SETTLEMENT PROPOSAL
(Main Case)

May 11, 2001

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This Settlement Proposal is filed with the Ontario Energy Board ("the Board") in connection with the application of The Consumers' Gas Company Ltd., carrying on business under the trade name Enbridge Consumers Gas, for an order or orders approving or fixing rates for the sale, distribution, transmission, and storage of gas in Fiscal 2001 (the "Test Year"). A Settlement Conference was conducted on April 18, 19, 20, 24, 25, and 26 and May 1, 2, and 8, 2001 in accordance with Rule 38 of the Board's *Rules of Practice and Procedure* and the Board's *Settlement Conference Guidelines* ("Settlement Guidelines"). The Settlement Proposal arises from the Settlement Conference.

The following parties participated, in whole or in part, in the Settlement Conference: Enbridge Consumers Gas ("ECG"); the Ontario Energy Board's technical staff ("Board Staff"); A.E. Sharp Limited ("AES"); Canadian Manufacturers and Exporters ("CME"); the Coalition for Efficient Energy Distribution ("CEED"); the Consumers' Association of Canada ("CAC"); Direct Energy Marketing Limited ("DEML"); the Green Energy Coalition ("GEC"); the Heating, Ventilation, Air Conditioning Contractors Coalition Inc. ("HVAC"); the Industrial Gas Users Association ("IGUA"); the Ontario Association of Physical Plant Administrators ("OAPPA"); Ontario Energy Savings Corporation ("OESC"); the Pollution Probe Foundation ("Pollution Probe"); the Ontario Association of School Business Officials ("Schools"); Toronto Hydro Energy Services Inc. ("THES"); TransCanada PipeLines Limited ("TCPL"); and the Vulnerable Energy Consumers Coalition ("VECC").

The Settlement Proposal was originally designed to deal with all of the issues on the Board's Issues List, even if there was no agreement to settle a particular issue or if there was an agreement but not unanimity, such that each issue could fall within one of the following three categories:

1. an issue for which there is a complete settlement, because ECG and all of the other parties who discussed the issue either agree with the settlement or take no position on the issue;

2. an issue for which there is a partial settlement, because ECG and certain of the other parties who discussed the issue agree with the settlement, or take no position on the issue, but one or more of the other parties disagree(s) with the settlement; and

3. an issue for which there is no settlement, because ECG and the other parties who discussed the issue are unable to reach an agreement to settle the issue.

A complete or a partial settlement could be conditional in nature; for example, such a settlement may enumerate the condition(s) on which the settlement would be implemented. Each conditional settlement would be so labelled.

In the result, though, there are complete settlements for all issues. Only three of these 38 settlements, moreover, are conditional (see Issue 2.1 at p. 10, Issue 2.2 at p. 13, and Issue 9.1 at p. 38).

This Settlement Proposal was prepared in accordance with Rule 39 and the Settlement Guidelines. It lists the parties who participated in the discussion of each issue, other than Board Staff, prior to indicating whether or not there is an agreement to settle the issue. Board Staff has been excluded from the issue-by-issue lists because Board Staff participated in the discussion of all issues, for the purposes described in the Settlement Guidelines, and there is accordingly no need to include Board Staff in each such list. Board Staff takes no position on any issue and, as a result, is not a party to this Settlement Proposal.

The Settlement Proposal was originally designed to describe the agreements reached on the settled issues, including the rationale for each of them, and to delineate the scope of the dispute over the issues for which there is no settlement or, when required by any conditional settlement of an issue, the scope of the conditional aspect(s) of the issue; to identify the parties who agree and who disagree with each settlement, including the latter's grounds for disagreement, or alternatively who take no position on the settled issue; and to provide a direct and transparent link between each settlement and the supporting evidence in the record to date. In this regard, the parties who agree with the individual settlements are of the view that the evidence provided is sufficient to support the Settlement Proposal in relation to the settled issues and, moreover, that the quality and detail of the supporting evidence, together with the corresponding rationale, will allow the Board to make findings on the settled issues. This would be the case with all settlements, whether conditional or not, and whether complete or partial.

ECG and the other parties have modified the original design only as required to suit the complete settlement of all issues. The conditional aspects of three of these 38 settlements are clearly delineated.

The supporting evidence for each settled issue within a particular group of issues, such as “Gas Costs and Transportation”, is presented after the last settled issue in the group. The supporting evidence is identified individually by reference to its exhibit number in an abbreviated format; for example, Exhibit A, Tab 8, Schedule 1 is referred to as A-8-1. A concise description of the content of each exhibit is also provided. In this regard, ECG's response to an interrogatory is described by citing the name of the party and the number of the interrogatory (e.g., Board Staff Interrogatory #1), whereas another party's response to an interrogatory is described by citing the names of both parties and the number of the interrogatory (e.g., AES Response to ECG Interrogatory #1).

Exhibit N2, Tab 2, Schedules 1 through 7 demonstrate the effect of the Settlement Proposal on the Test Year Rate Base, Cost of Service, Utility Income, and Capital Structure that are presented in Impact Statement No. 1 (Exhibit Ml, Tabs 1 and 2). Exhibit N2, Tab 2, Schedules 8 and 9 provide the proposed revenue recovery by rate class and a revenue comparison (current vs.

proposed). The "N2, Tab 2" series of exhibits is intended to assist the Board in its review of the financial consequences of the Settlement Proposal.

According to the Settlement Guidelines (p.3), the parties must consider whether a settlement proposal should include an appropriate adjustment mechanism for any settled issue that may be affected by external factors. ECG and the other parties who participated in the Settlement Conference, including Board Staff, consider that no settled issue requires an adjustment mechanism.

GAS VOLUME BUDGET

1.1 ECG's forecast of gas sales and transportation volumes for the 2001 Test Year, including the normalized average use forecast methodology and the impact of increased gas prices.

(Complete Settlement)

The following parties participated in the discussion of this issue: ECG, CAC, IGUA, OESC, Schools, and VECC.

There is an agreement to settle this issue on the following basis:

- ECG's forecasts of gas sales and transportation volumes, or throughput, for the Test Year total 11 857.3 10^6m^3 (see Table 1 in A-8-1). ECG's actual throughput for the first six months of the Test Year (i.e., October 1, 2000 through March 31, 2001), and the six month actual and six month forecast to the end of the Test Year, are lower than forecast by 79.2 10^6m^3 and 122.8 10^6m^3, respectively.

- In an effort to improve the forecasting of average uses, ECG implemented a change in the forecasting methodology for residential customers (Rate 1) and general service customers (Rate 6). Average uses for the Test Year were developed using econometric (i.e., regression) models for not only the heating and water heating residential revenue class, but also the other residential revenue classes and all of the general service revenue classes in the apartment, commercial, and industrial sectors (C-4-1 for Rate 1 and C-4-2 for Rate 6).

- Normalized average uses for the Test Year on a six-month actual and six month forecast basis, assuming normal weather for the latter, are 3 041 m^3 for Rate 1 and 22 638 m^3 for Rate 6. Budgeted figures are 3 044 m^3 and 22 643 m^3, respectively, for the Test Year.

- ECG's forecasts of throughput for the Test Year are accepted by the other parties, for the reasons given in the supporting evidence, with one exception. These forecasts of throughput will be reduced by the consequential effect (10 10^6m^3) of the increase in the forecast of gas savings in the DSM Plan (see Issue 8.4 at p. 37).

- The other parties are concerned, nevertheless, about ECG's forecasts of normalized average uses in Rate 1 and Rate 6 for the Test Year, having regard to the actual normalized average uses for these customer classes in Fiscal 2000 (i.e., the Bridge Year). Their acceptance of ECG's forecasts is accordingly without prejudice to their right to examine normalized average uses for Rates 1 and 6 in ECG's next rates case.

- In the light of historical trends, the other parties are also concerned about the accuracy of ECG's forecasting methodology in general, and the new econometric models in particular, and so they reserve their right to examine these matters in ECG's next rates case. To this end, ECG will file evidence in its next rates case and, in subsequent rates cases, if necessary, on the results that the models would generate using the actual data (to the extent it is available) for the corresponding test year, including adequate statistical support to allow parties to compare the results to the prior year's forecast. The other parties recognize, however, that the models are designed for predictive purposes rather than as a tool to explain actual results.

The following parties agree with the settlement: ECG, CAC, IGUA, OESC, Schools, and VECC.

The following parties disagree with the settlement: none.

The following parties take no position on the issue: none.

The following evidence supports the settlement of the Gas Volume Budget issue:

A-8-1	Gas Volume Budget
C2-3-1	Determination of Budget Degree Days
C2-4-1	Average Use Model
C2-4-2	Average Use Models for Rate Class 6
C3-2-1	Customers, Volumes and Revenues by Rate Class 2001 Budget
C3-2-2	Comparison of Average Customer Numbers by Rate Class 2001 Budget and 2000 Actual
C3-2-3	Comparison of Gas Sales and Transportation Volume by Rate Class 2001 Budget and 2000 Actual
C3-2-4	Comparison of Gas Sales and Transportation Volume by Rate Class 2001 Budget and 2000 Actual
C3-2-5	Comparison of Gas Sales and Transportation Revenue by Rate Class 2001 Budget and 2000 Actual
C4-2-1	Customers, Volumes and Revenues by Rate Class 2000 Actual
C4-2-2	Comparison of Customer Numbers by Rate Class 2000 Actual and 1999 Actual
C4-2-3	Comparison of Gas Sales and Transportation Volume by Rate Class 2000 Actual and 1999 Actual
C4-2-4	Comparison of Gas Sales and Transportation Volume by Rate Class 2000 Actual and 1999 Actual
C4-2-5	Comparison of Gas Sales and Transportation Revenue by Rate Class 2000 Actual and 1999 Actual
C4-2-6	Comparison of Gas Sales and Transportation Volume by Rate Class 2000 Actual and 2000 OEB Approved
C5-2-1	Customers, Volumes and Revenues by Rate Class 1999 Actual
C5-2-2	Comparison of Gas Sales and Transportation Volume by Rate Class 1999 Actual and 1999 OEB Approved
C5-2-3	General Service System-Wide Normalized Average Use

I-1-7 to I-1-11, I-1-28, I-1-34, I-1-105
Board Staff Interrogatories # 7 to 11, 28, 34, and 105
I-3-4 to I-3-10 CAC Interrogatories # 4 to 10
I-9-18, I-9-19, I-9-83
IGUA Interrogatories # 18, 19, and 83
L-9-1 Evidence of IGUA (p. 15).

GAS COSTS AND TRANSPORTATION

2.1 ECG's recovery of the cost consequences related to ECG's agreements for transportation service on the Alliance, the Link, and the Vector pipelines (*per* Issue 1 of the EB-2000-0317 Settlement Proposal dated November 28, 2000), including the prudence of management actions that give rise to gas cost consequences.

(Complete Conditional Settlement)

The following parties participated in the discussion of this issue: ECG, CEED, CAC, IGUA, OESC, Schools, TCPL, and VECC.

There is an agreement to settle this issue on the following basis:

- This issue involves more than the cost consequences related to ECG's agreements for transportation service on the Alliance, the Link, and the Vector pipelines. The issue also involves whether, and if so how, these agreements should be assigned to end-use customers, or their marketers, when ECG's rates and services are further unbundled (see Issue 12.1 at p. 46).

- For the purposes of this proceeding, though, ECG and the other parties are prepared to focus this issue on the cost consequences related to ECG's agreements for transportation service to ship gas sourced in western Canada on the Alliance pipelines to Chicago and, from there, on the Vector pipelines to Dawn and onward on to Parkway via the transmission system of Union Gas Limited ("Union"). The focus of the issue for this proceeding, then, is the cost consequences of ECG's new transportation path from western Canada to Parkway.

- The other parties are concerned about the cost consequences of ECG's new transportation path relative to those of ECG's traditional transportation path for gas sourced in western Canada. The latter comprises ECG's agreements for transportation service on TCPL's Canadian Mainline from Empress to, for comparative purposes, ECG's delivery points in TCPL's Central Delivery Area ("CDA") including Parkway.

- ECG and the other parties concur that an examination of this issue would be facilitated by quantifying, during the Test Year, the cost differential between the two transportation paths by means of a notional deferral account. The resultant entries in this account, together with the other information ECG will provide as a condition of this settlement, would provide an evidentiary basis for a thorough examination of this issue in ECG's next rates case.

- The cost differential would be equivalent, for this purpose, to the value of "CD" that is derived by means of the following equation for the Test Year:

CD = NPDQ (NPDC-TPDC)

where: NPDQ = the average daily quantity shipped by or for ECG on the new transportation path during the period from the in-service date through the end of the Test Year (i.e., 304 days); ECG's contracted capacity is equivalent to 101 285 GJ/d;

NPDC = ECG's delivered cost of gas at Dawn (six months) and Parkway (four months) via the new path, on a unit basis, that is calculated in accordance with Appendix A; and

TPDC = ECG's delivered cost of gas at Parkway (four months) and Dawn (six months) via the traditional path, on a unit basis, that is calculated in accordance with Appendix A.

- The following table presents the components of the notional deferral account (the values are illustrative):

<u>New Path to Dawn/Parkway</u>

(a) commodity: $7.30/GJ

(b) transportation:

-	Alliance	$1.158/GJ
-	fuel @ 4.9%	$0.36/GJ
-	Vector	$0.364/GJ
-	fuel @ 0.5%	$0.04/GJ
-	Union M12	$0.035/GJ
-	fuel @ 0.7%	<u>$0.026/GJ</u>
		$1.983/GJ

(c) delivered to Dawn/Parkway: $9.28/GJ (a+b)

<u>Traditional Path to Parkway/Dawn</u>

(a) commodity: $7.59/GJ

(b) transportation:

- TCPL $1.01/GJ
- fuel @ 6.86% $0.52/GJ

- Union M12 $0.00
- fuel @ 0.5% <u>$0.03/GJ</u>

  $1.56/GJ

(c) delivered to Parkway/Dawn: $9.15/GJ (a+b)

<u>Cost Differential</u>

CD = 101 285 GJ x ($9.28 GJ - $9.15 GJ) x 304
= 101 285 GJ x $0.13 GJ x 304
= $4.0 million

- The cost differential recorded in the notional deferral account for the Test Year will be examined in the context of ECG's next rates case as a means, among others, of ascertaining whether the entire cost differential should be allowed for rate-making purposes and, if not, the amount that should be disallowed. Any such disallowance would not be retroactive, however, but rather any amount disallowed would be applied prospectively as a credit to ECG's revenue requirement for Fiscal 2002.

- In the light of the foregoing, for the Test Year, ECG's forecast of the cost consequences of its gas supply portfolio, including transportation service agreements, and of its Risk Management Program (see Issue 2.3 at p. 18) is accepted by the other parties, for the reasons given in the supporting evidence, with one exception. The gas cost forecast will be reduced by the consequential effect ($3.7 million) of the increase in the forecast of gas cost savings in the DSM Plan (see Issue 8.4 at p. 37).

- The foregoing settlement is subject to the following conditions:

    - any party may challenge the cost consequences of the new transportation path, in ECG’s next rates cases or thereafter, on any grounds whatsoever including, without limitation, the prudence of management actions that give rise to such gas cost consequences by reference, for example, to the delivered cost of gas via the new transportation path relative to market area prices;

- any party may challenge any proposed allocation or assignment of ECG's capacity rights on the Alliance, the Link, and the Vector pipelines to end-use customers who switch from system gas to direct purchase gas, including any Link-related upstream capacity rights, in the context of the further unbundling of ECG's rates and services (see Issue 12.1 at p. 46);

- any party may oppose ECG's recovery of the stranded costs, if any, associated with ECG's capacity rights on the Alliance, the Link, and the Vector pipelines from end-use customers, including any Link-related upstream capacity rights, in the context of the further unbundling of ECG's rates and services (see Issue 12.1 at p. 46) or otherwise; and

- ECG will provide, on request, information on ECG's actual delivered cost of gas via the new transportation path, and via the Vector pipelines alone from Chicago to Dawn, on a component-by-component basis as indicated in Appendix A; provided, however, that ECG is not obligated to disclose the cost of gas on a transaction-by-transaction basis.

The following parties agree with the settlement: ECG, CEED, CAC, IGUA, OESC, Schools, and VECC.

The following parties disagree with the settlement: none.

The following parties take no position on the issue: TCPL.

2.2 Pricing and components of system gas (*per* letter from CEED dated November 29, 2000).

(Complete Conditional Settlement)

The following parties participated in the discussion of this issue: ECG, AES, CEED, CAC, HVAC, IGUA, OESC, Schools, THES, and VECC.

There is an agreement to settle this issue on the following basis:

- The issue comprises seven components; namely, the calculation of a forecast price for rate-making purposes during a test year ("utility price"); the means of adjusting the utility price for rate-making purposes during a test year; the means of calculating and clearing variances recorded in ECG's Purchased Gas Variance Account ("PGVA"); the regulatory framework for approving adjustments and clearances; the methodology used to allocate gas supply management costs to system gas customers, on the one hand, and to direct purchase customers on the other; the means of providing pricing information to end-use customers, or their marketers, and to other stakeholders as well; and an implementation schedule for the foregoing.

- The settlement of this issue presents a new methodology for adjusting the utility price and clearing the PGVA that is intended to reflect the following eight principles:

  - more reflective of market prices on an ongoing basis;
  - enhanced price transparency;
  - regular quarterly review process;
  - customer awareness, customer acceptance, and less confusion in the marketplace;
  - mitigation of large adjustments of customer bills;
  - fairness and equity among all customer groups;
  - implementation in a cost effective manner: and
  - reduced regulatory burden relative to ECG's trigger methodology and the related rate adjustment mechanism (see Issue 2.5 at p. 20).

<u>Utility Price</u>

- ECG would calculate the utility price for a test year by using its Board-approved methodology to develop a forecast of its supply (i.e., commodity) costs, including buy/sell as well as system gas, and its transportation costs for the test year. The forecast of supply costs would include the forecast price of natural gas based on a so-called "21-day strip".

- This 21-day strip represents the simple average of future market prices, as reported by various media and other services, over a 21-day period for a basket of pricing periods, pricing points, and pricing indices that reflects ECG's gas purchase arrangements, both actual and anticipated, during the 12 months subsequent to the 21-day period.

- ECG would use the initial utility price as the basis for calculating the gas supply charges for sales service, subject to subsequent adjustment(s), during a test year. Sales service is provided to buy/sell gas customers, who are direct purchasers, as well as to system gas customers. ECG would also use the initial utility price for PGVA purposes.

<u>Price Adjustment</u>

- ECG would recalculate the utility price, using the same methodology, for each of the subsequent three quarters of the test year. The forecast of the price of natural gas, in each case, would be based on a 21-day strip the last day of which precedes the quarter in question by no more than 45 days.

- If a recalculated utility price for any quarter varies from the utility price in effect at the time by more than 0.5¢/m^3, net of upstream transportation tolls in each case, the former would supersede the latter, subject to subsequent adjustment(s), during the test year. Otherwise, the latter would continue in effect.

- Whenever a recalculated utility price comes into effect at the beginning of a quarter, ECG would calculate the consequential effect of this price on the following commodity-related costs: carrying costs of gas in storage, working cash allowance (gas costs), unbilled and unaccounted for gas, company-use gas, and lost and unaccounted for gas (storage). ECG would then use the recalculated utility price, together with the consequential effect on these commodity-related costs, as the basis for recalculating the gas supply charges for sales service, and also delivery charges and gas supply load balancing charges, effective as of the beginning of the quarter. ECG would also begin to use the recalculated utility price for PGVA purposes on the same effective date.

<u>PGVA</u>

- ECG would record in the PGVA the product derived by multiplying the volumes delivered during each month of a test year by the variances between the utility price in effect and ECG's actual purchased gas costs per unit during each month of a test year.

- Whenever a recalculated utility price comes into effect at the beginning of a quarter, the opening balance of gas in storage would be adjusted at the same time in order to reflect the recalculated utility price. The resultant debits or credits, as the case may be, would be recorded in the PGVA as commodity-related entries.

- Whenever a recalculated utility price comes into effect during a test year, the forecast balance in the PGVA as of the end of the test year would be adjusted to account for this price and the consequential gas storage inventory adjustment.

- For the purpose of determining whether the PGVA would be cleared commencing in the second quarter, the adjusted year-end balance in the PGVA (when calculated near the end of the first quarter) would be further adjusted to account for any changes in upstream transportation tolls during the first quarter. If the further adjusted year-end balance, when translated into ¢/m^3 based on forecast consumption for the remainder of the test year, would exceed 0.5¢/m^3, the further adjusted year-end balance would be cleared during the remainder of the test year by means of a rate rider. This rate rider would become effective at the beginning of the second quarter and would specify, by rate class, the unit rate for all sales service customers.

- For the purpose of determining whether the PGVA would be cleared thereafter, the adjusted year-end balance in the PGVA (when calculated near the end of the second quarter or the third quarter, as the case may be) would be further adjusted to account for any changes in upstream transportation tolls during the quarter in question and for the amounts collected by means of the rate rider(s) in effect, if any, in the previous quarter(s). If the further adjusted year-end balance, when translated into ¢/m^3 based on forecast consumption for the remainder of the test year would exceed 0.5¢/m^3, the further adjusted year-end balance would be cleared by means of a rate rider. This rate rider would become effective at the beginning of the quarter in question and would specify, by rate class, the unit rate for all sales service customers. This rate rider would supersede the rate rider(s) in effect, if any, in the previous quarter(s) as of the beginning of the quarter in question.

- The unit rate for each rate class would be based on ECG's forecast of sales service for the remainder of the test year and, as such, would reflect the responsibility of each rate class for the year-end PGVA balances. At the end of the test year, however, ECG would recalculate the rate class responsibility using the most recent composition of the year-end PGVA balance and the most recent forecast of sales service on an annualized basis. The variances between the final year-end amount for each rate class and the amount recovered from the rate class by means of the rate rider(s), during the quarter(s) in question, would be charged or remitted, as the case may be, to customers in each rate class as a one-time adjustment. This adjustment would be effective coincident with the clearing of ECG's other variance accounts and its deferral accounts.

- Whenever there is a change in upstream transportation tolls during a quarter, ECG would record the consequential effect of the change in the PGVA. ECG would also adjust the delivery charges (for small volume customers) and the gas supply load balancing charges (for large volume customers), at the beginning of the next quarter, in order to account for the consequential effect of the changes in upstream transportation tolls.

<u>Regulatory Framework</u>

- ECG would provide the other parties, and other stakeholders in ECG's franchise area, with a notice inviting them to indicate whether and, if so, where they would like to receive service of each of ECG's applications seeking the Board's approval of a recalculated utility price for PGVA purposes, the corresponding gas supply charges for sales service, and also delivery charges and gas supply load balancing charges, and a rate rider (if any) clearing the PGVA balance. ECG would distribute a copy of the list of these interested parties, including their addresses for service, to the Board and each interested party. ECG would thereafter distribute updates of the list as changes occur.

- Whenever a recalculated utility price would come into effect at the beginning of a quarter subsequent to the first quarter of a test year, ECG would promptly file with the Board, and serve on each interested party, an application seeking approval of the recalculated utility price for PGVA purposes, the corresponding recalculated gas supply charges for sales service, and also delivery charges and gas supply load balancing charges, and the rate rider (if any) clearing the PGVA balance. Any interested party must file responsive comments on the application with the Board, and serve them on ECG and the other interested parties, within seven days after service of ECG's application. ECG must do likewise with reply comments on any interested party's responses within seven days after service. The Board would thereafter issue an order approving the applied-for utility price, gas supply charges, gas distribution and load balancing charges, and rate rider (if any), or modifying them as required, effective as of the beginning of the quarter.

Cost Allocation

- ECG undertakes to conduct a cost allocation study of its gas supply management costs between system gas customers, on the one hand, and direct purchase customers on the other. ECG would use the fully allocated costing methodology, for this purpose, and would file the study for examination in the next rates case.

- ECG also undertakes to retain a consultant to ascertain the costs of managing system gas as a discrete business, on a so-called "stand-alone" basis, and how these costs would vary from the costs allocated to system gas customers in the study. ECG would file the consultant's report for examination in the next rates case. ECG will establish the 2001 Independent Consultant Assessment and Report Deferral Account (see Issue 11.3 at p. 44) for the purpose of recording the consultant's fees and expenses; however, clearance of the recorded balance would be examined in the next rates case.

Pricing Information

- The monthly Enbridge bill would display the gas supply charges for sales service and the rate rider (if any) in effect for the month, and the total of the two when there is a rate rider, expressed in ¢/m^3 in each case. ECG would ensure that customers are given a clear explanation, by means of a message on the bill or a bill insert, of the pricing information displayed on the bill and, whenever the pricing information changes, of the significance of the changes.

- ECG would post on its website, promptly after receiving the Board’s order in this regard, information on the gas supply charges for sales service and the rate rider (if any), and the total of the two when there is a rate rider, expressed in ¢/m^3 in each case. ECG would also post, on a monthly basis, the forecast year-end balance in the PGVA translated into ¢/m^3, for each rate class, based on forecast consumption for the test year. ECG would provide on its website a meaningful description of the posted information so as to inform customers of its significance, in plain language, and of the significance of changes in the posted information whenever change occurs.

- ECG’s website would provide links to other websites, such as energyshop.com, that provide prices and other information on competitive gas services in ECG's franchise area.

- ECG would also make similar information available, through an additional branch, on ECG’s Curtailment and Buy/Sell Information Line on a timely basis.

Implementation Schedule

- The new methodology would supersede ECG's trigger methodology, and the related rate adjustment mechanism, on October 1, 2001 (see Issue 2.5 at p. 20). The first time adjustments and clearances could occur, then, is the quarter beginning January 1, 2002.

- The implementation of the new methodology is subject to the following conditions:

    - ECG will monitor and record customer response to the new methodology, the consequential effect on customer care costs, and the incremental costs arising from administering the new methodology.

    - The new methodology, including the 0.5¢/m^3 adjustment and clearance thresholds, will be examined thoroughly in the light of the eight principles enumerated earlier in this settlement. This examination will occur in ECG's next rates case following Fiscal 2002 or, instead, in a proceeding held for the purpose subsequent to Fiscal 2002. ECG will prepare and file, for this purpose, a report on customer response, customer care costs, and administrative costs. ECG will also prepare and file a consequential recommendation on adjusting or maintaining, as the case may be, the size of the adjustment and clearance thresholds.

    - ECG will be entitled to record the costs of customer communication and education activities during the Test Year and Fiscal 2002 in the Customer Communication Plan Deferral Account.

The following parties agree with the settlement: ECG, AES, CEED, CAC, HVAC, IGUA, OESC, Schools, THES, and VECC.

The following parties disagree with the settlement: none.

The following parties take no position on the issue: none.

2.3 ECG's Risk Management Program for gas supply on a prospective basis (*per* Issue 1 of the EB-2000-0317 Settlement Proposal dated November 28, 2000).
(Complete Settlement)

The following parties participated in the discussion of this issue: ECG, AES, CAC, IGUA, OESC, Schools, THES, and VECC.

There is an agreement to settle this issue on the following basis:

- ECG's Risk Management Program that is outlined in the pre-filed evidence (A-14-1, paras. 44-48) and an interrogatory response (I-3-16), including the gas cost consequences, is accepted by the other parties in its current format for the Test Year.

- ECG and the other parties nevertheless consider that it would be timely, in the light of current market conditions, to form a working group to examine the principles that now underpin ECG's Risk Management Program. The members of the working group would be representative of ECG's stakeholder community and, therefore, small in number. ECG would reimburse the members of the working group for their reasonable costs of participation provided, however, they are eligible for costs under the criteria that are enumerated in the Board's *Cost Eligibility Guideline.* ECG would record these costs in a deferral account for clearance in the next rates case.

- If the members of the working group reach a consensus that change is necessary or desirable, or both, they would also try to reach consensus on the nature of the corresponding change(s) so as to formulate a new set of principles.

- If they reach consensus in this regard, ECG would retain a consultant to ascertain whether and, if so, how the policies and practices comprising the Risk Management Program should be changed in order to suit the new set of principles. ECG would file the consultant's report for examination in the next rates case, if it is completed by then, or in the following rates case. ECG will establish the 2001 Working Group-Risk Management Program Deferral Account (see Issue 11.3 at p. 44) for the purpose of recording the consultant's fees and expenses; however, clearance of the recorded balance would be examined in ECG's next rates case.

- On the other hand, if the members of the working group are unable to formulate a new set of principles, then ECG's current set of principles, together with the policies and practices that now comprise the Risk Management Program, will be examined in the context of ECG's next rates case.

The following parties agree with the settlement: ECG, AES, CAC, IGUA, OESC, Schools, THES, and VECC.

The following parties disagree with the settlement: none.

The following parties take no position on the issue: none.

2.4 ECG's request for approval to continue a 50:50 sharing ratio for the amount attributable to the net costs of underutilizing the Link Pipeline, as between customer and shareholder (*per* Issue 3.1 of the EB-2000-0234 Settlement Proposal dated September 1, 2000).

(Complete Settlement)

The following parties participated in the discussion of this issue: ECG, CEED, CAC, IGUA, OESC, Schools, and VECC.

There is an agreement to settle this issue on the following basis:

- ECG's proposal to continue the 50:50 sharing ratio of the net costs of underutilizing the Link Pipeline (A-12-1, para. 31), as between customer and shareholder, is accepted by the other parties for the Test Year, for the reasons given in the supporting evidence, but without prejudice to their right to examine the issue of customer responsibility for underutilization of the Link Pipeline in ECG's next rates case.

The following parties agree with the settlement: ECG, CAC, IGUA, OESC, and Schools.

The following parties disagree with the settlement: none.

The following parties take no position on the issue: CEED and VECC.

2.5 The continuance of ECG's trigger methodology and the related rate adjustment mechanism (*per* Issue 3.2 of the EB-2000-0234 Settlement Proposal dated September 1, 2000) or the appropriateness of its replacement through the introduction of a revised gas cost rate adjustment mechanism.
(Complete Settlement)

The following parties participated in the discussion of this issue: ECG, AES, CEED, CAC, IGUA, OESC, Schools, THES, and VECC.

There is an agreement to settle this issue on the following basis:

- ECG's trigger methodology, and the related rate adjustment mechanism, are continued only until September 30, 2001 in the light of the settlement of Issue 2.2 (p. 13).

The following parties agree with the settlement: ECG, AES, CEED, CAC, IGUA, OESC, Schools, THES, and VECC.

The following parties disagree with the settlement: none.

The following parties take no position on the issue: none.

2.6 The appropriateness of curtailing customers to maintain and/or replenish storage inventories as of January 31, 2001.
- and -

2.7 The methodology for determining the price to be paid to curtailed customers for their delivered volumes effective October 1, 2000, including the true-ups and PGVA implications.
(Complete Settlement)

The following parties participated in the discussion of these issues: ECG, AES, CEED, CAC, IGUA, OAPPA, OESC, Schools, THES, and VECC.

There is an agreement to settle these issues on the following basis:

- ECG's practice of curtailing interruptible customers in order to purchase their gas, as a means of maintaining (but not replenishing) storage inventories as of January 31st and at other inventory control points during the winter season, is accepted by the other parties for the reasons given in the supporting evidence.

- The price payable by ECG for gas purchased from interruptible customers in any month subsequent to September 2001, as a result of curtailment, will be equal to the price that is reported for the month, in the first issue of the *Natural Gas Market Report* published by Canadian Enerdata Ltd. during the month, as the "current" "Avg." (i.e., average) "Alberta One-Month Firm Spot Price" for "AECO ‘C’ and Nova Inventory Transfer" in the table entitled "Domestic spot gas prices".

- This price may result in a reduced level of curtailment by ECG because there may be no price advantage for other customers and, if so, interruptible service would provide less value to firm service customers. ECG undertakes to analyse the rate differential between firm service and interruptible service, in any event, and to file the analysis for examination in the rates case for Fiscal 2003.

The following parties agree with the settlement: ECG, AES, CEED, CAC, IGUA, OAPPA, OESC, Schools, THES, and VECC.

The following parties disagree with the settlement: none.

The following parties take no position on these issues: none.

The following evidence supports the settlement of the Gas Costs and Transportation issues:

A-14-1	Gas Costs & Transportation
A-21-1	System Gas
D3-2-1	Summary of Gas Cost of Operations
D3-2-2	Summary of Storage and Transportation Costs Fiscal 2000-2001
D3-2-3	Canadian Peak Day Supply Mix
D3-2-4	Monthly Pricing Information
D4-2-1	Summary of Gas Cost to Operations Year ended September 30, 2000
D4-2-2	Summary of Storage & Transportation Costs Fiscal 1999-2000

D4-2-3	Canadian Peak Day Supply Mix - 2000
D5-2-2	Canadian Peak Day Supply Mix - 1999
D5-2-3	Summary of Gas Cost to Operations Year ended September 30, 1999
D5-2-4	Summary of Storage & Transportation Costs Fiscal 1998-1999
I-1-37, I-1-67	Board Staff Interrogatories # 37, and 67
I-2-1 to I-2-6	AES Interrogatories # 1 to 6
I-3-11 to I-3-17	CAC Interrogatories # 11 to 17
I-4-1 to I-4-69, I-4-85 to I-4-94	CEED Interrogatories # 1 to 69, and 85 to 94
I-9-48 to I-9-54	IGUA Interrogatories # 48 to 54
I-11-1 to I-11-6, I-11-36 to I-11-37	VECC Interrogatories # 1 to 6, and 36 to 37
L-2-1	Evidence of AES
L-4-1	Evidence of CEED
L-4-2	Evidence of Mark P. Stauft for CEED
L-9-1	Evidence of IGUA (pp. 15, 17).

COST OF CAPITAL

3.1 ECG's proposal to change the Board's Draft Guidelines on a Formula-Based Return on Common Equity for Regulated Utilities to reflect observed changes in bond market short and long yields.

(Complete Settlement)

The following parties participated in the discussion of this issue: ECG, CAC, IGUA, Schools, and VECC.

There is an agreement to settle this issue on the following basis:

- ECG proposed to calculate the allowed rate of return on common equity, for the Test Year, by using a spread of 34 basis points for the 30-year bond rate above the 10-year bond rate (A-10-1, paras. 16-17). The other parties did not accept ECG's proposal and, in the light of the settlements of Issues 5.1 through 5.3 (pp. 26-30), and 11.2 (p. 43), ECG withdraws its proposal.

- ECG is nevertheless concerned, along with most other gas utilities in Canada, that rates of return on common equity are too low to sustain a viable natural gas industry. ECG does acknowledge, however, the concerns of the other parties that any change(s) in the Board's *Draft Guidelines on a Formula-Based Return on Common Equity for Regulated Utilities* ("Guidelines") be examined in a comprehensive and generic manner.

- ECG is prepared to concur with 9.54% as the allowed rate of return on common equity for the Test Year, in the light of the foregoing, but without prejudice to ECG's right to make the same or any other proposal again on the determination of a fair rate of return on equity in subsequent rates cases or in any other forum. The value of 9.54% is derived by applying the Guidelines, as written, and using the September 2000 spread between the 10-year and the 30-year Government of Canada bonds.

The following parties agree with the settlement: ECG, CAC, IGUA, Schools, and VECC.

The following parties disagree with the settlement: none.

The following parties take no position on the issue: none.

The following evidence supports the settlement of the Cost of Capital issue:

A-10-1	Cost of Capital
E1-1-1	Capital Structure and Cost of Debt
E3-1-1	Cost of Capital 2001 Test Year
E4-1-1	Cost of Capital 2000 Bridge Year
E4-1-2	Analysis of the Cost of Capital 2000 Bridge Year
E5-1-1	Cost of Capital 1999 Historical
E5-1-2	Analysis of the Cost of Capital 1999 Historical
I-1-43, I-1-44, I-1-100, I-1-101	Board Staff Interrogatories # 43, 44, 100, and 101
I-9-25	IGUA Interrogatory # 25
I-11-7, I-11-8	VECC Interrogatories # 7, and 8
L-9-1	Evidence of IGUA (pp. 14-15)
L-9-2	Evidence of Hugh Johnson for IGUA (pp.3, 11-15, 19).

RATE BASE

4.1 ECG's forecast of customer additions for the 2001 Test Year, including the corresponding volumes.

(Complete Settlement)

The following parties participated in the discussion of this issue: ECG, CAC, IGUA, Schools, and VECC.

There is an agreement to settle this issue on the following basis:

- ECG proposed a budget of 49,316 customer additions for the Test Year (B3-2-3). Actual customer additions for the first six months are 26,491 whereas, for the same period, the budget is 24,088.

- ECG's forecast of customer additions of 49,316 for the Test Year is accepted by the other parties, for the reasons given in the supporting evidence, and therefore no volumetric adjustment is required (see Issue 1.1 at p. 8).

The following parties agree with the settlement: ECG, CAC, IGUA, Schools, and VECC.

The following parties disagree with the settlement: none.

The following parties take no position on the issue: none.

4.2 ECG's Capital Budget for the 2001 Test Year.
(Complete Settlement)

The following parties participated in the discussion of this issue: ECG, CAC, HVAC, IGUA, Schools, and VECC.

There is an agreement to settle this issue on the following basis:

- ECG proposed a Capital Budget of $245.7 million for the Test Year (A-11-1). Actual capital expenditures for the first six months of the Test Year were $6 million over budget, for the same period, due mainly to the higher level of customer additions achieved during the period.

- ECG will reduce its Capital Budget for the Test Year by $10 million, from $245.7 million to $235.7 million, as a means of accommodating the concerns of the other parties about ECG's capital expenditures relative to budget in Fiscal 1999 and Fiscal 2000. The consequential effect of this reduction in capital expenditures is a reduction of rate base on a half-year effective average of averages basis of $4.5 million, resulting in a reduction of $0.4 million in the revenue requirement.

- The concern of certain parties about the presence of capital expenditures that could support, in part, affiliate outsourcing has been subsumed in the settlement of Issue 5.1 (p. 26).

The following parties agree with the settlement: ECG, CAC, HVAC, IGUA, Schools, and VECC.

The following parties disagree with the settlement: none.

The following parties take no position on the issue: none.

4.3 Reasonableness of 2001 Test Year Rate Base in regard to the transfer of ancillary programs and the outsourcing of customer care functions to affiliates.
(Complete Settlement)

The following parties participated in the discussion of this issue: ECG, CEED, CAC, HVAC, IGUA, Schools, and VECC.

There is an agreement to settle this issue on the following basis:

- ECG's proposed rate base for the Test Year, when reduced by $4.5 million *per* the settlement of Issue 4.2 (p. 24), is accepted by the other parties for the reasons given in the supporting evidence subject, however, to the non-utility rate base elimination approach to the non-utility use of utility-owned assets, *per* the settlement of Issue 5.1 (p. 26), that results in a further reduction of rate base in the amount of $39.4 million.

- The transfer of ancillary programs has no consequential effect on ECG's rate base for the Test Year.

The following parties agree with the settlement: ECG, CAC, HVAC, IGUA, Schools, and VECC.

The following parties disagree with the settlement: none.

The following parties take no position on the issue: CEED.

The following evidence supports the settlement of the Rate Base issues:

A-5-1	Budget Letter
A-7-1	Major Issues
A-7-2	Drivers of Deficiency
A-11-1	Capital Budget
B1-1-1	Utility Rate Base
B2-1-1	Impact of System Expansion Programs on (Deficiency)/Sufficiency
B2-2-1	Proposed Expansion Projects Additional to OEB Approved - 2000 Estimate and 1999 New Major Projects Exceeding $500,000
B2-2-2	2001 Budget - Proposed Expansion Projects
B2-2-3	Economic Feasibility Procedure and Policy
B2-3-1	Schedule of Depreciation Rates
B2-4-1	Societal Cost Test Results
B3-1-1	Utility Rate Base - Comparison of 2001 Test Year to 200 Bridge Year
B3-2-1	Comparison of Utility Capital Expenditures Budget 2001 and Estimated 2000
B3-2-2	2001 Capital Expenditures by Project (Projects Exceeding $500,000)
B3-2-3	Gross Customer Additions and Average Cost per Customer Addition Budget 2001 and Estimated 2000
B3-2-4	System Expansion Portfolio - 2001
B3-2-5	Net Book Value of Property, Plant & Equipment Transferred to an Affiliate
B3-2-6	Utility Opening Undepreciated Capital Cost 2001 Test Year
B3-3-1	Property, Plant and Equipment Summary Statement - Average of Monthly Averages 2001 Test Year
B3-4-1	Gas In Storage - Average of Monthly Averages 2001 Test Year
B3-4-2	Working Capital Components - Working Cash Allowance 2001 Test Year
B4-1-1	Utility Rate Base Comparison of 2000 Bridge Year to 2000 OEB Approved
B4-1-2	Utility Rate Base Comparison of 2000 Bridge Year to 1999 Historical Year
B4-2-1	Comparison of Utility Capital Expenditures Estimated 2000 and OEB Approved 2000
B4-2-2	2000 Capital Expenditures by Project (Projects Exceeding $500,000) Comparison of 2000 Estimate and OEB Approved 2000 Budget

B4-2-3	Gross Customer Additions and Average Cost per Customer Addition Estimated 2000 and OEB Approved Budget 2000
B4-2-4	System Expansion Portfolio - 2000
B4-2-5	Net Book Value of Property, Plant & Equipment Transferred to an Affiliate or Separated from the Utility as of October 1, 1999
B4-2-6	Utility Opening Undepreciated Capital Cost 2000 Bridge Year
B4-3-1	Property, Plant, and Equipment Summary Statement - Average of Monthly Averages 2000 Bridge Year
B4-4-1	Gas In Storage - Average of Monthly Averages 2000 Bridge Year
B4-4-2	Working Capital Components - Working Cash Allowance 2000 Bridge Year
B5-1-1	Utility Rate Base Comparison of 1999 Historical to 1999 OEB Approved
B5-1-2	Utility Rate Base Comparison of 1999 Historical to 1998 Historical Year
B5-2-1	Comparison of Utility Capital Expenditures Actual 1999 and OEB Approved 1999
I-1-45 to I-1-53, I-1-106, I-1-107	Board Staff Interrogatories # 45 to 53, 106, and 107
I-3-18, I-3-19, I-3-23	CAC Interrogatories # 18, 19, and 23
I-8-1 to I-8-3, I-8-6	HVAC Interrogatories # 1 to 3, and 6
I-9-4, I-9-26 to I-9-29	IGUA Interrogatories # 4, and 26 to 29
I-11-11	VECC Interrogatory # 11
L-9-1	Evidence of IGUA (pp. 14, 18).

AFFILIATE OUTSOURCING AND ASSET USAGE FEES

5.1 ECG's sharing of joint use assets with affiliates, including ECS, EI, and ESI: methodology and non-O&M cost consequences.

(Complete Settlement)

The following parties participated in the discussion of this issue: ECG, CEED, CAC, HVAC, IGUA, Schools, and VECC.

There is an agreement to settle this issue on the following basis:

- This settlement is an integral part of the overall settlement of Issues 5.1 through 5.3. The overall settlement, in turn, reflects the settlements of Issues 3.1 (p. 22), 9.1 (p. 38), and 11.2 (p. 43).

- ECG and the other parties initially disagreed on the approach to be used, for rate-making purposes, in order to account for the use of utility-owned assets by ECG's affiliates when providing services to ECG and other affiliates during the Test Year. ECG's affiliates in this context are Enbridge Inc. ("EI"), Enbridge Commercial Services Inc. ("ECS"), and Enbridge Services Inc. ("ESI"). ECG proposed to use an affiliate asset usage credit for this purpose. The other parties did not accept this approach and, instead, proposed a non-utility rate base elimination approach. The settlement of this issue represents a reasonable compromise for the Test Year.

- ECG initially proposed an adjustment of $6.9 million of the revenue requirement for the Test Year in this regard. ECG is now proposing to increase the adjustment by $2.4 million, to $9.3 million, as a means of reflecting a non-utility rate base elimination approach to utility-owned assets used by ECG's affiliates when providing services to ECG and other affiliates during the Test Year. Although the non-utility rate base elimination approach has been used to calculate the amount of the adjustment, ECG is not prepared to make a commitment to this approach beyond the Test Year because, at this point, ECG is in the midst of a transition process of reviewing the future use of utility-owned assets. The other parties accept a transitional process but, if there is any dispute between ECG and the other parties about the appropriate approach to take after the transition process is complete, the dispute will be resolved at the time.

- ECG undertakes to retain an independent consultant to assess and report on the basis for allocating rate base asset values to affiliates, and the accuracy of the allocated asset values, for Fiscal 2002. ECG will seek input from the other parties on the type of consultant, including the associated costs, and the precise scope of the consultant's mandate. ECG will file the consultant's report for examination in its next rates case. ECG will establish the 2001 Independent Consultant Assessment and Report Deferral Account (see Issue 11.3 at p. 44) for the purpose of recording the consultant's fees and expenses; however, clearance of the recorded balance would be examined in ECG's next rates case.

- ECG will continue to keep its records in accordance with the *Uniform System of Accounts* and, as required, section 2.8 of the *Affiliate Relationships Code for Gas Utilities*.

The following parties agree with the settlement: ECG, CAC, HVAC, IGUA, Schools, and VECC.

The following parties disagree with the settlement: none.

The following parties take no position on the issue: CEED.

5.2 ECG's transfer of assets to, and procurement of services from, affiliates, including ECS and EI: methodology and non-O&M cost consequences.

(Complete Settlement)

The following parties participated in the discussion of this issue: ECG, CEED, CAC, DEML, HVAC, IGUA, Schools, and VECC.

There is an agreement to settle this issue on the following basis:

- This settlement is an integral part of the overall settlement of Issues 5.1 through 5.3. The overall settlement, in turn, reflects the settlements of Issues 3.1 (p. 22), 9.1 (p. 38), and 11.2 (p. 43).

- ECG's transfer of $8.6 million of assets to affiliates, including ECS and EI, at net book value is accepted by the other parties, for the reasons given in the supporting evidence, but without prejudice to their ability to assert that additional assets be transferred in the future.

- ECG's procurement of services from affiliates, including ECS and EI, during the Test Year does not have any non-O&M cost consequences, except as contemplated by the settlement of Issue 5.1.

- The other parties are concerned about the transfer pricing for services procured by ECG from its affiliates notwithstanding ECG's assurances of compliance with the *Affiliate Relationships Code for Gas Utilities*. They have particular concern about ECG's interpretation of "cost-based prices" where used instead of, or as a proxy for, market-based prices when the latter cannot be ascertained. These parties accordingly reserve their right to examine ECG's pricing methodology and calculations, for rate-making purposes, at the time of re-basing following the conclusion of ECG's Targeted Performance Based Regulation ("TPBR") Plan.

The following parties agree with the settlement: ECG, CAC, DEML, HVAC, IGUA, Schools, and VECC.

The following parties disagree with the settlement: none.

The following parties take no position on the issue: CEED.

5.3 Reasonableness of amounts recorded in the Outsourcing Plan Deferral Account and ECG's proposal to defer clearance.

(Complete Settlement)

The following parties participated in the discussion of this issue: ECG, CEED, CAC, HVAC, IGUA, Schools, and VECC.

There is an agreement to settle this issue on the following basis:

- This settlement is an integral part of the overall settlement of Issues 5.1 through 5.3. The overall settlement, in turn, reflects the settlements of Issues 3.1 (p. 22), 9.1 (p. 38), and 11.2 (p. 43).

- The Outsourcing Plan Deferral Account ("OPDA") has a credit amount ($5.4 million) and a debit amount ($5.7 million). The credit amount is ECG's calculation of the revenue requirement impact of ECS's 50% use of utility-owned assets when providing services to affiliates other than ECG during the period from January 1, 2000 through September 30, 2000, whereas the debit amount is ECG's calculation of a CIS Z-factor for the same period.

- ECG and the other parties initially disagreed on the regulatory treatment of the OPDA. ECG proposed to offset one amount against the other, creating a net debit of $0.3 million, and to defer clearance of the OPDA. The other parties proposed to remove the debit amount, to use the non-utility rate base elimination approach to double the credit amount to $10.8 million in order to reflect ECS's full use of utility-owned assets when providing services to ECG and other affiliates, and to clear the OPDA at the usual time. They also proposed to add $0.1 million to reflect EI's use of utility-owned assets when providing services to ECG and other affiliates during the same period.

- ECG will remove the debit amount of $5.7 million from the OPDA (see Issue 9.2 at p. 39). ECG will add $0.1 million to the credit amount of the OPDA. The resultant balance in the OPDA is a credit amount of $5.5 million. The other parties withdraw their proposal to double the credit amount of the OPDA.

- ECG withdraws its proposal to defer the clearance of the OPDA and, as a result, the OPDA will be cleared at the same time as ECG's other deferral and variance accounts for Fiscal 2000 (see Issue 11.1 at p. 41). The credit amount will be allocated to rate classes on the same basis as rate base assets.

The following parties agree with the settlement: ECG, CAC, HVAC, IGUA, Schools, and VECC.

The following parties disagree with the settlement: none.

The following parties take no position on the issue: CEED.

The following evidence supports the settlement of the Affiliate Outsourcing and Asset Usage Fees issues:

A-18-1	Affiliate Outsourcing and Asset Usage Fees
I-1-12 to I-1-27, I-1-99, I-1-108, I-1-109	
	Board Staff Interrogatories # 12 to 27, 99, 108, and 109
I-3-24, I-3-25	CAC Interrogatories # 24, and 25
I-6-1 to I-6-6	DEML Interrogatories # 1 to 6
I-8-6 to I-8-9	HVAC Interrogatories # 6 to 9
I-9-5 to I-9-11, I-9-14, I-9-15, I-9-36 to I-9-46, I-9-59 to I-9-70	
	IGUA Interrogatories # 5 to 11, 14, 15, 36 to 46, and 59 to 70

I-11-12 to I-11-18, I-11-41, I-11-42
VECC Interrogatories # 12 to 18, 41, and 42
L-9-1 Evidence of IGUA (pp. 2-10, 12-13, 17)
L-9-2 Evidence of Hugh Johnson for IGUA (pp. 2-11,19).

PBR O&M

6.1 Review of the specific results of the Company's Service Quality Indicators for fiscal year 2000 and any proposed changes (*per* Board direction, Para. 3.0.22, EBRO 497-01).

(Complete Settlement)

The following parties participated in the discussion of this issue: ECG, CEED, CAC, IGUA, Schools, and VECC.

There is an agreement to settle this issue on the following basis:

- The specific results of ECG's Service Quality Indicators ("SQI's) for Fiscal 2000 are accepted by the other parties, for the reasons given in the supporting evidence.

- There are no proposed changes in ECG's SQI's for the Test Year.

The following parties agree with the settlement: ECG, CAC, IGUA, Schools, and VECC.

The following parties disagree with the settlement: none.

The following parties take no position on the issue: CEED.

6.2 Verification of adjustments to the O&M Base for actual inflation and growth factors.

(Complete Settlement)

The following parties participated in the discussion of this issue: ECG, CAC, IGUA, Schools, and VECC.

There is an agreement to settle this issue on the following basis:

- ECG proposed to include $2.3 million of adjustments to the PBR O&M Base representing a true-up of customer growth and inflation for Fiscal 2000. This true-up was previously authorized by the Board, in its EBRO 497-01 Decision with Reasons, and represents the difference between actual and forecast results for customer growth and inflation. Factors approved by the Board in its RP-1999-0001 Decision with Reasons, for Fiscal 2000, were 3.53% for customer growth and 1.60% for inflation; actual values experienced were 3.45% for customer growth and 2.70% for inflation.

- ECG's proposal to adjust the O&M Base for Fiscal 2000 by using actual inflation and customer growth factors is accepted by the other parties, for the reasons given in the supporting evidence, and ECG's O&M expenses for the Test Year will be calculated accordingly.

The following parties agree with the settlement: ECG, CAC, IGUA, Schools, and VECC.

The following parties disagree with the settlement: none.

The following parties take no position on the issue: none.

6.3 ECG's proposed customer growth factor and inflation factor for the 2001 Test Year.
(Complete Settlement)

The following parties participated in the discussion of this issue: ECG, CAC, IGUA, Schools, and VECC.

There is an agreement to settle this issue on the following basis:

- ECG proposed customer growth and inflation factors of 3.45% and 2.70%, respectively. The forecast customer growth factor is based upon an increase in the average number of bills of 51,009 from the actual level recorded in Fiscal 2000 of 1,479,511. The inflation factors were derived from a consensus forecast of the Ontario consumer price index that was prepared in October 2000; the forecasters are those approved in the EBRO 497-01 proceeding.

- ECG's proposed customer growth factor of 3.45% for the Test Year is accepted by the other parties, for the reasons given in the supporting evidence, and ECG's O&M expenses for the Test Year will be calculated accordingly.

- ECG's proposed inflation factor of 2.7% for the Test Year is reduced to 2.6%, in the light of the March 2001 consensus forecast of the Ontario consumer price index, and ECG's O&M expenses for the Test Year will be calculated accordingly. The consequential effect of this reduction is $0.2 million.

The following parties agree with the settlement: ECG, CAC, IGUA, Schools, and VECC.

The following parties disagree with the settlement: none.

The following parties take no position on the issue: none.

6.4 Symmetry and materiality criteria for Z-factor items.
(Complete Settlement)

The following parties participated in the discussion of this issue: ECG, CEED, CAC, HVAC, IGUA, Schools, and VECC.

There is an agreement to settle this issue on the following basis:

- ECG originally proposed a Z-factor for "rate hearing expenses" of $0.4 million; that is, the costs of the Board that are allocated and billed to ECG by the Ministry of Energy, Science and Technology ("MEST"). This Z-factor represented ECG's forecast of the amount by which MEST's bill would exceed the level of the Board's costs that are already captured in the O&M base. MEST subsequently billed ECG $0.9 million in excess of the amount captured in the O&M Base and, in consequence, the Z-factor was increased to $0.9 million.

- ECG's current Z-factor for rate hearing expenses of $0.9 million is accepted by the other parties, for the reasons given in the supporting evidence, and in return ECG will establish the 2001 Ontario Energy Board Costs Variance Account (see Issue 11.3 at p. 44). ECG would record in this variance account any refund or credit, as the case may be, that MEST may issue to ECG in relation to the costs of the Board previously paid by ECG for the Test Year.

- The other parties are concerned about the apparent asymmetry in ECG's budgeting process for Z-factors; for example, the budget letter for the test year (A-5-1) refers to costs but not to savings. ECG's budget letters henceforth will direct management to be alert for savings as well as costs in the budgeting process for Z-factors. There will be a directive for Z-factor symmetry, in other words, in future budget letters. Management's response to the directive, moreover, will be subject to examination in ECG's next rates case.

- In the light of the foregoing, materiality criteria for Z-factor items need not be addressed in the Test Year.

- ECG and the other parties subscribe to the principle that no party should benefit at the expense of the others on the amount of the Board's costs allocated and billed to ECG; these costs are beyond the control of ECG and the other parties. There is a need, therefore, to develop a mechanism whereby ECG would recover only the Board's costs that are allocated and billed by MEST to ECG. ECG undertakes to develop such a mechanism for examination in the next rates case.

The following parties agree with the settlement: ECG, CAC, HVAC, IGUA, Schools, and VECC.

The following parties disagree with the settlement: none.

The following parties take no position on the issue: CEED.

6.5 Verification of Corporate Branding expense exclusion of $4.4 million from O&M Base in 1999.
(Complete Settlement)

The following parties participated in the discussion of this issue: ECG, CEED, CAC, HVAC, IGUA, Schools, and VECC.

There is an agreement to settle this issue on the following basis:

- ECG's explanation that the corporate branding expense of $4.4 million was an unbudgeted cost, and therefore was not included in either the Board approved O&M expense budget (unbundled) for Fiscal 1999 or the O&M Base, is accepted by the other parties for the reasons given in the supporting evidence.

The following parties agree with the settlement: ECG, CAC, HVAC, IGUA, Schools, and VECC.

The following parties disagree with the settlement: none.

The following parties take no position on the issue: CEED.

The following evidence supports the settlement of the PBR O&M issues:

A-9-1	PBR O&M
B4-2-3	Gross Customer Additions and Average Cost per Customer Addition Estimated 2000 and OEB Approved Budget 2000
D1-1-1	Utility Cost of Service
D2-1-1	Service Quality Indicators - Report
D3-1-1	Cost of Service 2001 Test Year
D3-1-2	Cost of Service Comparison of Utility Cost and Expenses Budget 2001 and Estimate 2000
D4-1-1	Cost of Service 2000 Bridge Year
D4-1-2	Cost of Service Comparison of Utility Costs and Expenses Estimate 2000 and Actual 1999
D4-1-3	Cost of Service Comparison of Utility Costs and Expenses Estimate 2000 and OEB Approved Budget 2000
D5-1-1	Cost of Service 1999 Historical
D5-1-1	Explanation of Adjustments to Consolidated Revenue, 1999 Historical
D5-1-2	Cost of Service Comparison of Utility Costs and Expenses Actual 1999 and OEB Approved Budget 1999
I-1-35, I-1-36, I-1-38 to I-1-42, I-1-104, I-1-110	Board Staff Interrogatories # 35, 36, 38 to 42, 104, and 110
I-3-26 to I-3-29	CAC Interrogatories # 26 to 29
I-4-81 to I-4-84, I-4-95	CEED Interrogatories # 81 to 84 and 95
I-8-10, I-8-11	HVAC Interrogatories # 10 and 11

I-9-20 to I-9-24, I-9-69, I-9-85
IGUA Interrogatories # 20 to 24, 69, and 85
L-9-1 Evidence of IGUA (pp. 13-14).

TRANSACTIONAL SERVICES

7.1 ECG's request for approval of the 2001 forecast of Net Revenue for Transactional Services.

(Complete Settlement)

The following parties participated in the discussion of this issue: ECG, CAC, IGUA, Schools, and VECC.

There is an agreement to settle this issue on the following basis:

- ECG’s original pre-filed evidence (August 11, 2000) indicated a Gross Margin of $5.6 million and marginal O&M costs of $0.672 million. ECG's updated evidence (January 31, 2001) indicates $7.876 million for Gross Margin and marginal O&M costs of $0.638 million.

- ECG has recorded, for the first six months of the Test Year, $8.8 million of Gross Margin. Signed business for the Test Year was $10.7 million, as of the beginning of the Settlement Conference, and the forecast was an additional $2.0 million, for a total of $12.7 million, by the end of the Test Year.

- In the light of the foregoing, the forecast of Gross Margin for the Test Year will be increased by $2.824 million, from $7.876 million to $10.7 million, with no corresponding increase in marginal O&M expenses of $0.638 million.

- The resultant forecast of Net Revenue for the Test Year is $10.062 million. This amount will be allocated on the basis of the existing sharing ratio in this regard, namely 90% to the customer and 10% to the shareholder.

- The sharing ratio applicable to the clearance of a credit balance in the Transactional Services Deferral Account for the Test Year (“2001 TSDA”) is the existing sharing ratio in this regard, namely 75% allocated to the customer and 25% allocated to the shareholder. The sharing ratio applicable to the clearance of a debit balance in the 2001 TSDA is also the existing sharing ratio in this regard, namely 100% allocated to the shareholder.

The following parties agree with the settlement: ECG, CAC, IGUA, Schools, and VECC.

The following parties disagree with the settlement: none.

The following parties take no position on the issue: none.

The following evidence supports the settlement of the Transactional Services issue:

A-13-1	Transactional Services
I-1-33, I-1-60, I-1-64	Board Staff Interrogatory # 33, 60, and 64
I-9-47, I-9-86	IGUA Interrogatories # 47, and 86
I-11-19, I-11-20	VECC Interrogatories # 19, and 20
L-9-1	Evidence of IGUA (p. 16).

DEMAND SIDE MANAGEMENT

8.1 The DSM budget for the 2001 Test Year.

(Complete Settlement)

The following parties participated in the discussion of this issue: ECG, CME, CAC, GEC, HVAC, IGUA, Pollution Probe, Schools, and VECC.

There is an agreement to settle this issue on the following basis:

- ECG's pre-filed evidence (A-16-1) included a Z-factor of $9.5 million for the DSM O&M budget for the Test Year; this amount was based on forecast gas savings of 45.2 10^6m^3. ECG's updated evidence includes a Z-factor of $11.0 million for the DSM O&M budget; this amount is based on forecast gas savings of 60.2 10^6m^3.

- The customer-oriented parties are concerned about the overall rate at which the DSM O&M costs are increasing relative to gas savings, the consequential impact on rates, and the extent to which ECG needs incentives to further control costs in this area.

- ECG's response to these concerns is two-fold. The DSM O&M budget (and thus the DSM Z-factor) is decreased by $0.5 million, from $11.0 million to $10.5 million, for the Test Year. ECG also undertakes to perform an incremental cost/benefit analysis of any overrun of the DSM O&M budget in the Test Year and thereafter; that is, an analysis of the debit amounts recorded in the Demand-Side Management Variance Account-Operating. This analysis would be used in allocating and clearing, as between the customer and the shareholder, the balance recorded in the variance account.

- ECG and the DSM Consultative will cooperate and work together in considering ways and means of determining a DSM O&M budget in advance of a test year. They will also consider the concerns expressed earlier in this settlement about DSM O&M costs. This work would be coordinated with the work referred to in the settlement of Issue 8.4 (p. 37).

The following parties agree with the settlement: ECG, CME, CAC, GEC, IGUA, Pollution Probe, Schools, and VECC.

The following parties disagree with the settlement: none.

The following parties take no position on the issue: HVAC.

HVAC reserves the right to obtain additional information on, and to request the Board to subsequently adjust, the DSM budget for the Test Year in the event the Board finds in another proceeding, and prior to the issuance of a final rate order in this proceeding, that ECG has used funds from the DSM Plan for the Test Year on activities that violate the *Affiliate Relationships Code for Gas Utilities.*

8.2 ECG's proposal to dispose of the balance recorded in the 1999 Shared Savings Mechanism Variance Account (SSM).

(Complete Settlement)

The following parties participated in the discussion of this issue: ECG, CME, CAC, GEC, IGUA, Pollution Probe, Schools, and VECC.

There is an agreement to settle this issue on the following basis:

- The EBRO 497-01 Settlement Proposal established the monitoring and reporting requirements for ECG's annual DSM Plan. The RP-1999-0001 Settlement Proposal modified these requirements in order to implement an independent evaluation process. There was, in the result, a constructive, open, and co-operative approach to the evaluation, verification, and audit of ECG's DSM Plan for Fiscal 1999, including the amount initially claimed by ECG for the Shared Savings Mechanism Variance Account for Fiscal 1999 ("1999 SSMVA"). This approach, in turn, led to a reduction of $2.0 million, from $6.8 million to $4.8 million, of the amount claimed for the 1999 SSMVA.

- The debit balance of $4.8 million recorded in the 1999 SSMVA will be allocated and cleared in accordance with the EBRO 497-01 Settlement Proposal.

The following parties agree with the settlement: ECG, CME, CAC, GEC, IGUA, Pollution Probe, Schools, and VECC.

The following parties disagree with the settlement: none.

The following parties take no position on the issue: none.

8.3 ECG's proposal to dispose of the fiscal year 2000 Lost Revenue Adjustment Mechanism (LRAM) account balance.

(Complete Settlement)

The following parties participated in the discussion of this issue: ECG, CME, CAC, GEC, IGUA, Pollution Probe, Schools, and VECC.

There is an agreement to settle this issue on the following basis:

- ECG proposed to clear the credit balance of $0.015 million recorded in the Lost Revenue Adjustment Mechanism for Fiscal 2000 ("2000 LRAM") at the usual time. The other parties, however, proposed to synchronize the clearance of the 2000 LRAM with the clearance of the Shared Savings Mechanism Variance Account for Fiscal 2000 ("2000 SSMVA").

- ECG accepts the proposal of the other parties and, in consequence, the 2000 LRAM and the 2000 SSMVA will accordingly be cleared in the context of ECG's next rates case (see Issue 11.3 p. 44).

The following parties agree with the settlement: ECG, CME, CAC, GEC, IGUA, Pollution Probe, Schools, and VECC.

The following parties disagree with the settlement: none.

The following parties take no position on the issue: none.

8.4 The volume target (pivot point) for the 2001 SSM.

(Complete Settlement)

The following parties participated in the discussion of this issue: ECG, CME, CAC, GEC, IGUA, Pollution Probe, Schools, and VECC.

There is an agreement to settle this issue on the following basis:

- ECG’s forecast of gas savings for the Test Year was 60.2 $10^6 m^3$. ECG’s actual gas savings for the first six months of the Test Year is 32.5 $10^6 m^3$.

- The forecast of gas savings in the DSM Plan for the Test Year is accordingly increased, by 10 $10^6 m^3$, to 70.2 $10^6 m^3$.

- The net benefit of ECG’s DSM plan for the Test Year is $103.33 million using, for this purpose, the forecast Societal Cost Test with an assumed zero dollar value for environmental externalities.

- ECG and the DSM Consultative will cooperate and work together in considering ways and means of determining the volume target (pivot point) in advance of a test year. This work would be coordinated with the work referred to in the settlement of Issue 8.1 (p. 35).

The following parties agree with the settlement: ECG, CME, CAC, GEC, IGUA, Pollution Probe, Schools, and VECC.

The following parties disagree with the settlement: none.

The following parties take no position on the issue: none.

The following evidence supports the settlement of the Demand Side Management issues:

A-16-1	Demand Side Management
A-16-2	1999 Demand Side Management Program Evaluation
I-1-62, I-1-71 to I-1-73, I-1-111	Board Staff Interrogatories # 62, 71 to 73, and 111
I-3-30 to I-3-34	CAC Interrogatories # 30 to 34
I-5-1 to I-5-10	CME Interrogatories # 1 to 10
I-7-1 to I-7-11	GEC Interrogatories # 1 to 11
I-10-1, I-10-2	Pollution Probe Interrogatories # 1 and 2
L-7-1	Evidence of Chris Neme for GEC.

CUSTOMER INFORMATION SYSTEM (CIS)
9.1 ECG's request to recover the cost of CIS service as a Z-factor in the 2001 Test Year.
(Complete Conditional Settlement)

The following parties participated in the discussion of this issue: ECG, CEED, CAC, HVAC, IGUA, Schools, and VECC.

There is an agreement to settle this issue on the following basis:

- ECG proposed a CIS Z-factor of $8.5 million (A-9-1 and A-20-1) to recover fees that are payable by ECG to ECS for CIS services, adjusted for offsetting credits, during the Test Year. ECG retained MICON Inc. to perform a detailed assessment of the functional capabilities and value of ECG's CIS service arrangement relative to other comparable hosted CIS service arrangements employed by energy distribution utilities. The MICON report (A-20-2) indicates that “the service level targets and associated cost of service that ECG is paying for the CIS solution are reasonable and competitive”.

- The other parties do not accept ECG's proposal to recover the cost consequences of CIS service for the Test Year, as an O&M expense under the TPBR Plan, by means of a

Z-factor. They do recognize, however, that the CIS service provided to ECG by ECS has ongoing value to ECG in providing service to customers.

- ECG is prepared to withdraw the CIS Z-factor for the Test Year, in the light of the settlements of Issues 5.1 through 5.3 (pp. 26-30) and 11.2 (p. 43), notwithstanding that ECG will continue to pay ECS for the CIS services received during the Test Year.

- The settlement of this issue is subject to the following conditions:

    - the cost consequences associated with customer care, and the resultant benefits to customers, will be examined for the purpose of setting the O&M Base under ECG's forthcoming Comprehensive Performance Based Regulation ("CPBR") Plan; and

    - ECG has the right to seek recovery of the cost consequences of CIS service for Fiscal 2002, regardless of the status of the CPBR Plan, and the other parties have the right to oppose such recovery.

The following parties agree with the settlement: ECG, CAC, HVAC, IGUA, Schools, and VECC.

The following parties disagree with the settlement: none.

The following parties take no position on the issue: CEED.

9.2 ECG's conditional request to recover the amount of $5.7 million of CIS costs for the fiscal year 2000 in the Outsourcing Plan Deferral Account.
(Complete Settlement)

The following parties participated in the discussion of this issue: ECG, CEED, CAC, HVAC, IGUA, Schools, and VECC.

There is an agreement to settle this issue on the following basis:

- In its Decision with Reasons (June 29, 2000) on the motion of IGUA, CAC, and VECC, the Board indicated (para. 4.15 at p. 16) that it was not prepared to issue a procedural order to deal with the issues brought forward by the motion but, rather, would deal with these issues in ECG’s next rates case.

- ECG indicated during the hearing of the motion (Tr. 78-79) that, if the RP-1999-0001 Decision with Reasons was to be reopened, as the moving parties requested, ECG should be allowed to argue for the recovery of CIS costs. ECG consequently recorded, in the 2000 OPDA, a CIS Z-factor in the amount of $5.7 million for Fiscal 2000.

- The other parties do not accept ECG's rationale in this regard. They assert, moreover, that the recording of the CIS Z-factor in the OPDA contravened the Board's decision on the motion.

- ECG is prepared, in the light of the settlements of Issues 5.1 through 5.3 (pp. 26-30) and 11.2 (p. 43), to remove the $5.7 million debit attributable to CIS for Fiscal 2000 from the OPDA (see Issue 5.3 at p. 28).

The following parties agree with the settlement: ECG, CAC, HVAC, IGUA, Schools, and VECC.

The following parties disagree with the settlement: none.

The following parties take no position on the issue: CEED.

The following evidence supports the settlement of the Customer Information System issues:

A-20-1	Customer Information System ("CIS")
A-20-2	CIS - Consultant Report
I-1-89, I-1-90	Board Staff Interrogatories # 89, and 90
I-3-35 to I-3-39	CAC Interrogatories # 35 to 39
I-8-12 to I-8-16	HVAC Interrogatories # 12 to 16
I-9-71 to I-9-78	IGUA Interrogatories # 71 to 78
L-9-1	Evidence of IGUA (pp. 11-12).

DEFERRED TAXES

10.1 ECG's request to recover the $50 million in the notional deferred tax account over a ten year period starting in the 2001 Test Year, including the request to establish a new deferral account - the "Deferred Tax Notional Amount Variance Account". The cost consequence in the 2001 Test Year is $8.5 million before tax ($5.0 million after tax).

This issue was removed from the Issues List *per* the Board's letter to ECG dated April 24, 2001. The following is the text of the letter:

> In light of the Company's pending application to the Divisional Court for judicial review of the Board's decision in E.B.O. 179-14/15, the Panel in this proceeding has decided that Issue 10.1 on the Issues List (deferred taxes relating the removal of the water heater rental program) is removed from the Issues List and will not be dealt with in this proceeding. Accordingly, the Board expects the Company to exclude the $8.5 million provision for deferred taxes currently included in its revenue deficiency calculation.

ECG does not understand the Board's rationale for removing this issue from the Issues List. The notional utility account in the amount of $50.0 million is not, in ECG's view, the subject of ECG's application for judicial review of the Board's ruling, in EBO 179-14/15 Decision with Reasons (March 31, 1999), that effectively disallowed deferred taxes in the amount of $76.0 million for rate-making purposes. ECG notes, moreover, that the notice of application was filed with the Divisional Court on October 15, 1999 but, nevertheless, the Board subsequently took a decision on a similar issue in Phase 1 of the RP-1999-0001 proceeding (see “3.1 Deferred Income Taxes” at pp. 13-15 of the Board's Decision with Reasons dated December 16, 1999). ECG accordingly reserves the right to reopen the matter.

On the other hand, to the other parties, the rationale for removing this issue from the Issues List is obvious. In its application for judicial review, ECG is seeking an order setting aside the Board's EBO 179-14/15 Decision with Reasons in relation to the deferred taxes associated with the assets of ECG's former Rental Program. If the Divisional Court grants ECG's request and sets aside the Board's decision, then the notional utility account of $50 million will be set aside because it is an integral component of the Board's decision on deferred taxes. Accordingly, because ECG's application for judicial review could lead to a court order setting aside all of the integrated components of the Board's decision on deferred taxes, any draw down of the notional utility account is inappropriate at this time.

DEFERRAL AND VARIANCE ACCOUNTS

11.1 Amounts and disposition of balances in the fiscal 2000 deferral and variance accounts.

(Complete Settlement)

The following parties participated in the discussion of this issue: ECG, CME, CEED, CAC, GEC, HVAC, IGUA, Pollution Probe, Schools, and VECC.

There is an agreement to settle this issue on the following basis:

- ECG filed a summary of the actual deferral account and variance account balances for Fiscal 2000 (A-12-4). ECG proposed to recover from customers $4.356 million in principal and $1.462 million in interest for Fiscal 2000.

- ECG did not seek to clear the following deferral and variance accounts for Fiscal 2000:

    - 2000 Electronic Regulatory Filings Deferral Account (“2000 ERFDA);
    - 2000 Shared Savings Mechanism Variance Account (“2000 SSMVA”);
    - Customer Information System Deferral Account (“CISDA”);
    - Unbundling Business Activities Deferral Account (“UBADA”);

- Outsourcing Plan Deferral Account ("OPDA"); and
- 2000 Purchased Gas Variance Account (2000 "PGVA").

- The 2000 ERFDA, CISDA, and UBADA are not being cleared because the amounts recorded in them are being amortized in accordance with previous decisions or orders of the Board.

- The OPDA will now be cleared in accordance with the settlement of Issue 5.3 (p. 28).

- The 2000 PGVA was previously cleared in accordance with the Board's EB-2000-0234 interim rate order.

- The 1999 SSMVA will be cleared in accordance with the settlement of Issue 8.2 (p. 36).

- The clearing of the 2000 LRAM will be synchronized with the clearing of the 2000 SSMVA in accordance with the settlement of Issue 8.3 (p. 37). The balances recorded in both accounts, therefore, will be allocated and cleared in the context of ECG's next rates case.

- The balances recorded in the following deferral accounts and variance accounts established for Fiscal 2000, and the proposed clearance of such balances, are accepted by the other parties, for the reasons given in the supporting evidence:

  - 2000 Heating Value Differential Account;
  - 2000 Union Gas Deferral Account;
  - 2000 Transactional Services Deferral Account;
  - 2000 Deferred Rebate Account;
  - 2000 Generic Regulatory Hearings Deferral Account;
  - 2000 Class Action Suit Deferral Account;
  - 2000 Debt Redemption Deferral Account;
  - 2000 Municipal Taxes Variance Account;
  - 2000 Customer Communication Plan Deferral Account; and
  - 2000 Tax Rate Reduction Deferral Account.

- The debit balance recorded in the 2000 Demand-Side Management Variance Account-Operating ("2000 DSMVA"), and the allocation and clearance of such balance, is accepted by the other parties for the reasons given in the supporting evidence. HVAC reserves the right, however, to obtain additional information on, and to request the Board to adjust or disallow complete recovery from customers of, the 2000 DSMVA in the event that the Board finds in another proceeding, and prior to the issuance of a final rate order in this proceeding, that ECG has used funds from the DSM Plan for Fiscal 2000 on activities that violate the *Affiliate Relationships Code for Gas Utilities.*

- As a result of the foregoing, the allocation and clearance of the deferral account and variance account balances results in the following: a refund of principal to customers in the net amount of $1.511 million in principal to customers, a recovery of interest from customers for Fiscal 2000 in the amount of $1.345 million, and a recovery of interest from customers for the first nine months of the Test Year in the amount of $0.334 million assuming the Board's final rate order becomes effective July 1, 2001. The detail for each amount is provided in Appendix B.

The following parties agree with the settlement: ECG, CME (1999 SSMVA, 2000 LRAM, 2000 SSMVA, 2000 DSMVA), CEED, CAC, GEC (1999 SSMVA, 2000 LRAM, 2000 SSMVA, 2000 DSMVA), HVAC, IGUA, Pollution Probe (1999 SSMVA, 2000 LRAM, 2000 SSMVA, 2000 DSMVA), Schools, and VECC.

The following parties disagree with the settlement: none.

The following parties take no position on the issue: none.

11.2 ECG's request for approval to clear the debit balance in the Y2K Deferral Account.
(Complete Settlement)

The following parties participated in the discussion of this issue: ECG, CEED, CAC, HVAC, IGUA, Schools, and VECC.

There is an agreement to settle this issue on the following basis:

- ECG proposed to collect from customers the debit balance of $6.166 million in the 2000 Y2K Deferral Account ("2000 Y2KDA") as of September 30, 2000. Of this balance, $3.967 million represented funds spent in Fiscal 1998 and 1999. In the RP-1999-0001 Decision with Reasons, the Board determined that this amount would be cleared to ratepayers upon satisfactory evidence that the Y2K issue had been addressed with no material adverse service consequences to customers that could be reasonably traced to ECG's management.

- The Board directed that the amount recoverable from customers in relation to Fiscal 2000 Y2K costs be capped at $2.6 million. The disposition of this amount would be based on the prudence of expenditures and satisfactory evidence that the Y2K issue had been addressed with no material adverse service consequences to customers that could be reasonably traced to ECG's management.

- The debit balance recorded in the 2000 Y2KDA will be reduced by $0.352 million, from $6.166 million to $5.814 million, and will be cleared to customers for the following reasons:

  - The Y2K transition was successfully completed (A-15-1).

  - The remaining $2.199 million recorded in the 2000 Y2KDA represents the amount spent by ECG in Fiscal 2000 on the Y2K program. This amount will be reduced by $0.352 million, or 16%, to $1.847 million. This 16% reduction corresponds to ECG's proposed floor space allocation for ECS in the context of Issue 5.1 (p. 26). In the light of the settlements of Issues 3.1 (p. 22), 5.1 through 5.3 (pp. 26-30), and 9.1 (p. 38), the other parties accept this allocation factor for the purpose of quantifying the Y2K program expenditures attributable to utility-owned assets used by ECG's affiliates when providing services to ECG and other affiliates during Fiscal 2000.

The following parties agree with the settlement: ECG, CEED, CAC, HVAC, IGUA, Schools, and VECC

The following parties disagree with the settlement: none.

The following parties take no position on the issue: none.

11.3 Continuance or establishment of deferral and variance accounts for fiscal 2001.
(Complete Settlement)

The following parties participated in the discussion of this issue: ECG, CME, CEED, CAC, GEC, HVAC, IGUA, Pollution Probe, Schools, and VECC.

There is an agreement to settle this issue on the following basis:

- ECG's proposal to establish the following deferral and variance accounts for the 2001 Test Year, including the accounting methodology, is accepted by the other parties for the reasons given in the supporting evidence:

  - 2001 Purchased Gas Variance Account;
  - 2001 Heating Value Differential Account;
  - 2001 Union Gas Deferral Account;
  - 2001 Transactional Services Deferral Account;
  - 2001 Deferred Rebate Account;
  - 2001 Demand-Side Management Variance Account - Operating ("2001 DSMVA");
  - 2001 Generic Regulatory Hearings Deferral Account;

- 2001 Class Action Suit Deferral Account;
- 2001 Debt Redemption Deferral Account;
- 2001 Lost Revenue Adjustment Mechanism ("2001 LRAM");
- 2001 Electronic Regulatory Filings Deferral Account;
- 2001 Shared Savings Mechanism Variance Account ("2001 SSMVA");
- Customer Communication Plan Deferral Account;
- Deferred Tax Notional Amount – Variance Account;
- Unbundling Business Activities Deferral Account; and
- Customer Information System Deferral Account.

- The clearance of the Demand Side Management Variance Account - Operating and the Lost Revenue Adjustment Mechanism, and any other future DSM-related account(s) or mechanism(s), will henceforth be synchronized with the clearance of the Shared Savings Mechanism Variance Account.

- The following new deferral accounts and new variance account are established for the Test Year (N2-3-1):

  - 2001 Independent Consultant Assessment and Report Deferral Account (see Issue 2.2 at p. 13, Issue 2.3 at p. 18, and Issue 5.1 at p. 26);
  - 2001 Working Group-Risk Management Program Deferral Account (see Issue 2.3 at p. 18); and
  - 2001 Ontario Energy Board Costs Variance Account (see Issue 6.4 at p. 31).

- The amounts recorded in, and the clearance of, the new deferral accounts and the new variance account will be examined in ECG's next rates case.

The following parties agree with the settlement: ECG, CME (2001 DSMVA, 2001 LRAM, 2001 SSMVA), CEED, CAC, GEC (2001 DSMVA, 2001 SSMVA, 2001 LRAM), HVAC, IGUA, Pollution Probe (2001 DSMVA, 2001 LRAM, 2001 SSMVA), Schools, and VECC.

The following parties disagree with the settlement: none.

The following parties take no position on this issue: none.

The following evidence supports the settlement of the Deferral and Variance Accounts issues:

A-12-1	Deferral & Variance Accounts
A-12-2	2000 Outsourcing Plan Deferral Account
A-12-3	Proposed Clearing of the 2000 Deferral Accounts
A-12-4	Forecast Balances of the Fiscal 2000 Deferral and Variance Accounts

I-1-54 to I-1-66, I-1-69, I-1-70, I-1-112
Board Staff Interrogatories # 54 to 66, 69, 70, and 112

L-7-1	Evidence of Chris Neme for GEC
L-9-1	Evidence of IGUA (pp. 15, 17)
N2-3-1	Deferral and Variance Accounts Arising From Settlement.

FURTHER UNBUNDLING OF RATES AND SERVICES

12.1 ECG's unbundling discussion.

(Complete Settlement)

The following parties participated in the discussion of this issue: ECG, AES, CEED, CAC, IGUA, HVAC, OESC, Schools, and VECC.

There is an agreement to settle this issue on the following basis:

- An examination of the further unbundling of ECG's rates and services would be premature, in this proceeding, for the following reasons.
    - The Board has not released its Decision with Reasons in Union's last rates case (RP-1999-0017) in time for it to be considered by ECG and the other parties in the context of this proceeding.
    - The Board has scheduled an oral consultation for its proposed Gas Distribution Access Rule by letter dated May 10, 2001.
- ECG and the other parties accordingly see no purpose in ECG producing its witnesses for examination on its unbundling discussion.
- ECG undertakes to solicit meaningful input from all other interested parties, including CAC and VECC, in the course of developing its plans for further unbundling of rates and services.

The following parties agree with the settlement: ECG, AES, CEED, CAC, IGUA, HVAC, OESC, Schools, and VECC.

The following parties disagree with the settlement: none

The following parties take no position on the issue: none

COST ALLOCATION

13.1 Examination of the Company's Fully Allocated Cost Study, including the appropriateness of customer and rate classifications.

(Complete Settlement)

The following parties participated in the discussion of this issue: ECG, CEED, CAC, IGUA, OESC, Schools, and VECC.

There is an agreement to settle this issue on the following basis:

- ECG's Fully Allocated Cost Study for the Test Year, including the appropriateness of customer and rate classifications, is accepted by the other parties for the reasons given in the supporting evidence.

The following parties agree with the settlement: ECG, CAC, IGUA, OESC, Schools, and VECC.

The following parties disagree with the settlement: none.

The following parties take no position on the issue: CEED.

The following evidence supports the settlement of the Cost Allocation issue:

G1-1-1	Cost Allocation
G3-1-1	Fully Allocated Cost Study
G3-2-1	Revenue to Cost/Rate of Return Comparisons
G3-2-2	Revenue to Cost/Rate of Return Comparisons Excluding Gas Supply Commodity
G3-3-1	Functionalization of Utility Rate Base
G3-3-2	Functionalization of Utility Working Capital
G3-3-3	Functionalization of Utility Net Investments
G3-3-4	Functionalization of Utility O&M
G3-4-1	Classification of Rate Base
G3-4-2	Classification of Net Investment Costs
G3-4-3	Classification of O&M Costs
G3-5-1	Allocation of Rate Base September 30, 2001
G3-5-2	Allocation of Return & Taxes September 30, 2001
G3-5-3	Allocation of Total Cost of Service September 30, 2001
G3-6-1	Rate Base Functionalization Factors
G3-6-2	Classification of Gas Costs to Operations
G3-6-3	Allocation Factors
G3-6-4	Allocation of DSM Program Costs
G3-7-1	Tecumseh – Functionalization and Classification of Rate Base
G3-7-2	Tecumseh – Functional Allocation of Cost of Service
G3-7-3	Tecumseh – Classification of Cost of Service
G3-7-4	Tecumseh Gas Rate Derivation 2001 Test Year
G3-7-5	Tecumseh Gas Isolation of Transmission Related Rate Base 2001 Test Year
G3-7-6	Tecumseh Gas Isolation of Transmission Related Cost of Service 2001 Test Year
G3-7-7	Functionalization of Short Cycle Net Revenues to In/Ex Franchise Customers 2001 Test Year
G3-7-8	Functionalization of Premium for Full Cycle Storage to In/Ex Franchise Customers 2001 Test Year
G3-7-9	Functionalization of Rate 331 Revenues to In/Ex Franchise Customers
I-1-74 to I-1-76, I-1-102	Board Staff Interrogatories # 74 to 76 and 102
I-11-28, I-11-29	VECC Interrogatories # 28 and 29.

RATE DESIGN

14.1 Rate 300: ECG's proposal to bring the revenue to cost ratio up to 1:1 by redesigning the rate.

(Complete Settlement)

The following parties participated in the discussion of this issue: ECG, CEED, CAC, IGUA, OESC, Schools, THES, and VECC.

There is an agreement to settle this issue on the following basis:

- ECG’s proposal to bring the revenue to cost ratio for Rate 300 to unity (i.e., 1:1), thereby increasing the rate by 50% (approx.), is accepted by the other parties for the reasons given in the supporting evidence.

- The revenue to cost ratio of unity for Rate 300 is the ratio for customers who purchase service under Rate 300 on a year-round basis. The costs reflected in this ratio comprise only the costs imposed by these customers and, therefore, the revenues reflected in the ratio reflect only the revenues provided by these customers. The ratio is accordingly calculated by excluding, for this purpose, revenues provided by customers who only purchase service under Rate 300 as a means of accessing Curtailment Delivered Supply (“CDS”); that is, when service to them under Rate 145 or Rate 170 is curtailed. The costs imposed by these CDS customers are already included in Rate 145 and Rate 170.

- The revenue to cost ratio of 3.05:1 for Rate 300 (G3-2-1) includes revenues provided by CDS customers as well as year-round customers but, on the other hand, includes only the costs imposed by the latter. ECG will add a column, in future rates cases, that will show the revenue to cost ratio for CDS and the consequential effect on Rate 300.

- ECG’s proposal to restructure Rate 300 in order to increase the proportion of revenue recovered from the demand charges, and to remove seasonality from the delivery charges, is accepted by the other parties for the reasons given in the supporting evidence.

The following parties agree with the settlement: ECG, CAC, IGUA, OESC, Schools, THES, and VECC.

The following parties disagree with the settlement: none.

The following parties take no position on the issue: CEED.

14.2 Pressure Elevation Billing: ECG's proposal to apply pressure factors to volumes read from meters that do not correct for pressure.

(Complete Settlement)

The following parties participated in the discussion of this issue: ECG, CAC, IGUA, OESC, Schools, and VECC.

There is an agreement to settle this issue on the following basis:

- ECG's proposal to apply atmospheric pressure factors for residential service (Rate 1) customers, most general service (Rate 6) customers, and some large volume customers, and to adjust their metered volumes accordingly, is accepted by the other parties for the reasons given in the supporting evidence. The consequential effect on customers is *de minimus*.

The following parties agree with the settlement: ECG, CAC, IGUA, OESC, Schools, and VECC.

The following parties disagree with the settlement: none.

The following parties take no position on the issue: none.

14.3 Allocation of the distribution revenue deficiency.
(Complete Settlement)

The following parties participated in the discussion of this issue: ECG, CEED, CAC, IGUA, OESC, Schools, and VECC.

There is an agreement to settle this issue on the following basis:

- ECG's methodology for allocating the revenue deficiency/sufficiency among the customer rate classes for the Test Year, which comprises three stages, is accepted by the other parties for the reasons given in the supporting evidence.

The following parties agree with the settlement: ECG, CAC, IGUA, OESC, Schools, and VECC.

The following parties disagree with the settlement: none.

The following parties take no position on the issue: CEED.

- Rate 125: ECG's proposal to eliminate the minimum annual load factor.
(Complete Settlement)

The following parties participated in the discussion of this issue: ECG, AES, CEED, CAC, IGUA, OESC, Pollution Probe, Schools, TCPL, and VECC.

There is an agreement to settle this issue on the following basis:

- ECG's proposal to amend the rate schedule for Rate 125 by removing the requirement of a minimum annual load factor of 90% from the rate schedule, and the consequential removal of the words "High Load Factor" from the title of the rate schedule, are accepted by the other parties for the reasons given in the supporting evidence.

The following parties agree with the settlement: ECG, IGUA, OESC, Pollution Probe, Schools, and TCPL.

The following parties disagree with the settlement: none.

The following parties take no position on the issue: AES, CEED, CAC, and VECC.

- Rider A: ECG's proposal to change the Transportation Service Credit for Ontario ABC T-Service.

(Complete Settlement)

The following parties participated in the discussion of this issue: ECG, AES, CEED, CAC, IGUA, OESC, Schools, and VECC.

There is an agreement to settle this issue on the following basis:

- ECG's proposal to change Rider A to its rate schedules in relation to the Transportation Service Credit for one type of Ontario T-Service Arrangement, namely the type in which the customers have appointed an agent that also receives Agent Billing and Collection Service from ECG, is accepted by the other parties for the reasons given in the supporting evidence.

- ECG's proposal to implement the foregoing change effective February 1, 2001 by having the Board confirm its previous approval of the change (EB-2001-0033), albeit inadvertent, is accepted by the other parties for the reasons given in the supporting evidence.

The following parties agree with the settlement: ECG, AES, CEED, CAC, IGUA, OESC, Schools, and VECC.

The following parties disagree with the settlement: none.

The following parties take no position on the issue: none.

The following evidence supports the settlement of the Rate Design issues:

H1-1-1	Proposed 2001 Rate Design Proposals
H1-1-2	Rate 125
H1-1-3	Transportation Service Credit Rider (Rider "A")
I-1-94	Board Staff Interrogatories # 1 and 94

I-9-80, I-9-81	IGUA Interrogatories #80 and 81
I-11-30 to I-11-34	VECC Interrogatories #30 to 34
L-9-1	Evidence of IGUA (p 18).

New Path Delivered Cost (NPDC)

(a) commodity: the weighted average cost, expressed in $/GJ, of gas at the receipt points of the Alliance pipeline in Canada excluding, for this purpose, the effect of risk management.

(b) transportation:

Alliance: (i) the unit toll for firm transportation ("FT") service, expressed in $/GJ, on the Canadian pipeline ($/10^{3}m^3 converted to $/GJ) and on the U.S. pipeline (US$/Dth converted to $/GJ) after giving effects to the "boost" in load factor derived not only from using Authorized Overrun Service ("AOS"), but also from shipping rich gas on a volumetric basis or the equivalent based on the Thermal Conversion Factor specified in the U.S. pipeline's tariff (the illustrative values reflect a 16% boost from AOS and an additional 7% boost from rich gas); and

(ii) the product, expressed in $/GJ, derived by multiplying the average fuel ratio by the commodity cost.

Vector: (i) the unit toll for FT service, expressed in $/GJ, on the U.S. pipeline (US$/Dth converted to $/GJ) and on the Canadian pipeline ($/GJ); and

(ii) the product derived by multiplying the average fuel ratio by the weighted average cost, expressed in $/GJ, of fuel gas at Chicago (US$/MMBtu converted to $/GJ).

Union: (i) the unit toll for M12 transmission service, expressed in $/GJ, from Dawn to Parkway ($/10^{3}m^3 converted to $/GJ) on an annualized basis; and

(ii) the product derived by multiplying the average fuel ratio for easterly service in the winter season by the weighted average cost, expressed in $/GJ, of fuel gas at Dawn.

Traditional Path Delivered Cost

(a) commodity: the weighted average cost, expressed in $/GJ, of gas at TCPL's Empress receipt point including the cost of upstream transportation ($/10^{3}m^3 converted to $/GJ) for gas purchased within Alberta but excluding, for this purpose, the effect of risk management.

(b) transportation:

TCPL:

(i) the unit toll for FT service, expressed in $/GJ, at 100% load factor; and

(ii) the product, expressed in $/GJ, derived by multiplying the average fuel ratio by the commodity cost.

Union:

(i) the value is zero because there is no toll for M12 transmission service from Parkway to Dawn; and

(ii) the product derived by multiplying the average fuel ratio for westerly service in the summer season by the weighted average cost, expressed in $/GJ, of fuel gas at Parkway.

Deferral Accounts Subject to Clearing
Actual Balances of Accounts

Item No.	(Col. 1) *(In thousandths)* Account Name	(Col. 2) Principal	(Col. 3) Interest to Sept 30/00	(Col. 4) Interest Oct. 1/00 to June 30/01
	Non Gas Accounts			
1.0	2000 Deferred Rebate Account ("2000 DRA")	876	195	39
1.1	2000 Demand-Side Management Variance Account - Operating ("2000 DSMVA - Operating")	3,315	28	148
1.2	2000 Generic Regulatory Hearings Deferral Account ("2000 GRHDA")	-	-	-
1.3	2000 Class Action Suit Deferral Account ("2000 CASDA")	313	7	14
1.4	2000 Debt Redemption Deferral Account ("2000 DRDA")	-	-	-
1.5	Tax Rate Reduction Deferral Account	(800)	(14)	(36)
1.6	2000 Lost Revenue Adjustment Mechanism ("2000 LRAM")	(15)	8	(1)
1.7	2000 Municipal Tax Variance Account ("2000 MTVA")	(3,783)	(68)	(169)
1.8	2000 Electronic Regulatory Filings Deferral Account ("2000 ERFDA")	-	8	5
1.9	Year 2000 Deferral Account - Operating ("2000 Y2KDA")	6,166	426	276
1.10	Shared Savings Mechanism Variance Account ("1999 SSMVA")	4,850	250	217
1.11	Customer Information System Deferral Account ("CISDA")	-	472	273
1.12	Unbundling Business Activities Deferral Account ("UBADA")	-	274	123
1.13	Outsourcing Plan Deferral Account	-	-	-
1.14	2000 Customer Communication Plan Deferral Account ("2000 CCPDA")	(23)	(1)	(1)
1.15	2000 Transactional Services Deferral Account ("2000 TSDA")	(4,097)	(58)	(183)
1.16	2000 Heat Value Differential Account ("2000 HVDA")	(2,467)	(65)	(110)
1.17	2000 Union Gas Deferral Account ("2000 UGDA")	21	-	1