500 Consumers Road
North York, Ontario M2J 1P8
PO Box 650
Scarborough ON M1K 5E3

Bonnie Jean Adams
Regulatory Coordinator
Telephone: (416) 495-5499
Fax: (416) 495-6072
Email: EGDRegulatoryProceedings@enbridge.com

September 2, 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

Enclosed please find the Settlement Agreement for the above noted proceeding.

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

SETTLEMENT AGREEMENT

Enbridge Gas Distribution Customer Care and Customer Information System costs for 2013 to 2018

September 2, 2011

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PREAMBLE

This Settlement Agreement is filed with the Ontario Energy Board (the “OEB” or the “Board") in connection with the application of Enbridge Gas Distribution Inc. (“Enbridge” or the “Company”), for an order or orders approving a Template setting out Enbridge’s customer care (“CC”) and Customer Information System (“CIS”) costs, and associated component of revenue requirement for the period from 2013 to 2018 (the “Application”).

In Procedural Orders No. 1 and 2, the Board established the process to address this Application, as well as the Issues List for this proceeding. The evidence for this application comes from four sources: (i) Enbridge’s prefiled evidence; (ii) answers to interrogatories from Board Staff and intervenors; (iii) evidence from a technical conference held August 17, 2011; and (iv) additional evidence provided following the technical conference through undertakings given at and after the technical conference, including information provided during the Settlement Conference and subsequently placed on the public record by agreement between the parties.

A Settlement Conference was held on August 23 to 26, 2011. George Dominy acted as the OEB-appointed facilitator for the Settlement Conference. This Settlement Agreement arises from the Settlement Conference and subsequent discussions.

Enbridge and the following intervenors, as well as Ontario Energy Board technical staff (“Board Staff”), participated in the Settlement Conference:

BUILDING OWNERS AND MANAGERS ASSOCIATION OF THE GREATER TORONTO AREA (BOMA)
CANADIAN MANUFACTURERS & EXPORTERS (CME)
CONSUMERS COUNCIL OF CANADA (CCC)
ENERGY PROBE RESEARCH FOUNDATION (Energy Probe)
FEDERATION OF RENTAL-HOUSING PROVIDERS OF ONTARIO (FRPO)
SCHOOL ENERGY COALITION (SEC)
VULNERABLE ENERGY CONSUMERS COALITION (VECC)

The Settlement Agreement deals with all of the issues on the Board’s "Issues List” that is set out in Procedural Order No. 2. As required by the Board’s Procedural Order No. 1, this Settlement Agreement also includes a detailed explanation and justification for the settlement of each issue, including a full discussion of the evidentiary basis upon which the settlement was reached.

All intervenors listed above participated in the Settlement Conference and subsequent discussions. Board Staff takes no position on any issue and, as a result, is not a party to the Settlement Agreement. Enbridge and all intervenors have agreed to the settlement of all of the issues on the Issues List, as described on the following pages. The description of each issue assumes that all parties participated in the negotiation of the issue, unless specifically noted otherwise.

Best efforts have been made to identify all of the evidence that relates to each settled issue. The supporting evidence for each settled issue is identified individually by reference to its exhibit number in an abbreviated format; for example, Exhibit B, Tab 3, Schedule 1 is referred to as B-3-

1. The identification and listing of the evidence that relates to each settled issue is provided to assist the Board.

The Settlement Agreement describes the agreements reached on the issues. The Settlement Agreement contains explanation of the evidence supporting and relating to each issue. In addition, the Settlement Agreement provides a direct link between each settled issue and the supporting evidence in the record to date. In this regard, the parties are of the view that the evidence provided is sufficient to support the Settlement Agreement in relation to the settled issues and, moreover, that the quality and detail of the supporting evidence, together with the corresponding rationale, will allow the Board to make findings agreeing with the proposed resolution of the settled issues. In the event that the Board wishes further evidentiary support with respect to any of the issues, the parties will have available witnesses from both Enbridge and the intervenors to provide such support through oral evidence.

According to the Board's *Settlement Conference Guidelines* (p. 3), the parties must consider whether a settlement proposal should include an appropriate adjustment mechanism for any settled issue that may be affected by external factors. Enbridge and the other parties who participated in the Settlement Conference consider that no settled issue requires an adjustment mechanism other than those expressly set forth herein.

None of the parties can withdraw from the Settlement Agreement except in accordance with Rule 32 of the *Ontario Energy Board Rules of Practice and Procedure*. Finally, unless stated otherwise, a settlement of any particular issue in this proceeding is without prejudice to the positions parties might take with respect to the same issue in future proceedings. However, any such position cannot have the effect of changing the result of this Agreement.

It is acknowledged and agreed that none of the provisions of this Settlement Agreement are severable. If the Board does not, prior to the commencement of the hearing of the evidence in this proceeding, accept the provisions of the Settlement Agreement in their entirety, there is no Settlement Agreement (unless the parties agree that any portion of the Settlement Agreement that the Board does accept may continue as a valid Settlement Agreement).

BACKGROUND

Through this Application, Enbridge is seeking approval of its annual revenue requirement – cost-based and then smoothed - for CC and CIS services, for the years from 2013 to 2018. The parties are pleased to advise the Board that, through the settlement process and preceding extensive consultation process, agreement on an overall CC/CIS revenue requirement of $735 million for those six years has been achieved, with total annual increases in costs per customer from 2013 to 2018 of 0.6% per year, and amelioration of the jump in cost per customer from 2012 to 2013 through a smoothing mechanism.

Effectively, this Application seeks an amendment, update and extension to a Settlement Agreement approved by the Board in the EB-2006-0034 proceeding, in respect of CC and CIS costs for the 2007 to 2012 period (the "2007 Settlement Agreement").[1] The 2007 Settlement Agreement set out the Company's CC and CIS costs for 2007 to 2012 (organized by category in an attached template), as well as a smoothed annual revenue requirement for the sum of those costs in each year. The extended and expanded Template (the "2013 Template") attached to this Application as Ex. A-2-2 uses the same approach and sets out the Company's forecast CC and CIS costs, and associated annual revenue requirement, for the 2013 to 2018 period.
The 2007 Settlement Agreement was reached after a lengthy, intense and successful consultative process between Enbridge and stakeholders. Throughout that consultative process, Enbridge worked principally with a stakeholder steering committee consisting of representatives from Consumers Council of Canada ("CCC"), Industrial Gas Users Association ("IGUA")[2] and School Energy Coalition ("SEC"), who had been selected by the larger stakeholder community to represent their interests. As described in the letter from counsel to CCC to the Board dated July 25, 2011, the previous consultative process came about after Enbridge's previous failed attempts to get approval for a new CIS resulted in the Board suggesting that the Company and intervenors should try to work cooperatively on a solution that would avoid another lengthy and expensive hearing. The consultative process was also intended to address the disagreements and acrimony resulting from Enbridge's then-current contract to receive CC services from an affiliate (CustomerWorks Limited Partnership).

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

Ultimately, that 2007 consultative process led to a resolution of most of the regulatory and ratemaking issues related to the procurement of new CC and CIS services and the provision of CC services. This allowed Enbridge, with stakeholder support, to procure a new CIS and to enter

[1] Exhibit N1, Tab 1, Schedule F in the EB-2006-0034 proceeding. Filed in this proceeding as Ex. I-1-33.

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

into a contract with Accenture Business Services for Utilities ("Accenture" or "ABSU") for the provision of CC services for a five year term.

A fundamental component of the resolution was the agreement among all parties that the overall CIS and CC costs to be incurred during the then-current year (2007) and the expected five year incentive regulation ("IR" or "IRM") period that would follow (2008-2012) would be summed together and then smoothed over the entire six year period. The six year term of the settlement allowed the Company to proceed to award long term contracts for a new CIS asset and to a new CC service provider. Through the settlement, Enbridge benefitted from several years of budget predictability in this important area, with broad freedom to optimize operational decisions. The ratepayers benefitted from minimal increases in costs, and low, gradual, and controlled rate impacts.

The 2007 Settlement Agreement that was prepared by the consultative group endorsed Enbridge's plans to acquire and operate a new CIS asset, and to enter into new CC arrangements with a third party provider for the years from 2008 to 2012. The 2007 Settlement Agreement reflected the successful transparent, open and collaborative approach undertaken by the Company with ratepayer representatives, which allowed those representatives to assure themselves, their clients, and the other intervenor groups that the costs sought for recovery were reasonable and appropriate. The 2007 Settlement Agreement was approved by the Board during a hearing on March 22, 2007.[3] In approving the 2007 Settlement Agreement, the Board highlighted the approach used by stakeholders to sum together all costs over six years and create a "smoothed" annual revenue requirement, and noted that "we are impressed by the drafting of this agreement and the sophistication of the process by which it was brought about".[4]

After that time, Enbridge continued to work with the stakeholder steering committee (now comprised of representatives of CCC, CME and SEC) and their expert advisor (Five Point Consulting LLC, referred to herein as "Five Point")[5] to discuss and review the implementation of the new CIS asset. That process took place in the months leading up to and following the implementation of the new CIS asset in September 2009. This continued engagement between Enbridge and ratepayer representatives was consistent with commitments made in the 2007 Settlement Agreement to ensure that the consultative group would monitor the procurement and implementation process for the new CIS.[6] This engagement concluded by around March 2010 with a final review and endorsement of the costs associated with Enbridge's new CIS.[7]

Starting around that same time (March 2010), Enbridge and the stakeholder steering committee also worked together on issues related to the procurement of CC services after the date when the current arrangement with Accenture terminates (April 1, 2012). Enbridge believed that the interests of all parties would be best served by having ratepayer representatives informed and

[3] EB-2006-0034, 15 Tr. 85. Filed in this proceeding as Ex. I-1-34.

[4] EB-2006-0034, 15 Tr. 83-85. Filed in this proceeding as Ex. I-1-34.

[5] Five Point is the corporate successor to TMG Consulting, which was the expert advisor to the stakeholder steering committee in connection with the 2007 Settlement Agreement. For ease of reference, TMG Consulting and Five Point Consulting are both referred to as "Five Point" in this Application.

[6] 2007 Settlement Agreement, at p. 6: see Ex. I-1-33.

[7] Transcript from August 17, 2011 Technical Conference, at pp. 61-62.

involved in this process as it unfolded, rather than by seeking stakeholder endorsement after the fact. The reason why this process began in the winter of 2010, despite the fact that the current Accenture Customer Care Services Agreement ("CCSA") runs until March 31, 2012 is that there is a long lead time associated with the replacement of CC services and with notice provisions under the current CCSA. That long lead time is required to account for any request for proposal ("RFP") process that might be required and to account for the time and effort that would be required if a transition to a new service provider became necessary.[8]

This ongoing process between Enbridge and the stakeholder steering committee led to a number of developments in respect of the Company's CIS and CC arrangements. These developments are directly relevant and impactful to the amounts to be recovered for CIS and CC services in the years after the term of the current 2007 Settlement Agreement concludes (starting as of January 1, 2013). To the extent that these developments impact the actual costs paid by Enbridge for CIS and CC services before January 1, 2013, those impacts will not be included in Enbridge's revenue requirement for 2011 and 2012, since the values in the 2007 Template will continue to apply for the term of the 2007 Settlement Agreement (until December 31, 2012) as originally agreed.

The first development is that the Company's new CIS asset has now been successfully brought into service and all implementation costs associated with the new CIS asset (which has a ten year economic life) are known. These costs were reviewed and endorsed by the stakeholder steering committee as part of their original mandate to review the implementation of that asset. In advance of the filing of this Application, Enbridge and the stakeholder steering committee agreed on the final capital cost of the new CIS asset, and the resulting opening rate base amount for the new CIS asset as of January 1, 2013, when the 2007 Settlement Agreement comes to an end. The new opening rate base amount of $76.9M is modestly higher than the $71.4M amount indicated in the 2007 Settlement Agreement. Enbridge and the stakeholder steering committee also agreed on the revenue requirement that would result from the updated rate base value for the new CIS asset for the years from 2013 to 2018.

The second development is that a process has now been undertaken to proactively evaluate the Company's current CC arrangements, and future options for receiving CC services, in the interest of ensuring the best possible future arrangements for ratepayers and Enbridge. The goal of this process was to determine how best to obtain CC services in the years after April 1, 2012, when the current CCSA with Accenture expires. In consultation with the stakeholder steering committee, Enbridge implemented a multi-stage strategy in which it first sought to avoid the cost and disruption of an RFP by obtaining sufficiently attractive terms from the incumbent Accenture. Failing that, an RFP would be launched and competitive bids obtained.

This process was successful. Enbridge obtained favourable terms from the incumbent, thereby avoiding the substantial costs associated with an RFP and a transition to a new service provider. Enbridge has reached an agreement with Accenture, subject to approval by the Board, for an update and extension of the current CCSA for five years, with an option for two more years. In advance of the filing of this Application, Enbridge and members of the stakeholder steering committee agreed that the terms of the update and extension are reasonable and in the best interest of the Company and its ratepayers. Enbridge has agreed with Accenture to the update and extension of the current CCSA, conditional on receiving OEB approval for the recovery of

[8] Ex. B-4-1, pp. 3-4.

costs that will be charged under that agreement. That approval must be received by September 15, 2011 in order for Enbridge to avoid having to negotiate for a temporary extension of the CCSA.

Having come to a tentative agreement on the prudence of the costs associated with the acquisition and implementation of the new CIS and with the extension of the CCSA, Enbridge and the stakeholder steering committee considered how best to approach obtaining regulatory approvals.

Enbridge and the stakeholder steering committee agreed upon two key items in that regard.

First, Enbridge and members of the stakeholder steering committee agreed that it is better to consider the CIS and CCSA costs agreed upon, not just in isolation, but in the context of Enbridge's broader CIS and CC costs for the 2013 to 2018 period. This provides a more complete context and allows for the Company's forecast ongoing costs to be evaluated on a consistent basis in comparison to current costs (which are set out in the Template filed as Ex. B-5-2). This was the purpose of the Template in the 2007 Settlement Agreement (the "2007 Template"), and it continues to be the most comprehensive way of ensuring a fair result. The way that this was effected was by extending the 2007 Template to include therein the Company's CIS and CC costs for the 2013 to 2018 period, upon which Enbridge and the steering committee have agreed, along with Enbridge's forecasts of other related CIS and CC costs for that time frame.

Enbridge's forecast CIS and CC costs for the 2013 to 2018 term are set out in the extended and expanded "2013 Template" that is included with this Application as Ex. A-2-2. Prior to the filing of the Application, Enbridge and members of the stakeholder steering committee agreed upon the values set out in rows 3 and 10(a) of the 2013 Template, which relate to the revenue requirement for the new CIS asset (line 3) and to the costs of the update and extension of the current CCSA, (line 10a). These lines represented $437M, or approximately 60% of the total costs in the 2013 Template. There was at that time no agreement to the values in the balance of the 2013 Template which represent Enbridge's forecasts of other related CIS and CC costs for that time frame (and which comprised about $321M of the six year costs).

Second, it was agreed that it was important and timely to immediately involve other stakeholders, and the OEB, in any further deliberations around Enbridge's CC and CIS costs. The intention was to first seek to achieve consensus agreement on the two items upon which Enbridge and the stakeholder steering committee had agreed (CIS capital costs and costs associated with the extended CCSA), and then to engage in deliberations related to the balance of Enbridge's CIS and CC costs as set out in the 2013 Template for the 2013 to 2018 period. Enbridge's stated objective was to discuss and negotiate all items in the 2013 Template to seek to reach a comprehensive agreement about Enbridge's CC and CIS costs for the 2013 to 2018 term.

The foregoing is the context for Enbridge's Application, which was filed on June 20, 2011.

One item of note in Enbridge's Application, as seen in the 2013 Template, is the fact that there is a substantial increase of approximately $21.7 million in forecast revenue requirement between 2012 and 2013. Explanation for this increase is set out in evidence at Ex. B-2-1 (para. 8) and Ex. JTC1.10. The main reason for the increase, accounting for approximately $14.4M per year in revenue requirement, relates to the smoothing of CIS revenue requirement. During the 2007 to

2012 period, the average annual CIS revenue requirements, as calculated through the 2007 Template, were relatively low. This is because during that period the Capital Cost Allowance ("CCA") provided tax timing benefits to be recognized through 2012 in relation to the CIS asset's ten year economic life. Under the smoothing approach used in the 2007 Template, all of the CCA timing benefit was spread through the first five years of the economic life of the CIS asset, with the result that the 2012 revenue requirement recovered in rates is, per the 2007 Settlement Agreement, intentionally lower than the actual forecast revenue requirement in that year. As of January 1, 2013, when all of the CCA benefit has been credited to the CIS revenue requirement during previous years, the annual CIS cost to be recovered in the remaining years of the asset's economic life will necessarily increase. Through the 2007 Settlement Agreement, all parties were aware that the annual CIS-related revenue requirement would increase substantially at the end of the term of the Settlement Agreement, and all parties agreed that Enbridge would recover the full revenue requirement associated with the new CIS, throughout its economic life.[9]

As part of the Application, Enbridge indicated the reasons why there is some urgency to the relief sought. This was further explained in a letter dated July 20, 2011 where the Company indicated that:

> The reason [for the urgency] is that Enbridge's current CCSA with Accenture expires on April 1, 2012, and six months' notice must be provided if Enbridge wishes to extend the term of the current CCSA. The extended and updated CCSA that Enbridge has negotiated with Accenture will take effect as of April 1, 2012, but only if OEB approval of the cost consequences of that agreement has been obtained prior to that date. As a result, unless Enbridge receives OEB approval by September 30, 2011, it will have to negotiate another shorter term extension of the current CCSA in order to ensure that customer care services will be in place as of April 1, 2012. Further, if no OEB approval is received by around December 2011, then Enbridge will have to initiate a fresh RFP process for customer care services as of April 1, 2014 (which is the last date provided for in any alternate extension of the current CCSA), because of the lead time associated with such a process. That lead time would cover the RFP process, and any necessary transition to a new service provider. This step will be required even if Board approval of the extension and update of the current CCSA is still under consideration, because Enbridge will have to protect itself and ratepayers against the possibility that Board approval is not ultimately granted.
>
> These timing issues could have substantial financial and other impact on Enbridge and its ratepayers.

In recognition of the urgency of this Application, the Board created an expedited process. That process allowed for parties to review and ask questions about Enbridge's prefiled evidence through Interrogatories and a Technical Conference. Parties also had the opportunity, as part of the Technical Conference, to ask questions of the expert who supported the activities of the stakeholder steering committee (Five Point). This process culminated in a Settlement Conference held in late August 2011, which resulted in agreement on all matters in issue in this Application.

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[9] 2007 Settlement Agreement, at p. 13, filed as I-1-33.

TERMS OF THE SETTLEMENT

All parties have agreed upon Enbridge's revenue requirement for CIS and CC services for the period between 2013 and 2018, on a cost per customer basis. This means that for each year from 2013 to 2018, Enbridge's total revenue requirement for all CIS and CC services set out in the Template (which do not include bad debt costs) will be determined by multiplying the cost per customer set out in this Settlement Agreement for each particular year by the forecast number of customers for that year (which forecast will be set as part of the annual ratesetting processes). It should be noted that the customer forecast to be used for this purpose will be different from the other customer forecasts used in annual ratesetting processes, because the customer forecast to be employed for the purpose of setting annual revenue requirement pursuant to the Updated 2013 Template will use the definition of "customer" from the Accenture CCSA which includes both active and locked customers (hereinafter in this Settlement Agreement, the use of the term "Customer" is intended to refer to the definition of "Customer" from the Accenture CCSA).[10] The financial consequences of this Settlement Agreement are set out in an updated version of the 2013 Template (referred to herein as the "Updated 2013 Template"), which is attached to this Settlement Agreement as Appendix "A". The Updated 2013 Template does not include lines 18 to 22, which were in the 2007 Template, because the normalization and true-up process that was used to calculate normalized annual revenue requirements for 2007 to 2012 is no longer applicable.

As noted, this settlement is premised on an agreed cost per Customer for CIS and CC services (exclusive of bad debt costs) for each year over the 2013 to 2018 term. This cost per Customer was derived by: (i) all parties accepting, on a cost per Customer basis, the amounts negotiated between Enbridge and the stakeholder steering committee for the new CIS capital costs (line 3) and the costs associated with the revised and extended Accenture CCSA (line 10a)[11]; (ii) reducing Enbridge's 2013 forecast of all other CIS and CC costs in the 2013 Template (lines 4, 5, 6, 10b, 10c 11 and 12) by $2 per Customer (just under 10%); (iii) summing together the CIS, CCSA and all other CC costs per Customer to create an overall cost per Customer for 2013; and (iv) applying an annual inflation factor of 0.6% to the overall CIS and CC cost per Customer for each year from 2014 to 2018. Using Enbridge's current forecast of Customer numbers for the 2013 to 2018 period, as set out at line 17 of the Updated 2013 Template, the total revenue requirement associated with the agreed upon costs per Customer (as inflated each year) would be $735M. That represents a reduction from the $758M set out in Enbridge's Application (see Ex. A-2-2). It must be noted that the actual revenue requirement to be recovered by Enbridge over the 2013 to 2018 term will be different from $735M. That is because the forecast number of Customers each year will be different (at least to some extent) from Enbridge's current forecast. All parties agree that the reductions to base cost forecasts and the inflation factors used in this Settlement Agreement are not intended to be precedents for other Enbridge proceedings and are without prejudice to the position that any party may take on similar matters in future Enbridge proceedings.

[10] The definition of "Customer" to be used for this purpose is discussed below in the subsection titled "Annual Revenue Requirement".

[11] As explained below, Enbridge's costs related to Large Volume Billing have been moved from line 10a, where those costs were found in the 2013 Template filed with the Application at Ex. A-2-2, to line 12 (Enbridge backoffice costs) in recognition of the fact that the related services are now provided by Enbridge, and not by Accenture.

The agreed cost per Customer, which is set out at line 17a of the Updated 2013 Template, ranges from $55.75 in 2013 to $57.42 in 2018. The parties have agreed that the cost per Customer amount will be smoothed over the term, to temper the increase in cost per customer from 2012 (the end date of the 2007 Template) to 2013. The smoothed cost per Customer, which is set out at line 24 of the Updated 2013 Template, ranges from $53.50 in 2013 to $59.65 in 2018. For ease of reference, the cost per Customer amounts set out in the Updated 2013 Template are reproduced below:

	2013	*2014*	*2015*	*2016*	*2017*	*2018*
Line 17a Total cost/Customer	**$ 55.75**	**$ 56.08**	**$ 56.41**	**$ 56.74**	**$ 57.08**	**$ 57.42**
Line 24 (Smoothed) Revenue Req't/Customer	**$ 53.50**	**$ 54.68**	**$ 55.88**	**$ 57.11**	**$ 58.36**	**$ 59.65**

All parties have agreed that Enbridge should be given the ability to create a rate smoothing deferral account, which will capture the difference between Enbridge's forecast CIS and CC costs each year versus the smoothed amount forecast to be collected in revenue requirement. In the early years of the 2013 to 2018 term, the balance in that deferral account will grow (because Enbridge's agreed cost per Customer will be higher than the smoothed cost per customer being collected), and then in the later years the balance will decline (because Enbridge's agreed cost per customer will be lower than the smoothed cost per Customer being collected). Enbridge will be entitled to collect interest on balances in the rate smoothing deferral account (at a fixed annual rate of 1.47%), and will clear any amount remaining in the deferral account to or from customers, as the case may be, by normal application to the Board at the end of 2018.

The details of the settlement are set out in the balance of this "Terms of the Settlement" section of the Settlement Agreement. The following sections of the Settlement Agreement set out how the evidence filed supports the settlement, and address how the parties have resolved each of the issues on the Board's Issues List.

A. CIS costs (line 3 of Updated 2013 Template)

All parties agree to a $76.9M opening rate base value for the new CIS asset as of January 1, 2013, based upon the costs associated with the acquisition and implementation of the new CIS. All parties further agree, on a cost per Customer basis, to the revenue requirement to be recovered for the new CIS asset over the 2013 to 2018 term, which totals approximately $137M. That amount is set out at line 3 of the Updated 2013 Template, and is based upon the updated $76.9M opening rate base value for the new CIS asset as of January 1, 2013. That revenue requirement has been converted to a cost per Customer, based on Enbridge's forecast of Customers as set out at line 17 of the Updated 2013 Template. The CIS asset cost per Customer is a component of the overall annual cost per Customer that is set out in line 17a. The context and basis for this agreement is set out in the following paragraphs.

Through the 2007 Settlement Agreement, the parties endorsed Enbridge's acquisition of a new CIS asset. The parties agreed, among other things, to an overall CIS cost of $118.7 million (subject to later adjustments or true-up), including capital, interest during construction ("IDC") and procurement costs. This overall cost was to be recovered over the ten year service life of the new CIS asset. Under the terms of the 2007 Settlement Agreement, the amount included in opening rate base as of January 1, 2013 for the new CIS asset was to be its assumed 2012 closing net book value of approximately $71.4 million. That amount, which is based on the assumed CIS cost of $118.7 million, was subject to adjustment to reflect the actual costs of the new CIS asset.

The 2007 Settlement Agreement's $118.7 million assumed cost for the new CIS asset was based upon a number of things, including: (i) an estimated amount of $42 million for system integrator ("SI") contract costs, which was still in the midst of a direct competitive tender process; (ii) an amount of approximately $76.7 million for all other project costs, which Enbridge was to "manage and control during the CIS procurement and implementation process"; and (iii) an in-service date of January 1, 2009 (used for the estimation of IDC).[12]

The 2007 Settlement Agreement expressly provided for certain aspects of the CIS cost to be adjusted later, by setting a different rate base amount for the new CIS asset as of January 1, 2013, if there were variances from the costs assumed in the 2007 Settlement Agreement. In this regard, the 2007 Settlement Agreement provided that, subject to the restrictions on CIS costs set out therein, all prudently incurred and reasonable costs associated with the new CIS asset, including return and income taxes, should be recoverable in rates, during the 10-year economic life of the new CIS asset.[13]

As contemplated by the 2007 Settlement Agreement[14], the stakeholder steering committee, with the added expertise of Five Point (who acted as expert advisors to the stakeholder steering committee) continued to be engaged with reviewing and monitoring the procurement and implementation of the new CIS asset after the time that the 2007 Settlement Agreement was approved. As of September 2009, the new CIS asset was successfully brought into service. Members of the stakeholder steering committee were provided with information about the implementation of the new CIS asset and the related costs. Five Point worked with the stakeholder steering committee, and Enbridge, throughout the CIS Replacement Project, and issued its Project Close-Out Report on October 29, 2009.[15] The Five Point Project Close-Out Report confirmed the success of the CIS implementation process. As stated by Five Point in its Project Close-Out Report: "The project launch was extremely smooth and can be considered as one of the most successful in the industry … The solution is of very high quality [and] is functioning as designed."[16]

At this time, the new CIS asset is in service, and past its warranty period (which expired in December 2009), and all of the associated capital costs are known. It is now clear that the actual costs of the new CIS asset are different from the assumed CIS cost of $118.7 million that was set out in the 2007 Settlement Agreement. Enbridge and members of the stakeholder steering committee agreed that the additional implementation costs associated with the new CIS asset are reasonable and prudently incurred. The additional costs, which are detailed at Ex. B-3-1[17] total

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[12] 2007 Settlement Agreement, at pp. 11-13, filed as I-1-33.

[13] 2007 Settlement Agreement, at p. 13, filed as I-1-33.

[14] 2007 Settlement Agreement, at p. 6, filed as I-1-33.

[15] A copy of Five Point's Project Close-Out Report is filed as Ex. B-3-2.

[16] Ex. B-3-2, Project Close-Out Report, at slide 3.

[17] At paras. 14 to 17.

approximately $8.5 million. In evidence at the Technical Conference, the Five Point witnesses confirmed that the implementation of the new CIS was successful at a cost that was reasonable and well within industry standards and expectations.[18]

The updated opening rate base value of $76.9 million for the new CIS asset as of January 1, 2013 is approximately $5.5 million higher than the $71.4 million assumed value in the Settlement Agreement. This approach means that approximately $3.0 million of the $8.5 million of additional SI and IDC costs incurred by Enbridge will not be included in the adjusted opening rate base, because that portion relates to amounts that would otherwise have been recovered during the term of the 2007 Template. In other words, Enbridge will not recover that portion of the additional CIS costs which would have been part of revenue requirement during the term of the 2007 Settlement Agreement. That is because the values in line 3 of the 2007 Template that relate to CIS revenue requirement for 2007 to 2012 are not subject to adjustment based upon increased costs. The only adjustment is to the updated rate base value at the end of the term of the 2007 Template, which is what is being addressed in this Settlement Agreement.

Having reached agreement on the opening rate base value for the new CIS asset as of January 1, 2013, Enbridge and members of the stakeholder steering committee then addressed the revenue requirement associated with that determination. Enbridge and members of the stakeholder steering committee agreed that the CIS revenue requirement calculations for 2013 to 2018 would use the same the parameters (including cost of capital) as were used for the calculation of CIS revenue requirement amounts in the 2007 Template. All parties agree that the use of these parameters for the calculation of the line 3 revenue requirement in the Updated 2013 Template (including, for example, the use of an ROE component of 8.39%, which is lower than the ROE that would result from the use of the Board's updated ROE formula) is not intended as a precedent for any future proceedings and is without prejudice to the right of any party to assert that a different approach should be used for the calculation of revenue requirement for capital assets in any future proceedings. To be clear, though, the use of these parameters will continue to apply for the calculation of the CIS revenue requirement in line 3, which is a component of the cost per Customer to be recovered by Enbridge for the years from 2013 to 2018.

Through Enbridge's Application and the settlement process, all parties have now agreed with Enbridge and the stakeholder steering committee that $76.9M is an appropriate opening rate base for the new CIS asset, as of January 1, 2013, and that the revenue requirement set out in line 3 of the Updated 2013 Template is appropriate. The total revenue requirement associated with the new CIS asset over the 2013 to 2018 period is $137M.[19]

In order to convert the amounts agreed upon to a cost per Customer, the annual revenue requirement amounts set out at line 3 were divided by the current forecast number of Customers for each year, as set out at line 17 of the Updated 2013 Template. Those annual costs per Customer for the new CIS asset range from $12.34 in 2013 to $8.93 in 2018.

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[18] Transcript from August 17, 2011 Technical Conference, at pp. 10-12, 30, 34-40 and 42-47.

[19] The calculation of this revenue requirement amount is set out in more detail in Ex. B-3-4.

B. Accenture CCSA costs (line 10a of Updated 2013 Template)

All parties agree, on a cost per Customer basis, to the costs associated with the contracted CC services to be obtained by Enbridge through the revised and extended CCSA with Accenture over the 2013 to 2018 term. Based upon Enbridge's forecast of Customers for the 2013 to 2018 term, all parties agree that a total cost of $300.8M for those services is appropriate. That number, which is set out at line 10a of the Updated 2013 Template, has been converted into an annual cost per Customer amount for each year from 2013 to 2018. This amount does not include costs associated with Enbridge's large volume billing ("LVB") activities, which were previously provided by Accenture, but which have now been repatriated to Enbridge. Accordingly, the LVB costs that were included in line 10a of the 2013 Template attached to this Application (as Ex. A-2-2) have been moved to line 12 (Enbridge's backoffice CC costs) in the Updated 2013 Template. The context and basis for the agreement in respect of Accenture CCSA costs is set out in the following paragraphs.

Enbridge currently acquires the majority of its CC services from third party service providers, primarily Accenture. Accenture was chosen as a result of a RFP process run by Enbridge in 2007, which process was explained in the 2007 Settlement Agreement. The members of the stakeholder steering committee were involved in reviewing and commenting upon Enbridge's RFP process that resulted in the selection of Accenture for CC services.

The contracts under which these CC services are purchased (the current CCSA) will reach their normal expiry dates on March 31, 2012. As part of its acquisition of CC services beyond March 31, 2012, Enbridge will either have to execute an agreement with Accenture for the provision of the existing CC service arrangements for a period beyond the scheduled termination of those arrangements (because any transition will take place after that date), enter into service agreements with alternate service providers, repatriate these business functions or trigger extension agreements to extend the existing arrangements with Accenture.

In recognition of the long lead times required to establish CC services, and in recognition of the magnitude and scope of those CC services that Enbridge currently acquires from Accenture, Enbridge embarked upon an initiative in early 2010 to assess its current customer care delivery arrangements and formulate a strategy to meet its CC requirements beyond March 2012. As part of the service delivery review, Enbridge canvassed internal business stakeholders and undertook an external review of industry trends and best practices with respect to CC service delivery strategy. Through this process Enbridge gained information as to current trends in business process outsourcing in the North American utility sector. Additionally, Enbridge determined that EquaTerra Inc. ("EquaTerra") was best suited to assist the Company in a more detailed comparison of Enbridge's CC operations to current industry best practices. EquaTerra was engaged by Enbridge to review the current CCSA and provide perspectives on how Enbridge's outsourced CC services compared to current market standards in terms of cost, service levels and other contract terms. EquaTerra's report to Enbridge concluded that in general there are no major structural defects or omissions in the Enbridge / Accenture CCSA. EquaTerra also found that the current CCSA applies a price per customer model, which is a preferred market methodology for utilities and that comparative market analysis revealed that the Normalized Base Price lies within market comparable market ranges.

Enbridge formalized its CC strategy after receiving the EquaTerra Study. The resulting Enbridge CC strategy took into account the current positive experience with Accenture, the findings of EquaTerra and the notice requirements under the current CCSA, as well as the lead time required to conduct a market tender for the CC services procured under the CCSA and the time required to transition such services to a new vendor if required. A copy of the Enbridge CC Strategy, which appends the EquaTerra Study, is filed as Ex. B-4-3.

At or around that time, Enbridge involved the stakeholder steering committee, to make them aware of the ongoing process and to get their comments and suggestions. Five Point assisted the stakeholder steering committee in that process. The stakeholder steering committee agreed to review Enbridge's progress, and provide a stakeholder perspective on any decisions proposed by Enbridge. To assist in these activities, Enbridge and the members of the stakeholder steering committee agreed upon a Statement of Principles to guide their efforts. A copy of the Statement of Principles is filed as Ex. B-4-4.

Enbridge 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 Enbridge's revised requirements as documented in its CC strategy (see Ex. B-4-3). 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. Enbridge's rationale to consider extension of the contract with ABSU as the primary option was based on two major factors: (i) 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; and (ii) 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 Enbridge.

As contemplated by the CC Strategy, from July through December 2010 Enbridge was engaged in negotiations with Accenture for the revision and extension of the CCSA. Ultimately, Enbridge and Accenture were able to agree upon a revised and extended CCSA that would run from January 1, 2011 to December 31, 2017, along with an Enbridge extension option for 2018 and 2019. Through the negotiation process, with substantial input from the stakeholder steering committee, Enbridge was able to reduce the total contract amount from Accenture's original $457M proposal to a final amount of $430M. The revised and extended CCSA that Enbridge negotiated adopts recommendations from EquaTerra about contractual terms and conditions, contains enhanced service levels (and adopts suggestions made by Five Points to achieve savings) and is priced at a competitive level. Essentially, the extended and updated CCSA provides for enhanced service levels at a per-customer price that is comparable (over a lengthy term) to current pricing. As a result of this successful outcome, the costs and risks of full market RFP were successfully avoided. The revised and extended CCSA that Enbridge has negotiated with Accenture will take effect as of April 1, 2012, as long as OEB approval of the cost consequences of that agreement has been obtained prior to that date.[20]

Review and comment on the terms, conditions and pricing of the revised and extended CCSA can be found in the Five Point report that is included as Ex. B-4-2, and in the evidence and

[20] However, as described above, Enbridge must have OEB approval by mid-September in order to avoid having to negotiate a short-term extension of the current CCSA.

undertaking responses from Five Point from the Technical Conference. As seen in those documents, Five Point endorsed the approach that Enbridge followed to negotiate a revised and extended CCSA, and found that the price was a reasonable one, in the circumstances and in comparison with market comparables. Five Point also explained how stakeholder involvement in the procurement process assisted in leading Enbridge to negotiate an overall contract value that was more than $27M less than Accenture's first offer. In its final report to the stakeholder steering committee, Five Point commented that:

- Enbridge's approach was "appropriately timed and logically sequenced" in terms of looking to negotiate with Accenture to extend the agreement before pursuing other options.[21]
- Enbridge was transparent and cooperative in dealings with Five Point.[22]
- Enbridge 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.[23]
- The year-over-year increase in annual price through the course of the 7-year contract is within the market norms.[24]

The total cost associated with the revised and extended Accenture contact (the CCSA) is approximately $430M, from January 1, 2011 to December 31, 2017. For a number of reasons, that total cost does not align with the $300.8M amount included in the Updated 2013 Template at row 10a for Accenture CCSA costs. The first reason for the difference is that the Updated 2013 Template does not include costs for 2011 and 2012 under the revised and extended CCSA (since the costs for those years are included in the 2007 Template and already-approved smoothed revenue requirements for 2011 and 2012).[25] The second reason for the difference is that the 2013 Template includes costs for 2018, which are based on the extension option in the revised and extended CCSA (and which are not included in the $430M amount). The third reason for the difference is that the $430M amount includes costs associated with the provision of LVB services, which costs total $17.8M from 2013 to 2018. Given that the Company has now repatriated those services, the LVB costs that were included in line 10a of the 2013 Template attached to this Application (as Ex. A-2-2) have been moved to line 12 in the Updated 2013 Template. The final reason why the $430M total cost of the ABSU CCSA is different from the $300.8M amount in line 10a is that the total ABSU CCSA cost amount includes costs associated with open bill access services and agent billing and collection ("ABC") services which are not included in line 10a of the Updated 2013 Template. The responses to Ex. JTC1.14 and JTC1.5 set out the numbers associated with the derivation of the $300.8M amount included in row 10a of the Updated 2013 Template.

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[21] Ex. B-3-2, Project Close-Out Report, at slides 6 and 7.

[22] Ex. B-3-2, Project Close-Out Report, at slide 28.

[23] Ex. B-3-2, Project Close-Out Report, at slide 28.

[24] Ex. B-3-2, Project Close-Out Report, at slide 28.

[25] As the Company's CC costs for 2011 and 2012 are already addressed in the 2007 Settlement Agreement and the 2007 Template, Enbridge is not seeking any approval of the 2011 and 2012 costs associated with the revised and extended CCSA.

All parties agree that a total cost of $300.8M for the CC services to be obtained through the revised and extended CCSA with Accenture from 2013 to 2018 is appropriate. That number, which is set out at line 10a of the Updated 2013 Template, has been converted into an annual cost per Customer amount for each year from 2013 to 2018, using the Company's current forecast of Customers at line 17. Those annual costs per Customer range from $22.34 in 2013 to $24.13 in 2018.

C. All other CIS and CC costs in the Updated 2013 Template

All parties agree, on a cost per Customer basis, to the "other CIS and CC costs" (that is, all the costs in the Updated 2013 Template other than those set out in lines 3 and 10a) set out in the Updated 2013 Template. Based upon Enbridge's forecast of Customers for the 2013 to 2018 term, all parties agree that a total cost of $297.2M for the items set out in lines 4, 5, 6, 10b, 10c, 11 and 12[26] of the Updated 2013 Template is appropriate. That total cost amount, which is the sum of the annual amounts from lines 4, 5, 6, 10b, 10c, 11 and 12 of the Updated 2013 Template, has been converted into an annual cost per Customer amount for each year from 2013 to 2018. The context and basis for the agreement in respect of the "other CIS and CC costs" is set out in the following paragraphs.

As explained above, after Enbridge and the stakeholder steering committee agreed upon 2013 to 2018 costs for the new CIS (line 3) and the revised and extended CCSA with Accenture (line 10a), they turned their attention to Enbridge's other CIS and CC costs for that period. Those parties agreed that it made sense to look at and try to resolve those other costs at this time (rather than at the time of rebasing) for several reasons. First, this approach worked well in the 2007 Settlement Agreement – it has allowed both Enbridge and ratepayers to benefit from stable and pre-set revenue requirements for a large portion of the utility's costs. Second, this approach provides a more complete context to evaluate the impact of the forecast CIS and CCSA costs for 2013 to 2018, in conjunction with all related CIS and CC costs. Finally, this approach ensures that neither Enbridge nor ratepayers are later disadvantaged by having the related CIS and CC costs set at a different time from the CCSA and CIS asset costs.

Accordingly, Enbridge and members of the stakeholder steering committee agreed that it was appropriate to examine Enbridge's other forecast CIS and CC costs for the 2013 to 2018 period. This was done by expanding the 2007 Template that was attached to the 2007 Settlement Agreement to include therein the Company's CIS and CC costs for the 2013 to 2018 period, upon which Enbridge and the steering committee had agreed, along with Enbridge's forecasts of all of its other CIS and CC costs for that time frame.

Enbridge and members of the steering committee did not negotiate on these other CIS and CC costs, as they all wished to broaden their discussions to include all stakeholders. Accordingly, Enbridge proceeded with this Application in which it explained the nature and rationale for all such costs, and sought to negotiate an appropriate resolution with all stakeholders, for presentment to the Board.

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[26] This line includes costs associated with Enbridge's LVB activities, which were previously provided by Accenture, but which have now been repatriated to Enbridge.

Enbridge's evidence addresses the nature and amounts forecast for each of the lines in the 2013 Template that contain "other CIS and CC costs for 2013 to 2018. The line items at issue and the nature of the costs in each line are as follows[27]:

Line No.	Title	Description
4	New CIS Hosting and Support	Costs incurred to host and operate the new Enbridge 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).
5	CIS Backoffice (EGD Staffing)	Costs incurred to perform application support for the new Enbridge CIS. Principally, these costs pertain to Enbridge direct labour. These amounts do not include any associated overhead costs (HR, benefits, IT, facilities etc).
6	SAP Licence Fees	Annual fees payable by Enbridge to SAP in respect of the SAP software licence required for the operation of the new Enbridge CIS.
10b	MET	Annual fees payable by Enbridge to MET in respect of meter reading services.
10c	Postage	Annual cost of Canada Post charges incurred by Enbridge 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.
12	Customer Care Backoffice (EGD staffing)	The annual cost incurred by Enbridge 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. It also includes costs associated with the repatriated LVB CC function.

The 2013 Template included with the Application set out Enbridge's forecast costs in each of these lines from 2013 to 2018 (see Ex. A-2-2). Those forecast costs were developed by starting with actual 2010 costs which were then inflated using annual inflators that were deemed appropriate for each line. The inflators used were known third party amounts (as for MET and postage costs), CPI and wage inflation, as explained at Ex. I-1-2. Through the discovery process in this case, Enbridge provided additional information about the nature of the other CIS and CC costs and about the manner in which forecasts of those costs for future years were derived.

In order to achieve an overall settlement, all parties have agreed to treat Enbridge's other CIS and CC costs together for the purpose of determining appropriate amounts for 2013 to 2018. This means that the same inflator is to be applied to all costs, even if the underlying cost/inflation drivers are different. Without prejudice to the position that any party might take in future Enbridge proceedings, all parties believe that the use of this approach in this case to address Enbridge's

[27] See Ex. I-2-1.

“other CIS and CC costs” for a six year term is appropriately consistent with IRM-type ratemaking approaches.

Using this approach, and in order to achieve an overall settlement, all parties have agreed that it is appropriate to express Enbridge’s forecast “other CIS and CC costs” (lines 4, 5, 6, 10b, 10c, 11 and 12) for 2013 (as set out in the 2013 Template filed as Ex. A-2-2) on a cost per Customer basis for 2013. On a cost per Customer basis, Enbridge’s forecast of these costs for 2013 (taken from Ex. A-2-2) is $23.07. For the purposes of reaching an overall settlement, and in order to set a base cost per Customer for 2013, all parties agree that Enbridge’s forecast cost per Customer for the “other CIS and CC costs” will be reduced by $2.00. The result is a 2013 cost per Customer of $21.07 for the “other CIS and CC costs” set out in the Updated 2013 Template, based upon Enbridge’s forecast number of Customers. That cost per Customer is then inflated each year from 2014 to 2018, as described below, in order to determine future year costs per Customer.

D. Total cost per Customer in the Updated 2013 Template

Taking all of the above together, the parties have agreed on a total 2013 cost per Customer of $55.75 for all 2013 costs in the Updated 2013 Template derived as follows:

		2013
CIS Line 3 only cost/Customer	$	12.34
Line 10a only cost/Customer	$	22.34
All other cost/Customer	$	21.07
Line 17a Total cost/Customer	**$**	**55.75**

This cost per Customer represents Enbridge’s base costs for the items set out in the Updated 2013 Template for the 2013 to 2018 period. That base cost per Customer is approximately 3.5% less than Enbridge’s forecast costs as set out in this Application (as seen in the 2013 Template filed as Ex. A-2-2).

In order to create future year costs per Customer, all parties agree that the 2013 base cost per Customer will be inflated by 0.6% for each year from 2014 to 2018. All parties agree that the inflator used for the purpose of creating costs per Customer for 2014 to 2018 is a compromise number that creates reasonable results in this case, but also agree that it will not be relied upon as a precedent or indicator of an appropriate inflator of costs or rates in any other Enbridge proceeding. The evidence filed in this proceeding establishes that the inflation factors that might be relevant, whether they are the factors used in Enbridge’s current IRM mechanism or are CPI or wage inflation, are higher than the 0.6% inflator used here.

The result of the approach described above is that the agreed-upon cost per Customer for all of Enbridge’s CIS and CC costs set out in the Updated 2013 Template ranges from $55.75 in 2013 to $57.42 in 2018. These amounts include costs per Customer for the new CIS asset based on the amounts in line 3 and costs per Customer for the revised and extended CCSA with Accenture based on the amounts set out in line 10a. Implicit in that approach is a cost per Customer for other CIS and CC costs (exclusive of lines 3 and 10a) that ranges from $21.07 in 2013 to $24.36

in 2018. The total annual cost per Customer is set out in the Updated 2013 Template, in line 17a, which is titled “Total cost/customer”.

Over the term of the 2013 Template, the results of the approach used for the purposes of reaching an overall settlement of all costs set out in the Updated 2013 Template are as follows:

	2013	2014	2015	2016	2017	2018
CIS Line 3 only cost/Customer	$ 12.34	$ 11.61	$ 10.89	$ 10.21	$ 9.56	$ 8.93
Line 10a only cost/Customer	$ 22.34	$ 22.74	$ 23.04	$ 23.22	$ 23.40	$ 24.13
All other cost/Customer	$ 21.07	$ 21.74	$ 22.49	$ 23.32	$ 24.12	$ 24.36
Total cost/Customer	**$ 55.75**	**$ 56.08**	**$ 56.41**	**$ 56.74**	**$ 57.08**	**$ 57.42**

For the purposes of creating the Updated 2013 Template, Enbridge has included the agreed-upon values in lines 3 and 10a. The values in the lines that comprise Enbridge’s “other CIS and CC costs” are determined by: (i) multiplying the agreed-upon cost per Customer for the relevant year by the forecast number of Customers for that year to get a total cost for the year; (ii) subtracting the amounts in lines 3 and 10a for that year; (iii) allocating the remaining amount among lines 4, 5, 6, 10b, 10c, 11 and 12 in a manner that replicates the originally-filed 2013 Template, so that proportionate reductions are applied to each line. All parties agree that the individual cost amounts set out in the individual lines of the Updated 2013 Template are illustrative only. As set out below, it is the overall cost per Customer on an annual basis that will be used to determine annual costs and revenue requirement. That is because the number of Customers each year is likely to vary from the forecast set out in line 17 of the Updated 2013 Template.

E. Annual revenue requirement

All parties agree that it is reasonable and appropriate for Enbridge to recover the agreed-upon total cost per Customer in each year of this agreement (from 2013 to 2018). At a high level, this is to be done by multiplying the agreed cost per Customer for any particular year by the most current forecast number of Customers for that year, to arrive at an overall revenue requirement for that year for all costs set out in the Updated 2013 Template. All parties agree that the annual revenue requirement that is determined through the process described herein will be recovered as a pass-through cost in Enbridge’s rates (whether those rates are set through an IRM mechanism or cost of service). That is the same approach as was adopted in the 2007 Settlement Agreement, and Enbridge’s current IRM mechanism, whereby the agreed-upon annual CIS and CC revenue requirement set through the 2007 Settlement Agreement has been treated as a Y-factor in Enbridge’s annual rate adjustment applications.

All parties agree that while the cost per Customer set out in this Settlement Agreement (and in line 17a of the Updated 2013 Template) is fixed and will not change over time, the Customer forecast that is used each year to set the revenue requirement will be updated as part of the rate-setting process for the relevant year. Therefore, in order to set an annual revenue requirement for a particular year, it will be necessary to determine the appropriate number of Customers for that year, using the definition of “Customer” set out below. That will be done as part of the rate-setting process for each year, regardless of the ratemaking regime that applies to Enbridge in any year. Enbridge’s Customer forecast set out in line 17 of the Updated 2013 Template was prepared using the definition of “Customer” in the Accenture CCSA, since that definition is what is used to determine Accenture’s costs. As described above, it is the line 17 forecast of Customers that was used to determine forecast costs in the 2013 Template (that was also the case in respect of the 2007 Template). Therefore, in order to be consistent, the annual forecast of Customer numbers that will be used to determine annual CIS and CC revenue requirements in each year from 2013 to 2018 will also apply the definition of Customer from the Accenture CCSA.[28] That definition provides that "the term Customer shall mean: a person actively receiving gas distribution and/or natural gas commodity service from EGD; or a person that has had gas distribution and/or natural gas commodity service from EGD terminated for non-payment, which account is subject to Collection Services under this Agreement.". In other words, the annual forecast of Customers will include both active and locked customers.

It should be noted that the approach to determining annual CIS and CC revenue requirement for the years from 2013 to 2018 is different from the approach adopted in the 2007 Settlement Agreement. The difference arises from the fact that the settlement in this case is premised on a fixed annual cost per Customer to be recovered, rather than upon a fixed annual revenue requirement to be recovered. What that means is that while the cost per Customer to be recovered each year is being set through this Settlement Agreement, the annual revenue requirement to be recovered under the terms of this Settlement Agreement will not be set until the rate-setting proceeding for each relevant year, when the forecast number of Customers for that year is known.

F. Smoothing

The annual revenue requirement determination process set out in the paragraphs above would apply if the cost per Customer agreed upon was simply applied each year without modification. Intervenors have indentified, however, that this approach would result in a 2013 increase (versus 2012) in revenue requirement (and cost per Customer) that is relatively higher than ratepayers would prefer. Therefore, for the purposes of settlement, the parties have agreed upon a different pattern of recovery which lessens the impact of increased revenue requirement in 2013 and provides rate stability over the 2013 to 2018 time period. This is effected by creating a lower cost per Customer for 2013 and then increasing that cost per Customer over the remainder of the term in a manner that will allow Enbridge the opportunity to recover the full agreed-upon revenue requirement of $735M (assuming that the Customer forecast in line 17 is accurate).

The total cost per Customer (without smoothing) for 2013 agreed upon in the Updated 2013 Template is $55.75. While that amount is lower than Enbridge's forecast 2012 cost per Customer of $57.37[29], it is higher than the smoothed cost per Customer of $49.06 that will be collected by Enbridge in rates for 2012, using the "smoothed" revenue requirement set out at line 23 of the 2007 Template and Enbridge's current forecast of customers for 2012.[30] In order to temper the

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[28] Found in the Overview section of Schedule 3.1 to the CCSA ("Service Fees") – see Ex. I-1-12.

[29] As set out in the version of the 2013 Template filed as Ex. B-5-2.

[30] To be clear, this 2012 cost per Customer was calculated as follows: the 2012 "smoothed" revenue requirement set out in line 23 of the 2007 Template (which number is also set out in the Updated 2013 Template) was divided by Enbridge's current forecast of Customers for 2012, which is set out at line 17 of Ex. B-5-2. .

cost per Customer (and corresponding rate) increase from 2012 to 2013[31], all parties have agreed to reduce the 2013 cost per Customer from $55.75 to $53.50. That represents a 9.1% increase from the forecast 2012 cost per Customer ($49.06) that will be collected in rates for 2012. Then, in order to ensure that Enbridge can recover the total agreed-upon revenue requirement of $735M (based on current Customer forecasts), the smoothed 2013 cost per Customer of $53.50 will be increased by 2.2% per year, ultimately leading to a 2018 cost per Customer to be recovered in rates of $59.65. The result is that the cost per Customer to be recovered in rates for 2018 will be higher than Enbridge's actual agreed upon cost per Customer of $57.42 per year. The fact that Enbridge's recovery per Customer will be higher than its costs over the later years of the Updated 2013 Template will offset the fact that Enbridge will recover an amount less than its costs in the early years.

The cost per Customer that Enbridge will recover in revenue requirement is set out at line 24 of the Updated 2013 Template. For convenience, it is also reproduced below:

	2013	2014	2015	2016	2017	2018
Line 24 Revenue Requirement/Customer	$ 53.50	$ 54.68	$ 55.88	$ 57.11	$ 58.36	$ 59.65

As explained above, as part of the ratesetting process for each year from 2013 to 2018, the annual cost per Customer at line 24 will be multiplied by the updated Customer forecast for that year (using the definition of "Customer" from the Accenture CCSA, as set out above) to derive the total revenue requirement for all services included in the Updated 2013 Template for that year. The total revenue requirement that is determined will be recovered as a pass-through cost in Enbridge's rates (whether those rates are set through an IRM mechanism or cost of service).

G. Deferral account

The smoothing of the CIS and CC revenue requirement will result in Enbridge recovering less than its allowed costs over the early years of the Updated 2013 Template. Parties agree that Enbridge should be allowed to create a deferral account to track its forecast recovery of revenue requirement for the CIS and CC services set out in the Updated 2013 Template versus its forecast allowed costs for those services, and to charge interest on that account. Parties agree that, in principle, this is similar to the approach taken for electricity distributors, where rate mitigation is accomplished by spreading anticipated rate increases over several years while tracking annual under-recovery and associated interest. Since smoothing is a type of rate mitigation, all parties believe it is appropriate to use a similar approach.

The details of the agreed-upon deferral account approach are as follows.

- Enbridge will create a rate smoothing deferral account for each year from 2013 to 2018 which will capture the difference between Enbridge's forecast CIS and CC costs each year versus the amount to be collected in revenue requirement. The costs to be used in this regard will be

[31] The primary reason for this increase in smoothed cost per customer, as explained above in the "Background" section, is that ratepayers will receive the full CCA (depreciation) benefit from the new CIS during the term of the 2007 Template and none of that benefit will be available to offset revenue requirement as of 2013. This outcome was anticipated and understood by all parties at the time of the 2007 Settlement Agreement.

the "Total cost/customer" amount set out for each year in line 17a of the Updated 2013 Template, multiplied by the forecast number of Customers (using the definition from the CCSA) for that year. The revenue requirement amount to be used will be the "smoothed" cost per Customer set out for each year in line 24 of the Updated 2013 Template, multiplied by the forecast number of Customers (using the definition from the CCSA) for that year. For simplicity, Enbridge will calculate the amount to be credited or debited to the deferral account each year by multiplying the difference in cost per Customer and smoothed cost per Customer, times the updated Customer forecast for the year. For example, in 2013 the debit to the deferral account will be ($55.75 less $53.50) times the updated Customer forecast. In the early years of the 2013 to 2018 term, the balance in the rate smoothing deferral account will grow (because Enbridge's cost per Customer will be higher than the smoothed cost per Customer being collected), and then in the later years the balance will decline (because Enbridge's cost per Customer will be lower than the smoothed cost per Customer being collected).

- Enbridge will be entitled to collect interest on balances in the rate smoothing deferral account (at a fixed annual rate of 1.47%, which is the current Board-approved rate, and will not change during the period the deferral account continues). Interest amounts will be cleared annually to customers, at the same time as Enbridge's other deferral and variance accounts are cleared.

- The principal balance in the rate smoothing deferral account will not be cleared during the 2013 to 2018 term. Instead, the principal balance will build up during the years from 2013 to 2015 (when Enbridge's cost per Customer will be higher than the smoothed cost per Customer) and then the balance will be drawn down over the years from 2016 to 2018 (when Enbridge's cost per Customer will be lower than the smoothed cost per Customer). In the event that there is any balance remaining in the rate smoothing deferral account at the end of 2018, that balance (whether it is positive or negative) will be cleared to customers along with the clearance of other 2018 deferral and variance accounts.

H. Bill impacts from Settlement Agreement

For the purposes of this proceeding, all parties agree that it is not necessary to address any issues about the allocation of the costs set out in the Updated 2013 Template to rate classes on the basis of customer numbers. The parties agree that the appropriateness of this or any other cost allocation between rate classes is most appropriately addressed as part of Enbridge's rate applications for 2013 and beyond. For the purposes of determining bill impacts from this Settlement Agreement, all parties agree that it is appropriate to use the cost allocation methodology that applies to the 2007 Template, which allocates the "smoothed" CIS and CC revenue requirement to rate classes on the basis of Customer numbers. That agreement is without prejudice to the right of any party to address the issue of rate class allocation of these costs as part of Enbridge's rate applications for 2013 and beyond.

All parties agree that the bill impacts arising from the Settlement Agreement are reasonable and appropriate.

On an absolute basis, based on Enbridge's current forecast number of Customers for 2012 and 2013[32], the increase on customer bills arising from this Settlement Agreement will be $4.44 per customer from 2012 to 2013 (equal to a 9.1% year-over-year change in the customer care component of customer bills), and then approximately $1.20 per year (2.2%) for each year from 2014 to 2018.[33]

In terms of overall bill impact, the increase from 2012 to 2013 is equal to approximately 0.5% for a typical sales customer, and approximately 0.8% for a typical T-service customer. Then, the average bill impact for each year from 2014 to 2018 is equal to approximately 0.1% for a typical sales customer, and approximately 0.2% for a typical T-service customer. For ease of reference, the bill impacts arising from the use of the "smoothed" cost per Customer agreed upon in this Settlement Agreement are set out in the table below.

	2012	*2013*	*2014*	*2015*	*2016*	*2017*	*2018*
Smoothed cost/Customer - line 24	$ 49.06	$ 53.50	$ 54.68	$ 55.88	$ 57.11	$ 58.36	$ 59.65
Year over year % increase		9.1%	2.2%	2.2%	2.2%	2.2%	2.2%
Sales customer bill impact		0.5%	0.1%	0.1%	0.1%	0.1%	0.1%
T-Service customer bill impact		0.8%	0.2%	0.2%	0.2%	0.2%	0.2%

I. Other items

One of the Board's issues (Issue 19) asks whether any of the costs included in the 2013 Template should be considered to be "Non-Utility Costs". All parties agree that this proceeding is not the appropriate time for considering that question, as the scope of the Company's activities for the 2013 to 2018 period, including open billing activities, is not currently settled. Instead, the issue of how any costs included within the Updated 2013 Template that relate to activities such as open bill access and agent billing and collection should be treated is appropriately raised in Enbridge's rate applications for 2013 and beyond. Therefore, all parties agree that the settlement of an appropriate cost per Customer for all CIS and CC activities set out in the Updated 2013 Template is without prejudice to the position that any party may take in Enbridge's rate applications for relevant years as to how some of those costs should be eliminated or allocated in respect of non-utility activities and open bill access.

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[32] Enbridge's current Customer forecast numbers for 2012 are set out in the version of the 2013 Template filed as Ex. B-5-2. The Updated 2013 Template includes Enbridge's current Customer forecast for 2013 to 2018, as had been set out in the 2013 Template filed as Ex. A-2-2.

[33] It should be noted that the actual per customer bill impact for Enbridge's customers will likely be slightly different from what is shown in this paragraph. That difference arises from the fact that the absolute amount of bill increase and percentage increase for each customer as set out above is calculated based upon Enbridge's forecast number of Customers, using the definition of "Customer" from the ABSU CCSA. The fact is, though, that the number of billed customers will be slightly lower, because the term "Customer" includes locked customers (averaging in the range of 20,000 customers) who do not receive monthly bills. Therefore, to calculate a more precise bill impact per customer, one would have to use a forecast number of billed customers for 2012 and a similar forecast for 2013. Given that those forecasts are not part of the evidence in this proceeding, this calculation has not been included. All parties expect, though, that the result would not be materially different from the impacts described in this section of the Settlement Agreement.

All parties also agree that in the event that exogenous factors such as 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 between 2013 and 2018, and those requirements materially change the level of Enbridge's overall costs from those that are set out in the Updated 2013 Template, 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 Settlement Agreement will be the same as exists in any Z-factor or similar provision that is included within the ratemaking regime that applies to Enbridge during any particular year between 2013 and 2018. The parties acknowledge that the individual lines in the Updated 2013 Template (other than lines 3 and 10a) are illustrative only, and therefore do not form an appropriate baseline for determination of whether the Z-factor materiality threshold is met. In considering whether a Z-factor materiality threshold is met for customer care costs, it is agreed that two tests must be met. First, the difference between Enbridge's forecast total costs for a year under this Settlement Agreement (calculated by multiplying the agreed cost per Customer for that year in line 17a by the forecast number of Customers for that year) and Enbridge's actual or updated forecast costs for that year for the items set out in the Updated 2013 Template must exceed the threshold. Second, the party claiming Z-factor treatment must establish a specific exogenous event, not taken into account in developing the Template totals, that has caused a net new cost exceeding the threshold. By way of example, if postage rates are increased in a future year, and as a result the postage cost for the year exceeds the amount in the Template by more than the threshold, that will not be sufficient for Z-factor treatment, because it is known that postage rates will change over the 2013 to 2018 term. On the other hand, and by way of further example, if the Company is ordered, by the Board or otherwise, to accept credit card payments for its bills, and the credit card fees imposed on Enbridge exceed the threshold, that could qualify for Z-factor treatment if all other factors are met. (The foregoing examples are intended to assist interpretation of this provision only.) In assessing whether an individual exogenous event caused costs exceeding the threshold, all cost impacts of that event must be included, favourable and unfavourable. 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 regulatory rules (including any applicable IRM mechanism) that apply to the Company in any given year.

The parties agree to continue the provision in the 2007 Settlement Agreement dealing with future revenue generating opportunities from the new CIS, as follows:

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 should 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 a separate process related to open bill access, and are not included in or affected by the provisions set out above.

EVIDENTIARY BASIS FOR THE SETTLEMENT

All parties agree that there is a sufficient evidentiary basis to support the settlement detailed herein. That evidentiary record was built up in a number of ways, including through the prefiled evidence (which includes documentation from the consultative process that led up to the Application) and through a full discovery process, which included written interrogatories, an oral technical conference where representatives of Enbridge and Five Point gave evidence and answered questions, and follow-up questions emanating from the technical conference.

The evidence supporting the settlement is listed in the next sections of this Settlement Agreement, on an issue by issue basis. As can be seen, there are multiple pieces of evidence which are relevant to each of the issues set out in the Board's Issues List.

At a high level, the evidence addresses categories of issues, as follows.

First, Enbridge has provided evidence describing the background to this Application, and the reasons why it is appropriate for the Board to consider an extension of the 2007 Template to address CIS and CC costs for the 2013 to 2018 period. That evidence describes how the Company made decisions to acquire a new CIS and enter into a contract with Accenture for CC services. It also describes the manner in which Enbridge worked with the intervenor steering committee to get agreement upon the process and costs associated with the new CIS and CC contract, and the role played by the intervenor expert (Five Point) in that process. The evidence addresses how the 2007 Template was developed, and then approved and endorsed by the Board. Finally, the evidence sets out how the approach used in the 2007 Template has worked well since that time.

Second, there is a large amount of evidence about the process undertaken by Enbridge to determine how to obtain continued CC services after the current CCSA with Accenture. That evidence describes Enbridge's internal process to identify options for how to proceed, and the decisions taken in that regard. It also describes the participation of the stakeholder steering committee and Five Point in reviewing the Company's actions and making recommendations on how to proceed. The evidence includes explanation of why it was appropriate for the Company to extend and update its CCSA with Accenture, rather than proceeding to an RFP process, along with the endorsement of Five Point to proceeding in that manner. The evidence also includes benchmarking information from EquaTerra and Five Point supporting the reasonableness of the costs set out in the revised and extended Accenture CCSA. Finally, the evidence from both Enbridge and Five Point describes the benefits of the extended and updated CCSA. This topic was the subject of much of the testimony of Five Point and Enbridge at the Technical Conference, and was also the subject of a number of interrogatories and undertakings. All of this evidence serves to support the values set out in line 10a of the 2013 Template.

Third, the evidence sets out the manner in which the new CIS revenue requirement set out in line 3 of the 2013 Template was derived. That evidence describes the provisions of the 2007 Settlement Agreement addressing the anticipated costs of the new CIS and the manner in which those costs would be reflected and potentially adjusted in an opening rate base value at December 31, 2012 (which is the end date of the 2007 Template). The evidence also describes the successful implementation of the new CIS, and the final costs related to that asset. The role of the stakeholder steering committee and Five Point in reviewing and endorsing the implementation of the new CIS and the associated costs is set out in the evidence and in the Technical Conference testimony of Enbridge and Five Point. In that regard, the evidence describes how the updated opening rate base value of $76.9 million for the new CIS was derived and then converted into annual revenue requirement amounts for 2013 to 2018 using the same parameters as employed in the 2007 Template. Finally, the evidence sets out the endorsement of the stakeholder steering committee to the values set out in line 3 of the 2013 Template.

Fourth, the prefiled evidence addresses Enbridge's forecast other CIS and CC costs for 2013 to 2018, as set out in the balance of the 2013 Template. The evidence describes the nature of each of those sets of costs. The evidence also sets out how those forecasts were created, using current costs as a base and then adjusting those costs based upon inflation or contract/third party costs. Many of the interrogatories answered by the Company, as well as the evidence at the Technical Conference and resulting undertakings provide further detail about these costs. As explained herein, the Company's forecast of costs was used as the base from which adjustments were made in order to arrive at a 2013 cost per Customer for other CIS and CC costs.

Fifth, there is discussion in the evidence and in this Settlement Agreement about the financial impact of this settlement on ratepayers. The prefiled evidence explains the customer impact of the proposed 2013 Template, which included an overall revenue requirement amount of $758M. As explained herein, parties have agreed that (based on Enbridge's current Customer forecast), the appropriate revenue requirement to be recovered is $735M. This Settlement Agreement contains details about the total $735M amount of the CC and CIS revenue requirement was derived, and about how that revenue requirement has been smoothed to allow for annual revenue requirements that temper rate volatility. In addition, information is provided about the expected annual rate impact of this Settlement Agreement on a typical Enbridge customer.

DIFFERENCES FROM THE 2007 SETTLEMENT AGREEMENT

The parties have sought to follow the principles established in the 2007 Settlement Agreement and the 2007 Template, including the comprehensiveness of the cost analysis, and the goal of smoothing rate impacts. However, this Agreement and the Updated 2013 Template have certain material differences from the 2007 result, the most important of which are as follows:

- At the time of the 2007 Settlement Agreement, certain of the costs expected to be incurred were not known, including some of the CIS capital costs, and some of the CCSA costs. The 2007 Settlement Agreement contains extensive provisions relating to the true-up of forecast costs to actuals. This Agreement does not contain any true-up provisions, because the costs can be forecast with reasonable accuracy today.

- The 2007 Template resulted in agreement on annual revenue requirement totals, and smoothing on that same basis. This Agreement has added the factor of customer numbers, so that the revenue requirement agreed is per Customer, as is the smoothing method. This makes the smoothing more effective, and reflects the reality that a substantial portion of Enbridge's CC costs vary by number of Customers.

- The 2007 Template had to deal potentially with the costs of transitioning from one service provider to another. In this Agreement, it is known that the incumbent will be retained.

- The 2007 Template was timed to coincide with an Enbridge cost of service application serving as the base year for a multi-year IRM. The timing of this Agreement is driven by the desire of all parties to complete a favourable new CCSA agreement, which must be done prior to the next Enbridge rebasing application.

- The smoothing escalator in the 2007 Template was approximately 1.8% per year. The smoothing escalator in this Agreement is 2.2% per year, based on a cost escalator of 0.6% per year and an adjustment to reduce the 2013 impact on a per Customer basis from a 17.7% increase to 9.1% increase. The net result is a lower level of net cost escalation, coupled with a planned increase in overall service levels.

RESPONSE TO EACH ISSUE

Based upon the Terms of Settlement described above, and based upon the evidence filed in this proceeding, the following represents the response of all parties to each of the issues set out in the Board's Issues List.

1. Are the amounts proposed in the 2013 Template (Line 3) and identified as "New CIS Capital Cost @ Board Approved 36% Equity" appropriate for recovery?

As discussed above in the "Terms of Settlement" section (see pages 12 to 14), for the purposes of determining an annual cost per Customer for CIS and CC services set out in the Updated 2013 Template, all parties agree that the amounts proposed in Line 3 of the Updated 2013 Template for the revenue requirement for the new CIS Asset from 2013 to 2018 are appropriate. Those revenue requirement amounts are based upon an opening rate base value of $76.9M for the new CIS asset as of January 1, 2013.

The amounts in line 3 are calculated by using all of the same parameters (including cost of capital) for the calculation of resulting revenue requirement of the new CIS as were used in the calculation of the values in line 3 of the 2007 Template. All parties agree that the use of these parameters for the calculation of the line 3 revenue requirement in the Updated 2013 Template (including, for example, the 8.39% ROE value that is being used) is not intended as a precedent for any future proceedings and is without prejudice to the right of any party to assert that a different approach should be used for the calculation of revenue requirement for capital assets in any future proceedings.

As part of the agreement in respect of the recovery of costs associated with its new CIS, the parties agree that it is assumed that Enbridge will not replace or undertake major revisions to the new CIS prior to 2019. Enbridge agrees that if it seeks to close to rate base any CIS capital costs relating to this new CIS or a replacement CIS exceeding on a cumulative basis $50 million between January 1, 2013 and December 31, 2018, then Enbridge will make specific application for Board approval for such action. All parties are free to take whatever positions they consider appropriate on that application. Any such request by Enbridge shall, however, start from the assumption that the appropriate rate consequences (including depreciation, return, taxes, etc.)

are those that most closely track the rate consequences that would occur if the new capital assets were purchased, developed or built, and closed to rate base, in 2019.

Evidence: The evidence in relation to this issue includes the following:

A-2-2	2013 Template
B-2-2	Overview of Relief Sought
B-3-1	CIS Costs
B-3-2	Five Point's CIS Project Close-Out Report
B-3-4	Revenue Requirement Impact of New CIS Opening Rate Base Value
B-5-1	Explanatory Notes re. 2013 Template
I-1-1	Plain language description of each line item in the 2013 Template
I-1-2	Variance analysis for each line item in the 2013 Template
I-1-3	Variance analysis between forecast and actual values in 2007 Template
I-1-4	Variance analysis for 2013 new CIS opening rate base value
I-1-10	Rationale for the CIS cost recovery over two six-year spans
I-1-33	Copy of 2007 Settlement Agreement
I-2-2	Explanation of CIS costs in 2013 Template
I-2-5	Explanation of how costs in 2013 Template were inflated
Tech Conf	Evidence of Five Point at TC, pp. 10-12, 30, 34-40 and 42-47
Tech Conf	Evidence of Enbridge at TC, pp. 60-62, 84-86, 92-98, 99-101 and 122-123
JTC1.2	Five Point slide deck re. CIS implementation project costs
JTC1.3	Annual cost per customer for CIS services up to 2018

2. Are the amounts proposed in the 2013 Template (Line 4) and identified as "New CIS Hosting and Support" appropriate for recovery?

All parties agree that the costs on this line should be aggregated with all other lines (excluding lines 3 and 10a), and forecast on the basis of the per Customer amount and formula described on pages 20 to 22 above. The costs for this line as set in the 2013 Template are for illustrative purposes only, and are not separately validated in isolation from the totals.

Evidence: The evidence in relation to this issue includes the following:

A-2-2	2013 Template
B-2-2	Overview of Relief Sought
B-3-1	CIS Costs
B-5-1	Explanatory Notes re. 2013 Template
B-5-2	Version of 2013 Template Containing Actual/Forecast 2007 to 2012 Costs
I-1-1	Plain language description of each line item in the 2013 Template
I-1-2	Variance analysis for each line item in the 2013 Template
I-1-3	Variance analysis between forecast and actual values in 2007 Template
I-1-11	Explanation of how contract costs other than the new ABSU CCSA costs are determined during term of 2013 Template (given that some do not have 6 year terms)
I-1-23	Explanation of which items in the 2013 Template contain Enbridge's in-house costs
I-2-2	Explanation of CIS costs in 2013 Template
I-2-5	Explanation of how costs in 2013 Template were inflated
Tech Conf	Evidence of Enbridge at TC, pp. 81-83, 101-105 and 124-125
JTC1.3	Annual cost per customer for CIS services up to 2018
JTC 1.6	Updated annual costs for column E (2011 costs) of the 2013 Template (B-5-2)
JTC1.8	Breakout of costs in row 4 of the 2013 Template for 2010 to 2012

3. Are the amounts proposed in the 2013 Template (Line 5) and identified as "CIS Backoffice (EGD Staffing)" appropriate for recovery?

All parties agree that the costs on this line should be aggregated with all other lines (excluding lines 3 and 10a), and forecast on the basis of the per Customer amount and formula described on pages 20 to 22 above. The costs for this line as set in the 2013 Template are for illustrative purposes only, and are not separately validated in isolation from the totals.

Evidence: The evidence in relation to this issue includes the following:

A-2-2	2013 Template
B-2-2	Overview of Relief Sought
B-3-1	CIS Costs
B-5-1	Explanatory Notes re. 2013 Template
I-1-1	Plain language description of each line item in the 2013 Template
I-1-2	Variance analysis for each line item in the 2013 Template
I-1-3	Variance analysis between forecast and actual values in 2007 Template
I-1-23	Explanation of which items in the 2013 Template contain Enbridge's in-house costs
I-2-2	Explanation of CIS costs in 2013 Template
I-2-5	Explanation of how costs in 2013 Template were inflated
Tech Conf	Evidence of Enbridge at TC, pp. 128-129
JTC1.3	Annual cost per customer for CIS services up to 2018
JTC 1.6	Updated annual costs for column E (2011 costs) of the 2013 Template (B-5-2)

4. Are the amounts proposed in the 2013 Template (Line 6) and identified as "SAP Licence Fees" appropriate for recovery?

All parties agree that the costs on this line should be aggregated with all other lines (excluding lines 3 and 10a), and forecast on the basis of the per Customer amount and formula described on pages 20 to 22 above. The costs for this line as set in the 2013 Template are for illustrative purposes only, and are not separately validated in isolation from the totals.

Evidence: The evidence in relation to this issue includes the following:

A-2-2	2013 Template
B-2-2	Overview of Relief Sought
B-3-1	CIS Costs
B-5-1	Explanatory Notes re. 2013 Template
B-5-2	Version of 2013 Template Containing Actual/Forecast 2007 to 2012 Costs
I-1-1	Plain language description of each line item in the 2013 Template
I-1-2	Variance analysis for each line item in the 2013 Template
I-1-3	Variance analysis between forecast and actual values in 2007 Template
I-1-11	Explanation of how contract costs other than the new ABSU CCSA costs are determined during term of 2013 Template (given that some do not have 6 year terms)
I-2-2	Explanation of CIS costs in 2013 Template
I-2-5	Explanation of how costs in 2013 Template were inflated
JTC1.3	Annual cost per customer for CIS services up to 2018
JTC 1.6	Updated annual costs for column E (2011 costs) of the 2013 Template (B-5-2)

5. Are the amounts proposed in the 2013 Template (Line 10) and identified as "New Service Provider Contract Cost" appropriate for recovery?

All parties agree that the costs on this line (except those that relate to line 10a) should be aggregated with all other lines (excluding lines 3 and 10a), and forecast on the basis of the per Customer amount and formula described on pages 20 to 22 above. The costs for this line as set in the 2013 Template are for illustrative purposes only, and are not separately validated in isolation from the totals. All parties agree that the costs on line 10a are a reasonable forecast, measured on a per Customer basis, of the costs payable for regulated activities under the CCSA.

Evidence: The evidence in relation to this issue includes the following:

A-2-2	2013 Template
B-2-2	Overview of Relief Sought
B-4-1	Customer Care Costs
B-4-2	Five Point's Customer Care Consultative Report
B-4-3	Enbridge's Customer Care Strategy Document
B-4-4	Stakeholder Steering Committee Statement of Principles
B-5-1	Explanatory Notes re. 2013 Template
B-5-2	Version of 2013 Template Containing Actual/Forecast 2007 to 2012 Costs
I-1-1	Plain language description of each line item in the 2013 Template
I-1-2	Variance analysis for each line item in the 2013 Template
I-1-3	Variance analysis between forecast and actual values in 2007 Template
I-1-4	Variance analysis for 2013 new CIS opening rate base value
I-1-9	Explanation of how new ABSU CCSA costs are addressed during term of 2007 Template
I-1-11	Explanation of how contract costs other than the new ABSU CCSA costs are determined during term of 2013 Template (given that some do not have 6 year terms)
I-1-12	Copy of ABSU CCSA
I-1-13	Explanation of why no tendering process was undertaken to renew ABSU CCSA
I-1-14	Description of cost efficiency and incentive measures built into the new ABSU CCSA
I-1-15	Discussion of cost drivers in the ABSU CCSA and about how contract revenue is derived
I-1-16	Discussion of self-service features of ABSU CCSA
I-1-18	Explanation of how Enbridge addressed recommendations from Five Point
I-1-19	Explanation of how Enbridge addressed the areas identified as "challenges" in the "Customer Care Service Delivery Strategy" document
I-1-20	Explanation of how ratepayers and others are getting / will get good value from the ABSU CCSA
I-1-21	Details of each of the outsourced contracts, other than the ABSU CCSA
I-2-3	Explanation of Customer Care costs in 2013 Template
I-2-5	Explanation of how costs in 2013 Template were inflated
Tech Conf	Evidence of Five Point at TC, pp. 12-33, 30, 40-41 and 57-58
Tech Conf	Evidence of Enbridge at TC, pp. 62-64 and 98
JTC1.1	Five Point explanation of recommendations made to Enbridge during ABSU negotiations, and Enbridge's responses to those recommendations
JTC1.5	Updated 2013 Template that moves Large Volume Billing costs from line 10a to line 12
JTC 1.6	Updated annual costs for column E (2011 costs) of the 2013 Template (B-5-2)

6. Are the amounts proposed in the 2013 Template (Line 10a) and identified as "ACN, MTP & Collection Agency costs" appropriate for recovery?

As discussed above in the "Terms of Settlement" section (see pages 14 to 18), and subject to all the other provisions of this Agreement, for the purposes of determining an annual cost per Customer for CIS and CC services set out in the Updated 2013 Template, all parties agree to the amounts proposed in Line 10a of the Updated 2013 Template for Accenture, MTP and Collection

Agency Costs from 2013 to 2018. Unlike the approach used in the 2007 Template, the costs set out in line 10a of the Updated 2013 Template do not include the LVB costs, which have been moved to line 12.

Evidence: The evidence in relation to this issue includes the following:

A-2-2	2013 Template
B-2-2	Overview of Relief Sought
B-4-1	Customer Care Costs
B-4-2	Five Point's Customer Care Consultative Report
B-4-3	Enbridge's Customer Care Strategy Document
B-4-4	Stakeholder Steering Committee Statement of Principles
B-5-1	Explanatory Notes re. 2013 Template
B-5-2	Version of 2013 Template Containing Actual/Forecast 2007 to 2012 Costs
I-1-1	Plain language description of each line item in the 2013 Template
I-1-2	Variance analysis for each line item in the 2013 Template
I-1-3	Variance analysis between forecast and actual values in 2007 Template
I-1-9	Explanation of how new ABSU CCSA costs are addressed during term of 2007 Template
I-1-11	Explanation of how contract costs other than the new ABSU CCSA costs are determined during term of 2013 Template (given that some do not have 6 year terms)
I-1-12	Copy of ABSU CCSA
I-1-13	Explanation of why no tendering process was undertaken to renew ABSU CCSA
I-1-14	Description of cost efficiency and incentive measures built into the new ABSU CCSA
I-1-15	Discussion of cost drivers in the ABSU CCSA and about how contract revenue is derived
I-1-16	Discussion of self-service features of ABSU CCSA
I-1-18	Explanation of how Enbridge addressed recommendations from Five Point
I-1-19	Explanation of how Enbridge addressed the areas identified as "challenges" in the "Customer Care Service Delivery Strategy" document
I-1-20	Explanation of how ratepayers and others are getting / will get good value from the ABSU CCSA
I-1-21	Details of each of the outsourced contracts, other than the ABSU CCSA
I-2-3	Explanation of Customer Care costs in 2013 Template
I-2-5	Explanation of how costs in 2013 Template were inflated
Tech Conf	Evidence of Five Point at TC, pp. 12-33, 30, 40-41 and 57-58
Tech Conf	Evidence of Enbridge at TC, pp. 62-64, 70-72, 98, 108-110, 129-130
JTC1.1	Five Point explanation of recommendations made to Enbridge during ABSU negotiations, and Enbridge's responses to those recommendations
JTC1.5	Updated 2013 Template that moves Large Volume Billing costs from line 10a to line 12
JTC 1.6	Updated annual costs for column E (2011 costs) of the 2013 Template (B-5-2)

7. Are the amounts proposed in the 2013 Template (Line 10b) and identified as "MET" appropriate for recovery?

All parties agree that the costs on this line should be aggregated with all other lines (excluding lines 3 and 10a), and forecast on the basis of the per Customer amount and formula described on pages 20 to 22 above. The costs for this line as set in the 2013 Template are for illustrative purposes only, and are not separately validated in isolation from the totals.

Evidence: The evidence in relation to this issue includes the following:

A-2-2	2013 Template
B-2-2	Overview of Relief Sought
B-4-1	Customer Care Costs
B-4-2	Five Point's Customer Care Consultative Report
B-4-3	Enbridge's Customer Care Strategy Document

B-4-4	Stakeholder Steering Committee Statement of Principles
B-5-1	Explanatory Notes re. 2013 Template
B-5-2	Version of 2013 Template Containing Actual/Forecast 2007 to 2012 Costs
I-1-1	Plain language description of each line item in the 2013 Template
I-1-2	Variance analysis for each line item in the 2013 Template
I-1-3	Variance analysis between forecast and actual values in 2007 Template
I-1-11	Explanation of how contract costs other than the new ABSU CCSA costs are determined during term of 2013 Template (given that some do not have 6 year terms)
I-2-3	Explanation of Customer Care costs in 2013 Template
I-2-5	Explanation of how costs in 2013 Template were inflated
Tech Conf	Evidence of Enbridge at TC, p. 110
JTC 1.6	Updated annual costs for column E (2011 costs) of the 2013 Template (B-5-2)

8. Are the amounts proposed in the 2013 Template (Line 10c) and identified as "Postage" appropriate for recovery?

All parties agree that the costs on this line should be aggregated with all other lines (excluding lines 3 and 10a), and forecast on the basis of the per Customer amount and formula described on pages 20 to 22 above. The costs for this line as set in the 2013 Template are for illustrative purposes only, and are not separately validated in isolation from the totals.

Evidence: The evidence in relation to this issue includes the following:

A-2-2	2013 Template
B-2-2	Overview of Relief Sought
B-4-1	Customer Care Costs
B-4-2	Five Point's Customer Care Consultative Report
B-4-3	Enbridge's Customer Care Strategy Document
B-4-4	Stakeholder Steering Committee Statement of Principles
B-5-1	Explanatory Notes re. 2013 Template
B-5-2	Version of 2013 Template Containing Actual/Forecast 2007 to 2012 Costs
I-1-1	Plain language description of each line item in the 2013 Template
I-1-2	Variance analysis for each line item in the 2013 Template
I-1-3	Variance analysis between forecast and actual values in 2007 Template
I-1-11	Explanation of how contract costs other than the new ABSU CCSA costs are determined during term of 2013 Template (given that some do not have 6 year terms)
I-2-3	Explanation of Customer Care costs in 2013 Template
I-2-5	Explanation of how costs in 2013 Template were inflated
Tech Conf	Evidence of Five Point at TC, p. 111
JTC 1.6	Updated annual costs for column E (2011 costs) of the 2013 Template (B-5-2)

9. Are the amounts proposed in the 2013 Template (Line 11) and identified as "Customer Care Licences" appropriate for recovery?

All parties agree that the costs on this line should be aggregated with all other lines (excluding lines 3 and 10a), and forecast on the basis of the per Customer amount and formula described on pages 20 to 22 above. The costs for this line as set in the 2013 Template are for illustrative purposes only, and are not separately validated in isolation from the totals.

Evidence: The evidence in relation to this issue includes the following:

A-2-2	2013 Template
B-2-2	Overview of Relief Sought
B-4-1	Customer Care Costs
B-4-2	Five Point's Customer Care Consultative Report
B-4-3	Enbridge's Customer Care Strategy Document
B-4-4	Stakeholder Steering Committee Statement of Principles
B-5-1	Explanatory Notes re. 2013 Template
B-5-2	Version of 2013 Template Containing Actual/Forecast 2007 to 2012 Costs
I-1-1	Plain language description of each line item in the 2013 Template
I-1-2	Variance analysis for each line item in the 2013 Template
I-1-3	Variance analysis between forecast and actual values in 2007 Template
I-1-4	Variance analysis for 2013 new CIS opening rate base value
I-2-3	Explanation of Customer Care costs in 2013 Template
I-2-5	Explanation of how costs in 2013 Template were inflated
JTC 1.6	Updated annual costs for column E (2011 costs) of the 2013 Template (B-5-2)

10. Are the amounts proposed in the 2013 Template (Line 12) and identified as "Customer Care Backoffice (EGD Staffing)" appropriate for recovery?

All parties agree that the costs on this line should be aggregated with all other lines (excluding lines 3 and 10a), and forecast on the basis of the per Customer amount and formula described on pages 20 to 22 above. The costs for this line as set in the 2013 Template are for illustrative purposes only, and are not separately validated in isolation from the totals.

Evidence: The evidence in relation to this issue includes the following:

A-2-2	2013 Template
B-2-2	Overview of Relief Sought
B-4-1	Customer Care Costs
B-4-2	Five Point's Customer Care Consultative Report
B-4-4	Stakeholder Steering Committee Statement of Principles
B-5-1	Explanatory Notes re. 2013 Template
B-5-2	Version of 2013 Template Containing Actual/Forecast 2007 to 2012 Costs
I-1-1	Plain language description of each line item in the 2013 Template
I-1-2	Variance analysis for each line item in the 2013 Template
I-1-3	Variance analysis between forecast and actual values in 2007 Template
I-1-4	Variance analysis for 2013 new CIS opening rate base value
I-1-23	Explanation of which items in the 2013 Template contain Enbridge's in-house costs
I-2-3	Explanation of Customer Care costs in 2013 Template
I-2-5	Explanation of how costs in 2013 Template were inflated
Tech Conf	Evidence of Enbridge at TC, pp. 70-72, 108-110 and 129-130
JTC1.5	Updated 2013 Template that moves Large Volume Billing costs from line 10a to line 12
JTC 1.6	Updated annual costs for column E (2011 costs) of the 2013 Template (B-5-2)

11. Are the amounts proposed in the 2013 Template (Line 23) and identified as "Total Customer Care Revenue by Year (including repayment of 2007 variance)" appropriate for recovery?

As described above in the "Terms of Settlement" section (see pages 10 to 24), all parties agree that the amounts identified in line 24 as the "smoothed" cost per Customer for each year from 2013 to 2018 are appropriate for recovery. On the assumption that the actual annual numbers of

Customers are the same as those set out in line 17, all parties agree that the amounts set out in line 23 of the Updated 2013 Template for total annual revenue requirement (which total $735M) are appropriate for recovery in the appropriate years. In this regard, it is noted that the actual annual revenue requirement to be recovered each year will vary from line 23, because it will be calculated each year by multiplying the annual "smoothed" cost per Customer in line 24 by Enbridge's updated forecast number of Customers for that year. All parties agree that this adjustment from the $735 million as a result of changes in the number of Customers is appropriate.

In conjunction with this "smoothing" approach, parties agree to the establishment and operation of a rate smoothing deferral account for each year from 2013 to 2018, as described above in the "Terms of Settlement" section.

Evidence: The evidence in relation to this issue includes the following:

A-2-2	2013 Template
B-2-2	Overview of Relief Sought
B-5-1	Explanatory Notes re. 2013 Template
B-5-2	Version of 2013 Template Containing Actual/Forecast 2007 to 2012 Costs
I-1-6	Inflation factor approved in each year of the IRM Plan
I-1-7	Inflation factors proposed for CIS and CC costs
I-1-8	Explanation of the smoothing mechanisms built into the 2013 Template
I-1-23	Explanation of which items in the 2013 Template contain Enbridge's in-house costs
I-2-5	Explanation of how costs in 2013 Template were inflated
Tech Conf	Evidence of Enbridge at TC, pp. 64-69, 72-80, 86-92, 115-118, 131-132 and 137-144
JTC1.4	Calculation of annual cost per customer for CIS and CC services up to 2018
JTC1.7	Forecast of GDP IPI FDD factor for 2012 to 2018
JTC 1.9	Update of inflation factors proposed for CIS and CC costs
JTC1.10	Explanation of difference between 2012 and 2013 smoothed revenue requirement in 2013 Template
JTC 1.11	Recalculation of smoothed annual revenue requirement in 2013 Template from 2012 to 2018, to reflect equal annual increases
JTC 1.13	Revised version of 2013 Template that removes one-time costs associated with acquiring new CIS and initial CCSA with ABSU

12. Is the proposed opening 2013 Rate Base amount of $76.9 million for the CIS asset appropriate?

As described above in the "Terms of Settlement" section (see pages 12 to 14), all parties agree to the proposed opening 2013 Rate Base amount of $76.9 million for the new CIS asset. See also the response to Issue #1.

Evidence: The evidence in relation to this issue includes the following:

A-2-2	2013 Template
B-2-2	Overview of Relief Sought
B-3-1	CIS Costs
B-3-2	Five Point's CIS Project Close-Out Report
B-3-4	Revenue Requirement Impact of New CIS Opening Rate Base Value
B-5-1	Explanatory Notes re. 2013 Template
I-1-1	Plain language description of each line item in the 2013 Template
I-1-2	Variance analysis for each line item in the 2013 Template
I-1-3	Variance analysis between forecast and actual values in 2007 Template
I-1-4	Variance analysis for 2013 new CIS opening rate base value

I-1-10	Rationale for the CIS cost recovery over two six-year spans
I-1-33	Copy of 2007 Settlement Agreement
I-2-2	Explanation of CIS costs in 2013 Template
Tech Conf	Evidence of Five Point at TC, pp. 10-12, 30, 34-40 and 42-47
Tech Conf	Evidence of Enbridge at TC, pp. 60-62, 84-86, 92-98, 99-101 and 122-123
JTC1.2	Five Point slide deck re. CIS implementation project costs
JTC1.3	Annual cost per customer for CIS services up to 2018

13. Is the annual adjustment factor (or inflation factor) of 1.77580% built into the 2013 Template appropriate?

As described above in the "Terms of Settlement" section (see pages 10 to 24), the Updated 2013 Template is different from the 2013 Template filed with this Application. The Updated 2013 Template uses different inflation factors for Enbridge's cost per Customer (derived as a function of the underlying costs) and for the smoothed cost per Customer amount to be recovered each year in revenue requirement. All parties agree that the inflators used for the purpose of creating costs per Customer for 2014 to 2018 (which apply an annual increase of 0.6%), and for creating the smoothed annual cost per Customer to be recovered each year in revenue requirement (which apply an annual increase of 2.2%, but use a lower 2013 base cost per Customer amount) are compromise numbers that create reasonable and appropriate results in this case, but also agree that these inflators will not be relied upon as a precedent or indicator of an appropriate inflator of costs, revenue requirement or rates in any other Enbridge proceeding.

Evidence: The evidence in relation to this issue includes the following:

A-2-2	2013 Template
B-2-2	Overview of Relief Sought
B-5-1	Explanatory Notes re. 2013 Template
B-5-2	Version of 2013 Template Containing Actual/Forecast 2007 to 2012 Costs
I-2-5	Explanation of how costs in 2013 Template were inflated
Tech Conf	Evidence of Enbridge at TC, pp. 74-78, 86-88 and 131-132
JTC1.7	Forecast of GDP IPI FDD factor for 2012 to 2018
JTC 1.9	Update of inflation factors proposed for CIS and CC costs

14. Is it appropriate for the cost recovery to span two 6-year fiscal periods (2007- 2012 and 2013-2018 as shown on the 2013 Template) when the economic life of the CIS asset is ten years?

All parties agree that the recovery of revenue requirement for the new CIS asset over a 10 year term from 2009 to 2018 is appropriate. That is consistent with the fact that the new CIS asset is assumed to have a 10 year economic life, with an assumed in-service date of January 1, 2009.

All parties agree that it is appropriate that the additional cost allowances included in the January 1, 2013 \$76.9M opening rate base amount for the new CIS asset should continue into 2019 in recognition of the actual CIS in-service date of September 1, 2009. The result, as set out at Ex. B-3-4, is that Enbridge will collect approximately \$760,000 in revenue requirement for the new CIS asset in 2019.

Evidence: The evidence in relation to this issue includes the following:

A-2-2	2013 Template
B-2-2	Overview of Relief Sought
B-3-1	CIS Costs
B-3-4	Revenue Requirement Impact of New CIS Opening Rate Base Value
B-5-1	Explanatory Notes re. 2013 Template
I-1-10	Rationale for the CIS cost recovery over two six-year spans

15. Are the efficiency and performance measures that are built into the Accenture contract adequate and appropriate?

As described above in the "Terms of Settlement" section (see pages 14 to 18), all parties agree that, with respect to customer care associated with regulated Customers, and excluding those aspects that relate to unregulated and non-utility activities, such as open bill access and ABC, the extended and updated Accenture CCSA, and the associated cost per Customer, is prudent and appropriate. The service levels and performance measures in the revised and extended CCSA are superior to those which are included in the current CCSA. Under the revised and extended CCSA, 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. On this basis, no party asserts that with respect to regulated activities the Accenture contract lacks adequate or appropriate efficiency and performance measures.

Evidence: The evidence in relation to this issue includes the following:

B-4-1	Customer Care Costs
B-4-2	Five Point's Customer Care Consultative Report
B-4-3	Enbridge's Customer Care Strategy Document
I-1-14	Description of cost efficiency and incentive measures built into the new ABSU CCSA
I-1-16	Discussion of self-service features of ABSU CCSA
I-1-20	Explanation of how ratepayers and others are getting and will get good value from the ABSU CCSA
Tech Conf	Evidence of Five Point at TC, pp. 12-33, 30, 40-41 and 57-58
Tech Conf	Evidence of Enbridge at TC, pp. 60-62, 84-86, 92-98, 99-101 and 122-123
JTC1.1	Five Point explanation of recommendations made to Enbridge and Enbridge's responses

16. Are the efficiency and performance measures that are built into all the subject outsourced contracts, other than the Accenture contract, adequate and appropriate?

As described in the "Terms of Settlement" section (see pages 18 to 22), all parties agree that the costs included on a cost per Customer basis as the "other CIS and CC costs" (from lines 4, 5, 6, 10b, 10c, 11 and 12 of the Updated 2013 Template) are in the aggregate prudent and appropriate. Those lines include costs associated with outsourced contracts, such as the MET (meter reading) contract. Given the negotiated reduction in costs from the level forecast by Enbridge for 2013, and given the certainty that will result from annual increases in cost per Customer that are set at less than 1% (on a non-smoothed basis), all parties agree that in aggregate the cost consequences of those contracts are reasonable.

Evidence: The evidence in relation to this issue includes the following:

B-4-1	Customer Care Costs
B-4-2	Five Point's Customer Care Consultative Report
B-4-3	Enbridge's Customer Care Strategy Document
I-1-14	Description of cost efficiency and incentive measures built into the new ABSU CCSA
I-1-16	Discussion of self-service features of ABSU CCSA
I-1-20	Explanation of how ratepayers and others are getting and will get good value from the ABSU CCSA
Tech Conf	Evidence of Five Point at TC, pp. 12-33, 30, 40-41 and 57-58
Tech Conf	Evidence of Enbridge at TC, pp. 60-62, 84-86, 92-98, 99-101 and 122-123
JTC1.1	Five Point explanation of recommendations made to Enbridge during ABSU negotiations, and Enbridge's responses to those recommendations
I-1-21	Details of each of the outsourced contracts, other than the ABSU CCSA

17. Is Y-Factor treatment of all of the subject costs appropriate in the next generation of the Board's Incentive Ratemaking?

All parties agree that Y-factor treatment of all the subject costs is appropriate in any next generation of IRM ratemaking that applies to Enbridge. While all parties recognize that the nature of a large number of the costs in the Updated 2013 Template are such that they would not normally be considered Y-factors, the fact that the annual levels of these costs have been predetermined by settlement over a number of years means that they should be included in any IRM-based rates for Enbridge in the same manner as traditional Y-Factors. This position is supported by the fact that the cost per Customer set out in the Updated 2013 Template was established using an IRM-type approach, where a base level for all costs was established, and then an annual inflation factor was applied to those base costs to establish costs per Customer for successive years. Given that the annual revenue requirements that will be determined each year are a function of the costs per Customer that were established using an IRM-type approach, it is appropriate that the annual revenue requirement amounts be passed through as a Y-Factor each year of any future IRM term, or as a pass-through amount in any cost of service ratemaking year between 2013 and 2018.

Evidence: The evidence in relation to this issue includes the following:

I-1-22	Explanation of how there is no variance account / true-up for differences between amounts in 2007 and 2013 Template and actual costs
I-1-31	Board Staff Interrogatory #31

18. Is the nature of the tendering process carried out adequate and appropriate in the circumstances?

As described above in the "Terms of Settlement" section (see pages 14 to 18), all parties agree that the process followed by Enbridge in considering options for customer care services after the expiry of the current Accenture CCSA (as of April 1, 2012), and then negotiating an revised and extended CCSA with Accenture was appropriate and provided proper ratepayer protection in developing the pricing and terms of the CCSA for the term covered by the Updated 2013 Template. All parties agree that the procurement approach used was unique to the particular circumstances, and its applicability, if at all, as a precedent for future procurements by Enbridge or any other utility is dependent on the particular circumstances in that future procurement.

Evidence: The evidence in relation to this issue includes the following:

B-2-2	Overview of Relief Sought
B-4-1	Customer Care Costs
B-4-2	Five Point's Customer Care Consultative Report
B-4-3	Enbridge's Customer Care Strategy Document
B-4-4	Stakeholder Steering Committee Statement of Principles
I-1-13	Explanation of why no tendering process was undertaken to renew ABSU CCSA
I-1-18	Explanation of how Enbridge addressed recommendations from Five Point
JTC1.1	Five Point explanation of recommendations made to Enbridge during ABSU negotiations, and Enbridge's responses to those recommendations

19. Should any of the proposed costs be classified as Non-Utility costs?

As described above in the "Terms of Settlement" section (see page 25), all parties agree that any issue over whether any of the costs set out in the Updated 2013 Template (and the associated annual cost per Customer) should be classified as "Non-Utility Costs" with the consequential possibility that some of the costs may be allocated to third parties is more appropriately raised as part of Enbridge's ratesetting proceedings for 2013 and beyond, to be considered in light of the Company's activities at that time.

Evidence: The evidence in relation to this issue includes the following:

A-2-2	2013 Template
B-5-1	Explanatory Notes re. 2013 Template
B-5-2	Version of 2013 Template Containing Actual/Forecast 2007 to 2012 Cost
I-1-1	Plain language description of each line item in the 2013 Template
I-1-24	Explanation of non-utility services provided related to costs set out in this Application
I-1-25	Explanation of operations of CIS and CC systems in serving non-utility stakeholders
I-1-26	Explanation of whether non-utility services are supported by the CIS and CC systems
I-1-27	Explanation of open bill features associated with this Application and how open bill revenue is shared
I-1-28	Explanation of how bad debt, open bill access and agent billing and collection costs are treated in the context of this Application
I-2-6	Explanation of current and future open bill access costs and revenues
Tech Conf	Evidence of Enbridge at TC, pp. 105-107, 112-114 and 118-122
JTC1.12	Breakdown of information provided in I-2-6
JTC1.14	Explanation of costs removed from ABSU CCSA and moved to open bill and agent billing and collection

20. Is the benchmarking of costs appropriate for use in the Board's assessment of the reasonableness of the costs?

All parties agree that the benchmarking information provided in this application from EquaTerra and Five Point is appropriate for use in the Board's assessment of the reasonableness of the costs in lines 3 and 10a of the Updated 2013 Template. All parties further agree that the benchmarking information from EquaTerra and Five Point support a finding that the costs set out for the new CIS asset (line 3) and the revised and extended CCSA (line 10a) are reasonable.

Evidence: The evidence in relation to this issue includes the following:

B-2-2	Overview of Relief Sought
B-3-1	CIS Costs
B-3-2	Five Point's CIS Project Close-Out Report
B-4-1	Customer Care Costs
B-4-2	Five Point's Customer Care Consultative Report
B-4-3	Enbridge's Customer Care Strategy Document (including EquaTerra benchmarking evidence)
B-4-4	Stakeholder Steering Committee Statement of Principles
I-1-13	Explanation of why no tendering process was undertaken to renew ABSU CCSA
I-1-17	Statement of Work for Five Point consulting services
I-1-29	EquaTerra benchmarking reports
Tech Conf	Evidence of Five Point at TC, pp. 10-12, 30, 34-40 and 42-47
JTC1.2	Five Point slide deck re. CIS implementation project costs

21. Is the Application consistent with the 2007 Settlement Agreement in all material respects?

As described above in the "Terms of Settlement" section (see pages 12 to 14), the one change to the details of the 2007 Settlement Agreement, which change was contemplated by the terms of that Settlement Agreement, is that all parties agree that the proper opening rate base value for the new CIS as of January 1, 2013 is $76.9 million.

Beyond that, all parties agree that this Settlement Agreement is consistent with the 2007 Settlement Agreement in all material respects. The terms of this Settlement Agreement do not change any items in the 2007 Template that was attached to the 2007 Settlement Agreement, and in particular the terms of this Settlement Agreement do not in any way impact upon the revenue requirement being recovered for CIS and CC services in 2011 and 2012, as set out in the 2007 Settlement Agreement. In addition, to large extent the approach taken in the current Settlement Agreement, and the Updated 2013 Template, replicates the approach taken in the 2007 Settlement Agreement. On page 28 above the parties have set out the material differences in approach used in this Agreement vs. the 2007 Settlement Agreement. All of those differences in approach are either the result of changed circumstances (such as no continuing need for true-up provisions) or updates to the concepts in the 2007 Settlement Agreement (such as the change of smoothing to a per Customer basis).

Evidence: The evidence in relation to this issue includes the following:

I-1-22	Explanation of how there is no variance account / true-up for differences between amounts in 2007 and 2013 Template and actual costs
I-1-30	Explanation of how the Application is consistent with the 2007 Settlement Agreement
I-1-33	Copy of 2007 Settlement Agreement
I-1-34	Copy of EB-2006-0034 transcript where OEB approved 2007 Settlement Agreement

22. Is the Application consistent with the existing IRM mechanism and will it be applicable to the future IRM mechanism?

All parties agree that this Settlement Agreement will have no impact upon the current IRM mechanism, as it does not contemplate any revenue requirement impacts during the term of the current IRM term (up to December 31, 2012).

All parties further agree that this Settlement Agreement will be applicable to any future IRM mechanism that applies to Enbridge during the term of the Updated 2013 Template. As explained above in the “Terms of Settlement” section, in a future IRM mechanism, the annual CIS and CC revenue requirement (calculated by multiplying the applicable cost per Customer by the applicable number of Customers) would be passed through into overall revenue requirement as a Y-factor, which is a continuation of the current practice.

Evidence: The evidence in relation to this issue includes the following:

I-1-22	Explanation of how there is no variance account / true-up for differences between amounts in 2007 and 2013 Template and actual costs
I-1-31	Explanation of how the Application is consistent with the existing IRM mechanism and how it will be applicable to the future IRM mechanism

23. Is the rate class cost allocation methodology appropriate?

As described above in the “Terms of Settlement” section (see page 24), all parties agree that it is not necessary to address any issues in this proceeding about the allocation of the costs set out in the Updated 2013 Template to rate classes. All parties agree that any issues about how the costs set out in the Updated 2013 Template are allocated to rate classes may be raised as part of Enbridge’s ratesetting proceedings for 2013 and beyond.

Evidence: The evidence in relation to this issue includes the following:

I-1-32	Explanation of rate class allocation and bill impact of the cost consequences of the 2013 Template
I-2-7	Explanation of cost allocations and bill impact associated with the 2013 Template

24. Are the customer bill impacts appropriate?

As described above in the “Terms of Settlement” section (see pages 24 to 25), all parties agree that the customer bill impacts of this Settlement Agreement are appropriate.

Evidence: The evidence in relation to this issue includes the following:

I-1-32	Explanation of rate class allocation and bill impact of the cost consequences of the 2013 Template
I-2-7	Explanation of cost allocations and bill impact associated with the 2013 Template

"Updated 2013 Template"

#	Category of Cost	A 2007A	B 2008A	C 2009A	D 2010A	E 2011	F 2012	G 2007-2012 Total	H 2013	I 2014	J 2015	K 2016	L 2017	M 2018	N 2013-2018 Total
	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	$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	$0	$950,000	($5,260,000)	$25,890,000	$24,910,000	$46,490,000	$25,420,000	$24,380,000	$23,320,000	$22,320,000	$21,310,000	$20,260,000	$137,010,000
4	New CIS Hosting and Support	$0	$0	$4,350,000	$8,700,000	$8,700,000	$8,700,000	$30,450,000	$7,107,911	$7,355,128	$7,628,087	$7,934,598	$8,237,974	$8,350,643	$46,614,341
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	$2,611,281	$2,711,307	$2,822,435	$2,946,817	$3,070,921	$3,124,554	$17,287,314
6	SAP Licence Fees	$0	$0	$1,113,500	$2,227,000	$2,227,000	$2,227,000	$7,794,500	$2,097,486	$2,188,393	$2,289,104	$2,401,538	$2,514,778	$2,571,070	$14,062,369
7	SAP Modifications	$0	$0	$1,000,000	$1,000,000	$0	$0	$2,000,000	$0	$0	$0	$0	$0	$0	$0
	Subtotal	**$15,200,000**	**$10,830,000**	**$14,313,500**	**$8,727,000**	**$38,938,800**	**$38,022,454**	**$126,031,754**	**$37,236,678**	**$36,634,828**	**$36,059,626**	**$35,602,954**	**$35,133,673**	**$34,306,266**	**$214,974,024**
	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	$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	$0
10	New Service Provider Contract Cost	$47,803,098	$66,069,140	$67,251,948	$68,885,212	$ 70,731,432	$ 72,542,088	$393,282,918	$69,831,641	$73,010,836	$76,245,351	$79,424,943	$82,682,196	$86,349,139	$467,544,106
10a	ACN, MTP & Collection Agency costs	-	-	-	-	-	-	-	46,022,920	47,751,346	49,354,748	50,736,108	52,168,283	54,755,784	300,789,189
10b	MET	-	-	-	-	-	-	-	$9,583,608	$9,957,362	$10,465,311	$11,034,609	$11,610,927	$11,904,271	$64,556,086
10c	Postage	-	-	-	-	-	-	-	$14,225,114	$15,302,128	$16,425,293	$17,654,226	$18,902,986	$19,689,083	$102,198,830
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	$1,289,750	$1,345,649	$1,407,576	$1,476,712	$1,546,344	$1,580,958	$8,646,987
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	$6,484,645	$6,792,953	$7,129,522	$7,506,674	$7,876,385	$8,044,707	$43,834,885
13	Customer Care Procurement Costs	$0	$980,000	$980,000	$980,000	$980,000	$980,000	$4,900,000	$0	$0	$0	$0	$0	$0	$0
14	Transition Costs - Consultants and ISP	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
15	Transition Costs - EGD Staffing														
	Subtotal Customer Care Only	**69,203,098**	**71,642,140**	**72,920,738**	**74,652,666**	**76,600,509**	**78,515,838**	**443,534,989**	**77,606,036**	**81,149,437**	**84,782,449**	**88,408,328**	**92,104,924**	**95,974,803**	**520,025,978**
16	**Total CIS & Customer Care**	$84,403,098	$82,472,140	$87,234,238	$83,379,666	$115,539,309	$116,538,292	$569,566,743	$114,842,714	$117,784,265	$120,842,075	$124,011,282	$127,238,597	$130,281,069	$735,000,002
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	2,059,959	2,100,317	2,142,191	2,185,464	2,229,173	2,269,074	12,986,178
17a	**Total cost/customer**	$46.09	$43.91	$45.30	$42.25	$57.15	$56.31		$55.75	$56.08	$56.41	$56.74	$57.08	$57.42	
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.***	**$90,799,999**	**$92,412,426**	**$94,053,486**	**$95,723,687**	**$97,423,549**	**$99,153,596**	$569,566,743							
23	Total Customer Care Revenue By Year (Including repayment of 2007 variance)	$ 90,800,000	$ 92,412,426	$ 94,053,486	$ 95,723,687	$ 97,423,549	$ 99,153,596	$569,566,743	110,207,807	114,837,889	119,703,021	124,806,484	130,101,959	135,342,842	735,000,002
24	Normalized Customer Care Revenue Requirement Per Customer without Bad Debt	$ 49.58	$ 49.21	$ 48.84	$ 48.50	$ 48.19	$ 47.91		$ 53.50	$ 54.68	$ 55.88	$ 57.11	$ 58.36	$ 59.65	