

IN THE MATTER OF the Ontario Energy Board Act, 1998,
S.O. 1998, c. 15 (Schedule B);

AND IN THE MATTER OF an Application by Enbridge
Gas Distribution Inc. for an Order or Orders approving or fixing
just and reasonable rates and other charges for the sale,
distribution, transmission, and storage of gas commencing
October 1, 2003.

BEFORE:

Bob Betts
Presiding Member

George Dominy
Member

INTERIM RATE ORDER

Enbridge Gas Distribution Inc. (“EGDI” or the “Company” or the “Applicant”) filed an application with the Ontario Energy Board (the “Board”) dated April 2, 2003 (the “Application”), for an order or orders approving or fixing just and reasonable rates for the sale, distribution, transmission, and storage of gas for EGDI’s 2004 fiscal year commencing October 1, 2003 (“2003 Test Year”). The Board assigned file number RP-2003-0048 to the Application.

The Board issued a Notice of Application dated April 28, 2003 and subsequently issued two procedural orders. The procedural orders made provision for, among other things: interrogatories from Board Staff and intervenors concerning the Company’s pre-filed evidence; an Issues Conference and Issues Day; evidence from intervenors; interrogatories concerning the intervenors’ evidence; a Settlement Conference including directions for filing a Settlement Proposal; and an oral hearing which began on August 25, 2003.

Since issuing EDGI’s fiscal 2003 rate order, dated April 29, 2003, the Board has issued interim rate orders for natural gas commodity and commodity-related rate adjustments under the quarterly rate adjustment mechanism (“GRAM”) effective July 1, 2003 (RP-2002-0133/EB-2003-0126), and October 1, 2003 (RP-2003-0048/EB-2003-0229).



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A Settlement Proposal (“Settlement”) was filed on August 13, 2003 and was accepted by the Board on the first day of the hearing, August 25, 2003. The Settlement addressed all but three of the issues. The issue related to the fiscal 2004 Demand Side Management (“DSM”) volume target and DSM budget was delayed until after the release of the Board’s RP-2003-0133 Partial Decision on August 22, 2003, dealing with DSM. A complete settlement of the fiscal 2004 DSM issue was filed and accepted by the Board on August 26, 2003.

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The hearing was held from August 25, 2003 to August 28, 2003. The Board issued an oral Decision on September 4, 2003. A transcript of this can be found at the Board’s Web site at www.oeb.gov.on.ca.

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In its oral Decision, the Board:

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• approved three elements for establishing a reasonable basis from which to derive 2004 rates. These are the 2003 distribution revenue, the adjustment to the 2003 distribution revenue in the event over-earnings occur in fiscal 2003 (the fiscal 2003 base) and an adjustment factor to be applied to the fiscal 2003 base set at 90 percent of the forecast fiscal 2004 Ontario Consumer Price Index.
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• approved the ratepayers safeguard and found that it provided the Board with additional assurances that the base to which the adjustment will be not be excessive;
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• approved an asymmetric earnings sharing mechanism for fiscal 2004 in which ratepayers will not be required to make-up under-earnings but over-earnings will be shared equally by the company and ratepayers. Over-earnings will be those over and above the Board approved return on equity, based upon the actual, un-normalized fiscal 2004 earnings; and
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• directed EGDI to report the fiscal 2004 financial results when they are available and apply for the disposition of any over-earnings in accordance with the required sharing mechanism.

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The Company filed a draft rate order on September 11, 2003. The Board had requested parties to file comments by September 17, 2003. The Board received no letters of comment.

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A final rate order will be approved after EGDI’s 2003 financial results are available and it is known whether any adjustment to the 2003 distribution revenue is required for the purpose of setting 2004 rates.

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THE BOARD ORDERS THAT

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1 The rates attached as Appendix “A” to this order, as contained in the Company’s Rate Handbook, are hereby approved effective October 1, 2003 and shall be implemented in the Company’s first billing cycle commencing thereafter.

2 The fiscal 2003 year-end deferral and variance account balances shall be cleared using the unit rates included in the attached Appendix “B”. 22

3 The appropriate form of customer notice set out in Appendix “C” shall accompany each customer’s first bill following the implementation of this order. The customer notices reflect the increase in distribution rates authorized by this Order and the decreased gas supply charges effective October 1, 2003, authorized in Board Order EB-2003-0229/RP-2003-0048, dated September 26, 2003. 23

4 The accounting treatment for the Company’s fiscal 2004 deferral and variance accounts, including the applicable interest rate, shall be in accordance with the descriptions contained in Appendix “D”. 24

ISSUED at Toronto, September 26, 2003 25

ONTARIO ENERGY BOARD 26

Peter H. O’Dell
Assistant Secretary