

Jim A. Schultz  
President  
Enbridge Gas Distribution Inc.



February 9, 2004

Mr. Paul Pudge  
Assistant Board Secretary  
Ontario Energy Board  
Suite 2601  
2300 Yonge St  
Toronto, ON M4P 1E4

**Re: RP-2003-0144 - Staff Report to the Board on Demand Side Management and Demand Response**

Dear Mr. Pudge:

Enbridge Gas Distribution Inc. is pleased to provide the attached paper entitled: *A Recommended Response to the Minister's Directive on DSM/DR for the OEB*. The paper draws on Enbridge's experience over the last nine years in designing and delivering Demand Side Management programs that have saved our customers more than 700 million dollars on their energy bills.

The framework that enabled these savings to be achieved was initiated with the Ontario Energy Board Decision in E.B.O. 169-III, and has evolved over the years based on the Company's recommendations, and the views of stakeholders and the Board. We will continue to work with all appropriate parties to ensure the regulatory framework for DSM continues to meet public policy goals and customers' needs for affordable energy services.

Our paper provides a summary of the benefits that have arisen as a result of Enbridge's DSM programs. It draws on experiences from other jurisdictions which caution that once a utility has developed a staff and infrastructure to develop and deliver cost-effective efficiency programs, there is reason not to dismantle that infrastructure by assigning responsibility for the DSM programs elsewhere. Finally, it explores how the regulatory framework which applies to Enbridge could be adapted to Ontario's electric LDCs, recognizing the differences between the structural features and regulatory regimes of the natural gas and electricity sectors. In our view, a central agency model is not the only solution to cost-effectively delivering DSM programs, and other models, such as suggested in our paper, should be more carefully reviewed before landing on an untested model.

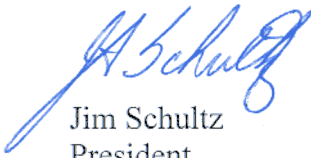
Lastly, we would like to comment on the process which led to the Board Staff recommendations with respect to the natural gas DSM framework. Although Enbridge was an active participant in the Advisory Group, the recommendation with respect to

natural gas DSM delivery was not the subject of significant analysis or discussion. We were therefore surprised by this recommendation, particularly in light of the success of Enbridge's DSM program in achieving the Board's E.B.O. 169-III objective of aggressive DSM. The recommendation appears to be inconsistent with prior Board rulings on Enbridge's DSM programs since 1993. In our view, and as explained further in our paper, we do not find the Board Staff arguments compelling because of the many weaknesses in the report's analysis of the administrative models. For all of these reasons, Enbridge Gas Distribution believes that the Board Staff report is not an appropriate basis for the OEB to rely on in making recommendations to the Minister on the future of the natural gas DSM framework in Ontario.

Any major change in direction of the natural gas utilities' DSM mandate requires a more comprehensive analysis and testing of the evidence as would take place in a formal Board proceeding.

Enbridge Gas Distribution is keenly interested to assist the Board in its deliberations by making its expertise, evidence and suggestions available in person.

Sincerely,



Jim Schultz  
President  
Enbridge Gas Distribution Inc