Enbridge Gas Distribution

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North York, Ontario M2J 1P8
Canada

January 29, 2016

R. Bruce Reynolds
Bordner Ladner Gervais LLP
Scotia Plaza, 40 King St W
Toronto, ON M5H 3Y4

Dear Mr. Reynolds,

Re: Review of the Construction Lien Act (Discussion Follow-Up)

I would like to thank you for taking the time to meet with Michelle Cook and David Donovan in December regarding the review of the Construction Lien Act. As you know, Enbridge Gas Distribution (Enbridge Gas) appreciates the opportunity to raise the issues of specific importance to our ratepayers and our business in this review process and we were pleased to have the opportunity to meet with you to discuss these issues.

As we have said, Enbridge Gas supports the need to update the province's construction lien legislation and the concept of prompt payment for work that has been properly done and approved. However, we did have a number of concerns with the previously presented Bill 69, which we outlined in our previous letter and at our consultation late last year.

During our discussion late last year, you asked us to follow up on two items.

1. The panel is interested to know how long it takes for a contractor to receive payment following receipt of an invoice by Enbridge Gas Distribution, as well as the steps Enbridge Gas takes prior to issuing payment.

In essence, we understand that the panel is interested in the payment processing requirements which affect our payment timelines. Enbridge Gas's standard payment terms are thirty (30) days after receipt of the invoice from the contractor, subject to the caveat that the work or services must have been completed and accepted by Enbridge Gas.

It is difficult to set an exact time or average amount of time between the date a contractor issues an invoice to Enbridge Gas and the date when that contractor receives payment due to the requirement that work must have been completed by the Contractor and accepted by Enbridge Gas; however, Enbridge Gas does strive to pay invoices for construction work completed in a timely manner. Enbridge Gas is very conscious of the importance of our relationship with our contractors and experienced tradesmen.

Enbridge Gas is the largest natural gas distribution utility in Canada, delivering safe, clean and affordable natural gas to over two million customers in more than 100 communities throughout Ontario. Enbridge Gas' affiliates also serve parts of southwestern Quebec, New Brunswick and northern New York State.

Enbridge Gas is owned by Enbridge Inc., a Canadian-based leader in energy transportation and distribution operating the world's longest crude oil and liquids transportation system and a growing leader in renewable and green energy technologies.

Enbridge Inc.'s affiliates in Canada and the United States leverage an enterprise-wide electronic payment processing system across the enterprise. The payment processing system has been configured to comply with the many laws and reporting, compliance and fraud regulations in place in both Canada and the United States (including the provinces, states and municipalities therein where business is conducted). The relevant legal and compliance requirements reflect that Enbridge Inc. is publicly traded (in both Toronto and New York) and Enbridge Gas is a reporting issuer (in Toronto) and must comply with the relevant securities legislation, including ensuring the appropriate controls over financial reporting are in place and operating effectively under Bill 198 and Sarbanes-Oxley 404. In addition, Enbridge Gas' external auditors perform annual audits and quarterly reviews of our financial statements, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments the auditor considers internal controls relevant to the company's preparation of the financial statements. Internal controls over the payment processing system are established and assessed by Enbridge Gas and included in the external auditor's audit.

In order to ensure that payment obligations are met and compliance with the above requirements, Enbridge Gas like many multi-national, multi-jurisdictional corporations has a payment processing system in place to ensure:

- authenticity – verifying the counterparty exists and is not fraudulent;
- accountability – e.g. that employees approving payment of the invoice have knowledge of the work and services performed, that the contractual obligations have been met, and that the work has been completed and accepted by Enbridge Gas; and
- accuracy – whereby payments are charged to the correct accounts and are characterized correctly (e.g. the invoice must be accurate, each invoice must be correctly characterized as capital or operating, and coded to a particular financial account and department);

In the case of Enbridge Gas specifically, Enbridge Gas owns regulated utilities which are regulated by the Ontario Energy Board (the "OEB"). The OEB may impose specific oversight and reporting obligations for specific projects (and generally in the context of rate regulation).

2. The panel is interested to know, whether Enbridge Gas uses arbitration or would look to arbitration to respond to a scenario where significant poor workmanship occurred on a contracted infrastructure project.

It is difficult to generalize as to which avenue Enbridge Gas would pursue in such an instance, whether it is litigation, arbitration or mediation. However, for the most part, Enbridge Gas tends to have collaborative relationships with the contractors we work with as much of the work is recurring and we operate in a relatively small industry. It is for these reasons that there is a strong tendency to settle disputes without resorting to formal dispute resolution procedures.

Again, Enbridge Gas appreciates the opportunity to raise the issues of specific importance to our ratepayers and our business in this review process.

If you would like further clarification or have follow up questions, please contact our government relations team at: 416-758-7966.

Sincerely,

Frank R. Smith
Director, Construction
Enbridge Gas Distribution Inc.