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VIA EMAIL

September 12, 2008

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

Dear Ms. Walli:

Re: <u>EB-2008-0263 (QRAM Application)</u>

This is the response of Enbridge Gas Distribution ("EGD" or the "Company") to Direct Energy's submission dated September 5, 2008 and IGUA's submission dated September 10, 2008 regarding EGD's proposal to extend the clearing of the adjusted year-end balance in the Purchased Gas Variance Account ("PGVA") over a six month period instead of the standard three month is set out below.

The Company's projected year end PGVA balance is forecast to be cleared each quarter by the determination of the rate Rider C amount which is forecast to reduce the projected year PGVA account balance to zero at year end. In the last quarter of the fiscal year, EGD has the discretion to extend the period of the rider from a three month clearing to a six month. This discretion is described in the Quarterly Rate Adjustment Mechanism methodology as found at EB-2008-0262, Exhibit Q4-1, Tab 2, Schedule 1, Appendix A.

Direct Energy submits that EGD has failed to demonstrate or justify the rationale for selecting an extended period of six months for clearing the forecast year-end PGVA balance as compared to the standard three month clearing. IGUA states that, in general it endorses clearing of rate adjustments in the shortest time, however, it invited EGD to provide further explanation of its rationale for selecting an extended period of 6 months.

As outlined in EGD's evidence at EB-2008-0263, Exhibit Q4-2, Tab 4, Schedule 1, page 3, paragraph 7, the Company is proposing to clear the projected year end PGVA debit balance over an additional three months and extend the effective date of Rider C from December 31, 2008 to March 31, 2009.

Extending the clearing over a six month period changes the Rider C debit for residential customers from 5.0557 cents/m^3 to 1.7008 cents/m^3. EGD submits that its proposal with respect to Rider C is reasonable for following reasons.

The existing July 1, 2008 QRAM EB-2008-0069 residential gas supply commodity rate is 39.0121 cents/m^3. Including the existing Rider C amount of (0.8578) cents/m^3 reduces the effective gas supply commodity rate to 38.1543 cents/m^3. The proposed October 1, 2008 QRAM EB-2008-0263 gas supply commodity rate has decreased by approximately 5.2570 cents/m^3 to 33.7551 cents/m^3. This decrease reflects the decline in forecast North American natural gas prices from the highs which were experienced in the spring and summer months. When the gas supply rate is combined with a three month rider the effective gas supply commodity rate becomes 38.8108 cents/m^3 which is higher than the existing effective gas supply commodity rate of 38.1543 cents/m^3.

The following table sets out the effective gas supply charge for the 6 and 3 month clearing:

	July 1, 2008 Existing	**October 1, 2008 Proposed 6 Month Clearing**	**October 1, 2008 Standard 3 Month Clearing**
	cent/m^3	**cent/m^3**	**cent/m^3**
Gas Supply Charge	39.0121	33.7551	33.7551
Rider C	-0.8578	1.7008	5.0557
Effective Gas Supply Charge	38.1543	35.4559	38.8108

EGD has concerns with the three month clearing. The net increase in the effective gas supply rate from the three month rider would not align with current market conditions of decreasing natural gas prices and would cause customer confusion and inquiries because the price paid by customers would be increasing. EGD's proposal to extend the rider C yields an effective gas supply commodity rate of 35.4559 cents/m^3 which results in a more appropriate alignment of forecast lower costs of gas purchases and the effective gas supply commodity charge. EGD's proposed 6 month clearing yields an effective gas supply charge that reflects the current decreasing price trend.

EGD has extended the fourth quarter Rider C to a six month clearing period three times in the last five years: (i) in the July 1, 2003 QRAM under EB-2003-0126 (year end Sep 30th, Rider C debit), (ii) in the July 1, 2005 QRAM under EB-2005-0291 (year end Sep 30th, Rider C credit), and (iii) in the October 1, 2007 QRAM under EB-2007-0701 (Rider C credit).

In each instance, EGD has weighed the impact of the Rider C amount on the effective gas supply charge relative to current market prices for natural gas and customer's expectations and understanding of the rate change. EGD has consistently applied this approach irrespective of whether Rider C had the effect of significantly increasing or reducing the effective gas supply charge, relative to the forecast of gas costs. EGD has employed this same rationale for this application, and submits that its proposal to extend Rider C to a six month period is appropriate.

Yours truly,

Anton Kacicnik
Manager, Rate Research & Design

cc: Mr. Fred Cass, Aird & Berlis LLP
All Interested Parties EB-2007-0615