

JACK HUGHES
T 613.787.3509

jhughes@blg.com

Borden Ladner Gervais LLP
World Exchange Plaza
100 Queen St, Suite 1100
Ottawa, ON, Canada K1P 1J9
T (613) 237-5160
F (613) 230-8842
blg.com



BY ELECTRONIC FILING

March 17, 2011

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

Dear Ms Walli,

Customer Service Standards for Natural Gas Distributors

Board File No.: EB-2010-280

Our File No.: 339583-000088

On January 21, 2011, the Ontario Energy Board ("Board") announced that it would consult with rate-regulated gas distributors and other interested stakeholders to assess the need for developing mandatory customer service standards for gas distributors. More specifically, the Board asked for comments on whether it should develop rules prescribing specific customer service standards or instead adopt a less prescriptive approach. The following are the submissions filed on behalf of Canadian Manufacturers & Exporters ("CME").

For the reasons set out below, and having reviewed the submissions filed by Enbridge Gas Distribution Inc. ("Enbridge"), Union Gas and the City of Kitchener, CME is of the view that the Board should neither develop nor impose rules prescribing specific customer service standards to be applied by all rate-regulated gas distributors. Rather, CME believes that all rate-regulated gas distributors should be required to develop, publish and adhere to their own customer service policies for certain prescribed areas of customer service.

The stated objective for this consultation was to ensure that customer service standards for gas distributors are appropriate, fair, transparent, consistent and enforceable. The Board's goal was to achieve greater protection and certainty for customers while allowing natural gas distributors an appropriate measure of flexibility and the ability account for operational considerations. The Board used a two-stage consultation process, where rate-regulated gas distributors first provided submissions and stakeholders were then given an opportunity to comment on those submissions.

The Board received submissions from Enbridge, Union Gas and the City of Kitchener, all of whom opposed the creation of strict rules prescribing specific customer service standards. To varying degrees, however, the submissions signalled that the distributors could be open to a less prescriptive approach – provided that they were given the flexibility to continue or modify their

existing customer services policies and practices. The submissions then outlined some of the customer service policies and practices the distributors currently have in place.

While the Board's letter of January 21, 2011 did not expressly limit the scope of the consultations to residential customers, the submissions filed by Enbridge were confined to that customer class and, as a result, did not address customer service policies for larger volume and commercial customers. CME nevertheless believes that the Enbridge submissions are instructive insofar as rule changes made to accommodate residential customers could still have cost consequences for other customer classes – including CME members.

One point raised by Enbridge is that there is no need for the Board to harmonize customer service standards for electricity and gas distributors, because the customer service practices of electricity distributors are not applicable in the context of gas distribution. Moreover, Enbridge notes that there are more than 80 electricity distributors but only two “significant” regulated gas distributors. For its part, CME agrees with Enbridge that changes to customer service standards should not be made solely for the purpose of achieving such an alignment.

The most persuasive argument against the imposition of rules prescribing specific customer service standards to be applied by all rate-regulated gas distributors relates to the potential cost consequences. In its submission, Enbridge estimates that the initial costs for implementing mandatory customer services practices akin to those required of electricity distributors would be in the range of \$2.5 million to \$5 million. In addition, Enbridge estimates that its ongoing costs for maintaining those practices would be between \$2.5 million to \$3.5 million per year.

Enbridge also argued that the implementation of the Electricity Customer Service Rules, or a comparable equivalent for gas distributors, would increase its bad debt and working capital costs while reducing its late payment penalty revenue. The total estimate cost of these factors were estimated as falling in the range of \$9.5 million to \$14.5 million per year. The cumulative total of all these various costs were estimated as being \$12 million to \$18 million per year – in addition to the initial implementation cost of \$2.5 million to \$5 million.

While CME does not have sufficient information to verify the accuracy of those estimates, or to calculate the potential costs if the customer service rules are expanded or extended to other customer classes, there can be no question that there would be some cost consequences if rate-regulated gas distributors are required to adhere to specific customer service standards. Moreover, as expressly noted in the Enbridge submission, there can be no question that distributors would seek to recover all of these additional costs from ratepayers.

Enbridge's position on this issue is perhaps best summarized in the following excerpt from its submission: “The additional costs associated with any new customer service rules will ultimately be absorbed by Enbridge's ratepayers. Thus, while the implementation of the Electricity Customer Services Rules could potentially benefit a small subset of customers who could receive more generous payment terms and treatment of overdue accounts and security deposits, that benefit would essentially be funded by other prompt-paying customers.”

CME urges the Board to refrain from requiring all rate-regulated gas distributors to harmonize their customer service standards and practices. It is highly unlikely that there would be any material benefits to gas utility ratepayers to be realized from imposing such harmonized standards; and certainly none that would justify the costs that would be incurred to achieve that result. The Board should instead take steps to ensure that the gas distributors transparently disclose their customer service standards, rules and practices to all customer classes.

For its part, CME believes that distributors should be required to develop, publish and adhere to their own gas utility specific customer service standards, to be enforced by the Board, in the areas identified in the Board's letter of January 21, 2011, being: (i) bill issuance and payment; (ii) allocation of payments between gas and non-gas charges; (iii) correction of billing errors; (iv) equal payment and equal billing plans; (v) disconnection for non-payment; (vi) security deposits; (vii) arrears management programs; and (viii) management of customer accounts.

To the extent that the rate-regulated distributors already have customer service policies and practices in these areas, as detailed in their respective submissions, there should be very limited, if any, cost consequences to adopting this alternative approach. Based on the submissions received, which claim that distributors already have high customer service standards and high levels of customer satisfaction, CME would actively oppose any effort by the gas distributors to recover additional costs from ratepayers if the Board were to adopt this approach.

Yours very truly,
Borden Ladner Gervais LLP

Jack Hughes

c. Paul Clipsham (CME)

OFF01\4428426\1