear the distinction that is intended by separating proposed Issues 4.2 and 4.3. EGD suggests that these issues be combined and that the wording of the new Issue 4.2 be as follows: What methodology or methodologies should be used by natural gas distributors for the recording and clearance of deferral and variance account balances?

**(d) Issue 5**

16. EGD understands that the reason for inclusion of proposed Issue 5 in the draft Issues List is because the three distributors all take account of the carrying cost of gas in inventory and related costs, but use different methodologies for this adjustment. Accordingly, EGD submits that appropriate wording for the resultant issues is as follows:

5.1 What are the advantages and disadvantages  
for ratepayers, gas retailers and distributors, of the current

methodologies for recovering the carrying cost of gas in inventory and related costs?

5.2 Should there be a standardized method of recovering the carrying cost of gas in inventory and related costs for natural gas distributors?

5.3 What methodology or methodologies for recovering the carrying cost of gas in inventory and related costs should be used by natural gas distributors?

**(e) Issue 6**

17. In order to give effect to the comments made above, EGD suggests that Issue 6 be broken down into the following:

6.1 What are the advantages and disadvantages for ratepayers, gas retailers and distributors of a standard pricing mechanism for all natural gas distributors?

6.2 What are the costs and other implications of standardizing pricing mechanisms for all natural gas distributors?

6.3 Should there be a standard pricing mechanism for natural gas distributors?

**(f) Issue 7**

18. EGD submits that proposed Issue 7 should be changed in a similar manner to Issue 6. In other words, EGD suggests that Issue 7 be broken down as follows:

7.1 What are the advantages and disadvantages for ratepayers, gas retailers and distributors of standard filing requirements for QRAM applications?



7.2 What are the costs and other implications of implementing standard filing requirements for QRAM applications?

7.3 Should there be standard filing requirements for QRAM applications by natural gas distributors?

**(g) Issue 8**

19. EGD submits that the presumption of standardization should be removed from Issue 8.2. Suggested wording is as follows: What mechanism or mechanisms for load balancing should be used by natural gas distributors?

**(h) New Part D, Issue 10**

20. EGD proposes a new Part D, Issue 10 in order to capture the cost, timing and implementation issues referred to above. The following is suggested wording for this addition to the draft Issues List:

**D. COSTS AND IMPLEMENTATION**

***Issues:***

10.1 What are the costs of potential changes to methodologies under consideration in this proceeding?

10.2 Who should bear the costs of changes?

10.3 How should any such changes be implemented?

10.4 What should be the timing of implementation of changes?

### **III. Conclusion**

21. In conclusion, EGD submits that the primary objective of this proceeding should be to land on a structure or process that passes on changes in the price of natural gas, and all related cost impacts, in as timely a manner as possible to gas ratepayers. Any attempt to develop such a structure or process should weigh or consider the cost implications and usefulness of the proposed method from the perspective of the ratepayers, the distributors and the gas retailers.

All of which is respectfully submitted.

July 24, 2008

A handwritten signature in black ink, appearing to read "Fred D. Cass", is written over a horizontal line.

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Counsel for Enbridge Gas Distribution Inc.