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August 4, 2006

VIA EMAIL and COURIER

Mr. Peter O'Dell
Assistant Board Secretary
Ontario Energy Board
2300 Yonge Street, Suite 2700
Toronto, ON M4P 1E4

Dear Mr. O'Dell:

Re: Ontario Energy Board ("Board") File No.: EB-2005-0551
Natural Gas Electricity Interface Review Issues and Storage Regulation
Undertakings of Enbridge Gas Distribution Inc.

Please find enclosed ten hard copies of Enbridge Gas Distribution's responses to the undertakings given during the hearing in the above mentioned proceeding.

Undertakings being filed are:

K7.5, K14.1 to K14.3

A PDF searchable and Word format version will also be filed with the Board electronically.

Yours truly,

David Stevens
Acting Senior Counsel, Regulatory

Attachment

cc: Mr. F. D. Cass, Aird & Berlis (via email and courier)
EB-2005-0551 Interested Parties (via email)

ENBRIDGE GAS DISTRIBUTION UNDERTAKING NO. K7.5

UNDERTAKING

To produce information, in terms of dollars and percentage impact, to Gazifère and its customers that would result from charging market based rates for storage to Gazifère. (7 Tr. 39)

RESPONSE

Please see the response to Undertaking K14.2, which indicates that, in the event of a forbearance decision, the Company would seek to unbundle the rates charged to Gazifère.

If, however, Enbridge Gas Distribution Inc. was to continue to serve Gazifère under the bundled Rate 200, with storage at market rates, and if Enbridge Gas Distribution acquired market based storage at Dawn at 80 cents/GJ, the incremental costs allocated to Gazifère would be approximately $500,000 annually. This would translate to an increase of approximately 1.8% for a typical residential customer excluding commodity costs.

ENBRIDGE GAS DISTRIBUTION UNDERTAKING NO. K14.1

UNDERTAKING

TO ADVISE of the comparison between the cost-based demand charge for ratcheted and unratcheted 10% deliverability storage, in the situation where the service is based on the Company's proposed build, and the situation where the Company procures the assets necessary to offer the service from third parties.

RESPONSE

The Settlement Proposal provides for an allocation of space and an associated 1.2% deliverability at rolled-in cost under Rate 316. The Company's proposal for the high deliverability portion of Rate 316 is that it will be offered at cost, but the costs involved will be the Company's costs of acquiring the necessary assets and services in the market through an RFP process. Under a non-forbearance scenario, the Company would rely exclusively on third party procurement of these assets and services. Under a forbearance scenario, the Company may or not proceed with its proposed storage build at Tecumseh. In the event that the storage build does proceed, and is not fully subscribed through the binding open season process, then Enbridge Gas Distribution's gas storage group might be one of the bidders into an RFP seeking assets and services for a Rate 316 offering.

In response to Undertaking #20, the Company provided cost based demand charges for high deliverability ratcheted service of $42.2589/10^3m^3$ and $75.0191/10^3m^3$ for high deliverability unratcheted service. It is important to note, though, that the response to Undertaking #20 assumed that the Company's proposed storage build would successfully achieve 10% deliverability storage. This is not a certainty as the Company may not actually be able to achieve 10% deliverability though its proposed build. It is also important to note that these figures are based on the cost estimates set out in the Company's original evidence. In response to Undertaking #12, the Company indicated that the actual cost of the storage build could be 30% more than originally estimated. This would increase the cost based demand charges.

In the event that the Company procures the assets required to offer high deliverability storage in the market, and assuming that the Company procures capacity to provide 10% deliverability by aggregating 8 times the requested space as laid out in Undertaking response #21, the corresponding demand charge for deliverability in excess of 1.2% is $216.6985 /10^3m^3$.

As requested in the Undertaking, this analysis assumes that the Company procures 10% storage deliverability by aggregating 8 times space at 1.2% deliverability. However, as Mr. Charleson indicated during the hearing, while this is one alternative that could be used to provide the deliverability, “it may be the least efficient means of doing that” (14 Tr. 104). Assuming the price for storage assumed in the scenario is accurate, it would provide the upper limit for what a customer should expect to pay for a high deliverability service, prior to considering the carrying costs associated with the gas in storage. The Company believes that other alternatives exist in the marketplace and would be available to satisfy the desire for high deliverability storage.

The market has historically responded to demands for service from the marketplace. As Mr. Acker of BP testified, marketers have in the past “developed services that they hoped that they could offer to the marketplace in order to generate a profit or a return on investment. To the extent that the market has found these services attractive and affordable, they were successful.” (13 Tr. 17). Enbridge Gas Distribution is confident that a comparable market response to demands for high deliverability services will occur. Different tools and approaches can be used to provide these services, similar to the manner in which conventional storage deliverability can be provided today. These alternatives may include:

1. the use of transportation capacity for the purpose of providing a delivery / redelivery service that equates to 10% deliverability;
2. a marketer offsetting services that they have contracted to different parties to provide a net deliverability availability;
3. combining storage capacity, transportation, and or physical gas purchases to meet the obligations of a high deliverability service; or
4. any other combination of market tools that will allow the offering to be competitive.

An example of the market’s historic ability to develop alternatives to satisfy a customer’s storage requirement was provided by Mr. Acker during his testimony. He identified a service that BP had provided to “party A” as a replacement for a Union storage contract they had held. Mr. Acker testified that “BP used its own suite of assets, at that time, which consisted of its access to the financial, the physical, natural gas markets; its suite of pipe capacity into and out of the Dawn area; and exfranchise storage accounts we held in other jurisdictions. It’s probably of particular interest to the Board to know that we did not hold and did not use any access to Union’s storage in order to offer this service.” (13 Tr. 22). The fact that “party A” chose to use this service would indicate that they saw some form of benefit to acquiring the service from BP in comparison to contracting a service from Union.

Enbridge Gas Distribution foresees the same sort of activity occurring with high deliverability storage, which will provide more efficient means of high deliverability storage being secured than the scenario contemplated in the analysis conducted above. As Mr. Acker indicated “the initial step in that process would be for the markets to describe what they want” (13 Tr. 34).

ENBRIDGE GAS DISTRIBUTION UNDERTAKING NO. K14.2

UNDERTAKING

TO ADVISE whether the Company's "Application" in this case contemplates a new or different definition for ex-franchise from what has been used in the past and to advise whether the resulting definition of ex-franchise will have any impact on existing customers and, if so, to advise what notice has been given to those customers.

RESPONSE

The Company's "Application" does not contemplate a new or different definition for ex-franchise from what it has considered to be ex-franchise in the past. The Company defines an in-franchise customer as one who receives distribution and other regulated services within the Company's franchise area. Since Gazifère is not located within the Company's franchise area, Gazifère is an ex-franchise customer.

Gazifère currently receives bundled service that includes distribution, storage, load balancing and commodity under Rate 200, of which only commodity purchase is optional. The bundled offering is structured to recognize balancing services provided by Enbridge Gas Distribution to Gazifère and from Gazifère's interruptible customers to Enbridge Gas Distribution.

Assuming that the Board acknowledges that Gazifère, as an ex-franchise customer, should be subject to market based rates for storage, the Company would seek to unbundle the distribution, storage and balancing aspects of Rate 200 in a subsequent proceeding. Unbundling would provide Gazifère with the opportunity to seek storage and balancing service at market prices from Enbridge Gas Distribution or other storage providers. Until this unbundling occurs, the cost for storage to Gazifère as part of the bundled Rate 200 would continue to be priced at rolled-in cost-based rates.

There are a number of likely consequences from moving Gazifère to unbundled service. Under this approach, Gazifère's storage costs would increase if it continues to take storage service from Enbridge Gas Distribution. At the same time, Gazifère's interruptible customers might be successful bidders, through a competitive process, to provide peaking service to Enbridge Gas Distribution. As a result, depending on market conditions, Gazifère's interruptible customers might receive greater compensation than they currently receive through regulated rate credits for helping to load balance the Company's Eastern Delivery Area in the winter. This would result in differential impacts on Gazifère's heat sensitive general service customers and large interruptible customers. There would also be corresponding impacts on the load balancing costs incurred to balance the Eastern Delivery Area of Enbridge Gas Distribution's franchise.

No formal notice has been provided to Gazifère as at this date; however the Company is in the process of communicating the above information to Gazifère.

ENBRIDGE GAS DISTRIBUTION UNDERTAKING NO. K14.3

UNDERTAKING

TO PROVIDE a list of the specific approvals that the Company is seeking in respect of Rate 316 in this proceeding, under both a forbearance and a non-forbearance scenario, including any variance accounts and other matters discussed at Exhibit C, Tab 1, Schedule 1.

RESPONSE

The Company is requesting the Board to approve its Rate 316 rate schedule, which will be updated to reflect the matters agreed to in the Settlement Proposal and which will be filed as part of the Company's argument on August 11, 2006. This rate schedule, which includes a range rate, will apply under both scenarios, forbearance and non-forbearance. As explained in Undertaking K14.1 and at 14 Tr. 91-92, in either scenario (forbearance and non-forbearance), the Company will offer the high deliverability portion of Rate 316 at cost, but the costs involved will be the Company's costs of acquiring the necessary assets and services in the market through an RFP process. In a forbearance scenario, Enbridge Gas Distribution's gas storage group might be one of the parties that bids to provide the services requested in the RFP.

The Company is not requesting any variance accounts with respect to providing high deliverability storage (see 14 Tr. 95-96).