

SETTLEMENT PROPOSAL

JUNE 17, 2004

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This Settlement Proposal is filed with the Ontario Energy Board ("OEB" or "Board") in connection with the application of Enbridge Gas Distribution Inc., for an order or orders approving or fixing rates for the sale, distribution, transmission, and storage of gas for its 2005 fiscal year (the "Test Year").¹ A Settlement Conference was held from May 18 to June 8, 2004 in accordance with the *Ontario Energy Board Rules of Practice and Procedure* (the "Rules") and the Board's *Settlement Conference Guidelines* ("Settlement Guidelines"). This Settlement Proposal arises from the Settlement Conference.

Enbridge Gas Distribution Inc. ("Enbridge Gas Distribution" or the "Company") and the following intervenors (collectively, the "parties"), as well as Ontario Energy Board technical staff ("Board Staff"), participated in the Settlement Conference:

CANADIAN MANUFACTURERS & EXPORTERS (CME)
CASCO INC.(CASCO)#
COALITION FOR EFFICIENT ENERGY DISTRIBUTION (CEED)
CONSUMERS' ASSOCIATION OF CANADA (CAC)
CONSUMERS COUNCIL OF CANADA (CCC)
DIRECT ENERGY MARKETING LIMITED (DEML)
ENERGY PROBE
GREEN ENERGY COALITION (GEC)
INDUSTRIAL GAS USERS ASSOCIATION (IGUA)
MAPLE LODGE FARMS LTD. (MLF) #
MARKHAM DISTRICT ENERGY INC. (MDE) #
ONTARIO ASSOCIATION OF PHYSICAL PLANT ADMINISTRATORS (OAPPA)#
ONTARIO ENERGY SAVINGS CORPORATION (OESC)
POLLUTION PROBE
SCHOOL ENERGY COALITION (SCHOOLS)
SUPERIOR ENERGY MANAGEMENT (SEM)
TRANSALTA ENERGY CORPORATION (TEC)
TRANSCANADA PIPELINES LIMITED (TransCanada)
UNION GAS LIMITED (Union)
VULNERABLE ENERGY CONSUMERS COALITION (VECC)

The Settlement Proposal deals with all of the issues listed at Appendix A to the Board's Procedural Order #3, dated April 1, 2004 (the "Issues List"). The numbers ascribed to each of the issues correlate to the section numbers in the Settlement Proposal and each issue falls within one of the following three categories:

1. **complete settlement** – the issue will not be addressed at the hearing because Enbridge Gas Distribution and all other parties who take any position on the issue agree to the proposed settlement;

¹ In this Settlement Proposal, the terms "2005 fiscal year", "fiscal 2005" and "Test Year" each refer to the twelve-month period commencing October 1, 2004 and ending September 30, 2005.

OAPPA, CASCO, MLF, and MDE are collectively referred to as OAPPA et al. with regard to interrogatory references.

2. **partial settlement** – the issue will be addressed at the hearing because one or more parties who participated in the negotiation of the issue disagree(s) with the proposed settlement; and,
3. **no settlement** – the issue will be addressed at the hearing because one or more parties who participated in the negotiation of the issue are unable to reach a settlement on one or more parts of the issue.

More particularly, the Settlement Proposal depicts the 61 issues enumerated on the Issues List as follows:

Complete Settlement Parties will not address the issue at the hearing	Partial Settlement parties will address one or more parts of the issue at the hearing	No Settlement Parties will address one or more parts of the issue at the hearing
1.1, 1.2, 2.1, 3.1, 3.2, 3.3, 5.3, 5.4, 6.1, 6.2, 7.1, 7.2, 7.3, 7.4, 7.5, 8.1, 9.1, 9.2, 9.3, 9.4, 9.5, 9.6, 9.7, 9.8, 9.9, 9.10, 9.11, 9.12, 9.13, 9.14, 9.15, 10.3, 10.4, 11.1, 11.3, 14.1, 15.3, 15.4, 15.5, 15.6, 15.7, 15.8, 15.9, 15.10, 15.11, 16.1, 16.2, 16.3 48 issues completely settled	10.1, 10.2, 15.1, 15.2 4 issues partially settled	4.1, 4.2, 5.1, 5.2, 5.5, 11.2, 12.1, 13.1, 13.2 9 issues not settled

The description of each issue assumes that all parties participated in the negotiation of the issue, unless specifically noted otherwise. Any parties that are identified as not having participated in the negotiations of the issue also take no position on any settlement or other wording pertaining to the issue. In accordance with the Rules and the Settlement Guidelines, Board Staff takes no position on any issue and, as a result, is not a party to the Settlement Proposal.

The Settlement Proposal describes the agreements reached on the completely settled and partially settled issues. The Settlement Proposal identifies the parties who agree and who disagree with each settlement, or alternatively who take no position on the issue. Finally, the Settlement Proposal provides a direct link between each issue 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.

In a number of places this Settlement Proposal proposes that policy issues be considered in the Natural Gas Policy Review. The parties have agreed to these proposals on the assumption that the Natural Gas Policy Review will be a funded process in which all stakeholders have a full opportunity to participate. If this is not the case, then the parties intend reference to the Natural Gas Policy Review to refer to an appropriate alternative forum that will be a funded process in which all stakeholders have a full opportunity to participate, such as a subsequent rate case or generic proceeding.

Best efforts have been made to identify all of the evidence that relates to each issue. The supporting evidence for each issue 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, Enbridge Gas Distribution'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). The identification and listing of the evidence that relates to each issue is provided to assist the Board. The identification and listing of the evidence that relates to each issue is not intended to limit any party who wishes to assert that other evidence is relevant to a particular issue.

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. Enbridge Gas Distribution and the other parties who participated in the Settlement Conference consider that no settled issue requires an adjustment mechanism other than those expressly set forth herein.

Save and except for the matter of the Confidentiality Issues, as outlined in the final paragraph below, it is acknowledged and agreed that none of the provisions of the completely settled issues (the "package") are severable. If the Board does not, prior to the commencement of the hearing of the evidence in RP-2003-0203, accept the package in its entirety, then there is no Settlement Proposal (unless the parties agree that any portion of the package that the Board does accept may continue as part of a valid Settlement Proposal). None of the parties can withdraw from the Settlement Proposal except in accordance with Rule 32 of the Rules.

With regard to the issue of confidentiality, the Company has submitted a number of requests for the Board to hold certain documents filed in confidence. Those requests and their references (the "Confidentiality Issues") are summarized in the Company's April 26, 2004 letter to the Board, filed as part of the record to this proceeding. In order to facilitate and expedite the Board's determination of the Confidentiality Issues, the parties have agreed, subject to issue 12.1, (for the purposes of this proceeding only and without prejudice to the parties' positions on confidentiality: (a) in the hearing of this case, to the extent that confidentiality is claimed with respect to new documents or information; or (b) in any future proceeding) to accept the Company's proposals for confidential treatment of the referenced documents in the course of the Settlement Conference. The parties

expect that the Board's acceptance of the Settlement Proposal would constitute the Board's ruling on the Confidentiality Issues. The parties acknowledge that confidentiality is not an issue that appears on the Issues List, and therefore propose that the Board treat this procedural matter as severable from the Settlement Proposal.

GAS VOLUME BUDGET

1.1 Gas volume forecast for the 2005 Test Year.

(Complete Settlement)

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

In its pre-filed evidence, the Company proposed a volume budget of 12,230.5 10^6m^3 based on 3743 degree days (using the "de Bever with Trend" method). The previously used "de Bever" method would have produced a volume budget of 12,362.2 10^6m^3 based on 3836 degree days. For the purpose of settlement and subject to issue 1.2 below, the parties agree to a volume budget of 12,300.8 10^6m^3 and a degree day forecast of 3800.

Participating Parties: All parties participated in the negotiation and settlement of this issue except DEML, CEED, Pollution Probe, GEC, OEC, SEM, TEC and OAPPA, CASCO, MLF, MDE.

Approval: All participating parties accept and agree with the proposed settlement of this issue except TransCanada which takes no position.

Evidence: The evidence in relation to this issue includes the following:

A2-1-1	Gas Volume and Revenue Evidence Summary
A2-2-1	Gas Volume Budget
A2-2-2	Average Use Forecasting Model for Rate Class 1
A2-2-3	Average Use Models for Rate Class 6
A2-2-4	Budget Degree Days
A2-3-1	Economic Outlook
A2-3-2	Interest Rate/Exchange Rate Forecast November 2003
C1-1-1	Utility Operating Revenue 2005 Test Year
C1-2-1	Customers, Volumes and Revenues by Rate Class 2005 Budget
C1-2-2	Comparison of Average Customer Numbers by Rate Class 2005 Budget and 2004 Bridge Year Estimate
C1-2-3	Comparison of Gas Sales and Transportation Volume by Rate Class 2005 Budget and 2004 Bridge Year Estimate
C1-2-4	Comparison of Gas Sales and Transportation Volume by Rate Class 2005 Budget and 2004 Bridge Year Estimate
C1-2-5	Comparison of Gas Sales and Transportation Revenue by Rate Class 2005 Budget and 2004 Bridge Year Estimate
C2-2-1	Customers, Volumes and Revenues by Rate Class 2004 Bridge Year Estimate

C2-2-2	Comparison of Customer Numbers by Rate Class 2004 Bridge Year Estimate and 2003 Actual
C2-2-3	Comparison of Gas Sales and Transportation Volume by Rate Class 2004 Bridge Year Estimate and 2003 Actual
C2-2-4	Comparison of Gas Sales and Transportation Volume by Rate Class 2004 Bridge Year Estimate and 2003 Actual
C2-2-5	Comparison of Gas Sales and Transportation Revenue by Rate Class 2004 Bridge Year Estimate and 2003 Actual
C2-2-6	Comparison of Gas Sales and Transportation Volume by Rate Class 2004 Bridge Year Estimate and 2004 Board Approved Budget
C3-2-1	Customers, Volumes and Revenues by Rate Class 2003 Actual
C3-2-2	Comparison of Gas Sales and Transportation Volume by Rate Class 2003 Actual and 2003 Board Approved Budget
C3-2-3	General Service System-Wide Normalized Average Use
C3-2-4	General Service Average Uses Historical Normalized and Board Approved
D1-3-1	Unbilled and Unaccounted-for Gas Volumes
D2-3-1	Unbilled and Unaccounted-for Gas Volumes
D3-3-1	Unbilled and Unaccounted-for Volumes
I-1-2 to 6	Board Staff Interrogatories 2 to 6
I-2-1, 69	CAC/CCC Interrogatories 1, 69
I-6-5 to 12, 62, 117, 122, 123	CME Interrogatories 5 to 12, 62, 117, 122, 123
I-9-1 to 3, 5, 6, 60, 62, 94, 107, 108	Energy Probe Interrogatories 2, 3, 5, 6, 60, 62, 94, 107, 108
I-11-7	GEC Interrogatories 7
I-13-37 to 38	IGUA Interrogatories 37, 38
I-16-2 to 8, 10 to 35, 138, 141, 142, 147, 153	Schools Interrogatories 2 to 8, 10 to 35, 138, 141, 142, 147, 153
I-18-1 to 3	VECC Interrogatories 1 to 3
L-13	IGUA Evidence

1.2 Proposed change in the degree-day forecasting methodology.

(Complete Settlement)

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

The Company has proposed to change the current "de Bever" method of forecasting degree days by adding a short-term trend factor to the existing method. In view of the settlement of issue 1.1, based on a fixed number of degree days and not based on either forecasting method, the parties agree that issue 1.2 does not need to be addressed in this proceeding. This resolution of this issue is without prejudice to the positions of parties on this issue in any future proceeding.

Participating Parties: All parties participated in the negotiation and settlement of this issue except DEML, CEED, GEC, Pollution Probe, OEC, SEM, TEC and OAPPA, CASCO, MLF and MDE.

Approval: All participating parties accept and agree with the proposed settlement of this issue except TransCanada which takes no position.

Evidence: The evidence in relation to this issue includes the following:

A2-2-4 Budget Degree Days
I-1-2 to 5 Board Staff Interrogatories 2 to 5
I-16-23 to 30, 32, 33 Schools Interrogatories 23 to 30, 32, 33
L-13 IGUA Evidence

OTHER REVENUE

2.1 Other revenue including revenue from service charges.

(Complete Settlement)

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

For the Test Year, the Company proposed a Revenue from Other Services ("ROS") Budget of \$10.355 million. The discussion of the proposed ROS Budget is found at A2-4-1. Such revenue is derived through charges billed by the Company to customers in order to recover costs that are not otherwise recovered through the application of the Company's gas distribution rates. In order to accommodate intervenors' concerns, based on historical data, that the forecast is too low, the Company agrees to increase its ROS Budget to \$10.9 million.

Participating Parties: All parties participated in the negotiation and settlement of this issue except DEML, CEED, GEC, Pollution Probe, OEC, SEM, TEC and OAPPA, CASCO, MLF and MDE.

Approval: All participating parties accept and agree with the proposed settlement of this issue except TransCanada which takes no position.

Evidence: The evidence in relation to this issue includes the following:

A2-4-1 Other Service Revenue
C1-1-2 Comparison of Utility Operating Revenue Budget 2005 and Estimate 2004
C1-3-1 Details of Other Revenue 2005 Budget and 2004 Estimate
I-2-63, 64 CAC/CCC Interrogatories 63, 64

CONDITIONS OF SERVICE

3.1 Review of the updated Conditions of Service governing the relationship between Enbridge Gas Distribution and its customers.

(Complete Settlement)

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

The Company will consult with Board Staff regarding policies for customer security deposits and for disconnection of service to customers who have failed to pay gas delivery charges. Any changes to customer security deposit and disconnection policies proposed as a result of consultations between the Company and Board Staff will be circulated to intervenors in draft form. Any cost consequences or other aspects of such changes requiring Board approval will be brought forward by the Company in its 2006 rate application to the Board.

Participating Parties: All parties participated in the negotiation and settlement of this issue except DEML, CEED, GEC, Pollution Probe, OEC, SEM, TEC, TransCanada and OAPPA, CASCO, MLF and MDE.

Approval: All participating parties accept and agree with the proposed settlement of this issue except for VECC which takes no position.

Evidence: The evidence in relation to this issue includes the following:

A2-4-2 Enbridge Gas Distribution Inc. Conditions of Service
I-1-7 Board Staff Interrogatory 7

3.2 Customer Security Deposit Policy.

(Complete Settlement)

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

See issue 3.1, above.

Evidence: The evidence in relation to this issue includes the following:

A2-4-2 Enbridge Gas Distribution Inc. Conditions of Service
I-1-8 Board Staff Interrogatory 8
I-16-37 Schools Interrogatory 37

3.3 Disconnection Policy.

(Complete Settlement)

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

See issue 3.1, above.

Evidence: The evidence in relation to this issue includes the following:

A2-4-2 Enbridge Gas Distribution Inc. Conditions of Service
I-1-9 Board Staff Interrogatory 9

TRANSACTIONAL SERVICES

4.1 Proposed Transactional Services sharing mechanism for the 2005 Test Year.

(No Settlement)

There is no agreement to settle this issue.

Evidence: The evidence in relation to this issue includes the following:

A2-5-1 Transactional Services
I-1-10 to 13 Board Staff Interrogatories 10 to 13
I-5-1 to 5, 7 to 9 CEED Interrogatories 1 to 5, 7 to 9
I-6-22 to 27 CME Interrogatories 22 to 27
I-8-28 to 31 Direct Energy Interrogatories 28 to 31
I-9-1, 8 Energy Probe Interrogatories 1, 8
I-13-39, 41 IGUA Interrogatories 39, 41
I-16-38 to 41 Schools Interrogatories 38 to 41
I-23-1 Union Gas Interrogatory of Enbridge Gas Distribution 1
L-9-1 Energy Probe Evidence
L-13 IGUA Evidence

4.2 Proposal to sell commodity as part of other transactional services, for Enbridge Gas Services Inc. (EGS) to conduct commodity transactions in Enbridge Gas Distribution's name, and to deduct credit costs from gross margin prior to sharing.

(No Settlement)

There is no agreement to settle this issue.

Evidence: The evidence in relation to this issue includes the following:

See issue 4.1, above.

GAS COSTS, TRANSPORTATION, AND STORAGE

5.1 Gas, Transportation and Storage costs.

(No Settlement)

There is no agreement to settle this issue, but the issue has been narrowed by agreement of all parties.

The parties accept the Company's forecast of gas, transportation and storage costs for the Test Year with the exception noted below. Parties also accept that there may be a need for additional upstream transportation capacity for fiscal 2005.

The parties are unable to reach agreement on the cost consequences for rate making purposes of the new Contract for Union storage. In updated evidence filed by Enbridge Gas Distribution on 2004-04-26, at A2-3-3, it was disclosed that, with effect from April 1, 2004, the Company will enter into a Storage Contract with Union Gas Limited, which, in its effect, will terminate Enbridge Gas Distribution's M12 Contract for cost based services from Union Gas two years prior to its termination date of March 31, 2006, as interpreted by the Company and contested by Union Gas. Union's charges for storage service under the new Contract are at negotiated prices in accordance with Union's C1 Storage and Transportation Rate. Board approval for Union entering this Storage Contract under Section 39(2) of the *Ontario Energy Board Act* was granted under docket number RP-2004-0137/EB-2004-0216, subject to Union filing an executed copy of the Contract.

The cost consequences of the new Contract have not yet been approved by the Board. The new Contract will terminate on March 31, 2006 if its cost consequences are not approved by the Board in this proceeding and, in that event, the storage rates payable by the Company to March 31, 2006 will be in accordance with Union's M12 rate schedule. For the period April 1, 2004, to September 30, 2005 Union's charges to Enbridge Gas Distribution for storage services under the new Contract are estimated to exceed the charges for cost based storage services by approximately \$5.1M. For the Test Year, if the M12 rate schedule is assumed, the revenue requirement in the Test Year would be reduced by \$2.7 million.

There is no agreement that the cost consequences of the new Contract, effective April 1, 2004, are recoverable in rates through clearance of the amounts recorded in the 2004 UGDA, or in rates for the 2005 Test Year and beyond. Some intervenors are also concerned about the advisability of entering into a ten-year commitment in light of the Natural Gas Policy Review.

Participating Parties: All parties participated in the negotiation, settlement, and scoping of this issue except CEED, GEC, Pollution Probe, TEC, TransCanada, OAPPA, CASCO, MLF and MDE.

Evidence: The evidence in relation to this issue includes the following:

A3-2-1	Gas Costs, Transportation and Storage
A3-2-3	Gas Costs, Transportation and Storage Update
A3-2-4	Updated Gas Costs, Transportation, and Storage
D1-2-1	Summary of Gas Cost to Operations Year Ended September 30, 2005
D1-2-2	Summary of Storage and Transportation Costs Fiscal 2005
D1-2-3	Peak Day Supply Mix
D1-2-4	Monthly Pricing Information
D2-2-1	Summary of Gas Cost to Operations Year ended September 30, 2004
D2-2-2	Summary of Storage and Transportation Costs Fiscal 2003-2004
D3-2-1	Summary of Gas Cost to Operations Year ended September 30, 2003
D3-2-2	Summary of Storage and Transportation Costs Fiscal 2002-2003
I-1-14, 15	Board Staff Interrogatories 14, 15
I-6-14 to 20	CME Interrogatories 14 to 20
I-9-9	Energy Probe Interrogatory 9
I-13-42	IGUA Interrogatory 42
I-16-38 to 42	Schools Interrogatories 38 to 42
I-18-4	VECC Interrogatory 4
I-22-1, 3	TransCanada Interrogatories 1, 3
I-29-1	Enbridge Gas Distribution Interrogatory of TransCanada 1

5.2 Review of the report prepared by RiskAdvisory entitled Enbridge Gas Distribution Inc. Gas Supply Risk Management Program Review and Recommendations (per Issue 4.1 of the RP-2002-0133 Settlement Proposal) and Enbridge Gas Distribution's response to the RiskAdvisory Report.

(No Settlement)

There is no agreement to settle this issue.

Participating Parties: All parties participated in the negotiation of this issue except CEED, GEC, Pollution Probe, TEC, OAPPA, CASCO, MLF and MDE

Evidence: The evidence in relation to this issue includes the following:

A3-3-1	RiskAdvisory Inc. Report
A3-3-2	Company's Response to RiskAdvisory Report
A3-4-1	EGS Service Level Agreement
A6-5-2	Enbridge Gas Services Charges
I-1-16 to 19	Board Staff Interrogatories 16 to 19
I-8-8 to 13, 39	Direct Energy Interrogatories 8 to 13, 39
I-9-10, 12, 13, 110	Energy Probe Interrogatories 10, 12, 13, 110
I-16-43 to 47, 154	Schools Interrogatories 43 to 47, 154

I-18-10, 11, 122, 123, 125 VECC Interrogatories 10, 11, 122, 123, 125
L-9-1 Energy Probe Evidence

5.3 Enbridge Operational Services Inc. (EOS) and Enbridge Gas Services Inc. (EGS) Service Level Agreements (filed per para 829 of the Board's RP-2002-0133 Decision with Reasons) and EOS and EGS costs (per para 524 of the Board's RP-2002-0133 Decision with Reasons).

(Complete Settlement)

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

The parties agree to settle this issue subject to changes to the EOS and EGS Service Level Agreements that may arise in the context of issues 4.1 and 4.2. The EOS and EGS costs are settled as part of issue 9.1.

Participating Parties: All parties participated in the negotiation and settlement of this issue except GEC, Pollution Probe, TEC, TransCanada, OAPPA, CASCO, MLF and MDE.

Approval: All participating parties accept and agree with the proposed settlement of this issue except DEML, OESC, SEM which take no position.

Evidence: The evidence in relation to this issue includes the following:

A3-4-1 EGS Service Level Agreement
A3-4-2 EOS Service Level Agreement
A3-4-3 Company's Response to Board Findings with Respect to Gas Services and Operational Services
A3-4-4 Gas Supply and Control Practices Survey Results and Finds
A6-5-2 Enbridge Gas Services Charges
A6-5-3 Enbridge Operational Services Charges
I-6-21 CME Interrogatory 21
I-16-48 to 50, 154 Schools Interrogatories 48 to 50, 154
I-18-6 to 9, 123, 124 VECC Interrogatories 6 to 9, 123, 124
L-9-1 Energy Probe Evidence

5.4 System Gas and Direct Purchase gas costing methodology studies (A3/T5/S1, A3/T5/S3 and A3/T5/S4), including Enbridge Gas Distribution's proposal to retain the existing costing method (per Issue 6, parameters of the FAC studies, of the RP-2003-0048 Settlement Proposal).

(Complete Settlement)

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

The Company agrees to retain both the current system gas fee (\$0.9M) and the current Direct Purchase Administration Charge ("DPAC") (\$1.6M) at the 2004 level for the Test Year and to refile the evidence set out at A3-5-1, A3-5-3 and A3-5-4 in its next rates case.

The parties understand that a policy review will be conducted in the context of the Board's Natural Gas Policy Review in order to provide guidance on fundamental system gas fee and DPAC policy issues including, but not limited to:

- the appropriateness of the fully allocated and incremental costing methodologies, and
- the functions and activities to be included in the fully allocated costing methodology, including, without limitation, consideration of the specific functions and activities required if a stand-alone operator provided system gas independently from the distribution function.

The settlement of this issue in this proceeding is without prejudice and all parties are at liberty to take any position they deem appropriate on this issue when it is considered by the Board in the Natural Gas Policy Review and/or in any subsequent proceeding. The Company agrees to address and implement the Board's direction on system gas fees and DPAC resulting from the Natural Gas Policy Review in its 2006 rates case, or its 2007 rates case in the event that the Board's direction resulting from the Natural Gas Policy Review is not available for consideration in the 2006 rates case.

Participating Parties: All parties participated in the negotiation and settlement of this issue except CEED, GEC, Pollution Probe, TEC, OAPPA, CASCO, MLF and MDE.

Approval: All participating parties accept and agree with the proposed settlement of this issue except for TransCanada which takes no position.

Evidence: The evidence in relation to this issue includes the following:

A3-5-1 System Gas and Direct Purchase Gas Costing
A3-5-3 System Gas and DPAC Fully Allocated Cost Study Results
A3-5-4 Participating Marketers Study
I-1-19, 20, 81, 119 Board Staff Interrogatories 19, 20, 81, 119
I-8-14 to 23, 25 to 27 Direct Energy Interrogatories 14 to 23, 25 to 27
I-13-25, 26 IGUA Interrogatories 25, 26
I-16-51 to 55 Schools Interrogatories 51 to 55
I-18-12 to 15, 20 to 26, 49 VECC Interrogatories 12 to 15, 20 to 26, 49
I-24-1 to 4, 16 OESC and SEM Interrogatories 1 to 4, 16

5.5 **Matters under review by Enbridge Gas Distribution filed in this proceeding that require commitments to be made prior to the next planned rate application, specifically:**

- a) **entering into long term commitments for the acquisition of system gas;**
- b) **relationships of Enbridge Gas Distribution to projects and/or transactions in which Enbridge Gas Distribution affiliates have an interest; and**
- c) **managing the risk of load erosion related to system gas, as required to support these proposed long term supply commitments.**

(No Settlement)

The Company is not in a position to and, as a result, will not bring forward evidence related to this issue for consideration by the Board within the limits of the schedule for the hearing of this case. All parties agree that issue 5.5 continues to have important implications and that it is appropriate for the issue to be addressed as part of the Natural Gas Policy Review. The parties agree that they will be guided by the decision of the Board, released May 27, 2004, on the motion relating to this issue.

Participating Parties: All parties participated in the negotiation of this issue except CEED, GEC, Pollution Probe, TEC, OAPPA, CASCO, MLF and MDE.

Evidence: The evidence in relation to this issue includes the following:

All evidence has been withdrawn except that of Energy Probe (filed at L-9-1) and IGUA (filed at L-13).

COST OF CAPITAL

6.1 **Establishment of the return on equity for the 2005 Test Year using the Board's Return On Equity (ROE) Guidelines.**

(Complete Settlement)

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

The Company's calculation of the Test Year forecast of the return on common equity ("ROE") using the current Board approved formula, based on the deemed level of common equity, is 9.69%. This calculation is based upon the January 2004 Consensus Economics forecast and is incorporated into the Company's

deficiency calculations in the E1 and F1 series of exhibits. The ROE calculation for the Test Year of 9.69% will be updated, at the appropriate time, in accordance with the Board's guidelines.

Participating Parties: All parties participated in the negotiation and settlement of this issue except DEML, CEED, GEC, Pollution Probe, TEC, TransCanada, OESC, SEM, OAPPA, CASCO, MLF and MDE.

Approval: All participating parties accept and agree with the proposed settlement of this issue.

Evidence: The evidence in relation to this issue includes the following:

A4-1-1	Cost of Capital Evidence Summary
A4-2-1	Cost of Capital
I-1-24	Board Staff Interrogatory 24
I-13-70, 74	IGUA Interrogatories 70, 74

6.2 Estimates of the cost of short-term and long-term debt for the 2005 Test Year.

(Complete Settlement)

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

The parties agree with the proposed method and cost of financing capital requirements and the cost of short-term debt for the Company in the Test Year as set out in the pre-filed evidence at A4-2-1. The Company's total financing cost for the Test Year is projected to be \$1.15 million.

Participating Parties: All parties participated in the negotiation and settlement of this issue except DEML, CEED, GEC, Pollution Probe, TEC, OESC, SEM, TransCanada, OAPPA, CASCO, MLF and MDE.

Approval: All participating parties accept and agree with the proposed settlement of this issue.

Evidence: The evidence in relation to this issue includes the following:

A4-2-1	Cost of Capital
E1-1-6	Fiscal 2005 Calculation of Short-term Unfunded Debt
I-1-21 to 23	Board Staff Interrogatories 21 to 23
I-6-47	CME Interrogatory 47
I-13-44, 45	IGUA Interrogatories 44, 45
I-16-56 to 61	Schools Interrogatories 56 to 61

I-18-27, 28 VECC Interrogatories 27, 28

RATE BASE

7.1 Enbridge Gas Distribution Inc.'s Capital Budget for the 2005 Test Year including capitalized O&M expenses.

(Complete Settlement)

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

The Company proposed a Capital Budget of \$257.1 million for the Test Year. The discussion of the proposed Capital Budget is found at A5-2-1. The major components of the 2005 Capital Budget are customer related distribution plant, system improvements and upgrades, general and other plant, and underground storage facilities. This budget included \$4.2 million to replace current aging technology and the integration of this technology into the Company's infrastructure as part of the Field Force Transformation phase of the EnVision project.

The Company agrees to reduce its Capital Budget to \$247.1 million for the Test Year, which includes the capital budget for the EnVision Project in the Test Year.

Participating Parties: All parties participated in the negotiation and settlement of this issue except DEML, CEED, GEC, Pollution Probe, TEC, OESC, SEM and OAPPA, CASCO, MLF and MDE.

Approval: All participating parties accept and agree with the proposed settlement of this issue except TransCanada which takes no position on the entire issue, and CME and SCHOOLS which take no position on the inclusion of the portion of the capital budget related to the EnVision Project.

Evidence: The evidence in relation to this issue includes the following:

A5-1-1	Rate Base Evidence Summary
A5-2-1	Rate Base – Capital Budget
A5-4-1	Information Technology Capital Budget
B1-2-1	Comparison of Utility Capital Expenditures Budget 2005 and Estimated 2004
B1-2-2	2005 Capital Expenditures by Project (Exceeding \$500,000)
B1-2-3	Gross Customer Additions and Average Cost per Customer Addition Budget 2005 and Estimated 2004
B2-2-1	Utility Capital Expenditures Estimate 2004
B2-2-2	2004 Capital Expenditures by Project (Exceeding \$500,000)
B2-2-3	Gross Customer Additions and Average Cost per Customer Addition
B3-2-1	Comparison of Utility Capital Expenditures Actual 2003 and Board Approved Budget 2003
B3-2-2	2003 Capital Expenditures by Project (Exceeding \$500,000)
B3-2-3	Gross Customer Additions and Average Cost per Customer Addition Actual 2003 and Board Approved Budget 2003

I-1-26 to 28, 30 Board Staff Interrogatories 26 to 28, 30
I-2-97, 98 CAC/CCC Interrogatories 97, 98
I-6-3, 4 CME Interrogatories 3, 4
I-9-23, 56 to 59, 61, 108 Energy Probe Interrogatories 23, 56 to 59, 61, 108
I-13-46 IGUA Interrogatory 46
I-16-63, 130 to 138 Schools Interrogatories 63, 130 to 138
I-18-29 to 33, 39 VECC Interrogatories 29 to 33, 39
I-22-6 TransCanada Interrogatory 6

7.2 Economic Feasibility Procedure and Policy.

(Complete Settlement)

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

The Company updated its procedures and policies for determining the economic feasibility of distribution system expansion projects ("Contribution and Connection Policies") to reflect the Board's determination of the cost of capital components in RP-2001-0032. The Company also altered its Contribution and Connection Policies to require that each individual system expansion project have a Profitability Index ("PI") of 1.00, while recognizing that there are times when the Company may allow system expansion activities on an aggregate level as opposed to project-by-project basis. All parties accept the Company's revised Contribution and Connection Policies for the Test Year.

Participating Parties: All parties participated in the negotiation and settlement of this issue except DEML, CEED, GEC, Pollution Probe, TEC, OESC, SEM, TransCanada, OAPPA, CASCO, MLF and MDE.

Approval: All participating parties accept and agree with the proposed settlement of this issue.

Evidence: The evidence in relation to this issue includes the following:

A5-3-1 Economic Feasibility Procedure and Policy
I-1-29 Board Staff Interrogatory 29

7.3 Property Plan Update Report.

(Complete Settlement)

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

At A5-3-2, the Company provided an update report on the property plan it proposed in RP-2002-0133 (filed at Exhibit A5, Tab 4, Schedules 1 and 2 of RP-2002-0133). The parties accept the resulting rate treatment of the Company's property plan for the Test Year, the key elements of which are listed at A5-3-2, p. 8.

Participating Parties: All parties participated in the negotiation and settlement of this issue except DEML, CEED, GEC, Pollution Probe, TEC, OESC, SEM, TransCanada, OAPPA, CASCO, MLF and MDE.

Approval: All participating parties accept and agree with the proposed settlement of this issue.

Evidence: The evidence in relation to this issue includes the following:

A5-3-2	Property Plan – Update Report
I-1-31 to 35	Board Staff Interrogatories 31 to 35
I-13-47, 48	IGUA Interrogatories 47, 48
I-18-34	VECC Interrogatory 34

7.4 Information Technology Capital Budget.

(Complete Settlement)

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

This issue is settled under issue 7.1 see above.

Participating Parties: All parties participated in the negotiation and settlement of this issue except DEML, CEED, GEC, Pollution Probe, TEC, OESC, SEM, TransCanada, OAPPA, CASCO, MLF and MDE.

Approval: All participating parties accept and agree with the proposed settlement of this issue.

Evidence: The evidence in relation to this issue includes the following:

A5-4-1	Information Technology Capital Budget
I-2-12 to 14, 16, 27, 36, 37, 48, 49, 121	CAC/CCC Interrogatories 12 to 14, 16, 27, 36, 37, 48, 49, 121
I-16-64 to 66	Schools Interrogatories 64 to 66

7.5 Energy Transaction, Reporting, Accounting and Contracting (EnTRAC) information technology project.

(Complete Settlement)

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

The Company's evidence regarding the status of the EnTRAC project is found at A5-4-2. All parties accept the Company's evidence and, in particular, agree with the Company's proposal that the costs recorded in the EnTRAC Non-Vendor Cost Deferral Account be closed to rate base and allocated to all rate classes in a similar manner to the vendor related project costs. The amounts for EnTRAC non-vendor costs are settled as part of issue 7.1.

Participating Parties: All parties participated in the negotiation and settlement of this issue except DEML, CEED, GEC, Pollution Probe, TEC, OESC, SEM, TransCanada, OAPPA, CASCO, MLF and MDE.

Approval: All participating parties accept and agree with the proposed settlement of this issue.

Evidence: The evidence in relation to this issue includes the following:

A5-4-1 pg. 1	Information Technology Capital Budget
A5-4-2	EnTRAC Report
A6-10-1 pg. 3-6	O&M - Strategic & Key Accounts
I-1-38 to 46	Board Staff Interrogatories 38 to 46
I-6-104, 105	CME Interrogatories 104, 105
I-16-62, 100	Schools Interrogatories 62, 100
I-18-35, 63	VECC Interrogatories 35, 63

ENVISION PROJECT

8.1 EnVision Project

(Complete Settlement)

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

The Company is seeking approval of its EnVision Project in this proceeding. Specifically, the Company is seeking approval to close \$17.9 million to rate base in 2004 and \$17.4 million in 2005. In addition, the Company is requesting approval of \$2.2 million of O & M costs and \$.9 million of depreciation expense for 2005.

The EnVision Project represents a reconfiguration of the work and asset management solution ("WAMS") that had been presented to the Board for approval in EGD's last two rate proceedings. The Company has entered into an Application Service Provider contract with Accenture Inc. ("Accenture") on a fee-for-services basis to provide a consolidated solution including WAMS, Field Force Transformation ("FFT") systems, data center maintenance and support, upgrade opportunities and ongoing management and operational assistance to EGD office staff and field crews. The fee-for-service contract with Accenture is for a 10-year period (2004-2013). EGD has provided a forecast of the fees for that period and the projected benefits. The total cost of the project is approximately \$136 million over the 10 year period with expected annual benefits of approximately \$25 million by 2006. EGD is proposing to capitalize 90% of the Accenture fees and recover 10% through its annual O & M expenses.

A group of intervenors, CAC, CCC, VECC, SEC, and IGUA, retained three experts to review the EnVision Project and prepare written evidence. The evidence of Amy-Lynne Williams dealt specifically with the Accenture contract and the terms and conditions contained in that contract. The evidence of Jim Stephens and Mark Wolnik presented a review of the EnVision Project, focusing primarily on the projected costs and benefits.

Intervenors accept that the EnVision Project is prudent because the Company has justified the need to replace its existing legacy systems and improve upon its overall work management processes. Some Intervenors remain concerned about the EnVision Project's overall projected costs and benefits. In the Intervenors' view, the evidence filed to date has not been sufficient to determine whether the ongoing costs and benefits are reasonable. The Company does not agree. While the Company appreciates the Intervenor's position that the benefits of EnVision should be assessed after there has been actual experience, the Company believes that in this case it has provided sufficient evidence regarding the costs of the project.

Given the multi-year nature of the project it will be necessary for EGD to bring the projected costs and benefits forward in each rate proceeding. Accordingly, parties see the value in and the need for an independent assessment of the project. Parties accept the projected costs and benefits for the Test Year subject to the following conditions:

1. The Company will retain an independent consultant to assess the overall project costs to determine whether the fee levels and fee structure with Accenture are appropriate relative to the services and value being provided. In the context of this review the consultant will benchmark the services and costs described in the Services Agreement between Enbridge Gas Distribution Inc. and Accenture Inc. against the market. The consultant will also be asked to assess the Benefits Realization Plan and the Gain Sharing Agreement between Accenture and the Company. The terms of reference for the consultant's review will be developed jointly with intervenors. The results of the review will be provided in EGD's next rate proceeding.

2. Given the concern expressed by intervenors regarding the language in the Services Agreement with Accenture dealing with the possible use by Accenture of Work Product created for EGD to provide services to third parties, and the intellectual property rights in "Work Product", EGD will obtain, from Accenture, a clarification in writing of its interpretation of Clause 8.2 of the Agreement. Specifically, Accenture will confirm that the jointly owned application software to provide the required functionality for EGD is to be used by Accenture exclusively for EGD. In addition EGD confirms that Enbridge Inc., other than EGD, will not profit directly or indirectly from the Accenture joint ownership of the Work Product. Given the joint ownership of the Work Product by Accenture and EGD, other Enbridge-owned entities will not be precluded from using it. With regard to use of the Work Product by affiliates, EGD recognizes that it is bound by the *Affiliate Relationships Code for Gas Utilities* and will comply with the Code where applicable.
3. Intervenors expressed a concern that although there is a penalty/incentive mechanism applied on an annual basis the only remedy for three consecutive months of missing critical service measures is termination of the Services Agreement. In order to address this concern the Company will commit that, in addition to any other remedies under the Services Agreement, in the event Accenture misses the critical service measures for two consecutive months, Accenture will be put on notice by the Company that EGD will require a 5% discount of the annual fees in addition to the right to terminate if the unacceptable performance continues for a third month.
4. Acceptance of the costs and benefits for the test year will not prejudice the ability of parties to challenge the costs and benefits projections of the EnVision Project in future proceedings.

Participating Parties: All parties participated in the negotiation and settlement of this issue except DEML, CEED, GEC, Pollution Probe, TEC, OESC, SEM, TransCanada, OAPPA, CASCO, MLF and MDE.

Approval: All participating parties accept and agree with the proposed settlement of this issue except for CME and SCHOOLS which take no position.

Evidence: The evidence in relation to this issue includes the following:

A6-8-1	Work and Asset Management (EnVision Project) Report
I-1-47 to 56	Board Staff Interrogatories 47 to 56
I-2-17 to 56, 59, 108 to 146, 149	CAC/CCC Interrogatories 17 to 56, 59, 108 to 146, 149
I-6-85 to 102	CME Interrogatories 85 to 102
I-9-112	Energy Probe Interrogatory 112
I-13-60, 61	IGUA Interrogatories 60, 61

I-16-65 Schools Interrogatory 65
I-18-60 VECC Interrogatory 60
CAC/CCC Confidential Evidence and Interrogatories

2005 O&M BUDGET

9.1 Overall O&M levels for 2005.

(Complete Settlement)

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

The parties agree that the Company's overall O&M expense budget for the Test Year will be \$286.5 million plus the amounts included in the DSM O&M budget described under issue 10.1 below. The parties agree that the O&M expense allowance of \$286.5 million is an "envelope" amount that the Company can spend as it wishes. For the purpose of future budget reviews, the Company accepts the intervenors' request to allocate the O&M budget as shown in Table 1 attached at Appendix A.

Participating Parties: All parties participated in the negotiation and settlement of this issue except CEED, GEC, GEC, Pollution Probe, TEC, OAPPA, CASCO, MLF and MDE.

Approval: The participating parties accept and agree with the proposed settlement of this issue, with the exception of DEML, Energy Probe, OESC, SEM and TransCanada which take no position on this issue.

Evidence: The evidence in relation to this issue includes the following:

A6-1-1 2005 O& M Budget
A6-1-2 Cost per Customer
A6-1-3 The O&M Cost Performance of Enbridge Gas Distribution
A6 Tabs 2 to 19 All O&M Evidence
D1-4-1 Operating and Maintenance Expenses 2005 Budget and 2004 Estimate
I-1-57 to 61 Board Staff Interrogatories 57 to 61
I-2-3 to 7, 66 to 68 CAC/CCC Interrogatories 3 to 7, 66 to 68
I-6-2, 48, 50 to 55 CME Interrogatories 2, 48, 50 to 55
I-9-24 Energy Probe Interrogatories 24
I-13-49 to 52 IGUA Interrogatories 49 to 52
I-16-67 to 79 Schools Interrogatories 67 to 79
I-18-36 to 38, 40 to 44 VECC Interrogatories 36 to 38, 40 to 44
L-13 IGUA Evidence

9.2 O&M - Finance.

(Complete Settlement)

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

See issue 9.1.

A6-2-1	O&M – Finance
I-1-70 to 73	Board Staff Interrogatories 70 to 73
I-6-56, 57	CME Interrogatories 56, 57
I-16-90	Schools Interrogatory 90
I-18-45	VECC Interrogatory 45

9.3 O&M - Engineering Department.

(Complete Settlement)

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

See issue 9.1.

I-1-74 to 77	Board Staff Interrogatories 74 to 77
I-6-58, 59, 123	CME Interrogatories 58, 59, 123
I-16-92, 93	Schools Interrogatories 92, 93
I-18-30, 46	VECC Interrogatories 30, 46

9.4 O&M - Customer Support.

(Complete Settlement)

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

See issue 9.1.

A6-4-1	O&M - Customer Support
A6-4-2	Customer Care - Customer Works Charges
I-1-64 to 69	Board Staff Interrogatories 64 to 69
I-6-60, 112	CME Interrogatories 60, 112
I-8-24	Direct Energy Interrogatory 24
I-9-26, 96, 101	Energy Probe Interrogatories 26, 96, 101
I-13-56 to 58	IGUA Interrogatories 56 to 58
I-16-36, 95, 96	Schools Interrogatories 36, 95, 96
I-18-47 to 53	VECC Interrogatories 47 to 53

9.5 O&M - Opportunity Development.

(Complete Settlement)

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

See issue 9.1.

A6-5-1 O&M – Opportunity Development
I-1-58, 60, 78 to 83 Board Staff Interrogatories 58, 60, 78 to 83
I-2-6, 69 to 75, 147 CAC/CCC Interrogatories 6, 69 to 75, 147
I-6-61 to 81 CME Interrogatories 61 to 81
I-9-2, 4, 24, 33, 34 Energy Probe Interrogatories 2, 4, 24, 33, 34
I-13-59 IGUA Interrogatory 59
I-16-9, 76, 97, 98 Schools Interrogatories 9, 76, 97, 98
I-18-54 to 56 VECC Interrogatories 54 to 56

9.6 O&M - Regional Operations

(Complete Settlement)

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

See issue 9.1.

A-6-6-1 O&M - Regional Operations
I-1-84 to 87 Board Staff Interrogatories 84 to 87
I-2-57, 76, 77, 109, 110, 122, 127, 136 CAC/CCC Interrogatories 57, 76, 77, 109, 110, 122, 127, 136
I-6-82, 99 CME Interrogatories 82, 99
I-9-112 Energy Probe Interrogatory 112
I-16-99 Schools Interrogatory 99
I-18-57-58, 60 VECC Interrogatories 57, 58, 60

9.7 O&M - NGV (Natural Gas for Vehicles)

(Complete Settlement)

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

Enbridge Gas Distribution agrees that revenue imputation will continue and will be in the amount of \$125,000 for the Test Year.

A6-7-1 O&M – (“NGV”) Natural Gas for Vehicles
I-2-78 CAC/CCC Interrogatory 78
I-6-83, 84 CME Interrogatories 83, 84

I-9-35, 36 Energy Probe Interrogatories 35, 36
I-13-40 IGUA Interrogatory 40
I-18-59 VECC Interrogatory 59

9.8 O&M - Gas Storage Operations.

(Complete Settlement)

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

See issue 9.1.

A6-9-1 O&M - Gas Storage Operations
I-1-88, 89 Board Staff Interrogatories 88, 89
I-6-103 CME Interrogatory 103
I-18-62 VECC Interrogatory 62

9.9 O&M - Strategic and Key Accounts

(Complete Settlement)

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

See issue 9.1.

A6-10-1 O&M - Strategic and Key Accounts
I-1-119 Board Staff Interrogatory 119
I-6-104, 105 CME Interrogatories 104, 105
I-16-100 Schools Interrogatory 100
I-18-63 VECC Interrogatory 63

9.10 O&M - Human Resources.

(Complete Settlement)

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

See issue 9.1.

A6-11-1 O&M Human Resources
I-1-90 to 93 Board Staff Interrogatories 90 to 93
I-2-6, 7, 79, 80, 110 CAC/CCC Interrogatories 6, 7, 79, 80, 110
I-6-51, 106 to 109 CME Interrogatories 51, 106 to 109
I-9-37 to 39 Energy Probe Interrogatories 37 to 39
I-13-53 to 55, 91 IGUA Interrogatories 53 to 55, 91

I-16-72, 77, 101 to 104 Schools Interrogatories 72, 77, 101 to 104
I-18-38, 64, 68 VECC Interrogatories 38, 64, 68

9.11 O&M - Legal, Regulatory and Public Affairs.

(Complete Settlement)

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

See issue 9.1.

A1-6-1	Status Report on Ontario Energy Board Directions and/or Recommendations and Settlement Proposal Commitments
A6-12-1	O & M - Legal, Regulatory and Public Affairs
A6-14-1	O & M - Regulatory Affairs
I-1-25, 94	Board Staff Interrogatories 25, 94
I-2-83, 85	CAC/CCC Interrogatories 83, 85
I-13-27, 73	IGUA Interrogatories 27, 73
I-16-128	Schools Interrogatory 128
I-18-65	VECC Interrogatory 65
I-24-18	OESC and SEM Interrogatory 18

9.12 O&M - Information Technology Department.

(Complete Settlement)

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

See issue 9.1.

A6-17-5	Company's Response to the Deloitte Report
I-1-95 to 97	Board Staff Interrogatories 95 to 97
I-2-15, 16, 86, 112, 114, 115	CAC/CCC Interrogatories 15, 16, 86, 112, 114, 115
I-6-110, 111	CME Interrogatories 110, 111
I-18-67	VECC Interrogatory 67

9.13 2005 Non-Departmental O&M Expenses.

(Complete Settlement)

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

See issue 9.1.

A6-16-1 2005 Non-Departmental O&M Expenses
I-2-87, 88, 151 CAC/CCC Interrogatories 87, 88, 151

9.14 Affiliate Transactions and Non-Utility Elimination.

(Complete Settlement)

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

See issue 9.1.

A1-7-1 Financial Statements, Year Ended September 30, 2003
A6-17-1 Affiliate Transactions and Non-Utility Eliminations
A6-17-2 Cost Allocations
I-2-89 CAC/CCC Interrogatory 89
I-6-113 CME Interrogatory 113
I-13-62 IGUA Interrogatory 62
I-18-65, 68, 69 VECC Interrogatories 65, 68, 69

9.15 Corporate Cost Allocations including the Deloitte Report.

(Complete Settlement)

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

See issue 9.1. This Settlement is without prejudice to the Company's ability to bring forward a new corporate cost methodology in the 2006 rate case wherein the Company may seek recovery of different costs.

A6-17-2 Cost Allocations
A6-17-3 Cost Allocation Review
A6-17-4 Company's Response to the Deloitte Consulting Report on the Enbridge Corporate Cost Allocation Methodology
A6-17-5 Company's Response to the Deloitte Report
I-2-153 to 156 CAC/CCC Interrogatories 153 to 156
I-6-113 to 115 CME Interrogatories 113 to 115
I-13-63, 64, 90 IGUA Interrogatories 63, 64, 90
I-16-156, 157, 159 Schools Interrogatories 156, 157, 159
I-18-65, 126 to 135 VECC Interrogatories 65, 126 to 135

DEMAND SIDE MANAGEMENT (DSM)

10.1 DSM Plan for the 2005 Test Year, including the O&M budget and the volume target.

(Partial Settlement)

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

Enbridge Gas Distribution's 12 month volume target will be 76.9 million m³.

Enbridge Gas Distribution's 12 month DSM budget will be \$14.8 million.

In addition the parties agree that any unspent amounts from the \$600,000 Program development budget approved for inclusion in the 2004 DSMVA should be carried forward into 2005 in the 2005 DSMVA. This amount, if any, may be spent in 2005 without regard to other DSMVA amounts and the threshold constraint (i.e. that such monies be used to exceed target volumes).

The Company agrees to spend no less than \$450,000 of the budget on low income programs, and \$300,000 of the budget on an efficient large boilers program with an associated volume target of 2.1 million m³ for this program. Volumes in these two programs are included in the volume target of 76.9 million m³ and volumes achieved may form part of any SSM claim. The Company also agrees to spend no less than \$300,000 of the budget on a high efficiency windows market transformation program. This budget amount will be excluded from the SSM pivot point and no actual values will be counted toward the SSM for this program.

The parties accept the Company's proposal for savings allocation (as between the Company and its program partners) for its 2005 programs without prejudice to a subsequent consideration of savings allocation rules for future periods. The parties agree that general rules for savings allocation should be considered in the Board's proposed generic DSM process.

The Company agrees to file a longer term strategic DSM plan on or before January 1, 2005 which plan will address, amongst other matters, lost opportunity markets,² market transformation, low income customers, incentive mechanisms and audit protocols. The Company will consult DSM consultative members and solicit input on the terms of reference and scope of the new multi-year DSM plan and provide members an opportunity to review and comment on the draft plan before it is filed with the Board.

² Lost opportunities are opportunities that, if not exploited promptly, are lost irretrievably or rendered much more costly to achieve. Examples can include cogeneration opportunities that are available but not taken when renovating a pulp and paper mill, or additional insulation that is not installed in a new house. Ref: British Columbia Utilities Commission, Resources Planning Guidelines, 2003.

Participating Parties: All parties participated in the negotiation and settlement of this issue except DEML, CEED, TEC, OESC, SEM, TransCanada, OAPPA, CASCO, MLF and MDE.

Approval: All participating parties accept and agree with the proposed settlement of this issue, except for Pollution Probe which takes the following position

Pollution Probe accepts the above terms but seeks a Board direction for the following additional items: that the Company propose and obtain approval for a commercial, institutional and industrial large boiler market transformation program and shareholder incentive prior to January 1, 2005 and that a budget increase or deferral account be created for the costs associated with any such direction.

Enbridge takes the position that the Pollution Probe proposal would require additional funding to overcome budget constraints, market barriers and to pay for additional evaluation work. Also, if additional monies are to be expensed for this program, they should be added to the budget and not recorded in a deferral account. Certain intervenors (VECC, CME, CAC/CCC, IGUA) oppose a further increase in the budget.

Evidence: The evidence in relation to this issue includes the following:

A7-1-1	Fiscal 2005 Demand Side Management Plan
A7-2-1	Program Descriptions
A7-2-1 App 1	Supplemental Program Descriptions
A7-2-6	Program Assumptions Table 2005 Budget
A7-2-6 App 1	Supplemental Program Assumptions
I-1-98 to 101	Board Staff Interrogatories 98 to 101
I-2-91, 93	CAC/CCC Interrogatories 91, 93
I-6-116	CME Interrogatory 116
I-9-40	Energy Probe Interrogatory 40
I-11-4 to 6, 10, 11, 14, 15, 18 to 22	GEC Interrogatories 4 to 6, 10, 11, 14, 15, 18 to 22
I-13-65, 66, 69	IGUA Interrogatories 65, 66, 69
I-16-105 to 107	Schools Interrogatories 105 to 107
I-18-73, 74	VECC Interrogatories 73, 74
I-26-1 to 8	Enbridge Interrogatories of GEC Evidence 1 to 8
I-30-6 to 13, 15	CAC/CCC Interrogatories of GEC Evidence 6 to 13, 15
L-11-1	GEC Evidence – Enbridge's Role in Ontario's Conservation Culture

10.2 The Shared Savings Mechanism (SSM) incentive scheme for 2005.

(Partial Settlement)

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

The parties agree that the SSM, LRAM and DSMVA accounts and methodologies will be continued for the Test Year on the terms previously approved for use in the RP-2002-0133 proceeding. The Company will file information supporting a TRC pivot point that is consistent with the proposed volume target. All parties reserve the right to revisit these matters, including alternative incentive mechanisms, for future periods in subsequent proceedings.

The parties agree to a pilot targeted market transformation incentive for efficient windows as follows: The Company will be eligible to claim an incentive of \$300,000 if third party evaluation confirms that after 12 months the market share for Energy Star windows in the franchise area has increased 10 percentage points above the level at the start of the Test Year. For example if the evaluation demonstrated that the starting market share was 12%, to obtain the incentive the market share after 12 months would have to equal or exceed 22%. The post evaluation methodology shall be consistent with the methodology utilized to determine the base line market share.

Participating Parties: All parties participated in the negotiation and settlement of this issue except DEML, CEED, TEC, OESC, SEM, TransCanada, OAPPA, CASCO, MLF and MDE.

Approval: All participating parties accept and agree with the proposed settlement of this issue, except for Pollution Probe which takes the following position:

Pollution Probe accepts the above settlement but seeks a further incentive for market transformation in the commercial, institutional and industrial large boiler market.

Certain other intervenors (VECC, CME, CAC/CCC, IGUA) do not support a further incentive.

Evidence: The evidence in relation to this issue includes the following:

A7-1-1	Fiscal 2005 Demand Side Management Plan
A7-2-5	Pivot Point Calculations Cost Effectiveness Results of DSM Programs 2005 Budget Year Only
I-1-102	Board Staff Interrogatory 102
I-2-95	CAC/CCC Interrogatory 95
I-6-119, 120	CME Interrogatories 119, 120
I-13-68	IGUA Interrogatory 68
I-18-72, 80	VECC Interrogatories 72, 80
I-26-9	Enbridge Interrogatory of GEC Evidence 9
I-30-13, 16	CAC/CCC Interrogatories of GEC Evidence 13, 16
L-11-1	GEC Evidence – Enbridge's Role in Ontario's Conservation Culture

10.3 Recovery of SSM and Lost Revenue Adjustment Mechanism (LRAM) amounts for 2002 and 2003.

(Complete Settlement)

The parties agree to resolve this issue on the following basis:

Audits are not yet available to support clearance of these accounts. It is agreed that the Company will request approval for the clearance of these accounts in a subsequent application.

Participating Parties: All parties participated in the negotiation and settlement of this issue except DEML, CEED, TEC, OESC, SEM, TransCanada, OAPPA, CASCO, MLF and MDE.

Approval: All participating parties accept and agree with the proposed settlement of this issue.

Evidence: The evidence in relation to this issue includes the following:

A8-2-1	Proposed Clearing of the 2004 Deferral and Variance Accounts
A8-3-1	Balances of Fiscal 2004 Deferral and Variance Accounts
I-1-102	Board Staff Interrogatory 102

10.4 Recovery of DSMVA for 2001 and 2002.

(Complete Settlement)

The parties agree to resolve this issue on the following basis:

Parties agree to clear the 2001 DSMVA of \$1.786 million, plus interest (A8-3-1, line item 4). It is agreed that the Company will request approval for the clearance of the 2002 DSMVA in a subsequent application once the 2002 audit has been completed.

Participating Parties: All parties participated in the negotiation and settlement of this issue except DEML, CEED, TEC, OESC, SEM, TransCanada, OAPPA, CASCO, MLF and MDE.

Approval: All participating parties accept and agree with the proposed settlement of this issue.

Evidence: The evidence in relation to this issue includes the following:

A8-2-1 Proposed Clearing of the 2004 Deferral and Variance Accounts
A8-3-1 Balances of Fiscal 2004 Deferral and Variance Accounts

DEFERRAL AND VARIANCE ACCOUNTS

11.1 Amounts and proposed disposition of balances in historic deferral and variance accounts.

(Complete Settlement)

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

The Company filed a summary of the actual deferral and variance account balances as at January 31, 2004 (A8-3-1, Updated 2004-04-08). Excluding EnTRAC, PGVA and DSM related deferral and variance accounts, the balance as of January 31, 2004 is a credit of \$11.972 million. The proposal for clearing these accounts, as well as the 2003 Gas Distribution Access Rule Deferral Account costs, is that Enbridge Gas Distribution will clear to customers the September 30th, 2004 principal balances, plus related interest, commencing October 1, 2004.

Issues relating to the recovery of SSM and LRAM amounts for fiscal 2002 and 2003 are dealt with at issue 10.3 above. Issues relating to the recovery of DSMVA for 2001 and 2002 are dealt with at issue 10.4 above.

The Company's proposal to clear the amounts recorded in the EnTRAC Non-Vendor Cost Deferral Account is settled in accordance with issue 7.5 above.

The balances recorded in the following deferral and variance accounts established for Fiscal 2004 pursuant to the RP-2003-0048 Rate Order, as well as the 2003 Gas Distribution Access Rules Costs Deferral Account ("2003 GDARCD"), and except for amounts recorded in the 2004 UGDA relating to the Company's new storage contract for Union storage (see issue 5.1) the proposed clearance of such balances are accepted by the parties for the reasons given in the supporting evidence:

Gas Supply Related Deferral Accounts

2004 Purchased Gas Variance Account ("2004 PGVA")
2004 Union Gas Deferral Account ("2004 UGDA")
2004 Unaccounted for Gas Variance Account ("2004 UAFVA") and
2004 Transactional Services Deferral Account ("2004 TSDA")

Non-Gas Supply Related Deferral Accounts

2004 Class Action Suit Deferral Account ("2004 CASDA")

2004 Debt Redemption Deferral Account ("2004 DRDA")
2004 Deferred Rebate Account ("2004 DRA")
2004 Disposition of Property Variance Account ("2004 DPVA")
2004 Gas Distribution Access Rule Costs Deferral Account ("2004 GDARCD")
2004 Customer Communication Deferral Account ("2004 CCPDA")
2004 Ontario Hearing Costs Variance Account ("2004 OHCVA")

The Company does not seek to clear, in the Test Year, the balances recorded in the following Non-Gas Supply Variance Accounts:

2003 Demand Side Management Variance Account ("2003 DSMVA")
2004 Demand Side Management Variance Account ("2004 DSMVA-Operating")
2004 Lost Revenue Adjustment Mechanism Variance Account ("2004 LRAM")
2004 Shared Saving Mechanism Variance Account ("2004 SSMVA")

Participating Parties: All parties participated in the negotiation and settlement of this issue, except DEML, CEED, GEC, Pollution Probe, TEC, OESC, SEM, TransCanada, OAPPA, CASCO, MLF and MDE.

Approval: All participating parties accept and agree with the proposed settlement of this issue.

Evidence: The evidence in relation to this issue includes the following:

A8-2-1	Proposed Clearing of the 2004 Deferral and Variance Accounts
A8-3-1	Balances of Fiscal 2004 Deferral and Variance Accounts
A9-1-3	Change in Fiscal Year End Revenue Requirement Impact
I-16-110, 111	School Interrogatories 110, 111

11.2 Request to continue or establish new deferral and variance accounts for fiscal 2005.

(Complete Settlement)

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

Enbridge Gas Distribution's proposal to continue the following deferral and variance accounts for the Test Year, including the accounting methodology, is accepted by the parties for the reasons given in the supporting evidence.

2005 Purchased Gas Variance Account ("2005 PGVA")
2005 Transactional Services Deferral Account ("2005 TSDA")
2005 Unaccounted for Gas Variance Account ("2005 UAFVA")
2005 Union Gas Deferral Account ("2005 UGDA")

2005 Debt Redemption Deferral Account ("2005 DRDA")
2005 Deferred Rebate Account ("2005 DRA")
2005 Gas Distribution Access Rule Costs Deferral Account ("2005 GDARCD")
2005 Customer Communication Plan Deferral Account ("2005 CCPDA")
2005 Ontario Hearing Costs Variance Account ("2005 OHCVA")
2005 Gas Supply Risk Management Program Deferral Account ("2005
GSRMPDA")
2005 Corporate Cost Allocation Methodology Deferral Account ("2005 CCAMDA")
2005 Notional Utility Account Deferral Account ("2005 NUADA")

The Parties agree to the establishment of the DSM related variance accounts (i.e. the 2005 DSMVA, 2005 LRAM, and 2005 SSMVA) for the Test Year on the terms previously approved for use in the RP-2002-0133 proceeding, as noted at issue 10.2 above.

The revenue sharing methodology in respect of the 2005 Transactional Services Deferral Account is part of issue 4.1 above.

2005 Class Action Suit Deferral Account ("2005 CASDA")

(No Settlement)

The Company proposed in evidence at A8-1-1 page 9 to establish for the Test Year a 2005 CASDA to record costs incurred in defending late payment penalty litigation (the "Garland" case) including any judgment against the Company. This would include any award of costs made against the Company. The pre-filed evidence also stated that the balance of this account together with carrying charges, will be disposed of in a manner designated by the Board in a future rate hearing.

As a result of the Supreme Court of Canada's decision of April 22, 2004, the Company is required to repay late payment penalties collected from the plaintiff in the Garland case in excess of the interest limit stipulated in s. 347 of the Criminal Code after the Garland case was commenced in 1994 in an amount to be determined by the trial judge.

Parties acknowledge that the Garland decision of the Supreme Court has implications beyond the Company and will likely require repayment of late payment penalties which are in contravention of the Criminal Code by numerous other gas and electric utilities in Ontario. Whether such payments are properly recoverable in rates is a matter which parties agree is appropriate to be considered by the Board in a funded generic proceeding in which all stakeholders can participate.

Parties agree that direction from the Board is required at this time, failing which the issue is:

Should the Board establish a 2005 CASDA and, if so, what costs should be recorded therein?

Participating Parties: All parties participated in the negotiation and settlement of this issue except DEML, CEED, GEC, Pollution Probe, TEC, OESC, SEM, TransCanada, OAPPA, CASCO, MFL, and MDE.

Approval: All participating parties accept and agree with the proposed settlement of this issue.

Evidence: The evidence in relation to this issue includes the following:

A8-1-1	Deferral and Variance Accounts Evidence Summary
I-9-114 to 118	Energy Probe Interrogatories 114 to 118
I-16-109	School Interrogatory 109
I-18-77, 78	VECC Interrogatories 77, 78

11.3 Request to establish a 2005 Manufactured Gas Plant Variance Account.

(Complete Settlement)

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

As a result of a postponement in the Cityscape lawsuit, which the Company believes will delay the commencement of trial until some point beyond the Test Year, the parties agree to the withdrawal by the Company of the request for approval for the establishment of a 2005 MGP variance account. The withdrawal, however, is without prejudice to the Company's right to reapply for a MGP variance or deferral account in the future, and the rights of intervenors to oppose such an account.

Participating Parties: All parties participated in the negotiation and settlement of this issue except DEML, CEED, GEC, Pollution Probe, TEC, OESC, SEM, TransCanada, OAPPA, CASCO, MLF and MDE.

Approval: All participating parties accept and agree with the proposed settlement of this issue.

Evidence: The evidence in relation to this issue includes the following:

A8-1-1	Deferral and Variance Accounts Evidence Summary
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A8-4-1	Manufactured Gas Plant Deferral Account
I-1-104, 105	Board Staff Interrogatories 104, 105
I-2-106	CAC/CCC Interrogatory 106
I-13-70	IGUA Interrogatory 70
I-16-112 to 114	Schools Interrogatories 112 to 114
I-18-79, 85	VECC Interrogatories 79, 85

DEFERRED TAXES (NOTIONAL UTILITY ACCOUNT)

12.1 Recovery of deferred taxes including amount recoverable and recovery mechanism.

(No Settlement)

The Company requested recovery of the sum of \$23,873,850, after taxes, from the Notional Utility Account that was the subject of the Board's decision in RP-2002-0135. The Company proposed that such recovery occur over two years by including the before-tax recovery of \$18.4 million in rates for the 2005 Test Year.

The intervenors contend that:

- the actual taxes paid by the numbered company carrying on the rental program business between October 1, 1999, and May 7, 2002, were about \$10.9 million;
- the actual taxes paid by ESI, the other Enbridge Gas Distribution affiliate carrying on the rental program business between October 1, 1999, and May 7, 2002, were \$2.1 million, including Ontario minimum tax;
- the actual tax savings attributable to the extent to which CCA exceeded accounting depreciation with respect to rental program equipment assets acquired between October 1, 1999, and May 7, 2002, were \$5.4 million;
- the actual tax savings attributable to rental equipment installation costs capitalized between October 1, 1999, and May 7, 2002, were about \$13.5 million; and
- the actual taxes payable attributable to both pools of assets operating together from October 1, 1999, to May , 2002, would be about \$5 million.

There is no agreement to settle either the amount recoverable from the Notional Utility Account or the related recovery mechanism, and it is the position of some intervenors that all documents pertaining to Enbridge Gas Distribution's claim to recover deferred taxes should be treated as non-confidential documents and filed on the public record in these proceedings.

The Company does not agree that the facts stated above are all relevant to this issue or belong in a settlement proposal. The Company also disagrees with the intervenors' position with respect to the confidentiality of documents.

Participating Parties: All parties participated in the negotiation and settlement of this issue except DEML, CEED, GEC, Pollution Probe, TEC, OESC, SEM, TransCanada, OAPPA, CASCO, MLF and MDE.

Evidence: The evidence in relation to this issue includes the following:

A8-5-1	Notional Utility Account Recovery
A8-5-2	Notional Utility Account Recovery – Additional Evidence
I-1-106 to 110	Board Staff Interrogatories 106 to 110
I-2-101 to 104	CAC/CCC Interrogatories 101 to 104
I-9-41 to 44, 105	Energy Probe Interrogatories 41 to 44, 105
I-13-71, 77, 89	IGUA Interrogatories 71, 77, 89
I-16-1, 115 to 123, 155	Schools Interrogatories 1, 115 to 123, 155
I-18-86 to 88	VECC Interrogatories 86 to 88
I-29-3	Enbridge Gas Distribution Interrogatory of TransCanada 3
L-13	IGUA Evidence

CHANGE IN FISCAL YEAR END

13.1 Proposal to change Enbridge Gas Distribution's year-end from September 30 to December 31, 2005 and its implications.

(No Settlement)

The Company's position with regard to this issue is as follows:

To facilitate the change in the Company's fiscal year end from September 30 to December 31, the Company seeks approval from the Board to set rates for the period from October 1, 2005 to December 31, 2005 (the "Stub Period") on the basis of an inflationary index applied to Board approved rates for the period October 1, 2004 to September 30, 2005.

The Company states that the change in year end will result in no incremental costs to the Company (A9-1-1 page 9) and that the cost to make minor modifications to the Company's reporting systems will be outsourced and borne by the shareholder (Ex. I-16-127).

The Intervenors' position with regard to this issue is as follows:

The equity risk premium method upon which the Board's Equity Return Guidelines are based produces an annualized allowed equity return for Enbridge Gas

Distribution of about 9.69%. Without the inflationary increase in rates which Enbridge Gas Distribution seeks for the period October 1, 2005, to December 31, 2005, which intervenors oppose, Enbridge Gas Distribution's forecast annualized ROE for the 15 months ending December 31, 2005, would be about 11.0% representing an excess of annualized equity return of about 1.3% over the Company's applied-for Test Year percentage of about 9.69%. The forecasted over-earnings adjustment to which rate payers claim to be entitled is a pre-tax amount of about \$30 million. Enbridge Gas Distribution's fiscal year end change from September 30 to December 31 must be accompanied by an equity over-earnings adjustment without which, rate payers will never recover the extent to which Enbridge Gas Distribution's forecast annualized equity return for 15 months exceeds the Guideline Equity Return.

The Company disagrees with the intervenors position on this issue.

Participating Parties: All parties participated in the negotiation and settlement of this issue except CEED, DEML, GEC, Pollution Probe, TEC, OESC, SEM, OAPPA, CASCO, MLF and MDE.

Evidence: The evidence in relation to this issue includes the following:

A9-1-1	Change in Fiscal Year End
A9-1-2	Change in Fiscal Year End Financial Impact
A9-1-3	Change in Fiscal Year End Revenue Requirement Impact
H1-1-1	Rate Design
I-2-60, 61	CAC/CCC Interrogatories 60, 61
I-9-45 to 49, 106, 119 to 122	Energy Probe Interrogatories 45, to 49, 106, 119 to 122
I-13-72 to 74	IGUA Interrogatories 72 to 74
I-16-124 to 129, 158 to 160	Schools Interrogatories 124 to 129, 158 to 160
I-18-136, 137	VECC Interrogatories 136, 137

13.2 Proposal to increase rates the period October 1, 2005 to December 31, 2005 and its implications.

(No Settlement)

See issue 13.1 above.

COST ALLOCATION

14.1 Proposed changes to the existing cost allocation methodology including the following:

- a) Upstream Transportation Costs**
- b) Interruptible Service Differential/Credits**
- c) M12 Transmission Related Costs**
- d) Deliverability Allocation Factor**
- e) Peaking Service Costs**
- f) TransCanada Pipeline STS Costs**
- g) Reference Price for Commodity costs**
- h) Vector (Chicago) Commodity Purchases**
- i) Storage Fluctuations and Unaccounted For Gas (UFG)**
- j) Seasonal Credits for Rate 135**
- k) Transactional Service Credits to Ex-Franchise Customers**
- l) Calculation of peak day for large volume customers**

(Complete Settlement)

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

The Company will implement fully its proposed changes to the existing cost allocation methodology in the 2005 test year. The rate impacts stemming from the proposed changes will be phased-in in accordance with the schedule prescribed by the settlement of the related rate design changes under issue 15.4. The proposed changes, and underlying rationale, are fully described in the evidence, and summarized below. The impact of the changes on each rate classes' revenue requirement for the Test Year is shown in the evidence at G1-1-2, Appendix 1.

a) Upstream Transportation Costs

The Company will allocate its upstream transportation costs to its customer rate classes volumetrically, as described in the evidence at G1-1-2, pp. 4-7. Ontario T-service customers would continue to pay for transportation through utility charges and receive the T service credits in the first three years of the phase-in. The T-service credit methodology prevailing as of this agreement will not change during

the phase-in period. In year four, the transportation charge would be unbundled from the load balancing charge and the T service credit will be eliminated.

b) Interruptible Service Differential/Credits

The Company will increase the level of its curtailment credits for interruptible customers (i.e., the "Capacity Repurchase Credit") by \$11.0 million, as described in the evidence at H1-1-4, p. 1.

c) M12 Transmission Related Costs

The Company contracts for service under Union Gas' Rate M12 to move gas in and out of storage and to move gas delivered at Dawn. A portion of M12 capacity is required to move gas from Vector Tranches 1 and 2 to meet firm service supplies. The Company will classify these transportation costs on the basis of annual deliveries and will allocate them volumetrically, consistent with the treatment of upstream transportation costs. The remaining capacity on M12 is used to move gas from the Company's storage operations at Tecumseh and the Company's contracted for storage with Union Gas. The Company is proposing that this capacity be further sub-classified as storage space and storage deliverability related. The portion of M12 capacity attributable to storage space would equal average daily withdrawals from Tecumseh and Union storage. This results in 42% of the costs being classified and allocated as storage space. The balance is attributable to deliverability and allocated on the basis of the deliverability factor described below.

d) Deliverability Allocation Factor

Currently, deliverability costs are allocated based on the rate class responsibility to the three day consecutive peak. The Company will instead derive the deliverability allocation factor by calculating the rate class contribution to the excess of peak day requirements over average winter consumption.

e) Peaking Service Costs

The existing methodology allocates peaking service costs based on the rate class responsibility to the consecutive three day peak. The Company will instead allocate peaking service costs on the same basis as deliverability, i.e., on the excess of peak day requirements over winter average.

f) TransCanada PipeLine STS Costs

Currently, the Company classifies and allocates its TransCanada PipeLine STS Costs on the basis of the storage space factor. The Company will now classify

and allocate these costs based on the storage deliverability factor for the reasons set out in the related evidence. These changes mitigate the impact of the volumetric allocation of transportation costs on high load factor and interruptible customers.

g) Reference Price for Commodity Costs

The Company currently uses its Western Buy/Sell reference price with fuel to determine the variable unit rate for costing its purchases and receipts. These costs are recovered from system gas customers through the Company's gas supply commodity charge. Any premium over the deemed commodity costs is classified to load balancing and recovered from all customers through the load balancing component of their rates. Under the new methodology, the Company will price its purchases to reflect a 12 month average of projected AECO/NIT prices inclusive of fuel plus NOVA/Empress transportation tolls for the reasons set out in the related evidence. Under the existing methodology the Buy/Sell reference price is \$254.795 per 10^3m^3 and the proposed AECO reference price is \$257.937 per 10^3m^3 as stated in the evidence at A3-2-4, p. 2, updated May 17, 2004. The increase in the reference price has the impact of transferring approximately \$15.8 million to the gas supply commodity charge and a corresponding reduction to the transportation charge.

h) Vector (Chicago) Commodity Purchases

The Company purchases firm service supplies to move gas under its Vector contracts. Vector Pipeline contracts are used as an alternative to TCPL firm service transportation to move gas at 100% LF. These purchases are currently priced at the Company's deemed commodity price with any premium over and above the commodity price classified to load balancing as seasonal. The Company will instead classify and allocate the load balancing component of these purchases as annual, which is consistent with the treatment of gas purchases transported on TCPL.

i) Storage Fluctuations and Unaccounted For Gas (UFG)

Storage fluctuations reflect the difference between purchases and send out, in other words, inter-year additions to or depletions of gas inventory. As such they should be eliminated from or added to gas purchases in the same manner as total gas purchases are classified. Storage fluctuations are currently classified on the basis of commodity and storage space. Similarly, UFG gas is purchased to recognize that there are commodity losses on the distribution system that need to be replaced. Therefore, the Company will classify this gas cost element in a manner similar to total gas purchases.

j) Seasonal Credits for Rate 135

Similar to the rationale of providing a credit to interruptible customers to reflect the operational benefits they provide to the system, the Company will provide a credit to Rate 135 customers to recognize that they provide a benefit from delivering more gas in the winter months than they consume. Seasonal customers on Rate 135 deliver an average daily volume over twelve months but consume most of their gas in the summer months. This contracting practice allows the Company to use their gas in the winter months and thus displace storage costs they would otherwise incur. The Company has determined that the value of that benefit is \$0.50 million as described as H1-1-4, pg. 1 and has credited the Rate 135 class accordingly.

k) Transactional Services Credits to Ex-Franchise Customers

For the reasons set out in the related evidence, the Company will eliminate the credits that ex-franchise customers receive from revenues generated from Transactional Services. Currently, ex-franchise customers receive transactional service credits for short cycle storage.

l) Calculation of peak day for large volume customers

The peak day demand calculation is used to allocate demand related costs to the customer rate classes. Currently, the Company employs different methods to calculate peak day demand for general service and large volume customers. General service peak day is determined by using base load plus an average use per degree day (heat load) based on forecast data for the test year. For large volume customers, an average of historical ratios of consumption to contract demand on peak day is determined and applied to the forecast contract demand for the test year. This methodology assumes that all large volume customers are process load. A market diversity factor is applied to the type of customers and finally an adjustment is made to transform the one day peak to a three day consecutive peak. Under the new methodology, the Company will calculate its large volume peak day demand in the same manner as its general service. This takes into consideration that some large volume customers have a baseload plus a heatload.

Participating Parties: All parties participated in the negotiation and settlement of this issue, except DEML, CEED, OESC, GEC, Pollution Probe, SEM and TransCanada.

Approval: All participating parties accept and agree with the proposed settlement of this issue.

Evidence: The evidence in relation to this issue includes the following:

G1-1-1 2005 Cost Allocation Methodology
G1-1-2 2005 Proposed Cost Allocation Methodology
I-1-14, 111 to 116 Board Staff Interrogatories 14, 111 to 116
I-2-72, 91, 92, 148, 152 CAC/CCC Interrogatories 72, 91, 92, 148, 152
I-9-32, 54, 65 to 77, 86, 87, 103 Energy Probe Interrogatories 32, 54, 65 to 77, 86, 87, 103
I-13-2 to 11, 13 to 18, 75, 79, 83 to 87 IGUA Interrogatories 2 to 11, 13 to 18, 75, 79, 83, 87
I-14-1 to 11, 14 to 20 OAPPA et al. Interrogatories 1 to 11, 14 to 20
I-16-91, 94, 116, 144 to 147 School Interrogatories 91, 94, 116, 144 to 147
I-18-81, 84, 89 to 100, 102 to 105, 108, 109, 140, 142, 143, 155 VECC Interrogatories #81, 84, 89 to 100,
102 to 105, 108, 109, 140, 142, 143, 155
I-22-7 TransCanada Interrogatory 7
I-29-1, 2 Enbridge Gas Distribution Interrogatory of TransCanada 1, 2
L-13 IGUA Evidence
L-18 Evidence of Robert Knecht on behalf of CAC, CCC and VECC

RATE DESIGN

15.1 Proposal to remove rate seasonality for all rate classes except Rate 135.

(Partial Settlement)

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

The Company's distribution rates are seasonal for all rate classes except Rate 9 (Container Service), Rate 300 (Firm Transportation Service) and Rate 305 (Interruptible Transportation Service). In its 2004 Rate Case, the Company undertook to review the seasonal differential in its rates, following a revision to Rate 6. For the reasons given in the evidence at H1-1-3, the Company will eliminate seasonality for all rate classes except Rate 135 (Seasonal Firm Service).

Participating Parties: All parties participated in the negotiation and settlement of this issue except DEML, CEED, TEC, OESC, SEM, TransCanada, OAPPA, CASCO, MLF and MDE.

Approval: All participating parties accept and agree with the proposed settlement of this issue except for Energy Probe, GEC and Pollution Probe which oppose the Company's proposal.

Evidence: The evidence in relation to this issue includes the following:

H1-1-1 Rate Design
H1-1-3 Details of Proposed Rate Design
I-18-115, 116 VECC Interrogatories 115, 116

15.2 Proposal to increase the monthly customer charge for Rate 1 from \$10.00 to \$11.25.

(Partial Settlement)

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

The monthly customer charge for Rate 1 customers is currently \$10.00 per month, which recovers approximately 50% of customer related costs. In order to enhance this recovery to approximately 60% of customer related costs, the Company is proposing to increase the monthly customer charge for Rate 1 customers to \$11.25 per month. The impact on the typical residential customer whose annual consumption is approximately 3,064 cubic metres per year is a decrease of \$0.74 for the year.

Participating Parties: All parties participated in the negotiation and settlement of this issue except DEML, CEED, TEC, OESC, SEM, TransCanada, OAPPA, CASCO, MLF and MDE.

Approval: All participating parties accept and agree with the proposed settlement of this issue, except for CAC/CCC, GEC, Pollution Probe and VECC which oppose the Company's proposal.

Evidence: The evidence in relation to this issue includes the following:

H1-1-1	Rate Design
H1-1-3	Details of Proposed Rate Design
I-1-118	Board Staff Interrogatory 118
I-9-6, 88, 89	Energy Probe Interrogatories 6, 88, 89
I-16-148	Schools Interrogatory 148
I-18-117, 148	VECC Interrogatories 117, 148

15.3 Rate 6 monthly customer charge.

(Complete Settlement)

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

The Company agrees to leave the Rate 6 customer charge at its current (Fiscal 2004) level for the Test Year.

Participating Parties: All parties participated in the negotiation and settlement of this issue except DEML, CEED, GEC, Pollution Probe, TEC, OESC, SEM, TransCanada, OAPPA, CASCO, MLF and MDE.

Approval: All participating parties accept and agree with the proposed settlement of this issue except VECC which takes no position.

Evidence: The evidence in relation to this issue includes the following:

I-16-148 Schools Interrogatory 148
I-18-145 VECC Interrogatory 145

15.4 The rate design implications of proposed cost allocation changes for upstream transportation, storage, peaking service and interruptible credits.

(Complete Settlement)

The Company's proposed cost allocation changes are described under issue 14.1. As stated there, the parties agree with these proposed changes on the basis that the full rate impact of the changes will not be implemented at the beginning of the Test Year.

The parties agree that the changes to the upstream allocations for storage and transportation and related rate design will be implemented as a differential phase-in over a four year period on the following basis:

- a. For the first three years of the phase-in period, the overall increase resulting from these changes in the T-service unit rate shall not, on average for each rate class, be greater than 9%.
- b. In the fourth year of the phase in period, all of the remaining changes will be implemented for each rate class, even if the average impact on a rate class is greater than 9%.
- c. The Company's estimates of the delivery rate impacts on each rate class for each of the four years of the differential phase in, including the termination of the T-service credit at the end of the third year of the phase in, are shown in Table 2 attached as Appendix B. The Company acknowledges that all parties relied upon these estimated impacts in reaching the agreement to accept a differential phase in period of four years.

The Company agrees that for the next rates case, it will consider changes to all aspects of its 300, 305, 310 and 315 rates schedules including consideration of the following matters:

- combined multi-facility delivery, storage and load balancing options;
- flexibility in delivery point, minimum annual volumes, daily delivery obligations, provision of fuel, and choice between bundled and unbundled services; and
- term differentiated rates.

If during the four year phase in period, there is a material change in circumstances, whether internal or external to the Company, all parties are free to apply to the Board or request changes to this phase in agreement in a subsequent rate case. The party seeking changes to the phase in agreement bears the burden of demonstrating that any change in circumstances is material.

Participating Parties: All parties participated in the negotiation and settlement of this issue except DEML, CEED, OESC, GEC, Pollution Probe, SEM and TransCanada.

Approval: All participating parties accept and agree with the proposed settlement of this issue.

Evidence: The evidence in relation to this issue includes the following:

H1-1-1 Rate Design
H1-1-3 Details of Proposed Rate Design
I-9-69, 71 to 74, 76 to 78, 80 to 82 Energy Probe Interrogatories 69, 71 to 74, 76 to 78, 80 to 82
I-13-1, 3 to 10, 22, 24, 28, 31, 76, 78 to 80, 82, 84 to 86 IGUA Interrogatories 1, 3 to 10, 22, 24, 28, 31, 76, 78 to 80, 82, 84 to 86
I-14-1 to 6, 10 to 12, 14 to 16, 18, 21 OAPPA et al. Interrogatories 1 to 6, 10 to 12, 14 to 16, 18, 21
I-16-116, 144, 149 to 152, 161, 162 Schools Interrogatories 116, 144, 149 to 152, 161, 162
I-18-90, 91, 93, 94, 96 to 103, 110, 118, 121, 139 to 141, 144, 147, 149, 151 VECC Interrogatories 90, 91, 93, 94, 96 to 103, 110, 118, 121, 139 to 141, 144, 147, 149, 151
I-20-1 to 4 Jason Stacey Interrogatories 1 to 4
I-21-1 to 7, 10 to 14, 16, 19, 20, 22 TransAlta Interrogatories 1 to 7, 10 to 14, 16, 19, 20, 22
I-22-7 TransCanada Interrogatory 7
I-27-1 Enbridge Gas Distribution Interrogatory of TransCanada 1
I-29-1 Enbridge Gas Distribution Interrogatory of IGUA 1
I-31-1 to 7 CAC/CCC Interrogatories of IGUA 1 to 7
I-32-1 to 5 CAC/CCC Interrogatories of Energy Probe 1 to 5
L-13 IGUA Evidence

15.5 Proposal to eliminate the T-Service credit and unbundle the transportation charge from the Load Balancing Charge.

(Complete Settlement)

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

See issues 14.1 and 15.4, above.

Participating Parties: All parties participated in the negotiation and settlement of this issue except DEML, OESC, GEC, Pollution Probe, SEM, CEED and TransCanada.

Approval: All participating parties accept and agree with the proposed settlement of this issue.

Evidence: The evidence in relation to this issue includes the following:

H1-1-3	Details of Proposed Rate Design
I-1-116	Board Staff Interrogatory 116
I-8-32 to 34	Direct Energy Interrogatories 32 to 34
I-9-70, 79, 83, 84, 93	Energy Probe Interrogatories 70, 79, 83, 84, 93
I-13-12 to 17, 19 to 21, 81, 87	IGUA Interrogatories 12 to 17, 19 to 21, 81, 87
I-14-5, 8, 9, 19, 22	OAPPA et al. Interrogatories 5, 8, 9, 19, 22
I-18-93 to 95, 103, 111 to 113, 143, 146, 150	VECC Interrogatories 93 to 95, 103, 111 to 113, 143, 146, 150
I-20-4, 6	Jason Stacey Interrogatories 4, 6
I-21-8, 9, 15, 19	TransAlta Interrogatories 8, 9, 15, 19
I-23-1	Union Gas Interrogatory 1
I-29-1	Enbridge Gas Distribution Interrogatory of TransCanada 1
I-31-1 to 3	CAC/CCC Interrogatories of IGUA 1 to 3
L-13	IGUA Evidence

15.6 Proposal for changes to the Annual Minimum Bill.

(Complete Settlement)

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

The parties accept the Company's proposal to change the calculation of the Annual Minimum Bill ("AMB") unit rates in the following respects:

- As a result of the Company's proposal to eliminate the T-Service credit in the final year of the phase-in, the Company will require differentiation in the AMB unit rates by type of service, and specifically, that the unit rate applicable for Ontario-T customers be lower than the rate applicable to system and Western-T customers by the transportation charge starting in Year 4 of the phase-in.

- The Company will change the calculation of the unit rate applicable to Rate 135 customers in minimum bill situations to the sum of the load balancing charge and the delivery charge for the first block of consumption less unit variable costs. The reasons for this change are set out in the evidence at H1-1-3, pp. 10-11.

Participating Parties: All parties participated in the negotiation and settlement of this issue except DEML, CEED, OESC, GEC, Pollution Probe, SEM, and TransCanada.

Approval: All participating parties accept and agree with the proposed settlement of this issue.

Evidence: The evidence in relation to this issue includes the following:

H1-1-3 Details of Proposed Rate Design
I-13-30 IGUA Interrogatory 30

15.7 Proposal for changes to the Rate Handbook.

(Complete Settlement)

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

The parties accept the Company's proposed minor changes to its Rate Handbook with respect to Banked Gas Account ("BGA") disposition, as explained in the pre-filed evidence at H1-1-3, pp. 11-14. The first change is that the terms and conditions for disposition of BGA balances for unbundled customers (Rates 300, 305, and 125) be specified in the applicable Service Contracts. The second change is that the sale price for disposition of debit balances for Bundled Ontario-T service customers include transportation costs, subject to the Company's proposal to eliminate the T-service credit as settled under issue 15.5.

Participating Parties: All parties participated in the negotiation and settlement of this issue except DEML, CEED, GEC, Pollution Probe, OESC, SEM and TransCanada.

Approval: All participating parties accept and agree with the proposed settlement of this issue except TEC which takes no position.

Evidence: The evidence in relation to this issue includes the following:

H1-1-3 Details of Proposed Rate Design
I-13-29 IGUA Interrogatory 29

15.8 Proposal for changes to the Direct Purchase Administration Charge.

(Complete Settlement)

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

In accordance with settlement of issue 5.4, the Company agrees to retain both the system gas allocation and the Direct Purchase Administration Charge at the 2004 levels for the Test Year.

Participating Parties: All parties participated in the negotiation and settlement of this issue except CEED, GEC, Pollution Probe, TEC, TransCanada, OAPPA, CASCO, MLF and MDE.

Approval: All participating parties accept and agree with the proposed settlement of this issue.

Evidence: The evidence in relation to this issue includes the following:

H1-1-3	Details of Proposed Rate Design
I-13- 25, 26	IGUA Interrogatories 25, 26
I-16-51	Schools Interrogatory 51
I-24-1	OESC and SEM Interrogatory 1

15.9 Unauthorized Overrun Charges.

(Complete Settlement)

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

Certain intervenors asked the Company to consider amending the methodology by which overrun charges are calculated. Currently, the overrun penalty mechanism is calculated at 150% of the highest daily price in the month that the overrun occurred. In addition, if the overrun occurs on a day for which curtailment notice was given, an additional 25 cents/m³ was charged. Commencing October 1, 2004, the overrun charge will be calculated at 150% of the average price on each day on which an overrun occurred. The additional 25 cents/m³ penalty will be discontinued. For example, if an overrun occurred on the 4th and 15th days of a month, the overrun charge would be calculated at 150% of the average daily price on the fourth day in respect of overrun volumes on that date and 150% of the average daily price on the 15th day for overrun volumes taken on the 15th day of the month.

Participating Parties: All parties participated in the negotiation and settlement of this issue except DEML, CEED, GEC, TEC, OESC, SEM, TransCanada, CASCO and MLF

Approval: All participating parties accept and agree with the proposed settlement of this issue except VECC which takes no position.

Evidence: The evidence in relation to this issue includes the following:

I-13-32, 34 IGUA Interrogatories 32, 34

15.10 Curtailment Notice.

(Complete Settlement)

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

To address certain issues raised by affected intervenors, the Company has modified the format and added language and additional detail to its fax confirmation of curtailment notice. The Company has also addressed certain issues raised about the timing of its notice of curtailment. These changes have been implemented. The Company will continue to work with and respond to issues or concerns raised by affected parties in the future and to make appropriate changes to alleviate such issues.

Participating Parties: All parties participated in the negotiation and settlement of this issue except DEML, CEED, GEC, Pollution Probe, TEC, OESC, SEM, TransCanada, CASCO and MLF

Approval: All participating parties accept and agree with the proposed settlement of this issue except VECC which takes no position.

Evidence: The evidence in relation to this issue includes the following:

I-13-33 IGUA Interrogatory 33
L-13 IGUA Evidence

15.11 Review of QRAM methodology regarding the timing of the disposition of PGVA balances and its components, including the treatment of material adjustments from the previous fiscal year.

(Complete Settlement)

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

The QRAM methodology was agreed upon in the RP-2000-0040 proceeding as amended by the RP-2002-0133 and EB-2003-0126 proceedings. In EB-2003-0126, the Board directed the Company to address in its 2005 rates application: (i) the appropriate benchmark for use in calculation of the load balancing component of the PGVA; and (ii) the collection of the load balancing component of the PGVA, presumably prior to fiscal year end. As noted in evidence at A3-T2-S2-P2, the first issue has been addressed by the Company by changing the benchmark for the fiscal 2005 Test Year to be the AECO index plus Nova transportation plus fuel.

In its pre-filed evidence, the Company summarized the questions that needed to be addressed for a long-term solution to the second issue.

The parties agreed to amend the QRAM methodology to require the Company to clear the PGVA balance arising from an inventory adjustment in the first quarter of the year if the existing preset threshold of 0.5 cents/m³ is exceeded, consistent with the treatment of inventory adjustments in all other remaining quarters of the fiscal year.

Parties also agree that if a material over or under collection pertaining to a prior test year is anticipated to be accumulated and included in a current fiscal year PGVA, then all parties will be notified by Enbridge Gas Distribution, as soon as possible, in order to enable interested parties to provide responsive comments to the Board within the prescribed QRAM deadlines. Enbridge Gas Distribution would also outline in its notification how it intends to deal with the clearing of any material over or under collection pertaining to a prior test year.

Pursuant to the settlement proposal dated March 14, 2003 in the RP-2002-0133 proceeding, it was agreed that the Company would be allowed:

... the flexibility to exercise discretion, in relation to the fourth quarter QRAM application of each fiscal year, to clear the forecast year-end balance in the PGVA in a non-standard manner, over a period of six months instead of three months. The Company recognizes that the onus is on it to demonstrate that any deviation from clearing balances in the standard manner as determined in RP-2000-0040 is justified. (p. 23)

The Company notes that a change in its year-end to a calendar year-end would likely decrease the number of occasions where the Company would propose to exercise flexibility to clear the forecast year-end balance in a non-standard manner. The Company reiterates its understanding that this flexibility is intended to be exercised in situations warranting such change and where the Company is able to demonstrate that the deviation is appropriate under the circumstances.

Participating Parties: All parties participated in the negotiation and settlement of this issue except CEED, GEC, Pollution Probe, TEC, OAPPA, CASCO, MLF and MDE.

Approval: All participating parties accept and agree with the proposed settlement of this issue except TransCanada which takes no position.

Evidence: The evidence in relation to this issue includes the following:

A3-2-2	Changes to QRAM Methodology
I-8-5, 12	Direct Energy Interrogatories 5, 12
I-9-11	Energy Probe Interrogatory 11
I-16-110	Schools Interrogatory 110
I-18-83, 152	VECC Interrogatories 83, 152

RATE IMPLEMENTATION

16.1 Implementation of upstream cost allocation proposals.

(Complete Settlement)

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

This issue is settled, subject to issues 14.1 and 15.4, above.

Participating Parties: All parties participated in the negotiation and settlement of this issue except DEML, GEC, Pollution Probe, TransCanada, OESC, SEM and CEED.

Approval: All participating parties accept and agree with the proposed settlement of this issue.

Evidence: The evidence in relation to this issue includes the following:

I-9-67, 68, 85	Energy Probe Interrogatories #67, 68, 85
I-16-150	Schools Interrogatory 150
I-18-104, 114	VECC Interrogatories 104, 114
I-20-2	Jason Stacey Interrogatory 2

16.2 Implementation of other rate design changes.

(Complete Settlement)

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

This issue is settled, subject to issues 14.1 and 15.4, above.

Participating Parties: All parties participated in the negotiation and settlement of this issue except DEML, GEC, Pollution Probe, TransCanada, OESC, SEM and CEED.

Approval: All participating parties accept and agree with the proposed settlement of this issue.

Evidence: The evidence in relation to this issue includes the following:

I-9-44, 95, 103, 104 Energy Probe Interrogatories 44, 95, 103, 104
I-11-3 GEC Interrogatory 3
I-18-120, 156 VECC Interrogatories 120, 156

16.3 Rate implementation proposals.

(Complete Settlement)

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

Parties reserve their right to raise at the hearing of this case rate implementation matters that relate to the unsettled issues or to address rate retroactivity if they arise.

Participating Parties: All parties participated in the negotiation and settlement of this issue except GEC and Pollution Probe.

Approval: All participating parties accept and agree with the proposed settlement of this issue.

Evidence: The evidence in relation to this issue includes the following:

I-1-117 Board Staff Interrogatory 117
I-2-60, 61, 101 CAC/CCC Interrogatories 60, 61, 101
I-9-45, 86, 87 Energy Probe Interrogatories 45, 86, 87
I-18-82, 100, 118, 154, 157 VECC Interrogatories 82, 100, 118, 154, 157



June 21, 2004

Ms. Janet Holder
Vice President of Operations
Enbridge Gas Distribution Inc.
500 Consumers Road
North York, Ontario M2J 1P8

Dear Janet:

I understand that you requested further information to clarify the licensing and ownership rights regarding the work and asset management system to be completed as a result of the EnVision project described in the Services Agreement between Enbridge Gas Distribution Inc. and Accenture Inc., dated as of April 1, 2003 (the "Services Agreement"). More specifically, there is a recent question regarding Accenture's right to reuse "jointly owned application software."

Under the Services Agreement, EGD and Accenture jointly own the new work product developed by Accenture in this project. However, this negotiated contractual arrangement between Accenture and EGD must be viewed in the context of the completed software system to be run and maintained in production for EGD.

The completed work and asset management system will consist of commercially available application software and Accenture's services to configure and provide the defined functionality to EGD. As defined in the project documentation, Accenture licensed the major application software from Vantage Management Solutions, Inc. (Pipe Maintenance Tracking System (PMTS) software) and Worksuite LLC (STORMS, iScheduler, DataMart, and iContract software) to provide the system for EGD's use.

Neither Accenture nor EGD has any ownership rights to such application software. The license agreements with the software providers grant to Accenture a license to use the application software to provide services exclusively to EGD related to management of EGD's current and future gas system assets used in the delivery of gas to EGD's customers. In addition, the Third Party End User License Agreements executed by EGD with the software providers grant to EGD end users a license to access and use this application software maintained by Accenture to perform EGD work. Finally, the license agreements restrict any distribution, transferring, sub-licensing, or using of the application software other than the express purposes mentioned above.

During the course of the EnVision project, Accenture will perform consulting services to configure and integrate the application software into a system that meets EGD's defined requirements. To aid Accenture in performing those services, Accenture will leverage and utilize Accenture's knowledge capital developed over the course of many similar projects in the last 17 years in which Accenture has integrated and/or run similar systems for other clients. In a typical system integration project, the Accenture knowledge capital may include specifications, flow charts, design documents, templates, software development tools, interfaces, test plans, test cases, test scripts, business methods, methodologies, reports, processes, techniques, analytical frameworks, algorithms, know-how, processes, products, documentation, and abstracts and summaries thereof. The Accenture knowledge capital enables Accenture to provide the completed system to EGD in a shorter time and at a lower price represented by this project's fixed price.

While negotiating the terms of the Services Agreement, Accenture conceded to a request by EGD to deviate from Accenture's standard contract terms. Accenture and EGD agreed to joint ownership rights in new work product developed by Accenture in this project as a way to address EGD's request and Accenture's interest in continuing to leverage its knowledge capital in similar projects. The Accenture knowledge capital leveraged in new work product for this project does not by itself provide the functionality of the work and asset management system. It simply helps Accenture more effectively provide the services using the commercially available application software licensed from software providers. While Accenture will continue to leverage its knowledge capital on subsequent projects, Accenture will not take the final work product uniquely configured for EGD from this project and license it as a stand alone system for another client.

I hope that this letter further clarifies the IP rights of EGD in the EnVision project. Please call me if you have any further questions.

Yours Sincerely,

Accenture

David M. Rouls

TABLE 1

O&M Summary by Department
 For ADR
 2005 Updated Budget (May 04 filing)

O&M Expenses by Department
 (\$ millions)

	Col. 1	Col. 2		Col. 3	Col. 4	
	<u>2005 Budget</u> <u>Including</u> <u>Corporate</u> <u>Allocations</u> (As filed May 2004)	<u>Corporate Cost</u> <u>Allocations</u>	<u>2005 ADR</u> <u>Corporate Cost</u> <u>Allocation</u> <u>Outcome</u>	<u>2005 Budget</u> <u>Excluding</u> <u>Corporate Cost</u> <u>Allocations</u>	<u>2005 ADR</u> <u>Budget with</u> <u>Corporate Cost</u> <u>Allocations</u> <u>Separated Out</u>	<u>2005 ADR</u> <u>Budget</u> <u>including</u> <u>Corporate Cost</u> <u>Allocations</u>
				(Col. 1-Col. 2)		
1.0 Finance	16.3	5.8	5.5	10.5	9.6	15.1
2.0 Engineering and Logistics	29.7	-		29.7	28.0	28.0
3.0 Customer Support Operations	118.2	-		118.2	110.1	110.1
4.0 Opportunity Development, excluding DSMVA	16.4	0.2	0.2	16.2	15.2	15.4
5.0 Operations	52.1	-		52.1	51.0	51.0
6.0 Human Resources	36.4	2.8	2.8	33.6	33.0	35.8
7.0 Legal, Regulatory and Public Affairs	1.1			1.1	1.0	1.0
8.0 Law and Asset Protection	2.3	1.0	0.9	1.3	1.3	2.2
9.0 Public and Government Affairs	5.2	0.5	0.3	4.7	4.4	4.7
10.0 Regulatory Affairs	7.8	-		7.8	7.3	7.3
11.0 Information Technology	28.8	2.6	1.7	26.2	24.6	26.3
12.0 Non Departmental Expenses	8.5	3.2	2.1	5.3	4.8	6.9
13.0 Amounts Related to Capital Expenditures	(17.3)	0.0		(17.3)	(17.3)	(17.3)
14.0 Corporate Cost Allocation					<u>13.5</u>	
15.0 Total	305.4	16.1	13.5	289.3	286.5	286.5

TABLE 2
 Estimated Rate Impacts of Four Year Phase-In

DIFFERENTIAL PHASE-IN CAPPED AT 9% INCREASE IN THE FIRST THREE YEARS - ESTIMATIONS BASED ON ASSUMPTIONS LISTED BELOW

	Reduction to General Service	% Reduction in year	RATE 1	RATE 6	RATE 9	RATE 100	RATE 110	RATE 115	RATE 135	RATE 145	RATE 170	RATE 200
<u>Differential Phase in - 9%</u>												
Current T service Unit Rate cents/m3			19.15	12.81	12.56	8.83	5.81	4.12	3.40	5.91	2.97	5.94
Year 1 T service Unit Rate cents/m3			18.81	12.25	13.69	9.22	6.33	4.49	3.71	6.29	3.24	6.35
Year 1 T service Unit Rate Increase%			-2%	-4%	9%	4%	9%	9%	9%	6%	9%	7%
Year 1 change in rate class revenue \$'000	(33,809)	67%	(15,501)	(18,309)	145	5,477	3,268	3,435	180	1,168	2,199	-
Change in rate per customer \$			(10)	(124)	3,918	2,701	11,466	66,056	4,605	4,712	40,723	-
Year 2 T service Unit Rate cents/m3			18.72	12.13	14.02	9.22	6.58	4.89	4.04	6.29	3.53	6.35
Year 2 T service Unit Rate Increase%			-0.5%	-1.0%	2.4%	0.0%	3.8%	9.0%	9.0%	0.0%	9.0%	0.0%
Year 2 change in rate class revenue \$'000	(7,899)	16%	(3,950)	(3,950)	41	-	1,521	3,744	196	-	2,397	-
Change in rate per customer \$			(3)	(27)	1,121	-	5,337	72,001	5,019	-	44,388	-
Year 3 T service Unit Rate cents/m3			18.65	12.03	14.02	9.22	6.58	5.33	4.40	6.29	3.84	6.35
Year 3 T service Unit Rate Increase%			-0.4%	-0.9%	0.0%	0.0%	0.0%	9.0%	9.0%	0.0%	9.0%	0.0%
Year 3 change in rate class revenue \$'000	(6,907)	14%	(3,454)	(3,454)	-	-	-	4,081	213	-	2,613	-
Change in rate per customer \$			(2)	(23)	-	-	-	78,481	5,471	-	48,383	-
Year 4 T service Unit Rate cents/m3			18.62	11.99	14.02	9.22	6.58	5.49	5.03	6.29	3.87	6.35
Year 4 T service Unit Rate Increase%			-0.1%	-0.3%	0.0%	0.0%	0.0%	3.0%	14.1%	0.0%	0.7%	0.0%
Year 4 change in rate class revenue \$'000	(2,065)	4%	(1,033)	(1,033)	-	-	-	1,480	365	-	220	-
Change in rate per customer \$			(1)	(7)	-	-	-	28,463	9,360	-	4,075	-

Note: The total change in rate class revenues is negative due to a shift from costs from load balancing to commodity, which is not shown in this T service comparison.

Assumptions:

T service unit rate and revenue impacts are based on the gas cost and other cost of service assumptions underpinning exhibits filed in January 2004 as RP-2003-0203, G2/G3/H2/H3.

2005 TEST YEAR
FINANCIAL IMPACT OF THE SETTLEMENT PROPOSAL

1. This exhibit has been filed in order to provide the Board with the financial impact of the Settlement Proposal (N1.T1.S1) against the Company's deficiency request filed at Exhibit E1, Tab 1, Schedule 1, (Corrected: 2004-05-19). Acceptance of the Settlement Proposal will reduce the Company's gross revenue deficiency in the 2005 Test Year by \$24.8 million, from \$85.4 million (E1.T1.S1), to \$60.6 million as shown at Exhibit N1, Tab 2, Schedule 2. The financial impact of the Settlement Proposal is examined further in the numeric information presented within the balance of this exhibit, Schedules 2 through 6.

Rate Base (N1.T2.S3)

2. The Company's rate base forecast will decline by \$4.3 million, from \$3,427.1 million at Exhibit B1.T1.S1 (Updated: 2004-05-17) to \$3,422.8 million (N1.T2.S3, p. 1, Line 13), as a result of the Settlement Proposal.
3. The reduction of \$4.5 million to the property, plant, and equipment portion of rate base (N1.T2.S3, p. 1, Line 3) is due to the impact of a \$10.0 million overall reduction in capital expenditures as per the Settlement Proposal (N1.T1.S1 – Issue 7.1).
4. The working cash allowance component of rate base has been recalculated to reflect the impact of the Settlement Proposal with respect to O&M (N1.T1.S1 – Issue 9.1 & 10.1) and increased gas costs included in the calculation (N1.T1.S1. – Issue 5.1), resulting in a \$0.2 million increase. The change is the result of lower O&M expense, increased gas cost, and a change in GST requirement. The working cash allowance calculation of \$(26.3) million has been filed at



Witness : K. J. Culbert

Exhibit N1.T2.S3, on page 3, and compares to the level of \$(26.5) million filed at Exhibit B1.T4.S2 (Updated: 2004-05-17).

Utility Income (N1.T2.S4)

5. Acceptance of the Settlement Proposal will result in an increase to the Company's forecast of net income in the amount of \$16.2 million, from \$223.0 million at Exhibit F1.T2.S1 (Corrected: 2004-05-19) to \$239.2 million (N1.T2.S4, p. 1, Line 19). The individual revenue and expense items which have been adjusted as a result of the Settlement Proposal can be examined at Exhibit N1.T.2.S4, on pages 1 through 3, and are discussed in the following paragraphs.
6. Revenue from gas sales (N1.T2.S4, p. 1, Line 1), the transportation of gas (N1.T2.S4, p. 1, Line 2) and gas costs (N1.T2.S4, p. 1, Line 8) reflect the impact of the Settlement Proposal with regard to increased volumes (N1.T1.S1 – Issue 1.1) including the impact of the agreement with respect to the DSM volume target.
7. Other operating revenue will increase by \$0.6 million, from \$26.6 million (C1.T1.S1, Line 4) to \$27.2 million (N1.T2.S4, p. 1, Line 4), as a result of the Settlement Proposal for the following:
 - revenue from other service charges (N1.T1.S1 – Issue 2.1); and
 - imputed revenue for the NGV program (N1.T1.S1 - Issue 9.7).
8. The amount of O&M expense to be recovered in rates will be \$301.3 million (N1.T2.S4, p. 1, Line 9) which includes an amount of \$286.5 million in settlement of Issue 9.1 and \$14.8 million of DSM expense in settlement of Issue 10.1.
9. Depreciation and amortization expense will decline by \$0.3 million, from \$193.8 million at Exhibit D1.T1.S1, Line 3 (Corrected: 2004-05-19) to



Witness : K. J. Culbert

\$193.5 million (N1.T2.S4, p. 1, Line 10) as a result of the \$10.0 million overall reduction in capital expenditures (N1.T1.S1 – Issue 7.1).

10. As a result of the Settlement Proposal, Utility income before income taxes will increase by \$25.1 million, which will result in an increase in income taxes excluding the tax shield provided by interest expense in the amount of \$8.8 million. The tax shield provided by interest expense will decrease by \$0.1 million as a result of the decline in rate base. Total income taxes will increase by \$8.9 million, from \$45.6 million filed at Exhibit D1.T1.S1, Line 10 (Corrected: 2004-05-19) to \$54.5 million (N1.T2.S4, p. 1, Line 18).
11. As a result of the Settlement Proposal, Utility net income will increase by \$16.2 million, from \$223.0 million (F1.T2.S1 Corrected: 2004-05-19) to \$239.2 million (N1.T2.S4, p. 1, Line 19).

Capital Structure (N1.T2.S5)

12. The proposed method and costs of financing capital requirements including the cost rate for short term debt (N1.T1.S1 – Issue 6.2) have been incorporated into the Company's capital structure. The overall rate of return on rate base of 8.14% (E1.T1.S1) includes a 9.69% return on common equity as determined by the current Board approved formula (N1.T1.S1 - Issue 6.1).
13. Utility income in the amount of \$239.2 million represents a return of 6.99% on a rate base of \$3,422.8 million, indicating a deficiency in return in the amount of 1.15% in comparison to the requested overall rate of return in the amount of 8.14%. This results in a net deficiency of \$39.4 million and a gross revenue deficiency of \$60.6 million, as shown at Exhibit N1, Tab 2, Schedule 5.



Witness : K. J. Culbert

14. Acceptance of the Settlement Proposal will result in a gross revenue deficiency of \$60.6 million, which is a reduction of \$24.8 million, as shown at Exhibit N1, Tab 2, Schedule 6, in comparison to the Company's deficiency request filed at Exhibit E1, Tab 1, Schedule 1 (Corrected: 2004-05-19) in the amount of \$85.4 million.



Witness : K. J. Culbert

Utility Impact Summary
 2005 Test Year

Line No.		Col. 1 Reference	Col. 2 (\$Millions)
1.	Utility rate base	N1.T2.S3.P1*	3,422.8
2.	Utility income	N1.T2.S4.P1	239.2
3.	Indicated rate of return	N1.T2.S5.P1	6.99%
4.	Requested rate of return	N1.T2.S5.P1	8.14%
5.	(Deficiency) in rate of return	N1.T2.S5.P1	(1.15)%
6.	Net (deficiency)	N1.T2.S5.P1	(39.4)
7.	Gross (deficiency)	N1.T2.S5.P1	(60.6)
8.	Revenue at existing rates	N1.T2.S6.P1	2,839.0
9.	Revenue requirement	N1.T2.S6.P1	2,899.6
10.	Gross revenue (deficiency)	N1.T2.S6.P1	(60.6)

*N1.T2.S3.P1 refers to Exhibit N1, Tab 2, Schedule 3, page 1.



**Utility Rate Base
 2005 Test Year**

Line No.	Col. 1	Col. 2	Col. 3	
	Updated 2004-05-17 F1.T3.S1 (Note 1) (\$Millions)	Adjustments (\$Millions)	Adjusted Utility Rate Base (\$Millions)	
Property, plant, and equipment				
1.	Cost or redetermined value	4,386.1	(4.6)	4,381.5
2.	Accumulated depreciation	<u>(1,481.1)</u>	<u>0.1</u>	<u>(1,481.0)</u>
3.		<u>2,905.0</u>	<u>(4.5)</u>	<u>2,900.5</u>
Allowance for working capital				
4.	Accounts receivable merchandise finance plan	0.3		0.3
5.	Accounts receivable rebillable projects	4.6		4.6
6.	Materials and supplies	19.9		19.9
7.	Mortgages receivable	1.1		1.1
8.	Customer security deposits	(31.3)		(31.3)
9.	Prepaid expenses	2.7		2.7
10.	Gas in storage	551.3		551.3
11.	Working cash allowance	<u>(26.5)</u>	<u>0.2</u>	<u>(26.3)</u>
12.	Total Working Capital	<u>522.1</u>	<u>0.2</u>	<u>522.3</u>
13.	Utility rate base	<u>3,427.1</u>	<u>(4.3)</u>	<u>3,422.8</u>

Note 1: Information from Col. 3 of Exhibit F1, Tab 3, Schedule 1, page 1, Updated: 2004-05-17.



**Explanation of Adjustments to Utility Rate Base
2005 Test Year**

Line No.	Adj'd Adjustment (\$Millions)	Explanation
1.	(4.6)	Property, plant, & equipment cost or redetermined value To reflect the impact of an overall reduction of \$10.0 million in capital expenditures as per the Settlement Proposal.
2.	0.1	Accumulated depreciation To reflect the impact of an overall reduction of \$10.0 million in capital expenditures as per the Settlement Proposal.
11.	0.2	Working cash allowance To reflect the impact on the Company's working cash allowance as a result of the changes within O&M and gas costs associated with volume adjustments as per the Settlement Proposal. This calculation can be found on Exhibit N1, Tab 2, Schedule 3, on page 3.



**Working Capital Components - Working Cash Allowance
 2005 Test Year**

Line No.	Col. 1 Reference	Col. 2 Disbursements (\$Millions)	Col. 3 Net Lag-Days (Days)	Col. 4 Allowance (\$Millions)
1.	Gas purchase and storage and transportation charges	1,841.4	0.1	0.5
2.	Items not subject to working cash allowance (Note 1)	<u>165.5</u>		
3.	Gas costs charged to operations N1.T2.S4.P1	<u>2,006.9</u>		
4.	Operation and Maintenance N1.T2.S4.P1	301.3		
5.	Less: Storage costs	<u>(6.5)</u>		
6.	Operation and maintenance costs subject to working cash	294.8		
7.	Ancillary customer services	<u>0.7</u>		
8.		<u>295.5</u>	(33.9)	<u>(27.4)</u>
9.	Sub-total			<u>(26.9)</u>
10.	Storage costs	6.5	40.5	0.7
11.	Storage municipal and capital taxes	1.8	33.9	<u>0.2</u>
12.	Sub-total			<u>0.9</u>
13.	Goods and services tax			(0.3)
14.	Total working cash allowance			<u><u>(26.3)</u></u>

Note 1: Represents non-cash items such as amortization of deferred charges, accounting adjustments and the T-service capacity credit.



**Utility Income
 2005 Test Year**

Line No.	Col. 1 Corrected 2004-05-19 F1.T2.S1 (Note 1) (\$Millions)	Col. 2 Adjustments (\$Millions)	Col. 3 Adjusted Utility Income (\$Millions)	
Revenue				
1.	Gas sales	2,071.8	15.4	2,087.2
2.	Transportation of gas	746.3	3.9	750.2
3.	Transmission and compression & storage	1.6		1.6
4.	Other operating revenue	26.6	0.6	27.2
5.	Interest and property rental	-		-
6.	Other income	0.3		0.3
7.	Total revenue	2,846.6	19.9	2,866.5
Costs and expenses				
8.	Gas costs	1,992.5	14.4	2,006.9
9.	Operation and maintenance	320.6	(19.3)	301.3
10.	Depreciation and amortization	193.8	(0.3)	193.5
11.	Fixed financing costs	1.2		1.2
12.	Recovery of notional deferred taxes	18.4		18.4
13.	Municipal and other taxes	51.5		51.5
14.	Total costs and expenses	2,578.0	(5.2)	2,572.8
15.	Utility income before income taxes	268.6	25.1	293.7
Income taxes				
16.	Excluding interest shield	100.8	8.8	109.6
17.	Tax shield on interest expense	(55.2)	0.1	(55.1)
18.	Total income taxes	45.6	8.9	54.5
19.	Utility net income	223.0	16.2	239.2

Note 1: Information from Col. 1 of Exhibit F1, Tab 2, Schedule 1, page 1, Corrected: 2004-05-19.



**Explanation of Adjustments to Utility Income
 2005 Test Year**

Line No.	Adj'd Adjustment (\$Millions)	Explanation
1.	15.4	Gas sales To reflect the impact on gas sales revenue of the updates to degree days and volumes and the proposal for DSM target volumes as per the Settlement Proposal.
2.	3.9	Transportation of gas To reflect the impact on transportation revenue of the updates to degree days and volumes and the proposal for DSM target volumes as per the Settlement Proposal.
4.	0.6	Other operating revenue To reflect the impact of an increase to other service revenue \$0.5 million and to impute revenue to the NGV program \$0.1 million as per the Settlement Proposal.
8.	14.4	Gas costs To reflect the impact on gas costs of the updates to degree days and volumes and the proposal for DSM target volumes as per the Settlement Proposal.
9.	(19.3)	Operation and maintenance To reflect the Settlement Proposal's O&M level (N1.T1.S1 - Issue 9.1 & 10.1).
10.	(0.3)	Depreciation and amortization To reflect a reduction to depreciation and amortization associated with a \$10.0 million overall decrease in capital expenditures as per the Settlement Proposal.
16.	8.8	Income taxes - excluding interest shield To reflect adjustments to utility income taxes as a result of the above noted changes contributing to higher taxable income and income tax excluding the interest tax shield. The Utility's income tax calculations are found at Exhibit N1, Tab 2, Schedule 4, page 3.
17.	0.1	Income taxes - tax shield on interest expense To reflect a decrease in the tax shield provided by interest expense as a result of a decrease in the Company's rate base, as per the Settlement Proposal.



Utility Taxable Income and Income Tax Expense
 2005 Test Year

Line No.	Col. 1	Col. 2	Col. 3
	Corrected 2004-05-19 D1.T1.S1.P2 (Note 1) (\$Millions)	Adjustments (\$Millions)	Adjusted Utility Tax (\$Millions)
1. Utility income before income taxes (N1.T2.S4.P1)	268.6	25.1	293.7
Add Backs			
2. Depreciation and amortization	193.8	(0.3)	193.5
3. Large corporation tax	6.5		6.5
4. Other non-deductible items	1.2		1.2
5. Total Add Back	<u>201.5</u>	<u>(0.3)</u>	<u>201.2</u>
6. Sub total	470.1	24.8	494.9
Deductions			
7. Capital cost allowance - Federal	147.2	(0.4)	146.8
8. Capital cost allowance - Provincial	147.1	(0.4)	146.7
9. Items capitalized for regulatory purposes	32.1		32.1
10. Deduction for "grossed up" Part VI.1 tax	5.7		5.7
11. Amortization of share/debenture issue expense	1.8		1.8
12. Amortization of cumulative eligible capital	0.1		0.1
13. Amortization of C.D.E. and C.O.G.P.E	0.3		0.3
14. Total Deduction - Federal	<u>187.2</u>	<u>(0.4)</u>	<u>186.8</u>
15. Total Deduction - Provincial	<u>187.1</u>	<u>(0.4)</u>	<u>186.7</u>
16. Taxable income - Federal	282.9	25.2	308.1
17. Taxable income - Provincial	283.0	25.2	308.2
18. Income tax provision - Federal	59.4	5.3	64.7
19. Income tax provision - Provincial	<u>39.6</u>	<u>3.5</u>	<u>43.1</u>
20. Income tax provision - combined	99.0	8.8	107.8
21. Part V1.1 tax			1.9
22. Investment tax credit			<u>(0.1)</u>
23. Total taxes excluding tax shield on interest expense			109.6
Tax shield on interest expense			
24. Rate base (N1.T2.S3.P1)			3,422.8
25. Return component of debt (N1.T2.S5.P1)			4.60%
26. Interest expense			157.4
27. Combined tax rate			<u>35.00%</u>
28. Income tax credit			<u>(55.1)</u>
29. Total income taxes			<u>54.5</u>

Note 1: Information from Col. 1 and Col. 2 of Exhibit D1, Tab 1, Schedule 1, page 2, Corrected: 2004-05-19.



**Utility Capital Structure
 2005 Test Year**

Line No.	Col. 1	Col. 2	Col. 3	Col. 4
	Principal	Component	Indicated Cost Rate	Return Component
	(\$Millions)	%	%	%
1. Long term debt	1,900.0	55.51	7.86	4.36
2. Short term debt	<u>225.7</u>	<u>6.59</u>	3.59	<u>0.24</u>
3.	2,125.7	62.10		4.60
4. Preference shares	99.1	2.90	5.00	0.15
5. Common equity	<u>1,198.0</u>	<u>35.00</u>	9.69	<u>3.39</u>
6.	<u><u>3,422.8</u></u>	<u>100.00</u>		<u>8.14</u>
7. Utility income	(\$Millions)			239.2
8. Utility Rate base	(\$Millions)			3,422.8
9. Indicated rate of return				6.99%
10. (Deficiency) in rate of return				(1.15)%
11. Net (deficiency)	(\$Millions)			(39.4)
12. Gross (deficiency)	(\$Millions)			(60.6)
13. Revenue at existing rates	(\$Millions)			2,839.0
14. Revenue requirement	(\$Millions)			2,899.6
15. Gross revenue (deficiency)	(\$Millions)			(60.6)



Change in Revenue Requirement
 2005 Test Year

Line No.	Col. 1	Col.2	Col.3
	ADR Settlement Proposal (\$Millions)	Updated/corrected exhibits A, B, C, D E and F (Note 1) (\$Millions)	Change (Col.1-Col.2) (\$Millions)
Cost of capital			
1. Rate base	3,422.8	3,427.1	
2. Required rate of return	8.14%	8.13	
3.	<u>278.6</u>	<u>278.6</u>	-
Cost of service			
4. Gas costs	2,006.9	1,992.5	
5. Operation and maintenance	301.3	320.6	
6. Depreciation and amortization	193.5	193.8	
7. Fixed financing costs	1.2	1.2	
8. Notional utility account recovery	18.4	18.4	
9. Municipal and other taxes	<u>51.5</u>	<u>51.5</u>	
10.	<u>2,572.8</u>	<u>2,578.0</u>	(5.2)
Miscellaneous operating and non-operating revenue			
11. Other operating revenue	(27.2)	(26.6)	
12. Interest and property rental	-	-	
13. Other income	<u>(0.3)</u>	<u>(0.3)</u>	
14.	<u>(27.5)</u>	<u>(26.9)</u>	(0.6)
Income taxes on earnings			
15. Excluding tax shield	109.6	100.8	
16. Tax shield provided by interest expense	<u>(55.1)</u>	<u>(55.2)</u>	
17.	<u>54.5</u>	<u>45.6</u>	8.9
Taxes on sufficiency / (deficiency)			
18. Gross sufficiency / (deficiency)	(60.6)	(85.4)	
19. Net sufficiency / (deficiency)	<u>(39.4)</u>	<u>(55.5)</u>	
20.	<u>21.2</u>	<u>29.9</u>	(8.7)
21. Revenue requirement	2,899.6	2,905.2	(5.6)
Revenue at existing Rates			
22. Gas sales	2,087.2	2,071.8	
23. Transportation service	750.2	746.3	
24. Transmission, compression and storage	<u>1.6</u>	<u>1.6</u>	
25. Sub-total	<u>2,839.0</u>	<u>2,819.7</u>	19.3
26. Rounding adjustment	-	0.1	(0.1)
27. Revenue at existing rates	<u>2,839.0</u>	<u>2,819.8</u>	<u>19.2</u>
28. Gross revenue sufficiency / (deficiency)	<u>(60.6)</u>	<u>(85.4)</u>	<u>24.8</u>

Note 1: From updated or corrected information contained in Exhibits A, B, C, D, E and F.

