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August 27, 2010

Ms. Kirsten Walli, Board Secretary
ONTARIO ENERGY BOARD
2300 Yonge Street, 27th Floor
Toronto, ON M4P 1E4

Dear Ms. Walli:

Re: EB-2010-0042: Enbridge Gas Distribution Inc. (EGD) Application for 2009 Earnings Sharing Mechanism and other Deferral and Variance Account Clearance.

Industrial Gas Users Association (IGUA) Submissions regarding Stock Based Compensation (SBC).

Pursuant to Procedural Order No. 2 herein, this letter constitutes IGUA's submissions on the SBC issue outstanding in this proceeding.

On behalf of IGUA we have reviewed EGD's evidence (including interrogatory responses) on this issue. We have also had the benefit of some discussions on this issue with other intervenors, and in particular we have been afforded an opportunity to review SEC's draft argument on the SBC issue.

IGUA commends the analysis in SEC's argument for careful consideration by the Board, and endorses in general the positions taken by SEC on this issue. In particular, and for the reasons argued by SEC, IGUA submits that:

1. EGD's argument on the SBC issue seeks to rely on previous Board decisions which have accepted that the "costs" associated with SBC are appropriately recoverable in rates. While IGUA, like SEC, accepts that the Board has determined this general issue, IGUA

also agrees with SEC that none of the authority cited in EGD's argument addresses how to determine the appropriate SBC "costs" for recovery, nor when such recovery should be realized for regulatory purposes. These latter issues are being argued *de novo* in this proceeding.

2. The Board should critically examine EGD's proposed treatment of Incentive Stock Options (ISO) "costs", in the light of SEC's analysis and recommendations.

3. EGD's current practice of expensing, and then periodically revaluing, incentive payments anticipated for future payment and which are calculated with reference to Enbridge Inc. stock prices (Restricted Stock Units - RSUs; and Performance Stock Units - PSUs), has the potential to create undue rate volatility, and accelerates "cost" recovery relative to the time that incentive compensation costs are actually incurred by the utility.

4. RSUs should be treated, for regulatory purposes, as an expense in the year in which they are paid, and valued at the amount actually paid.

5. PSUs should not be included in utility expenses, as they are payments made to senior utility management which are calculated solely with reference to the market performance of Enbridge Inc. and provide incentive in conformance with the interests of EGD's shareholder only (and with ratepayer interests only incidentally, if at all).

Yours truly,
MACLEOD DIXON LLP

N. Pellegrini / for
Ian A. Mondrow

c. Murray Newton, IGUA
Intervenors

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