Highlights - RP-2001-0032

2

This Decision deals with Enbridge Gas Distribution Inc.'s (formerly Enbridge Consumers Gas or ECG) application for a Board Order approving rates for the 2002 Test Year commencing October 1, 2001. The revenue requirement and final rates were approved by the Board for implementation on August 1, 2002. Except where specifically identified, this Decision [12LHD-0:1] addresses those issues where no agreement was reached by the parties through settlement efforts; the Alliance and Vector pipeline arrangements, System Gas and Affiliate Outsourcing.

3

The Board is not satisfied that ECG's decisions to enter into long term gas transportation contracts on the Alliance Pipeline in 1996 and 1997 were prudent. However, the Board finds that ECG's decision to enter into the first contract with Vector Pipeline was prudent. The Board is not prepared at this time to make a determination on the prudence of the second contract with Vector. As a result of the findings on the Alliance contracts, the Board directs ECG to credit $11.0 million to the Purchased Gas Variance Account for fiscal 2002 (2002 PGVA).

4

On the System Gas cost allocation issue, the Board directs ECG to file the fully allocated cost study in two formats: one as proposed by ECG and the other as proposed by an intervening party. However in terms of timing, the Board is of the view that this issue would be most appropriately dealt with in ECG's forthcoming unbundling (or rate restructuring) application. The Board was not convinced by the arguments on "equivalency" and denies the remedies requested at this time.

5

With respect to the issue of Affiliate Outsourcing arrangements, the Board is not convinced that these arrangements were established to benefit ratepayers. In fact the Board acknowledges that the Intervenors have raised a number of legitimate concerns regarding the potential negative impact on the utility and its ratepayers. The Board expects ECG in its next rates case to provide clear and quantifiable evidence that through its outsourcing arrangements, it has in fact benefitted from economies of scale and scope, wherever such economies exist. Further, the utility must demonstrate that it has in fact benefitted in terms of improvements in system reliability, security of supply, cost efficiencies and service quality.

6

With respect to section 2.3.3 [12JF4-0:65] of the Board's *Affiliates Relationships Code for Gas Utilities*, the Board interprets the meaning of the term "cost-based price" as the affiliate's cost of performing the services and not the avoided cost of the utility.

7

ECG will be required to satisfy the Board in its next rates case that ECG retains and exercises independent management decision-making authority to ensure that ECG is being operated in the best interests of the utility and that the outsourcing arrangements have not in any manner threatened the ability of ECG to perform its business objective of ensuring safe, secure and reliable delivery of gas.

8

The Board also makes a number of comments with respect to the Board's expectations of ECG's obligations for completeness and timeliness with respect to disclosure of information.

9

This Decision is in two volumes. Volume 1 contains the main Decision with Reasons [12LHD-0:1] and Volume 2 contains the Appendices which are comprised of the Issues List [12LHD-0:1101], the Settlement Proposal [12LHD-0:1150], and the Financial Schedules [12LHD-0:1724].