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VIA EMAIL AND COURIER

June 28, 2007

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

Dear Ms. Walli:

Re: Enbridge Gas Distribution Inc.;
Application for Rates Commencing January 1, 2008
Board File No. EB-2007-0615

We are writing on behalf of Enbridge Gas Distribution Inc. ("EGDI") to request that the Board reconsider Procedural Order No. 1 dated June 27, 2007 ("Order") issued in respect of the EB-2007-0615 proceeding to hear and decide the application of EGDI for fiscal 2008 rates.

1. **Background**

EGD filed its Application under cover of letter dated May 11, 2007 in response to the Board's May 3rd request that it do so. The Application did not specify the incentive rate mechanism that EGDI would be proposing that the Board use when setting rates on a go-forward basis, nor did it set out the fiscal 2008 rates for which it was seeking approval. In consequence, the Application did not include the written evidence required to support the applied-for relief. EGDI advised the Board that it would not be able to settle on the rate methodology, prepare supporting evidence, and derive the 2008 rates until approximately four weeks after the receipt of two documents from the Board:

- the final version of the Pacific Economic Group Study sponsored by the Board's staff ("PEG Study"); and
- the Board's decision on EGDI's application for fiscal 2007 rates ("2007 Decision").

To date, the 2007 Decision has not been issued and the PEG Study has just been filed, today. Both documents are critical to EGDI's ability to decide on a rate methodology, formulate the

evidence necessary to support that decision and derive 2008 rates from 2007 base rates. Nevertheless, the Order issued on June 27th establishes a procedural schedule that requires EGDI to file written evidence by July 9, 2007, only six business days after today.

2. **The Critical Documents**

The PEG Study is one of the principal determinants of EGDI's choice of incentive rate methodology. There are significant differences among the three drafts released to-date: March 30th, June 8th and June 20th. EGDI had tentatively settled on an appropriate rate methodology after reviewing the March 30th version and was in the process of preparing its supporting evidence on that basis. The Company was, accordingly, taken aback when it reviewed the June 8th version of the PEG Study. This version included a significant revision to the recommended price cap index for EGDI; that is, an index of 2.25% in the March 30 draft and an index of 1.01% in the June 8 revision.

EGD is still attempting to determine the empirical and analytical basis for the changes between these drafts of the PEG Study. More importantly, these changes have caused EGDI to revisit its earlier decision regarding its choice of an appropriate incentive mechanism. This, in turn, has required a change in direction in the preparation of written evidence. Based on its review and assessment of the June 8th version of the PEG Study, EGDI has determined that it will request that the Board approve a revenue cap incentive rate mechanism calculated on a per customer basis. EGDI will not be able to confirm this decision until after it has had an opportunity to review the final and filed version of the PEG Study. It will then be able to finalize its positions for the purpose of written evidence preparation.

While EGDI cannot finalize its choice of an incentive rate mechanism without full understanding of the final, filed version of the PEG Study, neither can it derive its fiscal 2008 rates, for which approval is sought, in the absence of the 2007 Decision. This decision is required to prepare the fiscal 2008 volume forecasts and, then, use the rates approved for 2007 as a basis for deriving rates for 2008. This application is, after all, per the Board letter of May 3 2007, "an application for rates that will commence January 1 2008.

3. **Request**

EGDI is unable to file written evidence in support of its application by the prescribed July 9th deadline. The four week period from the date of receipt of the 2007 Decision, that was specified in EGDI's May 11th letter to the Board, still pertains. This is the minimum time that EGDI requires to review the Decision, prepare volume forecasts, calculate 2008 rates, confirm earlier decisions in light of the final PEG Study and finalize the written evidence.

EGDI's choice of an incentive mechanism, if approved by the Board, will form the basis for the derivation of EGDI's rates for at least five years. When viewed in this light, the written evidence that will be required to support EGDI's choice and persuade the Board to approve it takes on a critical dimension. In view of this, EGDI requests that the Board change the due date for receipt of EGDI's evidence from July 9th to a date that is one month after the date on which the Board

releases the 2007 Decision and make corresponding changes to the balance of the schedule set out in the Order.

This variance is not only reasonable in the circumstances but necessary in order to ensure that the process that will govern this important proceeding is fair and, therefore, affords EGDI a fair opportunity to meet its statutory burden of proof. If the Board does not provide the requested relief, EGDI has grave concerns that the ordered filing will be grossly incomplete and may only serve to retard and confuse the proceeding.

Finally, EGDI does not wish to be seen to be resisting or delaying the Board's implementation of incentive regulation and noting that today, Union Gas filed its IR evidence, EGDI would therefore not object if the Board chose to separate the Union and Enbridge proceedings.

Yours very truly,

(signed) H. T. Newland

HTN\ko

cc: Richard Battista, OEB
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Patrick McMahon, Union Gas
Michael A. Penny, Torys LLP
All Intervenors