

Excerpt from the oral hearing transcript EB-2005-0551,

Volume 11, July 14, 2006, pages 125 line 7 to page 129 line 21.

RULING:

MR. KAISER: At the outset of this proceeding, a motion was brought jointly by the Consumers' Council and IGUA, raising a threshold issue that the parties wish to have decided before the Board dealt with the approval or non-approval of the settlement agreement with respect to Enbridge in this matter.

And that was set out at page 8 of 34 of the settlement agreement, which was filed on June 13th. And that's Exhibit S, tab 1, schedule 1, which stated:

"A threshold issue which the Board is asked to consider at the outset of the oral hearing is whether the changes to Rates 125 and 300 should be made only after the issue pertaining to the allocation of implementation costs and migration revenue deficiencies has been decided; or whether changes to Rates 125 and 300 can be made now, on an entirely without-prejudicial basis to all parties, including the establishment of the appropriate deferral accounts with the consideration and determination of all matters relevant to the recovery of the costs and revenue deficiencies in the Enbridge Gas Distribution 2007 rate case."

And as you're aware, we decided that this matter should not be deferred to the 2007 rate case, and we agreed to decide that threshold issue, which we're now prepared to deal with.

The issue in the simplest terms is whether these costs, as described, the implementation costs and the migration costs, should be borne entirely by the large volume customers or whether some portion of them should be borne by the residential

customers. AMPCO, IGUA, and CME take the position that some portion should be borne by the residential customers.

Enbridge, supported by the Consumers' Council and APPrO, take the position that the costs should be borne entirely by the large volume customers. Board Counsel takes no position on the matter.

With respect to the implementation costs, these are set out most recently in the letter of July 13th, which was filed with the Board today and was addressed in argument today. And those relate to the costs of a manual system, it being the wish of the parties that they wish to take up service earlier rather than later, and therefore, in order to accommodate that, it will be necessary to develop a manual system prior to ultimately implementing an automatic system.

And those costs, as I say, are laid out, including start-up one-time costs ranging from \$600,000 to \$875,000, and then ongoing operating costs, annual costs, ranging from \$300,000 to \$825,000.

With respect to the latter, we're now told that a significant portion of that relates to the cost of nomination windows, and those costs will be borne specifically by those parties that take advantage of that service.

As a general proposition, the Board is of the view that the record has established that the drivers for this service, that is, the demanders of this service, are the large volume customers. Mr. Warren has taken us through a litany of cases and arguments in previous proceedings where various parties were demanding of the utility to produce these unbundled services which are at issue in this proceeding, and complaining

about the delay with respect to their lack of development.

And it is equally clear that those customers are the main beneficiaries of these services.

Accordingly the Board is of the view that it would be inappropriate for the residential customers to bear any portion of these costs.

Reference was made to a Union case which dealt with unbundled service. That is the decision of the Board of July 31st, 2002, which dealt with unbundling services and rates for small-volume customers. The Board would note that that did relate to small-volume customers. Those services had a particularly broad-based demand which is not the situation in this case. These are much narrower services, clearly designed to benefit the large volume customers, which was not the case with respect to the decision of July 31st, 2002.

That, then, brings us to the second aspect of the cost, which is the cost consequences of the movement of certain customers from Rate 115 to Rate 125 and Rate 300. We have a forecast of the number of customers who might move, and, in fact, the billing system is being designed to handle a maximum of 20. The proposal put forward by Enbridge is that ten of those would be the ten largest customers and the other ten would be chosen by lottery.

That yields certain cost consequences which are set out in the proposal that Enbridge has filed, which is that, assuming no smoothing, the distribution impacts on the Rate 100, 110, and 115 customers would be 2 percent, 1 percent, and 38 percent respectively. Those figures are somewhat modified from earlier figures presented in this proceeding.

There has been a proposal put forward by Enbridge with respect to smoothing that would cap, if you will, the cost consequences or rate increase impacts on Rate 115 and spread it over the other groups. That's dealt with in the Enbridge proposal.

The Board is of the view that we do not at this point need to consider whether the smoothing process is appropriate or not. We are of the view, however, that the cost consequences of these rates are relatively low, and I use the word "relatively" advisedly. The Enbridge proposal says the corresponding bill impacts, excluding commodity costs, on Rates 100, 110, and 115 would be .6 percent, .2 percent, and 7 percent respectively. That's without the smoothing. And with smoothing it becomes 1 percent, .5 percent, and 2.7 percent respectively. As stated, we are not making a decision with respect to the smoothing at this point. It's our understanding that there will be further submissions made in this proceeding with respect to that aspect.

In any event, our position with respect to this category of the costs is the same as with the first, that is to say that none of the costs should be appropriately borne by the small residential customers. Instead, they should all be borne by the large volume customers. Those are the parties that requested this service. And those are the parties that will benefit from this service.

Subject to any questions, that completes the Board's ruling.

Ms. Chaplin corrects me. I think I used the term "large industrial." Substitute "large volume customers" because there

are, obviously, customer categories within there that are not
industrials, namely, the power generators and others.