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September 21, 2010

VIA RESS, EMAIL and COURIER

Ms. Kristen Walli
Board Secretary
Ontario Energy Board
2300 Yonge Street
27th Floor
Toronto, Ontario
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Dear Ms. Walli:

Re: Ontario Energy Board ("Board") File No. EB-2007-0722
Notice of Proposal to Amend Codes –
Updated Proposed Low-income and Other Customer Service
Submission of Enbridge Gas Distribution Inc. ("Enbridge")

In response to the Board's September 30th Notice of Proposal to Amend Codes in this proceeding, attached are the written comments of Enbridge Gas Distribution Inc.

The submission has been filed through the Board's Regulatory Electronic Submission System (RESS).

Please contact the undersigned if you have any questions.

Yours truly,

A handwritten signature in blue ink, appearing to read 'Norm Ryckman'.

Norm Ryckman
Director Regulatory

Encl.

EB-2007-0722
Customer Service Code Amendments

**SUBMISSIONS OF
ENBRIDGE GAS DISTRIBUTION INC.**

October 21, 2010

**SUBMISSIONS OF ENBRIDGE GAS DISTRIBUTION INC. (“ENBRIDGE”)
IN RESPONSE TO NOTICE OF PROPOSAL TO AMEND CODES**

1. Enbridge is a regulated gas distributor serving over 1.9 million customers in Ontario. While Enbridge will not be directly impacted by the matters set out in the Ontario Energy Board’s (the “OEB” or the “Board”) Notice of Proposal to Amend Codes issued on September 30, 2010, there is some prospect that Enbridge will be impacted by subsequent parallel changes to the Gas Distribution Access Rule (“GDAR”) and other regulatory instruments. That is made clear in the Board’s September 21, 2010 letter to rate regulated natural gas distributors and other stakeholders in EB-2010-0280.
2. To date, Enbridge has not participated in the EB-2007-0722 processes that led to the Board’s July 2, 2010 issuance of “final customer service rules”. The reason for that is simple. That process did not appear to relate to Enbridge and its customer service operations. Now, however, after the main phase of the EB-2007-0722 process is complete, and the Board is simultaneously proceeding with implementation of its new “final customer service rules” as well as proposing additional provisions for low-income customers, it appears that similar customer service rules will be proposed for gas distributors. The result is that Enbridge may ultimately find itself subject to rules developed in a process that was meant to primarily focus on electricity sector rules.
3. In these circumstances, Enbridge has a number of high-level submissions to make at this time. For the most part, these submissions relate equally to the “final customer service rules” that the Board has already proposed and to the new proposed customer service rules directed at low-income customers of electricity distributors that are the subject of the Board’s September 30th Notice in this proceeding.
4. In general, Enbridge submits that the costs associated with the imposition of wide-ranging new customer service rules (including additional rules for low-

income customers) appear to greatly outweigh the need for these rules. Enbridge therefore encourages the Board to re-consider the new customer service rules.

5. Enbridge questions the need for the new suite of prescriptive rules governing how a distribution utility is to deal with its customers. The fact is that Ontario's distribution utilities have lengthy experience and expertise in serving their customers, generally without complaint or issue. Through their close relationships with their own customers, distributors are able to identify repeating and new issues, and use that information to shape, in a very responsive manner, the way that they work with their customers. The imposition of prescriptive rules that govern all utilities in these practices takes away or severely limits flexibility that allows utilities to tailor their specific customer requirements and approach to meet the changing circumstances and needs of their customers. This points to a potential concern about the unintended consequences of many of the proposed new customer service rules. If distribution utilities find that their flexibility to tailor different approaches to customers is taken away or reduced, or if distribution utilities find that the new rules are increasing the bad debt costs that must be borne by their ratepayers, then it is possible that some of their current practices that benefit low-income and other customers may be discontinued.
6. Ultimately, there is a balance to be drawn between ensuring that customers have the opportunity to receive utility services, even when they experience financial difficulties, and protecting the interests of all ratepayers by creating and administering payment policies that ensure that bad debt and working capital costs do not become unreasonably high. Ontario's distribution utilities are adept at managing that balance and implementing policies and procedures to do so, in the particular circumstances of each utility and its customers. Enbridge observes that the proposed new customer service rules for electricity LDC customers appear to distort this balance, such that costs for most customers will increase, in order to implement policies that will benefit a subset of customers.

7. In the particular context of low-income customers, Enbridge disputes that additional and incremental customer service rules are needed. Enbridge's experience is that distributors are well-aware of issues facing low-income customers. Distributors have adopted policies and procedures to work with low-income customers who have difficulty paying their bills, to come up with solutions to allow utility service to continue. In some circumstances these practices go further than what the Board proposes. For example, it is Enbridge's general practice to not disconnect residential customers during the heating season.
8. In addition, there are programs now in place to assist low-income customers who have difficulty paying their outstanding accounts, such as the Winter Warmth Fund. The availability of similar funding and programs is expected to increase as of January 2011, when the OEB's Low-Income Energy Assistance Program ("LEAP") is implemented.
9. Enbridge is concerned that the potential exists for some customers to take advantage of generous new customer service rules for low-income customers, to accrue large accounts that will ultimately go unpaid. This may result in material changes to distributors' bad debt costs and working cash requirements.
10. In Enbridge's submission, the costs associated with the proposed customer service rule changes must be considered and weighed against the need for such new rules, including incremental rules for low-income customers.
11. As many stakeholders have already highlighted, the costs associated with implementing new customer service rules will be substantial. There will be system change costs, as well as increased administration costs. Hydro One (which has less than half as many customers as Enbridge) estimated in its October 2009 submissions that the system costs alone may amount to \$6 million. The costs of additional staff time to implement and administer the various new account management processes for all customers, and the additional matters related to low-income customers, will add to that amount.

12. Beyond the additional operating (system and staffing) costs that will result from the new customer service rules, it is highly likely that bad debt and working capital costs will increase beyond what is currently approved. Allowing customers more time and greater flexibility in paying outstanding accounts, and denying distributors the ability to meaningfully use security deposits and disconnections to reduce exposure to bad debt, will increase costs/losses to distributors. This risk is only increased in the context of low-income customers.
13. In light of the apparent costs associated with the new customer service rules (including the additional rules for low-income customers), and in light of the fact that the need for these rules is not easily apparent, Enbridge encourages the Board to re-consider whether to impose the new customer service rules.
14. In the event that the Board resolves to proceed with the proposed new customers service rules for electricity LDC customers, Enbridge submits that attention needs to be paid to how associated costs will be recovered from ratepayers.
15. While many stakeholders (such as the Coalition of Large Distributors, the Electricity Distributors Association and Hydro One) have already made strong and effective submissions about the anticipated costs, and the need to ensure recovery of such costs, the Board's various Notices and other documents issued in respect of new customer service rules for electricity distributors do not address that issue at all.
16. As noted, there will be significant costs associated with the new rules. The increased costs are properly recoverable from ratepayers, as they are costs associated with providing utility service. The Board has not provided any guidance as to how that will be done. For those utilities that are not in cost of service with a January 1, 2011 effective date for new rates, there is currently no straightforward means to recover such costs.

17. Enbridge urges the Board to directly address this issue of cost recovery, and provide for a means for all distributors (including those under incentive regulation) to be kept whole for the additional costs that will result from the implementation of any new customer service rules (including those for low-income customers).
18. As a gas distributor who will not be directly impacted by the proposed Code changes set out in the Board's September 30th Notice in this proceeding, Enbridge will refrain from providing specific comments about the particular changes proposed. In the event that the Board issues a Notice in the EB-2010-0280 proceeding in respect of new customer service rules for gas distributors, then Enbridge will have specific comments in response.