

**REPORT TO**  
**THE NEW BRUNSWICK**  
**ENERGY AND UTILITIES BOARD**

**PURCHASE AND SALE OF NATURAL GAS**

**BY**

**ENBRIDGE GAS NEW BRUNSWICK**

**DURING 2008**

**APRIL, 2009**

**JOHN BUTLER P. Eng.**  
**J.C. BUTLER MANAGEMENT LTD.**  
**OAKVILLE, ONTARIO**

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## INTRODUCTION

By Letter of Engagement The New Brunswick Energy and Utilities Board (the Board) retained Mr. John Butler P. Eng. of J.C. Butler Management Ltd. to review and report on the activities of Enbridge Gas New Brunswick (EGNB) in the purchase and sale of natural gas in New Brunswick during 2008. The Letter of Engagement was dated February 9, 2009 and it was signed by Mr. Butler on February 14, 2009. The Letter of Engagement included the following:

***“A. Scope of the Work to be done***

Your review will determine whether or not the following occurred in 2008:

1. EGNB, in relation to its standard offer, posted the following on its Internet site:
  - (i) the price that EGNB charged customers for gas in each of the preceding twelve months;
  - (ii) the price that EGNB was charging customers for gas for the current month; and
  - (iii) the price that EGNB was forecasting to charge customers for gas for the following twelve month period:
2. The EGNB standard offer was for a term of one year with the price of gas to be charged to customers being calculated by EGNB forecasting the average price of gas for the following twelve months, which price was based upon the cost to EGNB of purchasing gas and selling gas to customers.
3. EGNB included the difference between the estimated cost of purchasing and selling gas and the actual cost of purchasing and

## EGNB Purchase and Sale of Gas (2008)

selling gas in the forecast price of gas for the twelve month period that follows the month in which the difference was determined.

4. The revenues resulting from gas sales from the alternative pricing and contract terms included in all EGNB alternative offers were equal to or greater than EGNB's cost of purchasing and selling the gas required for such offers.
5. EGNB did not cross-subsidize between the sale of gas and the distribution of gas.
6. The price charged by EGNB to customers for gas was calculated in accordance with sections 4 or 4.1 of Regulation 2003-19, as the case may be.
7. EGNB purchased gas for sale to customers in accordance with its Gas Purchasing Plan, as filed with the Board.
8. EGNB followed the procedures approved by the Board to ensure that customer information was not improperly shared with anyone who sells gas.”

J.C. Butler Management Ltd has been retained by the Board to conduct annual reviews of EGNB purchase and sale of gas activities since 2004. In each of the previous annual reviews the items in the above scope of work was included, with the exception of Items A7 and A8. These are new and as such it was necessary to identify the requirements for the new items and to develop the methodology for reviewing these items.

All comments, opinions and recommendations in this Report are based on my review of EGNB activities in the purchase and sale of natural gas in New Brunswick and my assessment of the data and information provided by EGNB staff and through discussions with Mr. A. Logan C.A. and Mr. J. Aucoin C.A. of

Teed, Saunders, Doyle & Co., Financial Consultants retained by the Board. Discussions with Messrs. Logan and/or Aucoin covered many aspects of EGNB/EUG activities, including the adequacy of the separation between the regulated operations of EGNB and non-regulated EUG and any potential areas where cross-subsidy could occur between the two.

## **THE REVIEW**

### **Background**

The review commenced in the Oakville offices of J.C. Butler Management Ltd., continued in Fredericton with completion and the Report prepared in Oakville. The initial work in Oakville included a review of the basic financial and operating data that had been forwarded by EGNB in mid-February. Having this information available prior to the visit to Fredericton again proved very useful since the initial review disclosed areas where clarification and/or further information was required. Requests for clarification and further information were sent to EGNB prior to the Fredericton visit. The basic financial and operating information was also useful in developing processes for the review of the new items in the above Scope of Work. The majority of the work involved in the review took place in the EGNB offices in Fredericton during the week of March 9, 2008, but having the additional clarification and information available in the EGNB offices on arrival in Fredericton certainly facilitated the review process.

During the visit to Fredericton EGNB staff was able to answer, or obtain answers, to all questions and concerns regarding EGNB/EUG Accounts. They also were able to confirm how the activities of EGNB staff were integrated with the activities of affiliated companies related to the purchase and sale of gas on behalf of EUG.

It was noted in the 2007 Report that the List of EUG Tasks and Responsibilities had been updated to reflect the change in EGNB personnel involved in EUG

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activities at the end of 2007. It was also noted that the charges from EGNB to EUG for salaries would be changed in January 2008 to reflect an agreed percentage of the base salaries of EGNB personnel directly involved in EGNB gas purchase and sales activities. EGNB confirmed that the updated List of Tasks and Responsibilities had remained in effect during 2008 and that the revised salaries had been charged to EUG throughout 2008. EGNB also confirmed the agreement in the 2007 Report that the amounts charged to EUG in future years would reflect changes to the base salaries of those EGNB personnel involved in EUG operations.

Financial information related to both EGNB and EUG was obtained from both EGNB employees and also from Mr. Aucoin. This showed that Gas Sales and Costs had increased from \$14.391 million in 2007 to \$16.036 million in 2008. However, it also showed that the Gas Costs had been restated for 2007 so the December 31, 2007 balance in the Purchased Gas Variance Account (PGVA) was not the \$1.971 million as shown in the Report for 2007 but was actually \$1.203 million. The PGVA had increased to \$1.800 million by December 31, 2008 and it was confirmed that EUG had been charged interest by EGNB based on the balance of the PGVA at the end of each month.

The following outlines the results of my review of EGNB/EUG activities during 2008 with respect to each item of the Scope of Work:

### **Item A1 – Postings on the EGNB Internet Site**

As indicated in the Scope of Work, my review was to determine whether or not EGNB posted the following information on its internet site with respect to its standard offer:

- (i) the price that EGNB charged customers for gas in each of the preceding twelve months;

## EGNB Purchase and Sale of Gas (2008)

- (ii) the price that EGNB was charging customers for gas for the current month; and
- (iii) the price that EGNB was forecasting to charge customers for gas for the following twelve month period:

The EGNB website includes a link to a table titled “Enbridge Utility Gas Rate History”. This shows the rate that EGNB charged its EUG customers for natural gas each month from May 2003 to the current month. EGNB indicated that this table is updated at the start of each month with the new rate and as such EGNB was in compliance with respect to (i) and (ii) above throughout 2008.

However, no reference was found on the EGNB internet site to (iii) above, the forecast EUG rate for the following twelve month period. Previous Reports, including the 2007 Report, included a reference to the forecast EUG rate for the following twelve month period being shown on the website in each of the Rate Schedules. This appeared under a heading “Enbridge Utility Gas Current & 12 Month Forecasted Rate (\$/GJ)”. However, at some time during 2008 it appears that heading had been changed to read “Enbridge Utility Gas Current Rate (\$/GJ)”. EGNB had previously explained that since the rate for any given month is calculated by adding the total operating cost for that month to the PGVA balance and dividing the total by the forecast volumes for the next 12 months the resulting rate is considered to be the forecast for the following twelve months.

EGNB employees responsible for EUG were not aware that the Rate Schedules had been changed but discussions with other EGNB personnel indicated that the change had been made to avoid customer confusion. Unfortunately it could not be determined when the change occurred but regardless of why or when the change was made, it is apparent that EGNB was not in compliance with this requirement of the Regulations at some stage during 2008.

EGNB have now changed the website so that each rate schedule includes the following note beneath the EUG Rate;

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“Note: The rate for the current month may change monthly, however it is also the forecast for the following 12 months based on conditions at this time.”

In addition, the Enbridge Utility Gas Rate History now has the following note:

“Although it is evident that the Rate may change monthly, the rate for each month is also the forecast for the following 12 months based on conditions at that time.”

### ***Recommendation***

Since EGNB is now in compliance it is recommended that the Board consider issuing an order to EGNB requiring that regular checks be undertaken to ensure compliance with all of the requirements as set out in the Regulations.

### **Item A2 – Term and Price of Standard Offer**

The issue here is whether or not the EGNB standard offer was “for a term of one year with the price of gas to be charged to customers being calculated by EGNB forecasting the average price of gas for the following twelve months, which price was based upon the cost to EGNB of purchasing gas and selling gas to customers.”

#### Term of Standard Offer

The term used for the standard offer is set out in the Terms and Conditions as published on the EGNB website. The relevant section is reproduced below.

#### **“3. Term and Renewal**

3.1 The initial term of your EUG Contract will commence on the initial date gas is provided by EGNB hereunder and terminate on the first March 31st following its commencement and any renewal term shall extend from April 1 to the following March 31st. EGNB shall advise you of all available gas supplier options no more than 90 days and no less than 60 days before the expiration of the initial term or any renewal term.

## EGNB Purchase and Sale of Gas (2008)

3.2 Unless you notify EGNB, in writing, at least 30 days before the initial term or any renewal term of your EUG Contract expires that you do not wish to renew, it will, at EGNB's option, automatically renew for a further one year period on the same terms.

3.3 Your EUG Contract shall also terminate on the earliest of: (a) the date on which it is terminated in accordance with its provisions; (b) the date gas supply and/or delivery is discontinued by EGNB for any of the reasons provided for in the Handbook; and (c) the date fixed by, or determined from, any Order of the Board as the date for its termination or expiration.

### **Term of Service:**

One (1) year with automatic annual renewal unless the Applicant notifies the Company thirty (30) days prior to the annual roll over date that service is to be discontinued.”

It is evident that the standard offer is essentially for a one-year term but with an initial term that ends on the first March 31<sup>st</sup> following the date when EUG gas is first delivered. After that initial term the offer is for a term of “One (1) year with automatic annual renewal unless the Applicant notifies the Company thirty (30) days prior to the annual roll over date that service is to be discontinued.”

EGNB pointed out that the initial term has been used since approval for the purchase and sale of gas in New Brunswick was first obtained. It also noted that there have been no complaints from any parties with respect to an initial term followed by subsequent one-year terms. Unfortunately there are no memos or papers that provide specific reasons as to why it was decided to have all customers renew on April 1<sup>st</sup> each year. It has been suggested that the difficult gas supply situation may have been one of the reasons for an initial term and the selection of the March 31<sup>st</sup> termination date. Cost and ease of administration being good reasons for continuing to have all customers renew on April 1<sup>st</sup> each year.

While recognizing that EGNB was not in compliance with the Regulations during 2008 it is has been suggested that the Board should take the following into consideration:

1. Compliance would require a more sophisticated and costly tracking system for billing and expiry notices to customers.

2. If anything, the March 31<sup>st</sup> expiry date enhances competition since marketers know when to contact EUG customers.
3. The added cost of multiple expiry dates would be passed on to customers.
4. There have been no complaints to date with respect to the use of an initial term followed by one-year terms.

### ***Recommendation***

It is recognized that since the Regulations are enacted by the Province the Board can not grant an exemption. Since it is likely that compliance will increase costs to customers and create confusion without any benefit to customers or EGNB I would recommend that the Board consider either:

- Accept that the current practice is a practical interpretation of the Regulations, or
- Ask the Province to revise the Regulations.

### **Price of Standard Offer**

My review included an examination of the EGNB calculation of the prices charged to EUG customers each month throughout 2008. A check was also carried out on a number of randomly selected invoices for each customer class at different times through the year. This check confirmed that the price shown on the Enbridge Utility Gas Rate History was being charged to customers in all rate classes.

It was also confirmed that the price to be charged to EUG customers for each month had been calculated using the methodology established over recent years. The same methodology that was accepted in the 2007 Report was maintained throughout 2008.

I am satisfied therefore that, subject to the comments in Item A6 below, the price of gas to be charged to customers throughout 2008 was calculated by EGNB forecasting the average price of gas for the following twelve months and that the EUG price was based upon the cost to EGNB of purchasing gas and selling gas to customers

**Item A3 – Inclusion of Purchased Gas Variation Account (PGVA) in EUG Prices**

This item required verification that EGNB had been including the difference between the estimated cost of purchasing and selling gas and the actual cost of purchasing and selling gas in its calculation of the forecast price of gas for the twelve month period that follows the month in which the difference was determined.

My review confirmed that the above difference was being accrued in the PGVA each month and that the balance in that account was used in the calculation of the forecast price of gas for EUG for the twelve month period that followed the month in which the difference was determined.

Each month, when all actual costs and revenues are known from the preceding month, the difference between the estimated cost of purchasing and selling gas and the actual cost of purchasing and selling gas is determined by EGNB. This difference is accrued in the PGVA and the balance in that account is used in the calculation of the EUG price for the following month. The result is that the difference between the estimated cost of purchasing and selling gas and the actual cost of purchasing and selling gas is used in calculating the forecast price for EUG for the twelve month period that follows the month in which the difference was determined.

I am satisfied, therefore, that throughout 2008 EGNB included the difference between the estimated cost of purchasing and selling gas and the actual cost of purchasing and selling gas in its calculation of the forecast price of gas for the twelve month period that follows the month in which the difference was determined.

**Item A4 – EGNB Alternative Offers**

This item requires verification that the revenues from gas sold under all EUG Alternative Offers during 2008 were equal to or greater than the costs incurred by EGNB in supplying gas to EUG customers under those Offers.

Appendix A to the Report is a one page summary of all revenues received and costs incurred during 2008 as a result of supplying gas to customers who took service under these Alternative Offers. This summary shows that after transfer of surplus funds to the PGVA the revenues produced by the Alternative Offers were equal to the cost of purchasing and selling the gas required for such offers. Obviously the total revenues from the Alternative Offers before the transfer of funds to the PGVA would have been greater than the cost of purchasing and selling the gas required for such offers.

More detailed information was reviewed than shown on Appendix A but this was confidential. As a result I am satisfied that the pricing and contract terms included in the EGNB Alternative Offers produced revenues during 2008 that were equal to or greater than the cost to EGNB of purchasing and selling the gas required for such offers.

**Item A5 – Cross Subsidy**

This issue here is whether or not there was any cross-subsidy between the sale of gas (EGNB non-regulated operations) and the distribution of gas (EGNB regulated operations).

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The question of cross-subsidy requires a detailed examination of EUG accounts as well as collaboration with Mr. Aucoin who has access to EGNB financial information. During past reviews a number of concerns have been identified with respect to the potential for cross-subsidy between EGNB and EUG. In each case EGNB co-operated fully with both the review of those concerns and, where a cross-subsidy was identified, in eliminating the cause for concern.

The 2007 Report identified a possible concern with respect to bad debts. Although some of the bad debts almost certainly included costs associated with gas supplied by EUG, none of these costs were being charged back to EUG. It was recognized that EUG pays EGNB a monthly fee for Agency, Billing and Collection (ABC) services, as do other natural gas marketers. However, EGNB could not verify that Collection services included full coverage for bad debts and a copy of the ABC Agreement could not be produced. In addition, the accounts did not readily allow identification of bad debts attributable to EUG. As a result this issue was deferred to the 2008 Review.

During this review EGNB advised that it still has not located a copy of the ABC Agreement. However, it now confirmed that it does accept full responsibility for bad debts incurred by any gas marketers who pay fees for ABC services. Since all gas marketers are being treated equally I am satisfied that there is no cross-subsidy between the sale and distribution of gas.

Discussions with Mr. Aucoin revealed that since EGNB pays commissions to some of its employees there is a concern that commissions may be paid for EUG sales. However, after discussion with EGNB, Jeff Aucoin, was able to confirm that no commissions are paid with respect to sales of EUG contracts. I am satisfied, therefore, that there is no cross-subsidy with respect to commissions between the sale and distribution of gas.

It was also noted during this review that no costs were being charged to EUG for Customer Care even though questions related to EUG were being dealt with by

Customer Care personnel. Discussions with EGNB personnel revealed that all calls to Customer Care are treated equally regardless of their purpose or the gas marketer involved. If a call involves a simple question related to commodity charges from a marketer or EUG Customer Care personnel will attempt to answer but otherwise the customer is referred to either the marketer or EUG. As a result I am satisfied that there is no cross-subsidy between the sale and distribution of gas as a result of Customer Care costs.

I can confirm, therefore, that my review of EGNB activities during 2008 did not identify any areas where there was any cross-subsidy between the sale of gas and the distribution of gas.

#### **Item A6 – Prices Calculated in Accordance with Regulations**

The issue in Item A6 is whether or not the price charged by EGNB to customers for gas was calculated in accordance with sections 4 or 4.1 of Regulation 2003-19, (the Regulations) as the case may be. Section 4 deals with the Standard Offer and section 4.1 deals with Alternative Offers.

##### Alternative Offers

Section 4.1 of the Regulations requires that the price and contract terms for alternative offers must be such that revenues from sales under these offers are equal to or greater than the cost of purchasing and selling the gas. As noted in Item 4A I am satisfied that the pricing and contract terms included in EGNB alternative offers produced revenues that were equal to or greater than the cost to EGNB of purchasing and selling the gas delivered under these offers.

##### Standard Offers

Section 4(1) of the Regulations requires the price for the standard offer to be the EGNB forecast of the average price of gas for the following twelve months with

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that price being based on the cost to EGNB of purchasing gas and selling gas to its customers. Section 4(2) requires that the difference between the estimated cost of purchasing and selling gas and the actual cost of purchasing and selling gas for each month be included when calculating the forecasted price of gas for the twelve month period that follows the month in which the difference is determined.

I am satisfied that throughout 2008 the calculation of price for the standard offer was carried out by EGNB in accordance with sections 4(1) and 4(2) of the regulations. However, the price charged to EUG customers was not changed each month to reflect the new calculations of the price. Instead, EGNB continued to change the EUG price only when a new calculation produced a price that exceeded plus or minus three percent of the current price. When the calculations produced prices within the plus or minus three percent of the current price EGNB did not change the EUG price. The effect of using this range is that the difference between actual and estimated cost of purchasing and selling gas in a preceding month may not be fully included in the published price for the following twelve months. However, since any deficit or surplus that resulted from this range was carried forward to the calculations for the following month there is no overall benefit or loss to either the customers or EGNB as a result of the use of this price smoothing mechanism.

It is apparent that by using the plus or minus three percent rule EGNB was not in compliance with a strict interpretation of Section 4(2) of the Regulations.

As noted in previous Reports EGNB is aware that a strict interpretation of Section 4(2) would result in monthly price changes. It's explanations for selecting plus or minus three percent before changing the price were that:

1. Three percent was a reasonable level that would still give price signals but have some smoothing effect on prices,
2. It would reduce the risk of billing errors,

3. More stable pricing would reduce customer confusion, and
4. By carrying forward the deficit or surplus there is no financial impact on either consumer or EGNB.

### ***Recommendations***

It is recommended that the Board should take the following into consideration before reaching any decision:

- That monthly price changes, usually very small, would result from compliance with Section 4(2),
- These would give the appearance of price volatility which could cause some confusion for customers,
- Confusion and price volatility could have a negative impact on gas sales in New Brunswick, and
- The use of the three percent range imposes no financial impact on either EGNB or its customers.

It is recognized that the Regulations are enacted by the Province and as such the Board can not grant an exemption but unfortunately it appears that compliance involves negative impacts on customers with no benefits.

If the Board is unable to find that the three percent rule is a practical interpretation of the Regulation consideration should be given to requesting that the Regulations should be revised.

### **Item A7 – Gas Purchasing Plan**

This issue requires a conclusion as to whether or not EGNB purchased gas for sale to customers in accordance with its Gas Purchasing Plan, as filed with the Board.

The Regulations states that a gas distributor, in this case EGNB, shall file its gas purchasing plan with the Board within six months of beginning to sell gas and it must include the principles that will govern how it will purchase gas. EGNB was also required to provide; an estimate of customer requirements, a plan for procuring gas, its pricing strategies and it was also required to purchase gas according to its gas purchasing plan. However, the Regulations also state that the gas purchasing plan filed with the Board "...is confidential and must not be disclosed by the Board." EGNB advised during the review that it considers that not only the gas purchasing plan but any related letters or memos must not be disclosed by the Board. Therefore, although my review included an examination of the gas purchase plan, correspondence between EGNB and the Board with respect to the plan, and the purchase and sales contracts that were in effect during 2008, no information related to these documents can be disclosed through this Report.

After reviewing the gas purchase plan, the related correspondence and the purchase and sales contracts that were in effect during 2008 I am satisfied that EGNB purchased gas for sale to customers in accordance with its Gas Purchasing Plan.

#### **Item A8 – Improper Use of Customer Information**

The Scope of Work requires a determination as to whether or not EGNB followed the procedures approved by the Board to ensure that customer information was not improperly shared with anyone who sells gas during 2008. Although only 2008 is covered by the Scope of Work, since the procedures were approved by the Board in 2004 it has been necessary to review the implementation of those procedures and changes that have occurred since that time.

The procedures approved by the Board were proposed by EGNB in a document titled "Enbridge Gas New Brunswick Firewall" (the firewall proposal). The firewall proposal was sent to the Board with a cover letter dated April 16, 2004. The

## EGNB Purchase and Sale of Gas (2008)

cover letter and proposal are attached as Appendix B and C. It can be seen that the cover letter included a request that the Board allow EGNB to include certain customer information on the bills issued to customers.

The Board's response (attached as Appendix D) approved the proposal subject to EGNB either removing or changing a phone number on a letter template so that calls would be answered directly by the Customer Care team. The Board's response also included the following:

- That it is relying on EGNB and its employees to observe both the spirit and intent of the firewall proposal,
- That EGNB is to post a copy of the firewall proposal on its website by May 14, 2004, and
- That the Board would allow the EGNB request to include certain customer information on the bills issued to customers.

It can be seen from Appendix C that the firewall proposal submitted by EGNB consisted of background information and support for the proposal, the steps that had already been taken, the proposal itself and steps needed to complete the implementation of the firewall.

My review confirmed that all of the steps included in the proposal were implemented by EGNB. A new telephone number was introduced for the Customer Care team and it is understood that the menu for that number was changed in accordance with the proposal. The menu currently being used may have changed slightly from that approved by the Board but the meaning for each choice is the same.

The IT department confirmed that a system was implemented that controlled access to both electronic and physical sources of customer information and that system remains in effect. I am satisfied that this system was in place throughout 2008 and that it prevented EGNB and EUG marketing and sales personnel from accessing sensitive information.

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Review of randomly selected invoices for EUG customers confirmed that only the customer information approved by the Board appears on those bills.

It is my opinion, therefore, that the EGNB firewall proposal that the Board approved was in place during 2008 and that customer information was not improperly shared with anyone who sold gas during 2008.

As noted above, however, the Board also required that EGNB post a copy of the firewall proposal on its website by May 14, 2004 and that it would be relying on EGNB and its employees to observe both the spirit and intent of the firewall proposal.

It is understood that the firewall proposal was posted on the EGNB website in 2004 but that it has since been removed. Although it is uncertain when it was removed EGNB agreed that it is unlikely that it was on the website during 2008.

EGNB employees can only observe both the spirit and intent of the firewall proposal if they are aware of its existence and are regularly reminded of the Board's letter. Interviews with EGNB Management, EGNB and EUG sales personnel and others revealed that very few were aware of the firewall or why a firewall would be needed.

It is evident, therefore, that although EGNB was in compliance with the firewall proposal during 2008 it was not in compliance with the additional items in the Board's letter. My review disclosed, however, that there was no evidence that this failure had resulted in customer information being improperly shared with anyone who sells gas. This was mainly because of the major changes that have occurred in EGNB's approach to EUG sales and the promotion of EUG Offers. These changes include the following:

## EGNB Purchase and Sale of Gas (2008)

- EGNB no longer views marketers as competitors but instead views them as allies in the development of the natural gas market in New Brunswick,
- It has been recognized that since EUG can not make a profit on the sale of gas there is no incentive to EGNB to have EUG compete for sales,
- EGNB no longer requires its Marketing and Sales personnel to promote EUG, in fact they are specifically told not to promote EUG but to advise potential customers to solicit quotes from all gas suppliers to ensure they get the lowest price.

As a result of these changes what was originally considered to be “sensitive” customer information is no longer of use to EGNB Marketing and Sales personnel and they no longer have any interest in such information.

I also consider it significant that my requests to Board Staff and to EGNB for details on all registered complaints of improper use of customer information failed to produce any registered complaints. Although some anecdotal complaints were mentioned, neither Board staff nor EGNB were able to produce even one complaint that had been substantiated in any way.

### ***Recommendation***

Based on the above it is my recommendation that the Board order EGNB to maintain the firewall as it currently exists but remove the need for the firewall to be on the website and for EGNB and its employees to observe both the spirit and intent of the firewall. Alternatively, the Board could consider reopening the firewall proceeding to re-examine the need for a firewall.

## **Conclusion**

In concluding this Report I should note that throughout the review, Paul Hamilton and all other EGNB staff were fully cooperative and made every effort to be available when required. All queries and questions were generally answered promptly with additional financial and operating data in support of their answers being provided in a timely manner.

### ***Original signed by:***

Signed by J. C. Butler P. Eng.

In Oakville, Ontario on April 26, 2009

EGNB Purchase and Sale of Gas (2008)

**APPENDIX A**

**Enbridge Gas New Brunswick**

Financial Report for Regulatory Purposes

For the year ended December 31, 2008

	EUG Alternate Offers		
	Revenue YTD	Customers YTD	Throughput TJs YTD
<b>Revenue</b>			
<b>Gas Sales</b>			
Small general service (SGS)	828	# 1,171	74.3
General service (GS)	45	7	4.5
Contract general service (CGS)	56	2	5.7
Contract large general service (CLGS-LFO)	619	6	537.6
Contract large general service (CLGS-HFO)	3,519	1	335.6
Contract large volume off peak (CLVOPS)	605	-	20.4
Off peak service	-	-	-
<b>Total</b>	<b>5,670</b>	<b>1,187</b>	<b>978.1</b>
<b>Expenses</b>			
Commodity	5,238	#	
Transportation	399		
ABC Billing	12		
Administration	21		
<b>Total</b>	<b>5,670</b>		
<b>Price of Gas Variance Account (PGVA)</b>	<b>0</b>		

- Notes: 1. The PGVA for alternate products is used to establish that annual gas costs do not exceed revenue, as required under section 4.1 of the Gas Distributor Marketing Regulation - Gas Distribution Act, 1999.  
2. The zero balance indicated above represents final balance after transfers to General Ledger PGVA.

Monthly 2008 EUG alternate offer (\$/GJ):	Off-Peak	Commercial Variable	Fixed Price
January	7.91	8.85	10.80
February	8.80	9.75	10.80
March	9.50	10.43	10.80
April	10.53	11.51	10.80
May	11.96	12.92	10.80
June	12.39	13.33	10.80
July	13.87	14.84	10.80
August	10.16	11.13	10.80
September	9.71	10.71	10.80
October	8.80	9.81	10.80
November	8.81	9.95	12.50
December	9.54	10.71	12.50

**APPENDIX B**

**Enbridge Gas New Brunswick Inc.**  
**Enbridge Gaz Nouveau-Brunswick Inc.**  
440 Wilsey Road Suite 101  
Fredericton, NB E3B 7G5

**Shelley Black, CGA**  
Manager, Regulatory Affairs & Upstream  
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April 16, 2004

Ms. Lorraine Légère  
Secretary, Board of Commissioners of Public Utilities  
P.O. Box 5001  
15 Market Square, Suite 1400  
Saint John, NB E2L 4Y9

Dear Ms. Légère:

**RE: Firewall**

After a number of discussions and meetings with Board staff, we are pleased to enclose Enbridge Gas New Brunswick's ("EGNB") proposed "firewall" policy. EGNB's proposed approach attempts to balance both the complexity of the issues involved and EGNB's ability to aggressively obtain customers. EGNB respectfully requests that the Board confirm that these proposed physical and procedural firewalls are satisfactory.

**RE: Customer Information on EGNB's Monthly Bill**

In its decision dated September 2, 2003 following the Generic Hearing in respect to market issues and conduct related to the sale of gas and customer services in the natural gas industry in New Brunswick, the Board also identified the inclusion of customer information on the utility bill by EGNB as a concern. The decision directed EGNB as follows: "In addition, such information is not to be shown on the customer's bill without the written permission of the customer." In a letter dated August 5, 2003, the Board directed EGNB "to refrain from placing, on its bills, any information concerning the expiry date for a contract that a customer has with a Gas Marketer without the written permission of the customer." In a letter dated September 24, 2003, EGNB confirmed that it had complied with the Board order.

EGNB has discussed the Board's direction with Board staff. While the Board's original letter focused on the expiry date for a Gas Marketer's contract, both EGNB and Board staff agree that broader application of the Board's September 2 decision could prevent EGNB from including, on bills produced under its Agent Billing and Collection Service for Gas Marketers, any Customer Information (as defined in the enclosed Firewall policy). This includes the name of a customer's Gas Marketer, the customer's price category and monthly price. Clearly this is not a workable solution. EGNB requests the Board's approval to include these essential items on the customer's bill.

If you have any questions or concerns, please do not hesitate to contact me.

Sincerely,

Shelley Black, CGA  
Manager, Regulatory Affairs & Upstream

**APPENDIX C**

**ENBRIDGE GAS NEW BRUNSWICK  
FIREWALL**

**Background**

In its decision dated September 2, 2003, the Board of Commissioners of Public Utilities (“Board”) directed EGNB:

*“...to establish a “firewall” between those employees who perform functions related to EGNB’s distribution business and those employees who are involved with the sale of gas. Customer information related to the sale of gas that is received from gas marketers by EGNB employees working on distribution must not be shared with EGNB employees involved in the sale of gas. EGNB is directed to develop procedures to ensure that this does not happen and to submit such procedures to the Board for its review and approval.”*

This decision was made subsequent to a hearing, initiated by the Board, in response to changes to the Gas Distribution Act, 1999 and its regulations by the Province of New Brunswick. These changes permit the sale of natural gas commodity by Enbridge Gas New Brunswick (“EGNB”), Enbridge Utility Gas (“EUG”), from within the distribution utility in accordance with the Gas Distributor Marketing Regulation (“Regulation”). By virtue of that Regulation, EUG is a regulated part of the distribution utility and the Province has established the operational parameters within which EGNB shall sell gas. Potential customers can now benefit from a single point of contact to obtain natural gas service. The Minister of Natural Resources and Energy confirmed this objective by stating in a news release dated March 25, 2003, “The changes will assist the gas distribution company to make customer attachments more quickly and thus encourage aggressive roll-out of new distribution system pipelines.”

In its decision, the Board recognized that “the clear intention of the Legislature is to allow EGNB to compete in the marketplace for the sale of gas. It is only reasonable in such a situation that competitors should aggressively seek to obtain as many customers as possible and the Board accepts this as being in the public interest.”

EUG will benefit the natural gas industry as a whole. While it is likely to mature the distribution utility through quicker, easier customer attachment, this temporary (per Section 3(1)(a) of the Regulation) foray into the role of gas supplier will also serve to increase the pool of natural gas customers to be shared amongst Gas Marketers when EGNB eventually exits the marketplace.

It is important to note that EGNB’s EUG price is cost-based (per Section 4 of the Regulation) and not subject to customer negotiation. Accordingly, any access to customer information related to the sale of gas by EGNB could not influence the price of gas supply offered to potential customers.

**Customer Information related to the Sale of Gas received from Gas Marketers Customer Information”)**

For the purposes of this policy, EGNB has defined “Customer Information” as being information received from Gas Marketers that links an individual customer to:

1. A customer’s Gas Marketer;
2. A start date and date of first delivery under the customer’s contract with a Gas Marketer;
3. A customer’s participation in a collection service agreement (Agent Billing and Collection Service);
4. A customer’s price category;
5. The end date of a customer’s contract with a Gas Marketer; and
6. A customer’s monthly price.

At the hearing held on August 13, 2003, the Province of New Brunswick added a question to the existing list of issues, “Is there additional information available to EGNB by way of the Automated [Agent] Billing and Collection Service that it would not have by way of any other mechanism? Should the information be addressed through the implementation of a firewall?” EGNB has identified Customer Information Nos. 4, 5 and 6 (above) as being “information available to EGNB by way of the Agent Billing and Collection Service”.

**Board Requirement to Establish a “Firewall”**

EGNB was directed to develop procedures ensuring customer information related to the sale of gas that is received from Gas Marketers by EGNB employees working on distribution is not shared with EGNB employees involved in the sale of gas.

EGNB’s proposed “firewall” combines both physical segregation and preventative procedures to achieve the Board’s objective. However, EGNB is concerned that physical or procedural segregation not unduly restrict its ability to “aggressively obtain as many customers as possible.” For example, EGNB’s Marketing and Sales team is responsible for both the sale of distribution services and EUG. It would be exceedingly difficult and impractical to separate these functions. The result would counter the objectives of the Province in permitting the distribution utility to sell gas.

EGNB believes that its approach will adequately balance the Board’s requirement for controls over Customer Information and EGNB’s ability to aggressively obtain customers.

**Access to Customer Information**

Only a limited number of EGNB’s personnel may access Customer Information. EGNB currently employs two teams that may access Customer Information. Each team has very different objectives and mandates.

**Customer Care team:** EGNB’s Customer Care team produces customers’ monthly bills, performs collection activities as well as providing call center services in order to address customer billing and general inquiries. EGNB’s Customer Care team is not mandated to

## EGNB Purchase and Sale of Gas (2008)

promote either distribution service or EUG. In addition, the Customer Care team is not equipped/able to attach customers to either service. Inquiries reaching EGNB's Customer Care team through the general call center line (telephone: 1-800-994-2762) and which deal with a potential customer's attachment to distribution service, conversion to natural gas or purchase of gas supply are directed to EGNB's Marketing and Sales team for follow-up.

EGNB's Customer Care team has access to all of the Customer Information outlined above in order that it efficiently and effectively answer customer questions regarding their bill. Though Customer Information is available to Customer Care, callers wishing to discuss a Gas Marketer's monthly price, price category assignment or price trends are asked to call their Gas Marketer. EGNB provides Gas Marketer contact information to customers whenever requested.

**Marketing and Sales team:** EGNB's Marketing and Sales team promotes and markets EGNB's distribution service and EUG. This group includes a Marketing team, a Sales team and an Inside Sales & Service team. EGNB's Marketing and Sales team usually receive inquiries from potential or existing distribution customers through direct calls (telephone: 1-866-343-8427 (1-866-3GETGAS)). They can also get inquiries forwarded from EGNB Customer Care.

EGNB's Marketing and Sales team has access to some Customer Information (No.1 through No. 3 above). This information is collected during the customer attachment process and is required because:

- EGNB must determine that a customer has obtained a supply of natural gas commodity prior to providing distribution service. When gas is supplied by a Gas Marketer, EGNB's distribution service is triggered by the Gas Marketer's date of first delivery to the customer.
- Distribution customer requests for EUG must be considered in light of existing contracts with Gas Marketers. EGNB must be able to verify that a customer is not presently attached to another Gas Marketer before accepting them as a customer of EUG.
- Distribution customers currently receiving supply from a Gas Marketer often contact EGNB for information regarding their gas supply. In order for EGNB's Marketing and Sales team to properly assist customers and direct them to their Gas Marketer, EGNB must be able to access, and provide sufficient Customer Information to assist the customer (No. 1 through No. 3 above).

### **Steps Already Taken**

The following changes have already been implemented by EGNB during the process of defining the firewall:

- Marketing and Sales team now has limited access to customer information;
- One staff member has been transferred from the Inside Sales & Service team to the Customer Care team to process Customer Information that will not be shared with the

## EGNB Purchase and Sale of Gas (2008)

Marketing and Sales team. She will be known as the Customer Care Coordinator; and

- EGNB's Application for Natural Gas Service will now include in the section dealing with a customer's gas supply, an option of "Other" in addition to "EUG".

### **Proposed "Firewall"**

EGNB has implemented or will be implementing the following additional measures to address the Board's concerns:

1. **Customer Care Coordinator:** A new Customer Care Coordinator has been designated within the Customer Care team to receive certain Customer Information (Nos. 4, 5 and 6 above). The Customer Care Coordinator will not take any incoming calls relating to the sale of EUG.

The Customer Care department will review all Applications for Natural Gas Service prior to processing. Where an Application does not indicate the customer's gas supplier, the Customer Care Coordinator will specify "Other" on the Application to allow the Inside Sales & Service team to process the application. A notification in the form of a letter will be sent to the customer by the Customer Care Coordinator with a reminder that they must choose a gas supplier (if they have not already done so) before their account can be activated (see Appendix A). If a customer's gas marketer information has not been received and is delaying activation of the account, the Inside Sales & Service team will notify the customer's contractor to contact the customer.

All distribution customers will receive a "Welcome to Natural Gas" letter after their account has been activated. This will eliminate any confusion created by the current practice of sending the Welcome letter upon receipt of their application.

Marketing and Sales staff will not have access to Customer Information Nos. 4, 5 and 6 above.

2. **Calls to Call Center:** If a potential customer calls the general call center line (1-800-994-2762), a menu containing the following choices is currently provided:

"To report a smell of gas, a damaged pipeline, suspected carbon monoxide or for emergency natural gas pipeline locations or natural gas appliance emergencies, press 1;

For general call before you dig natural gas pipeline locates, press 2;

For all inquiries about natural gas including natural gas availability and conversion information and natural gas equipment service, press 3;

If you are moving, would like to report a meter reading, have questions about your Enbridge Gas New Brunswick bill or have any other customer service inquiry, press 5."

Choice 3 will be replaced by the following on the menu:

"To contact our Marketing and Sales Team for inquiries about obtaining distribution service, conversion information or natural gas equipment service, press 3."

## EGNB Purchase and Sale of Gas (2008)

Choice 4 will be added to the menu:

“To contact our Marketing and Sales Team for information regarding gas supply, press 4”.

These calls will be answered by an Inside Sales & Service Coordinator within Marketing and Sales. If the potential customer is looking for information regarding gas supply, the Inside Sales & Service Coordinator will outline all of the gas supply options (EUG and other licensed gas marketers). EGNB commits to supply contact information regarding all gas suppliers.

EGNB will ensure that Marketing and Sales employees will not promote EUG in an instance where the customer indicates they are not seeking information regarding gas supply.

3. **Calls to 1-866-3GETGAS:** If a potential customer who does not have a marketer calls the Marketing and Sales team directly at 1-866-3GETGAS, the Marketing and Sales team can promote EUG.

### **Access to Certain Customer Information by Marketing and Sales**

The Marketing and Sales team members requiring monthly pricing, bills or equivalent pricing information to perform analysis (e.g. target savings analysis) on behalf of customers shall obtain written permission from the customer to access Customer Information. This permission, once obtained from a customer, shall extend to any outbound written or verbal follow-up correspondence to the customer or related Gas Marketer.

### **Use of Customer Information by Customer Care**

Customer Care reports including Customer Information Nos. 4, 5 and 6 shall only be accessible to EGNB Senior Managers. Such reports shall not reference individual customers and where Customer Information is provided, shall be aggregated to the extent necessary to ensure that individual customers cannot be identified.

EGNB Purchase and Sale of Gas (2008)

**Appendix A: Notice to Customers whose Application did not indicate Gas Supplier**

«Customer\_Name»

April 29, 2009

«Street\_Number» «Street\_Name»  
«Municipality\_\_Town\_\_City» NB  
«Postal\_Code»

Dear «Contact\_Name»,

We have received your application for a natural gas service to your building, are processing your application and will be bringing you access to natural gas as soon as possible. Your application however, did not indicate your choice of a gas supplier **and we can not activate your account until you have made arrangements for your gas supply**. If you have not made arrangements for your gas supply, you must contact one of the following licensed gas suppliers:

Natural Gas Supplier	Markets Served	Territory Served	Phone Number Web Site
Enbridge Gas New Brunswick	All Markets	All	1-866-343-8427 <a href="http://www.amazingenergy.ca">www.amazingenergy.ca</a>
Irving Energy Services Ltd.	All Markets	All	1-888-310-1924 <a href="http://www.irvingenergyservices.ca">www.irvingenergyservices.ca</a>
Park Fuels	All Markets	Saint John Only	1-506-634-7275
WPS Energy Services	Commercial and Industrial	All	1-800-280-1845 <a href="http://www.wpsenergy.com">www.wpsenergy.com</a>

Once you have made arrangements for gas supply, your gas supplier will notify us and EGNB will then activate your account.

If you have any concerns or questions along the way, please call us toll-free at 1-888-642-2020 or go to our Web site at [www.amazingenergy.ca](http://www.amazingenergy.ca) to email us or read our *Natural Gas Buyer's Guide*. You've made a smart choice and we're sure you'll enjoy the benefits of natural gas!

Sincerely,

Shona Bowes  
Customer Care Coordinator

EGNB Purchase and Sale of Gas (2008)

APPENDIX D

04/28/04 08:37 FAX 506 643 7300

PUBLIC UTILITIES BOARD

002

BOARD OF COMMISSIONERS OF PUBLIC UTILITIES

P.O. Box 5001  
15 Market Square, Suite 1400  
Saint John, NB  
E2L 4Y9

Telephone: (506) 658-2504  
Fax: (506) 643-7300  
Email: general@pub.nb.ca



PROVINCE OF NEW BRUNSWICK  
PROVINCE DU NOUVEAU-BRUNSWICK

COMMISSION DES ENTREPRISES DE SERVICE PUBLIC

C. P. 5001  
15 Market Square, Bureau 1400  
Saint John, Nouveau-Brunswick  
E2L 4Y9

Téléphone (506) 658-2504  
Télécopieur (506) 643-7300  
Courr Elec: general@pub.nb.ca

April 27, 2004

SENT VIA MAIL & FACSIMILIE (506) 457-7753

Ms. Shelley Black, CGA  
Manager Regulatory Affairs & Upstream  
Enbridge Gas New Brunswick Inc.  
440 Wilsey Road, Suite 203  
Fredericton, N.B.  
E3B 7G5

Dear Ms. Black:

Re: Firewall  
PUB File Number 200-09-01

The objective of a firewall is to provide a separation between those employees who perform functions related to the distribution business and those employees who are involved with the sale of gas. This is to ensure that EGNB employees involved with the sale of gas do not gain any unfair advantage over gas marketers as a result of information that is available to EGNB in its role as the monopoly distributor. The Board has reviewed EGNB's proposal regarding a "firewall" as contained in the letter to the Board dated April 16, 2004 and accepts the proposal as satisfactory with one exception. The letter template in Appendix A "Notice to Customers whose Application did not indicate Gas Supplier" contains in the last paragraph the toll-free number 1-888-642-2020. This number must be changed to a toll-free number that will be answered directly by the Customer Care team or the reference to a toll-free number must be removed.

The Board accepts the "firewall" proposal as a reasonable way of providing separation while doing so at minimal cost and disruption to EGNB. The Board is relying on EGNB and its employees to observe both the letter and the spirit of this proposal. Should the Board receive a properly documented complaint regarding the implementation of this proposal, it will be investigated. If such a complaint is found to be justified, the Board will revisit the entire "firewall" policy and procedures.

EGNB is to post a copy of the "firewall" proposal on its website by May 14, 2004.

In addition, the Board confirms the use of the customer information on billing described in this letter.

Yours truly,

Lorraine Légère  
Secretary to the Board

CC: Gas Marketers