

14 December 2005

Mr. Dennis O'Leary  
Counsel to Enbridge Gas Distribution Inc.

By e-mail

Dear Sir

**Re: EB-2005-0523**

We understand that Enbridge seeks a clarification of GEC's position on the retroactive application of freerider rates to avoid the need for cross-examination of Mr. Neme and I am pleased to provide you with the following in that regard.

For purposes of calculating SSM we do not advocate retroactive adjustment. GEC endorses the prospective application of assumptions and rules similar to the rules included in the 2003 settlement agreement with Enbridge. We advocate a pre-approval process (in rate cases or otherwise) coupled with the ability of LDCs to rely on precedent where they are delivering the same program that has been pre-cleared by another LDC.

Initial free rider assumptions will be based on best available information at the time the CDM/DSM Plan is approved. This may include local market data and analysis of similar programs and free rider assumptions for such programs in other jurisdictions. In some cases, initial free rider rates will need to be based on somewhat limited information and as program evaluations are completed, assumptions can and should be revised prospectively for application to future SSM periods.

I trust this assists you. Feel free to quote or file this letter as required.

Sincerely,



David Poch  
Counsel to GEC