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## DELIVERED AND FILED VIA RESS

Kirsten Walli  
Board Secretary  
Ontario Energy Board  
2300 Yonge Street  
Suite 2700  
Toronto, ON M4P 1E4

Dear Ms Walli:

**Re: EB-2011-0226: Enbridge Gas Distribution application re. approval of  
revenue requirement for CIS and customer care costs from 2013 to 2018**

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We represent Enbridge Gas Distribution Inc. ("Enbridge").

Through this Application, Enbridge is seeking approval of its revenue requirement for customer care ("CC") and Customer Information System ("CIS") services, during the years from 2013 to 2018.

Effectively, this Application seeks an amendment and update to a Settlement Proposal approved by the Board in the EB-2006-0034 proceeding, in respect of CC and CIS costs for the 2007 to 2012 period (the "2007 Settlement Agreement").<sup>1</sup> The 2007 Settlement Agreement set out the Company's CC and CIS costs for 2007 to 2012 (organized by category in an attached template), as well as a smoothed annual revenue requirement for the sum of those costs in each year. The extended and expanded Template (the "2013 Template") attached to this Application as Ex. A-2-2 uses the same approach and sets out the Company's forecast CC and CIS costs, and associated annual revenue requirement, for the 2013 to 2018 period.

The 2007 Settlement Agreement was reached after a lengthy, intense and successful consultative process between Enbridge and stakeholders. Throughout that consultative process, Enbridge worked principally with a stakeholder steering committee consisting of representatives from Consumers Council of Canada ("CCC"), Industrial Gas Users Association ("IGUA")<sup>2</sup> and School Energy Coalition ("SEC"), who had been selected by the larger stakeholder community to represent their interests.

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<sup>1</sup> Exhibit N1, Tab 1, Schedule F in the EB-2006-0034 proceeding.

<sup>2</sup> The lawyers who had participated in the Steering Committee on behalf of IGUA subsequently (in mid-2007) became the representatives of Canadian Manufacturers & Exporters ("CME") and thereafter participated in the Steering Committee on behalf of CME.

The consultative's main purpose in the 2007 process was to provide Enbridge with stakeholder feedback and guidance throughout the design and tendering phases of the CC and CIS initiatives, with the objective of leading to a consensus proposal for review by the Ontario Energy Board (the "OEB" or the "Board"). Ideally, the process would meet the interests of Enbridge and ratepayers in allowing Enbridge to proceed with necessary long-term plans for its customer care operations, including the acquisition of a new computer system to manage billing functions (the new CIS asset).

Ultimately, that 2007 consultative process led to a resolution of most of the regulatory and ratemaking issues related to the procurement of new CC and CIS services and the provision of CC services. This allowed Enbridge, with stakeholder support, to procure a new CIS and to enter into contract with Accenture Business Services for Utilities ("Accenture") for the provision of CC services for a five year term.

A fundamental component of the resolution was the agreement among all parties that the overall CIS and CC costs to be incurred during the then-current year (2007) and the expected five year incentive regulation ("IR") period that would follow (2008-2012) would be summed together and then smoothed over the entire six year period. The six year term of the settlement allowed the Company to proceed to award long term contracts for a new CIS asset and to a new CC service provider.

The 2007 Settlement Agreement that was prepared by the consultative group endorsed Enbridge's plans to acquire and operate a new CIS asset, and to enter into new CC arrangements with a third party provider. The 2007 Settlement Agreement was approved by the Board during a hearing on March 22, 2007.<sup>3</sup> In approving the 2007 Settlement Agreement, the Board highlighted the approach used by stakeholders to sum together all costs over six years and create a "smoothed" annual revenue requirement, and noted that "we are impressed by the drafting of this agreement and the sophistication of the process by which it was brought about".<sup>4</sup>

After that time, Enbridge continued to work with the stakeholder steering committee and their expert advisor (Five Point Consulting LLC) to discuss and review the implementation of the new CIS asset. Subsequently, Enbridge and the steering committee also worked together on issues related to the procurement of CC services after the date when the current arrangement with Accenture terminates (April 1, 2012).

This ongoing process has led to a number of developments in respect of the Company's CIS and CC arrangements. These developments will directly impact the amounts to be recovered for CIS and CC services in the years after the term of the current 2007 Settlement Agreement concludes (starting as of January 1, 2013). To the extent that these developments impact the actual costs paid by Enbridge for CIS and CC services before January 1, 2013, those impacts will not be included in Enbridge's revenue requirement for 2011 and 2012, since the values in the 2007 Template will continue to

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<sup>3</sup> EB-2006-0034, 15 Tr. 85.

<sup>4</sup> EB-2006-0034, 15 Tr. 83-85.



apply for the term of the 2007 Settlement Agreement (until December 31, 2012) as originally agreed.

The first development is that the Company's new CIS asset has now been successfully brought into service and all implementation costs associated with the new CIS asset (which has a ten year economic life) are known. These costs have been reviewed and endorsed by the stakeholder steering committee. Enbridge and the stakeholder steering committee have agreed upon the final capital cost of the new CIS asset, and the resulting opening rate base amount for the new CIS asset as of January 1, 2013, when the 2007 Settlement Agreement comes to an end. The new opening rate base amount of \$76.9M is modestly higher than the \$71.4M amount indicated in the 2007 Settlement Agreement.

The second development is that a process has been undertaken to proactively evaluate the Company's current CC arrangements, and future options for receiving CC services, in the interest of ensuring the best possible future arrangements for ratepayers and Enbridge. The goal of this process has been to determine how best to obtain CC services in the years after April 1, 2012, when the current CC contract with Accenture expires. As a result of this process, Enbridge has reached an agreement with Accenture for an update and extension of the current customer care services agreement for five years, with an option for two more years. Enbridge and members of the stakeholder steering committee all believe that the terms of the update and extension are reasonable and in the best interest of the Company and its ratepayers. Enbridge has agreed with Accenture to the update and extension of the current CC services agreement, conditional on receiving OEB approval for the recovery of costs that will be charged under that agreement. That approval must be received by September 15, 2011 in order for Enbridge to avoid having to negotiate for a temporary extension of the current customer care services agreement.

Enbridge and members of the stakeholder steering committee believe that it is appropriate and beneficial to extend and expand the Template that was attached to the 2007 Settlement Agreement to include therein the Company's CIS and customer care costs for the 2013 to 2018 period, upon which Enbridge and the steering committee have agreed, along with Enbridge's forecasts of all of its other CIS and customer care costs for that time frame. This will allow stakeholders, who are not members of the steering committee, to review and support the costs upon which Enbridge and the steering committee have agreed. It will also allow the Board to review and approve these cost consequences as reasonable before September 15, 2011, in order to satisfy the condition in the Agreement between Enbridge and its current service provider. Moreover, including the forecasts of all other CIS and customer care costs for the 2013 to 2018 period in the expanded Template will facilitate a process that will enable Enbridge and all interested parties to agree upon all customer care and CIS related costs for the period 2013 to 2018. Board approval of such an agreement will provide certainty to Enbridge and its ratepayers with respect to this significant component of Enbridge's annual revenue requirement.

Enbridge's forecast CIS and customer care costs for the 2013 to 2018 term are set out in the extended and expanded 2013 Template that is included with this Application as Ex. A-2-2. Enbridge and members of the stakeholder steering committee have agreed upon the values set out in rows 3 and 10(a) of the 2013 Template, which relate to the revenue requirement for the new CIS asset and to the costs of the update and extension of the

current customer care services agreement. These lines represent approximately 60% of the total costs in the 2013 Template. Enbridge and the stakeholder steering committee wish to work together, and with other interested stakeholders, to address all items in the 2013 Template to seek to reach a comprehensive agreement about Enbridge's customer care and CIS costs for the 2013 to 2018 term.

Enbridge therefore requests that the Board issue a Procedural Order as soon as possible to convene a consultative or settlement process among all interested stakeholders to allow consideration and discussion of the matters set out in this Application. The goal of such a process is to reach a comprehensive agreement on all matters set out in the 2013 Template in time that a Settlement Proposal can be presented to the Board for approval by September 15, 2011.

In the event that the Board deems it appropriate to include a discovery phase as part of the process set out in a Procedural Order, Enbridge requests that this be done by way of Technical Conference, or by way of a similar expedited approach.

Finally, Enbridge notes that it is providing a copy of this letter and the Application materials to all intervenors who could be expected to have an interest in this case, being all intervenors in Enbridge's current rates proceedings (who are the participants in the EB-2011-0008 case) and all intervenors who were part of the EB-2006-0034 proceeding that approved the 2007 Settlement Agreement.

Should you have any questions, please do not hesitate to contact me.

Yours very truly,

AIRD & BERLIS LLP



David Stevens

cc. Enbridge Gas Distribution  
Maureen Helt, counsel to OEB  
Members of the stakeholder steering committee  
All parties registered in EB-2006-0034 and EB-2011-0008

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