

## **ONTARIO ENERGY BOARD**

**IN THE MATTER OF** the *Ontario Energy Board Act*,  
1998, S.O. 1998, c. 15, Sched. B, as amended.

**AND IN THE MATTER OF** an application by Enbridge  
Gas Distribution Inc., for an exemption from sections 2.2.2  
and 2.2.4 of the *Affiliate Relationships Code for Gas  
Utilities*.

### **REPLY ARGUMENT**

1. Three intervenors filed final submissions in this proceeding – IGUA, CME, and CCC. Enbridge appreciates that no intervenor objected to the Board granting EGD's requests in this case, subject to the conditions that IGUA proposed the Board impose (the "IGUA Conditions"). Enbridge makes these submissions on the IGUA Conditions for the Gazifère portion of the application, and on the other concerns raised by intervenors respecting the Wind Power Control Services.

#### **Information Services Shared with Gazifère**

2. Although Enbridge does not object, in principle, to imposition of the IGUA Conditions, Enbridge does object to the specific wording of the first and third conditions, which read:
  - (a) The exemption be provided only pending replacement of EGD's CIS system; and
  - (b) Gazifère continues to engage only in the distribution of gas within its service territory.
3. Regarding condition (a) above, Enbridge's application notes in paragraph 20 that the CIS replacement projects for both Enbridge and Gazifère will enable the necessary separation of customer data and restricted access rights to be implemented in the affected systems within two years of implementation of Enbridge's new CIS. Accordingly, Enbridge requests that the condition, if applied, be re-worded to, "The exemption is provided for two years from the date the new Customer Information Systems for both Enbridge and Gazifère are fully implemented." Given current information, the date of compliance is expected to be July 1, 2011.
4. Enbridge advocates a similar re-wording of condition (b) above, to reflect what was stated in the application. Specifically, Gazifère currently has a furnace and water heater rental business that is ancillary to its gas distribution business in

Québec. As noted in the application at paragraph 21, Gazifère does not (and has no plans to) offer any competitive energy services in Ontario. Therefore, Enbridge proposes that the third condition, if imposed at all, be re-worded to “Gazifère does not engage in competitive energy services in Ontario.”

5. Enbridge has no further comments on the Gazifère portion of the application except to reiterate its request that the Board grant the requested relief for an exemption from section 2.2.2 of the Code to permit Gazifère to continue its access to the current CIS, EnMar and EnVision applications subject to the IGUA conditions, as modified above, and a continuing exemption for limited sharing of customer information for on-call emergency services.

#### **Provision of Control Services to Wind Power**

6. The intervenors do not suggest imposition of conditions for the Wind Power portion of the application, and do not object to the Board granting the exemption. Certain concerns are noted, however, to which Enbridge provides the following response.
7. Enbridge submits there should be no concern about cross-subsidizing competitive businesses in this case because Enbridge will be fully compensated for the services it provides to Wind Power on a fully allocated cost basis (and not on a market price basis, because there is no competitive market for the Control Services – application, paragraph 6). Ratepayers are not harmed because the incentive regulation formula provides for revenue sharing in accordance with the formula. The revenue stream that Enbridge will receive from Wind Power is no different, in effect, than any other utility revenue stream received within the incentive regulation period. Enbridge has no plans to “significantly ramp up the services it provides to affiliates” as CCC suggests. Similarly, Enbridge will not compromise utility operations for the sake of providing affiliate services.
8. Both CCC and CME stated that more information should have been provided in the application; in particular, a draft services agreement, and the amount of revenue associated with the proposed services. Enbridge assures the Board that it had no intention of concealing this information by not filing it with the application. Enbridge confined the information in the application to the necessary facts to support the request for exemption for sharing of operational employees. Enbridge did not consider that either the revenue levels or the terms of the services agreement would be controversial as both would follow established practices and Code requirements.
9. As the interrogatory responses show, the revenues that this affiliate transaction will generate are not material to Enbridge’s overall revenue requirement, and those revenues have been determined on the same fully allocated cost basis that Enbridge uses to determine other existing affiliate revenues for similar services.

10. Enbridge did not file a final or draft agreement with the application for two reasons – i) Enbridge wished to receive Board approval before concluding the drafting exercise; and ii) Enbridge has filed its standard intercorporate services agreement with the Board on many occasions, including in support of the Gazifère portion of this application. Enbridge plans to use the same standard agreement for Wind Power, with the details regarding the scope of services set out in a schedule similar to what is provided in response to Exhibit I-2-4, Attachment I. Enbridge offers to file this agreement with the Board as soon as it is finalized.
11. Finally, Enbridge submits that there should be no concerns with timely disclosure of information for this application, contrary to what CME suggests. Enbridge's response in Exhibit I-2-3 notes that although Wind Power learned of the IESO requirements in April of 2006, Wind Power personnel did not "turn their minds" to how these requirements would be met operationally until construction neared completion, in March 2008, at which time Enbridge was approached to provide the Control Services. This process of gathering of information and prioritizing business activities is perfectly normal, especially in the start-up stages of a new business. Enbridge was not in a position to provide this information to the Board any sooner than it did.
12. In conclusion, Enbridge thanks the Board for its consideration of this application, and respectfully requests an early decision to allow Enbridge to commence provision of the Control Services to Wind Power before the end of 2008. Enbridge will finalize the draft services agreement with Wind Power in the interim, and file it with the Board and the three submitting intervenors as soon as possible.

All of which is respectfully submitted November 27, 2008

per: Tania Persad  
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