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September 20, 2004

Via Facsimile and Courier

Mr. John Zych, Board Secretary
Ontario Energy Board
P. O. Box 2319
2300 Yonge Street
Toronto, ON M4P 1E4

Dear Mr. Zych:

Re: Ontario Energy Board ("Board") Proposed Amendments to the Affiliate Relationships Code for Gas Utilities ("ARC") RP-2004-0140

This is further to the Board's letter dated September 3, 2004 inviting comments on the revised proposed amendments to the ARC.

Enbridge has reviewed the revised proposed amendments and is forwarding to you three hard copies and electronic copies in both Word and PDF formats of this letter submission. The Company agrees, in whole, with the proposed revised changes save and except where otherwise noted below.

2.3.1.2 Terms of Contracts with Affiliates

Subparagraph 2.3.1.2(a)(ii) should be limited to the types of contracts and services agreements wherein the service, resource or product is provided on a cost-based price. Where prices are determined by competitive bidding, or another mechanism acceptable to the Board, there should be no further requirement for regulatory oversight.

2.3.3 Utility's Internal Cost

The section states, in part, that:

"For the purposes of sections 2.3.2 ... the business case analysis shall contain ... (e) estimate of benefits to the utility's Ontario ratepayers from outsourcing".

This wording presupposes that the outsourcing arrangement will provide a benefit to the ratepayer that is monetary (or that is otherwise capable of being 'measured'). The passage should be reworded to read as follows (changes in italics):

For the purposes of sections 2.3.2 ... the business case analysis shall contain ... (e) *description* of the benefits to the utility's Ontario ratepayers from outsourcing, *if any.*"

2.3.6, 2.3.7, 2.3.14, 2.3.16 Where a Market Exists

The Company feels that the threshold dollar amounts in these sections are too low, especially given the continually increasing expense required to conduct fair and open bidding processes. The Company urges the Board to provide some flexibility by allowing for higher thresholds or by considering alternate pricing mechanisms for lower cost services.

2.3.5

The requirement to enter into a bidding process for the renewal of an existing contract in every circumstance is unduly onerous. The section should acknowledge that there may exist many low dollar value contracts that once established would “renew” annually. Under such circumstances it would be more reasonable to simply require a periodic justification of pricing (i.e. 5 years) or, conversely, the use of an annual dollar value threshold?

2.3.12 Transfer of Assets

The Company acknowledges that transfers of assets must be in accordance with tax and accounting laws. However, to require that assets be transferred at the greater of market price or the net book value of the asset is unfair and beyond the authority of the Board. If the Board insists on codifying this, section 2.3.12 should, at the very least, be made reciprocal. In other words, if the ratepayer is to stand to gain on the sale of a utility asset, it should also stand to lose. Furthermore, it should be acknowledged that if a utility purchases or receives an asset from an affiliate, that price must also be set at the greater of the market price or the net book value of the asset. Ultimately, the focus of this section is fairness, i.e. the just distribution of proceeds, and should more properly be determined as part of a rates case, not in the ARC.

Enbridge Gas Distribution generally supports the Board's proposed amendments to the ARC, with the exceptions noted above. We thank you for giving consideration to the Company's prior submissions and for the opportunity to provide these additional comments. If you have any questions about, or require anything further in relation to, the comments contained herein, please do not hesitate to contact us.

Yours truly,

(original signed)

Marika Hare
Director, Regulatory Affairs