ENBRIDGE

500 Consumers Road
North York, Ontario
M2J 1P8
PO Box 650
Scarborough ON M1K 5E3

Kevin Culbert
Manager, Regulatory Accounting
phone: (416) 495-5778
fax: (416) 495-6072
Email: kevin.culbert@enbridge.com

VIA EMAIL AND RESS

November 11, 2009

Ms. Kirsten Walli
Board Secretary
Ontario Energy Board
2300 Yonge Street, 27th Floor
Toronto, Ontario
M4P 1E4

Dear Ms. Walli:

Re: Enbridge Gas Distribution Inc.
Request for Accounting Orders, Board File No.: EB-2009-0359

On October 1, 2009, Enbridge Gas Distribution Inc. ("EGD") filed an application with the Ontario Energy Board ("the Board") requesting approval to establish three new deferral accounts as follows;

- 2009 Change in Purchased Gas Variance Disposition Methodology Deferral Account ("CPGVDMDA"),
- 2009 Mean Daily Volume Mechanism Deferral Account ("MDVMDA"),
- 2009 International Financial Reporting Standards Transition Cost Deferral Account ("IFRSTCDA").

The Board's first procedural order to the application, provides that EGD may respond to any comments from Board Staff and intervenors (those who are registered in the EB-2009-0172 proceeding) by November 11, 2009.

EGD has received and reviewed the submissions of Board Staff and interested parties.

EGD notes that no party opposed the establishment and recording of costs as described within the 2009 CPGVDMDA and the 2009 MDVMDA. The Canadian Manufacturers & Exporters ("CME") noted an assumption on their part that there would be no entries recorded in these accounts for the period prior to October 1, 2009, the date of EGD's accounting order request. EGD notes that the September 18, 2009 Board Decision for the EB-2008-0106 proceeding, where these accounts were originally ordered, did not place any such timing restrictions on required costs. According to CME's assumptions, legitimate costs, if incurred, are to be denied recovery purely as a result of administrative requirements and timing. EGD does not believe the Board intended any such timing restrictions and submits that the Board dismiss such an assumption.

With respect to the requested 2009 IFRSTCDA, Board Staff, supported by various intervenors, comment that EGD should adopt the same description of the IFRSTCDA as requested by Union Gas within its EB-2009-0354 application. EGD is not opposed to the use of the same description.

Board Staff further comments that the accounting guidance and criteria which costs must meet in order to be includable within the natural gas utilities' IFRS transition cost deferral accounts should be the same as those faced by Ontario's electricity distributors. The accounting guidance and criteria, as highlighted in Board Staff's submission, are resident within an October 29, 2009 Board-issued document relating to electricity distributors entitled, "Ontario Energy Board Accounting Procedures Handbook – Frequently Asked Questions". This Board Staff suggestion was supported by various intervenors.

EGD is not opposed to the main thrust of this accounting guidance, which essentially requires the types of costs incurred and to be recorded in the account, a) to be incremental to existing costs and b) to be driven primarily by the required transition to IFRS.

However, EGD opposes having to meet the criteria which deny the inclusion of the financial impact of incremental capital expenditures in the IFRSTCDA.

EGD does not understand the rationale of the passage in the October 29th Accounting Procedures Handbook – Frequently Asked Questions for electricity distributors which states, "In addition, incremental costs shall not include capital assets or expenditures". EGD notes that the previous sentence in this section states, "The incremental costs in these accounts shall not include costs related to system upgrades or replacements for changes where IFRS was not the major reason for conversion".

EGD submits that any system upgrade or replacement costs incurred by utilities primarily as a result of conversion to IFRS are more than likely to be capital in nature. In meeting the criteria that costs incurred primarily as a result of conversion to IFRS are eligible to be recorded in the deferral account, gas distribution utilities should be allowed to record (and ultimately to recover) such costs regardless of them being operating or capital in nature.

If the rationale for not including capital expenditures in the IFRS transition cost deferral accounts for electricity distributors is that electric utilities have some type of an allowed capital spending adjustment within their incentive mechanisms, then the same rationale cannot be applied to the natural gas utilities.

EGD, however, does not know the rationale for the accounting guidance limiting the recording and recovery of capital expenditure impacts. EGD would welcome the opportunity to receive further details of the Board's rationale, so that EGD can understand and, if appropriate, provide further submissions about whether that rationale properly applies to gas utilities that are in the middle of a five year incentive regulation regime with no mechanism for capital spending adjustments.

EGD proposes that its IFRSTCDA can be amended to incorporate the description of the account as proposed by Union Gas, and include costs that are incremental to existing costs and which are driven primarily as a result of the transition to IFRS, but that the account should not exclude the recording (and subsequent recovery) of costs (and their financial implications) simply because they are capital in nature.

Sincerely,

Ryan Small for

Kevin Culbert

cc: Fred Cass, Aird & Berlis (via email)
EB-2009-0359 All Interested Parties