ENBRIDGE

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August 16, 2011

VIA COURIER

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

Dear Ms. Walli:

Re: Enbridge Gas Distribution Inc. ("Enbridge")
Enbridge Customer Care and Customer Information System Costs
Board Filed Number: EB-2011-0226

In accordance with the Ontario Energy Board's (the "Board") Procedural Order No. 1 issued on July 28, 2011, enclosed please find the Interrogatory Responses of Enbridge for the above noted proceeding.

In addition to the responses, Enbridge has filed the following exhibits:

- Exhibit A, Tab 1, Schedule 1 - Updated Exhibit List
- Exhibit A, Tab 1, Schedule 2 - Curriculum Vitae

Included in the package, please find an updated cover and spine set to replace the set for the previously filed evidence binder.

The evidence has been filed through the Board's Regulatory Electronic Submission System (RESS) and will be available on the Enbridge website at www.enbridgegas.com/ratecase.

Two paper copies are being forwarded to the Board via courier.

If you have any questions, please contact the undersigned.

Yours truly,

Bonnie Jean Adams

Bonnie Jean Adams
Regulatory Coordinator

cc: EB-2011-0226 Intervenors

EXHIBIT LIST

A – ADMINISTRATIVE

Exhibit	Tab	Schedule	Contents
A	1	1	Exhibit List
		2	Curriculum Vitae
	2	1	Application
		2	2013 Template

B – SUPPORTING EVIDENCE

Exhibit	Tab	Schedule	Contents
B	1	1	Background
	2	1	Overview of Relief Sought
	3	1	CIS Costs
		2	Five Point's CIS Project Close-Out Report
		3	January 1, 2013 Opening Rate Base for New CIS Asset
		4	Revenue Requirement Impact of New CIS Opening Rate Base Value
	4	1	Customer Care Costs
		2	Five Point's Customer Care Consultative Report
		3	Enbridge's Customer Care Strategy Document
		4	Stakeholder Steering Committee Statement of Principles
	5	1	Explanatory Notes re: 2013 Template
		2	Version of 2013 Template Containing Actual 2007 to 2012 Costs

EXHIBIT LIST

I - INTERROGATORIES

Exhibit	Tab	Schedule	Contents
I	1	1 to 36	Board Staff Interrogatories
	2	1 to 7	VECC Interrogatories

CURRICULUM VITAE OF
ROBERT ALAN BOURKE, CMA

Experience: Enbridge Gas Distribution Inc.

Manager Regulatory Proceedings
2004

Manager Budget and Administration – Operations
2003

Manager Regulatory Accounting
1998

Senior Analyst Regulatory Accounting
1995

Supervisor Revenue and Gas Cost
1992

Centra Gas (Ontario) Inc.

Supervisor, Budget Administration
1992

Thornhill Glass & Mirror Inc.

Controller
1988

The Consumer Gas Company Limited

Manager System Customer Billing
1987

Management Trainee
1986

Supervisor Income and Cash Budget
1982

Asst. Supervisor Income and Cash Budget
1980

Education: Certified Management Accountant (CMA), 1981

Memberships: The Society of Management Accountants Ontario

Appearances:	(Ontario Energy Board)
	EB-2011-0008
	EB-2010-0146
	EB-2010-0042
	EB-2009-0172
	EB-2008-0219
	EB-2007-0615
	EB-2006-0034
	EB-2005-0001
	RP-2003-0048
	RP-2002-0133
	RP-2001-0032
	RP-2000-0040
	RP-1999-0001
	EBRO 497
	EBO 179-14/15

CURRICULUM VITAE OF
JACKIE E. COLLIER

Experience:	Enbridge Gas Distribution Inc.
	Manager, Rate Design 2003
	Manager, Rate Research 2000
	Senior Rate Research Analyst 1996
	Centra Gas Ontario Inc.
	Manager, Rate Design 1995
	Supervisor, Cost of Service Studies 1990
Education:	Bachelor of Business Management Ryerson Polytechnical Institute, 1988
Appearances:	(Ontario Energy Board)
	EB-2010-0146 EB-2009-0172 EB-2009-0055 EB-2008-0219 EB-2008-0106 EB-2006-0034 EB-2005-0001 RP-2003-0203 RP-2003-0048 RP-2002-0133 RP-2001-0032 RP-2000-0040 EBRO 489 EBRO 474-B, 483,484 EBRO 474-A EBRO 474 EBRO 471
	(Régie de l'énergie/Régie du gaz naturel) R-3724-2010 R-3692-2009 R-3665-2008 R-3637-2007 R-3621-2006 R-2587-2005 R-3537-2004 R-3464-2001 R-3446-2000

CURRICULUM VITAE OF
KEVIN CULBERT

Experience:	Enbridge Gas Distribution Inc.
	Manager, Regulatory Accounting Current
	Manager, Regulatory Accounting 2003
	Senior Analyst, Regulatory Accounting 1998
	Analyst, Regulatory Accounting 1991
	Assistant Analyst, Regulatory Accounting 1989
	Budgets – Capital Clerk, Budget Department 1987
	Accounting Trainee, Financial Reporting 1984
Education:	CMA (3rd level) Seneca College 1987-89 (business/accounting)
Appearances:	(Ontario Energy Board) EB-2011-0008 EB-2010-0146 EB-2009-0172 EB-2009-0055 EB-2008-0219 EB-2008-0104/EB-2008-0408 EB-2007-0615 EB-2006-0034 EB-2005-0001 RP-2003-0203

CURRICULUM VITAE OF
ANTON KACICNIK

Experience: Enbridge Gas Distribution Inc.

Manager, Rate Research & Design
2007

Manager, Cost Allocation
2003

Program Manager, Opportunity Development
1999

Project Supervisor, Technology & Development
1996

Pipeline Inspector, Construction & Maintenance
1993

Education: Bachelor of Applied Science (Civil Engineering)
University of Waterloo, 1996

Memberships: Professional Engineers of Ontario

Appearances: (Ontario Energy Board)

EB-2010-0146
EB-2009-0172
EB-2009-0055
EB-2008-0106
EB-2008-0219
EB-2007-0615
EB-2007-0724
EB-2006-0034
EB-2005-0551
EB-2005-0001

(RÉGIE DE L'ÉNERGIE)
R-3724-2010
R-3637-2007
R-3621-2006
R-3587-2006
R-3537-2004

CURRICULUM VITAE OF
KERRY LAKATOS-HAYWARD

Experience: Enbridge Gas Distribution

Director, Operations Services
2008

Director, Business Development & Strategy
2006

Manager, Business Development & Strategy
2003

Manager, Volumetric & Market Analysis
2000

Manager, Multi-Family Marketing
1997

Senior Economist, Economic Studies
1995

Ontario Hydro

End Use Economist, Load Forecasts
1994

Evaluation Analyst, Planning & Evaluation
1992

Education: Bachelor of Arts (Specialist in Economics)
University of Toronto, 1990

Master of Science in Planning (Environmental Planning)
University of Toronto, 1992

Queen's Executive Program, 2005

Certificate in Carbon Finance, 2008

Appearances: (Ontario Energy Board)
EB-2006-0034
EB-2005-0001
RP-2003-0203
RP-2003-0048
RP-2002-0133
RP-2001-0032
RP-2000-0040

CURRICULUM VITAE OF
STEVE MCGILL

Experience: Enbridge Gas Distribution Inc.

Manager, Strategic Projects & Market Analysis
2003

Manager, Customer Support & Advocacy
2000

Manager, Customer Accounting Projects
1995

Manager, Large Volume Billing
1992

Manager, Industrial Sales, Metropolitan Toronto
1990

Manager, Rate & Contract Administration
1987

Rate Research Analyst
1985

Market Analyst
1981

Distribution Planner
1979

TransCanada Pipelines Limited

Junior Statistician

Junior Draftsman

Education: Bachelor of Arts (Honours Geography), University of Toronto, 1978

Miscellaneous short courses in Public Utility Management,
General Management, and Accounting

Appearances:	(Ontario Energy Board) EB-2007-0615 EB-2005-0001 RP-2003-0203 RP-2002-0133 RP-2001-0032 RP-2000-0040 EBRO 497-01 EBRO 497 EBRO 495 EBRO 492 EBRO 490 EBRO 487 EBO 179-14/15

CURRICULUM VITAE OF
MICHAEL J. MEES

Experience: Enbridge Gas Distribution Inc.

General Manager Niagara Region, Operations Leadership
2010

Director, Customer Care
2005

Director, Planning and Governance
2003

Assistant Controller
2002

Manager, Financial Business Performance
2002

Enbridge Distribution & Services

Director, Finance, Reporting and Control
2001

Enbridge Gas Distribution Inc.

Manager, Budgets and Planning
2000

Manager, Financial Projects and Process
1999

Manager, Volume and O&M Budgets
1997

Senior Budget Analyst, Volumes and O&M
1995

Supervisor, Capital Budgets
1993

Gas Sales Revenue and Gas Cost Analyst
1992

Education: Certified Management Accountant
Society of Management Accountants of Ontario, 1995

Masters of Business Administration
McMaster University, 1992

Honours Bachelor of Commerce
McMaster University, 1990

Memberships:	The Society of Management Accountants of Ontario
Appearances:	(Ontario Energy Board) EB-2005-0001 RP-2005-0001 RP-2003-0203 RP-2003-0048 RP-2002-0133 RP-2000-0040 RP-1999-0001 EBRO 497

CURRICULUM VITAE OF
MARGARITA SUAREZ-SHARMA

Experience: Enbridge Gas Distribution Inc.

Manager, Cost Allocation
2008

Manager, DSM Reporting & Analysis
2005

Analyst, Rate Design
2004

Senior Analyst, DSM Planning and Evaluation
2002

Senior Economic Analyst, Economic & Financial Studies
1998

The Canadian Institute

Conference Producer
1997

Margaret Chase Smith Center for Public Policy

Research Assistant
1995

Education: Master of Arts in Economics
University of Maine, 1995

Bachelor of Arts in Economics
University of Maine, 1993

Appearances: (ONTARIO ENERGY BOARD)
EB-2010-0146
EB-2009-0172
EB-2008-0219
EB-2008-0106

(RÉGIE DE L'ÉNERGIE)
R-3724-2010
R-3692-2009
R-3665-2008

CURRICULUM VITAE OF
ROBERT C. WOOD

Experience:

2006 – Present
Independent Consultant

2001 – 2006
Accenture
Executive Vice President, Utility Outsourcing.

2000 - 2001
CustomerWorks
Chief Operating Officer

1999 – 2000
Enbridge Commercial Services
Vice President

1980 – 1999
Enbridge Gas Distribution Inc.
Various positions including

- Vice President, Customer Support Services
- Comptroller
- Director Customer & General Accounting
- Manager, Internal Audit

Education:

1980: Bachelor of Arts (Commerce & Economics). University of Toronto.

1985: Certified General Accountant

Appearances:

(Ontario Energy Board)
EBRO 495
EBRO 490
EBRO 487
EBRO 485-03
EBRO 485
EBRO 479
EBRO 473
EBRO 465
EBRO 464
EBRO 452

BOARD STAFF INTERROGATORY #1

INTERROGATORY

Ref: “2013 Template” A/2/2 Descriptions

Please provide a “plain language” description of what is included in each line item of the 2013 Template.

RESPONSE

The table below provides a description of each line item and highlights differences between Exhibit A, Tab 2, Schedule 2 and Exhibit B, Tab 5, Schedule 2 if applicable.

Template Line Item	Title	Description
1	Old CIS Licence Fee	Fees formerly paid by EGD to CWLP (January through March 2007) and Accenture (April 2007 through October 2009) for the provision of a fully bundled CIS service. These fees included all regular capital and operating costs associated with the ownership and operation of the legacy CIS.
2	Old CIS Hosting and Support	
2a	Old CIS Hosting and Support	
3	New CIS Capital Cost @ Board Approved 36% Equity	The values set out in this line of the Template represent the annual EGD revenue requirement associated with the depreciation, return on investment and taxes on the Company’s new CIS, calculated as per the 2007 Customer Care and CIS Settlement Agreement approved by the OEB.
4	New CIS Hosting and Support	Costs incurred to host and operate the new EGD CIS. Approximately 50% of these costs are for direct labour and the remaining 50% for amounts paid to external parties for equipment maintenance etc. These amounts do not include any associated overhead costs (HR, benefits, IT, facilities etc).

Witness: S. McGill

Template Line Item	Title	Description
5	CIS Backoffice (EGD Staffing)	Costs incurred to perform application support for the new EGD CIS. Principally, these costs pertain to EGD direct labour. These amounts do not include any associated overhead costs (HR, benefits, IT, facilities etc).
6	SAP Licence Fees	Annual fees payable by EGD to SAP in respect of the SAP software licence required for the operation of the new EGD CIS.
7	SAP Modifications	The amounts set out in this line were included in respect of the need to make revisions to the new EGD CIS in the period following the system's implementation. The 2010 actual cost reported in Exhibit B, Tab 5, Schedule 2 (the template with 2007 - 2010 actuals & 2011 & 2012 estimates) was recorded as a capital expenditure in that year.
8	Incumbent (CWLP) Customer Care Services being provided from - January to March 2007	Fees payable by EGD to CWLP for services provided from January 1, 2007 through March 31, 2007.
9	Customer Care Transition Service Provider Contract Cost - ABSU April, 2007 to Sept. 30, 2008	This line item was provided for in the original 2007 Customer Care and CIS Settlement Agreement to take into account the potential transition cost that would have been incurred by EGD had the Company's RFP process selected a customer care service provider other than Accenture in 2007.

Template Line Item	Title	Description
10	New Service Provider Contract Cost	Total annual fees payable by EGD to Accenture, Canada Post (postage), MET (meter reading), Kubra (print formatting & bill imaging), Symcor (bill printing & payment processing), Canada Post (return mail service), Intelliresponse (software licence and hosting) and collection agencies. Note: the amounts presented in this line are the sum of the amounts set-out in Lines 10a, 10b, & 10c for each year (Exhibit B, Tab 5, Schedule 2).
10a	ACN, MTP & Collection Agency costs	The costs set-out on this line are in respect of Accenture (billing administration, customer contact & collections). In addition to the Accenture fees included here there are also costs pertaining to additional service providers that participate in the delivery of these services; Kubra (print formatting & bill imaging), Symcor (bill printing & payment processing), Canada Post (return mail service), Intelliresponse (software licence and hosting) and collection agencies.
10b	MET	Annual fees payable by EGD to MET in respect of meter reading services.
10 c	Postage	Annual cost of Canada Post charges incurred by EGD for the delivery of monthly customer invoices and other customer correspondence.
11	Customer Care Licences	The annual cost for software licence for smaller software applications required to support customer care operations.
12	Customer Care Backoffice (EGD staffing)	The annual cost incurred by EGD to manage and administer the Customer Care business function. This cost is primarily in respect of wages paid to personnel performing this function; and consulting resources to manage the Customer Care business.
13	Customer Care Procurement Costs	This line item includes costs incurred by EGD to conduct the RFP process for customer care services in 2007 which is being recovered in EGD rates between 2007 and 2012.

Template Line Item	Title	Description
14	Transition Costs - Consultants and ISP	The 2007 settlement agreement anticipated that EGD would incur significant internal and external costs if EGD was required to facilitate a transfer of customer care services from CWLP/Accenture to another service provider. As there was no transfer, no amount is included in this row.
15	Transition Costs - EGD Staffing	
16	Total CIS & Customer Care	For each year the total customer care and CIS cost to be incurred by EGD prior to normalization or smoothing. Exhibit A, Tab 2, Schedule 2 includes 2008 true-up forecast amounts. Exhibit B, Tab 5, Schedule 2 includes actual amounts for 2007 through 2010 and forecast amounts for 2011 and 2012.
17	Number of Customers	For each year the average number of customers. Exhibit A, Tab 2, Schedule 2, shows forecast figures for all years. Exhibit B, Tab 5, Schedule 2, includes actual figures for 2007 through 2010 and forecast amounts for 2011 through 2018.
18	The Normalized 2007 Customer Care Revenue Requirement can be determined. This will be calculated by starting with the Total Customer Care Revenue Requirement for 2007 to 2012, which is the amount in box G16	Total of line 16 for 2007 through 2012, which is the six year total CIS and Customer Care cost.

Template Line Item	Title	Description
19	That Total Customer Care Revenue Requirement will then be placed into an amortization model …	The annual payment required to recover the six year total CIS and customer care cost of $569,566,743 (in Exhibit A, Tab 2, Schedule 2) for 2007 through 2012 based on the annual inflation adjustment shown on Line #25 (Result = $90,799,999.40 / year 1 (2007)).
20	The Normalized 2007 Customer Care Revenue Requirement will then be compared to the 2007 placeholder of $90.8 million...	Required for 2008 true-up procedure and no longer required.
21	The Company will credit or debit the 2007 Customer Care Revenue Requirement Variance...	Required for 2008 true-up procedure and no longer required.

Template Line Item	Title	Description
22	The Normalized 2008 Customer Care Revenue Requirement will be the Normalized 2007 Customer Care Revenue Requirement, plus or minus the IR annual adjustment that is approved for Enbridge Gas Distribution.	For each year the normalized or smoothed customer care and CIS revenue requirement.
23	Total Customer Care Revenue By Year (Including repayment of 2007 variance)	For each year the normalized or smoothed customer care and CIS revenue requirement. Variance account procedure no longer required.
24	Normalized Customer Care Revenue Requirement Per Customer without Bad Debt	For each year the Normalized Customer Care Revenue Requirement Per Customer without any provision for Bad Debt.
25	Annual Adjustment assumed in above calcs.	EGD 2008 – 2012 Customer Care and CIS Template inflation factor = 1.7758%

BOARD STAFF INTERROGATORY #2

INTERROGATORY

Ref: "2013 Template" A/2/2 Variance Analysis 2012-2013

Please provide a comprehensive variance analysis for each of the line items in the 2013 Template together with an explanation of all the cost drivers behind the cost changes taking place between 2012 and 2013.

RESPONSE

The Company has filed a corrected Exhibit A/2/2, as the amounts contained within columns A through G are the Customer Care / CIS 2007-2012 Settlement Agreement costs approved by the Board in EB-2007-0615, whereas the fiscal year headings included within columns A through D (2007A, 2008A, 2009A, 2010A) suggest the amounts are actual, which they are not.

For the period 2013 to 2018, Exhibit A, Tab 2, Schedule 2 shows forecasted costs. A comparison of changes between the 2012 and 2013 columns shown in the exhibit is of limited value as 2013 figures are current forecasts whereas the 2012 figures for each line item are the approved amount from the 2007 Settlement template. They were based upon best forecasts at that point in time and subject to negotiation. Several line items such as Line 4 New CIS Hosting and Support, Line 5 CIS Backoffice and Line 6 SAP Modifications did not have any historical actuals as a basis for the costs as these costs would not come into existence until after the new CIS was implemented. Additionally, other line items such as Line 12 Customer Care Backoffice could not accurately reflect the impact of the new CIS given that the impacts would not be known until after the new CIS was implemented. Line 10 New Service Provider Contract Cost was based on Contract prices for Accenture and MET (meter reading) at that point; and forecasted postage rates.

In contrast the 2013 figure is based on 2010 actual costs, inflated year to year as shown in the table on the following pages.

Witness: S. McGill

Variance between 2012 and 2013 Template

Template Line Item	Title	2012	2013
1	Old CIS License Fee	N/A	N/A
2	Old CIS Hosting and Support		
2a	Old CIS Hosting and Support		
3	New CIS Capital Cost @ Board Approved 36% Equity	Approved amount from 2007 Settlement based on assumed CIS Capital cost of $118.7M.	Revenue requirement amount calculated based upon an opening rate base value of $76.9 million.
4	New CIS Hosting and Support	Approved amount from the 2007 Settlement template. Based upon best forecasts at that point in time and subject to negotiation. No historical actual costs existed as a basis given these costs would not come into existence until after the new CIS was implemented.	Actual 2010 costs were inflated year to year to derive the 2013 forecast. Additionally, 2012 forecasted costs increased beyond this inflation due to existing hardware maintenance & support contract expiring. This carried into 2013. EGD will be required to enter into a new hardware maintenance & support agreement. The costs will be significantly higher as the underlying hardware will be 4-5 yrs old. Please refer to Exhibit I, Tab 1, Schedule 7 for the CPI and/or Wage inflation factors used each year. Approximately 50% of these costs are for labour and the remaining 50% for amounts paid to external parties for equipment maintenance etc. Annual incremental change based on weighted average inflation (Wage & CPI for forecast period).

Template Line Item	Title	2012	2013
5	CIS Backoffice (EGD Staffing)	See line 4	Actual 2010 costs were inflated year to year to derive the 2013 forecast. Please refer to Exhibit I, Tab1, Schedule 7 for the CPI and/or Wage inflation factors used each year. Principally, these costs pertain to EGD direct labour. Annual incremental change based on forecast Wage Inflation.
6	SAP License Fees	Based on estimated percent of SAP license costs.	Actual 2010 costs were inflated year to year to derive the 2013 forecast. Please refer to Exhibit I, Tab1, Schedule 7 for the CPI and/or Wage inflation factors used each year. Payment is a condition of the Company's SAP software license agreement. Annual incremental change based on forecast Wage Inflation plus 0.5%.
7	SAP Modifications	N/A	This item is not applicable in the 2013 – 2018 period as all enhancements to the new EGD CIS beyond 2010 have been and will be recorded as regular capital expenditures.
8	Incumbent (CWLP) Customer Care Services being provided from - January to March 2007	N/A	Accenture replaced CWLP as EGD's customer care service provider effective from April 1, 2007, as such no further fees were or are payable by EGD to CLWP.
9	Customer Care Transition Service Provider Contract Cost - ABSU April, 2007 to Sept. 30, 2008	N/A	N/A

Template Line Item	Title	2012	2013
10	New Service Provider Contract Cost	Based on Contract prices for Accenture and MET (meter reading); and forecasted postage rates.	The amounts presented in this line are the sum of the amounts set-out in Lines 10a, 10b, & 10c for each year. Forecast costs are based on the contract terms and conditions with each service provider with the exception of Canada Post (postage). The MET contract term, including a two year optional renewal, ends June 2014. Costs beyond this are forecasted to increase based on 2014 CPI of 2.4%.
10a	ACN, MTP & Collection Agency costs	Based on Contract price for Accenture.	Accenture fees for the 2013 through 2018 period are determined by the terms of the Customer Care Service Agreement ("CCSA") as amended January 2011. Fees for services provided by the additional third party service providers representing approximately 12% of these costs are governed by contracts of varying durations, some which will need to be extended or replaced within the above noted period. However, the CCSA dictates the overall cost for the third party services. Additionally, approximately $2.5 million per year of Accenture costs noted in this Line pertain to Large Volume Billing and Collections functions. At the time the extension agreement to the CCSA was negotiated EGD elected to repatriate these functions. EGD anticipates being able to perform these functions at a cost not to exceed those that would otherwise be payable to Accenture under the terms of the extended CCSA. Note; such annual amounts could be moved from Lines 10 & 10a to Line 12 of the Template (Customer Care Backoffice (EGD staffing)).

Template Line Item	Title	2012	2013
10b	MET	Based on contract price for MET.	2013 Costs are based on current MET contract until June 2014. At such time this contract will need to be extended or replaced. Fees increase between 2010 and 2011 largely due to EGD customer numbers falling short of contract targets, this is carried through to 2013. Additional cost adjustments reflect customer growth. Beyond 2014 then current contract prices have been inflated by 2014 CPI of 2.4% for each year.
10c	Postage	Based on forecasted postage prices for 2012.	2010 actual post rates were increased by $0.03/year based on actual 2009 and 2010 increases of $0.03/year and 2011 increase of $0.02/year.
11	Customer Care Licenses	The annual cost for software license for smaller software applications required to support customer care operations.	Actual 2010 costs were inflated year to year to derive the 2013 forecast. Please refer to I-1-7 for the CPI and/or Wage inflation factors used each year. Additionally, beginning in 2011, the cost of the Kubra software license (bill imaging and retention) has been removed from this line item and is now included in the amounts set-out in Line 10a for 2011 (approx $400k) and escalated for future years forecast wage inflation +0.5%.
12	Customer Care Backoffice (EGD staffing)	The annual cost incurred by EGD to manage and administer the Customer Care business function and CIS. This cost is primarily in respect of wages paid to personnel performing this function; and consulting resources to manage the Customer Care business.	Actual 2010 costs were inflated year to year to derive the 2013 forecast. Please refer to Exhibit I, Tab1, Schedule 7 for the CPI and/or Wage inflation factors used each year. This cost has been escalated based on forecast wage inflation.

Template Line Item	Title	2012	2013
13	Customer Care Procurement Costs	This line item Includes costs incurred by EGD to conduct the RFP process for customer care services in 2007 which is being recovered in EGD rates between 2007 and 2012.	As EGD has been able to reach a satisfactory extension to the CCSA covering 2013 through 2018 no RFP costs are currently anticipated.
14	Transition Costs - Consultants and ISP	N/A	N/A
15	Transition Costs - EGD Staffing		
16	Total CIS & Customer Care	For each year the total customer care and nCIS cost to be incurred by EGD prior to normalization or smoothing	For each year the total customer care and nCIS costs forecast for 2013 through 2018 prior to normalization.
17	Number of Customers	For each year the average number of customers.	The 2013 figure is lower than 2012. Recent lower actual customer additions better inform the 2013 forecasted customer count.
18	The Normalized 2007 Customer Care Revenue Requirement can be determined. This will be calculated by starting with the Total Customer Care Revenue Requirement for 2007 to 2012, which is the amount in box G16	Driven by lines above.	Driven by lines above.

Template Line Item	Title	2012	2013
19	That Total Customer Care Revenue Requirement will then be placed into an amortization model …	Driven by lines above.	Driven by lines above.
20	The Normalized 2007 Customer Care Revenue Requirement will then be compared to the 2007 placeholder of $90.8 million...	Required for 2008 true-up procedure and no longer required.	
21	The Company will credit or debit the 2007 Customer Care Revenue Requirement Variance...	Required for 2008 true-up procedure and no longer required.	
22	The Normalized 2008 Customer Care Revenue Requirement will be the Normalized 2007 Customer Care Revenue Requirement, plus or minus the IR annual adjustment that is approved for Enbridge Gas Distribution.	Driven by lines above.	Driven by lines above.

Template Line Item	Title	2012	2013
23	Total Customer Care Revenue By Year (Including repayment of 2007 variance)	Driven by lines above.	Driven by lines above.
24	Normalized Customer Care Revenue Requirement Per Customer without Bad Debt	Driven by lines above.	Driven by lines above.
25	Annual Adjustment assumed in above calcs.	EGD 2008 – 2012 IR Model inflation factor = 1.7758%	EGD 2008 – 2012 IR Model inflation factor = 1.7758% No variance

BOARD STAFF INTERROGATORY #3

INTERROGATORY

Ref: “2013 Template” A/2/2 and B/5/2 Variance Analysis 2007-2012 Actual vs. Forecast

Please explain the differences between the schedules at B/5/2 and A/2/2/ relating to the line item numbers for the 2007 to 2012 period. Please provide a financial variance analysis with explanations for the differences (actual vs. forecast) in each year.

RESPONSE

Exhibit A, Tab 2, Schedule 2 for the period 2007 to 2012: These figures are the approved amounts from the 2007 Settlement Template.

Exhibit B, Tab 5, Schedule 2 for the period 2007 to 2012: These figures are the actual costs for 2007-2010; and forecast costs for 2011-2012.

In total, the approved Settlement amounts are lower than the actual and forecast costs for 2007-2012 by $20.6 million,

Please see the table provided on the following page along with the explanations for variances by line item.

Witness: S. McGill

2007 Settlement Higher (Lower) than actual and forecast cost

#	Category of Cost	A 2007	B 2008	C 2009	D 2010	E 2011	F 2012	G 2007-2012 Total
	CIS Related Categories							
1	*Old CIS Licence Fee*							
2	*Old CIS Hosting and Support*	($5,150,434)	($9,811,155)	($9,208,849)	$0	$0	$0	($24,170,438)
2a	*Incumbent (CWLP) CIS Services being provided from January to March 2007*							
3	*New CIS Capital Cost @ Board Approved **36%** Equity*	$0	$0	$0	$0	$0	$0	$0
4	*New CIS Hosting and Support*	$0	$0	$2,426,498	$2,365,362	$2,187,992	$1,130,390	$8,110,243
5	*CIS Backoffice (EGD Staffing)*	$1,000,000	$970,000	$1,223,963	($525,936)	($557,230)	($581,984)	$1,528,813
6	*SAP Licence Fees*	$0	$0	$429,981	$179,715	$95,776	$14,790	$720,262
7	*SAP Modifications*	$0	$0	$1,000,000	($274,000)	$0	$0	$726,000
	Customer Care Related Categories							
8	*Incumbent (CWLP) Customer Care Services being provided from - January to March 2007*	($4,792,877)	$0	$0	$0	$0	$0	($4,792,877)
9	*Customer Care Transition Service Provider Contract Cost - ABSU April, 2007 to Sept. 30, 2008*	$0	$0	$0	$0	$0	$0	$0
10	*New Service Provider Contract Cost*	$1,277,444	$1,096,995	($681,496)	$143,440	$763,842	$767,456	$3,367,681
11	*Customer Care Licences*	($1,229,584)	($1,078,932)	($397,851)	($310,495)	$89,505	$39,706	($2,887,651)
12	*Customer Care Backoffice (EGD staffing)*	($1,024,834)	$32,144	$71,459	($698,242)	($743,704)	($778,713)	($3,141,890)
13	*Customer Care Procurement Costs*	$0	$0	$0	$0	$0	$0	$0
14	*Transition Costs - Consultants and ISP*	$0	$0	$0	$0	$0	$0	$0
15	*Transition Costs - EGD Staffing*							
16	**Total CIS & Customer Care**	($9,920,285)	($8,790,948)	($5,136,295)	$879,844	$1,836,182	$591,646	($20,539,857)

Lines 1 and 2 - Actual costs for old CIS were higher than the Settlement amount based on contract terms for these services (Enbridge agreed to a lower amount in the Template than the amounts set out in the CWLP agreements) and due to new CIS go-live being later than the forecasted go-live date in the 2007 Settlement.

Witness: S. McGill

Line 4 - New CIS Hosting and Support costs are lower due to hosting costs being lower than forecast, offset by slightly higher support costs based on a higher support contract price and anticipated need to purchase additional Application Maintenance and Support Capacity to handle defects and minor changes.

Line 5 - Actual 2007-2009 CIS Backoffice costs are lower than forecast as some of these are included in Customer Care Backoffice costs. 2010 -2012 CIS Backoffice costs are higher due to greater needs for functional support resulting from the new CIS implementation.

Line 6 - 2009 SAP licence fees are lower due to delayed go-live date for the new CIS.

Line 7 - SAP Modification costs were lower than forecast over the term of the Template because fewer modifications than anticipated were required.

Line 8 - Incumbent CWLP service costs are higher than forecast for 2007 because Enbridge agreed in the Template to a lower amount than set out in the CWLP contract for these services.

Line 10 - New Service Provider Contract costs are lower overall primarily due to customer growth being less than forecasted.

Line 11 - Customer Care Licence costs were higher than forecast until the new CIS was brought into operation.

Line 12 - 2010-2012 Customer Care Backoffice costs are higher primarily due to consulting and contractor costs related to unplanned events (such as CIS implementation issues, postal disruption, BBP issues) that require labour-intensive responses and system changes.

Witness: S. McGill

BOARD STAFF INTERROGATORY #4

INTERROGATORY

Ref: B/2/1/p.3 CIS

Preamble
The new CIS asset has a proposed opening 2013 rate base balance of $76.9 million. The 2007 Settlement Agreement at page 13 indicates the parties agreed to an opening balance of $71.4 million. The proposed CIS opening balance is therefore $5.5 million higher than the 2007 Board approved agreement.

Question
Please provide a financial variance analysis for the increase, including a detailed explanation of the reasons underpinning the new CIS asset rate base amount.

RESPONSE

While the 2007 Settlement Agreement indicated an agreed to opening 2013 rate base value of $71.4 million, items 7a) and 7b) on page 14 allowed that balance to be adjusted if certain conditions were met within the eventual actual costs. Item 7a) allowed the opening rate base balance to be adjusted downwards if the actual costs of the CIS were lower than the $118.7 million forecast cost which produced the opening 2013 rate base amount of $71.4 million. Item 7b) allowed the opening rate base balance to be adjusted upwards where EGD could show that additional costs had been prudently incurred in comparison to the $42 million of system integrator costs which were embedded in the total forecast of $118.7 million.

The higher 2013 opening rate base value of $76.9 million and details of the changes which contribute to a $5.5 million increase are shown at Exhibit B/3/3, lines 4 through 7. Line 4 shows the original agreed to opening balance of $71.4 million. Line 5 shows a proposed additional 2013 opening rate base amount of $1.01 million which is the 2012 un-depreciated amount in relation to additional interest during construction of $1.9 million (due to the in service date change) less $0.4 million of a cost underage which occurred in relation to other than system integrator costs. Line 6 shows a further proposed additional 2013 opening rate base amount of $4.46 million which is the 2012 un-depreciated amount relating to additional system integrator costs incurred of $6.6 million.

Witness: K. Culbert

BOARD STAFF INTERROGATORY #5

INTERROGATORY

Ref: “2013 Template” A/2/2 and B/2/1/page 2 para. 5 Inflation Factor

Preamble

Enbridge noted that an inflation factor of 1.77580% has been built into the 2013 template. This is the same inflation factor that was approved as part of the 2007 Settlement Agreement.

Question

Please provide the rationale for using the cited inflation factor.

RESPONSE

The 2007 Template used an annuity factor of 1.7758% for the purposes of smoothing the total overall Customer Care and CIS revenue requirement into annual amounts that would allow for rate stability each year.

The annuity adjustment factor of 1.77580% used within the 2013 to 2018 template was used for the purpose of maintaining consistency with the original 2007 to 2012 Settlement template.

Witness(es): S. McGill
K. Culbert

BOARD STAFF INTERROGATORY #6

INTERROGATORY

Ref: "2013 Template" A/2/2 Inflation Factor

Please provide the inflation factor approved in each year of the current IR Plan. Please also provide the productivity (or "X" or "stretch") factor approved for each year of the IR Plan.

RESPONSE

Please see the table provided below. The GDP IPI FDD represents the inflation factor approved in each year of the current IR Plan. The GDP IPI FDD is to be multiplied by the Inflation coefficient to create each year's net IR inflation percentage i.e. net of productivity.

The 2012 factor will be approved by the board in Q4 2011.

	GDP IPI FDD	Inflation Coefficient
2008	2.04%	0.60
2009	1.54%	0.55
2010	2.73%	0.55
2011	0.72%	0.50
2012		0.45

Witness(es): K. Culbert
S. McGill

BOARD STAFF INTERROGATORY #7

INTERROGATORY

Ref: "2013 Template" A/2/2 Inflation Factor

Please provide a table comparing the annual escalator for each year of the current IR Plan (the "Escalation Factor") with the annual inflation factor currently in use and proposed for the CIS and CC costs (i.e., 1.77580%).

RESPONSE

Please refer to the table provided below for the escalation factors.

The 2013 Template does not use an annual inflation factor of 1.7758% in respect of the costs set out for 2013 to 2018. As explained in the response to Board Staff Interrogatory #5 (Exhibit I, Tab 1, Schedule 5), that figure is used simply as an annuity factor to determine smoothed annual revenue requirement amounts.

The 2013 Template uses different inflation factors to develop a forecast / proposal for 2011 to 2018 in Exhibit B, Tab 5, Schedule 2. The starting point was 2010 actual costs.

For the purpose of the 2013 Template escalation factors, the nature of the cost was considered in the determination of the most appropriate cost driver and whether it was inflated by CPI, Wage Inflation or some weighted combination thereof.

Escalation Factors

		2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
IR:												
A	GDP IPI FDD	2.04%	1.54%	2.73%	0.72%							
B	Inflation Coefficient	0.60	0.55	0.55	0.50	0.45						
IR Escalation factor [A * B]		1.22%	0.85%	1.50%	0.36%							
2013 Template Escalation factors (Note 1):												
	CPI				2.0%	2.2%	2.3%	2.4%	2.6%	2.6%	2.6%	2.6%
	Wage Inflation				3.6%	3.3%	3.3%	3.1%	3.4%	3.4%	3.4%	3.4%

Note 1: CPI and Wage Inflation was developed using the Fall 2010 Enbridge Economic Outlook to 2014, then escalated for 2015 and beyond.

Witness(es): S. McGill
K. Culbert

BOARD STAFF INTERROGATORY #8

INTERROGATORY

Ref: “2013 Template” A/2/2 Smoothing

Please explain the operation of, and rationale behind, the smoothing mechanisms built into the 2013 Template.

RESPONSE

As explained in evidence in Exhibit B, Tab 1, Schedule 1, the manner in which the smoothing process operated in 2007-2012 was by summing the annual costs for Customer Care and CIS and smoothing or taking any significant year to year variance out of them for rate setting purposes over the six year term. The Board’s approval of the approach taken by parties in reaching the 2007-2012 settlement is referenced in paragraph 8 of Exhibit B, Tab 1, Schedule 1.

The rationale for smoothing was for the purpose of being consistent with one of the goals of the Board’s incentive regulation objectives, that being rate stability. The smoothing of the overall customer care and CIS revenue requirement included in the 2007 Template was to address significant year over year fluctuations in the annual revenue requirement for the new CIS system and customer care services during the period.

This rationale was extended into the 2013 Template because; 1) it was the intention of the Company and the stakeholder steering committee to adhere to the principles of the 2007 Template to the extent practically possible, 2) although the year over year variations in the unsmoothed costs are not as significant from 2013 through 2018, the smoothing function continues to provide a degree of year over year stability in the overall customer care revenue requirement, and 3) this approach continues to be consistent with the Board’s incentive regulation objective of rate stability.

Witness: S. McGill

BOARD STAFF INTERROGATORY #9

INTERROGATORY

Ref: “2013 Template” A/2/2 6-year Span

Please explain how the 2013 Template costs relating to Accenture are determined under the 6-year Template span given that the Accenture contracts (both existing and proposed) have terms of only 5 years. How are the “stub year” or residual amounts calculated for periods that are apparently not within the term of the contract?

RESPONSE

There are no stub year implications with respect to the Accenture contract for the 2013 through 2018 period. The original Accenture contract expires March 31, 2012 and therefore a stub period was introduced in the contract extension and amending agreements to complete the remaining 9 months of the term covered by the 2007 template. The new Accenture contract expires at December 31, 2017 and therefore a stub period is not required.

The Accenture contract has optional renewal pricing for 2018 and 2019. This optional renewal pricing was used to forecast 2018 costs.

Witness: S. McGill

BOARD STAFF INTERROGATORY #10

INTERROGATORY

Ref: “2013 Template” A/2/2 6-year Span

Enbridge noted that the economic life of the CIS asset is 10 years. However, Enbridge has requested recovery of the CIS-related costs over a period of 12-years (i.e. two 6-year fiscal periods: 2007 – 2012 and 2013 – 2018). Please explain the rationale for recovering the CIS related costs over a total of 12-years. Please provide detailed calculations.

RESPONSE

The determination of the CIS related rate base value and related annual revenue requirement is shown in evidence at Exhibit B, Tab 3, Schedules 3 and 4. The 2007-2012 original template was agreed to by parties in order to enable the smoothing and managing of the recovery of the CIS revenue requirement during those years even though the economic life of the asset was originally agreed upon at ten years (2009 through 2018) with some potential adjustments depending on final actual costs (EB-2006-0034, Exhibit N1, Tab 1, Schedule 1, Appendix F, p. 13). The 2007 Template and settlement agreement provided that the CIS cost would be recovered by the end of 2018 (10 years after the assumed in-service date). However, the additional cost allowances (those additional costs above the originally assumed $71.4 million 2013 opening rate base amount) continue into 2019 in recognition of the actual CIS in-service date of September 2009.

Witness: K. Culbert

BOARD STAFF INTERROGATORY #11

INTERROGATORY

Ref: “2013 Template” A/2/2 6-year Span

Please explain in detail how the 2013 Template costs relating to contracts other than Accenture are determined under the 6-year Template span given that they may have terms of something other than 6 years. How are any “stub year” or residual amounts calculated?

RESPONSE

Please see the table below.

Outsourced Contracts

Service Provider	
Symcor Inc.	Third party managed by ABSU under the terms of the CCSA . CCSA dictates pricing for entire term of CCSA which is to Dec. 2017 plus 2 years of Optional Renewal to Dec. 2019.
Kubra	Third party managed by ABSU under the terms of the CCSA . CCSA dictates pricing for entire term of CCSA which is to Dec. 2017 plus 2 years of Optional Renewal to Dec. 2019.
Canada Post (return mail)	Third party managed by ABSU under the terms of the CCSA . CCSA dictates pricing for entire term of CCSA which is to Dec. 2017 plus 2 years of Optional Renewal to Dec. 2019.
Intelliresponse Systems Inc.	Third party managed by ABSU under the terms of the CCSA. CCSA dictates pricing for entire term of CCSA which is to Dec. 2017 plus 2 years of Optional Renewal to Dec. 2019.

Witness: S. McGill

Service Provider	
A1 Credit Recovery & Collection	Third party managed by ABSU under the terms of the CCSA . CCSA dictates pricing for entire term of CCSA which is to Dec. 2017 plus 2 years of Optional Renewal to Dec. 2019.
ARO Inc	Third party managed by ABSU under the terms of the CCSA . CCSA dictates pricing for entire term of CCSA which is to Dec. 2017 plus 2 years of Optional Renewal to Dec. 2019.
Collect Com Credit Inc.	Third party managed by ABSU under the terms of the CCSA . CCSA dictates pricing for entire term of CCSA which is to Dec. 2017 plus 2 years of Optional Renewal to Dec. 2019.
Collectcents Inc.	Third party managed by ABSU under the terms of the CCSA . CCSA dictates pricing for entire term of CCSA which is to Dec. 2017 plus 2 years of Optional Renewal to Dec. 2019.
D&A Collection Corp.	Third party managed by ABSU under the terms of the CCSA . CCSA dictates pricing for entire term of CCSA which is to Dec. 2017 plus 2 years of Optional Renewal to Dec. 2019.
MJR Collection Services Ltd.	Third party managed by ABSU under the terms of the CCSA . CCSA dictates pricing for entire term of CCSA which is to Dec. 2017 plus 2 years of Optional Renewal to Dec. 2019.
Partners in Credit Inc.	Third party managed by ABSU under the terms of the CCSA . CCSA dictates pricing for entire term of CCSA which is to Dec. 2017 plus 2 years of Optional Renewal to Dec. 2019.
Total Credit Recovery Ltd.	Third party managed by ABSU under the terms of the CCSA . CCSA dictates pricing for entire term of CCSA which is to Dec. 2017 plus 2 years of Optional Renewal to Dec. 2019.

Service Provider	
MET	Please refer to the table in Board Staff Interrogatory Response found at Exhibit I, Tab 1, Schedule 2, Line 10b.
Sapient Canada Inc.	This cost is part of Exhibit B, Tab 5, Schedule 2, Line 4. Please refer to the table in Board Staff Interrogatory Response found at Exhibit I, Tab 1, Schedule 2, Line 4 for explanation of how these costs are escalated through the term of the template.
SAP : SW licence & maintenance	This cost is shown in Exhibit B, Tab 5, Schedule 2, Line 6 SAP Licences. Please refer to the table in Board Staff Interrogatory Response found at Exhibit I, Tab 1, Schedule 2, Line 6 for explanation of how these costs are escalated through the term of the template.
HP Canada	This cost is part of Exhibit B, Tab 5, Schedule 2, Line 4. Please refer to the table in Board Staff Interrogatory Response found at Exhibit I, Tab 1, Schedule 2, Line 4 for explanation of how these costs are escalated through the term of the template.

BOARD STAFF INTERROGATORY #13

INTERROGATORY

Ref: Accenture contract

Please describe the nature of any tendering process undertaken for the renewed contract and if there was no tendering undertaken, state the reasons why.

RESPONSE

Recognizing the long lead times to undertake an RFP process for customer service delivery, EGD undertook a comprehensive review of its customer care (CC) delivery arrangements in January 2010, in order to formulate a strategy to meet its future requirements beyond March 2012. The objectives of this strategy review were to

- Review the scope, cost, quality and comparative benchmarks of the current customer care service delivery arrangements;
- Establish EGD's future CC needs;
- Identify gaps between the current delivery requirements and future needs;
- Formulate a customer service delivery strategy for 2012 and beyond;
- Align the strategy with EGD's regulatory approach; and,
- Develop an implementation plan

As part of this strategy development, EGD undertook both an internal and external review of trends & best practices. Interviews with seven external consulting companies were also conducted to gain perspectives on the CC outsourced services industry. Finally, EquaTerra was engaged in June 2010 to assist the Company with a more detailed comparison of EGD's operations to current industry best practices.

Following receipt of the EquaTerra Study, EGD formalized its CC strategy. Specifically, EGD issued a sole source request for proposal to Accenture in July 2010 to provide the Company with a proposal to extend the CCSA beyond March 2012, addressing EGD's revised requirements as documented in its CC strategy (see Exhibit B, Tab 4, Schedule 3). In the event that Accenture's extension proposal was not acceptable, Enbridge's approach was to proceed with a full market RFP process in late 2010 (the option with the longest lead time and greatest expense), while assessing the option to repatriate.

Witness: S. McGill

Enbridge's rationale to consider extension of the contract with ABSU as the primary option is based on two major factors:

- The total cost associated with conducting a full –blown RFP is in the order of $5-$10 million, with no guarantees that the net cost resulting from the RFP would be lower;
- If a new service provider was chosen transition costs were estimated to be on the order of $ 20 million; and,
- There are operational risks in transitioning services to either another third party or to repatriate the services back to EGD.

As contemplated in the strategy, EGD engaged in negotiations with Accenture for the revision and extension of the CCSA from July to December 2010. Throughout the process, Enbridge kept the stakeholder steering committee appraised of its strategy concerning the potential extension with Accenture, as well as the status of negotiations. The mandate of the stakeholder steering committee was to determine if:

- the process followed by Enbridge to re-contract with Accenture, proceed to an RFP process or repatriate operations within Enbridge was appropriate in the circumstances and conformed to best practices;
- Enbridge's decision to re-contract with Accenture, proceed to an RFP or repatriate within Enbridge was prudent;
- the RFP process was appropriate, if applicable;
- any transition agreements were appropriate, if applicable; and,
- Enbridge's arrangements from April 1 2012 to December 31, 2017, including project cost and spending, were prudent.

The stakeholder steering committee enlisted Five Point Consulting, in July 2010 to assist with this evaluation.

In November 2010 after numerous iterations, the stakeholder steering committee and EGD agreed that the total contract price of $430 million over 7 years was acceptable. EGD was then able to successfully conclude the extension of the CCSA with Accenture for this contract price, from January 2011 to December 31st 2017, along with option years for 2018 and 2019.[1] As a result of this successful outcome, a full market RFP was not required.

[1] The extension is conditional on internal approvals from Enbridge Board of Directors (which was received) and approval from the OEB in respect of costs consequences of the agreement being recoverable in rates.

In its final report to the EGD stakeholder steering committee, Five Point Consulting commented that:

- EGD's approach was "appropriately timed and logically sequenced" in terms of looking to negotiate with Accenture to extend the agreement before pursuing other options (see Exhibit B, Tab 4, Schedule 2, Five Point Report, slides 6 & 7);
- EGD was transparent and cooperative in dealings with Five Point (See Exhibit B, Tab 4, Schedule 2, Five Point Report, slide 28)
- EGD was successful in striking a contract extension with ABSU for almost the same price as the current CCSA agreement, but with many improvement items incorporated in the new contract. (See Exhibit B, Tab 4, Schedule 2, Five Point Report, slide 28)
- The year-over-year increase in annual price through the course of the 7-year contract is within the market norms. (See Exhibit B, Tab 4, Schedule 2, Five Point Report, slide 28)

In summary, Enbridge has clearly demonstrated that the process to evaluate all options related to delivery of its customer care services and its decision to re-contract its customer care services with Accenture is appropriate and prudent. The resulting contract terms, including cost and scope, are also prudent and appropriate.

BOARD STAFF INTERROGATORY #14

INTERROGATORY

Ref: Accenture contract

Please list and compare the cost efficiency and incentive measures built into the new Accenture contract with those in the existing Accenture contract. Please include an explanation of how cost savings will be realized through such measures and how the efficiencies and incentives will benefit ratepayers and other stakeholders going forward.

RESPONSE

Accenture has agreed to provide its services at a predetermined cost for an extended period of time on a per-customer basis. Accenture therefore takes the risk of achieving or not achieving productivity benefits. Enbridge and its ratepayers get the benefit of predetermined customer care costs which are comparable to current costs through to the end of 2018.

Witness(es): S. McGill
M. Mees

BOARD STAFF INTERROGATORY #15

INTERROGATORY

Ref: Accenture contract

Please list and discuss the individual cost drivers built into the new Accenture contract and explain how the contract revenue is derived. Please contrast the key features of the new Accenture contract with the existing contract, explain the differences and, where appropriate, quantify the differences.

RESPONSE

Monthly charges under the CCSA are determined by multiplying monthly unit rates for specific service categories by the number of Enbridge customers in such respective fee category for the applicable month and then summing the total dollar amount for each category. The amended/extended CCSA separates certain costs for third party services the cost for which were formerly rolled into the original CCSA base fees.
The original CCSA provided Enbridge with the option to extend the agreement for up until two years to March 31, 2014. The estimated overall difference in annual cost between the original CCSA and the amended/extended version of the agreement for the period of time that the original CCSA could have been in effect is noted in the table below. The comparison takes into account the separation of Large Volume from Mass Market accounts, the cost of ongoing change orders under the original CCSA now included in the amended/extended CCSA and the revised treatment of third party costs in the amended/extended CCSA. It should also be noted that this comparison does not included Accenture charges in respect of services related the Agent Billing and Collection and Open Bill Access services.

		2011	2012	2013	Jan-Mar 2014	Total
Old Contract	MM+LV	$ 46,589,416	$ 47,504,467	$ 48,509,210	$ 12,370,793	$ 154,973,887
New Contract	MM+LV	$ 46,291,468	$ 46,928,238	$ 48,605,388	$ 12,619,750	$ 154,444,844
Old higher (lower) than new		$ 297,948	$ 576,229	$ (96,178)	$ (248,957)	$ 529,043

In addition to the extension of the term of the Customer Care Services Agreement between Enbridge and Accenture (the “ CCSA”), the amendments to the agreement entered into by Enbridge and Accenture serve to; 1) take into account operational differences stemming from the implementation of the new Enbridge Customer Information System (“CIS”), 2) include certain services that were added to the scope of

Witness: S. McGill

the original CCSA by way of change orders with ongoing incremental cost, 3) add and strengthen service levels, and 4) separate services between Mass Market and Large Volume accounts .

Other general improvements included in the amended/extended CCSA are:

- An improved parental guarantee,
- reduced fees for termination for convenience,
- a further reduction in early termination fees if the termination results from a government order, and
- Offshore Rate Card applicable to change order work.

Over the course of the first three years of operation under the CCSA there were several new or revised services required by Enbridge that were addressed through change orders to the original agreement that entailed ongoing costs to Enbridge. Some examples are customer credit card payment option, revised security deposit processing, Winter Warmth activities, SOX compliance activities, and QRAM support processes. These items have now been included as part of the base CCSA service and fees.

With respect to the third area of change to the CCSA, service levels were added to take into account current business drivers and experience under the original contract. Some examples of these changes are as follows, revised billing back-office service levels, call centre quality improvements, post call customer satisfaction survey to be completed by a third party, improved turnaround time for mail and email correspondence, and a service level to insure 100% of work is completed within a reasonable time.

BOARD STAFF INTERROGATORY #16

INTERROGATORY

Ref: Accenture contract

Please explain how greater use of customer self-service features like on-line billing and payment, and greater use of the internet in general to enable customer self-service will impact the proposed costs? What amount of cost savings can be expected to result from these developments? Are these types of savings built into the 2013 Template? If so, please quantify the savings and describe, in detail, where they are built into the 2013 Template.

RESPONSE

The Accenture contract is on a cost-per-customer basis. This is a recognized best practice in this type of agreement as it transfers operational cost risk to the service provider and also achieves rate stability for ratepayers. An implication of this cost-per-customer pricing is that Accenture related charges will not decline if customers switch from paper billing to online billing; or if they perform more of the customer care functions via self-serve means. The 2013 Template does not contain any forecasted savings from greater internet self-service. Specifically, online billing has been of limited success, with take-up rates at Enbridge of less than 7%, despite a number of attempts to promote the service.

However, there are two general potential opportunities for cost savings from greater self-service via the internet.

1. On-line billing would result in savings of postage. Postage savings would be $0.56/standard bill at current rates.

2. Enbridge could potentially negotiate fee reduction arrangements with Accenture with respect to specific opportunities. These would be addressed through change orders to the CCSA. Such arrangements would need to take into account capital and other implementation costs as well as potential savings associated with each opportunity and be considered on an individual business case basis. Further, the Company and/or Accenture would be at risk for the ultimate attainment of the presumed net benefit that may or may not be realized.

Witness: S. McGill

BOARD STAFF INTERROGATORY #17

INTERROGATORY

Ref: B/4/2 Five Point Partners

Please provide the terms of reference for the Five Point Partners engagement in the stakeholder steering committee and consultative exercise.

RESPONSE

Please find attached the Statement of Work for the Five Point Partners engagement. The Statement of Principles for the consultative process is found at Exhibit B, Tab 4, Schedule 4.

Witness(es): M. Mees
S. McGill

STATEMENT OF WORK FOR CONSULTING SERVICES

CCSA Consultative

As of September 5th, 2010

For additional information contact:

Mario M. Bauer, Vice President

Five Point Partners
16467 Stone Ledge Dr.

Parker, CO 80134
T: 720.244.1183
Mario.bauer@fivepoint.net

1. Introduction

This Statement of Work ("SOW") between **ENBRIDGE GAS DISTRIBUTION INC.**, an Ontario Corporation ("Enbridge"), and **FIVE POINT PARTNERS, LLC,** a Georgia limited liability company**,** ("Consultant") and is subject to and incorporates by reference the provisions of the Consulting Agreement dated September 5th, 2010 ("Consulting Agreement"). Any terms not defined herein shall have the meaning ascribed to it in the Consulting Agreement. In the event that there is a conflict between the terms of this Statement of Work and the Consulting Agreement, the Consulting Agreement shall prevail. The Services to be provided hereunder will commence on or about July 13th, 2010 and will be completed by no later than October 15th, 2010.

2. Services, Scope and Process

2.1. Enbridge is in the process of reviewing strategies on how to best deliver their Customer Care services to the Enbridge Gas Distribution customers. Enbridge is focused on three options;

1) extending the current Accenture Business Services for Utilities ("ABSU") contract for the provision of Customer Care services,

2) repatriation of Customer Care services, or

3) the issuance of a Request For Proposals for the provision of Customer Care services.

The stakeholder committee established in accordance with the Settlement in Enbridge's 2007 Rate Case, EB-2006-0034 and continued based on a revised Statement of Principles (the "Consultative"), has endorsed the engagement of the Consultant to assist it in the review of all Customer Care service options being considered by Enbridge in terms of cost, risk, industry standards and overall best interest of the Enbridge rate payers.

2.2. The Consultants will provide advice with respect to costing and pricing, industry standards and overall risk for each of the Customer Care options under consideration. The Consultant shall do this by:

2.2.1. Investigating & providing assistance to determine the relevant prices or cost of the three options; and

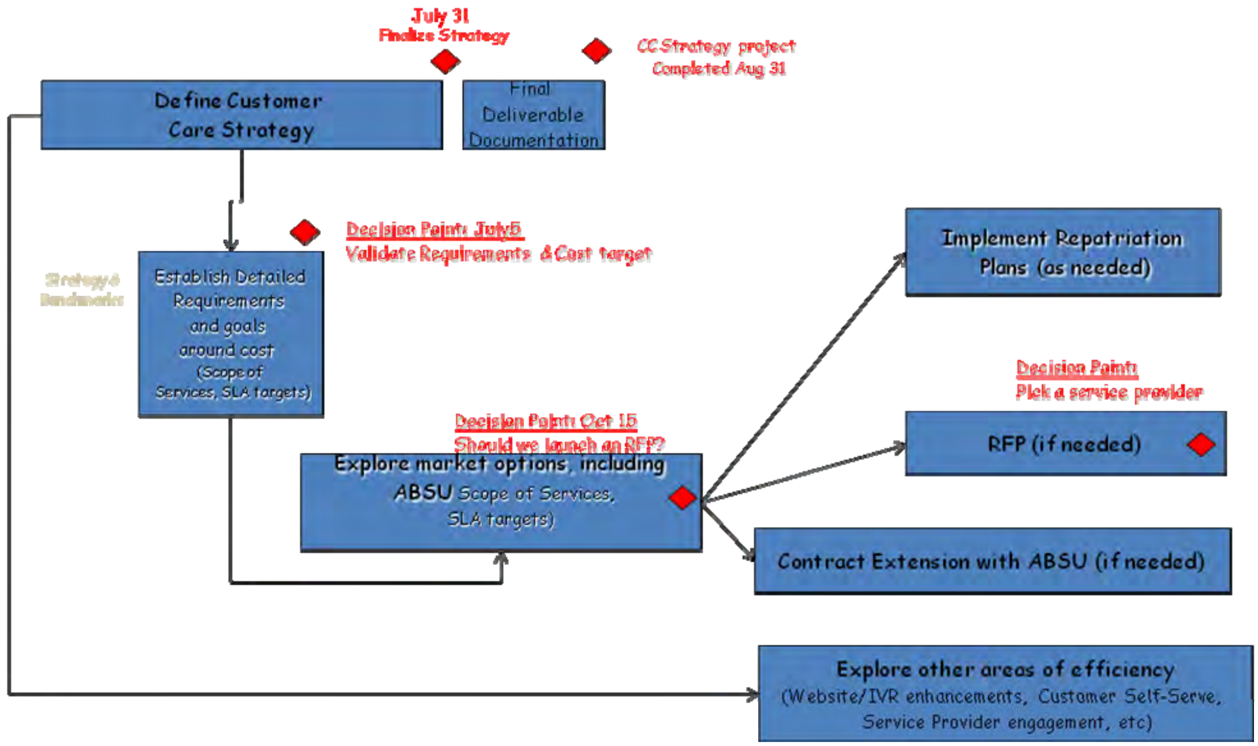
2.2.2. Reviewing and analyzing the options against current industry standards; and

2.2.3. Reviewing Enbridge's methodology and due diligence in investigating each option.

2.3. Project Services: Consultant shall provide project costing and pricing reviews for the various Customer Care options along with reviews against industry standards and the overall risk associated with each Customer Care service option. The Consultant will work with Enbridge's Customer Care Business Manager, Customer Care Director, project team members and other industry experts related to the study in order to review comparable variables. Consultant will provide a weekly project status reports to Enbridge and the Consultative along with a final report to Enbridge and the Consultative.

2.4. Project Scope and Process. Refer to process diagram below.

Mid-level Plan until October 15



3.0 Project Deliverables

3.1Final Report The Final Report will:

3.1.1 summarize the Consultant's observations and findings with respect to each Customer Care service option in terms of cost , industry standards and risk;

3.1.2 provide an assessment of market prices for Customer Care services; and

3.1.3 provide suggestions and recommendations with respect to the Customer Care options for Enbridge's consideration.

3.2Weekly Status Reports to the Enbridge and the Consultative

3.3Weekly/Regular Status meeting with the Enbridge Business Manager and Customer Care Director

4.0 Consultative

The Consultant will provide the Consultative with weekly status reports and updates as set out herein and as required by the Consultative group.

5.0 Responsibilities and Assumptions

5.1 Enbridge's Responsibilities

Business Manager (Steve McGill)

The Business Manager from Enbridge will be responsible for working with the Project Sponsor from the Consultant. In addition, the Enbridge Business Manager will work with Consultant in providing the information and documentation necessary to complete the stated deliverables. While the Consultant will take the lead in delivery of the project deliverables, the Enbridge Business Manager is expected to provide requested information. The Enbridge Business Manager will work closely with the Consultant's Project Sponsor to ensure that the deliverables are delivered on time and on budget. Additionally, the Enbridge Business Manager will:

- Participate in management meetings/conference calls for review, status, issue management, and coordination working with Consultant's Project Manager

5.2 Consultant Responsibilities

Project Sponsor (Mario M. Bauer)

The Project Sponsor from Consultant will be responsible for overall delivery of Consultant's services. The Project Sponsor will review all final deliverables with the Project Sr. Consultant to ensure all aspects of the project have been reviewed thoroughly. The Project Sponsor will monitor the status of the project through daily calls with the Project Sr. Consultant. The Project Sponsor will be available to discuss any project issues throughout the duration of the project. Additionally, the Consultant's Project Sponsor will:

- Participate in management meetings/conference calls for review, status and issue management as required.
- Review of all final Consultant deliverables
- Management and oversight of the quality of the project deliverables

Project Sr. Consultant (Ashok Sundaram)

The Project Sr. Consultant will be responsible for working closely with the Enbridge Business Manager to provide the overall project deliverables in terms of quality and scope of work. In addition, the Project Sr. Consultant will work with the Enbridge Business Manager to ensure project timelines are being met. The Project Sr. Consultant will:

- Participate in management meetings/conference calls for review, status, issue management, and coordination under the direction of the Enbridge Business Manager
- Inform Enbridge of any identified material risks that could affect the on-time, on-budget and on-specification delivery of the Customer Care project so soon as reasonably possible.
- Answer any questions and provide weekly status reports in a timely manner.
- Day to day management of the project.
- Research industry cost and pricing standards for comparable Customer Care services.

6.0 Assumptions

The scope, fees, activities and resources set forth in this SOW are based on the following assumptions. Any change from these assumptions could require a change in the foregoing factors:

- Any individual scope changes that affect Consultant scope of work will be approved in writing with signatures from the Enbridge Business Manager. Such scope changes will be processed according to Attachment C Change Order.
- Consultant project staff will work both on-site and off-site, as required, to meet project requirements. A majority of the project time will be completed on-site. Consultant has staffed this with at least two FTE's on site 3-5 days a week.
- Enbridge will provide workspace at the Enbridge location for up to two (2) Consultant project team members.
- Consultant will have access to all relevant documentation required in regards to the Enbridge Customer Care project. Consultant will formally request project documents as needed and inform the Enbridge Business Manager when requests are being made.

7.0 Consultant Staffing

Resource Role	Proposed Resource	Estimated Hours
Project Sponsor	Mario Bauer	340
Sr. Consultant	Ashok Sundaram	444

Enbridge acknowledges that Ashok Sundaram is a subcontractor. Enbridge hereby consents to the subcontracting of the specific subcontracted Services identified in this SOW to Ashok Sundaram.

8.0 Compensation

8.1 Milestone Payments

This SOW shall be performed on a time and material basis at a total cost not to exceed $298,402 Canadian Dollars (CAD) including Expenses as per Section 8.2. Consultant shall submit invoices on a monthly basis based on the hourly rates below in section 8.3.

8.2 Expenses

Project expenses will be billed monthly as incurred but total project expenses will not exceed 15% of the total consulting fees. The estimates are calculated to cover trips and meals as incurred during the project. Refer to the chart below.

Estimated Cost

Item	Cost
On-site meetings, documentation reviews/analysis, weekly Intervener reports and Consultative meetings	$197,600
Travel and Lodging (15% of services)	$29,640
TOTAL ESTIMATED COST	$227,240

8.3 Change Order Rates by Level

Should a change in scope occur within the project, the following hourly rate schedule will be used to price out changes (rates are in Canadian Dollars per hour):

Level	**Rate**
Project Sponsor	$320
Sr. Consultant	$200

[The following page is the signature page.]

IN WITNESS WHEREOF, the parties hereto have caused this Statement of Work to be executed by their duly authorized representatives.

ENBRIDGE GAS DISTRIBUTION INC.	FIVE POINT PARTNERS, LLC.
By: ____________	By: Robert W. Batson
Name: ____________	Name: Robert Batson
Title: ____________	Title: CFO
Date: ____________	Date: 28 Sept. 2010

By: ____________

Name: ____________

Title: ____________

Date: ____________

BOARD STAFF INTERROGATORY #18

INTERROGATORY

Ref: B/4/2 slide no. 5 Five Point Partners

Preamble
In the Five Point Partners slide deck, there are four options mentioned for investigation and consideration:

- Contract extension with ABSU
- Conduct a full-blown RFP process
- Repatriate all or part of its customer care functionalities in-house
- Or a combination of the above three options

Questions
i) Please address the four options referenced by Five Point Partners and indicate how Enbridge has responded to each. Please include a discussion of the benefits and disadvantages of each option, including a reference to any existing Company analysis or other documentation created to address the options.

ii) Please address all of the recommendations made by Five Point Partners and indicate how Enbridge has responded to each recommendation. If any of the recommendations were rejected, please explain why Enbridge rejected them.

RESPONSE

i) Enbridge gave consideration to each of the four options identified in the Five Points report as part of the development of its customer care strategy. The benefits and advantages of each option are summarized in the table provided on page 3.

Early in 2010 Enbridge commenced work on a project to define its customer care strategy for the next five to ten year period. The process undertaken by the Company to develop this strategy and its recommendations are summarized in the report entitled “Customer Care Service Delivery Strategy”, Exhibit B, Tab 4, Schedule 3. The development of this strategy involved a large number of persons from within Enbridge as well as external consultants.

The development of the strategy took into account the current and anticipated future customer care needs of the organization and trends in the outsourcing of customer care business functions in the North American utility industry. The project also obtained an external consultant's opinion with respect to the competitiveness of the then current Customer Care Services Agreement (the "CCSA") in place between the Company and Accenture. All of these factors were considered in the formulation of the project's strategy recommendation which at a high level was to repatriate customer care business functions with respect to large commercial and industrial customers and enter into contract extension discussions with Accenture. The strategy provided for a specific period of time for the Accenture contract extension negotiation, after which the Company would initiate a Request for Proposal ("RFP") process if a satisfactory arrangement could not be reached with Accenture. The rational for this approach is set out in the Customer Care Service Delivery Strategy (Exhibit B, Tab 4, Schedule 3)

The Company also advised the stakeholder steering committee group throughout the course of the Accenture renegotiation and took into account this group's advice and that of their independent advisor Five Points.

ii) Page 42 of the Five Point Partners "EGD Customer Care Consultative 2010 Final Report" (Exhibit B, Tab 4, Schedule 2) lists several Next Steps or recommendations based on their observations of the outcome of the contract renegotiation conducted between Enbridge and Accenture. These items and Enbridge's response to them is as follows:

a) Investigate cost, feasibility and risk of bringing Large Volume Billing ("LVB") operations in-house. Enbridge has done this and repatriated this business function effective April 1, 2011.

b) Develop procurement strategy for the next contract – 2018 and 2019. Enbridge has included the forecast annual cost for the CCSA based on the pending extension agreement that the Company has reached with Accenture. The Company recognizes that the annual fee increases for the optional two year extension of the CCSA are somewhat higher than those applicable to earlier years, however, the Company and ratepayers benefit from the security of having these costs committed to at this time and there will be opportunity to pursue other service options prior to the time where the Company needs to make a commitment to the 2018 and 2019 CCSA extension option.

c) Deploy mechanism to effectively apply, track and report the usage of the consulting (work pool) hours built into the contract. The concept of work pool hours was introduced in the original version of the CCSA which came

d) Five Point's last four recommendations all go to the point of achieving regulatory approval for the extended CCSA. Enbridge has discussed the means by which Ontario Energy Board's (the "Board") approval of this arrangement can best be achieved, which led to the Company's June 20th, 2011, EB-2011-0226 application which is now being considered by the Board.

Option	Benefits	Disadvantages	Analysis / Documentation
Contract extension with ABSU	(a) ABSU known service provider with a proven ability to deliver services and meet contract service levels. (b) Avoidance of full RFP cost, estimated at $5 million to $7 million. (c) Avoidance of potential transition to a new service provider. Cost estimated to be $20 million to $25 million and additional risk of service / service level failure throughout a protracted transition and start-up period.	(a) No competitive bidding process.	Enbridge Customer Care Strategy Report (pages 55 - 63).

Option	Benefits	Disadvantages	Analysis / Documentation
Conduct a full-blown RFP process	(a) A competitive bidding process could possibly have resulted in more advantageous pricing and/or contract terms and conditions.	(a) Risk associated with a new service provider that may have limited experience in delivering customer care services to Enbridge and meet service and service level requirements. (b) Estimated at RFP cost of \$5 million to \$7 million. (c) Transition cost estimated to be \$20 million to \$25 million. (d) Operational risk of service / service level failure throughout a protracted transition and start-up period.	Enbridge Customer Care Strategy Report (pages 55 - 63) .
Repatriate all or part of its customer care functions	(a) Enbridge direct operational control of customer care business functions. (b) Faster reaction time to facilitate changes.	(a) Direct operational risk associated with customer care business functions without contractual recourse. (b) Cost equal to or greater than outsourcing option. (c) Risk that cost and/or service level assumptions cannot be realized. (d) Transition cost estimated to be \$20 million to \$25 million. (e) Operational risk of service / service level failure throughout a protracted transition and start-up period.	Enbridge Customer Care Strategy Report (pages 55 - 63).

Option	Benefits	Disadvantages	Analysis / Documentation
Combination of the above three options	(a) Opportunity to outsource business functions where a viable competitive market for such services is available, while maintaining closer control of specific business functions where a competitive outsourcing option is not viable or where the business function under consideration requires or would benefit from direct customer contact.	(a) Same as for repatriation with respect to the business functions to be repatriated.	Enbridge Customer Care Strategy Report (pages 55 - 63).

BOARD STAFF INTERROGATORY #19

INTERROGATORY

Ref: B/4/3 page 5 InQvis

Preamble
In the document entitled “Customer Care Service Delivery Strategy” prepared for Enbridge by InQvis Inc. there is a discussion on page 5 of “Challenges and areas of improvement”.

Questions
i) Please indicate Enbridge’s reaction to the each of the challenges and suggestions for improvement and describe whether and how Enbridge has addressed the challenges and areas for improvement.

ii) Which of these suggestions did Enbridge decide to implement, which were rejected and why, and how and when will/were any changes be implemented?

RESPONSE

i) and ii)

Please refer to the chart provided on the following pages.

Witness(es): S. McGill
M. Mees
B. Wood

Challenge/ Suggestion	Enbridge's Response	How and When Changes Implemented
Customer Care activities not well integrated with other organizational efforts included new BD programs	Over the last couple of years, Customer Care has been focused on implementation and stabilization of a new CIS, as well as associated operational impacts. With many of these issues largely resolved, greater effort is being placed on integration and collaboration.	Some examples of integration activities occurring include the following: • Repatriation of The Large Business Account (LBA billing & collection) function to EGD will now facilitate improved marketing/sales efforts with customers who are calling the LBA group with questions on their bill. (Implemented July 2011) • The LBA group is also working closely with Direct Purchase and Sales to implement process/system changes to enhance billing options for consolidated accounts (implemented July 2011) • Customer Care is also working with Marketing/Sales to enhance customer care communications through existing channels (e.g. web, radio, bill inserts)
Limited flexibility and control of customer care activities of the current outsourced service delivery model	Enbridge agrees that as with any contractual arrangement, it takes more time to implement changes to processes. There is a Change Control Process embedded within the agreement and we have been working on improving the process to allow the Company to implement process changes quicker. Also, in some cases in the past performance measures may have been primarily driven by efficiency of activity rather than business results, and may not have always incented the desired behavior from the service provider. Enbridge believes that both the new CCSA Agreement and current initiatives improve the operational flexibility and drive improved business outcomes.	Examples of these initiatives include the following: • Enbridge is currently undertaking a review of its collection strategy to better segment customers and improve collection efforts (review underway Q4 2011). • In the new contract, payment for 3rd party collection agencies is a pass through cost for Enbridge. Participating collection agencies are awarded for good performance by receiving a greater share of accounts to collect on (Jan 2011).

Witness(es): S. McGill
M. Mees
B. Wood

Challenge/ Suggestion	Enbridge's Response	How and When Changes Implemented
Improvements needed to some channels in order to enhance customer interaction (IVR, web, Dialer)	Enbridge agrees that improvements need to be made to some service channels. Significant progress has been made in 2011.	A completely new IVR was implemented in June 2011, improving customer navigation and ease of use. A new website was also launched with enhanced customer communications and also improving the eBill functionality (April 2011). Investments in a new dialer have also been made (July 2011) to improve the Company's ability to mass dial customers in the event of an outage, or to update customers on the impact of the Canada Post strike. EGD is also working on enhancements to link the web and CIS to promote customer self service. These are expected to be delivered in late 2011 and into 2012.
Ownership of content on EGD website fragmented		A governance model was implemented for the web when the new website was implemented (April 2011) that improves the speed of decision making, ensures greater consistency in the content and look of the website and also to provide appointed users the ability to update content without IT involvement.
In house CIS increases complexity of transaction with CC service provider	While ownership of its own CIS system along with maintenance and support is a fundamental strategy of EGD it does require greater coordination with the customer care service provider to understand the impact of system changes and fixes on customer care operations.	EGD has established an effective CIS governance model that includes membership of Accenture in a CIS steering committee, a User Group committee that agrees on business requirements for system enhancements, and a monthly Operations Committee which focuses on CIS related issues and opportunities across the broader organization. EGD training support also meets frequently with Accenture training to coordinate training and to refresh training content.

Witness(es): S. McGill
M. Mees
B. Wood

Challenge/ Suggestion	Enbridge's Response	How and When Changes Implemented
Opportunities & Challenges with quality/value of specific functions of Billing Exceptions, LV Billing and Open Bills Collections Application support of CIS system	Over the last couple of years, Customer Care has been focused on implementation and stabilization of a new CIS, as well as associated operational impacts. With many of these issues largely resolved, greater effort is being placed on driving value and quality of services related to: • Collections • Billing Exceptions • LBA • Open Bill services • Customer attachment	Some examples of initiatives to drive quality and value include the following: • Repatriation of LBA billing and collections function (May 2011) • Enbridge is currently undertaking a review of its collection strategy to better segment customers and improve collection efforts (review underway Q4 2011). • An initiative is underway to better understand system issues related to different types of billing exceptions. In this, EGD is bringing in dedicated SAP Subject Matter Experts to assess root causes for some of the billing exceptions and to develop tools to more quickly resolve the reasons for these exceptions (underway August 2011) • A Customer Connections process team was initiated in 2010. The team involves representatives from all departments involved in customer connections, including the Extended Alliance contractors. The mandate of the team is to review key business outcomes, process gaps and to implement process improvements. • A Collective Accounts Process team was also initiated in 2010. The team involves representatives from Accenture, Customer Connections, CIS Support and the LBA group. This team was instrumental in recommending and implementing Collective Account Bill print changes in June 2011 - based on external and internal feedback. The team is also reviewing a proof of concept to send Billing data electronically. (Q4 2011)

Witness(es): S. McGill
M. Mees
B. Wood

BOARD STAFF INTERROGATORY #20

INTERROGATORY

Ref: B/4/3 page 5 InQvis

Preamble
In the document entitled "Customer Care Service Delivery Strategy" prepared for Enbridge by InQvis Inc. there is a discussion on page 5 of "Things going well today".

Questions
Please elaborate on these positive aspects, quantify these aspects where appropriate, and highlight where and how ratepayers and other stakeholders, in Enbridge's opinion, are getting good value today, and where it is anticipated that they will get good value going forward.

RESPONSE

Table One below summarizes the positive aspects of the current customer care delivery arrangements, as described in the InQvis report. The Table elaborates how these benefits provide good value to ratepayers today and in the future:

Table One

Things going well today	How are ratepayers getting good value today and in the future
Third generation of the CCSA considered to be a positive leap forward	EquaTerra's competitive market analysis found that the normalized base price of $18.90 for EGD was within the market comparable market range (Exhibit B, Tab 4, Schedule 2, p. 18). In fact, during the current outsourcing agreement, since 2007, customer satisfaction has remained steady while cost per customer has actually decreased. (Exhibit B, Tab 4, Schedule 3, p. 47) The Third Generation CCSA includes more favorable contract terms and has enhanced service level measures. In total there are 13 new service levels and increases in levels to 15 additional items. These changes will drive higher overall levels of performance and better consistency in service. Some examples of these changes are as follows: revised billing back-office service levels, call centre quality improvements, post call customer satisfaction survey to be completed by a third party, improved

Witness: K. Lakatos-Hayward

	turnaround time for mail and email correspondence, and a service level to insure 100% of work is completed within a reasonable time.
Great value derived from meter reading	Meter reading is outsourced to MET Utilities Management. EGD has a long-standing working relationship with MET, who have a proven track record of providing low cost efficient services, while maintaining service levels. Cost per meter read, for example, is considered very low at $0.61 (outside meter) and $1.42 (inside meter). In addition, MET consistently demonstrates its flexibility in dealing with changing business requirements and also its responsiveness in dealing with business issues.
Relationship with service providers is good and improving	The relationship between EGD and its service providers is considered good and improving. This is achieved through an effective governance structure, which includes regular meetings with the service provider at an operational management committee level and at an executive steering committee level. Managers for each of the key areas (billing, collections, call centre and meter reading) are paired with a counterpart at the service provider, allowing for expedited resolution of issues. Relationship health between EGD and key service providers are regularly measured via a survey. Recent surveys between EGD and Accenture indicate relationship health is very high.
Ombud office is an effective means of addressing customer escalations	EGD's Ombud office works closely with the Service Provider's Ombud team and Customer Care to quickly deal with escalated complaints. The Office is empowered to review the complaint and to take appropriate action to resolve. In addition, the Office provides an objective view and recommends process improvements where trends are observed and improvements are required.
New CIS offers opportunities	Implementation of the new CIS in 2009 delivered many benefits to the organization, including the following: • Standardization on a single billing platform. • Improved ability to meet customer commitments and to streamline processes to improve efficiencies • Improved reporting tools and ability to measure critical performance metrics and reduce manual efforts • Improved billing accuracy and controls • Improved financial reconciliation at a sub-ledger level

Witness: K. Lakatos-Hayward

BOARD STAFF INTERROGATORY #21

INTERROGATORY

Ref: Outsourced Contracts

Please list all of the outsourced contracts associated with this Application, other than Accenture.
For each contract, please:

(i) provide the name of the service provider and the associated annual cost of the contract;
(ii) indicate whether an RFP process was carried out and if so, describe the nature of that RFP process;
(iii) indicate whether any benchmarking of costs was performed and if so, provide the results of that benchmarking and describe how the Company used that information;
(iv) indicate where in the Template all of the contract costs reside;
(v) indicate whether any of the contracts are new contracts to the 2013 Template, involve a new service provider, a renewal of an existing contract, or a continuation of a contract from the 2007 to 2012 Template.

RESPONSE

Please see table provided on the following page.

Witness: S. McGIll

Outsourced Contracts

	Service Provider (i)	2010 or 2011 Amount $Mil	RFP (ii)	Benchmarking (iii)	Location in Template (iv)	New /renewal /continuation (v)	Notes
1	ABSU Inc.	$ 46.3	No RFP. Consultative Process.	Equaterra	Line 10a ACN etc	Amended 2011	
2	Symcor Inc.* Amount is also included in Line 1	$ 4.0	Included in Line 1	Equaterra	Line 10a ACN etc	New	Part of CCSA with ABSU. CCSA dictates pricing.
3	Kubra * Amount is also included in Line 1	$ 0.6	Included in Line 1	Equaterra	Line 10a ACN etc	New	Part of CCSA with ABSU. CCSA dictates pricing.
4	Canada Post (return mail)* Amount is also included in Line 1	$ 0.1	Included in Line 1	Equaterra	Line 10a ACN etc	New	Part of CCSA with ABSU. CCSA dictates pricing.
5	Intelliresponse Systems Inc.* Amount is also included in Line 1	$ 0.2	Included in Line 1	Equaterra	Line 10a ACN etc	New	Part of CCSA with ABSU. CCSA dictates pricing.
6	A1 Credit Recovery & Collection	varies, included in 1	Included in Line 1	Equaterra	Line 10a ACN etc	New	Part of CCSA with ABSU. CCSA dictates pricing.
7	ARO Inc	varies, included in 1	Included in Line 1	Equaterra	Line 10a ACN etc	New	Part of CCSA with ABSU. CCSA dictates pricing.
8	Collect Com Credit Inc.	varies, included in 1	Included in Line 1	Equaterra	Line 10a ACN etc	New	Part of CCSA with ABSU. CCSA dictates pricing.
9	Collectcents Inc.	varies, included in 1	Included in Line 1	Equaterra	Line 10a ACN etc	New	Part of CCSA with ABSU. CCSA dictates pricing.
10	D&A Collection Corp.	varies, included in 1	Included in Line 1	Equaterra	Line 10a ACN etc	New	Part of CCSA with ABSU. CCSA dictates pricing.
11	MJR Collection Services Ltd.	varies, included in 1	Included in Line 1	Equaterra	Line 10a ACN etc	New	Part of CCSA with ABSU. CCSA dictates pricing.
12	Partners in Credit Inc.	varies, included in 1	Included in Line 1	Equaterra	Line 10a ACN etc	New	Part of CCSA with ABSU. CCSA dictates pricing.
13	Total Credit Recovery Ltd.	varies, included in 1	Included in Line 1	Equaterra	Line 10a ACN etc	New	Part of CCSA with ABSU. CCSA dictates pricing.
14	MET	$ 10.1	RFP was completed in 2007.	RFP provided market rates	Line 10b MET	Continuation	
15	Sapient Canada Inc.	$ 4.1	An RFP process was utilized to select the Systems Integrator and Application Support Services provider for the SAP for Utilities Solution. OEB Interveners were extensively involved in reviewing Enbridge's selection process.	TMG conducted benchmarking analysis in support of the Customer Care Settlement in 2007.	Line 4- New CIS Hosting & Support	Continuation	
16	SAP : SW licence/mtnce	$ 2.0	Only vendor that provides service.	Maintenance can only be provided by the Software Vendor	Line 6- SAP License fee	Continuation	
17	HP Canada	$ 0.6	HP is the Vendor for the HW and only provider for the HW support maintenance.		Line 4- New CIS Hosting & Support	Continuation	

BOARD STAFF INTERROGATORY #22

INTERROGATORY

Ref: “2013 Template” A/2/2 Y Factor

Please confirm that there was no Board-sanctioned variance account for the 2007 to 2012 period CIS and CC Y Factor costs and that there is no true-up mechanism built into the template to account for variances. Please confirm that the proposal for 2013 to 2018 is that there will be no variance accounting for regulated rate-setting purposes. If there is any true-up contemplated, please describe it.

RESPONSE

The 2007 to 2012 Customer Care / CIS approved template did not contain a variance account approved by the Board. There is no true-up mechanism for variances between annual costs and the amounts set out in the Template. There is a provision within the EB-2006-0034 Board Approved Settlement Agreement, which permits the January 1, 2013 rate base value to be trued up to reflect actual CIS costs incurred where such costs meet certain criteria (EB-2006-0034, Exhibit N1, Tab 1, Schedule 1, Appendix F, p. 14, para. 7). The proposal for 2013 to 2018 does not contemplate any variance account for Customer Care / CIS related costs.

Witness: K. Culbert

BOARD STAFF INTERROGATORY #23

INTERROGATORY

Ref: "2013 Template" A/2/2 Y Factor

Please identify each line item in the 2013 Template that contains Enbridge in-house costs. Please quantify and explain the nature of the in-house costs including a breakdown of their composition into labour and other broad categorizations of costs. Please include an explanation of why each of the in-house costs should be captured in the Y Factor in the next generation of incentive ratemaking, and not be subject to the Board's incentive ratemaking formula.

RESPONSE

Please see the table provided on the following page for Enbridge in-house costs. The information is provided for 2010 actual costs which appear in Exhibit B, Tab 5, Schedule 2 .[1] Additionally 2010 was chosen because it shows a full year of actual costs with new CIS implemented in Sept 2009. The 2011-2018 in-house costs in Exhibit B, Tab 5, Schedule 2 would be comparable to the 2010 actual in-house costs given that the 2011-2018 figures are based on inflation of 2010 actual cost. As can be seen in the table, these in-house costs represent a small fraction of total costs.

With respect to Y Factor treatment, as indicated in evidence within Exhibit B, Tab 2, Schedule 1, the type of costs which have been included in the template for approval for 2013 through 2018 are identical in nature to those which were included, agreed to by parties and approved by the Board within the 2007 Template. The Company is of the view that it is beneficial to consider all activities related to the customer care business function together as opposed to isolating certain of them that arise through the outsourcing of the function.

[1] Not Exhibit A, Tab 2, Schedule 2 given that Exhibit A, Tab 2, Schedule 2 was incorrectly labeled and misunderstood to contain actual costs. Enbridge has filed a correction to Exhibit A, Tab 2, Schedule 2.

Witness(es): S. McGill
K. Culbert

In-house costs within 2010 Actual costs

#	Category of Cost	A 2010A	B 2010A inhouse	C Description Of Inhouse
	CIS Related Categories			
1	*Old CIS Licence Fee*			
2	*Old CIS Hosting and Support*	$0	$0	
2a	*Incumbent (CWLP) CIS Services being provided from January to March 2007*			
3	*New CIS Capital Cost @ Board Approved **36%** Equity*	($5,260,000)	N/A	
4	*New CIS Hosting and Support*	$6,334,638	$509,672	Labor/emp dev./travel
5	*CIS Backoffice (EGD Staffing)*	$ 2,585,936	$2,580,333	Labor/emp dev./travel
6	*SAP Licence Fees*	$2,047,285	$0	
7	*SAP Modifications*	$1,274,000	N/A	
	Subtotal	**$6,981,859**	**$3,090,005**	
	Customer Care Related Categories			
8	*Incumbent (CWLP) Customer Care Services being provided from - January to March 2007*	$0	$0	
9	*Customer Care Transition Service Provider Contract Cost - ABSU April, 2007 to Sept. 30, 2008*	$0	$0	
10	*New Service Provider Contract Cost*	$68,741,772	$ -	
10a	ACN, MTP & Collection Agency costs	$47,195,632	$ -	
10b	MET	$9,065,778	$0	
10c	Postage	$12,480,362	$0	
11	*Customer Care Licences*	$1,710,495	$0	
12	*Customer Care Backoffice (EGD staffing)*	$4,085,696	$1,856,409	Labor/emp dev./travel
13	*Customer Care Procurement Costs*	$980,000	$0	
14	*Transition Costs - Consultants and ISP*	$0	$0	
15	*Transition Costs - EGD Staffing*			
16	**Total CIS & Customer Care**	$82,499,822	$4,946,414	

Witness(es): S. McGill
K. Culbert

BOARD STAFF INTERROGATORY #24

INTERROGATORY

Ref: Non-Utility Services

Please list all the services relative to this Application, and their associated costs, where there are Non-Utility services being provided. At a minimum, please address business development functions, green energy related functions, services for third parties, Enbridge non-gas services, unregulated storage, and services for affiliates.

RESPONSE

Please see the Company's response to Board Staff Interrogatories #1 and 12 found at Exhibit I, Tab 1, Schedules 1 and 12. The Company's response to Exhibit I, Tab 1, Schedule 1 provides a line by line description of all of the costs set out in the 2013 Template. At a high level, the 2013 Template includes all costs associated with the Company's performance of customer care business functions for the period from 2013 through 2018, except the cost of bad debt. There are non-utility CIS costs related to agent billing and collection ("ABC") services provided for in the 2007 and 2013 Templates. Currently, those costs are being eliminated (as part of the base rates for the current IRM term) and the expectation is that the costs will also be eliminated as part of rates in 2013 and beyond.

With respect to business development, the costs included in the template pertain to normal utility functions such as service inquiries from prospective customers and the setting up of new accounts. Template costs would also include the costs associated with dealing with DSM inquiries. Generally, with respect to other Enbridge business activities such as green energy related initiatives, services for third parties, non-gas services, unregulated storage, and services for affiliates no costs are included in the 2007 or 2013 Templates.

Witness: S. McGill

BOARD STAFF INTERROGATORY #25

INTERROGATORY

Ref: Non-Utility Services

Please explain the operations of CC and the CIS system in terms of serving Non-Utility stakeholders.

RESPONSE

The Company's CC function and CIS system serves utility customers, as well as Agent Billing and Collection ("ABC") and Open Bill Access programs. Please see the Company's response to Board Staff Interrogatory #24 found at Exhibit I, Tab 1, Schedule 24. Accenture costs pertaining to support of the ABC and Open Bill Access programs are not included in the 2007 and 2013 Templates. CIS costs related to ABC are eliminated as set out in response to Board Staff Interrogatory #24 (Exhibit I, Tab 1, Schedule 24). Costs related to Open Bill Access are addressed as set out in response to Board Staff Interrogatory #27 (Exhibit I, Tab 1, Schedule 27).

BOARD STAFF INTERROGATORY #26

INTERROGATORY

Ref: Non-Utility Services

Please disclose whether any non-utility services and/or customers are supported by the CIS / CC systems. If there are, please provide a discussion of the rationale for any Utility vs. Non-Utility cost allocation for the CIS / CC related costs. If not, please explain how the non-utility customers are served.

RESPONSE

Please see the Company's response to Board Staff Interrogatories #24, 25 and 27 found at Exhibit I, Tab 1, Schedules 24, 25 and 27.

Witness: S. McGill

BOARD STAFF INTERROGATORY #27

INTERROGATORY

Ref: Non-Utility Services

Please explain the open bill access features associated with the Application and how open bill revenue is shared between shareholders and ratepayers.

RESPONSE

Please see the Company's response to Board Staff Interrogatories #24 to 26 found at Exhibit I, Tab 1, Schedules 24 to 26.

Staffing costs associated with the Company's Open Bill Access program are excluded from the Template line 12 "Customer Care Backoffice (EGD Staffing).

Costs are allocated to the Open Bill and Bill Insert programs based on a cost allocation model accepted as part of the Open Bill Access Settlement. Open Bill and Bill Insert revenues and costs are tracked in the Open Bill deferral and variance accounts. Open Bill earnings are determined by subtracting Open Bill and Bill Insert services costs as determined by the Open Bill and Bill Insert costing model from Open Bill and Bill Insert revenues each year. Gross Open Bill / Bill Insert earnings are then shared between the Company and its ratepayers as follows;

- Ratepayers receive the first $5.4 million of annual Open Bill earnings which is included as a credit to base rates;
- Enbridge then receives up to the next $2.0 million of annual Open Bill earnings; and
- Any Open Bill earnings greater than $7.4 million are then shared on a 50 / 50 basis between the Company and its ratepayers.

Since the Open Bill Access Settlement has been in effect, the Open Bill / Bill Insert program's annual earnings have been in the order of $6.5 million with $5.4 million credited to the Company's ratepayers each year.

Witness: S. McGill

BOARD STAFF INTERROGATORY #28

INTERROGATORY

Ref: B/1/1 para. 7 Bad Debt

Please explain how the costs associated with bad debt, agent billing and collection, and open bill access are treated in the context of this Application.

RESPONSE

Bad debt costs will be part of the general rate case filing. Treatments of Agent Billing and Collection, and Open Bill Access will be addressed through separate regulatory processes specifically for those programs (or as part of Enbridge's 2013 rates application).

Witness: S. McGill

BOARD STAFF INTERROGATORY #29

INTERROGATORY

Ref: B/4/4 page 2 Benchmarking Equa Terra

The evidence indicates that the Company's consultant EquaTerra conducted a benchmarking study. Please file this and any other benchmarking analysis carried out either by the Company, Equa Terra or any other consultant, and provide the Company's opinion on the value of such benchmarking and a description of whether and to what extent the study or analysis was used by the Company.

RESPONSE

The Company utilized EquaTerra to complete an assessment on the current Accenture contract. This assessment reviewed current services, service levels, contractual terms, pricing and pricing terms. As part of the assessment of pricing, comparisons were made to other utilities. The EquaTerra report is included in the prefiled evidence at Exhibit B, Tab 4, Schedule 3 as an Appendix A to the Customer Care Delivery Strategy.

EquaTerra also prepared further benchmarking analysis during the later stages of the Accenture contract negotiations. This report is attached.

The Company believes that there is value in benchmarking as a guide to understanding the market. In this case, the assessment shows how Customer Care costs within Enbridge compare to other utilities. Adjustments must be made to take into account factors such as the services provided, the quality of service and the risk profile of the contract.

EquaTerra's pricing assessments show that Enbridge is well within the market range for similar utilities.

Witness(es): S. McGill
M. Mees

ENBRIDGE

EQUATERRA

EGD Meter-to-Cash Outsourcing

Accenture Contract Proposal Evaluation

November 8, 2010

Research » Strategy » Transformation » Governance

Discussion Topics

- » **Introduction**
- » **Contract terms Analysis**
- » **Overall Pricing Analysis and Calculations**

Introduction

- » Progress has been made by EGD thru the negotiation process with Accenture
- » EquaTerra had a face to face review with EGD to understand the Accenture proposal better and get clarifications on certain points however:
  - » Some pricing discrepancies remain. EGD is aware and is reviewing.
  - » EquaTerra did not participate to the negotiation process therefore some of the comments made hereafter might have been addressed already and already agreed to.
  - » Equaterra did not participate in the internal assessment of the company's satisfaction with Accenture's performance therefore some scope/SLAs/terms additions might have been requested based on that evaluation to remedy real or perceived quality issues. Equaterra has commented on the changes later in this report.

Contractual Terms

» EGD has applied some of the recommendations that Equaterra recommended and strengthen the contract consequently

» Though EquaTerra had not found significant structural defects or major risks or there are omissions or clauses which or not in-line with Market. In reviewing the language provided by EGD, EquaTerra reconciled to the following but it is worth noting that EGD is still in the negotiation process and the matters might have been discussed:

Step in Rights or Performance Guarantee – Applied
Client Satisfaction - Applied
Project Methodology – Not Applied
Continuous Improvement - Not Applied
Operation Procedures Manual - Applied
Benchmarking - Not Applied
Key Personnel - Applied
Business Continuity – Partially Applied
Termination Rights – Partially Applied
Insurance Levels - Not Applied

» Comment on Section 6.9:

  » 6.9 – Although EGD has made improvement in this area, EquaTerra would prefer that EGD includes an approval right which cannot be unreasonably withheld for all personnel movement rather than the 10% proposed.

EQUATERRA

Price Movement from Current CCSA

» The Current Price for services provided between 2011 and 2014 have increased nearly $8M over the 4 year term.
  - Increases:
    - RACI additions = **$2M**
    - SLA Improvements = **$5.9M**
    - Incremental Work Pool Hours = **$3.84M**
    - Scope Increases due to current Change Orders = **$2M**
    - Accenture Discount = **$5.9M**
    - Impact of Scope Reductions = **N/A**
  - Overall 7 Year TCV totals **$437.98M**

	2011	2012	2013	2014	TOTAL	2015	2016	2017	TOTAL
Current CCSA	56.10	57.10	58.50	59.70	**231.40**				
RACI Changes	0.51	0.48	0.51	0.54	**2.04**				
SLA Improvements	1.43	1.41	1.49	1.58	**5.92**				
Incremental Work Pool Hours	0.96	0.96	0.96	0.96	**3.84**				
Scope Increase (Change Orders)	0.50	0.50	0.50	0.50	**2.00**				
Scope Reductions					**0.00**				
Discount	(1.24)	(1.03)	(1.66)	(2.00)	**(5.92)**				
TOTAL	**58.26**	**59.43**	**60.30**	**61.29**	**239.28**	**63.21**	**66.13**	**69.37**	**437.98**

Filed: 2011-08-16
EB-2011-0226
Exhibit I
Tab 1
Schedule 29
Attachment

Discrepancy with Represented current CCSA fees

» EGD also provided a comprehensive Price Walk as depicted on slide #5. However, there exists a slight discrepancy between the CCSA figure represented and a bottom-up analysis performed by EquaTerra.

	2011	2012	2013	TOTAL
Billing				
Total Customers	1,983,990	2,021,108	2,059,959	
PPC	$12.7	$12.6	$12.4	
Fees	**$25,196,672**	**$25,380,070**	**$25,440,491**	**$76,017,233**
Open Bill Customers	1,394,270	1,407,313	1,420,839	
PPC	$5.6	$5.8	$6.0	
Fees	**$7,832,312**	**$8,180,005**	**$8,567,657**	**$24,579,974**
ABC Customers	522,000	514,000	506,000	
PPC - ABC	$2.5	$2.6	$2.7	
Fees	**$1,327,185**	**$1,353,105**	**$1,381,380**	**$4,061,670**
TOTAL Billing Fees	**$34,356,169**	**$34,913,180**	**$35,389,528**	**$104,658,877**
Emergency and Service Call Handling Fees				
Estimated Customers	1,983,990	2,021,108	2,059,959	
PPC	$3.7	$3.7	$3.8	
TOTAL ESCH Fees	**$7,360,603**	**$7,523,576**	**$7,745,445**	**$22,629,624**
Collections				
Estimated Customers	1,983,990	2,021,108	2,059,959	
PPC	$7.1	$7.2	$7.4	
TOTAL Collections Fees	**$14,106,169**	**$14,526,717**	**$15,284,894**	**$43,917,780**
TOTAL CCSA FEES	**$55,822,940**	**$56,963,473**	**$58,419,867**	**$171,206,281**
CCSA Fees per EGD (Nov 2010)	**$56,100,000**	**$57,100,000**	**$58,500,000**	**$171,700,000**
Delta	**-$277,060**	**-$136,527**	**-$80,133**	**-$493,719**

» EquaTerra used the provided volumes EGD applied to the CCSA figure and pro-rated the applicable rates shown for Years 2011 thru 2012.

» The resulting delta is that the EGD CCSA Fee is short $500K over the first three years of the price walk, meaning there is a risk of inflated savings presented.

» EquaTerra has inquired as to the discrepancy with EGD as this might be due to adjustment of contract year.

EquaTerra

Discrepancy with Accenture Price Walk

» Accenture Provided a price walk detailing the movements in Price from the current Base Fees to the New Proposed Fees. It is assumed that the sum of all details provided by Accenture should equal the October price quote.

- As depicted below, there is a total gap in the 7 year quote of 700K between the represented price and the provided walk document.
  - Years 1-4 show a Walk Document Price of ~$1.5M lower than the first four years of the October Price
- A Risk exists in the inaccuracy of the SLA, RACI, or Discount figures which are being used in subsequent analysis.
- EquaTerra has inquired as to the discrepancy with EGD.

	2011	2012	2013	2014	2015	2016	2017	TOTAL
Base Fees (per Accenture Slide 2)	56.03	57.26	58.42	60.76	63.64	66.67	69.84	432.61
Discount (per Accenture Slide 2)	(0.26)	(0.27)	(0.55)	(1.63)	(2.43)	(2.63)	(2.68)	(10.44)
RACI Changes (per Accenture Slide 3)	0.51	0.48	0.51	0.54	0.57	0.61	0.64	3.86
SLA (per Accenture Slide 6)	1.43	1.41	1.49	1.58	1.68	1.78	1.87	11.25
TOTAL	57.71	58.89	59.87	61.25	63.46	66.43	69.67	437.28
Total per ACN Oct Proposal	58.26	59.43	60.30	61.29	63.21	66.13	69.37	437.98
Delta	(0.55)	(0.54)	(0.43)	(0.04)	0.25	0.30	0.30	(0.70)

Line Item Changes - RACI Changes

» Equaterra can only comment on whether or not the added scope is “Worth the cost” but generally not if the cost applied by Accenture for the scope change is justified or not as EquaTerra was not part of the negotiations/discussions with Accenture. Also, EquaTerra provides a market view. It is entirely possible that EGD would need some or all of the scope changes.

RACI	Description	Total Contract Value	Comments
6.7.3-6.7.10	Coordinate, manage, integrate and report other EGD Service Providers Service Level performance	$1,683,509	Not sure if it's worth the cost. This is a "nice to have". Can EGD do it for less within their governance function?
4.5.3, 4.5.5	Communication of EGD policy and procedures changes not requiring training time	$738,034	Not worth the cost. This touches to Service Provider way of running their business. Service Providers needs to do this function if they are going to talk to customers calling in. This was a clarification in the SOW that should not cost any incremental $$ as they must already perform that function today.
2.10.3, 7.17.3,7.17.5	Communication of EGD policy and procedures changes not requiring training time	$165,606	Don't understand how this is different from 4.53
4.5.6, 4.5.7, 4.5.8, 4.5.9, 4.5.11	2 Town Hall meetings per year 1 hr soft skills development per year Tracking supervisor assistance requests Roaming Coaches Not listed	$1,260,176	Not worth the cost. This is low value for Client. 4.5.9 "Roaming Supervisor" is not a best practice. Service Provider should want to track and analyze supervisor assistance requests as part of continuous improvement and should not expect Client to pay.
4.5.7	Already included above	$12,653	Not worth the cost. Service Provider should be responsible for employees' soft skills development not Client.

EquaTerra

Line Item Changes - SLA Improvements

- The next page of this report goes into details into the pricing for the proposed SLAs.
- Equaterra can only comment on whether or not the added SLA is “Worth the cost” but not if the price applied by Accenture for those SLAs is justified or not as EquaTerra was not part of the negotiations/discussions with Accenture.

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Line Item Changes - SLA Value Analysis

SLA Number	Description	Total Contract Value	Comments
3.5.3	QA for Billing Exception	$478,153	Worth the cost. Good quality control.
4.6.1	Call Quality Collections	$146,228	Worth the cost. Good quality control.
5.1.9	Escalated Call Turnaround Time	$3,037,231	Worth the cost, given sensitivity of these escalations. EGD SLA for both 5.1.9 and 5.1.10 are within market range.
5.1.10	Escalated Call Transfer Turnaround Time		
5.3.1	Turnaround Time for Escalated Complaints (SQM)	$500,547	Worth the cost given the sensitivity of these escalations.
5.3.2	Turnaround Time for Ombudsman Inquiries	$323,227	Worth the cost given the sensitivity of these inquiries.
5.3.3	Turnaround Time for escalations referred from Ombudsman's Office	$479,500	Worth the cost given the sensitivity of these escalations.
5.4.3	Turnaround Time for Fax Correspondence (Final Resolution)	$2,875,697	Worth the cost. Within Market range. Customer Expectations continue to rise in this area.
5.4.4	Turnaround Time for Email Correspondence (Final Resolution)		Worth the cost. Within Market range. Customer Expectations continue to rise in this area.
5.4.5	Turnaround Time for Email Correspondence (Initial Response)		95% Within 2 hrs of receipt is above market **but if this is an automated response and is not a significant component of the $2,875,697 total it could be acceptable.**
5.4.6	Turnaround Time for Web Forms		High SLA but don't know the criticality of these forms.
5.1.12	Customer Contact Soft Skills Development	$646,374	Not worth the price. This is not a market SLA. This SLA measures activity not results. Soft skills are assessed through call monitoring and customer satisfaction surveys already. Soft skills development should be responsibility of Service Provider and cost should not be borne by Client as a separate line item.
On Shoring QA		$2,000,357	Worth the cost. Why is it important to EGD whether this QA is being done on shore or off shore. This is an area for savings.
3.1.3	Bill Inserts	$345,425	Worth the cost. SLA in market range.
Third Party Survey		$419,386	Worth the cost. Industry best practice.

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EquaTerra

Line Item Changes - Incremental Work Pool Hours

- The Current CCSA Base Fees include a provision for 8000 Available Work Pool Hours per year valued at ~$700K per year.
  - The inclusion of a Discretionary Pool to cover work reflective of the in-scope environment is standard to prevent frequent provisioning of a higher premium rate card for common tasks performed by Base Resources
  - As indicated by EGD, these 8000 Hours are over and above discretionary tasks and are for work covered by change orders and ultimately projects.
  - Mechanism for application, tracking, and reporting of these hours is vague.
- The recent proposal includes a provision for an additional 39,000 Hours over the 7 year term.
  - EGD could apply these hours upfront or roll them over if preferred at a cost of $1M per year.
  - Hours are based on a lower pyramid resource, and will be adjusted when higher skilled and more expensive resources are required. This leaves a risk to EGD in terms of the true amount of hours available to EGD
  - Mechanism for application, tracking, and reporting of these hours is vague and highly dependant upon utilization of lower skilled resources. Additionally, at least 2,000 hours must be used from the On Shore Sustainment Pool on an annual “use it or loose” basis. As these hours are essentially pre-paid, it seems inappropriate to loose unused hours.
- This incremental 39,000 hours is EGD requested based on needs that it has forecasted. Equaterra has not looked at EGD's forecast and therefore cannot comment on the need for this number of hours. EGD has an agreement with Accenture to carry the hours forward for the greater part including for work by other parts of the company and will have to manage the use of these hours carefully to avoid losing the value of the hours.

Line Item Changes - Scope Increase / Impact of Scope Reductions

- Scope Increase (Change Orders)
  - Accenture currently provides services based on change-orders to the current CCSA. The related scope has been added to the current proposal at a fee of $500K per year.
  - Detail on scope and actual charges not provided and therefore cannot be validated appropriately by EquaTerra.

- Impact of Scope Reductions due to the CIS Implementation
  - The following functions appear to have reduced scope in the current proposal:
    - Bill Calculation and Payment Processing on Large Volume
    - Mass Market Bill Calculation
    - Payment Processing
    - Security Deposit Admin
  - Per EGD, Accenture contends that any reductions from decreased scope have been offset by the addition of a number of Sustainment FTE in Manila and already applied to current operations to clear up the backlog of billing inquiries (caused by the change of process) and change of functionalities caused by the new CIS/SAP platform.
  - Details on scope and actual charges were not provided and cannot be validated by EquaTerra.

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Updated Market Comparative Analysis – Base Fees Analyzed

(million $CAD)	2011 Proposed Price
Billing Fees	$20.7
Open Bill Fees	$8.8
ABC Customer Fees	$1.4
Third Party Contracts (assigned)	$6.7
Billing Fees	**$37.6**
Call Center Fees	**$8.6**
Collections Fees	**$12.1**
TOTAL Charges	**$58.3**

Equaterra applied the Accenture October 2010 proposed Fee for Services for 2011 of **$58.3M**.

The charges include Professional Fees subject to a Project Rate Card (500K). These charges were eliminated in order to arrive at a true base fee service.

Charges include the now EGD-assigned 3rd Party Contracts (Kubra, Symcor, Canada Post, and Intelliresponse) which will be managed by Accenture, yet invoiced directly to EGD.

In addition, Billing Charges for Open Bill, ABC Customers, and 3rd Party Collections Fees are unique services and excluded in the Equaterra Comparative Market Price Points. When these costs are excluded, the adjusted Base Fees considered for the Market Comparison is **$45.9M.**

Total Annualized Billed Charges ($M)	**$58.3**	
minus Prof Fees and Adjustments	-$0.5	Market Comparisons exclude all rate-card related charges. Figure stated by
Total Base Charges	**$57.8**	**Annual Base Fees**
minus Open Bill	-$8.8	Open Bill is a unique service excluded in the market comaprison
minus ABC	-$1.4	ABC Customer Billing is a unique service excluded in the market comaprison
minus Collections Fees (3rd Party)	-$1.8	Figure stated by Enbridge. Not validated/analyzed by EquaTerra.
Total Charges To Be Analyzed	**$45.9**	**Annual Base Fees considered for Market Comparison**

EQUATERRA

Updated Market Comparative Analysis – Normalization of Base Fees

The chart below itemizes each normalization by Service, arriving at a total Normalized 2011 Fee of $37.5M. This is further broken down to a per-customer annual rate by service, totalling to a $19 per Customer Annual Fee.

$M CAD	Billing Fees	Call Center Fees	Collections Fees	TOTAL
Analyzed Base Fees	$27.0	$8.6	$10.3	$45.9
Elimination of Inflation	-$1.3	-$0.4	-$0.5	-$2.3
Transition Fee Adjustment (Initial Phase)	-$1.2	-$1.2	-$0.6	-$3.1
Transition Fee Adjustment (2nd Phase)	-$0.4	-$0.4	-$0.2	-$1.1
Pre-Paid Hours Adjustment	-$0.7	-$0.7	-$0.3	-$1.7
Allocation of Call Center from Billing	-$14.0	$14.0		$0.0
TOTAL	$9.3	$19.8	$8.6	$37.7

Enbridge Customers	1,972,685	1,972,685	1,972,685	1,972,685
Annual Rate Per Customer	$4.7	$10.0	$4.3	$19.1

Normalized Market Comparable Rate

Update Market Comparative Analysis – Normalization of Base Fees

In effort to ensure a proper apples-to-apples analysis to Market Comparatives, additional adjustments to the analyzed Base Fee need to be considered. These Normalizations are outlined below:

Normalization 1: Elimination of Inflation

The Contract Fees include Accenture's adjustment for Inflation risk priced into the deal at time of contract agreement. There is no visibility into the incorporation of inflation or productivity applied, and following assumptions apply to this Normalization:

1) 40% of the Billing fees are subject to Philippines inflation (assumed 7% at time of contract)
2) All remaining contract fees are subject to Canadian Inflation (assumed 2% at time of contract)
3) To account for Inflation and added contingency, Accenture applied a flat percentage adjustment to all fees
4) To normalize, the Analyzed Base Fee is reduced by 5%

Normalization 3: Adjustment for Pre-Paid Hours

The Contract Fees include 13,500 pre-paid hours per year. It is customary in Outsourcing Transactions for a Discretionary Pool of Hours for scope-related tasks, small changes, and ad-hoc reporting be priced into the base fees. EGD has stated that discretionary work is already covered in the fees, and the Pre-Paid Hours are incremental and strictly intended for project or change order related activities. Under this assumption, these charges are to be eliminated from the comparative analysis. The following assumptions apply to this Normalization:

1) Per the roles, hours, and rates identified in the contract, $701K of pre-paid hours are embedded in the original Base Fees.
2) In addition EGD has asked that Accenture price in an additional 36K hours to be used over the 7 year term. Though they are billed at 500K per year, EGD is permitted to use these hours at their discretion with sufficient lead time.
3) To normalize, the Analyzed Base Fee is reduced by this $1.7M amount

Normalization 2: Transition Fee Adjustment

The Contract Fees do not break out up-front fees incurred by Accenture prior to Services go-live. It is assumed that the recovery of this cost was embedded in the original Base Fees, and will carry-over into the re-negotiated contract fees. The following assumptions apply to this Normalization:

1) Transition Fees would typically range from 2-6 months of monthly services fees. Considering Accenture was an incumbent Service Provider at time of contract, the Initial Start-up fees are assumed to be on the low range of 2-3 months of Base Fees ($11M)
2) EGD has stated that Accenture also performed a 2nd "Storm Phase" to prepare operations for recently implemented support technology . Hence, this readiness activity was priced into the deal at time of contract agreement, and is estimated to be an additional month of total service delivery fees ($4M)
3) Accenture had spread these fees ($15M total) evenly across the 5 year contract term and applied a 7% compounding cost of capital resulting in a $21M Total Transition Fee
4) To normalize, the Analyzed Base Fee is reduced by $4.2M

Normalization 4: Re-Allocation of Billing Call Center Fees

The Billing Fees include the Call Center component of Billing, where the Emergency & Service Call Handling exclude Billing Inquiries. For accurate analysis, it is necessary to group all Call Center Fees into one Fee. The following assumptions apply to this Normalization:

1) 60% of the Billing Fees are Call Center Related ($12.8M)
2) To normalize, the Billing component of the Analyzed Base Fee is reduced by $12.8M and the Call Center component increases by this same amount

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Updated Market Comparative Analysis – Base Fees

Rates represented are annual CAD$ per Customer

Normalization Level	Market Base Rate Range	EGD Normalized Base Rate
Market Comparisons Normalized for Service Levels, Scope, and Location of Services/Workforce Characteristics	**$15 - $20**	**$19**
Market Comparisons Normalized for Service Levels and Scope	**$15 - $28**	**$19**

• EquaTerra's analysis is based on our knowledge of the BPO Outsourcing industries and Service Provider capabilities. Our assumptions are reasonable recognizing that normalization for scope and services are relative and have been reflected in the market ranges to provide a sufficient comparison.

• Data applied from EquaTerra's Market Database consists of 5 US and Canadian Based deals that have occurred within the most recent 48 months

• Analysis combined with supporting assumptions provided by EGD suggests the proposed agreement with Accenture resides in the upper range for comparative market data points when fully normalized for Scope, Service Levels, and Service Delivery Location/Workforce Characteristics.. When eliminating the consideration for Service Delivery Location/Workforce Characteristics from the comparative data points, the analysis suggests the EGD normalized price falls within the market mid-range.

Updated Market Comparative Analysis – Rate Card

Equaterra Collected the Hourly Rate Card per the current Accenture Proposal and analyzed Contract Year 1 Rates against Current Market Comparable Rates for similar/normalized roles.

Process Role	Market Rate Range	EGD Rate
Business Lead / Mgr	$170 - $275	$172
Senior Business Analyst	$120 – $185	$131
Business Analyst	$80 - $110	$98
Clerk / CSR	$40 - $70	$52

- 9 Data Points representing NA-based contracts were applied to comparative analysis
- Analysis suggests that the current Project Rate Card provided to EGD is within Market Norms for Canadian-based resources providing BPO level services
- EquaTerra Recommends eliminating the COLA increase per year on the proposed rates and re-vist the increase annually based on actual inflation.

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Additional Observations

Item	EquaTerra Recommendation	Recommendation & Observations
Termination Fees	- Fees range from 106% down to 45% of Annual Base Fees through first 25 months of contract. Market standard is a high range of 100% over this term. - Fees in Months 37 though 60 range from 24% down to 20% of Annual Base Fees. Market standard is a high range of 50% with the fees winding down to zero by Month 60.	Recoverable Fees considered should exclude 3rd party contracts (now assigned to EGD) and Large Volume Account Fees.
Inflation on Project Rate Card	The application of inflation on a 7 year Project Rate Card for uncommitted resources leaves considerable exposure to EGD in the out years when resources are required.	The Project Rate Card Rates should be fixed for all years with inflation re-visited every contract year anniversary with contractually defined indexes.
Option Year Pricing	Option Years 8 and 9 depict a considerable increase on unit rates for services.	Option years should be realigned or not considered

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Additional Observations

Item	EquaTerra Recommendation	Recommendation & Observations
Application of Transition Fee Recovery	Base Fee Analysis assumes the original base charges (2007 inception) included 21M capitalized Transition Fees over the first 5 years (expiring at or around Q4 2011 / Q1 2012). However, the proposed fee structure does not indicate a cost decline occurring in Contract Year 3 and onward attributed to the Service Provider Achievement of full transition cost recovery.	Challenge Accenture on the application and recovery of transition in the current CCSA fee schedule and how that is considered in the proposed fees and expected to dissipate.
Mass Market / Large Volume Customer Volume Movement	- Approximately 2,062 Customers moved out of Mass Market (~$9 unit rate), and into Large Volume Customers ($200+ unit rate). EGD has stated this should be a cost neutral shift. However this is not evident in the pricing structure has the shift is accompanied by rate changes in both fee categories. Accenture did not adequately outline this in any price walk documents provided.	EGD should request Accenture to further clarify to ensure the cost neutrality of the volume shift that has occurred between the August proposal and the October proposal.

EQUATERRA

Additional Observations

Item	EquaTerra Recommendation	Recommendation & Observations
3rd Party Assignment to EGD and Corresponding Risk Related Risk Premium	-Under the new agreement, four 3rd party contracts (Kubra, Symcor, Canada Post, and Intelliresponse) formerly under Accenture are now assigned to EGD (2011 value ~$6.7M). - EquaTerra is told that the arrangement will hold the Service Provider accountable for up to 30% of any cost increases realized by EGD. EGD to confirm the rates Accenture has stated in schedule 2.7 Assigned Contracts.	EGD to confirm the current rates Accenture has stated in schedule 2.7 Assigned Contracts. EGD could explore the need and corresponding impact on proposed price for Accenture to absorb a risk of up to 30% on 3rd party fees assigned to EGD.

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EquaTerra's Initial Recommendations Reconciliation

Item	EquaTerra Recommendation	Comments
Fee Structure	- A Fixed/Variable Pricing Structure incorporating fixed Fees within a Deadband (suggest 2%), outside of which a discounted rate structure (ARC and RRC) applies to units above and below the Deadband. - The Fixed/Variable Structure applies up to a volume threshold or cap (suggest 10%).	Not Applied
COLA Provision	- The exclusion of a COLA provision allows the Service Provider another instrument to recover contingency, and allows the price decline caused by continuous improvement/productivity to be concealed in the price. - Market is to incorporate an annual inflation anniversary where COLA-applicable fees are adjusted based on an mutually agreed index, where the risk is shared between parties.	Not Applied – EGD prefers a all in rate to insure budget certainty
Termination Fee Structure	Market standard is for contract to partition Termination Fees by the following: **Unamortized Assets Recovery Fee** is the recuperation of fixed HW/SW/Facility portion of the Service Provider Fees. **Capped Wind Down Fee** is the Service Provider's recovery of costs to close operations and redeploy staff. Typically a 2-4 month effort. This is capped at a stated not-to-exceed amount, and actual amounts are subject to client review and approval. **Breakage Fee** represents Service Provider margin recovery and the penalty for a Termination for Convenience by Client.	Structure Applied by EGD – Accenture not fully compliant

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EquaTerra's Initial Recommendations Reconciliation

Item	EquaTerra Recommendation	Comments
Termination Fees	-Fees range from 180% down to 90% of Annual Base Fees through first 36 months of contract. Market standard is a high range of 100% over this term. -Fees in Months 37 though 60 range from 70% down to 13% of Annual Base Fees. Market standard is a high range of 50% with the fees winding down to zero by Month 60. -The recovery of COLA not yet realized is evident.	EGD has improved position from the current CCSA and continues to negotiate fees to reflect recommendations
Partial Termination	- Partial Termination Rates in original contract will yield a price for the remaining services which will not be in-line with market - Recommend to handle as a re-pricing event subject to Change Control.	Unknown if Applied
Financial Responsibility Matrix	-Notes the responsible party for all relevant elements of the Labor, Facility, Hardware, and Software components of the Business Case and commercial relationship -Allows for a clear definition between what is in the price, and what is retained by the client.	Unknown if Applied

EQUATERRA

EquaTerra's Initial Recommendations Reconciliation

Item	EquaTerra Recommendation	Comments
Personnel Projection Matrix	-A process-level monthly FTE schedule representing the work effort required to perform the SOW tasks. Will include the service location, the allocation of PMO/Overhead FTE, Transition effort, 3rd Party FTE, and the attrition schedule. -This is an effective RFP evaluation Tool to ensure Provider price aligns with stated work force requirements, and allows for proper evaluation of productivity realization during contract term governance.	Not Applied
Sunset Clause	Defines a time limit for when the Services rendered by Service Provider can be invoiced to the Client (typically 180 days) upon completion of the Service. Also defines a separate time limit for when a Service Provider can no longer invoice for services from the prior financial year (suggest 60 days). This ensures proper commercial management by the Service Provider with respect to the Client's financial calendar and reporting standards.	Unknown if Applied
Project Rate Card	Rate Card excludes Offshore consideration. Recommend Accenture provide in future bid.	Applied

EQUATERRA

EquaTerra's Initial Recommendations Reconciliation

Item	EquaTerra Recommendation	Comments
Project Spend Rebate	Current Professional Services Spend of ~$7M is 15% of total fees with Accenture. Recommend to include a tiered rebate schedule on total Professional Services Spend where EGD would receive a rebate (or credit) as spend increases.	Applied
Form of Invoice	An example of the monthly invoice provides a consistent reporting methodology in line to Client standards and contractually binds the Service Provider to specific details surrounding the price. Typically in MS Word Format including cover letter, summary of fees, and supporting details.	Unknown if Applied

BOARD STAFF INTERROGATORY #30

INTERROGATORY

Ref: Consistency B/2/1 page 1 para. 3

Please describe, in detail, how the Application is consistent with the 2007 Settlement Agreement in all material respects.

RESPONSE

As indicated in the evidence filed at Exhibit A, Tab 2, Schedule 2, Exhibit B, Tab 1, Schedule 1, Exhibit B, Tab 2, Schedule 1, Exhibit B, Tab 3, Schedule 1, Exhibit B, Tab 4, Schedule 1, Exhibit B, Tab 5, Schedule 1 and Exhibit B, Tab 5, Schedule 2, the application for approval of Customer Care / CIS related costs is consistent with the 2007 Settlement Agreement in the following respects and manner:

- the categories of customer care and CIS related costs are identical to those contained within the 2007 agreement,

- the consultative process employed prior to and in conjunction with the application is consistent with the process used in arriving at the 2007 agreement,

- the agreed to and allowed adjustments to CIS asset related costs after the completion of the 2012 fiscal year have been adhered to,

- the third party service provider costs have been negotiated through an appropriate and beneficial arms length process,

- the period of number of years, 2013- 2018, is consistent with an envisioned next generation IR plan, 2013 COS rebasing and 2014-2018 IR term just as was the original 2007 agreement number of years, 2007 base year and 2008-2012 consistent with the first generation IR term,

- the application considers the potential smoothing of costs over the six year period, as did the original agreement.

Witness(es): K. Culbert
S. McGill

BOARD STAFF INTERROGATORY #31

INTERROGATORY

Ref: Consistency B/2/1 page 1 para. 3

Please describe how the Application is consistent with the existing IRM mechanism and how it will be applicable to the future IRM mechanism.

RESPONSE

The original Customer Care / CIS Approved agreement was structured by parties to consider Customer Care / CIS related costs over the same period, 2007-2012, as EGD's first generation IR plan, which contained a 2007 base year and 2008-2012 IR term. The original agreement also included a smoothing mechanism which would assist in managing anticipated variations in costs year over year which was in line with the goal of rate stability contained within the Board's incentive regulation objectives.

The current application for a settlement process and approval of Customer Care / CIS costs for the 2013-2018 period, anticipates a similar matching timeframe for a next generation IR plan with a 2013 base year and a 2014-2018 IR term. A smoothing approach has been included within the annual revenue requirements for each of the 2013-2018 years, consistent with the 2007 arrangement.

The 2007 Customer Care and CIS Settlement arrangement and ongoing consultative have worked well and fit well with the Company's 2008 through 2012 IR plan. The costs included in this application all pertain to a specific area of the Company's operations and are largely dictated by the terms of third party contracts that have been reached through competitive market processes with the oversight of key regulatory stakeholders and would not be better forecast through the use of a non specific IR mechanism. The 2013 Template has been structured such that it can be incorporated within either an annual cost of service, or multi-year IR program.

Witness(es): K. Culbert
S. McGill

BOARD STAFF INTERROGATORY #32

INTERROGATORY

Ref: Cost Allocation, Rate Design and Bill Impacts

(i) Please provide the projected rate class cost allocations associated with the 2013 Template, and include a typical customer annual cost for each class.
(ii) Please provide a description of the relevant rate class cost allocation approach used in the Company's allocation methodology for the subject costs.
(iii) Please provide the bill impacts associated with the proposal for each rate class.

RESPONSE

(i) The allocation by rate class of the combined CIS and Customer Care costs for 2013 is shown at Item 1 in Table 1 on the following page. The resulting annual cost per customer is shown at Item 2.

(ii) CIS and Customer Care costs are allocated based on the number of customers by rate class. This methodology is consistent with the Board-approved allocation of these costs in previous proceedings.

(iii) The bill impact for Sales and T-Service customers is shown in Table 1 at Items 3 and 4.

Witness(es): J. Collier
A. Kacicnik
M. Suarez-Sharma

TABLE 1

Allocation of 2013 CIS & Customer Care Revenue Requirement

Item No:	Col. 1	Col. 2	Col. 3	Col. 4	Col. 5	Col. 6	Col. 7	Col. 8	Col. 9	Col. 10	Col. 11	Col. 12	Col. 13	Col. 14
		TOTAL	RATE 1	RATE 6	RATE 9	RATE 100	RATE 110	RATE 115	RATE 125	RATE 135	RATE 145	RATE 170	RATE 200	RATE 300
Item 1	CIS & Customer Care Revenue Requirement 2013 Proposed Cost ($M)	120.9	110.94	9.89	0.00	0.00	0.01	0.00	0.00	0.00	0.01	0.00	0.00	0.00
Item 2	Average Annual Cost per Customer based on 2013 Proposed cost of $120.9 M		61.49	61.49	61.49		61.49	61.49	61.49	61.49	61.49	61.49	61.49	61.49
	Bill Impacts (rates effective July 1, 2011)													
Item 3	Typical Sales Customers		1.2%	0.1%		0.0%	0.0%	0.0%		0.0%	0.0%	0.0%		
Item 4	Typical T-Service Customers		2.0%	0.3%		0.0%	0.0%	0.0%		0.0%	0.0%	0.0%		

NOTE:
The allocation of costs to the rate classes was done using customer numbers from 2011. Bill impacts were determined using rates effective July 1, 2011 and were based on the difference between 2012 and 2013 costs of $21.7M.

Witness(es): J. Collier
A. Kacicnik
M. Suarez-Sharma

BOARD STAFF INTERROGATORY #33

INTERROGATORY

Ref: Covering letter from Aird & Berlis dated June 20, 2011 page 2, para. 4

Please file the Customer Care and CIS Settlement Proposal approved by the Board in March 2007.

RESPONSE

Please see attached.

Witness: R. Bourke

SETTLEMENT PROPOSAL FOR CUSTOMER CARE AND CUSTOMER INFORMATION SYSTEM ("CIS") ISSUES

I. PREAMBLE

The following issues related to Enbridge Gas Distribution's Customer Care O&M and Customer Information System ("CIS") capital budgets, and related matters, have been among the subjects addressed as part of the ongoing Customer Care/CIS Consultative:

7.1 Has Enbridge complied with the direction, in the EB-2005-0001 Decision, to file in evidence the following Customer Care Support Cost information: all agreements between Enbridge and CWLP, ECSI or any other EI-related entity related to the provision of customer care or CIS; the Program Agreement between CWLP and Accenture, including any amendments or revisions; financial statements for ECSI and CWLP (historical, bridge and test year); the return analyses described in the decision? (D1-12-3)

7.2 What actions or decisions are required by the Board regarding items in the 2006 and 2007 capital budgets which might be duplicated in the upcoming application for a Regulatory Asset Account? (D1-10-1, p. 2/AppA)

7.3 Are the forecast costs of the new CIS system appropriate? (B1-5-1, p. 3)

7.4 What are the appropriate costs for CIS and Customer Care for 2007, including internal and transition costs? (D1-12-1, p. 2 and D3-2-1, p. 1)

As set out below, parties have been able to come to an agreement to settle these issues, as well as other matters related to Customer Care and CIS.

All aspects of this Supplementary Settlement Proposal are subject to approval by the Board. The parties to the settlement all agree that this Supplementary Settlement Proposal is a package: the individual aspects of this agreement are inextricably linked to one another and none of the parts of this settlement are severable. As such, there is no agreement among the parties to settle any aspect of the issues addressed in this Supplementary Settlement Proposal in isolation from the balance of the issues addressed herein. The parties agree, therefore, that in the event that the Board does not accept this Supplementary Settlement Proposal in its entirety, then (in accordance with the Board's Settlement Conference Guidelines) the Board will reject the

Supplementary Settlement Proposal in its entirety and proceed to hearing on all of the issues listed above.

This Supplementary Settlement Proposal, if approved by the Board, will be added to the Settlement Proposal (Ex. N1-1-1) approved by the Board on January 29, 2007 (the "January 29th Settlement Proposal") and the provisions of this Supplementary Settlement Proposal will supersede the references at pages 41 and 42 of the January 29th Settlement Proposal which state that there is no settlement of Issues 7.1 to 7.4.

If approved by the Board, this Supplementary Settlement Proposal will reduce the Company's revenue deficiency for the Test Year by approximately $24.2 million, from the $52.1 million remaining as the revenue deficiency in the Company's Application, after the Settlement Proposal (Ex. N1-1-1) revenue deficiency of $29.9 million was approved by the Board on January 29, 2007 (with $26.0 million thereof recoverable in interim rates effective April 1, 2007). The remaining revenue deficiency at issue in the Company's Application is now about $26.1 million[1], taking into account the fact that parties are agreeing in this Supplementary Settlement Proposal that the Company can recover a revenue deficiency of approximately $1.8 million in respect of customer care and CIS costs in the Test Year.[2] This $1.8 million Customer Care revenue deficiency, which is described below in more detail, is the result of extra costs from customer growth, offset by a reduction in bad debt costs.

Finally, although it is not set out expressly in the sections that follow, the parties agree that, as part of this settlement package, Issue 7.2 is resolved because the Regulatory Asset Account application is no longer necessary. The parties also agree that, in response to Issue 7.1, the Company has filed those materials stipulated in the Board's EB-2005-0001 Decision that are currently available. There are, however, some agreements associated with the Company's move away from CustomerWorks Limited Partnership ("CWLP"), including transition agreements with Accenture Business Services for Utilities ("ABSU")[3], that are not completed. Accordingly, at this time Issue 7.1 is partially resolved and the parties expect that it will be completely resolved when those agreements are finalized and filed.

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[1] Note that this does not include any impact of Supplementary Settlement Proposals related to bill access and IVA charges.

[2] The $1.8 million deficiency to be recovered for Customer Care is derived by starting with the customer care deficiency of $26 million, set out at lines 2 and 3 of the Table at Ex. N1-2-2, p. 2, and then subtracting $24.2 million, which is the agreed-upon revenue deficiency reduction that would result from approval of this Supplementary Settlement Proposal.

[3] For the purposes of this Supplementary Settlement Proposal, both Accenture Business Services for Utilities and Accenture Inc. will be referred to as "ABSU".

With that preamble, the following represents the settlement that has been agreed upon.

II INTRODUCTION

Beginning in 2000, Enbridge Gas Distribution Inc. ("Enbridge Gas Distribution" or the "Company") entered into a series of arrangements whereby CIS and Customer Care services were acquired through a related company, Enbridge Commercial Services Inc. ("ECSI"). ECSI subsequently entered into a limited partnership arrangement with Terasen Inc., CWLP, for the purpose of providing customer related business support and information technology services to utilities. Enbridge Gas Distribution entered into a new Customer Care services agreement with CWLP and consented to ECSI's assignment of its CIS service agreement to CWLP, both effective from January 1, 2002. In August 2002, CWLP entered into an agreement in writing with ABSU, hereinafter referred to as the "Program Agreement", whereby CWLP transferred certain assets and all operating personnel to ABSU, and ABSU agreed to provide Customer Care services, including CIS hosting services, on behalf of CWLP to Enbridge Gas Distribution and other utilities for the period that could be as long as 2002 to 2011 (inclusive) for amounts detailed in a Schedule to the Program Agreement. Since 2002, pursuant to the Program Agreement, ABSU has been performing the Customer Care and CIS services for the Company on behalf of CWLP.

A portion of the fees which the Company has paid to CWLP/ECSI to acquire CIS and Customer Care services was paid by CWLP/ECSI, ultimately, to Enbridge Gas Distribution's parent or other affiliates.

In a series of rate cases, the Intervenors expressed their objection to these arrangements, arguing that ratepayers should only be required to pay for CIS and Customer Care services at a market price or, failing a competitive process, at the cost of any affiliate, or related company, providing the services, including an appropriate return on such an endeavour. In the 2006 rate case decision, the Board agreed that what ABSU was paid to provide the services to Enbridge Gas Distribution for Customer Care and CIS services was relevant to the determination of the market prices for the services. The Board ultimately used CWLP revenue from Enbridge Gas Distribution, expressed as a proportion of CWLP's total revenues, as a tool to derive CWLP overearnings attributable to Enbridge Gas Distribution, and then, using the utility allowed return, the Board determined the amount recoverable from Enbridge Gas Distribution's ratepayers. The Board, in decisions in rate cases beginning in 2003 and culminating in Enbridge Gas Distribution's 2006 rates case, urged the Company to obtain CIS and Customer Care services by direct competitive tender which, in the Board's view, should exclude the right of first refusal in favour of CWLP.

Following the Decision with Reasons of the Board in EB-2005-0001, Enbridge Gas Distribution undertook to do the following:

1. Acquire a new Customer Information System (CIS) through a direct competitive tender;

2. Acquire Customer Care services through a direct competitive tender.

Enbridge Gas Distribution also convened a consultative process (the "Consultative") through which Intervenors could monitor and comment on these procurement processes. In light of the concern which Intervenors had, in past rate cases, expressed about Enbridge Gas Distribution's arrangements for acquiring CIS and Customer Care Services, the Intervenors wanted to be assured that the procurement processes were consistent, in all respects, with accepted industry standards, and that the arrangements resulting from the procurement processes will not result in amounts being paid by Enbridge Gas Distribution to CWLP, Enbridge Gas Distribution's affiliates, or its parent. Enbridge Gas Distribution convened the Consultative in part to give the Intervenors those assurances. To further ensure that the Consultative could achieve its goals, Intervenors were given access to independent expertise to advise them on the procurement processes and the results therefrom.

Through the Consultative, the Company informed Intervenors that CWLP has not indicated any intention to exercise its right of first refusal in respect of the new Customer Care or CIS services. CWLP/ABSU have now committed to include a clause in the transition agreements associated with the move to new service providers that will waive CWLP's right of first refusal when the transition agreements are signed.

The Company represents that, apart from the payments to be made by the Company to CWLP up to April 1, 2007, no more than $8.34 million in aggregate will be paid by any person to CWLP, ECSI, EI or any other related entity in relation to any Customer Care or CIS services included within this agreement and provided to Enbridge Gas Distribution by any person during the course of this agreement.

As a result of the work of the Consultative, Enbridge Gas Distribution and the Intervenors have been able to reach agreement on certain aspects of the procurement processes completed to date. The work of the Consultative is described in the pre-filed evidence of Mario Bauer, filed as Exhibit L-2.

The procurement processes will not be completed, with the selection of a new CIS and a new Customer Care service provider, until mid 2007. As a result, the cost of the new CIS and of the new Customer Care service provider cannot be estimated at this time. In addition, the prudence and cost consequences of the CIS and Customer Care arrangements cannot be determined until those arrangements have been finalized, which is expected to be in the first half of 2007. As well, the new CIS will not become operational until June 2009 and it is only at that time that final costs for the new CIS will be known. Finally, the shortlisted bidders for Customer Care services include ABSU and a third party, so there is the potential that a new service provider, other than ABSU, will be selected. The introduction of a Customer Care service provider, other than ABSU, will involve transition arrangements with ABSU and others in both 2007 and 2008, and the costs consequences and upper limits of those costs have been estimated. Final estimates of such costs cannot be made until a later date.

Within these practical constraints, the parties have settled Issues 7.1 through 7.4, which are the Customer Care and CIS issues in this EB-2006-0034 proceeding. The settlement necessarily reflects the fact that certain aspects of the CIS and Customer Care arrangements, including the final costs and contract terms, will not be known until later in 2007.

The parties have agreed that a placeholder amount will be used to establish the revenue requirement for Customer Care costs for 2007. The placeholder chosen is the cost-per-customer set by the Board in the EB-2005-0001 Decision, at $49.58. As a result of this settlement, the total Customer Care budget to be recovered in rates for 2007, including all internal and external costs (except for bad debt), and including all revenue requirement impacts of CIS, will be $90.8 million, plus an amount of $15.1 million representing the provision for uncollectible accounts.

The settlement includes provision for a “true-up” process to adjust the revenue requirement to reflect the prudent and reasonable forecast amounts resulting from the procurement processes, and to reflect the agreed-upon recovery of certain “transition” costs.

The parties believe that a six-year term, covering the period 2007 through 2012 inclusive, is the appropriate term over which to calculate the revenue requirement relating to Customer Care and CIS. The expected costs of CIS and Customer Care during that period may fluctuate year over year. The parties agree that the annual amounts included in rates should be smoothed, over the 2007-2012 term, to avoid swings in rates. The effect of the true-up process is (a) to capture any variance between the 2007 placeholder for Customer Care and CIS revenue requirement of $90.8 million and the normalized revenue requirement for 2007 and pay that variance to, or recover it from, the ratepayers in the 2008-2012 period, and (b) establish the component of the Company’s revenue requirement relating to Customer Care and CIS (except bad debt) for the period 2007-2012, and smooth the rate impacts of that component over that period.

To reflect the settlement the parties have agreed upon a template (the “Template”), which sets out all of the relevant categories of expenses over the 2007 to 2012 period that relate to Customer Care and CIS (except for bad debt costs). The costs in a number of those categories can be established today, and the parties have therefore agreed to those amounts. However, some costs to be set out in the Template must be determined when the contract prices and other costs are known. For those costs, the parties have agreed to the parameters under which those costs will be calculated or forecast and then included in the true-up calculation.

As the parties anticipate the possibility of an incentive regulation ("IR") regime, the terms of which are expected to be established later in 2007, they believe that the true-up should occur at a time when the IR formula for the Company has been established. Once the contract for Customer Care services has been signed, and the terms of IR are known, which is expected to be in the fall of 2007, the parties have agreed that the true-up should take place, in accordance with the true-up rules set out in this Settlement Proposal and Appendix. Parties agree that adjustments may need to be made to aspects of this agreement in the event that the IR regime that, for the purposes of calculation, was assumed by the parties in creating the Template – ie. a price cap IR regime of five years in duration, beginning January 1, 2008 - is not established. Adjustments may need to be made to the normalization approach set out in the True-Up Rules (which are attached) to make it compatible with the IR model and formula that is approved for Enbridge Gas Distribution. Any such adjustments would not affect the total revenue requirement to be recovered over the term of this agreement, but they may impact upon the amount to be recovered in each year of the agreement under the normalization approach that is used.

Finally, the parties agree that the Consultative will continue to monitor the completion of the procurement process, up to and including reviewing the final terms of the contracts, and thereafter, the implementation of the CIS and Customer Care arrangements, which the parties agree will be no later than six months after the in-service date for the new CIS. As has been the case to date, the Intervenors involved in the Consultative agree that they will raise any concerns about the ongoing process, and the outcomes from that process, as soon as they have sufficient information to identify and communicate those concerns. If the Intervenors involved in the Consultative believe that they are not receiving sufficient information, they will advise the Company immediately. The parties agree that the Consultative will continue to work in a timely, responsive and reasonable manner until its mandate is completed. Finally, the parties agree that all costs of the Consultative, for as long as it continues, will be fully recoverable from ratepayers. Costs of the Consultative that are incurred in 2007 will be included in the already established 2007 Ontario Hearings Costs Variance Account (2007 OHCVA). Parties agree to support the continuation of appropriate deferral accounts in future years for the recording and disposition of future costs of the Consultative, unless these costs are included in the Company's regulatory O&M budget during the IR term.

II TERMS OF SETTLEMENT

Against that background, the parties have agreed as follows:

(A) 2007 O&M Customer Care costs

As noted above, certain of the anticipated costs associated with Customer Care during the period 2007 through 2012 will not be known until RFP processes currently being carried out by the Company are completed and market prices are identified. As a result, revenue requirement will be established for 2007 using a placeholder to calculate the Customer Care costs. The placeholder will be the Board-approved 2006 cost per customer of $49.58, times the projected number of customers in 2007, 1,831,283, to get a total Customer Care placeholder of $90.8 million for 2007.

The parties agree that projected bad debt costs (Provision for Uncollectible Accounts) of $15.1 million as filed by the Company shall be recoverable in rates in 2007. This agreement does not deal with bad debt costs beyond 2007; as a result, bad debt costs are not included in the True-Up calculation. For the period from 2008 to 2012, bad debt costs will be dealt with by the Board along with other O&M costs, separately from other Customer Care costs which are the subject of this agreement, in such other proceeding or proceedings as the Board may determine.

For the purposes of settlement, the Customer Care placeholder of $90.8 million plus bad debt costs of $15.1 million will replace the amounts in the Company's Application and pre-filed evidence which total $130.1 million, and are comprised of $101.6 million for Customer Care and CIS Service Charges, $3.4 million for Customer Care Internal Costs, $15.1 million for Provision for Uncollectibles and $10.0 million for transition costs (see Exhibit D1-2-1, p. 3, Table 1, lines 2 to 4 and Ex. D1-1-1, p. 1, Table 1, line 3). These internal and transition costs are addressed in the True-Up Rules which are attached as Appendix A.

As a result, the settlement of this item will reduce the Company's revenue deficiency for the Test Year by approximately $24.2 million, from the $52.1 million remaining as the revenue deficiency in the Company's Application, after the Settlement Proposal (Ex. N1-1-1) revenue deficiency of $29.9 million was approved by the Board on January 29, 2007 (with $26.0 million thereof recoverable in interim rates effective April 1, 2007). The remaining revenue deficiency at issue in the Company's Application is now about $26.1 million, taking into account the fact that parties are agreeing in this Supplementary Settlement Proposal that the Company can recover a revenue deficiency of approximately $1.8 million in respect of customer care and CIS costs in the Test Year (the amount that is the difference between the 2006 Board-approved budget of $104.1 million and the $105.9 million total amount for 2007 for Customer Care, CIS and bad debt costs). This $1.8 million Customer Care revenue deficiency can be derived by accounting for customer growth in F2007 over the previous year (the $49.58 placeholder is multiplied by 46,228, which is the forecast number of new customers in 2007) and adjusting for a reduction of $500,000 in bad debt costs, as compared to F2006.

(B) __2007 Capital costs related to CIS__

The parties agree that any capital spending by the Company during the 2007 Test Year related to the new CIS shall be in addition to the Company's overall Board-approved capital budget of $300 million plus the costs of the Portlands Energy Centre LTC. This is consistent with the language in Issue 1.1 of the Settlement Proposal in this EB-2006-0034 proceeding, which was approved by the Board on January 29, 2007 and which stated that "[p]arties have reached a global settlement of all 2007 Rate Base issues, except for issues related to the capital budget for the new CIS system" (Ex. N1-1-1, p. 13). No capital expenditures in 2007 relating to the new CIS will be closed to rate base in 2007, and the new CIS will have no impact on 2007 rates.

(C) __Selection process for new CIS and Customer Care service providers and Transition Plan__

As explained above in the Introduction section, it is anticipated that the selection of a new CIS and a new Customer Care service provider will occur in the second quarter of 2007, when the associated RFP processes are completed.

Once selections are made, contracts will have to be negotiated and settled with the chosen parties. At that time, some of the expected costs of the new CIS, and payments to be made to the new Customer Care service provider, will be established between Enbridge Gas Distribution and the service providers through contractual arrangements. The Consultative will continue to function until the completion of the procurement process, the implementation of those CIS and Customer Care arrangements and the completion of the true-up process described below. The Consultative will be involved with monitoring the selection process and reviewing the terms and prudence of the resulting contracts, including the reasonableness of their costs. Parties agree that the Consultative will continue to work in a timely, responsive and reasonable manner until its mandate is completed.

The selection processes for both the CIS and the Customer Care services RFPs are underway. At this point, the remaining shortlisted bidders for the Customer Care services include ABSU and a third party. The remaining shortlisted bidders for the system integrator component of the new CIS include ABSU and a third party. The parties have agreed that for the time period from January 1, 2007 to March 31, 2007, CWLP will continue to provide CIS and Customer Care services to Enbridge Gas Distribution. For the period commencing April 1, 2007 and concluding no later than September 30, 2008, Enbridge Gas Distribution is making arrangements with ABSU to provide the CIS and Customer Care services directly to Enbridge Gas Distribution, at least until the potential transition to new service providers is complete.

There are two types of transition costs addressed in this Supplementary Settlement Proposal: CIS transition costs and Customer Care transition costs.

The parties acknowledge and agree that all transition costs with respect to the new CIS are included in the $118.7 million capital cost of the new CIS (discussed below), whether or not ABSU is awarded the system integrator component of that project.

The parties further acknowledge and agree that, in the event that ABSU is chosen as the Customer Care service provider, there will be no transition costs associated with Customer Care services. In the event that the third party is chosen as the Customer Care service provider, then there will be transition costs associated with the move to the new service provider. Enbridge Gas Distribution has prepared, and has shared with the Consultative, a Transition Plan that sets out how Customer Care may be transitioned to a new service provider. The parties agree that there will be costs associated with any such transition, and that those costs are recoverable in the manner and amounts described in detail in the True-Up Rules at Appendix A. The Company agrees that it will keep the transition costs, and the transition time period, to a reasonable level while managing the risks associated with transition and ensuring that the ongoing provision of Customer Care services meets OEB-mandated service levels. In this regard, the Company agrees that while the maximum time period for transition to a new Customer Care service provider will be 18 months from April 1, 2007, it will make best efforts to shorten that time period. The Company will ensure that its arrangements with ABSU will allow the Company to direct ABSU to cease the provision of some or all Customer Care transition services before the end of 18 months and, as a result, to reduce the transition costs payable by Enbridge Gas Distribution to ABSU.

(D) <u>The True-Up process and Revenue Requirement for 2008 to 2012</u>

(i) Overview

The parties agree that, on a date (the “True-Up Time”) that is the later of (a) the date when the Company’s Customer Care RFP is completed and the contract is signed, and

(b) the date when the Board's decision with respect to the duration, rules and formulae for IR that relate to Enbridge Gas Distribution is released, the parties will calculate a true-up and smoothing for the Customer Care amounts for 2007 to 2012, using the specific rules set forth in Appendix A to this Settlement Proposal (the "True-Up Rules").

As set out in more detail below in Appendix A, the amount of the Customer Care costs that are projected to be incurred by the Company during the 2007 to 2012 period, and which the Company will recover in rates, will be determined by the parties at the True-Up Time in accordance with the criteria specified in the True-Up Rules. The components of the Customer Care costs and revenue requirement are itemized in the "Customer Care and CIS Settlement Template" (already defined as the "Template"), which is attached to Appendix A.

It is the intention of the parties that the True-Up process will be used to determine the Customer Care amount for 2007 (the "Normalized 2007 Customer Care Revenue Requirement") that, when adjusted using the True-Up Rules for each year until 2012, will allow the Company to fully recover in rates the costs incurred in providing Customer Care services (including CIS) during the period from 2007 through 2012.

In the event that the parties are unable to agree on the amount of any component of the Normalized 2007 Customer Care Revenue Requirement or any number to be included in the Template, other than those numbers that are fixed by the terms of this agreement, then parties agree that the unresolved dispute will be determined by the Board in accordance with the criteria specified in the True-Up Rules. Specifically, if the parties have not agreed to the Normalized 2007 Customer Care Revenue Requirement within sixty days of the True-Up Time, they shall list the components of the calculation that are in dispute, and provide that list to the Board for determination in accordance with the criteria specified in the True-Up Rules.

The outcome of the True-Up process will be the subject of a separate application to the Board. That application will include, for Board approval, all numbers that are agreed upon and set in accordance with the True-Up Rules, as well as the list of the items remaining at issue to be determined by the Board.

(ii) 2007 Customer Care Variance Account

At True-Up Time, the Company will calculate the difference (the "2007 Customer Care Revenue Requirement Variance") between that amount of revenue requirement that is, pursuant to the True-Up Rules, recoverable for 2007 Customer Care costs (the Normalized 2007 Customer Care Revenue Requirement) and the placeholder of $90.8 million, and will credit or debit the 2007 Customer Care Revenue Requirement

Variance, as the case may be, to the 2007 Customer Care Variance Account. The balance in that account will be repaid to the ratepayers, or charged to the ratepayers, with interest, over the course of 2008 to 2012. The 2007 Customer Care Variance Account will be cleared in accordance with the True-Up Rules.

In order for effect to be given to this provision of this Settlement Proposal, parties agree that it is appropriate that a 2007 Customer Care Variance Account be created, and continued until 2012.

(iii) Revenue requirement for Customer Care costs between 2008 and 2012

The revenue requirement that the Company will be entitled to recover each year in respect of Customer Care costs (including CIS but not including bad debt) from 2008 to 2012 shall be the Normalized 2007 Customer Care Revenue Requirement, as adjusted for each year from 2008 to 2012 (inclusive) by the Incentive Regulation formula. The intention of the parties is that this will result in a relatively stable revenue requirement for CIS and Customer Care services over a five year period.

As set out above, and explained in the True-Up Rules, the “Normalized 2007 Customer Care Revenue Requirement” will be the amount that, when adjusted according to the True-Up Rules (including the rules for IR described as part of the True-Up Rules) for each year until 2012, will allow the Company to fully recover in rates the total of all forecast prudent and reasonable Customer Care costs (including CIS but not including bad debt) for the period from 2007 through 2012.

The parties agree that all O&M costs associated with Customer Care (except for bad debt costs), including O&M relating to the Company’s proposed new CIS, are included in the calculation of Normalized 2007 Customer Care Revenue Requirement and therefore will be properly recovered in rates during the period 2007 through 2012 through the operation of the True-Up Rules.

The Company agrees that, once the outstanding items on the Template are determined, and completed, and, as a result, the Normalized 2007 Customer Care Revenue Requirement is established, the Company will not seek any adjustment to its rates or revenue requirement that is directly or indirectly based on changes in Customer Care costs during the term of this agreement. Intervenors similarly agree that they will not seek adjustments to the Company’s rates or revenue requirement that is directly or indirectly based on changes in Customer Care costs. As expressed above, bad debt costs are not included as part of the Customer Care costs that are the subject of this agreement from 2008 to 2012.

Notwithstanding the limitations expressed in the preceding paragraph, the parties agree that in the event that new legislative or regulatory requirements, that are currently unknown and that are beyond the Company's control, are imposed on the Company, in the period up to and including 2012, and those requirements materially change the level of Customer Care costs, then any of the parties shall be entitled to make application to the Board for adjustments to rates or revenue requirement as appropriate. The materiality threshold that applies to this aspect of the agreement will be established at the IR proceeding. The parties agree that the rights conferred in this paragraph will be no greater than any rights to revisit any issue based on changes in legislative or regulatory requirements that are established as part of the IR rules that apply to the Company.

In order to give effect to certain aspects of the True-Up Rules, as detailed in Appendix A, parties agree that it is appropriate that 2007 and 2008 Customer Care Transition Costs Variance Accounts be created to track certain transition costs related to Customer Care. The transition costs to be tracked in these accounts relate to activities that ABSU and external contractors and internal resources will undertake to transfer knowledge and services to the new service provider. This will include such tasks as training, documentation and management of the vendors through the transition. The transition costs to be tracked in these accounts are subject to a maximum total amount of $11.1 million. The details of the 2007 and 2008 Customer Care Transition Costs Variance Accounts are set out below, as part of the True-Up Rules.

(iv) New CIS

As the Board is aware, the Company is planning to replace its current CIS service with a new CIS that will be owned by the Company. When this system is implemented, which is expected in 2009, its capital cost will be included as part of the Company's utility rate base. Through the Consultative process, and subject to an adjustment described below, the parties have agreed that a reasonable cost for this asset is $118.7 million, including procurement costs of $5.1 million. The parties agree that rates will be set during the period of this agreement on the basis of a CIS cost that will be no higher than $118.7 million. This $118.7 million budget consists of an amount of $42 million for system integrator contract costs, which are subject to a direct competitive tender process, and an amount of about $76.7 million which the Company will manage and control during the CIS procurement and implementation process.

All parties agree that the Company's revenue requirement associated with Customer Care activities for the 2007 to 2012 period will incorporate a portion of the cost for the new CIS of $118.7 million, including procurement costs of $5.1 million, as set out below. The procurement process that provides support for the reasonableness of this cost is described in the evidence of Mario Bauer (Exhibit L-2), and the CIS cost analysis attached thereto. The parties agree that this $118.7 million cost is subject to reduction in the event that the system integrator contract costs arrived at through the CIS procurement process are less than $42 million. In the event that the system integrator costs are $42 million or more, then the parties agree to the cost of $118.7 million for the completion of the Template and the term of this agreement.

While the revenue requirement attributable to CIS shown in Row 3 of the Template is not yet finalized, the parties agree upon the following:

1. As stated above, the parties agree upon the prudence of the CIS procurement process and the capital cost for the new CIS of $118.7 million, which includes procurement costs of $5.1 million.

2. The parties agree that the amounts to be recovered in rates will be reduced, if the system integrator contract costs arrived at through the CIS procurement process are less than $42 million.

3. Subject to the restrictions on CIS costs set forth in this agreement, there is agreement that all prudently incurred and reasonable costs associated with the new CIS, including return and income taxes, should be recoverable in rates, during the term of this agreement, and for the 10-year economic life of the new CIS assets.

4. The parties agree that the term of this agreement will be six years from 2007 to 2012, in order to enable the smoothing and managing of the recovery of the revenue requirement attributable to the new CIS during those years.

5. The parties agree that they support the decision to procure the new CIS as prudent, the inclusion of the new CIS in rate base in 2009, and the recovery of all amounts associated with the new CIS subject to the terms of this agreement. Subject to any adjustment that may be made to rate base as of December 31, 2012 to reflect the actual costs of the new CIS, as set forth below, the parties agree that, as of January 1, 2013, the amount included in opening rate base for the new CIS shall be its 2012 closing net book value of approximately $71.4 million.

6. The parties agree that, for rate-making purposes, the in-service date of the new CIS will be deemed to be July 1, 2009, regardless of the actual in-service date, and the rate base for the new CIS will be calculated in all respects as if it was brought into service on July 1, 2009.

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7. The parties agree that, for rate-making purposes, CIS Capital Costs at the end of the term of this Agreement will be treated as follows:

    a. If the actual costs of the New CIS are less than $118.7 million, then the $71.4 million amount included in the January 1, 2013 opening rate base for the New CIS shall be appropriately adjusted downwards;

    b. No capital costs in addition to the amount of $118.7 million will be eligible for closure to rate base on January 1, 2013, unless Enbridge Gas Distribution then demonstrates the reasonableness and prudence of such additional costs; and on the further condition that the only additional amounts eligible for consideration will be confined to increases in the system integrator costs beyond the $42 million provision for those costs included within the budget of $118.7 million.

On this basis, and subject to later adjustment as described at point 2 above, the parties request the Board, as part of the approval of this Settlement Proposal, to approve the prudence and $118.7 million cost of the new CIS, which includes procurement costs of $5.1 million.

The parties agree that there are three, and only three, possible adjustments to be made later to the revenue requirement attributable to CIS for the period 2009 through 2012, as shown in Row 3 of the Template.

The first possible adjustment relates to the tax savings associated with the high Capital Cost Allowance (CCA) for IT hardware and software for the CIS asset. The high CCA produces substantial tax savings in the first two years of the asset's ten year life. The Company acknowledges and agrees that the ratepayers are to receive credit for the full value of these tax savings. The tax rules provide that Enbridge Gas Distribution will be kept whole with respect to income taxes over the full economic life of utility assets, including the 10-year life of the CIS assets. Parties disagree over when the tax savings should be reflected in revenue requirement and rates.

To support a settlement, the parties agree, for ratemaking purposes, to the use of the values included in Row 3 of the Template in determining the revenue requirement for use at True-Up Time. Those values are calculated as if the CIS costs, including tax savings, were calculated on a conventional forward test year cost of service basis for each year during the period 2009-2012. The Company has agreed to use this assumption on the understanding that Enbridge Gas Distribution retains the right to bring an application before the Board seeking a different approach to the timing of when the tax savings are reflected in revenue requirement. Enbridge Gas Distribution agrees that it will, if it elects to make such application, file that application by June 30, 2007. Intervenors' rights to oppose any such application remain unfettered and they retain the right to rely on any and all grounds of opposition considered by them to be appropriate. The parties agree that there will be no inference that Enbridge Gas Distribution has tacitly acquiesced to values in Row 3, by accepting them in this Supplementary Settlement Agreement, and all parties acknowledge that the Company's acceptance of the values in Row 3 is "without prejudice" to the application described above, should the Company decide to file it by June 30, 2007. In the event that the Board approves a different approach to the timing of when the tax savings are reflected in revenue requirement, then parties agree that the values shown in Row 3 of the Template are to be adjusted accordingly. If Enbridge Gas Distribution does not file such an application by June 30, 2007, or if Enbridge Gas Distribution files such an application but the relief requested is not granted, then, subject to the remaining possible adjustments described below, the values in Row 3 of the Template will remain as stated therein.

The two remaining potential adjustments to the CIS revenue requirement amounts for the period 2009 through 2012, as shown in Row 3 of the Template, pertain to Enbridge Gas Distribution's equity ratio and the possibility that the system integrator contract costs resulting from the CIS procurement process are less than $42 million.

The amounts in Row 3 of the Template reflect a 35% level of deemed equity for the Company. The issue of the appropriate level of deemed equity for the Company is currently before the Board in this F2007 rate case, and there may be changes from the 35% level. Parties agree that the amounts in Row 3 of the Template should be adjusted at True-Up Time in the event that the Company's level of deemed equity is changed in the Board's decision in the F2007 rate case.

The amounts in Row 3 of the Template reflect a $118.7 million cost for the new CIS. In the event that the system integrator contract costs arrived at through the CIS RFP process are less than $42 million, then parties agree that the amounts in Row 3 should be adjusted accordingly. In the event that the system integrator costs are $42 million or more, then the parties agree to the cost of $118.7 million for the term of this agreement.

Subject to the outcome of any application which Enbridge Gas Distribution may bring before the Board, as described above, Enbridge Gas Distribution agrees that once the outstanding items on the Template are determined, and completed, and as a result the Normalized 2008 Customer Care Revenue Requirement is established, the Company will not seek any adjustment to its rates or revenue requirement relating to the cost of the new CIS during the term of this agreement. Intervenors similarly agree that they will not seek adjustments to the Company's rates or revenue requirement that are directly or indirectly based on changes in CIS costs.

Notwithstanding the limitations expressed in the preceding paragraphs, the parties agree that in the event that new legislative or regulatory requirements, that are currently unknown and that are beyond the Company's control, are imposed on the Company, in the period up to and including 2012, and those requirements materially change the level of CIS costs, then any of the parties shall be entitled to make application to the Board for adjustments to rates or revenue requirement as appropriate. The materiality threshold that applies to this aspect of the agreement will be established at the IR proceeding. The parties agree that the rights conferred in this paragraph will be no greater than any rights to revisit any issue based on changes in legislative or regulatory requirements that are established as part of the IR rules that apply to the Company.

(v) Future revenue-generating opportunities from the new CIS

The Company agrees to use its best efforts to identify and take advantage of opportunities to use the new CIS asset to provide CIS services to third party organizations to generate additional revenue opportunities, and that the gains from any such opportunities shall be shared with ratepayers in a manner to be agreed upon. A consultative group, including Intervenors, may be convened to consider how such opportunities would be addressed. The parties agree that, in the event that the sharing of such gains cannot be agreed upon by the parties, then they will put the issue of the appropriate gainsharing to be used to the Board. The parties agree that any gains to be shared with ratepayers would be cleared to ratepayers by way of an annual adjustment to delivery rates.

Billing services on the Enbridge Gas Distribution bill are covered by the Supplementary Settlement Proposal related to open bill access (Ex. N1-1-1, Appendix C), and are not included in or affected by the provisions set out above.

APPENDIX A – TRUE-UP RULES

Attached to this Appendix A is a document entitled "Customer Care and CIS Settlement Template" (the "Template"). The parties have completed each of the boxes A1 through G17 of the Template, by inserting a dollar amount, or zero, or a TBD (To Be Determined) which will be completed at the True-Up Time. The following rules apply to the completion of the Template:

1) Where in the Template there is a dollar figure or zero already inserted in any box, that figure is agreed by the parties, and subject to paragraphs 3, 4 and 6 below, will not be altered.

2) The figures agreed to by the parties which are fixed and not subject to change, and which are already included in certain boxes within the Template, include the following:

    a. Rows 1, 2 and 2a: rows 1 and 2 represent the amounts that parties agree can be recovered in rates related to payments by Enbridge Gas Distribution to ABSU to provide CIS services and the payments by ABSU to ECSI for the use of the existing CIS asset, until the new CIS asset is in service. Row 2a represents the amounts to be paid to CWLP for the use of the CIS asset from January 1, 2007 to March 31, 2007. Parties agree that a total of $28.9 million shall be included on these rows, divided into the individual amounts included in the Template.

    b. Row 4: parties agree to the figures included in the Template as the amounts to be paid for the hosting and support of the new CIS. These amounts are based on Enbridge Gas Distribution estimates which the Intervenors, with the support of their consultants, have reviewed and found to be reasonable.

    c. Row 5: parties agree to the figures included in the Template as the amounts to be recovered for the Company's backoffice costs (excluding bad debt) associated with both the old and the new CIS. These amounts are based on Enbridge Gas Distribution estimates which the Intervenors, with the support of their consultants, have reviewed and found to be reasonable.

    d. Rows 6 and 7: SAP has been chosen as the provider for the software that will support the new CIS. This software may require some modifications or adaptations, from time to time, to fully support the CIS. The parties agree to the figures included rows 6 and 7 of the Template as the amounts to be paid to SAP for licence fees and for modifications that may be necessary. These amounts are based on Enbridge Gas Distribution estimates which the Intervenors, with the support of their consultants, have reviewed and found to be reasonable.

e. Row 8: box 8A includes the amount of $16.9 million, which is the amount that parties have agreed can be recovered in rates related to the provision of Customer Care services by CWLP for the period from January 1, 2007 to March 31, 2007 (which is the date on which ABSU will begin providing Customer Care services on a temporary or permanent basis). Given that CWLP will stop providing services to Enbridge Gas Distribution as of April 2007, the amounts to be reflected in boxes 8B, 8C, 8D, 8E and 8F are zero.

f. Row 11: parties agree to the figures included in the Template as the amounts to be recovered for Customer Care licences to support the existing and new Customer Care service provider delivery of Collections, E-Billing and text to speech voice capability functions. These amounts are based on Enbridge Gas Distribution estimates which Intervenors, with the support of their consultants, have reviewed and found to be reasonable.

g. Row 12: parties agree to the figures included in the Template as the amounts to be recovered for the Company's backoffice costs (excluding bad debt) associated with Customer Care services. These amounts are based on Enbridge Gas Distribution estimates which Intervenors, with the support of their consultants, have reviewed and found to be reasonable.

h. Row 13: this row includes the costs incurred by the Company, and accepted for recovery from ratepayers, related to the procurement of a new customer care service provider. The parties have agreed that a total amount of $4.9 million may be recovered at row 13. This total amount represents the internal and external procurement costs for the new Customer Care services that have been determined by the parties to be prudently incurred and reasonable for recovery from ratepayers. This total amount is allocated equally over the five years from 2008 to 2012. Thus, the amount of $0.98 million is inserted in each of the boxes A13 to F13.

i. Row 17: the total number of customers for each year.

3) Row 3 includes the revenue requirement associated with the new CIS for each of the years from 2007 to 2012, to be filled in as follows:

a. The amounts in boxes A3 and B3 shall be zero, since there is no revenue requirement associated with the new CIS until 2009.

b. The amounts in boxes C3, D3, E3 and F3 represent the annual revenue requirement associated with each of 2009, 2010, 2011 and 2012 for the new CIS. These amounts, which total $46.210 million, are based upon the agreed-upon cost of the new CIS of $118.7 million. The derivation of these amounts is set out in the spreadsheets attached as Appendix B and the total of $46.210 million is the sum of the items in Columns 1, 2, 3 and 4 at line 12 on the first page of Appendix B. These amounts are subject to adjustment as follows:

    i. the amounts in row 3 of the Template reflect a $118.7 million cost for the new CIS. In the event that the system integrator contract costs arrived at through the CIS RFP process are less than $42 and the overall cost is therefore reduced, then parties agree that the amounts in row 3 should be changed to correspond to the lower new CIS cost;

    ii. the amounts in row 3 of the Template reflect a 35% level of deemed equity for the Company. The issue of the appropriate level of deemed equity for the Company is currently before the Board in this F2007 rate case, and there may be changes from the 35% level. Parties agree that the amounts in row 3 of the Template should be changed in the event that the Company's level of deemed equity is changed;

    iii. In the event that the Company is successful in an application to the Board for a different approach to the timing of when tax savings associated with the new CIS are reflected in revenue requirement, then corresponding changes will be made to the amounts in row 3.

4) The amounts to be inserted in boxes A9 and B9 shall be determined by the parties as the prudent and reasonable amounts for recovery from ratepayers for sums paid or forecast to be payable by the Company to ABSU for Customer Care services during the period April 1, 2007 through September 30, 2008, in accordance with the following criteria:

    a. In the event that ABSU is chosen as the new service provider for Customer Care services from and after April 1, 2007 until December 31, 2012, then the figures to be inserted in boxes A9 and B9 are zero, because there will be no need for a transition period to a new service provider;

b. In the event that a third party other than ABSU is chosen as the new service provider for Customer Care services, then there will be the need for a transition period, for a maximum of 18 months from April 1, 2007, during which ABSU will provide Customer Care services until the new service provider can be fully phased-in.

c. The Company has reached agreement with ABSU for Customer Care services to be provided, on a transition basis for 2007 and 2008 in the event that ABSU is not the successful Customer Care bidder. For settlement purposes, subject to subparagraph (d) below, the Parties agree that amounts of up to $52,263,000 for 2007 and $42,623,000 for 2008 will be included in boxes A9 and B9. These numbers represent the maximum agreed-upon level of costs that the Company may recover in rates in respect of the amounts charged by ABSU during 2007 and 2008 for Customer Care services, on a transitional basis, based on a recoverable cost of $38 per customer per year and a transition period of 18 months;

d. The Company will make best efforts to reduce the length of the transition period from 18 months, and to reduce the actual forecast costs per customer from ABSU to be less than currently forecast. In the event that the actual costs to date and updated forecast costs from ABSU at True-up Time for Customer Care services for the transition period are less than $52,263,000 for 2007 or $42,623,000 for 2008, then the numbers to be inserted in boxes A9 and B9 will be the actual costs to date and updated forecast costs at True-Up Time.

e. The amounts to be inserted in boxes C9, D9, E9 and F9 are zero because, in any event, the transition period for customer care services will not extend beyond 2008.

5) The amounts to be inserted in boxes A10 to F10 are the reasonable forecast annual costs of the new Customer Care service provider, to be determined at the True-Up Time through the results of the Customer Care procurement process. In the event that ABSU is chosen as the new service provider, it is expected that these amounts will be effective as of April 1, 2007. In the event that a third party other than ABSU is chosen as the new service provider, it is expected that these amounts will begin at some time in 2007 or 2008, because of the need for transition time and activities. The amounts to be included in these boxes are subject to review by the Consultative for prudence and reasonableness. In the event that the Intervenors and the Company do not agree, the issue of prudence and reasonableness will be determined by the Board.

6) The amounts at rows 14 and 15 represent the transition costs associated with moving from CWLP as the Customer Care service provider to a different third party service provider. The transition costs to be included in these rows, and tracked in the 2007 and 2008 Customer Care Transition Costs Variance Accounts, relate to activities that ABSU and external contractors and internal resources will undertake to transfer knowledge and services to the new service provider. This will include such tasks as training, documentation and management of the vendors through the transition.

   a. In any event, the number in boxes A14/A15 will be zero.

   b. In the event that ABSU is chosen as the new Customer Care service provider then the amounts to be inserted in boxes B14 to F14 and B15 to F15 are zero and subparagraphs 6(c) to (f) do not apply.

   c. In the event that a different third party is chosen as the new Customer Care service provider, then a total amount of $11.1 million will be included on rows 14 and 15. This total amount will be split equally between the years 2008 to 2012, in the amount of $2.22 million per year. Thus, each of boxes B14/B15, C14/C15, D14/D15, E14/E15 and F14/F15 will include the number $2.22 million.

   d. The Company will record all prudent and reasonable amounts spent for services, both internal and external, to facilitate the transition from CWLP/ABSU providing Customer Care services to a new service provider in the 2007 and 2008 Customer Care Transition Costs Variance Accounts, to a total maximum of $11.1 million. It is agreed that amounts paid for internal costs shall not include the costs of employees or other resources already included in the budget for the year and re-assigned to this transition, unless a specific new resource was acquired to backfill those other functions.

   e. Commencing in 2008, and continuing each year until 2012, the Company will expense the amount of $2.22 million for Customer Care costs, and will at the same time, deduct the same amount from the total amounts recorded in the 2007 and 2008 Customer Care Transition Costs Variance Accounts. The parties agree that, even if the outstanding balance in the 2007 and 2008 Customer Care Transition Costs Variance Accounts becomes zero before 2012, the Company is still entitled to expense and recover the amount of $2.22 million for each year until 2012. The parties further agree that no negative balances will be reflected in the 2007 and 2008 Customer Care Transition Costs Variance Accounts.

f. Parties agree that if the total amounts recorded in the 2007 and 2008 Customer Care Transition Costs Variance Accounts are less than $11.1 million as of December 31, 2008, then the difference between $11.1 million and the total amounts recorded in the 2007 and 2008 Customer Care Transition Costs Variance Accounts will be credited to ratepayers with interest in equal amounts in 2009 to 2012.

7) Row 16 will be the totals of each of the columns, to be completed when all of the above figures are determined.

8) Column G will be the totals of each of the rows, to be completed when all of the above figures are determined.

9) Box G16 will be the total of all Customer Care costs and revenue requirement forecast for the period (the "Total Customer Care Forecast").

10) Box G17, already completed, is the forecast total of annual numbers of customers during the period (the "Customer Count").

At True-Up Time, once the Template has been completed, then the Normalized 2007 Customer Care Revenue Requirement can be determined. This will be calculated by starting with the Total Customer Care Revenue Requirement for 2007 to 2012, which is the sum of boxes A16 to F16. That Total Customer Care Revenue Requirement will then be placed into an amortization model that calculates, using the IR annual adjustment that is approved for Enbridge Gas Distribution, the Normalized 2007 Customer Care Revenue Requirement which is the number that, when adjusted for IR annual adjustment for each year from 2008 through 2012, would allow the Company to fully recover the Adjusted Customer Care Revenue Requirement for 2007 to 2012.

At the same time, parties will calculate the 2007 Customer Care Revenue Requirement Variance by taking the difference between the Normalized 2007 Customer Care Revenue Requirement and the placeholder of $90.8 million. The Company will credit or debit the 2007 Customer Care Revenue Requirement Variance, as the case may be, to the 2007 Customer Care Variance Account. The balance in that account will be repaid to the ratepayers, or charged to the ratepayers, with interest, over the course of 2008 to 2012.

Attached to this Appendix A is an illustrative example of how the True-Up will be applied. For the purpose of this example, the following assumptions have been employed: (i) at row 3, the CIS cost is recovered by recognizing the tax shield benefit in the first four years, and a deemed equity level of 35% is assumed; (ii) ABSU is not awarded the Customer Care contract, so there are transition costs included at row 9; (iii) at row 10, the new CIS service provider contract cost is $60 million per year; and (iv) the

IR Annual Adjustment is 1%. The illustrative example sets out the steps that are followed, and the amortization model that is used, to derive the 2007 Customer Care Revenue Requirement Variance and the Normalized Customer Care Revenue Requirements for 2007 to 2012.

Customer Care and CIS Settlement Template

#	Category of Cost	A 2007	B 2008	C 2009	D 2010	E 2011	F 2012	G Totals
	CIS Related Categories							
1	*Old CIS Licence Fee*							
2	*Old CIS Hosting and Support*	$14,200,000	$9,800,000	$4,900,000	$0	$0	$0	$28,900,000
2a	*Incumbent (CWLP) CIS Services being provided from January to March 2007*							
3	*New CIS Capital Cost*	$0	$0	$880,000	($5,340,000)	$25,810,000	$24,860,000	$46,210,000
4	*New CIS Hosting and Support*	$0	$0	$4,350,000	$8,700,000	$8,700,000	$8,700,000	$30,450,000
5	*CIS Backoffice (EGD Staffing)*	$1,000,000	$1,030,000	$2,000,000	$2,060,000	$2,121,800	$2,185,454	$10,397,254
6	*SAP Licence Fees*	$0	$0	$1,113,500	$2,227,000	$2,227,000	$2,227,000	$7,794,500
7	*SAP Modifications*	$0	$0	$1,000,000	$1,000,000	$0	$0	$2,000,000
	Customer Care Related Categories							
8	*Incumbent (CWLP) Customer Care Services being provided from - January to March 2007*	$16,900,000	$0	$0	$0	$0	$0	$16,900,000
9	*Customer Care Transition Service Provider Contract Cost - ABSU April, 2007 to Sep 30, 2008*	Up to $52,263,000	Up to $42,623,000	$0	$0	$0	$0	$0
10	*New Service Provider Contract Cost*	TBD	TBD	TBD	TBD	TBD	TBD	$0
11	*Customer Care Licences*	$1,400,000	$1,400,000	$1,400,000	$1,400,000	$1,400,000	$1,400,000	$8,400,000
12	*Customer Care Backoffice (EGD staffing)*	$3,100,000	$3,193,000	$3,288,790	$3,387,454	$3,489,077	$3,593,750	$20,052,071
13	*Customer Care Procurement Costs*	$0	$980,000	$980,000	$980,000	$980,000	$980,000	$4,900,000
14	*Transition Costs - Consultants and ISP*	$0	$2,220,000	$2,220,000	$2,220,000	$2,220,000	$2,220,000	$11,100,000
15	*Transition Costs - EGD Staffing*							
16	**Total CIS & Customer Care**	TBD	TBD	TBD	TBD	TBD	TBD	TBD
17	*Number of Customers*	1,831,283	1,878,004	1,925,563	1,973,575	2,021,588	2,069,600	11,699,613

Customer Care and CIS Settlement Template - Example for purpose of illustrating True-Up

#	Category of Cost	A 2007	B 2008	C 2009	D 2010	E 2011	F 2012	G Totals
	CIS Related Categories							
1	*Old CIS Licence Fee*							
2	*Old CIS Hosting and Support*	$14,200,000	$9,800,000	$4,900,000	$0	$0	$0	$28,900,000
2a	*Incumbent (CWLP) CIS Services being provided from January to March 2007*							
3	*New CIS Capital Cost (Intervenor Model @ 35% Equity)*	$0	$0	$880,000	($5,340,000)	$25,810,000	$24,860,000	$46,210,000
4	*New CIS Hosting and Support*	$0	$0	$4,350,000	$8,700,000	$8,700,000	$8,700,000	$30,450,000
5	*CIS Backoffice (EGD Staffing)*	$1,000,000	$1,030,000	$2,000,000	$2,060,000	$2,121,800	$2,185,454	$10,397,254
6	*SAP Licence Fees*	$0	$0	$1,113,500	$2,227,000	$2,227,000	$2,227,000	$7,794,500
7	*SAP Modifications*	$0	$0	$1,000,000	$1,000,000	$0	$0	$2,000,000
	Customer Care Related Categories							
8	*Incumbent (CWLP) Customer Care Services being provided from - January to March 2007*	$16,900,000	$0	$0	$0	$0	$0	$16,900,000
9	*Customer Care Transition Service Provider Contract Cost - ABSU April, 2007 to Sep 30, 2008*	$52,263,530	$42,623,220	$0	$0	$0	$0	$94,886,750
10	*New Service Provider Contract Cost - (Values placed for illustrative purposes)*	$0	$24,000,000	$60,000,000	$60,000,000	$60,000,000	$60,000,000	$264,000,000
11	*Customer Care Licences*	$1,400,000	$1,400,000	$1,400,000	$1,400,000	$1,400,000	$1,400,000	$8,400,000
12	*Customer Care Backoffice (EGD staffing)*	$3,100,000	$3,193,000	$3,288,790	$3,387,454	$3,489,077	$3,593,750	$20,052,071
13	*Customer Care Procurement Costs*	$0	$960,000	$980,000	$980,000	$980,000	$980,000	$4,900,000
14	*Transition Costs - Consultants and ISP*	$0	$2,220,000	$2,220,000	$2,220,000	$2,220,000	$2,220,000	$11,100,000
15	*Transition Costs - EGD Staffing*							
16	**Total CIS & Customer Care**	$88,863,530	$85,246,220	$82,132,290	$76,634,454	$106,947,877	$106,166,204	$545,990,575
17	*Number of Customers*	1,831,283	1,878,004	1,925,563	1,973,575	2,021,588	2,069,600	11,699,613

#	True-Up Process Step	A	B	C	D	E	F	G
18	*The Normalized 2007 Customer Care Revenue Requirement can be determined. This will be calculated by starting with the Total Customer Care Revenue Requirement for 2007 to 2012, which is the amount in box G16*	$545,990,575						
19	*That Total Customer Care Revenue Requirement will then be placed into an amortization model that calculates, using the IR annual adjustment that is approved for Enbridge Gas Distribution, the Normalized 2007 Customer Care Revenue Requirement which is the number that, when adjusted for IR annual adjustment for each year from 2008 through 2012, will allow the Company to fully recover the Total Customer Care Revenue Requirement for 2007 to 2012*	$88,749,876.15						
20	*The Normalized 2007 Customer Care Revenue Requirement will then be compared to the 2007 placeholder of $90.8 million, and the difference will be the 2007 Customer Care Revenue Requirement Variance.*	($2,050,124)						
21	*The Company will credit or debit the 2007 Customer Care Revenue Requirement Variance, as the case may be, to the 2007 Customer Care Variance Account. The balance in that account will be repaid to the ratepayers, or charged to the ratepayers, with interest, over the course of 2008 to 2012.*		($410,025)	($410,025)	($410,025)	($410,025)	($410,025)	
22	*The Normalized 2008 Customer Care Revenue Requirement will be the Normalized 2007 Customer Care Revenue Requirement, plus or minus the IR annual adjustment that is approved for Enbridge Gas Distribution.*		$89,637,375	$90,533,749	$91,439,086	$92,353,477	$93,277,012	
23	***Total Customer Care Revenue By Year (Including repayment of 2007 variance)***	$ 90,800,000	$ 89,227,350	$ 90,123,724	$ 91,029,061	$ 91,943,452	$ 92,866,987	$ 545,990,575
24	*Normalized Customer Care Revenue Requirement Per Customer without Bad Debt*	$ 49.58	$ 47.51	$ 46.80	$ 46.12	$ 45.48	$ 44.87	
25	*IR Annual Adjustment*	*1%*						

Appendix B

Utility Owned CIS System
10 Year Life
Ontario Utility Capital Structure
65% Incremental Long Term Debt / 35% Equity

Line No.		Col. 1 Component	Col. 2 Indicated Cost Rate	Col. 3 Return Component	Col. 4 (4 dec.) Return Component
		%	%	%	%
1.	Long-term debt	65.00	5.35	3.48	3.4775
2.	Short-term debt	0.00	0.00	0.00	0.0000
3.		65.00		3.48	3.4775
4.	Preference shares	0.00	0.00	0.00	0.0000
5.	Common equity	35.00	8.39	2.94	2.9365
6.		100.00		6.42	6.4140

	($Millions)	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
7.	Ontario Utility Income ($M)	6.69	9.89	(10.77)	(10.92)	(11.07)	(11.22)	(11.37)	(11.52)	(11.67)	(11.81)
8.	Rate base ($M)	112.98	101.09	89.20	77.31	65.42	53.52	41.63	29.74	17.85	5.96
9.	Indicated rate of return %	5.921 %	9.783 %	(12.074)%	(14.125)%	(16.921)%	(20.963)%	(27.311)%	(38.734)%	(65.372)%	(198.101)%
10.	(Deficiency) in rate of return %	(0.493)%	3.369 %	(18.488)%	(20.539)%	(23.335)%	(27.377)%	(33.725)%	(45.148)%	(71.786)%	(204.515)%
11.	Net (deficiency) ($M)	(0.56)	3.41	(16.49)	(15.88)	(15.27)	(14.65)	(14.04)	(13.43)	(12.81)	(12.19)
12.	Gross (deficiency) ($M)	(0.88)	5.34	(25.81)	(24.86)	(23.90)	(22.93)	(21.98)	(21.02)	(20.05)	(19.08)

Appendix B

Utility Owned CIS System
10 Year Life
Ontario Utility Rate Base

($Millions)

Line No.		2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
	Property, plant, and equipment										
1.	Cost or redetermined value	118.93	118.93	118.93	118.93	118.93	118.93	118.93	118.93	118.93	118.93
2.	Accumulated depreciation	(5.95)	(17.84)	(29.73)	(41.62)	(53.51)	(65.41)	(77.30)	(89.19)	(101.08)	(112.97)
3.	Net Property, plant, and equipment	112.98	101.09	89.20	77.31	65.42	53.52	41.63	29.74	17.85	5.96
	Allowance for working capital										
4.	Accounts receivable merchandise finance plan	-	-	-	-	-	-	-	-	-	-
5.	Accounts receivable rebillable projects	-	-	-	-	-	-	-	-	-	-
6.	Materials and supplies	-	-	-	-	-	-	-	-	-	-
7.	Mortgages receivable	-	-	-	-	-	-	-	-	-	-
8.	Customer security deposits	-	-	-	-	-	-	-	-	-	-
9.	Prepaid expenses	-	-	-	-	-	-	-	-	-	-
10.	Gas in storage	-	-	-	-	-	-	-	-	-	-
11.	Working cash allowance	-	-	-	-	-	-	-	-	-	-
12.		-	-	-	-	-	-	-	-	-	-
13.	Ontario utility rate base	112.98	101.09	89.20	77.31	65.42	53.52	41.63	29.74	17.85	5.96

Appendix B

**Utility Owned CIS System
10 Year Life
Ontario Utility Income**

($Millions)

Line No.		2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
	Revenue										
1.	Gas sales	-	-	-	-	-	-	-	-	-	-
2.	Transportation of gas	-	-	-	-	-	-	-	-	-	-
3.	Transmission and compression	-	-	-	-	-	-	-	-	-	-
4.	Storage service	-	-	-	-	-	-	-	-	-	-
5.	Other operating revenue	-	-	-	-	-	-	-	-	-	-
6.	Interest and property rental	-	-	-	-	-	-	-	-	-	-
7.	Other income	-	-	-	-	-	-	-	-	-	-
8.	Total revenue	-	-	-	-	-	-	-	-	-	-
	Costs and expenses										
9.	CIS -selection procurement cost	5.10	-	-	-	-	-	-	-	-	-
10.	Operation and maintenance	-	-	-	-	-	-	-	-	-	-
11.	Depreciation and amortization	11.89	11.89	11.89	11.89	11.89	11.89	11.89	11.89	11.89	11.89
12.	Provincial capital taxes	0.16	-	-	-	-	-	-	-	-	-
13.	Total costs and expenses	17.15	11.89	11.89	11.89	11.89	11.89	11.89	11.89	11.89	11.89
14.	**Utility income before inc. taxes**	(17.15)	(11.89)	(11.89)	(11.89)	(11.89)	(11.89)	(11.89)	(11.89)	(11.89)	(11.89)
	Income taxes										
15.	Excluding interest shield	(22.42)	(20.51)	-	-	-	-	-	-	-	-
16.	Tax shield on interest expense	(1.42)	(1.27)	(1.12)	(0.97)	(0.82)	(0.67)	(0.52)	(0.37)	(0.22)	(0.08)
17.	Total income taxes	(23.84)	(21.78)	(1.12)	(0.97)	(0.82)	(0.67)	(0.52)	(0.37)	(0.22)	(0.08)
18.	**Ontario utility net income**	6.69	9.89	(10.77)	(10.92)	(11.07)	(11.22)	(11.37)	(11.52)	(11.67)	(11.81)

Appendix B

Utility Owned CIS System
10 Year Life
Ontario Utility Taxable Income and Income Tax Expense

($Millions)

Line No.		2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
1.	Utility income before income taxes	(17.15)	(11.89)	(11.89)	(11.89)	(11.89)	(11.89)	(11.89)	(11.89)	(11.89)	(11.89)
	Add Backs										
2.	Depreciation and amortization	11.89	11.89	11.89	11.89	11.89	11.89	11.89	11.89	11.89	11.89
3.	Large corporation tax	-	-	-	-	-	-	-	-	-	-
4.	Other non-deductible items	-	-	-	-	-	-	-	-	-	-
5.	Any other add back(s)	-	-	-	-	-	-	-	-	-	-
6.	Total added back	11.89	11.89	11.89	11.89	11.89	11.89	11.89	11.89	11.89	11.89
7.	Sub total - pre-tax income plus add backs	(5.26)	-	-	-	-	-	-	-	-	-
	Deductions										
8.	Capital cost allowance - Federal	56.80	56.80	-	-	-	-	-	-	-	-
9.	Capital cost allowance - Provincial	56.80	56.80	-	-	-	-	-	-	-	-
10.	Items capitalized for regulatory purposes	-	-	-	-	-	-	-	-	-	-
11.	Deduction for "grossed up" Part V1.1 tax	-	-	-	-	-	-	-	-	-	-
12.	Amortization of share and debt issue expense	-	-	-	-	-	-	-	-	-	-
13.	Amortization of cumulative eligible capital	-	-	-	-	-	-	-	-	-	-
14.	Amortization of C.D.E. & C.O.G.P.E.	-	-	-	-	-	-	-	-	-	-
15.	Any other deduction(s)	-	-	-	-	-	-	-	-	-	-
16.	Total Deductions - Federal	56.80	56.80	-	-	-	-	-	-	-	-
17.	Total Deductions - Provincial	56.80	56.80	-	-	-	-	-	-	-	-
18.	Taxable income - Federal	(62.06)	(56.80)	-	-	-	-	-	-	-	-
19.	Taxable income - Provincial	(62.06)	(56.80)	-	-	-	-	-	-	-	-
20.	Income tax provision - Federal @ 22.12 %	(13.73)	(12.56)	-	-	-	-	-	-	-	-
21.	Income tax provision - Provincial @ 14.00 %	(8.69)	(7.95)	-	-	-	-	-	-	-	-
22.	Income tax provision - combined	(22.42)	(20.51)	-	-	-	-	-	-	-	-
23.	Part V1.1 tax	-	-	-	-	-	-	-	-	-	-
24.	Investment tax credit	-	-	-	-	-	-	-	-	-	-
25.	Total taxes excluding tax shield on interest expense	(22.42)	(20.51)	-	-	-	-	-	-	-	-
	Tax shield on interest expense										
26.	Rate base as adjusted	112.98	101.09	89.20	77.31	65.42	53.52	41.63	29.74	17.85	5.96
27.	Return component of debt	3.4775%	3.4775%	3.4775%	3.4775%	3.4775%	3.4775%	3.4775%	3.4775%	3.4775%	3.4775%
28.	Interest expense	3.93	3.52	3.10	2.69	2.28	1.86	1.45	1.03	0.62	0.21
29.	Combined tax rate	0.3612	0.3612	0.3612	0.3612	0.3612	0.3612	0.3612	0.3612	0.3612	0.3612
30.	Income tax credit	(1.42)	(1.27)	(1.12)	(0.97)	(0.82)	(0.67)	(0.52)	(0.37)	(0.22)	(0.08)
31.	**Total income taxes**	(23.84)	(21.78)	(1.12)	(0.97)	(0.82)	(0.67)	(0.52)	(0.37)	(0.22)	(0.08)

Appendix B

Utility Owned CIS System
10 Year Life
Ontario Utility Revenue Requirement

Line No.	($Millions)	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
	Cost of capital										
1.	Rate base	112.98	101.09	89.20	77.31	65.42	53.52	41.63	29.74	17.85	5.96
2.	Required rate of return	6.4140%	6.4140%	6.4140%	6.4140%	6.4140%	6.4140%	6.4140%	6.4140%	6.4140%	6.4140%
3.	Cost of capital	7.25	6.48	5.72	4.96	4.20	3.43	2.67	1.91	1.15	0.38
	Cost of service										
4.	CIS -selection procurement cost	5.10	-	-	-	-	-	-	-	-	-
5.	Operation and maintenance	-	-	-	-	-	-	-	-	-	-
6.	Depreciation and amortization	11.89	11.89	11.89	11.89	11.89	11.89	11.89	11.89	11.89	11.89
7.	Municipal and other taxes	0.16	-	-	-	-	-	-	-	-	-
8.	Cost of service	17.15	11.89	11.89	11.89	11.89	11.89	11.89	11.89	11.89	11.89
	Misc. & Non-Op. Rev										
9.	Other operating revenue	-	-	-	-	-	-	-	-	-	-
10.	Other income	-	-	-	-	-	-	-	-	-	-
11.	Misc, & Non-operating Rev.	-	-	-	-	-	-	-	-	-	-
	Income taxes on earnings										
12.	Excluding tax shield	(22.42)	(20.51)	-	-	-	-	-	-	-	-
13.	Tax shield provided by interest expens	(1.42)	(1.27)	(1.12)	(0.97)	(0.82)	(0.67)	(0.52)	(0.37)	(0.22)	(0.08)
14.	Income taxes on earnings	(23.84)	(21.78)	(1.12)	(0.97)	(0.82)	(0.67)	(0.52)	(0.37)	(0.22)	(0.08)
	Taxes on deficiency										
15.	Gross deficiency	(0.88)	5.34	(25.81)	(24.86)	(23.90)	(22.93)	(21.98)	(21.02)	(20.05)	(19.08)
16.	Net deficiency	(0.56)	3.41	(16.49)	(15.88)	(15.27)	(14.65)	(14.04)	(13.43)	(12.81)	(12.19)
17.	Taxes on deficiency	0.32	(1.93)	9.32	8.98	8.63	8.28	7.94	7.59	7.24	6.89
18.	**Revenue requirement**	0.88	(5.34)	25.81	24.86	23.90	22.93	21.98	21.02	20.06	19.08
	Revenue at existing Rates										
19.	Gas sales	-	-	-	-	-	-	-	-	-	-
20.	Transportation service	-	-	-	-	-	-	-	-	-	-
21.	Transmission, compression and storag	-	-	-	-	-	-	-	-	-	-
22.	Rounding adjustment	-	-	-	-	-	-	-	-	-	-
23.	Revenue at existing rates	-	-	-	-	-	-	-	-	-	-
24.	**Gross revenue deficiency**	(0.88)	5.34	(25.81)	(24.86)	(23.90)	(22.93)	(21.98)	(21.02)	(20.06)	(19.08)

BOARD STAFF INTERROGATORY #34

INTERROGATORY

Ref: Covering letter from Aird & Berlis dated June 20, 2011 page 2, para. 4

Please file the relevant excerpts from the transcript where the 2007 Customer Care and CIS Settlement Proposal was presented to, and approved by, the Board.

RESPONSE

Please refer to pages 82 to 85 of the attached; EB-2006-0034 Transcript Volume 15 dated March 22, 2007, for the Ontario Energy Board's approval of the 2007 Customer Care and CIS Settlement Proposal. The presentation of the Settlement Proposal is set out at pages 11 to 82 of the transcript.

Witness: R. Bourke

Ontario

ONTARIO ENERGY BOARD

FILE NO.:	**EB-2006-0034**	
VOLUME:	**15**	
DATE:	**March 22, 2007**	
BEFORE:	**Gordon Kaiser**	**Presiding Member and Vice Chair**
	Paul Vlahos	**Member**
	Ken Quesnelle	**Member**

THE ONTARIO ENERGY BOARD

IN THE MATTER OF the Ontario Energy Board Act, 1998, S.O.1998, c.15, Schedule B;

AND IN THE MATTER OF an Application by Enbridge Gas Distribution Inc. for an order or orders approving or fixing just and reasonable rates and other charges for the sale, distribution, transmission and storage of gas commencing January 1, 2007.

Hearing held at 2300 Yonge Street, 25th Floor,
Toronto, Ontario, on Thursday,
March 22, 2007, commencing at 9:42 a.m.

Volume 15

B E F O R E:

GORDON KAISER	PRESIDING MEMBER and VICE CHAIR
PAUL VLAHOS	MEMBER
KEN QUESNELLE	MEMBER

A P P E A R A N C E S

MICHAEL MILLAR	Board Counsel
FRED CASS DENNIS O'LEARY DAVID STEVENS	Enbridge Gas Distribution Inc.
PETER THOMPSON	Industrial Gas Users Association
MICHAEL BUONAGURO	Vulnerable Energy Consumers Coalition
JAY SHEPHERD	School Energy Coalition
DAVID MATTHEWS	Direct Energy
MARGARET SIMS	CWLP
DAVID MacINTOSH	Energy Probe Research Foundation

I N D E X   O F   P R O C E E D I N G S

E X H I B I T S

U N D E R T A K I N G S

Description	Page No.

NO UNDERTAKINGS WERE ENTERED DURING THIS HEARING

Thursday, March 22, 2007

--- Upon commencing at 9:42 a.m.

MR. KAISER: Please be seated.

Mr. Cass, we have a settlement agreement?

MR. CASS: We do, Mr. Chair.

PRELIMINARY MATTERS:

MR. CASS: Before we come to that, I wonder if I might raise two preliminary matters.

The first would have to do with the order of how we deal with things today, and perhaps I will leave that aside, to address the other matter.

The second preliminary matter is just the marking as an exhibit of some new evidence. There was a letter written to the Board by Mr. Stevens on March 21st - I guess that was yesterday – with, I believe, four schedules attached, providing information that had been requested by intervenors. And I think it would be appropriate to get that on the record in the case by marking it as an exhibit.

MR. MILLAR: Mr. Cass, that is the letter dated March 21st, 2007?

MR. CASS: Correct.

MR. MILLAR: That will be Exhibit K15.1.

EXHIBIT NO. K15.1: LETTER DATED 21 MARCH 2007 WRITTEN TO THE BOARD BY MR. STEVENS, WITH FOUR SCHEDULES ATTACHED, PROVIDING INFORMATION THAT HAD BEEN REQUESTED BY INTERVENORS

MR. CASS: The second preliminary matter that I referred to, Mr. Chair, would be the order of how we deal with things today.

We do have, as you have pointed out, a settlement proposal to address in respect of customer care services and CIS. There is also the matter relating to corporate cost allocations.

I think it's the expectation that the second of those two, the corporate cost allocations matter, will take up considerably less time. For that reason, the Board might want to hear that first and get that dealt with, but of course it is up to the Board.

MR. KAISER: That's fine.

MR. CASS: Mr. O'Leary will address that on behalf of the company.

MR. KAISER: Mr. O'Leary.

SUBMISSIONS BY MR. O'LEARY:

MR. O'LEARY: Thank you, Mr. Chair. Good morning.

I am not here to tell you that there is a settlement agreement in respect of the RCAM methodology and as a result of the effort of the consultative, but I do not wish that to imply that there has not been a lot of work and a lot of progress on the issue.

Yesterday there was some additional evidence filed that gave an update and summary of the steps that have been undertaken over the last short while, and I thought, briefly, leading up to what we are going to propose, it might be helpful to give you a brief chronology.

Last year in the 2006 rate case, EB 2005-0001, the Board required the company to undertake certain refinements to the RCAM methodology and to undertake with intervenors an independent evaluation. It is the company's view that it has complied with those directives of last year, and yesterday filed at Exhibit D1, tab 3, schedule 2 an update and summary of the chronology of events and the work that has been completed.

Briefly, this included the establishment of an intervenor steering committee, and on that committee, representation of intervenors was established by VECC and IGUA, and they retained a consultant, an expert consultant, Rosen & Associates, to assist them in their participation in this process.

The company with intervenors undertook an RFP, a request for proposals, to look for an independent consultant, as required by the Board in last year's decision, and ultimately Morris Norris Penny -- sorry, Myers Norris Penny – my apologies -- MNP was selected as the independent consultant.

MNP undertook its review and after much time and effort produced a draft report. This draft report was the subject of extensive feedback from intervenors, requiring further revisions, compilation of additional supporting analysis and ultimately preparation of the final report.

Earlier on, as also required by the Board panel last year, the company implemented certain refinements to the RCAM, and these were also the subject of review by MNP.

So the question is: Where are we today? Again, I reiterate that the company believes that it has fully complied with the Board's directives from the 2006 rate case decision, and that the RCAM is final and complete.

You will recall that the MNP recommendations produced, they generated a corporate cost allocation amount of 18.1 million and that is the number that's been included in the settlement proposal.

And that has been accepted by the Board here.

The company understands that certain intervenors wish to raise several issues about the RCAM methodology, and they would do this through their expert, Rosen & Associates, by the preparation of a report which would articulate their remaining issues with the methodology.

At this time, the company does not know specifically what the issues are, the extent of the issues, and the details of the concerns that will be spelled out by Mr. Rosen in his report. So we are not in a position, today, sir, to say whether these are issues that should or should not be dealt with by this panel in this proceeding.

It may well be that the company would agree that there is an issue that should be dealt with by the panel, but it could also be that the company would view these issues, as articulated in the Rosen report, as really being a relitigation of matters that have been considered and already adjudicated by prior panels.

And thus we may require your assistance on a future date. I am not saying this will happen, but it is certainly a possibility.

As a result, it is our proposal today - and I believe that we have the support of intervenors - that we ask for some reasonable amount of further time to allow intervenors to proceed and task Mr. Rosen to complete his report, and then to allow the company to respond, if necessary, to that report. It may be necessary to engage MNP or perhaps even another expert to respond to that report.

And obviously, sir, this means that this issue is not ripe for proceeding with a hearing tomorrow, which we understand was being contemplated, given an e-mail that was sent around by Mr. Millar yesterday.

There are a number of reasons why the company believes that it is important that we finally come to the end of the review of the RCAM methodology, which, as you know, has been ongoing for several years, not least of which is knowing with certainty that with an approved RCAM the company will be in compliance with the Affiliate Relationships Code.

As well, it's appropriate to finally settle RCAM so that we have a methodology which will be in operation for the next five years during the incentive regulation regime.

So what the company, I believe, intervenors in support are proposing today for your consideration is a timetable going forward - if I can call it, a phase two of this proceeding - as I believe Mr. DeRose indicated to you in a question from yourself, Mr. Kaiser, several weeks ago as to whether or not any of the lingering issues have any rate impacts. The answer is: No, that a final rate order could be made in phase one of the main rate case, and we could proceed with the phase two to finally resolve the RCAM issues. But there is some additional time that's needed by intervenors and by the company to respond.

There is always the possibility you will see in the timetable that we are going to propose that there is -- it's contemplated that there will be an ADR process and, therefore, we may ultimately reach settlement on these final lingering issues, but it's something that we will need some additional time to deal with.

So rather than go right into the timetable - it was circulated yesterday and I have received comments from some, but not all, intervenors, none of which are unfavourable - I could either proceed to give you the list of dates that we are proposing or to suggest that any intervenors that wish to speak to the matter could be heard at this time.

MR. KAISER: All right. Let's hear from the intervenors.

Mr. Thompson.

SUBMISSIONS BY MR. THOMPSON:

MR. THOMPSON: Thank you, Mr. Chairman.

My partner, Mr. DeRose, has really had carriage of this, so my knowledge of it is somewhat superficial. I believe Mr. Buonaguro is more familiar with the background, but perhaps I could just say this, on behalf of my client, IGUA. My understanding is that this evidence that Mr. O'Leary has referred to was just delivered a couple of days ago. The letter that I have is dated March 21st, so

Filed: 2011-08-16
EB-2011-0226
Exhibit I
Tab 1
Schedule 34
Attachment

maybe it is one day ago. And so we support his observation that the matter is not ripe for the proceeding going forward tomorrow. There does need to be a completion of a process that will allow the matter to be ripened, if I can put it that way.

I take his point, that this matter should be susceptible to resolution, and so the proposal to have an ADR process makes a lot of sense to me. I agree it has no rate impact, but one of the concerns of my client is the susceptibility of this RCAM methodology to increase beyond a normal percentage increase that would apply in incentive regulation. And so that is one of the topics that we will obviously be interested in as this unfolds.

Apart from that, I am not intimately familiar with the work that Mr. Rosen has done and where that stands and what details have been provided to the company, in terms of the concerns of the intervenor group. And I think Mr. Buonaguro could speak to that.

MR. KAISER: Mr. Buonaguro?

MR. BUONAGURO: Thank you, Mr. Chair.

SUBMISSIONS BY MR. BUONAGURO:

MR. BUONAGURO: The final MNP report, I believe, was only filed a few weeks ago, and in terms of proceeding in the hearing, there's been no opportunity for interrogatories on that particular document. And subsequently our expert, Mr. Rosen & Associates, would have to file a report in response.

So these are all part of the procedural matters that

Mr. O'Leary has worked out a schedule with, in coordination with both VECC and IGUA, and submitted to the rest of the group.

Just one thing I would like to point out, or maybe a couple of things: Mr. O'Leary mentioned that the 18.1 is the number produced by the report, and that was included as part of the settlement proposal. I would point out that that was, in fact, part of a settlement proposal globally and that specifically the rights with respect to challenging the methodology that reached that number were reserved as part of the settlement proposal.

So I don't think you should take too much from the fact that 18.1 is the number for 2007. We have agreed to that as part of the settlement proposal, but we do have issues with the specific methodology, which may reduce -- if we were successful in raising those points before the Board, the number would have been different.

We're not suggesting that there would be any impact on 2007, but there are outstanding methodological issues that are being brought forward.

MR. KAISER: But just to clarify, even if the methodology does change, you're not going to change your position on the 18.1.

MR. BUONAGURO: No, no, no, that was part of the settlement. 2007 is settled. It's on a go-forward basis that it may have been --

MR. KAISER: As Mr. O'Leary suggests, we can consider this in a phase-two sense and issue a decision with respect to the rate case and the rates, set rates.

MR. BUONAGURO: Yes, yes.

MR. KAISER: 2007.

MR. BUONAGURO: The only other thing I would point out is that part of the consultative process contemplated -- and it is in the statement of principles a phase where the consultative would negotiate, once the final report was out, any differences.

Because of the timing of the final report just a few weeks ago, and presumably other matters, that part of the phase we don't feel, in any event, that that has been completed or done in any rigorous way. We would hope that that would continue and that could limit the scope of the issues, assuming there is no final settlement that would go to the Board.

And also, part of the timetable, I think, as Mr. O'Leary pointed out, is a settlement conference, which may further reduce or eliminate the need to actually have a hearing.

But the consultative has been working, but because of various factors, that part of the phase is never completed or undertaken, so hopefully it goes in parallel.

MR. KAISER: Thank you.

Mr. Shepherd, anything on this?

SUBMISSIONS BY MR. SHEPHERD:

MR. SHEPHERD: Mr. Chairman, the only comment I would add is: Because this has no rate implications for 2007, I think the deadline for this decision is really the Gas IRM decision, so you do have time to have -- to allow this to unfold in the fullness of time and perhaps get a settlement where otherwise you might not.

MR. KAISER: All right.

Mr. Matthews?

SUBMISSIONS BY MR. MATTHEWS:

MR. MATTHEWS: With respect to the timing on this, first of all, Direct supports the consultative's efforts to seek an expedient resolution of this.

And with respect to timing, though, there are some matters that are coming up that are in the Board's business plan - for example, the cost allocation for system gas - that may be impacted by a methodology decision from -- if it becomes an accepted practice.

So we would like to see that thing -- like, see this process move along expeditiously to accommodate that.

MR. KAISER: Well, I think we all agree with that; we would like to move it along. It does seem to make sense to do it in a phase-two aspect, as you have indicated.

Perhaps the best thing is to let counsel see if they can agree on the schedule themselves, and then if you can make some kind of joint submission, then we will put it into a procedural order and set up the process for phase two.

MR. O'LEARY: Well, thanks, sir. We would agree with that and support a timetable being included in a procedural order.

The only thing I would add is that, given the timetable for argument, I believe it is fair to say that intervenors are engaged up until the 30th in the preparation of their argument on the main rate-case part of this proceeding, and then the company witnesses and its counsel would be engaged up until the 13th on its reply.

So we respect a little indulgence, in terms of at least the next short while, but may I suggest that I speak with other counsel and then ultimately provide to Mr. Millar a copy of the timetable for the Board's consideration, and if you need to call us back to speak to it, we would be happy to do that.

MR. KAISER: Let's proceed on that basis. That makes sense.

MR. O'LEARY: Thank you, sir.

MR. MILLAR: Mr. Chair, if I may, just to direct one question to Mr. O'Leary. I'm 99 percent certain we have the answer to this question, but could you please - or Mr. Shepherd - confirm for me that, whatever the outcome of this process, it would have no impact on a final rate order for 2007 rates?

MR. O'LEARY: Yes.

MR. MILLAR: So we wouldn't have to do an interim rate order or anything like that.

MR. O'LEARY: No.

MR. MILLAR: It would be a final order. Thank you.

MR. KAISER: Mr. Cass, what's next?

SUBMISSIONS BY MR. CASS:

MR. CASS: I think, Mr. Chair, if the Board sees fit, we can move to the settlement agreement that's been filed with the Board on customer care services and CIS.

MR. KAISER: All right. Do you want to take us through this?

MR. CASS: Yes, that is my intention, Mr. Chair.

I should, at the outset, make a couple of comments in that regard.

As the Board would appreciate from having read this document, a lot of thought and a lot of effort from many people has gone into the creation of the document and, in fact, the finalization of the settlement. It would be the easiest thing in the world, I think, for me to misstate something as I go through this.

I am going to be as careful as I can and try to explain to the Board how the pieces fit together, but I hope that everyone will bear with me, because it is a document that reflects a lot of thought by many different people.

The second thing that I wanted to say before I get started, Mr. Chair, is I know the Board will have questions. Some of the answers may become apparent as I attempt to explain how the pieces fit together.

Also, on certain questions, on many questions, there may well be other counsel in the room who are better positioned to answer the questions than me.

So my suggestion is, if it suits the Board, that I try to take you through it as much as I can, in terms of explaining how the pieces fit together and, if possible, that the questions follow later. Again, it may be other counsel who answer many of the questions, rather than me.

Having said those two things, Mr. Chair, I would start out by pointing out to the Board something that I think is probably obvious to everyone, but it is very critical to this settlement document.

There are two important events that are occurring for Enbridge Gas Distribution at this time. The first of those two is the acquisition of a new customer information system. The second is entering into a new contract for customer care services. Much work has occurred and is continuing to occur on both of those activities.

I want to point out to the Board that, in fact, with respect to those activities, there are contractual decisions that are imminent, and for that reason, as I will come to later and expand upon, the company would be very appreciative of whatever the Board is able to do, in terms of making its decision on this settlement proposal at the earliest possible opportunity.

Again, I will come back to that, but there are very important contractual decisions that are imminent at this point in time.

Now, with respect to the two areas that I have referred to, the new customer information system, in particular, was something that was addressed in the Board's 2006 decision for Enbridge Gas Distribution's rates.

Specifically, in the 2006 decision, the Board accepted that a new CIS is required. For your reference, you would be able to find that at paragraph 8.3.1 of the 2006 decision.

However, in that connection, the Board stated a couple of preferences that have real bearing on where matters stand now in relation to customer care services. First, the Board very clearly stated its preference for competitive tendering. That is at paragraph 8.5.5 of the 2006 decision.

Furthermore, in the context of that preference for competitive tendering, the Board may -- indicated its view that the tender should be a direct one by Enbridge Gas Distribution. The reference for that is paragraph 8.5.6 and following in the 2006 decision.

What has happened as a result of this guidance provided in the 2006 decision is that the company has, in fact, proceeded with a direct tendering process for a new customer information system.

Again, the second important event that I referred to that is in process now, is the finalization of a new contract for customer care services.

Also, in accordance with the Board's stated preference, the company has proceeded with a direct competitive tender process for customer care services. That also is something that's been underway for some time and continues to be in progress.

However, as noted in the 2006 decision - that was at paragraph 7.1.6 - the company's contract with its existing provider of customer care services, that being

CustomerWorks Limited Partnership, expired on December 31st, 2006.

It was not possible to complete the tendering process for customer care services by January 1 of this year. The company made arrangements with CWLP for customer care services to be provided beyond December 31, 2006, and ultimately arrangements were made that those services would be provided directly by Accenture, after March of this year.

Now, against that background, I think a very important point that I need to bring out is that the company's efforts to acquire a new CIS and to enter into a new contract for customer care services give rise to a number of different costs or potential costs.

The best way to see this is if we jump way ahead in the settlement document to a template that is at page 24. I will later be discussing the purpose of this template and elaborating more on how it works.

At this point, my intention is not to get into the workings of the template at all but merely to bring out to the Board some of the cost categories that arise as a result of what is happening by way of competitive tenders for both CIS and customer care services.

So looking, just generally again, at the categories shown on page 24 of 30 in the supplementary settlement proposal, you will see that they have been broken down into CIS-related categories and categories related directly to customer care services.

Down the left hand column of this template, you will see a breakdown of various cost categories.

At row 1, for example – actually, I should say rows 1, 2, and 2a - you will see a series of categories that relate to the old CIS system, and you will be able to see that those categories continue until 2009, when it is expected that the old CIS system would be retired. I shouldn't be saying “CIS system”; the old CIS would be retired and the new CIS would become operational.

Then in row 3, you start to see in 2009 some of the financial impacts of the new CIS.

Carrying on down, there are a series of other categories related to the new CIS, and I will come back to discuss these when we come to the true-up -- so-called True-Up Rules in the settlement document. But you can see those listed in rows 1 to 7.

Then there is a series of categories of costs related to -- directly to customer care services.

At row 8, the Board will be able to see the impact of what I just discussed with respect to CWLP; the incumbent, CWLP, will cease providing services as of the end of March, so the costs at row 8 are only costs for January to March of 2007 and appear only in column A under the year 2007.

Then there are certain transition costs referred to at row 9. I will come back to discuss transition -- those transition costs and other transition costs in greater detail later.

The points that I would like to make as a result of bringing the Board to this template at this time are as follows:

First, there are a number of categories of costs, as you will see, that have been subject of substantial discussion by the consultative.

Second, as the Board will see, these costs fall into categories such that attempting to resolve any of them on an isolated sort of basis would, I think it is obvious, be very difficult.

The approach taken in this settlement document and in the settlement is to be comprehensive in the approach to the resolution of these financial impacts.

My suggestion to the Board is that any other approach that is less comprehensive and that attempts to look at costs in an isolated fashion would be a very difficult way to proceed and certainly not the preferable way to proceed.

The other thing that can be seen about these costs, as you just look generally at the template, is that they fall differently and have different effects in different periods. I have referred, for example, to the old CIS, which has financial impacts only up to 2009. I have referred to the new CIS, which starts to have financial impacts in 2009.

The Board can see similar things under the customer care service categories with respect to the incumbent, CWLP, which only has impacts in 2007; transition costs, if they occur, only have impacts in certain years.

Again, the point here is that a year-by-year attempt to come to grips with these costs would be very difficult and, again, I suggest to the Board, would not result in the best settlement, because of the way they fall into different years and have different effects.

So the other thing that the Board would have seen in this settlement proposal that is very important is an attempt to look out over a period up till 2012 and to come up with something that I would loosely call a smoothing approach, over those years.

These are some of the points about the costs that are addressed in the settlement proposal that I wanted to bring out to the Board at the outset by reference to this template.

The other point I have referred to is that these costs have been the subject of substantial discussion by the consultative. The Board would be aware that the company convened a consultative process in respect of customer care services and CIS matters a number of months ago. This consultative has had strong intervenor representation, in particular representation of ratepayer groups through CCC, IGUA and Schools, SEC.

The ratepayer groups have had independent expert advice for the purposes of the consultative. One of the independent experts who advised the intervenors during the consultative process was Mario Bauer, formerly of Bearing Point and now of TMG Consulting Inc.

Mario Bauer’s prefiled evidence has been submitted to the Board. I believe it is Exhibit L2. It describes a number of things, including the work of the consultative, the progress of the bid process for the new CIS, and the progress of the bid process for a new customer care services contract.

Now, because of these ongoing bid processes, and for other reasons, there are certain areas where information is not currently available that otherwise would have some relevance to the Board's consideration of customer care and CIS costs.

One obvious area of information that is yet to come is the outcome of the bid process for a new customer care services contract.

The parties to the settlement proposal have attempted to deal with this by reaching a resolution of both customer care and CIS issues that takes account of the fact that further information will become available later.

The consultative was able to reach a settlement that is as comprehensive as is possible in the circumstances, and that deals, through the True-Up Rules and the template - which again I will come to later - with the cost categories that we saw when we looked at the template a few moments ago.

Now, to come to this settlement document itself in more particular, I would ask the Board then to start at page 4.

MR. VLAHOS: Sorry, Mr. Cass, could you just confirm before you leave this table: This template that -- the numbers we see here, although they may be under the category of capital costs - I am looking at row 3 - what do those numbers represent there? They're revenue requirement impacts. Could you confirm that?

MR. CASS: Yes, sir, yes.

MR. VLAHOS: All right. Thank you.

MR. CASS: Mr. Chair, I have just been alerted to the fact that there may be some difficulty with the broadcast of this hearing being disseminated.

I see the "on air" button is flashing as normal. I don't know whether anything should be done about that at this point in time or not.

MR. KAISER: Let's take a quick break and find out what the situation is, because probably some of your people are relying on this.

MR. CASS: Thank you, sir.

MR. MILLAR: In fact, someone is checking on it right now, Mr. Chair, but perhaps it is prudent to take a break and let them resolve the issue.

MR. KAISER: Let's take a 15-minute break at this time.

--- Recess taken at 10:15 a.m.

--- Upon resuming at 10:35 a.m.

MR. KAISER: Please be seated.

Mr. Cass we apologize for the interruption.

MR. CASS: Thank you, sir.

Before that break, I was referring to the fact that there is additional information relevant to customer care costs and a new CIS system that will become available later, and I had mentioned page 4 of the supplementary settlement proposal in that regard.

Towards the bottom of page 4, the Board will see the last full paragraph addresses the work of the consultative and the evidence of Mr. Bauer, to which I have already referred.

Then the next paragraph goes on to explain the future availability of certain information. As the Board will see there, the procurement processes, which I have also -- already mentioned a number of times, will not be completed until mid-2007.

Over at the top of page 5, the Board will see the new CIS is not expected to become operational until June of 2009.

Also at the top of page 5, the settlement proposal explains that the shortlisted bidders for the customer are services including Accenture and a third party, so that there is the potential that a new service provider, other than Accenture, could be selected.

The introduction of a new service provider gives rise to the potential or the need for transition arrangements. Now, transition arrangements is something what I will touch on a number of times as I go through the document.

However, just in this context of explaining that there will be future information forthcoming about the need for a transition, I would ask the Board to turn over to page 9 of the document. The large paragraph in the middle of page 9 elaborates more on transition costs as they relate to customer care services.

The parties have agreed that in the event that Accenture is chosen as the successful bidder, there will be no transition costs associated with customer care services.

Further down in that paragraph, in the event that there is a need for a transition, the company has agreed that it will keep the costs and the time period to a reasonable level while managing the risks.

In this regard, the company has agreed that while the maximum time period for transition to a new service provider will be 18 months from April 1st, it will make best efforts to shorten that time period.

Again, I will come back to this later. The point is simply that until the successful bidder for customer care services is known, it is not possible to decide whether, in fact, there will even be any transition costs.

As a result of this information that will become available in the future, the parties have agreed to a process that allows, as I said, a comprehensive settlement of the issues.

The process, among other things, involves a 2007 placeholder amount and a true-up process that will occur at a later point in time.

In the context of this 2007 placeholder and the true-up, the parties have strived to agree on as many of the elements of the true-up as they can in order to make the settlement as comprehensive as possible.

Now, on the subject of the placeholder, the placeholder for 2007 customer care services is based on the cost per customer that was referred to in the 2006 decision. This cost per customer is $49.58, and the reference for that in the 2006 decision is paragraph 7.8.2.

The parties have taken this cost per customer from the 2006 decision and multiplied it by the 2007 number of customers, with the result of a total amount of 90.8 million dollars, to which needs to be added the 2007 amount for uncollectible accounts of 15.1 million dollars.

Now that, I think, is discussed at a number of places in the settlement document, but it can be seen, for example, in the middle of page 5 of 30 of the document.

The paragraph in the middle of that page refers to the placeholder that I have described and the resulting amount of 90.8 million dollars, from use of that placeholder with 2007 number of customers, plus the 15.1 million dollars for uncollectable accounts.

Now, there is further explanation of the implications of this that the Board can see towards the bottom of page 7 of 30 of the document. I am going to take these implications of that placeholder amount in two pieces and start, first of all, with the impact on the revenue deficiency that the company can recover in 2007 rates.

So about five lines up from the bottom of page 7 of 30, you will see the indication that the company can recover a revenue deficiency of approximately 1.8 million dollars in respect of customer care and CIS costs in the test year. The wording then goes on to explain where that comes from, that 1.8 million.

We had the 90.8 million dollars, which was multiplying the placeholder cost per customer times the 2007 number of customers plus the 15.1 million for uncollectable accounts, which gives a total of 105.9 million for 2007. That compares to 104.1 million for 2006. The revenue deficiency effect is the $1.8 million difference.

The document goes on to explain in even a further level of detail that difference to which I have just alluded - and this is from the bottom of page 7 over to the top of page 8 - the difference is accounted for by using the 2007 number of customers as applied to the placeholder cost per customer and also by adjusting for bad debt costs - that's the provision for uncollectable accounts - being $500,000 less in 2007 than in 2006.

So without going through the arithmetic, I think if the Board were to do those numbers the Board would be able to see how the application of the placeholder to the 2007 number of customers, with the addition of the provision for uncollectable accounts, has resulted in the $1.8 million revenue deficiency effect to which I have referred.

Now, the other aspect of the revenue deficiency that I referred to and wanted to bring out to the Board is also discussed, starting in that paragraph on page 7. This relates to the total amount of revenue deficiency that remains at issue in this case.

So the Board will see in the paragraph in the middle of page 7 that this amount of 90.8 million plus 15.1

million, or 105.9 million in total, replaces an amount in the company's application that was 131 -- I'm sorry, $130.1 million.

The effect of replacing the amount that was originally applied for, as well as what is also described on page 7, is that in terms of the remaining revenue deficiency at issue in this case, the amount that remains in dispute has been reduced by approximately $24.2 million.

Again, that is all explained in more detail on page 7 in a much better fashion than I could do, but that is a bit of an overview as to financial or revenue deficiency effects of this settlement.

Now, I have referred to the fact that the settlement, in addition to this placeholder that I have just been describing, includes a true-up process. The intent is that this true-up process would occur when further information about certain costs is known, and when the incentive regulation formula for the company is known.

To come back to the template to which I have already referred, the purpose of the template is to set out the parties' agreement with respect to the costs that can be established at this time, and to set out the costs that must be determined when further information is available.

For those costs that must be determined later, the parties have agreed upon the parameters under which those costs will be calculated or forecast.

So the reference for the things that I have just been saying can be found at the top of page 6 of 30 of the settlement document. I think this is a general description of how this true-up process and template will work at the time of true-up.

So in the partial paragraph at the top of page 6, the Board will see similar words to those that I have just given in relation to how the true-up will work and what the parties have done to come to agreement as comprehensively as possible and to provide parameters where things need to be calculated or forecast at the time of true-up.

Now, before coming to more detail about the true-up, I did want to come back to another important feature of the settlement proposal. This I have also already alluded to, and it is the parties' agreement that the revenue requirement for customer care services and CIS be determined over the period 2007 through 2012.

I have already discussed and shown the Board how the various costs categories have quite different impacts in different years.

Back on page 5 of the settlement proposal, in the last full paragraph at the bottom of page 5, the Board can see the parties' agreement to take an approach covering the period 2007 through 2012, to avoid the swings in rates that would otherwise occur because of these different cost elements occurring at different times.

As well, the approach of looking at the revenue requirement over the period 2007 through 2012 has other advantages, in addition to addressing the issue about the cost categories that I have already described.

The Board will have seen, from the template, that there are costs in certain categories, such as procurement and potentially transition that, although incurred only in certain years, can be seen as costs incurred in connection with a contract or an investment that extends over a number of years. That's another reason for looking at the costs over this time period rather than in isolated time periods.

As well, the approach of looking out over a period of years is expected to make this approach fit with a Board-approved IR plan in a much better fashion than a year-by-year determination of the effects of these costs. I will come back to incentive regulation in a little more detail later.

As a result, the parties have agreed on this approach that I described that looks out over the 2007 to 2012 time frame, and in that context, the true-up process to which I have alluded has two important implications, or at least two.

These two important implications, or at least the calculation part of this, is discussed in greater detail in the True-Up Rules at page 22, which I will come to later.

But for present purposes, if the Board is still at page 5 of the document - I'm sorry about skipping around as I try to fit these pieces together - these implications of the true-up process are referred to in the last full paragraph on page 5, to which I had referred previously.

First, there will be a true-up to the 2007 placeholder under the approach in the settlement documents, and any difference will be paid to or recovered from ratepayers.

So that is part A of the two parts referred to in that paragraph at the bottom of page 5 of 30.

The settlement proposal provides for any such variance between the true-up amount and the 2007 placeholder to be recovered over the 2008 to 2012 time frame.

Just for the purpose of explaining that a little more, I would ask the Board, again, to skip through the pages of the document, if you don't mind. That's explained in some more detail at pages 10 to 11 of the document.

Under the heading "2007 Customer Care Variance Account", towards the bottom of page 10, the Board will see more explanation of this true-up to the 2007 placeholder that I have already referred to.

The difference between the amount of revenue requirement that is recoverable according to the True-Up Rules and the true-up process and the placeholder will be calculated, and this difference will be credited or debited to the 2007 customer care variance account, which is referred to from the bottom of page 10 over to the top of page 11.

And then at the top of page 11, the Board will see the parties' agreement that for this purpose it is appropriate to create a 2007 customer care variance account.

So that is the first important implication of the true-up process.

If I could take the Board back to page 5, then, to touch on the second implication of true-up. This is paragraph (b) in the same part of the settlement document to which I had referred previously.

The true-up process will also establish the component of the company's revenue requirement relating to customer care and CIS, except bad debt, for the period 2007 out to 2012 and, as I have said, smooth the rate impacts of that component over that time period.

Now, on this subject of bad debt, which has been touched on several times in my comments so far, I should point out that the settlement includes, as I have already said, the provision for uncollectible accounts of $15.1 million for 2007 but bad debt costs beyond 2007 are outside the scope of the settlement and will be dealt with separately by the Board. That is explained in further detail on page 7, I believe it is.

In the second paragraph, under the heading "2007 O&M Customer Care Costs", I think the Board will see a more detailed explanation of the treatment of the provision for uncollectible accounts than the one I have just given.

Again, I apologize for the skipping around, but this is an effort to put the -- pull the pieces together for the Board so they can understand the mechanics of this settlement proposal.

I will come back, then, to the second important implication of the true-up process. As I said, the effect of this is to establish the customer care and CIS component for the years 2007 to 2012.

This also is discussed in more detail on a different page in the document. That starts at page 11 of the settlement proposal. On page 11, the Board can see the heading "Revenue Requirement for Customer Care Costs Between 2008 and 2012".

In this document, the revenue requirement that the company would be entitled to recover each year in respect of customer care costs, including CIS but not including bad debt, from 2008 to 2012 will be what is called in the document the normalized 2007 customer care revenue requirement. And that will be adjusted as necessary in accordance with the incentive regulation formula.

That can be seen in the first paragraph under the heading to which I have just referred on page 11 of the document.

There the Board will see that from 2008 to 2012, the normalized 2007 customer care revenue requirement, coming out of the true-up process, would apply from 2008 to 2012 as adjusted by incentive regulation.

Now, the true-up process would occur once the contract for customer care services has been signed and the terms of incentive regulation for Enbridge Gas Distribution are known. Again, I know that I am skipping around a lot, but the reference for that, among other places, is page 6 of the document.

In the first full paragraph on page 6, the Board will see that the parties have anticipated the possibility of an incentive regulation regime, the terms of which are expected to be established later this year.

In the middle of that paragraph, you will see that in creating the template to which I have referred, which is part of the true-up process, the parties have assumed that IR would take the form of a price cap regime of five years in duration, beginning January 1, 2008. However, that, we all know, is not something that is a certainty at this time.

The paragraph that I have just taken the Board to goes on to say that adjustments may need to be made to the normalization approach, according to the True-Up Rules, to make it compatible with the IR model; however, any such adjustments would not affect the total revenue requirement to be recovered over the term of this agreement. They may impact the amount to be recovered in each year of the agreement, under the normalization approach.

Also, continuing on that page, the parties have agreed to the ongoing work of the consultative, to monitor the completion of the procurement process, and to fulfil other objectives described in the last paragraph on page 6.

This paragraph goes into more detail about the work of the consultative, and so on, and indicates that the end of the work of the consultative will be no later than six months after the in-service date for the new CIS.

This, then, would be, I think, a good time for me to turn to a discussion of costs of the new CIS. For that purpose, I would ask the Board to turn to page 12 of the document.

In the first paragraph on page 12, under the heading

"New CIS", the Board will see that, through the work of the consultative, including the advice of experts like Mr. Bauer, the parties have determined that a reasonable cost of the new CIS is $118.7 million. That is described in the first paragraph under the "New CIS" heading.

I would also note that $118.7 million for the new CIS includes procurement costs of $5.1 million, as set out in that paragraph.

Support for the reasonableness of this cost is found in the prefiled evidence of Mr. Bauer, at Exhibit L2, that I have already mentioned to the Board.

Carrying on with the description of the settlement -- of the new CIS aspect of this matter, parties have agreed that rates will be set during the term of the settlement proposal on the basis of a CIS cost that is no more than $118.7 million; however, the total includes $42 million for system integrator costs that are the subject of a direct competitive tender.

To the extent that system integrator costs are less than $42 million, the total of $118.7 million will be reduced. And that is discussed at the top of page 13 of the document.

To the extent that these costs are greater than $42 million, the amount of $118.7 will not be increased during the term of the agreement. That also is referred to at the top of page 13.

Now, as far as the period beyond the term of the agreement is concerned, I should, in this context, show the

Board a paragraph at the top of page 14.

Paragraph 7, at the top of page 14, and in particular 7(b), discusses eligibility of capital costs for closure to rate base on January 1st, 2013, that being the date after the end of the term of the agreement.

This paragraph indicates that no capital costs, in addition to the 118.7, will be eligible for closure to rate base on January 1st, 2013, unless Enbridge Gas Distribution then demonstrates the reasonableness and prudence of such additional costs.

Now, the further condition that is important here in the context that I was just addressing - that being system integrator costs - follows in paragraph 7(b).

The further condition is that only the additional amounts eligible -- the only additional amounts eligible for consideration will be confined to increases in the system integrator costs beyond the $42 million provision for those costs included within the $118.7 million budget.

So within the term of the agreement, if the $42 million system integrator cost is less, then that will result in a reduction. If it is more than the $42 million, it will not have an effect during the term of the agreement; it will be something to be addressed in accordance with paragraph 7(b), as of January 1st, 2013.

So with that background of the approach to the CIS revenue requirement for the period of -- under the settlement proposal, page 14 goes on to indicate that there are only three possible adjustments to revenue requirement for CIS for the 2009 period, 2009 to 2012 period. Again, 2009 is when the new CIS is expected to become operational.

One area of adjustment is the one that I have already discussed, and that arises in the event that system integrator contract costs are less than $42 million. That is discussed again over at page 15 of the document.

Another area of adjustment referred to on page 15 arises in the event that the Board-approved equity level in this case is changed from 35 percent. The Board will see that right in the middle of page 15. That's the second potential adjustment to CIS, revenue requirement for the 2009 to 2012 period.

Then there is a third potential area of adjustment. I venture into this area with some trepidation, because this third area of potential adjustment is, without a doubt, one of the most difficult points for the parties in the settlement proposal. Although it is an important point, I am going to try to keep my comments within a very narrow compass to avoid being argumentative and to stay strictly within the bounds of what's been agreed to.

As the Board would be aware - and I am going to try to keep this as non-contentious as I can - capital investments in IT assets or projects can give rise to what I would loosely describe as rapid rates of write-off for the purposes of capital cost allowance.

The CIS capital cost is a very large investment in IT for the company that, in the first couple of years, produces these large C.C.A. write-offs that exceed the accounting depreciation that would be claimed in respect of the investment.

This difference between C.C.A. and book depreciation, as the Board would know it, is a timing difference that does balance out over time.

Going back to the template at page 24, I think the Board would be able to see quickly the impacts of these large C.C.A. write-offs in the first couple of years of the new CIS being operational.

At row 3 of the template, the Board can see under “2009” - that being the first year in which the new CIS is operational - the impact is only $880,000.

In the second year, 2010, the impact is actually not a cost. It is in the other direction. Then in the following years, the impact becomes a $25 million cost effect on the revenue requirement, $25 million-plus cost effect on the revenue requirement in 2008, and a similar sort of impact in 2012.

I think that illustrates for the Board the effect of these rapid CCA write-offs in the first couple of years of the project.

The company, in a nutshell, disagrees with the approach in row 3 of that template. I am going to avoid digressing into any argument about why this is so. Suffice it to say, for today's purposes, the company has real difficulties with that approach.

In order to achieve a settlement, what the parties have done is they have agreed that the values shown in row 3 of the template will be subject to wording that appears on pages 14 to 15 of the settlement document.

In the paragraph just below the middle of page 14, starting with the words "the first possible adjustment", the Board will see, again, some better words to describe those CCA write-offs than the words that I was able to use.

Following that paragraph, there is then a discussion of what the parties have done in order to get to a settlement of these issues.

I won't read all of the words, but skipping to the third line of the partial paragraph at the bottom of page 14, the company has agreed to use the assumptions in row 3 of the template on the understanding that it retains the right to bring an application before the Board seeking a different approach to the timing of when the tax savings are reflected in revenue requirement.

Again, it is a timing issue, as opposed to something that ultimately changes the costs of the CIS system, other than through a timing effect.

Enbridge Gas Distribution has agreed that, if it does make such an application, that it will file it by June 30th of 2007.

Skipping over to the top of page 15, the wording makes clear that there is to be no inference that Enbridge Gas Distribution has tacitly acquiesced to the values in row 3. The wording goes on to indicate that in the event that the Board approves a different approach, then the parties agree that the values in row 3 are to be adjusted accordingly.

MR. KAISER: Mr. Cass, let's suppose you bring an application and let's suppose you are successful. What would be the impact on rates?

MR. CASS: I can give a rough idea of the number. I think the impact on the revenue requirement over that time period is in the order of 24 million. That's rough. We can --

MR. KAISER: Is that right, Mr. Shepherd?

MR. SHEPHERD: Yes, there would be no impact on rates in 2007, Mr. Chairman.

MR. KAISER: No, I understand.

MR. SHEPHERD: And I had thought, actually, it was closer to $40 million over the period of -- 'til 2012, but it is certainly a substantial number. It is.

MR. KAISER: Thank you.

MR. VLAHOS: Would it be a zero change over the very long term, Mr. Shepherd?

MR. SHEPHERD: Well, there is a timing difference, of course, which has a net present value of something like $15 million, but the actual total, if you just make the cumulative total, is identical.

MR. VLAHOS: Right.

MR. CASS: Again, Mr. Chair, I do want to avoid being at all argumentative about this issue, so I will just leave it again that in order to be able to come to this comprehensive settlement, the parties were able to do it on the basis that this issue that I have now described will be resolved in accordance with the paragraph at the bottom of page 14 and over to the top of page 15.

MR. KAISER: And you would have to bring that application by June 30th of this year?

MR. CASS: That's correct.

MR. KAISER: If you are going to bring it at all?

MR. CASS: That is correct.

So then just coming back to where I was, that is the third potential area of change in relation to CIS revenue requirement over the time period that I have described.

Now, just for further clarity in relation to CIS, if I could ask the Board to skip back to page 9. There is a very brief paragraph on page 9. The second of the two short paragraphs there confirms that all transition costs, with respect to the new CIS, are included in the $118.7 million. That explains why, for example, in the template the Board would not see separate transition costs for the new CIS.

Now, on the subject of transition costs, the document makes clear that there will be no transition costs if Accenture is the successful bidder for the customer care services that are the subject of an RFP process.

In the event that another party is successful, the successful bidder for customer care services, then there will be transition costs.

As can be seen on the template at page 24, row 9, one element of the transition costs is the need for Accenture to continue to provide some level of services until the transition to the new service provider is complete.

I think I have already mentioned that the maximum time period for the transition to a new service provider, if there is one, is 18 months. So line 9 -- row 9 on the template is contemplating the transition costs in the event that there is a new service provider that would entail Accenture continuing to provide some level of services until the transition is complete. As well, there are further transition costs for consultants and the company at lines 14 and 15.

I will come back to those when we look at the True-Up Rules.

At this point in time, with respect to transition costs generally, I wanted to bring out to the Board that the agreement contemplates variance accounts to track these transition costs. Those variance accounts are referred to at page 12 of 30.

In the paragraph just above the heading "New CIS" - because again, in this context we are talking about customer care services, not CIS - the Board will see reference to the 2007 and 2008 customer care transition costs variance accounts.

The costs to be tracked in these accounts relate to activities that Accenture, external contractors, and the company internally will incur for the -- would incur for the transition to a new service provider if Accenture was not the successful bidder. That's explained in the paragraph to which I've referred on page 12.

Further down in that paragraph, the Board will see that these costs are subject to a maximum total amount of $11.1 million.

Again, I will come back to transition in discussing the true-up process, but I think this would be a good time for me now to turn to true-up and explain at a high level to the Board how a true-up will work.

A discussion of the true-up process can be found at the bottom of page 9 and over to page 10 of the document. There is a date referred to at the bottom of page 9 and described as the true-up time.

The true-up time is the later of the date when the RFP for customer care service is completed and the contract for those services is signed and the date when the Board's decision with respect to incentive regulation for Enbridge Gas Distribution is released.

The true-up process will determine the customer care amount for 2007, which, further down on page 10, is referred to as the normalized 2007 customer care revenue requirement.

Now, as we will see later, many of the items of this determination are resolved in one way or another by the terms of the agreement. But if within 60 days of true-up time the parties have not agreed to the 2007 normalized customer care revenue requirement, they will submit a list of the unresolved items to the Board for determination, in accordance with the criteria in the true-up Rules.

That can be seen further down on page 10. That's the -- that's two paragraphs above the heading

"2007 Customer Care Variance Account".

Then in the next paragraph following that one, for even greater certainty it is indicated there will be an application to the Board in relation to the true-up process. To the extent that items of the true-up process have been resolved, the application would be for Board approval of any settlement, and to the extent that there are unresolved application –– sorry, unresolved items, the application would be for Board determination for those that have not been settled.

So this, then, brings me to the True-Up Rules, which are in appendix A, starting at page 17.

Many of these rules, I think, are self-explanatory, and many of them do repeat the principles stated in the body of the agreement that I have been taking the Board through. So for that reason, I won't be going through each and every one in detail, but I will try to step through how the True-Up Rules and the true-up process are intended to work.

First, at the start of Appendix A, the Board will see a description of the template and what the parties have done to try to resolve the various cost categories as comprehensively as possible. So the boxes have been completed by inserting a dollar amount, a zero, or a TBD, which stands for “to be determined”.

As indicated in numbered paragraph 1 on page 17, where there is a dollar figure, or a zero inserted in a box, that is something that has been agreed to by the parties and, if the Board accepts this settlement proposal, doesn't need any further determination.

And I think the Board will see, from the template, that that does cover quite a majority of the categories in the document. As I have said, the parties have tried to be as comprehensive as they can in resolving matters.

Those boxes where there is a TBD, a “to be determined”, are items that would need to be resolved one way or another, in accordance with the sort of process that I have already described.

Now, with respect to the parties which have been agreed to by the -- sorry, the figures which have been agreed to by the parties and are not subject to change if the Board approves the settlement proposal, numbered paragraph 2, starting on page 17, provides greater explanation.

Paragraph 2(a) covers items that I have already discussed. These are the costs of the existing CIS until the new CIS asset is in service. I don't think I need to say anything more about that, because I've touched on it at least once before.

So that is rows 1, 2, and 2a of the template.

Row 4 of the template, referred to in paragraph 2(b), is the cost for the hosting and support of the new CIS.

Paragraph (c) is the company's back office costs, excluding bad debt, associated both with the old and the new CIS.

So the Board will see that there are amounts in row 4 of the template, in each of the years from 2007 to 2012, because it applies in respect to both the old and the new CIS.

With respect to rows 6 and 7, paragraph (d) indicates that SAP has been chosen as the provider for the software that supports the new CIS and that that may require modifications or adaptations from time to time to fully support the customer information system. That's addressed in rows 6 and 7 of the template.

I have already touched on the elements of cost referred to in paragraph 2(e), so I won't go into that again. That is the cost of customer care services for the remaining period with CWLP, which comes to an end on March 31st.

Row 11 - and these items now, obviously, are under customer care services, as opposed to CIS - is licenses to support the existing and new customer care service provider.

Paragraph 2(b) provides further explanation of these licenses and that they relate to delivery of collections, e-billing, and text-to-speech voice capability functions. Those have been allowed for in row 11 of the template.

Again, with respect to customer care services, as in the case of the CIS system, there are the company's own back office costs, excluding bad debt. Those are in line 12 of the template.

Row 13 of the template is procurement costs for customer care services. As I already pointed out to the

Board, procurement costs for CIS are included in the $118.7 million figure that is referred to throughout the document. Procurement costs for customer care services are as shown in row 13 of the template.

Then the next element of the True-Up Rules relates to the new CIS and is found in numbered paragraph 3, starting at the bottom of page 18. Again, this is one that I don't think I need to say a lot about at this point in time.

The Board will see, over to page 19, paragraph 3(b) describes, again, the three potential adjustments to the CIS revenue requirement that I have already discussed, I think, in some detail. So I won't go through that again. What this does is explain how those potential adjustments would be reflected in the true-up process and in the template.

Now, numbered paragraph 4 on page 19 brings me, again, to the subject of transition costs. Again, paragraph 4 refers to the maximum 18-month period, starting April 1st, in the event that ABSU is not the successful bidder.

Paragraph 4(a) confirms, again, that in the event that Accenture is the successful bidder, then the figures to be inserted in the boxes for transition costs are zero, because there will be no transition.

Paragraphs (c) and (d), over on page 20, provide additional detail about transition costs, in the event that a different service provider is the successful bidder.

In paragraph (c) on page 20, the Board will see that the company has reached agreement with Accenture for the services that Accenture would need to provide on a transition basis, until the new service provider is fully up and running.

The parties have agreed that the amounts shown in boxes A9 and B9 in the template for 2007 and 2008 represent the maximum agreed-upon level of costs, based on a recoverable cost of $38 per customer per year and the transition period of 18 months. That can be found at the bottom of paragraph 4(c) on page 20.

Paragraph 4(d) then goes on to indicate that the company will be making its best efforts to reduce both the length of the transition period and to reduce the actual forecast costs per customer Accenture to be less than the current forecast.

In the event that the actual costs to date at the time of true-up and the updated forecast costs at the time of true-up are less than the amounts that were set out in the preceding paragraph, 4(c), then the numbers to be inserted in boxes A9 and B9 would be those costs to date and updated -- actual costs to date and updated forecast costs at true-up time.

Now, paragraph 5 addresses the costs of the new -- the annual costs of the new customer care service provider. In the event that Accenture is chosen as the new service provider, it is expected that these amounts will be effective as of April 1st. In the event that another party beside -- a different party from Accenture is the successful bidder, it is expected that these amounts will begin at some time in 2007 or 2008, because of the need for transition time and activities.

So those amounts at row 10 of the template are one of the categories where the Board will see the “to be determined” letters, indicating that that is something that requires further information from the bid process before the template can be completed.

Paragraph 6 on page 21, continuing the True-Up Rules, goes on to give more detail about transition costs associated with moving to a different third-party service provider.

Paragraph 6(c) repeats what I have already indicated, that in the event that a different third party is chosen, then a total amount of $11.1 million is to be included on rows 14 and 15.

Paragraph (d) again repeats what I have already discussed, which is that these costs are to be recorded in the 2007 and 2008 customer care transition costs variance accounts to a total maximum of 11.1 million.

Paragraph (f), over at the top of page 22, addresses what will happen if the costs are less than the maximum. Paragraph (f) indicates that if the total amounts recorded in the 2007 and 2008 accounts are less than the $11.1 million as of December 31, 2008, then the difference will be credited to ratepayers with interest in equal amounts in 2009 to 2012.

So that is a very quick walk-through of how the True-Up Rules would work in conjunction with the template at true-up time.

As indicated in the middle of page 22, at true-up time, this is when the normalized 2007 customer care revenue requirement can be determined. It will be calculated by starting with the total customer care revenue requirement for 2007 to 2012. That total will be placed into an amortization model that calculates, using the IR annual adjustment for Enbridge Gas Distribution, the normalized 2007 customer care revenue requirement.

That is the number that, when adjusted for the IR annual adjustment, would allow the company to fully recover the adjusted customer care revenue requirement for 2007 to 2012.

In addition to the template to which I have been referring, there is another document included behind the template at page 24. This is an illustrative example of how the true-up will be applied. It is based on assumptions that have been made just for the purpose of creating an illustration for the Board to understand how the template would work.

Now, again, as I have already alluded to, if the Board looks to the template at page 24, the “TBD” letters appear in relatively only a very small number of the cost categories.

This is, again, the point that I have been endeavouring to emphasize to the Board; that although it is not possible to resolve everything now, because of information that will become available in the future, the parties have, in the circumstances, been able to come to a settlement that is very comprehensive, in terms of what it leaves to be determined at a future time.

The TBD cost categories in the template - although I don't mean to suggest by any stretch of the imagination that they're not important categories - they are a small minority of the categories of costs that the parties had to grapple with.

And it is in that context that I say to the Board that the parties have been very successful in the circumstances in reaching a settlement that is quite comprehensive.

So that effort to explain some of the details of the settlement proposal brings me back to the very start of the document, describing what has been resolved.

I have explained, I think, to the Board the extensive work by the consultative that went into the formulation of a settlement and the creation of a settlement document. That work, of course, has been taken beyond the consultative to the broader intervenor group in this case.

As a result of the review of the settlement by the broader intervenor group, the parties are in a position to present this to the Board as a settlement on the basis described at the outset of the document. In this context, I am referring specifically to pages 1 and 2.

Page 1 starts out by explaining what the issues are from the Issues List that the parties needed to address in the context of their discussions; as part of the document goes on to explain, that the parties have been able to come to an agreement to settle these issues.

Now, I should, just for clarity, in that context take the Board to the bottom of page 2, just to be very clear about what the parties have settled.

In relation to issue 7.1, the Board will see some discussion at the bottom of page 2. Issue 7.1 had to do with material stipulated in the Board's 2006 rates decision that the company was to file.

As set out here, the materials -- the company has filed as many of those materials as are currently available. However, there will be some agreements associated with the company's move away from CWLP, including transition agreements with Accenture that are not completed.

This paragraph of the document reflects that, because of what I have just said, issue 7.1 is partially resolved and it will be completely resolved when the remaining agreements are finalized and filed.

So there is that one clarification that needs to be made to the scope of the settlement, but subject to that, the parties are able to present to the Board a settlement of the issues set out on page 1 of the document.

Also, I mentioned to the Board that, as stated on page 1, this proposal itself, this document, is a package. I think I have alluded to the fact that some difficult issues had to be grappled with in order to come to a settlement that was as comprehensive as possible, and the parties did that on a basis that represents a package, in accordance with the wording at the bottom of page 1 and over to the top of page 2.

That, Mr. Chair, then completes my effort to describe the document at a high level. I will be the first to say I have not touched on each and every provision of this document. There are others that I have not described.

I think I have taken the Board through the mechanics of how the settlement approach works, and I have done my best to put the pieces together. There are other elements of the settlement that are described in the document, and I think they are ones that are self-explanatory.

I will then come back to the point that I made at the outset in my submissions. Again, as I have gone through the document, I have attempted to stress that there are these procurement processes that are ongoing, in relation to both the new CIS and the new contract for customer care services. Those processes are well advanced and are at a point, really, that is a critical time now, in terms of actual decisions being made.

As a result of that, the company would be very appreciative of anything the Board can do to give an indication of its decision on the settlement proposal at the earliest possible opportunity. Whatever the decision would be, it would be very useful for the company to have that as quickly as possible, because of the decisions that are imminent in relation to these contracts.

Thank you, Mr. Chair.

MR. KAISER: Thank you, Mr. Cass.

Any comments? Mr. Thompson?

SUBMISSIONS BY MR. THOMPSON:

MR. THOMPSON: Yes, Mr. Chairman, if I could just briefly make a couple of preliminary points.

You will see, first of all, Mr. Warren is not here today, unfortunately. He cannot be here. He's authorized me to speak on his behalf. And if anything I say dipleases you, I am saying that on behalf of Mr. Warren. Anything that pleases you is on behalf of both of us.

I wanted to say just a couple of things with respect to introduction here. Mr. Warren has been a major -- has played a major role in this long and intense and productive consultative which has produced this customer care settlement, and I want to particularly acknowledge his contributions.

The second thing is that Mr. Shepherd is the author of the structure of this settlement, the six-year structure.

MR. SHEPHERD: Okay, blame it on me. Go ahead.

MR. THOMPSON: And that should be -- no, I think it is very -- well, it is evident that it is a structure that was able to move the matter forward and he --

MR. KAISER: It is an impressive document.

MR. THOMPSON: Thank you. I was going to say the authorship is mine, but ...

[Laughter]

MR. THOMPSON: The third thing I wanted to say to you, sir, is that Mr. Bauer is here with us, in case there were some questions that we needed to consult him in order to provide responses.

I want to say this: Mr. Bauer's credentials are in Exhibit L2 at tab 2. I don't know if you have read this document, but I encourage you to read it in coming to your deliberations on the reasonableness of this settlement, and I want to say that Mr. Bauer is an expert procurement individual. He comes out of Denver, Colorado, and very experienced; he’s been an extremely valuable contributor to this complex procurement process in which Enbridge is engaged, and I shudder to think where we would be if all of us - that's ratepayers and the company - didn't have the assistance of Mr. Bauer.

So the last thing I want to say, just a couple of points about Mr. Cass's summary. He has done an admirable job for one who was only there for about 20 of the 400 hours that it took to pull this deal together.

What I would like to do is just, if I could, quickly take you to the template at page 24. If you might just have at hand, as well, Exhibit K16.1 that was filed this morning, because it does give some sensitivity analysis with respect to what Mr. Cass has outlined.

As Mr. Cass has indicated, we tried to nail down as many of the numbers that we could over the duration of this arrangement. So what I would like to do is just run down the lines and summarize for you the ones that are variable and why they are variable.

The first one -- so the first box, lines 1, 2 and 2a, that's not variable. That is a lock. Line 3 is variable, but to a limited extent.

Just so you are aware, Mr. Vlahos asked this question about line 3. The backup to the derivation of line 3 is appendix B. If you would just go over a couple of pages. What you will see there is the revenue deficiency calculation for the ten-year life of the CIS asset. And the number 46.21 million is the sum of the items in columns 1, 2, 3 and 4 of appendix B.

You will see that that has been based on 65 percent incremental long-term debt and 35 percent equity.

So just stopping there, if you wanted to see the impact of an increase in equity from 35 to 36 percent, which is one of the adjustments, potential adjustments, you will find that in Exhibit 16.1.

What you have there, in response to a question that we posed, is a series of schedules showing how that calculation, that 46,210 changes. And the first page deals with the 36 percent equity scenario, and you will see it goes up to 46.490 million, an increase of about $280,000.

If it goes up to 37 - that's the next page - the increase – again, this is the total at the end of 2012 - it is an increase of about $600,000 over the 46,210.

Then if you go to the next page, it's the 38 percent equity scenario, and the increase in that number in the template goes up about $910,000.

The last page of what I requested, what this shows is a scenario where the company finances the acquisition of the CIS on the basis of 100 percent long-term debt,

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Exhibit I
Tab 1
Schedule 34
Attachment

incremental long-term debt, which, depending on how IR is decided, may be an option that is available to them.

And in that scenario, the 46.21 10 million would reduce to 35.85 million, or a reduction of more than $10 million.

So within this arrangement, the point of my last information request is -- one of its purposes is to demonstrate there is considerable flexibility for the company in financing, which could produce enhanced earnings for its shareholder.

Again, that depends on what conditions you impose during the incentive regulation regime.

Mr. Vlahos asked the question: What would be the impact if the company's proposal to adjust tax timing was implemented? That could easily be provided by Mr. Culbert by just doing another run of what he has done for me.

I don't know the answer to the question, but it is a substantial number, and I will come to that in a moment.

So line 3 is subject to three adjustments, three potential adjustments; only it goes down if the 42 million system integrator estimated amount is less when the bids come in. There is the potential for it to go down if equity ratio is less than 35 percent. There is the potential for it to go up if equity ratio is more than 35 percent. And then there is this tax calculation issue.

And on that point, as Mr. Cass very skilfully described, this is a red hot button. So I don't want to get too inflammatory in my remarks, but knowing me, I can't possibly say something -- cannot say something that isn't provocative.

But all I wanted to do here, in terms of the document, is flag a clause in this particular section where -- the reservation-of-rights section.

Mr. Cass didn't read this, but it is at page 14, where he described the company's reservation of rights to bring this tax methodology issue, is the way we characterize it.

And at the bottom of the page, it's:

"Intervenors' rights to oppose any such application remain unfettered, and they retain the right to rely on any and all grounds of opposition considered by them to be appropriate."

And for my part, I will be doing everything I can do to discourage them from bringing this application, but if it is brought, it will be a bitterly contested issue, because it does radically change, from the ratepayers' perspective, we think, the structure and results of this deal.

MR. KAISER: Mr. Thompson, if you were successful in your opposition, what do you think is the impact on rates? We have two numbers on the table. One is -- Mr. Shepherd says is 40 million. Mr. Cass says it is 24 million.

MR. THOMPSON: No, no, if we're successful, then the 46,210 is the number, subject to equity issue and subject to the 42-million.

MR. KAISER: Right. But I rephrase the question: If Mr. Cass is successful, what's the impact, in your view?

MR. THOMPSON: Well, it is a big number. But all I was trying to say earlier was ask the company to have Mr. Culbert do the document. It is simply amortized -- it's simply -- what it is, is normalized tax methodology versus flow-through tax methodology over ten years.

MR. KAISER: Right. We understand that. But we're just trying to get a measure of the number. We've got two numbers --

MR. THOMPSON: I think Mr. Shepherd is right, 40 million. There was a document produced during the course of the discussions which I think supports Mr. Shepherd's number, but ...

MR. KAISER: Well, Mr. Shepherd is the tax guy.

MR. THOMPSON: Yes. So we will let him give you that line.

So that is one line that is variable.

Now, line 9 -- sorry, line -- yes, line 9, these are the -- this is a variable. If ABSU is selected, that number becomes zero. If ABSU is not selected, then you will see these amounts are up to a certain amount in the first year and up to a certain amount in the second year. So there is potential for those numbers to go down but not up. And Mr. Cass has mentioned that in his submissions.

At line 10 is the contracting -- the customer care services procurement process and the results thereof. And Mr. Cass has referenced the True-Up Rules, where whatever comes out of that process will be subject to a reasonableness and prudence analysis.

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Tab 1
Schedule 34
Attachment

You will see that at page 20 in item number 5 at the bottom:

"The amounts to be included in these boxes are subject to review by the consultative for prudence and reasonableness. In the event that the intervenors and the company do not agree, the issue of prudence and reasonableness will be determined by the Board."

So it is not simply a rubber stamp of what comes out of the contracting process. We have to wait and see how that plays out.

And then the other line that is variable, that I just wanted to flag -- the others are all fixed. The other line that is variable - and Mr. Cass has mentioned this - is at line 14.

What we have there is a cap on a certain category of transition costs. And the agreement provides that if the amounts actually spent are less than the 11.1 million, then there is a credit back to the ratepayers.

The other clause of the agreement that Mr. Cass didn't mention and I just wanted to mention briefly is at page 16, the future revenue-generating opportunities from the new CIS.

And what this is, it is in many respects an agreement to agree. But this flows out of the Board's decisions in prior years, including last year, where the Board recognized that the arrangements EGD made with CWLP didn't have the same type of gain-sharing clauses that the CWLP arrangement had with ABSU.

In this case, the company has agreed to use its best efforts to identify and take advantage of opportunities to use the new CIS asset to provide CIS services to third-party organizations.

So we have a best-efforts commitment to generate additional revenue opportunities. We have a commitment that gains from such opportunities will be shared with the ratepayers; the manner will be agreed upon in the future. And we have a commitment that, if gains are realized, that they will be cleared to ratepayers by way of an annual adjustment to delivery rates; i.e., as an -- really, as an exemption to any IR arrangement that prevails, if these gains materialize during that time frame.

So that is an important clause.

And the only other clause that I think is worthy of note, having regard to the history of this particular topic, is a representation contained at page 4 of the agreement.

Under the pre-existing arrangements, what we had -- or what transpired was a services contract between EGD, Enbridge, and CustomerWorks Limited Partnership, where a global amount was being paid to CWLP.

And CWLP was actually paying amounts to ABSU for the services that ABSU provided directly to EGD, considerably less than that amount. And that resulted in monies from ratepayers, in effect, finding its way up to the parent, Enbridge Inc.

And in this case, we have obtained a representation from the company - this is Enbridge - that there will be no more than 8.34 million in aggregate to be paid by any person to CWLP, ECSI, Enbridge Inc., or any other related entity in relation to any customer care or CIS services included within this agreement, and provided to Enbridge Gas Distribution by any person during the course of this agreement.

So the upshot of all of that is if it turns out that some money is being streamed up to the parent as a result of whatever arrangements get established and the amounts are greater than what's represented here, then the ratepayers will have a remedy.

With that, I simply want to reiterate that IGUA strongly supports this arrangement and strongly urges you to approve the settlement.

Thank you.

MR. KAISER: Thank you, Mr. Thompson.

Mr. Shepherd?

SUBMISSIONS BY MR. SHEPHERD:

MR. SHEPHERD: Mr. Chairman, I have three brief comments.

First, you have asked the question about the tax impacts. And, actually, while we were here, I went back to see why Mr. Cass's number and mine were different. And I think we're both right, but we answered different questions.

The impact for the four years, 2009 through 2012, on rates is $23.87 million. The number I was giving you, 40 million, which is actually 39.5 million, is the value of the tax shield in rates in the first two years. But, of course, in the next two years some of it is recovered. That's how it works.

And the other figure I want to clarify is that the net present value at the company's weighted average cost of capital of the timing difference, the tax shield timing difference, is 8.56 million.

And I think the company will be able to confirm that, if you have any questions, but these are just using Mr. Culbert's numbers.

Then I want to make two other comments on this agreement. When I was looking at it the other day - I have looked at this agreement way too many times, by the way - I figured, If I were in the Board's shoes, I would have two questions: Number one, why are you making a six-year deal for a one-year rate case? And, number two, why did you make something so complicated? So I wanted to try to answer those two questions.

First, with respect to smoothing, I think there is three reasons why we opted for smoothing.

Number one, remember that the consultative was set up primarily to deal with the RFP processes for customer care and CIS. What we realized in the course of that process, which was a very effective process, a very open, transparent process, worked very well -- and what we realized was that because of the timing of those two processes, the end result was not going to impact 2007 rates, except for one narrow area, transition costs.

The actual RFP numbers for customer care and for CIS, they're going to kick in in 2008 and 2009, so they won't even affect this year's rates. But of course the company wanted comfort in that, having gone through this whole process, they would actually be able to recover this stuff, and we were willing to give it. It was only fair. So that's the first reason.

The second reason is, if there was not some form of smoothing, then there would be a significant lumpiness in the customer care costs over 2007 through 2012, for a number of reasons: Transition costs, tax yield; a whole lot of different things would cause a lot of lumpiness, and lumpiness is a very difficult thing to deal with in IR, because IR depends on the smoothing of rates. It does that naturally.

So we realized that if we didn't deal with it here, in the IR process, the gas IR proceeding, we would have to deal with this lumpiness one way or another. We might as well deal with it now when we're looking at it, in any case.

And the third reason, which I don't think has been articulated by a lot of people but I think it was in a lot of peoples' minds is, if we didn't take the whole six years into account, then 2007 would necessarily be about all those offshore profits, affiliate transactions -- is this all some sort of sneaky deal argument that we have had in the past? And the whole point of this process was to get by that, is to get the ratepayers and the company on the same page where we were moving forward instead of rehashing the past every time we turned around.

So by doing the six-year deal, we forget about the past. The past is past. And we look instead at a fair arrangement for the future.

So those are the three reasons why I think smoothing made a lot of sense, and that is why I think we did it.

Then let me deal with one more point and that is: Why is it so complicated? Obviously, smoothing makes it a little bit complicated; but because we used a template approach, if we had all of the numbers today, we would simply give you the template. Here is all of the numbers. Here is what they calculate out to. Bam. Here is the number for 2007 and each of the next five years. Not complicated.

The reason why you have 30 pages instead of two is because we don't know some of the numbers, so we had to figure out what are the parameters around each of the numbers we don't know. And then later we can get to those numbers; when we have enough information, we can get to those numbers within a set of fairly clearly defined parameters.

So most of the complexity is simply because of timing. It is not because it is actually a complicated deal. It is actually a relatively simple deal. We're just taking what we expect the numbers to be over six years and we're smoothing them over those six years.

And therefor I reiterate the comments of Mr. Thompson, that we are in support of this agreement and we think that it is a fair arrangement between the company and its ratepayers.

MR. KAISER: Is there any concern - I guess there isn't in your mind or the intervenors' mind - that the Board is being asked to approve the prudence of a contract, presumably a supplier, that hasn't even been selected? And your rationale is, Well, we have at least defined the cost parameters.

It doesn't matter, for the purpose of this prudence decision, I take it in your view, that we don't know who is going to be the provider of this new system.

MR. SHEPHERD: I think that issue is dealt with separately, depending on whether you're talking CIS or customer care.

With respect to customer care, prudence has not yet been determined. That issue is open. The process, so far, we have evidence on, but when we see the final results, prudence will still be an issue.

So when that is finally approved by the Board, the Board will have the prudence issue in front of them.

Now, we hope that it will be agreed, but if it isn't, it's still a live issue.

MR. VLAHOS: For when, Mr. Shepherd? It's not for this proceeding?

MR. SHEPHERD: That would be at the true-up time, which is presumably in the fall.

Then with respect to CIS, there is a certain extent to which prudence is still open, but mostly it is not, because we've gone through the exercise of assessing: What's the reasonable amount, what is the prudent amount that you should pay to buy this sort of car? And we have had a lot of work done on it. So we have got to a number, and the company has agreed on the number. So we're not asking the Board to review that later to see whether it is prudent. We have already looked at that.

But with respect to customer care, I think it is fair to say it is still open.

Anybody else want to add to that?

SUBMISSIONS BY MR. THOMPSON:

MR. THOMPSON: I would just add this, Mr. Kaiser, that with respect to CIS, what we're asking you to accept as reasonable is the budget of $118.7 million, and within that -- and the document describes this. There is 42 million that is the subject -- 42 million of that budget is the subject of a competitive tender process.

To the extent that that produces a number higher than 42 million, the company has agreed 42 million is the cap. The rest of it is company -- it's internal dollars, and what we’ve said -- what the agreement says, and what the company has accepted, is they have to manage that capital expenditure within that budget for this project, and that is not unlike any other capital budget item that you are faced with, in my respectful submission.

MR. KAISER: I am really just quibbling with -- I can't find it here, but I read here somewhere that what Mr. Cass was looking for was a decision by the Board that the procurement was prudent. Really, what he is looking for is approval of the budget.

MR. THOMPSON: Yes. I think you're looking at page 14. I can't tell if it is on or off.

MR. QUESNELLE: It's good. I believe it is off now.

MR. THOMPSON: Okay. At page 14, I think is the paragraph you mentioned, Mr. Kaiser, the middle page. On this basis, subject to later adjustment, described in point 2 above:

"The parties request the Board, as part of the approval of this settlement, to approve the ..."

And there is where the word "prudence" appears. I think that is the word that is troubling you.

MR. KAISER: All right.

MR. THOMPSON: Whether it is "prudence" or "reasonableness", as far as I am concerned, means the same thing in this context.

MR. KAISER: Mr. Buonaguro? Do you have anything?

SUBMISSIONS BY MR. BUONAGURO:

MR. BUONAGURO: I have no specific comments.

VECC was a member of the consultative but participated in electing the steering committee of IGUA, SEC, and CCC to run the show on behalf of intervenors, and we were the recipient of copious and many updates from, in particular, Mr. Warren to keep us apprised of the negotiations and the process. But we're quite happy with the result.

Thank you.

MR. KAISER: Thank you.

MR. VLAHOS: Mr. Thompson, if I can just follow up –

SUBMISSIONS BY MR. MATTHEWS:

MR. MATTHEWS: Sorry, Mr. Vlahos. Direct Energy was a member of the consultative, as well, and took the same sort of approach to it as Mr. Buonaguro did. In that, because of the volume and complexity and in our case, potential need for confidentiality on some the numbers, we relied heavily on the steering committee and on the expert, Mr. Bauer, and thought they did a very good job in determining -- doing the due diligence on this and determining the reasonableness of the costs.

Direct Energy supports the agreement, noting that on page 16 it will not impact the interim solution that the Board has already approved on the open-bill access, or the billing-services settlement, as we've referred to it, and that the potential for cost efficiencies exists here, that may facilitate the comprehensive solution under open-bill access. So on that basis, Direct Energy supports the agreement.

MR. KAISER: Thank you, Mr. Matthews.

MR. MILLAR: Mr. Chair, if I may, Board Staff has just a couple of clarification questions. I am happy to go after Mr. Vlahos, if you'd like, or ...

MR. VLAHOS: No, go ahead.

QUESTIONS BY MR. MILLAR:

MR. MILLAR: And, I'm sorry, I don't know if anyone else has any general comments before I go.

I will just direct these, I think, generally to Mr. Cass, but if anyone -- anyone who wishes to can chime in, I guess. And as I say, these are really just some minor clarification issues.

First, with regards to the true-up on page 10 of 30 of the agreement, the last paragraph above where it says "2007 customer care variance account" - and this relates to the true-up process - that last sentence says:

> "That application will include, for Board approval, all numbers that are agreed upon and set in accordance with the True-Up Rules, as well as the list of the items remaining at issue, to be determined by the Board."

What is meant by "the list of the items remaining at issue"?

MR. CASS: Mr. Millar, I think it was just intended to indicate that this would be putting before the Board those items upon which a determination is needed, listing them for the Board.

MR. MILLAR: So it is a catch-all, I guess, for any outstanding issues?

MR. CASS: Yes. Again, to the extent that issues are resolved, the application would be asking for Board approval of a settlement. And the second part of this sentence is just saying to the extent that issues are not resolved, they will be listed for the Board, so the Board will know what it needs to determine.

MR. MILLAR: Okay. Thank you for that.
MR. SHEPHERD: I wonder if I could just give an example to help the Board understand that. The biggest number that's not yet determined is the customer care RFP number; likely to be 250-, $300 million, so a big chunk of this overall number.
And generally speaking, that is an RFP, so you would expect the number to be the number. But there is always questions about whether, for example, the trade-offs between risks and rewards have been done fairly, whether all of the various -- like, one of the things we're concerned with is e-billings and payments, whether that's been properly included, et cetera.
And we hope that the intervenors and the company will agree, Here's the right number; let's just put it in. But it may be that we come to some point where we disagree. And it is in the Board's interest that we say to you, Here is the narrow item on which we don't agree. This is what we're asking you to decide. Not everything. Just this.
MR. MILLAR: Thank you, Mr. Shepherd.
Mr. Cass, what will happen if the true-up numbers aren't ready before 2008 rates are set? I know it is anticipated they should be ready well in advance, but in the unlikely event that that doesn't occur, does the settlement address that? Or would that be addressed at a later date? Or what can you tell the Board about what would happen if the true-up numbers aren't ready in time?
MR. CASS: I don't think it is specifically addressed

in the document, Mr. Millar. Without having consulted with everyone else in the room, I would say that one approach would be that the true-up would -- could occur later - that being in the following year - and then the outcome of the true-up would take effect later.

MR. MILLAR: For the next rate year; for 2009, for example? Is that what we would be anticipating?

MR. CASS: I think that is effectively what it would amount to if it was the type of delay that you were talking. So that instead of taking effect for 2008, it could potentially be delayed for a year. I don't think that anybody expects that.

MR. MILLAR: I guess that would have to be addressed at the time? Is that what you're saying?

MR. CASS: Yes.

MR. MILLAR: Thank you.

On page 14, the very -- the last complete sentence - again, this is a very minor clarification issue - it says:

"Enbridge Gas Distribution agrees that it will, if it elects to make such an application, file that application by June 30th, 2007."

I assume that is a completely separate docket number than the current case?

MR. CASS: That is certainly my expectation, yes.

MR. MILLAR: And that wouldn't hold up any final order or anything related to the 2007 rates case?

MR. CASS: Absolutely not.

MR. MILLAR: Okay. Thank you.

On page 16 of 30, Mr. Thompson addressed this a little bit, so I will let whoever wishes to answer the question do so.

I am assuming that, irrespective of whether or not there is an agreement between the parties regarding the revenue-sharing, that this would ultimately have to be approved by the Board if it is disputed or not. Is that fair to say? It would still have to come before the Board to make its way into a rate order?

MR. CASS: Yes. If resolved by the parties, it would be a settlement that would require approval of the Board. And if not resolved by the parties, it would require determination by the Board.

MR. MILLAR: And does this settlement assume -- for example, would it be open to the Board when this either settlement or disputed issue came before it -- would it be open for the Board to say, We don't want the company engaging in this activity at all at that time? Or through this settlement is the Board agreeing that, in principle, the idea of allowing the utility to try and earn some extra income off the CIS is a good one?

MR. CASS: Well, I am not sure that I would put it exactly the way you did, Mr. Millar, but I think it is more the second of the two things that you said. In other words, this document includes the company's commitment to use its best efforts to identify and take advantage of these opportunities.

Speaking for the company, I think our expectation would be that if the Board approves the settlement document, it is approving that the company will be using its best efforts to do those things.

MR. MILLAR: Okay. So by -- if the Board accepts this agreement, it will be endorsing this approach?

MR. THOMPSON: Can I just add to this? The intent here from the intervenors' perspective was to respond to something that the Board had raised in last year's decision.

I take your question going to the pure utility concept. And what I envisaged, and I think what this clause certainly contemplates, is that if the company has to do this kind of thing in an affiliate, it will be a subsidiary of the utility, not a non-subsidiary affiliate, like the -- like was set up with the CWLP arrangement. And in that way, the benefits will flow through the utility and be shared.

MR. CASS: Mr. Millar, I'm sorry, if I might add to it.

The point that seems to underlie your question, I think, is something that has been addressed by the Board. Mr. Thompson alluded to this, that the previous Board decisions have discussed this point.

I have with me the 2006 decision. And I am looking, for example, at paragraph 8.7.1 of that decision. In this context, the Board was considering the CIS arrangement that was before the Board in that case.

The Board refers to an argument by CCC. The Board says in paragraph 8.7.1:

"The counsel notes that under the arrangement, Enbridge has no opportunity for fee reductions from additional clients, gain-sharing, most-favoured-nation pricing, or benchmarking."

And then two paragraphs down at 8.7.3, says:

"The Board agrees with intervenors that Enbridge's ratepayers are entitled to the benefits which flow from the efficient use of Enbridge's assets."

So I don't think there was any intention, in the paragraph of the settlement document that you are referring to, to go beyond something the Board has already said.

MR. MILLAR: And, again, I want to be clear. I am not criticizing the settlement. I am just making sure that its impact is clear.

MR. CASS: Yes.

MR. SHEPHERD: I just wanted to add, I think I -- what we're contemplating is similar to the company having an office -- owning an office building that is used for the utility and having some free space. You would expect them to rent it out and get some money for it.

And similarly here, if they have a new CIS and, because of its design, PowerStream can use it and pay for the privilege and Enbridge ratepayers save money, I think there is a general consensus that is a good idea.

I think your other question, Could the Board say this particular use is inappropriate, I think that is always open to the Board, absolutely.

MR. MILLAR: And a follow-up question. I think I know the answer to this. I take it that neither the company nor the intervenors think there is any issue relating to the undertakings to the Lieutenant Government in Council related to this type of activity? Since no one has asked for an exemption, I assume there is no -- no one thinks that that is an issue?

This, of course, is relating to business activities that the utility is permitted to conduct.

MR. THOMPSON: I will give you my answer, which is: If there are, will you come forward requesting exemptions? If there aren't --

MR. QUESNELLE: Mr. Thompson. Excuse me, Mr. Thompson.

MR. THOMPSON: Or if there are, we'll set it up as --

MR. MILLAR: I think your mic is off, Mr. Thompson. I'm sorry.

MR. THOMPSON: Sorry. If there are, the option of asking for an exemption is available. Or if it is, the option of setting it up in a wholly-owned subsidiary affiliate is available, and that would solve the problem.

MR. MILLAR: Great. Thank you.

Did anyone want to add to that or ...?

MR. CASS: Yes. I was just going to say, Mr. Millar, I had not made the assumption you had made, that this is permitted within the undertakings.

My response would be the same as Mr. Thompson’s, that in the event that an opportunity materializes, that it would be addressed at that time as to whether it would require an exemption or whether it would have to be done through the sort of affiliate that Mr. Thompson has described.

MR. MILLAR: Okay, thank you very much.

Those are all of my questions. Thank you.

MR. KAISER: Thank you, Mr. Millar.

QUESTIONS FROM THE BOARD:

MR. VLAHOS: Just a couple of questions.

Mr. Cass, I will address this one to you. If I were to look at the template - that is page 24 - I just want to confirm there is nothing outstanding, so that the Board can go ahead and make its decision on the revenue requirement for 2007 rates. Specifically, I am looking at rows 9 and 10.

So is there anything there that is pending before this panel can make that determination?

MR. CASS: No, sir. The 2007 rate decision would be made on the basis that I described, with the placeholder and the effect of applying the placeholder costs per customer number to the 2007 number of customers.

The outcome of the final numbers being inserted into column A of the template would then be part of the true-up process, and I think I described how any variance from the placeholder would be treated in accordance with the account that is referred to in the document.

So, no, there is nothing there that would need to be available for the Board to go ahead and make its rate order now for this case.

MR. VLAHOS: And that variance would be, I guess, smoothed over for the rest of the period then, as I understand.

Now, is it a potential for a further variance for starting, say, 2009? And what do we do with that variance?

MR. CASS: I'm not sure what you mean, Mr. Vlahos.

MR. VLAHOS: Neither do I.

MR. CASS: I don't believe there is a further variance. It has been structured such that when the true-up process has occurred, then the only adjustment would be as contemplated through the Board's IR formula. I am not aware of any --

MR. VLAHOS: So there is no potential for variance after 2007, assuming that all of those conditions are satisfied in the settlement proposal?

MR. SHEPHERD: The number is fixed at the true-up time, and there are two types of adjustments.

You have to adjust 2007, because you had to get a placeholder. You do that through a deferral account -- or a variance account, rather.

Then you -- for 2008 going forward, you build it into your base year IR; your revenue requirement going into IR.

MR. VLAHOS: So I guess the answer to my question is: There is no further adjustments that may be required after 2007?

MR. SHEPHERD: There are the reopeners that you heard about and there are two regulatory, or legislative reopeners. If the regulatory rules change or the legislative rules change, then --

MR. VLAHOS: Yes, I understand that. Okay.

MR. CASS: Mr. Vlahos --

MR. VLAHOS: So it is the only the variance in 2007 because of the threshold -– sorry, you didn't call it “threshold”. You called it ...

MR. SHEPHERD: Placeholder.

MR. VLAHOS: A placeholder. Thank you.

MR. CASS: Sorry, Mr. Vlahos. Mr. Stevens has reminded me of one other element.

Row 15 of the template, you will recall that the $11.1 million is a maximum, and there is a potential refund, if I can call it that, through to ratepayers. I don’t think -- that doesn't affect the overall operation of the template. That is just a specific item that could result in something being returned to ratepayers if the maximum is not met.

MR. VLAHOS: Okay. But that, again, that does not stop this panel to make a determination for the 2007. Okay.

Just, finally, I may want to ask Mr. Thompson this. Anybody else can come in. Just with respect to the total new CIS cost of 118.7 -– and, Mr. Thompson, you did explain, as others have, about the - what is it? - the $42 million component related to the so-called system integrator. And I don't know what that is. Is there another word for it? What is a system integrator?

MR. BAUER: It would be the consulting --

MR. VLAHOS: Could you ...?

MR. BAUER: The system integrator is the consulting organization that will be actually implementing the SAP application; that is, the CIS application. They will be installing it over the period of about 24 months.

MR. VLAHOS: So it is a person, an entity, as opposed to a thing?

MR. BAUER: Right. And right now it is either going to be Accenture or an organization by the name of Sapient.

MR. VLAHOS: So there is a potential for the $42 million to be something lower, but not higher.

MR. THOMPSON: Correct.

MR. VLAHOS: But the 118.7, therefore, is subject to that $42 million being something lower, but it does not attach the difference between the 118.7 and the 42 – "IE" I will call - calculate the $76.7 million, which is for the other things.

MR. THOMPSON: That's right.

MR. VLAHOS: So that number is fixed?

MR. THOMPSON: That number is fixed.

Well, to the extent the -- that number is fixed, correct.

MR. VLAHOS: Okay, that number is fixed. Which is calculated -- I guess you use to calculate the cost or the revenue requirement for each of the years under consideration.

Now, what happens at the end of the day if that number comes in lower?

MR. THOMPSON: Yes. That's why I was hesitating in the first time, because I was going to distinguish between during the term and at the end of term.

MR. VLAHOS: All right.

MR. THOMPSON: At the end of term, if they have actually spent less than 118.7 million total, then that will be reflected in rebasing. If they have actually spent more, then the only add-on is to the extent to which 42 million was higher. In other words, if they don't manage their piece, the 76 million-and-some-odd piece within those limits, they overspend on rebasing; they don't get the overage.

MR. VLAHOS: Do they get the overage over the 76.7, depending how much allowance is there for under 42 million?

MR. THOMPSON: No.

MR. VLAHOS: They don't.

MR. THOMPSON: No.

MR. VLAHOS: So at the end of the day, at the end of the term, then the costs for the other should not exceed $76.7 million, and I would assume somebody will have to check for that, to make sure that it is written off?

MR. THOMPSON: That's correct.

MR. VLAHOS: Who would that be? The company or the ...?

MR. THOMPSON: Well, Mr. Shepherd will probably expand on this, but there are some pretty stringent rebasing -- well, the rules provide, as I recall it, what the closing rate base will be at the end of term, subject to some tight constraints, is the way I would put it.

MR. VLAHOS: Okay. I must have missed that, what -- the reference to the closing rate base.

MR. SHEPHERD: We have agreed to a specific number of the opening rate base January 1st, 2013 of 71.4 million, I think, which is the calculated number assuming 118.7.

That can go downward because of the 42 million or it could, I suppose, go upward. There is a reopener for that, for the 42 million, but it can't be affected by the 76.7 million.

MR. THOMPSON: That's at page 14 of 30, Mr. Vlahos.

MR. VLAHOS: Whereabouts on the page, Mr. Thompson?

MR. THOMPSON: At the top:

"The parties agree that for rate-making purposes, CIS Capital Costs at the end of term will be treated as follows."

Mr. Cass did mention that, but there is a lot of stuff in this to digest.

MR. CASS: Mr. Vlahos, I would point out as well that the consultative, of course, will be continuing. And, as I already said, the final date for that is no later than six months after the in-service date for the new CIS. So there will be a continuation of the consultative during this period.

MR. VLAHOS: Thank you. Those are my questions.

But since Mr. Cass has raised the last issue, is it a forecast by the company as to what those costs of the consultation may be for the term, Mr. Cass?

MR. CASS: No.

MR. VLAHOS: There is no forecast? All right. But they will be captured in a deferral account?

MR. CASS: Correct.

MR. VLAHOS: Right. Thank you.

MR. QUESNELLE: Mr. Cass, just picking up, I was going to the same area Mr. Vlahos just asked about, and that was at the end of the deal, the reopener, I suppose, or the starting point to review costs related to that 42 million. My read of it is that, if there is a amount higher than the 42 million spent, there could be a prudency test going into the period beyond.

I just wondered what costs we'd be looking at at that point, from -- I'm wondering, What are we capturing during the period to maintain that? Is that into variance, or are we just looking at the undepreciated costs beyond to change the rate base?

MR. CASS: I'm sorry, I wasn't sure I followed the question, but by those who did follow the question, I am told it is the latter.

MR. QUESNELLE: Okay.

MR. SHEPHERD: Yes, that's correct. If it was $10 million over budget and the Board found that prudent, then whatever the impacts of that during the six years, would not count, and you would just recalculate what the opening rate base should be after IR.

MR. QUESNELLE: After the -- so it will have the --

depending where we end up on the tax treatment of this, it will have that treatment going forward?

MR. SHEPHERD: That's correct.

MR. QUESNELLE: Okay. Thank you.

That's all I have, Mr. Chair.

MR. KAISER: Thank you, gentlemen.

PROCEDURAL MATTERS:

MR. KAISER: Mr. Cass, what I am going to suggest, if you can give us half an hour, it will allow me to determine from the other Panel members whether we can give you a decision from the bench on this. If we can't, of course, we will reserve and issue it later. Is that acceptable?

MR. CASS: Yes, certainly. Thank you, sir.

MR. THOMPSON: Mr. Chairman, just before we break, there is one other point that I wanted to raise. It has got nothing to do with the settlement proposal, but it does have to do with the interim order that the Board -- that the company is waiting on the Board to issue, and then there is a related QRAM order. And this has been the subject of some correspondence from me to the company, and I have been in communication with Mr. Battista.

And I just want to put on the record here -- I believe you have jurisdiction over the interim order, but perhaps not the QRAM order, but they're related. And the Board Staff is waiting for me to put something on the record. So if you would just bear with me. It's not to promote any debate, but just to record my client's position.

IGUA no longer has any concerns with the impact on customer distribution and load-balancing charges of the interim and QRAM orders the company has asked the Board to issue effective April 1.

I advised Mr. Battista of this verbally yesterday. And the only thing I would ask is that -- I will be sending a letter to the Board describing the concerns that the filing has created for my client and the time that it took to get the confusion resolved, and I would simply ask that the Board hold off issuing any cost awards or declining to issue any cost awards until it receives my letter with respect to that process.

MR. KAISER: Thank you.

MR. THOMPSON: Thank you.

MR. KAISER: Anyone else have anything on the interim order?

We will come back in half an hour.

--- Recess taken at 12:30 p.m.

--- On resuming at 1:05 p.m.

MR. KAISER: Please be seated.

DECISION:

MR. KAISER: On March 21st, the Board received a settlement proposal from the parties with respect to the customer care and customer information system issues in this proceeding. That was filed in this record as Exhibit N1, tab 1, Schedule 1, Appendix F.

This agreement fixes most aspects of the applicant's customer care and CIS revenue requirement for the following five years, until December 31st, 2012. The six year-term of the settlement allows the company to proceed to award long-term contracts for a new CIS and new customer care provider in the near future, while at the same time providing for associated revenue requirement and ultimately rate impact to be smoothed over a number of years.

This settlement agreement forms Schedule A to this Decision.

We were advised that the settlement agreement was arrived at a thorough, a long, intensive and productive consultative process, which involved representatives of the company and their respective experts, as well as three significant intervenor groups, the Consumers Council of Canada, Industrial Gas Users Association, and the School Energy Coalition.

The intervenors have already filed as Exhibit L2 in this proceeding the evidence of Mario Bauer, a procurement expert who worked with them throughout the consultative process.

All of the parties involved in the consultative - that is to say, the Consumers Association, IGUA, Schools, and Enbridge Gas Distribution - jointly support and submit this settlement proposal to the Board today.

Support for the settlement proposal also has been received from three other intervenors, Energy Probe, VECC, and Direct Energy.

The parties have agreed that a placeholder amount will be used to establish that revenue requirement for customer care and CIS costs for 2007. That amount is $90.8 million plus an amount of $15.1 million representing provision for uncollectible accounts.

For the purposes of the settlement, the customer care and CIS placeholder of 90.8 million plus bad debt costs of 15.1 will replace the amounts in the company's application and prefiled evidence which totals 130.1 million.

To reflect this settlement, the parties have agreed upon a template which appears at page 24 of the Settlement Agreement. That templates sets out all of the relevant categories of expenses over the 2007 to 2012 period that relate to customer care and CIS, except for bad debt costs.

The costs in a number of those categories can be established today. They are presented in this material, and the parties have agreed to those amounts. However, some of the costs set out in the template must be determined when the contract prices and other costs are known. For those costs, the parties have agreed to the parameters under which those costs will be calculated or forecast and included in a true-up calculation. The True-up Rules form Appendix A of the Settlement Agreement.

The parties have also provided in the agreement a procedure for a prudence review of the contracts when they're ultimately signed. That procedure provides for a subsequent application by Enbridge, for approval of a settlement agreement, or, if there is a dispute, resolution of any outstanding matters by the Board.

There is also a procedure whereby Enbridge can bring an application to the Board, if they elect, prior to June 30th, 2007 with respect to the capital cost allowance treatment. The other parties have reserved all of their rights to disagree with Enbridge's position if Enbridge brings such an application.

The Board approves the settlement agreement. We find it to be in the public interest. We wish to add that we are impressed by the drafting of this agreement and the sophistication of the process by which it was brought about, including the manner in which the parties were able to defer certain issues which were preventing the agreement and provide for a further process to resolve those issues.

I am referring to what Mr. Thompson referred to as the “hot button”, the CCA allowance. It seemed to the Board to be a very clever and thoughtful way to proceed in this case.

The only outstanding matter in this case, then, relates to corporate cost allocation. We have dealt with that issue today.

It's been left on the basis that it will form phase two of this proceeding. The counsel will consult with each other and see if they can agree on a schedule. They will place that before the Board, which will then issue a Procedural Order putting that in place.

We will deal with this matter as a separate issue, but we will proceed in the interim with rendering a decision in the main rate case.

Anything else, Mr. Cass?

MR. CASS: No, sir. Thank you very much.

MR. KAISER: Thank you very much, gentlemen.

--- Whereupon hearing adjourned at 1:13 p.m.

BOARD STAFF INTERROGATORY #35

INTERROGATORY

Ref: Witnesses

Please provide a list of the witnesses that will be addressing the evidence in this proceeding. Please also provide copies of the CVs and the areas of expertise for each witness.

RESPONSE

Below please find the list of witnesses that will be addressing the evidence in this proceeding.

Witness	Area of Expertise
Kevin Culbert	Regulatory Accounting and Regulation
Mike Mees,	Customer Care, Customer Billing and Billing Systems, and Operations
Steve McGill	Customer Care, Customer Billing and Billing Systems, and Regulation
Bob Wood (Independent Consultant for Enbridge)	Customer Care, Customer Billing and Billing Systems, and Administration

Please see Exhibit A, Tab 1, Schedule 2 for the witness CV's.

Witness: R. Bourke

BOARD STAFF INTERROGATORY #36

INTERROGATORY

Ref: Glossary of Terms

Please provide a glossary with definitions of all acronyms and other special terms used in this Application. At a minimum, please include in this glossary KUBRA, Symcor, MET, Lakeside, AECON, LinkLine, Open Bill Clients, WMC, OBA Biller Hotline, CIS Hosting, SAP, ACN, BD Programs, CCSA, ABSU, IVR technology, PAP, PAD, and MTP.

RESPONSE

Term	Definition
ABSU	Accenture Business Services for Utilities Inc., a.k.a. ACN
ACN	A.k.a. ABSU or Accenture Business Services for Utilities Inc.
AECON	An external vendor that provides construction services to EGD.
CCSA	Customer Care Services Agreement i.e. the contract between EGD and ABSU for customer care services.
CIS Hosting	Hosting services provide the physical space and infrastructure that enable the CIS application to be housed, accessed and maintained as per business requirements.
IVR technology	Interactive Voice Response technology. The telephone technology used to receive and direct customer calls; it also offers some self-serve capability.

Witness: S. McGill

Term	Definition
Kubra	Kubra Data Transfer Ltd. Is an external vendor that provides bill compilation; electronic bill; electronic bill payment; and some bill print services to EGD.
Lakeside	An external vendor that provides construction services to EGD.
LinkLine	An external vendor that provides construction services to EGD.
MET	An external vendor that provides meter reading services to EGD.
MTP	Managed Third Party, or Third Party Contractor, refers to an external vendor which contracted directly with EGD but is being managed by Accenture on behalf of EGD.
OBA Biller Hotline	A telephone number that Billers can call to help resolve inquiries. It is manned by Accenture staff.
Open Bill Clients	Third Party organizations that bill their charges via an EGD bill. EGD is responsible for billing/inquiry/collection of said charges.
PAD	Pre-authorized debit is a method of electronic payment for customers. It allows the flexibility for a one-time payment, for a customized amount each time.
PAP	A method of payment whereby the amount due, as shown on the monthly bill, will be automatically withdrawn from the customer's bank account on the day before late payment penalties would otherwise apply.

Term	Definition
SAP	The software which is the foundation of EGD's Customer Information System. Also the name of the software vendor.
Symcor	Symcor Inc. is an external vendor that provides bill print and payment remittance services to EGD.
WMC	EGD's Work Management Centre. This group is responsible for directing work related to construction, maintenance, and service calls.

VECC INTERROGATORY #1

INTERROGATORY

Reference: Exhibit A Tab 1Schedule 1 para 2-8 Application

a) File a copy of the 2007 Settlement Agreement (or an extract including the 2007 Template) from the Board's EB-2006-0034 Decision with Reasons.

b) Provide documentation that supports the statement in para. 8 that
   "Enbridge and members of the stakeholder steering committee have agreed upon the values set out in rows 3 and 10(a) of the 2013Template, 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."

c) Provide documentation that sets out the opinion of Five Point (other than the Slide Deck) on the extension and proposed 2013-2018 CIS and CC costs

RESPONSE

a) Please see response to Board Staff Interrogatory #33 at Exhibit I, Tab 1, Schedule 33.

b) The statement in paragraph 8 is based on the outcome of many meetings and discussions between Enbridge and the stakeholder steering committee which are described in Enbridge's prefiled evidence and interrogatory responses.

   Enbridge confirmed the agreement of the stakeholder steering committee members to the values in rows 3 and 10(a) of the 2013 Template by receiving approval from the stakeholder steering committee members to the application materials for this case before those materials were filed with the Ontario Energy Board.

c) Enbridge is not aware of any documentation setting out the opinion of Five Point Partners other than the report set out in the pre-filed evidence at Exhibit B, Tab 4, Schedule 2.

Witness: M. Mees
S. McGill

VECC INTERROGATORY #2

INTERROGATORY

Reference Exhibit A Tab 2 Schedule 2 CIS COSTS

a) Provide an Electronic copy of the 2013 Template in Excel 2007 format that will allow VECC to analyze the increases proposed for 2013-2018 *on a line by line basis* for both CIS and Customer Care.

b) Provide a copy of the 2013 Template that shows on a line by line basis the annual cost increase and percentage change year over year for historic and forecast years.

c) Explain why in Line3 the opening balance of the 2013 Template (Col H) is not the same as the closing balance for 2012 (Col. F). Provide supporting detail and references to extracts from the current Settlement Agreement

d) For Lines 4,5 Provide the Explanation (*cost drivers*) of the year over year increase including/not limited to
    i. Increase in outsourced costs Name of service provider and reference to contract provision(s)
    ii. FTE (outsourced) change
    iii. Cost per FTE
    iv. FTE (in-house)change
    v. Cost per FTE

e) Provide the CIS Cost normalized per bill and per customer for residential customers and the totals for all bills/customers

f) Provide any comparative unit costs for CIS for SAP based Systems or if not available, any other systems particularly for Union Gas, Hydro One Networks and Toronto hydro

Witness: S. McGill

RESPONSE

a) An electronic copy of the 2013 Template in Excel 2007 format has been provided to Intervenors.

b) In response to this, the figures provided are based on Exhibit B, Tab 5, Schedule 2 as this exhibit contains the actual historical costs for 2007-2010 and forecasts thereafter. (Exhibit A, Tab 2, Schedule 2 was incorrectly labeled and misunderstood to contain actual costs. EGD has filed a correction to Exhibit A, Tab 2, Schedule 2). Please see tables below titled "Exhibit B, Tab 5, Schedule 2, Change Year Over Year" and "Exhibit B, Tab 5, Schedule 2, Percentage Change Year Over Year"

c) The balances in Line 3 in the template are not asset balances of the CIS system but rather are annual revenue requirement amounts. The change in revenue requirement and the related net book value of the CIS system as of 2013 from 2012 and the original approved template amounts is explained and shown in evidence at Exhibits B, Tab 3, Schedule 1, Exhibit B, Tab 3, Schedule 3, and Exhibit B, Tab 3, Schedule 4.

d) Again, this response is based on figures provided in Exhibit B, Tab 5, Schedule 2 as this exhibit contains the actual historical costs for 2007-2010 and forecasts thereafter.

   2010 shows a full year of actual costs with new CIS implemented in September 2009. The year over year increases thereafter are based on forecasted CPI, Wage inflation or combination thereof as determined by the nature of the costs. Please refer to Board Staff Interrogatory #2 found at Exhibit I, Tab 1, Schedule 2 for an explanation of the cost drivers.

e) Please see response to VECC Interrogatory #7 found at Exhibit I, Tab 2, Schedule 7.

f) Enbridge does not have the requested information. However, as part of the 2007 Customer Care and New CIS consultative process, TMG (who are now Five Point) confirmed that CIS implementation and operating costs established through a competitive RFP process and included in the 2007 Template were reasonable. These costs were subsequently accepted as part of the 2007 Settlement Agreement.

Witness: S. McGill

Exhibit B, Tab 5, Sch. 2
Change Year Over Year

#	Category of Cost	A 2007A	B 2008A	C 2009A	D 2010A	E 2011	F 2012	G 2007-2012 Total	H 2013P	I 2014P	J 2015P	K 2016P	L 2017P	M 2018P	N 2013-2018 Total
	CIS Related Categories														
1	Old CIS Licence Fee														
2	Old CIS Hosting and Support		$260,721	($5,502,306)	($14,108,849)	$0	$0	($19,350,434)	$0	$0	$0	$0	$0	$0	$0
2a	Incumbent (CWLP) CIS Services being provided from January to March 2007														
3	New CIS Capital Cost @ Board Approved **36%** Equity		$0	$950,000	($6,210,000)	$31,150,000	($980,000)	$24,910,000	$510,000	($1,040,000)	($1,060,000)	($1,000,000)	($1,010,000)	($1,050,000)	($4,650,000)
4	New CIS Hosting and Support		$0	$1,923,502	$4,411,136	$177,370	$1,057,602	$7,569,610	$211,949	$213,993	$241,865	$249,182	$256,720	$264,485	$1,438,194
5	CIS Backoffice (EGD Staffing)		$60,000	$716,037	$1,809,899	$93,094	$88,408	$2,767,438	$91,325	$88,622	$100,506	$103,933	$107,477	$111,142	$603,005
6	SAP Licence Fees		$0	$683,519	$1,363,766	$83,939	$80,987	$2,212,210	$84,064	$82,666	$93,017	$96,654	$100,433	$104,360	$561,192
7	SAP Modifications		$0	$0	$1,274,000	($1,274,000)	$0	$0	$0	$0	$0	$0	$0	$0	$0
	Subtotal	**$0**	**$320,721**	**($1,229,248)**	**($11,460,048)**	**$30,230,402**	**$246,996**	**$18,108,824**	**$897,339**	**($654,720)**	**($624,612)**	**($550,232)**	**($545,371)**	**($570,013)**	**($2,047,608)**
	Customer Care Related Categories														
8	Incumbent (CWLP) Customer Care Services being provided from - January to March 2007		($21,692,877)	$0	$0	$0	$0	($21,692,877)	$0	$0	$0	$0	$0	$0	$0
9	Customer Care Transition Service Provider Contract Cost - ABSU April, 2007 to Sept. 30, 2008		$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
10	New Service Provider Contract Cost		$18,446,491	$2,961,299	$808,328	$ 1,225,818	$ 1,807,042	$25,248,978	$2,895,934	$3,267,310	$3,338,947	$3,193,091	$3,294,062	$4,424,029	$20,413,372
10a	ACN, MTP & Collection Agency costs		$13,180,659	$2,043,490	($92,810)	$ (904,164)	636,770	$14,863,945	1,677,150.50	1,873,610.78	1,759,205.26	1,547,026.74	1,593,008.67	2,730,144.01	$11,180,146
10b	MET		$2,355,056	$168,232	$195,195	$1,039,852	$188,779	$3,947,114	$197,479	$332,478	$476,911	$500,996	$520,905	$517,909	$2,546,679
10c	Postage		$2,910,776	$749,577	$705,943	$1,090,130	$981,493	$6,437,919	$1,021,305	$1,061,221	$1,102,831	$1,145,067	$1,180,148	$1,175,976	$6,686,548
11	Customer Care Licences		($150,652)	($681,081)	($87,356)	($400,000)	$49,799	($1,269,290)	$51,691	$50,831	$57,196	$59,432	$61,756	$64,171	$345,079
12	Customer Care Backoffice (EGD staffing)		($963,978)	$56,475	$868,365	$147,085	$139,682	$247,629	$144,291	$140,019	$158,796	$164,211	$169,811	$175,601	$952,729
13	Customer Care Procurement Costs		$980,000	$0	$0	$0	$0	$980,000	($980,000)	$0	$0	$0	$0	$0	($980,000)
14	Transition Costs - Consultants and ISP		$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
15	Transition Costs - EGD Staffing														
16	**Total CIS & Customer Care**	$0	($3,060,295)	$1,107,445	($9,870,711)	$31,203,305	$2,243,519	$21,623,263	$3,009,255	$2,803,441	$2,930,327	$2,866,502	$2,980,258	$4,093,788	$18,683,572
17	Number of Customers		39,572	33,537	31,394	42,769	37,119	184,391	38,850	40,358	41,874	43,273	43,709	39,901	247,965
	Total Customer Care Only	**-**	**(3,381,016)**	**2,336,693**	**1,589,337**	**972,903**	**1,996,523**	**3,514,440**	**2,111,917**	**3,458,160**	**3,554,939**	**3,416,734**	**3,525,629**	**4,663,801**	**20,731,180**

Exhibit B, Tab 5, Sch. 2
Percentage Change Year Over Year

#	Category of Cost	A 2007A	B 2008A	C 2009A	D 2010A	E 2011	F 2012	H 2013P	I 2014P	J 2015P	K 2016P	L 2017P	M 2018P
	CIS Related Categories												
1	*Old CIS Licence Fee*												
2	*Old CIS Hosting and Support*		1.3%	-28.1%	-100.0%	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
2a	*Incumbent (CWLP) CIS Services being provided from January to March 2007*												
3	*New CIS Capital Cost @ Board Approved* ***36%*** *Equity*		#DIV/0!	#DIV/0!	-653.7%	-592.2%	-3.8%	2.0%	-4.1%	-4.3%	-4.3%	-4.5%	-4.9%
4	*New CIS Hosting and Support*		#DIV/0!	#DIV/0!	229.3%	2.8%	16.2%	2.8%	2.8%	3.0%	3.0%	3.0%	3.0%
5	*CIS Backoffice (EGD Staffing)*		#DIV/0!	1193.4%	233.2%	3.6%	3.3%	3.3%	3.1%	3.4%	3.4%	3.4%	3.4%
6	*SAP Licence Fees*		#DIV/0!	#DIV/0!	199.5%	4.1%	3.8%	3.8%	3.6%	3.9%	3.9%	3.9%	3.9%
7	*SAP Modifications*		#DIV/0!	#DIV/0!	#DIV/0!	-100.0%	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
	Customer Care Related Categories												
8	*Incumbent (CWLP) Customer Care Services being provided from - January to March 2007*		-100.0%	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
9	*Customer Care Transition Service Provider Contract Cost - ABSU April, 2007 to Sept. 30, 2008*		#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
10	*New Service Provider Contract Cost*		39.6%	4.6%	1.2%	1.8%	2.6%	4.0%	4.4%	4.3%	3.9%	3.9%	5.0%
10a	*ACN, MTP & Collection Agency costs*		41.1%	4.5%	-0.2%	-1.9%	1.4%	3.6%	3.9%	3.5%	3.0%	3.0%	4.9%
10b	*MET*		37.1%	1.9%	2.2%	11.5%	1.9%	1.9%	3.2%	4.4%	4.4%	4.4%	4.2%
10c	*Postage*		35.9%	6.8%	6.0%	8.7%	7.2%	7.0%	6.8%	6.6%	6.5%	6.2%	5.9%
11	*Customer Care Licences*		-5.7%	-27.5%	-4.9%	-23.4%	3.8%	3.8%	3.6%	3.9%	3.9%	3.9%	3.9%
12	*Customer Care Backoffice (EGD staffing)*		-23.4%	1.8%	27.0%	3.6%	3.3%	3.3%	3.1%	3.4%	3.4%	3.4%	3.4%
13	*Customer Care Procurement Costs*		#DIV/0!	0.0%	0.0%	0.0%	0.0%	-100.0%	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
14	*Transition Costs - Consultants and ISP*		#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
15	*Transition Costs - EGD Staffing*												
16	**Total CIS & Customer Care**												
17	*Number of Customers*		2.2%	1.8%	1.6%	2.2%	1.9%	1.9%	2.0%	2.0%	2.0%	2.0%	1.8%

Witness: S. McGill

VECC INTERROGATORY #3

INTERROGATORY

Reference Exhibit A Tab 2 Schedule 2 CUSTOMER CARE COSTS

a) Provide a summary of all of the outsource contracts associated with this Application, other than Accenture.
For each contract:

(i) provide the name of the service provider and the associated annual cost of the contract; Reconcile to the relevant costs in the 2013 Template.

(ii) indicate if the contracts are new contracts, a renewal, or a continuation of a contract from the 2007 to 2012 Template.

b) Provide a copy of the 2013 Template for Customer Care that shows on a line by line basis the annual cost increase and percentage change year over year for historic and forecast years.

c) Explain why in Line10 the opening balance of the 2013 Template (Col H) is not the same as the closing balance for 2012 (Col. F) Provide supporting detail and references to extracts from the current Settlement Agreement

d) For Lines 10 a-c (Col. A-F)provide the historic actual and forecast cost breakdown

e) For Lines 10 and 10a-c,and 12 (Col H-M) Provide the Explanation (*cost drivers*) of the year over year increase including/but not limited to
   i. Increase in outsourced costs Name of service provider and reference to contract provision(s)
   ii. FTE (outsourced) change
   iii. Cost per FTE
   iv. FTE (in-house)change
   v. Cost per FTE

Witness(es): S. McGill
M. Mees

f) Provide the Customer Care Cost normalized per customer for residential customers and the total for all customers. Include actual/forecasts of call volumes and other relevant cost drivers.

g) Provide any comparative unit costs for Customer Care for SAP based Systems or if not available, any other systems particularly for Union Gas, Hydro One Networks and Toronto Hydro

RESPONSE

a) Please refer to Board Staff Interrogatory #21 found at Exhibit I, Tab 1, Schedule 21.

b) Please refer to VECC Interrogatory #2 found at Exhibit I, Tab 2, Schedule 2, part b) which includes figures for both CIS costs and Customer Care costs.
[Note: the response is based on Exhibit B, Tab 5, Schedule 2 as explained.]

c) Line 10 states costs for each discrete year. The concept of opening and closing balances is not relevant.

d) Please refer to Exhibit B, Tab 5, Schedule 2, Lines 10a to c, Column A to F.

e) Lines 10 and 10a to c represent outsourced Service Provider costs.

1. Costs in Line 10a (ACN (Accenture) et. al.) are driven by contract pricing/terms and customer growth.
2. Line 10b represents meter reading costs. EGD's contract with MET for these services has an optional renewal term of 2 years taking the contract to mid 2014. Beyond this, the pricing was assumed to increase at 2014 CPI of 2.4%.
3. Line 10c shows postage costs and these are driven by forecasted price increases, based on historical patterns; and customer growth.

For Line 12, Customer Care Backoffice, this response is best phrased in reference to figures provided in Exhibit B, Tab 5, Schedule 2 as this exhibit contains the actual historical costs for 2010 in Column D. This question is in reference to Columns H to M which are identical in both Exhibit A, Tab 2, Schedule 2 and Exhibit B, Tab 5, Schedule 2.

Witness(es): S. McGill
M. Mees

In Exhibit B, Tab 5, Schedule 2, Column D, the 2010 figures show a full year of actual costs with new CIS implemented in September 2009. The year over year increases thereafter are based on forecasted Wage inflation. These costs are predominantly in-house labor or external labor i.e., consulting, therefore wage inflation was deemed the appropriate inflator.

Please refer to Board Staff Interrogatory #2 found at Exhibit I, Tab 1, Schedule 2 for the cost drivers.

f) Please see response to VECC Interrogatory #7 found at Exhibit I, Tab 2, Schedule 7 for the cost per customer.

ACN related costs are on a cost-per-customer basis i.e. driven by customer count. Therefore varying activity levels such as call volumes are not relevant. MET (meter reading) and postage costs are also driven by customer count given that customer counts drive the number of meters to be read and the number of bills to be mailed. Other costs are relatively consistent, increasing only by the inflation factors cited.

g) The Company is not in possession of the information requested in this question.

Witness(es): S. McGill
M. Mees

VECC INTERROGATORY #4

INTERROGATORY

Reference: Exhibit BTab5 Schedule 2

a) Provide a detailed explanation on a line by basis of the variances between the Board-Approved 2007-2012 costs and the actual/forecasts shown in the Exhibit.

b) Identify costs that were/are controlled directly by EGD (e.g . In-house staff costs)

c) How are the variances being factored into the 2013 Template? (clear explanation and illustrative examples)

d) If forecasts for 2011 and 2012 differ from those shown how will this be addressed going forward in the 2013 template? e.g.. will there be a true up?

RESPONSE

a) Please refer to Board Staff Interrogatory #3 found at Exhibit I, Tab 1, Schedule 3.

b) Please refer to Board Staff Interrogatory #23 found at Exhibit I, Tab 1, Schedule 23 for a breakout out of in-house costs from within total 2010 actual costs. These represent a small fraction of total costs.

c) Each line of the 2013 Template is the Company's forecasts of costs for each year. The forecast incorporates actual results for 2007 to 2010. Therefore variances from the original template are taken into consideration within the forecast of costs included in the 2013 Template.

d) The Company does not propose to true-up the template for any variances that occur in 2011 and 2012. To the extent that there are any further variances in 2011 and 2012 they would not necessarily be indicative of any expected variances going forward in the 2013 Template.

Witness(es): S. McGill
M. Mees

VECC INTERROGATORY #5

INTERROGATORY

References: “2013 Template” Exhibit ATab2Schedule2 and Exhibit BTab2Schedule1 page 2 para. 5 Inflation Factor

a) Please provide the rationale for using the cited aggregate inflation factor.

b) Indicate which lines have costs that include inflation or other escalators and provide the annual amount(s) of these individual escalators

c) Demonstrate (calculation) how the aggregate inflation factor was/is calculated from the individual costs subject to escalation

RESPONSE

a) Please refer to Board Staff Interrogatory #5 found at Exhibit I, Tab 1, Schedule 5.

b) The following lines have been escalated based on forecasted CPI, Wage inflation or combination thereof as determined by the nature of the costs.

1. Line 4 New CIS Hosting & Support
2. Line 5 CIS Backoffice
3. Line 6 SAP Licence Fees
4. Line 11 Customer Licences
5. Line 12 Customer Care Backoffice

Please refer to VECC Interrogatory #2 found at Exhibit I, Tab 2, Schedule 2, part b), specifically the table titled “Exhibit B, Tab 5, Schedule 2, Percentage Change Year Over Year” for the annual escalation percentages starting with the 2011 forecast year.

Please also refer to the table in Board Staff Interrogatory #2 found at Exhibit I, Tab 1, Schedule 2, specifically the column titled “2013”, for the rationale of the increases.

Also refer to Board Staff Interrogatory #7 found at Exhibit I, Tab 1, Schedule 7, which states the CPI and Wage Inflation values.

Witness: S. McGill

c) The line by line costs were not escalated using the 1.7758% factor. As explained in the response to Board Staff Interrogatory #5 found at Exhibit I, Tab 1, Schedule 5, the 1.7758% factor is an annuity factor used for the purposes of smoothing the total overall Customer Care and CIS revenue requirement into annual amounts that allow for rate stability.

VECC INTERROGATORY #6

INTERROGATORY

Reference Non –Utility Services including Open Bill Access

a) Confirm when the current Open Bill Access Settlement Agreement ends

b) What happens to the additional CIS costs incurred in 2007-2012 regarding if/how these costs should be shared by Open Bill Access customers

c) What assumptions have been made about Open Bill access services in the period 2013-2018 and what are the related cost and revenue assumptions?.

d) Provide a Proforma for Open Bill Access 2013-2018 using the existing OBA cost/revenue structure as a basis

RESPONSE

a) The current Open Bill Access ("OBA") Settlement Agreement ends December 31, 2012.

b) Please see the Company's response to Board Staff Interrogator #27 found at Exhibit I, Tab 1, Schedule 27. All costs associated with OBA incurred between 2007 and 2012 are treated in the manor stipulated in the OBA Settlement Agreement.

c) The Company is currently in the process of evaluating its OBA program in preparation for its 2013 rate application. This evaluation will take into account cost and revenue assumptions for the program. For the purpose of the negotiation of the extension of the Accenture Service Agreement, it was assumed that the open bill program would continue to operate through to the end of 2019. The Open Bill costs in Accenture CCSA are not included in the 2013 Template.

Witness: S. McGill

d) Please see the table below. This forecast represents Enbridge's latest long term estimate of OBA income based upon the existing OBA cost/revenue model as specified in the OBA Settlement Agreement. As noted in part (c) to this response the Company is currently evaluating the program and may bring forward proposed changes to it in future rate applications that could result in changes to the forecast set-out below.

Open Bill Access - Forecast Revenues and Costs 2011 through 2019

	Forecast 1+11	2012	2013	2014	2015	2016	2017	2018
Revenue	$18,609,793	$19,526,375	$19,713,592	$19,901,973	$20,092,633	$20,284,254	$20,479,062	$21,584,024
Costs	$12,080,013	$13,268,315	$13,232,286	$13,188,514	$13,327,282	$13,662,216	$14,049,314	$15,154,959
Net Contribution	**$6,529,780**	**$6,258,060**	**$6,481,306**	**$6,713,460**	**$6,765,351**	**$6,622,038**	**$6,429,748**	**$6,429,065**
Ratepayer Benefit	$5,389,604	$5,389,604	$5,389,604	$5,389,604	$5,389,604	$5,389,604	$5,389,604	$5,389,604
EGD Benefit	$1,140,176	$868,456	$1,091,702	$1,323,856	$1,375,747	$1,232,434	$1,040,144	$1,039,461

Witness: S. McGill

VECC INTERROGATORY #7

INTERROGATORY

Reference: Cost Allocation and Bill Impacts

a) Provide the projected rate class cost allocations associated with the 2013 Template for each of CIS and Customer Care. Include a typical customer annual cost for the residential class for each

b) Provide a description of the cost allocation methodology and indicate any changes from the current 2007-2012 allocation,

c) Provide the bill impacts associated with the proposal for the residential class and compare/contrast to the current bill impacts 2007-2012.

RESPONSE

a) The allocation by rate class for each of the CIS and Customer Care costs in 2013 is shown at Item 1 in Table 1 and Table 2, respectively, on the following page. The resulting annual cost for a typical residential customer is shown at Item 2 in each of Table 1 and Table 2.

b) CIS and Customer Care costs are allocated on the total number of customers by rate class. This methodology is consistent with the Board-approved allocation of these costs in previous proceedings.

c) The proposed CIS & Customer Care costs for 2013 have an estimated bill impact of 2.0% for residential customers on a T-service basis using 2011 volumes and customer numbers, and based on July 1, 2011 rates. The company does not determine rate impacts due to CIS-only costs as part of its annual rate adjustment applications. However, in comparison, the 2007 rate adjustment application yielded a residential bill impact of 3% on a T-service basis. 2008-2011 rate adjustment application impacts were less than 1% for the residential class.

Witness(es): J. Collier
A. Kacicnik
M. Suarez

TABLE 1

Allocation of 2013 CIS Revenue Requirement*

Item No:	Col. 1	Col. 2	Col. 3	Col. 4	Col. 5	Col. 6	Col. 7	Col. 8	Col. 9	Col. 10	Col. 11	Col. 12	Col. 13	Col. 14
		TOTAL	RATE 1	RATE 6	RATE 9	RATE 100	RATE 110	RATE 115	RATE 125	RATE 135	RATE 145	RATE 170	RATE 200	RATE 300
	CIS Revenue Requirement													
Item 1	2013 Proposed Cost ($M)	39.0	35.77	3.19	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	Average Annual Cost per Customer based on													
Item 2	2013 Proposed cost of $39 M		19.83	19.83	19.83		19.83	19.83	19.83	19.83	19.83	19.83	19.83	19.83
	Incremental Annual Cost per Customer													
Item 3	Typical Annual Profile (m^3)		3,064											
Item 4	Annual Cost for Typical Customer		$ 3.91											
	Bill Impacts (rates effective July 1, 2011)													
Item 5	Typical Sales Customers		0.4%											
Item 6	Typical T-Service Customers		0.6%											

TABLE 2

Allocation of 2013 Customer Care Revenue Requirement*

Item No:	Col. 1	Col. 2	Col. 3	Col. 4	Col. 5	Col. 6	Col. 7	Col. 8	Col. 9	Col. 10	Col. 11	Col. 12	Col. 13	Col. 14
		TOTAL	RATE 1	RATE 6	RATE 9	RATE 100	RATE 110	RATE 115	RATE 125	RATE 135	RATE 145	RATE 170	RATE 200	RATE 300
	Customer Care Revenue Requirement													
Item 1	2013 Proposed Cost ($M)	81.9	75.17	6.70	0.00	0.00	0.01	0.00	0.00	0.00	0.01	0.00	0.00	0.00
	Average Annual Cost per Customer based on													
Item 2	2013 Proposed cost of $81.9 M		41.66	41.66	41.66		41.66	41.66	41.66	41.66	41.66	41.66	41.66	41.66
	Incremental Annual Cost per Customer													
Item 3	Typical Annual Profile (m^3)		3,064											
Item 4	Annual Cost for Typical Customer		$ 8.91											
	Bill Impacts (rates effective July 1, 2011)													
Item 5	Typical Sales Customers		0.8%											
Item 6	Typical T-Service Customers		1.4%											

*NOTE:
The allocation of costs to the rate classes was done using customer numbers from 2011. Bill impacts were determined using rates effective July 1, 2011 and were based on the difference between 2012 and 2013 costs.

Witness(es): J. Collier
A. Kacicnik
M. Suarez