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VIA EMAIL and COURIER

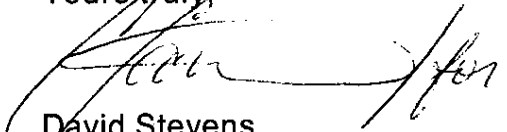
Mr. Peter O'Dell
Assistant Board Secretary
Ontario Energy Board
2300 Yonge Street, Suite 2700
Toronto, ON M4P 1E4

Dear Mr. O'Dell:

Re: Board File No.: EB-2005-0551
Natural Gas Electricity Interface Review Issues and Storage Regulation
Settlement Proposal of Enbridge Gas Distribution Inc.

Please find attached ten copies of Enbridge Gas Distribution Inc.'s settlement proposal for Issues I and IV in the above mentioned proceeding.

Yours truly,



David Stevens
Acting Senior Counsel, Regulatory

Attachment

cc: Mr. F. D. Cass, Aird & Berlis (via email and courier)
EB-2005-0551 Interested Parties (via email)

**SETTLEMENT PROPOSAL
FOR ISSUES RELATED TO
ENBRIDGE GAS DISTRIBUTION INC.
IN THE NGEIR PROCEEDING**

ISSUES I and IV

June 13, 2006

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INTRODUCTION AND CONTEXT

This Settlement Proposal is filed with the Ontario Energy Board (the "Board") in connection with the Board's proceeding, commenced on its own motion, regarding natural gas electricity interface and storage regulation issues. This Settlement Proposal addresses issues in the proceeding that relate to Enbridge Gas Distribution Inc. A separate Settlement Proposal is being filed in relation to Union Gas Limited.

A Settlement Conference for this proceeding was conducted May 29, 30 and 31 and June 1, 2, 5, 6, 12 and 13, 2006 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"), Union Gas Limited ("Union") and the following intervenors (collectively, the "parties"), as well as Ontario Energy Board hearing staff ("Board Staff"), participated in the Settlement Conference:

Aegent Energy Advisors Inc. ("Aegent");
Association of Major Power Consumers in Ontario ("AMPCO");
Association of Power Producers of Ontario ("APPRO");
Canadian Manufacturers & Exporters ("CME");
City of Kitchener ("Kitchener");
Consumers Council of Canada ("CCC");
Direct Energy Marketing Inc. ("Direct Energy");
Energy Probe Research Foundation ("Energy Probe");
Greenfield Energy Centre LP ("GEC");
Independent Electricity System Operator ("IESO");
Industrial Gas Users Association ("IGUA");
Jason F. Stacey;
London Property Management Association ("LMPA");
Low Income Energy Network ("LIEN");
Ontario Power Authority ("OPA");
Ontario Power Generation Inc. ("OPG");
Portlands Energy Centre ("PEC");
Sith Global Power Goreway ULC ("Sith");
School Energy Coalition ("Schools");
TransAlta Energy Corp. ("TransAlta");
TransCanada Energy Ltd. ("TCE");
TransCanada PipeLines Limited ("TCPL"); and,
Vulnerable Energy Consumers Coalition ("VECC").
Wholesale Gas Service Purchasers Group ("WPSPG");

The Settlement Proposal deals with aspects of Issues I and IV listed at Appendix C to the Board's Procedural Order #2, dated February 28, 2006 (the "Issues List"). The Board has indicated that it does not expect any settlement proposal related to Issue II (storage regulation), and Issue III (transportation capacity) relates solely to Union. Accordingly, neither of those issues is addressed in this document.

In the Issues List, the Board set out the following in respect of Issue I:

I. Rates for gas-fired generators (and other qualified customers):

Should the Board order new rates for the provision of natural gas, transmission, distribution and storage services to gas-fired generators (and other qualified customers)? If the Board does order new rates, should that order contain the following requirements:

1. More frequent nomination windows for distribution, storage and transportation that correspond with the nominations of upstream pipelines that connect to the Ontario gas system.
2. Firm high deliverability service from storage with customer options for 1.2%, 5% and 10% deliverability.
3. Gas storage and distribution offered as discrete services.
4. Inter-franchise movement of gas (i.e., the ability to access services across Ontario, whether to a customer's own account or as a sale to a third party).
5. Redirection of gas to a different delivery point on short notice (i.e., the ability to redirect or acquire gas on short notice to a different delivery point).
6. The ability to transfer the title of gas in storage (i.e., the title transfer in gas storage is treated as an administrative matter instead of a physical withdrawal or injection of gas).

This Settlement Proposal addresses items 1, 2, 3, 4, 5 and 6 from the above list. Items 1 and 3 are addressed in a section titled "Rate 125 – extra large volume firm distribution service", which sets out the proposed agreement that has been reached between parties in respect of the Company's proposed delivery service. Items 4, 5 and 6 are addressed in separate sections related to each of these proposed services. A separate section, related to allocation of base level deliverability storage (1.2%) for gas fired generators and similar customers, is also attached at section 1.5. A final section, related to the Company's Rate 316 proposal is also attached. There is no settlement related to firm high deliverability storage at 5% or 10% deliverability.

In the Issues List, the Board set out the following in respect of Issue IV:

IV. Enbridge rates for large volume customers (Rate 300 Series):

Should the Board consider any other terms and conditions in addition to those outlined in Appendix B, namely:

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

What should be the maximum waiting period for customers to make the transition to the new Rate 300 series rates?

This Settlement Proposal addresses these matters in a section titled "Rate 300 Series", which relates to Enbridge Gas Distribution's proposed unbundled delivery and load balancing (Rate 300) and storage (Rate 315) offerings.

At the outset of this Settlement Proposal, a threshold issue about the allocation of costs and revenue deficiencies associated with the Company's proposals for the redesigned Rates 125 and 300 is set out. This threshold issue bears on the position that certain parties, CCC, VECC, SEC, LIEN, LMPA, WGSPG and Energy Probe, take on many of the otherwise settled issues in this Settlement Proposal.

Each matter described in this Settlement Proposal falls within one of the following three categories:

1. an issue for which there is complete settlement, because Enbridge Gas Distribution and all of the other parties who discussed the issue either agree with the settlement or take no position,
2. an issue for which there is partial settlement, agreed to by Enbridge Gas Distribution and a majority of parties but one or more parties do not agree with the settlement,
3. an issue for which there is no settlement.

The description of each issue assumes that all parties participated in the negotiation of the issue, unless specifically noted otherwise. Board Staff takes no position on any issue and, as a result, is not a party to the Settlement Proposal.

It is acknowledged and agreed that none of the completely settled provisions of this Settlement Proposal is severable. If the Board does not, prior to the commencement of the hearing of the evidence in EB-2005-0551, accept the completely settled provisions of the Settlement Proposal in their entirety, there is no Settlement Proposal (unless the parties agree that any portion of the Settlement Proposal that the Board does accept may continue as a valid Settlement Proposal).

It is further acknowledged and agreed that parties will not withdraw from this Settlement Proposal under any circumstances except as provided under Rule 32.05 of the Rules.

For greater certainty, the parties further acknowledge and agree that these conditions apply to settled issues in respect of which they are shown as taking no position.

It is also acknowledged and agreed that this Settlement Proposal is without prejudice to parties re-examining these issues in any other proceeding, except where a party's rights to re-examine an issue have been specifically limited in this Agreement.

The parties agree that all positions, information, documents, negotiations and discussion of any kind whatsoever which took place or were exchanged during the Settlement Conference are strictly confidential and without prejudice, and inadmissible unless relevant to the resolution of any ambiguity that subsequently arises with respect to the interpretation of any provision of this Settlement Proposal.

The Settlement Proposal describes the agreements reached on the completely settled and partially settled issues; identifies the parties who agree and who disagree with each settlement, or alternatively who take no position on the settled issue; and provides a direct link between each settlement and the supporting evidence in the record to date. In accordance with paragraph 7 of Procedural Order No. 2, this Settlement Proposal also contains a discussion of the evidence supporting each aspect of the proposed settlement.

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. Additionally, references are included to the transcripts from the Technical Conferences held in this proceeding. Those Technical Conferences have afforded parties more than three full days of time to ask questions and have the Company clarify and explain its position and evidence. 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.

THRESHOLD ISSUE

1. Enbridge Gas Distribution proposes to redesign Rates 125 and 300. The Company's proposals have been made at the request of the Board and certain parties. All parties agree that the Company should be entitled to recover all revenue deficiencies and reasonably incurred costs caused by the redesigned Rates 125 and 300.
2. Enbridge Gas Distribution proposes that the costs and revenue deficiencies attributable to the changes in Rates 125 and 300 should be recovered from large volume customers. The Company will continue to adhere to the principle that costs must be allocated fairly between customer classes, based on cost causality.
3. The costs and revenue deficiencies are in the following categories:
 - (i) The migration revenue deficiency associated with Rate 125;
 - (ii) The costs of the manual implementation of Rates 125 and 300;
 - (iii) The costs of implementing an automated solution for Rates 125 and 300;
 - (iv) The migration revenue deficiency for Rate 300.
4. CCC, VECC, SEC, LIEN, LMPA, WGSPG and Energy Probe believe that the implementation costs and revenue deficiencies should not be allocated to residential or general service customers because the costs were not incurred on their behalf and because they do not benefit from the proposed changes.
5. CCC, VECC, SEC, LIEN, LMPA, WGSPG and Energy Probe believe that the changes to Rates 125 and 300 must not be made, and costs or revenue deficiencies incurred must not be recorded, until the Board has determined how the costs and revenue deficiencies should be allocated to ratepayers. They believe that determination must be made in this proceeding.
6. IGUA, AMPCO and CME believe that a portion of the costs and revenue deficiencies, which they believe were incurred to make Enbridge Gas Distribution's system more robust against bypass, and some costs incurred to redesign the Company's rates, should be allocated to all customer classes.
7. IGUA, AMPCO and CME believe that the Board's determination of the extent to which customer classes, other than large volume customer classes, should be allocated any portion of the costs and revenue deficiencies should take place in Enbridge Gas Distribution's 2007 rates case when the forecasts of such costs and revenue deficiencies

and their impacts on customer classes will be more current and more appropriately scrutinized.

8. The threshold issue which the Board is asked to consider at the outset of the oral hearing is whether changes to Rates 125 and 300 should be made only after the issue pertaining to the allocation of implementation costs and migration revenue deficiencies has been decided, or whether changes to Rates 125 and 300 can be made now on an entirely without prejudice basis to all parties, including the establishment of the appropriate deferral accounts, with the consideration and determination of all matters relevant to the recovery of the costs and revenue deficiencies to be made in Enbridge Gas Distribution's 2007 rates case.

9. In the event that the Board indicates that it will decide allocation issues in this proceeding, then, on the Rates 125 and 300 issues, CCC, VECC, SEC, LIEN, LMPA, WGSPG and Energy Probe will pursue cross-examination of Company witnesses only on issues of costs and benefits related to the proposed Rates 125, 300 and 315.

1. RATES FOR GAS FIRED GENERATORS

Parties have considered Enbridge Gas Distribution's proposal for Rate 125, which is the distribution and limited balancing service to be offered to gas fired generators, and to other large volume customers. This redesigned rate offering was prepared by the Company in response to the perceived needs of gas fired generators, and is also intended to respond to the service attributes identified as being important by the Board in the Notice of Proceeding in this matter.

Parties have considered the Company's proposals for additional services that could be offered to customers, as set out at items 4, 5 and 6 of Issue I in this proceeding. These are addressed in separate subsections of this document.

Parties have also agreed upon a storage allocation methodology for base level deliverability storage for gas fired generators. This agreement is set out in subsection 1.5 below.

Finally, Rate 316, which is not a settled issue, is addressed below in subsection 1.6.

1.1 RATE 125 – EXTRA LARGE VOLUME FIRM DISTRIBUTION SERVICE

PARTIAL SETTLEMENT

Leading up to, and as part of this proceeding, Enbridge Gas Distribution has worked with gas fired generators and other customer groups to evaluate, understand and respond to the unique service needs anticipated by gas fired generators. As noted by the Board in its Notice of Proceeding (December 29, 2005), and as noted by APPrO in its prefiled evidence, gas fired generators require services that are flexible, responsive and cost-effective. (APPrO prefiled evidence, pp1-2) At the same time, Enbridge Gas Distribution has indicated that its aim in developing such services is to ensure existing customers are not unduly burdened or impacted by the introduction of new services for gas fired generators. (April 6, 2006, Tr. 193)

Through this proceeding, Enbridge Gas Distribution has developed proposed or modified rates for distribution service to power generators: Rate 125 - Extra Large Firm Transportation Service. As outlined in the Company's evidence, these service offerings are the outcome of extensive discussions with power generation customers, and are consistent with generally accepted rate principles, operational constraints, the Board's Procedural Orders in this proceeding, and the assumptions regarding services availability from upstream providers. (Enbridge Gas Distribution evidence: C-1-1, p. 1)

The Company has filed extensive written evidence about the proposed Rate 125, and has answered questions from all interested parties about this proposed Rate over the course of two days of Technical Conference (April 6 and 27, 2006). The Company's specific proposals for Rate 125, along with a discussion of the pricing for aspects of the proposed Rate, are set out in its prefiled evidence at C-1-1 (Overview), C-2-1 (Rate 125), C-2-3 (Rate 125 – Draft Rate Schedule) and C-2-4 (Rate 125 – Derivation of Charges). Certain of the undertaking responses filed by the Company also relate to the proposed Rate 125.

The Company has included in its evidence (C-2-3, p. 3) and Technical Conference testimony (April 16, 2006, Tr. 212-215), discussion about the termination rights that exist in the Rate 125 Rate Schedule to protect the reliability and safety of the gas system. This could include shut off of gas supply to the plant or flow control protections. (April 16, 2006, Tr. 212)

Evidence about the distribution and balancing service needs of gas fired generators, prepared by APPrO (APPrO evidence: pp. 1-44; 47-52; and 60-61), and about the new FT-SN and SNB transportation and balancing services proposed by TCPL for gas fired generators and others (TCPL Evidence, Section 2.2 and Appendix IB), has also been filed in this proceeding and addressed through Technical Conference on May 16 and 17, 2006.

Based upon the evidence in this proceeding, and discussions at the Settlement Conference, most parties have agreed to a resolution of most of the issues related to the Company's proposed Rate 125, as set out below.

Depending upon the determination of the Threshold Issue set out above, certain parties (CCC, VECC, LIEN, SEC, LMPA, WGSPG and Energy Probe) do not support the settlement of issues related to the Company's proposed Rate 125. Specifically, if the Board determines, in response to the Threshold Issue, that any portion of the implementation costs and revenue deficiencies are to be allocated to residential or general service customers, then those parties (CCC, VECC, LIEN, SEC, LMPA, WGSPG and Energy Probe) do not agree to any of the proposed changes to Rate 125.

Except as noted in the following paragraphs, which describe the consensus position of all other participating parties on matters discussed at the Settlement Conference, all other parties accept the Company's proposals for its redesigned Rate 125 and agree that the Company will develop for consideration and approval by all parties a Rate Schedule for Rate 125 which incorporates the Company's proposals, as modified by the items set out in the following subparagraphs.

It is the Company's expectation and belief that the Rate 125 proposals accepted in this proceeding will not have any adverse impact on the quality of or access to the utility's existing services. Based upon the current information available to the Company, and the

Company's best estimates, the only rate impacts of the Rate 125 proposals on other customers of the Company are described below at subparagraphs (n) to (r). The rates set out for Rate 125 are set on the basis of the Company's F2006 cost of service costs and, to the extent that relevant costs change in the Company's F2007 rate case, then the rates set out below and in the Company's draft Rate Schedule may also change.

- a) At locations where Enbridge Gas Distribution interconnects with Union, Enbridge Gas Distribution will accept nomination changes at the thirteen nomination windows agreed upon between Union and APPrO, with changes becoming effective two hours later. At locations where Enbridge Gas Distribution interconnects with TCPL, and where TCPL has contracted with a shipper for FT-SN service, the Company will also accept and accommodate flow rate nominations at up to 96 nomination windows each day (as proposed by TCPL as part of its planned FT-SN service in TCPL's application to the National Energy Board ("NEB")), assuming that these nomination windows are approved by the NEB. All parties acknowledge and agree that Enbridge Gas Distribution's ability to implement these additional nomination windows is contingent on the customer's use of the nomination windows being offered by and available from upstream transporters (Union, TCPL etc.). To the extent that no hourly balancing requirements are imposed on the Company by upstream transporters, Enbridge Gas Distribution will not impose any hourly balancing requirements itself. The service will be available when additional nomination windows are made available by upstream transporters, but will not be made available until the earlier of the date that the Company's F2007 rates are approved and implemented or the first day of the month following the date that is 12 months after the Board issues its decision or issues approval of this Settlement Agreement, whichever occurs first, in this proceeding in respect of the distribution services described in this Section 1.1.
- b) In order to allow customers to take advantage of the redesigned Rate 125, the Company will permit migrating customers to terminate their bundled rate contracts early, subject to the customers having to true up any imbalances in their existing contracts on termination.
- c) Enbridge Gas Distribution's proposed redesigned Rate 125 distribution service, like the current Rate 125, will be available on a firm, all-day basis on the earlier of the date that the Company's F2007 rates are approved and implemented or the first day of the month following the date that is 12 months after the Board issues its decision or issues approval of this Settlement Agreement, whichever occurs first, in this proceeding in respect of the distribution services described in this Section 1.1.
- d) In-franchise generators that subscribe for Rate 125 service will provide the utility with a day ahead non-binding hourly gas consumption forecast and will use

reasonable efforts to communicate changes from that forecast to assist the Company in managing its system.

- e) Enbridge Gas Distribution will permit the pooling of Rate 125 contracts for legally related customers who meet the *Business Corporations Act* (Ontario) ("OBCA") definition of "affiliates" to allow for the management of those contracts by a single manager. The single manager will be jointly liable with the individual customers for all of their obligations under the contracts, while the individual customers will remain severally liable for all of their obligations under their own contracts. Customers will not be permitted to change rate classes as a result of contract pooling.
- f) Enbridge Gas Distribution will implement, at the same time as its new F2007 rates become effective, an informational posting on daily basis containing information about capacity constraints within the Company's distribution system.
- g) The Company will change its cumulative imbalance fee charge from that set out in the draft Rate 125 Rate Schedule (1.895 cents/m³) to a lower amount (1.004 cents/m³). This fee is directed to ensuring that Enbridge Gas Distribution recovers its costs associated with the load balancing service component of Rate 125. The reduction in the fee is attributable to an increase in the annual load balancing volumes assumed in the derivation of the fee for incremental storage deliverability. (Exhibit C, Tab 2, Schedule 4, Appendix A, Line 7.0)
- h) The Company will amend the description of "Operational Flow Order" found in the draft Rate 125 Rate Schedule (C-2-3, p. 5), so that the second sentence reads "Enbridge Gas Distribution, acting reasonably, may call for an OFO in the following circumstances:".
- i) Enbridge Gas Distribution, in consultation with interested stakeholders, will review its Rate 125 Rate Schedule with a view to clarifying the meaning and application of the notion of "Billing Contract Demand". The updated Rate 125 Rate Schedule will be filed with the Board at the time of the presentation of the Settlement Proposal.
- j) Enbridge Gas Distribution intends to make its appropriate distribution services available to any of its customers who subscribe for whatever form of TCPL's FT-SN and SNB service is approved by the NEB. In other words, the Company intends to permit customers taking those TCPL services to also take the Company's appropriate distribution service. The Company notes, however, that its rate schedules may have to be amended to ensure that system integrity and customer service are maintained. For example, as discussed in its Reply Evidence (F-1-1, pp. 3-6), the Company does not believe that it can offer Rate 125

load balancing service to direct connect FT-SN customers, given the way that the FT-SN service is currently proposed.

- k) Enbridge Gas Distribution, Union and APPrO agree to convene an Industry Task Force, along with any other interested parties, and will invite all service providers interconnecting with Enbridge Gas Distribution and/or Union. The purpose of the Industry Task Force is to investigate and develop, where feasible, appropriate arrangements for services that would enable Enbridge Gas Distribution and Union to accept nomination changes each hour throughout the day (on a firm/reserved capacity basis) with changes becoming effective two hours later. The Industry Task Force will hold two meetings by September 30, 2006. Enbridge Gas Distribution, Union and APPrO agree to work co-operatively and diligently to investigate and develop, where feasible, appropriate arrangements.
- l) Parties recognize that some operating experience with the new Rate 125 and the other rates and services being developed through this proceeding (Rates 300, 315 and 316) is needed before it can be determined whether further modifications to the services and associated rates schedules should be proposed. Parties agree that, once sufficient operating experience has been gained, and in any event no later than March 31, 2009, interested customer groups and Enbridge Gas Distribution will convene to evaluate and discuss the experience and success of the services offered as a result of this proceeding. At that time, any party may propose further modifications to the rate schedules.
- m) The Company will incur administrative and staffing costs (estimated at between \$250,000 and \$750,000 per year, depending upon the number of customers) associated with offering the additional nomination windows described above in subparagraph (a). The Company intends to recover these costs from the parties using the additional nomination windows.
- n) As set out at B-3-3, and C-2-4, page 1, the Company's proposed automated solution to support the offering and operation of unbundled rates and services will be used for all unbundled rates (Rates 125, 300, 315 and 316). The Company proposes to recover the costs of this automated solution from all large volume customers in the form of an increased customer charge. The question of when, and how, issues pertaining to the allocation of implementation costs and migration revenue deficiencies should be determined is the subject of the Threshold Issue set out above.
- o) If Rate 125 is not confined to new loads only, parties agree that in Enbridge Gas Distribution's F2007 rate case, the Company will present a forecast of migration to the new Rate 125, with the impact of that migration on the Company's distribution

revenue and the rates of other applicable customer classes to be determined by the Board in that proceeding.

- p) Parties agree that they will support the Company's request in its F2007 rate case for an Unbundled Rates Customer Migration Variance Account, which will capture the revenue consequences of actual customer migration being different from the revenue consequences of the forecast migration for the new unbundled rates (Rates 125, 300, 315 and 316). The pivot point for the variance account will be the revenue impact of the forecast of migration to new rates, such that if the actual revenue impact is smaller than forecast, there will be a refund to customers in applicable rate classes, and if the actual impact is larger than forecast, additional amounts will have to be collected from customers in applicable rate classes. Parties agree that they will support the clearing of this variance account in this manner at the appropriate time. The question of when, and how, the issues pertaining to the allocation of implementation costs and migration revenue deficiencies should be determined is the subject of the Threshold Issue set out above.
- q) Under Enbridge Gas Distribution's proposal, Rate 125 applies to existing and new firm loads greater than of 600,000 m³ per day. The forecast migration of one existing customer (who has qualified for the rate but has not chosen to migrate to Rate 125 over the past several years) would result in a distribution revenue shortfall to the Company of approximately \$1 million. The forecast migration of up to an additional 20 customers to Rate 300 would result in a distribution revenue shortfall to the Company in the range of \$400,000 - \$700,000. If these migration revenue deficiencies are allocated to each of the large volume rate bundled rate classes under which the migrating customers were previously served, then the estimated distribution rate impacts on these rate classes are as follows:
- (i) From the migration of the one customer to Rate 125
 - Rate 100 – 0%
 - Rate 110 – 0%
 - Rate 115 – 12%
 - (ii) From the migration of the 20 customers to Rate 300
 - Rate 100 – 3%
 - Rate 110 – 0%
 - Rate 115 – 48%

In order to keep all options open for mitigating the potentially adverse rate impacts for Rate 115, IGUA, AMPCO and CME reserve their right to request that the Board limit the availability of Rate 125 to new loads only.

- r) All parties accept the proposed threshold for Rate 125 of 600,000 m³ per day. IGUA, AMPCO and CME's acceptance is on condition that they can request the Board to limit the availability of Rate 125 service to new loads only.

Participating Parties: All parties participated in the negotiation and settlement of this issue, except IESO, Direct Energy, Jason Stacey, OPA, Aegent and Kitchener.

Approval: All participating parties accept and agree with the proposed settlement of this issue, except for: (i) CCC, VECC, LIEN, SEC, LMPA, WGSPG and Energy Probe, who do not accept the foregoing if any portion of the implementation costs and revenue deficiencies is to be allocated to residential or general service customers; and (ii) IGUA, AMPCO and CME, whose acceptance is on condition that they can request the Board to limit the availability of Rate 125 service to new loads only. =

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

Enbridge Gas Distribution Evidence

- A-1-1 Overview and Background
- B-1-1 Current Experience
- B-2-1 Operational Characteristics and Needs of Power Generation Customers
- B-3-1 Operational Characteristics and Issues: Load Balancing
- B-3-3 Operational Characteristics, Issues and Proposed Solutions: Rate Implementation
- B-4-1 Rate Design Principles and Approaches
- C-1-1 Overview of Rate 125
- C-2-1 Rate 125
- C-2-2 Proposed Tariff for Rate 125
- C-2-3 Rate 125 – Draft Rate Schedule
- C-2-3 Rate 125 – Derivation of Charges
- F-1-1 Reply Evidence – Load Balancing
- F-2-1 Response to APPrO evidence (Rates 125 and 316)

APPrO Evidence

Prefiled Evidence of APPrO pp. 1-44; 47-52; and 60-61

TCPL Evidence

- Section 2.2 Proposed New Services for Gas Fired Generators
- Appendix 1B TransCanada's Application to the NEB for Approval of FT-SN and SNB

Technical Conference Evidence

April 6, 2006 Tr. 38-43, 46-48, 61-76, 91-98, 116-138, 142-153, 155-173, 199-203, 209-215, 218-224
and 240-244 (Enbridge Gas Distribution)

April 27, 2006 Tr. 19-41, 64-85, 93-95, 109-143 and 182-186 (Enbridge Gas Distribution)

May 16, 2006 Tr. 75-125; 161-175 (TCPL)
Tr. 191-195; 209-210 and 226-235 (APPrO)

May 17, 2006 Tr. 28-38, 56-65, 86-96 (APPrO)
Tr. 99-116 (IGUA)

Undertakings

Enbridge Gas Distribution Undertaking #s 1, 2, 6 -9, 11, 15-18, 24, 26-28, 30, 33-38, 44 and 45

1.2 INTERFRANCHISE MOVEMENT OF GAS

COMPLETE SETTLEMENT

Item 4 in the Board's Issues List relating to rates for gas fired generators and other qualified customers asked whether new rates for these customers should include inter-franchise movement of gas. Inter-franchise movement of gas is the ability for direct purchase customers to transfer gas that they have delivered to one utility to another utility in a seamless manner. (Enbridge Gas Distribution evidence: C-4-1, p. 1)

In response, the Company filed evidence proposing that an Enhanced Title Transfer ("ETT") service be introduced to the suite of balancing services made available by Enbridge Gas Distribution. The availability of this service would be dependent on a comparable service offering being made available by the utility whose franchise area the customer wants to transfer the gas into. (Enbridge Gas Distribution evidence: C-4-1, p. 1). The Company's evidence set out how the ETT service would function (C-4-1, pp. 1-6), how it would be costed (C-4-2, pp. 1-2) and included a draft Rate Rider (C-4-3). The Company also filed Reply Evidence explaining difficulties in having ETT transactions carried out at any locations except Dawn. (Enbridge Gas Distribution evidence: F-1-2, pp. 1-2)

It is the Company's expectation and belief that the ETT proposals accepted in this proceeding will not have any adverse impact on the quality of or access to the utility's existing services and will not have any rate impacts on existing customers.

Based upon this evidence, and discussions at the Settlement Conference, parties have agreed to a resolution of this issue, as set out below.

- a) All parties accept and agree with Enbridge Gas Distribution's proposal for an Enhanced Title Transfer service to be introduced to the Company's suite of balancing services, as set out at C-4-1, pp. 1 to 6 and C-4-3. This service will not be made available until after the Company's F2007 rates are approved and implemented, but it will be available from and after that time, assuming that other utilities offer a compatible service.

Participating Parties: All parties participated in the negotiation and settlement of this issue, except IESO, TCPL, Direct Energy, Jason Stacey, OPA, Aegent and Kitchener.

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:

Enbridge Gas Distribution Evidence

A-1-1 Overview and Background
C-4-1 Additional Service Offerings
C-4-2 Additional Service Offerings – Derivation of Charges
C-4-3 Additional Service Offerings – Draft Rate Riders
F-1-2 Reply Evidence – Title Transfers

APPrO Evidence

Prefiled Evidence of APPrO p. 47

Technical Conference Evidence

April 6, 2006 Tr. 48-49 and 102-103 (Enbridge Gas Distribution)
May 17, 2006 Tr. 66 (APPrO)

1.3 REDIRECTION OF GAS

COMPLETE SETTLEMENT

Item 5 in the Board's Issues List relating to rates for gas fired generators and other qualified customers asked whether new rates for these customers should include redirection of gas to a different delivery point on short notice.

In response, the Company filed evidence explaining that "[t]here are currently upstream transportation services and market services that a direct purchase customer can use to effect a redirection of gas. These services are the same services that would be available to a utility. As such, Enbridge Gas Distribution does not see there being any benefit for the utility to establish a service that purely relies on services that participants in the marketplace can already avail themselves to. Any involvement by the utility would only add incremental administration costs to these services." (Enbridge Gas Distribution evidence: C-4-1, p. 6)

It is the Company's expectation and belief that its position on this issue, as accepted in this proceeding, will not have any adverse impact on the quality of or access to the utility's existing services and will not have any rate impacts on existing customers.

Based upon this evidence, and discussions at the Settlement Conference, parties have agreed to a resolution of this issue, as set out below.

- a) All parties accept and agree with Enbridge Gas Distribution's evidence at as set out at C-4-1, pp. 6 to 7 which states, in effect, that redirection of gas is a matter for upstream transportation services and the Company is therefore unable to offer any useful or cost-effective redirection of gas service.

Participating Parties: All parties participated in the negotiation and settlement of this issue, except IESO, TCPL, Direct Energy, Jason Stacey, OPA, Aegent and Kitchener.

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:

Enbridge Gas Distribution Evidence

- A-1-1 Overview and Background
- C-4-1 Additional Service Offerings
- C-4-2 Additional Service Offerings – Derivation of Charges
- C-4-3 Additional Service Offerings – Draft Rate Riders

Technical Conference Evidence

April 6, 2006 Tr. 49 (Enbridge Gas Distribution)

1.4 TITLE TRANSFER OF GAS IN STORAGE

COMPLETE SETTLEMENT

Item 6 in the Board's Issues List relating to rates for gas fired generators and other qualified customers asked whether new rates for these customers should include the ability to transfer the title of gas in storage (i.e., the title transfer in gas storage is treated as an administrative matter instead of a physical withdrawal or injection of gas).

In response, the Company filed evidence explaining the different considerations that apply for the title transfer of stored gas depending upon whether the contracts have identical or different contract service parameters. (Enbridge Gas Distribution evidence, C-4-1, pp. 7-11; Enbridge Gas Distribution Undertaking #3). The Company initially proposed a service where only an administrative fee would be charged for the title transfer of gas where the contract service parameters (which include withdrawal and injection amounts, ratchet provisions, firm vs. interruptible) are the same for both transacting parties.

It is the Company's expectation and belief that its title transfer of gas in storage proposal accepted in this proceeding will not have any adverse impact on the quality of or access to the utility's existing services and will not have any rate impacts on existing customers.

Based upon this evidence, and discussions at the Settlement Conference, parties have agreed to a resolution of this issue, as set out below.

- a) All parties accept and agree with Enbridge Gas Distribution's proposal, as set out at C-4-1, pp. 7 to 11, C-4-2 and F-1-2, which, among other things, allows transacting customers with the same deliverability rights and contractual parameters to transfer title to gas volumes below ground, subject only to an administration fee and without injection or withdrawal charges. The contract parameters that must be the same include:

- % Withdrawals
- % Injections
- Customer inventory within the same deliverability ratchets
- Quality of service (firm versus interruptible)

In addition, the Company will permit underground title transfers between in-franchise customers, at the Company's sole discretion based on operational conditions, subject to an administrative fee, without the application of withdrawal and injections charges when the transfer of gas in storage is from a customer with higher withdrawal entitlements to a customer with lower withdrawal entitlements.

Approval of all transactions would be limited to the lesser of the seller's withdrawal limit and the buyer's injection limit.

Participating Parties: All parties participated in the negotiation and settlement of this issue, except IESO, TCPL, Direct Energy, Jason Stacey, OPA and Kitchener.

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:

Enbridge Gas Distribution Evidence

- A-1-1 Overview and Background
- C-4-1 Additional Service Offerings
- C-4-2 Additional Service Offerings – Derivation of Charges
- C-4-3 Additional Service Offerings – Draft Rate Riders

APPrO Evidence

Prefiled Evidence of APPrO pp. 47 and 63

Technical Conference Evidence

April 6, 2006 Tr. 49, 103-104 and 138-140 (Enbridge Gas Distribution)

Undertakings

Enbridge Gas Distribution Undertaking # 3

1.5 STORAGE ALLOCATION METHODOLOGY FOR GAS FIRED GENERATORS (BASE LEVEL DELIVERABILITY)

COMPLETE SETTLEMENT

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

Currently, Enbridge Gas Distribution's storage operations are directed at meeting winter demand. The existing Board approved methodology used by the Company for allocating cost based standard storage at 1.2% deliverability is called "excess over average". Under this methodology, storage space is allocated to customers based on the difference between the customer's average winter demand as compared to the customer's average annual demand.

Parties recognize that the current excess over average methodology would not be sufficient or appropriate to meet the profile and needs of gas fired generators. Gas fired generators, like other Enbridge Gas Distribution customers, are entitled to an allocation of cost based standard storage at 1.2% deliverability. A separate storage allocation methodology for cost based standard storage at 1.2% deliverability, subject to the same ratchets as the Company's other ratcheted storage contracts, is appropriate for gas fired generators.

Parties agree that it is appropriate to implement a storage allocation methodology for cost based standard storage at 1.2% ratcheted deliverability for gas fired generators that recognizes the very different characteristics of those customers but which, at the same time, is consistent with the level of storage allocated to existing customers. Currently, the Company's customers only receive an allocation of cost based storage at standard deliverability that meets 57% of the gap between system peak demand and the amount of gas delivered through pipeline supplies. The remainder of this gap is met through other balancing means such as peaking supplies and curtailment. In order to achieve consistency, the Company will limit the storage allocation available to gas fired generators to the same level, such that the allocation of storage at standard deliverability to gas fired generators will be scaled to 57% of the amount of storage at standard deliverability required to meet the gap between demand and pipeline supply.

The allocation methodology for gas fired generators' entitlement to cost based standard storage at 1.2% deliverability is also premised on the following:

- a) The storage space requirement to meet gas fired generators' intra day balancing needs is based on the assumption that high deliverability storage is available to those customers in the market.

- b) This agreement does not address the pricing or allocation of high deliverability storage, nor does it address whether or when the Company might offer that service using its own assets. In the event that the Company does not offer this service using its own assets, and customers request high deliverability storage from the Company, then the Company will use reasonable efforts to procure this service from third parties for its customers.
- c) The storage allocated is offered at rolled-in cost based rates. This means that if the Company has to acquire additional storage capacity to meet the allocations requested by gas fired generators, then the cost of the acquired storage will be aggregated with the cost of the Company's existing storage and a new rolled in rate for all storage will be determined. The Company's best estimate of the impact of acquiring the standard storage at 1.2% deliverability that would be required under the new methodology for gas fired generators, assuming a total of 2000MW of generation capacity, is that the rolled-in cost based rates for storage would increase by approximately 1%.
- d) The storage being allocated is subject to system ratchets, which are the standard ratchets applicable to the Company's storage contracts.
- e) The storage allocated could be used for service under either Rate 315 or Rate 316 (at standard 1.2% deliverability).
- f) Notwithstanding this specific allocation methodology for gas fired generators, a gas fired generator may still request that their base level storage entitlement be determined using the existing excess over average methodology.

The allocation for gas fired generators for cost based standard storage at 1.2% deliverability is as follows:

- g) A gas fired generator is assumed to provide gas supply equal to 17 times the maximum hourly demand of the facility. In the event that the plant is not dispatched, up to 17 hours of supply may need to be injected into storage, assuming that storage is the only means of balancing available.
- h) Assuming that high deliverability storage at 10% is available to meet the gas fired generator's needs, this would result in a space demand of 17 times the maximum hourly demand, divided by 10%.
- i) The space demand that is determined is then multiplied by .57 to determine the amount of cost based standard storage at 1.2% deliverability available to the gas fired generator.

It is the Company's expectation and belief that the storage allocation proposal for gas fired generators accepted in this proceeding will not have any adverse impact on the quality of or access to the utility's existing services. Based upon the current information available to the Company, and the Company's best estimates, the only rate impacts of this proposal on other customers of the Company is described above at subparagraph (c).

Participating Parties: All parties participated in the negotiation and settlement of this issue, except IESO, TCPL, Direct Energy, Jason Stacey, OPA, Aegent and Kitchener.

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:

APPrO Evidence

PowerPoint Presentation at May 16, 2006 Technical Conference

Technical Conference Evidence

April 6, 2006 Tr. 107-111 and 178-181 (Enbridge Gas Distribution)

April 27, 2006 Tr. 62-64 (Enbridge Gas Distribution)

May 16, 2006 Tr. 198-201 (APPrO)

1.6 RATE 316

NO SETTLEMENT

The Company has filed extensive written evidence about its proposed Rate 316, and has answered questions from all interested parties about this proposed Rate over the course of two days of Technical Conference (April 6 and 27, 2006). The Company's specific proposals for Rate 316, along with a discussion of the pricing for aspects of the proposed Rate, are set out in its prefiled evidence at C-1-1 (Overview), C-3-1 (Rate 316), C-3-3 (Rate 316 – Draft Rate Schedule) and C-3-4 (Rate 316 – Derivation of Charges). Certain of the undertaking responses filed by the Company also relate to the proposed Rate 316.

Evidence about the storage needs of gas fired generators, prepared by APPrO (APPrO evidence: pp. 31-32 and 62; and PowerPoint Presentation at May 16 Technical Conference), has also been filed in this proceeding and addressed through Technical Conference on May 16 and 17, 2006.

While it appears that parties are supportive of many of the technical aspects of the proposed Rate 316, there is disagreement as to whether and how the service would be offered, and what pricing would apply.

In the event that the Company does offer Rate 316 storage service, it is prepared to offer the service using the same nomination windows as agreed to for Rate 125 (described at subsection 1.1(a) of this Settlement Proposal).

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

Enbridge Gas Distribution Evidence

- A-1-1 Overview and Background
- B-1-1 Current Experience
- B-2-1 Operational Characteristics and Needs of Power Generation Customers
- B-3-2 Operational Characteristics, Issues and Proposed Solutions: Storage
- B-4-1 Rate Design Principles and Approaches
- C-1-1 Overview
- C-3-1 Rate 316
- C-3-2 Proposed Tariff for Rate 316
- C-3-3 Rate 316 – Draft Rate Schedule
- C-3-4 Rate 316 – Derivation of Charges
- F-2-1 Response to APPrO evidence (Rates 125 and 316)

APPrO Evidence

Prefiled Evidence of APPrO pp. 31-32 and 62

Technical Conference Evidence

April 6, 2006

April 27, 2006

May 16, 2006 Tr. 198-201 (APPrO)

Undertakings

Enbridge Gas Distribution Undertaking #s 10, 12, 19-23, 25-28, 39, 40 and 44

4. RATES 300 AND 315

PARTIAL SETTLEMENT

Since at least 2005, largely in response to interest expressed by some of its large volume customers, the Company has been working, in conjunction with stakeholders, on the redesign of its unbundled rates for those customers to make the rates more attractive. In the Company's F2006 rate case (EB-2005-0001), it explained the work that it had been doing, and the factors that were preventing the Company from presenting a proposal for redesigned rates in that case. In the decision in the F2006 rate case, the Board determined that the Company should prepare and present redesigned rates for conventional large volume customers as part of the NGEIR proceeding. (Enbridge Gas Distribution evidence, D-1-1, pp. 1-4)

The Company's proposal for redesigned rates for conventional large volume customers in this proceeding includes unbundled transportation and balancing services (Rate 300), as well as delivered storage service (Rate 315). As outlined in the Company's evidence, these service offerings are the outcome of extensive discussions with stakeholders and are responsive to the Board's Procedural Orders in this proceeding. (Enbridge Gas Distribution evidence: D-1-1, pp. 4-5)

The Company has filed written evidence about its proposed Rates 300 and 315, and answered questions from all interested parties about these proposed offerings at the April 27, 2006 Technical Conference. The Company's evidence about the activity and cost required to implement automated system changes to process unbundled customer transactions is set out at B-3-3. (Operational Characteristics, Issues and Proposed Solutions: Rate Implementation) The Company's specific proposals for Rate 300, along with a discussion of the pricing for aspects of the proposed Rate, are set out in its prefiled evidence at D-2-2 (Rate 300) and D-2-3 (Rate 300 – Draft Rate Schedule). The Company's proposal for Rate 315 is set out at D-3-1 (Rate 315) and D-3-2 (Rate 315 – Draft Rate Schedule). The Company's evidence and proposals addressing the issues inherent in approving and implementing new unbundled rates in the context of this proceeding, which is not a full rates case, is set out at C-1-1 (Proposed Tariffs for Power Generation Customers: Overview).

Based upon this evidence, and discussions at the Settlement Conference, most parties have agreed to a resolution of most of the issues related to the Company's proposed Rates 300 and 315, as set out below.

Depending upon the determination of the Threshold Issue set out above, certain parties (CCC, VECC, LIEN, SEC, LMPA, WGSPG and Energy Probe) do not support the settlement of issues related to the Company's proposed Rates 300 and 315. Specifically, if the Board determines, in response to the Threshold Issue, that any portion of the

implementation costs and revenue deficiencies are to be allocated to residential or general service customers, then those parties (CCC, VECC, LIEN, SEC, LMPA, WGSPG and Energy Probe) do not agree to any of the proposed changes to Rates 300 and 315.

Except as noted in the following paragraphs, which describe the consensus position of all other participating parties on matters discussed at the Settlement Conference, all other parties accept the Company's proposals for its redesigned Rate 300 and Rate 315 and agree that the Company will develop for consideration and approval by all parties Rate Schedules for Rates 300 and 315 which incorporate the Company's proposals, as modified by the items set out in the following subparagraphs.

It is the Company's expectation and belief that the Rate 300 and 315 proposals accepted in this proceeding will not have any adverse impact on the quality of or access to the utility's existing services. Based upon the current information available to the Company, and the Company's best estimates, the only rate impacts of the Rate 300 and 315 proposals on other customers of the Company are described below at subparagraphs (p) to (v). The rates set out for Rates 300 and 315 are set on the basis of the Company's F2006 cost of service costs and, to the extent that relevant costs change in the Company's F2007 rate case, then the rates set out below and in the Company's draft Rate Schedule may also change.

- a) The new Rates 300 and 315 will be made available, on a limited basis at the customer's election on either January 1, 2007 or on April 1, 2007 (in the event that customers find that to be an easier date in terms of transitioning to unbundled storage service).
- b) In order to allow customers to take advantage of the new Rates 300 and 315 on January 1 or April 1, 2007, the Company will permit migrating customers to terminate their bundled rate contracts early, subject to the customers having to true up any imbalances in their existing contracts on termination.
- c) Initially, the new Rates 300 and 315 will only be available to a maximum of 20 customers. This is because the Company must implement a manual solution to process the activities and transactions involved with these unbundled services until such time as an automated solution is designed and implemented. The manual solution is not feasible for more than 20 customers.
- d) As customers sign up for and begin to take service on the new Rates 300 and 315, the Company will evaluate the interest in, the technical, reporting and regulatory need for and the optimum timing for the implementation of an automated solution that will allow larger numbers of customers to take service under these rates (but that will cost in the range of \$4 million). Once a decision has been taken to proceed with an automated solution, it will take a minimum of 43 weeks, and

perhaps longer (depending on CIS and GDAR implementation and other currently unknown technical issues) to implement.

- e) The Company undertakes to report to customers every three months as to the level of take-up of the new unbundled Rates 300 and 315. As part of this process, within 6 months after the first customers take service under these Rates, the Company will provide customers with its view as to whether and when an automated solution should be developed and put in place.
- f) By September 22, 2006, the Company, in consultation with customer representatives, will prepare written materials to support a presentation to customers detailing the nature and operational impact of unbundled services and describing how a customer would take advantage of these services, along with the positives and negatives as well as the changes inherent in unbundled services in comparison to bundled services. Included in these materials will be an explanation of how the "true-up" process will work for customers who terminate their bundled contracts early. The aim of the materials is to provide background for a presentation that will help customers to understand and evaluate the effects of deciding whether to become unbundled customers. The Company will make this presentation to interested customers on or before October 2, 2006. As part of this process, the Company will provide information to customers to allow them to better understand and evaluate the financial impact of making a decision to receive unbundled services.
- g) Customers will indicate, on or after October 15, 2006, whether they would like to take the service. If more than 20 customers indicate on October 15, 2006 that they wish to subscribe to the service, then the Company will provide the service to the 10 interested customers who will benefit the most from the service, from a distribution rates perspective, and will use a lottery system to determine the remaining 10 interested customers who will be entitled to subscribe for the service. If fewer than 20 customers indicate on October 15, 2006 that they would like to subscribe for the service, then the Company will continue to accept customers who would like to subscribe for the service, on a first come, first served basis up to a maximum of 20 customers.
- h) Parties agree that the levels of penalty provisions in the Company's proposed new Rates 300 and 315 are reasonable. To the extent that these penalty provisions are different from penalty provisions in bundled rates, there are valid reasons for this, relating to the increased risk to system operations from unbundled customers acting inappropriately as compared to bundled customers. These increased risks arise from, among other things, the fact that the Company has less system diversity in relation to unbundled customers on which the Company can rely to

counterbalance the activities of those customers who take service beyond the parameters set out in the applicable rate or contract.

- i) The Company will amend the description of "Operational Flow Order" found in the draft Rate 300 Rate Schedule (D-2-2, p. 5), so that the second sentence reads "Enbridge Gas Distribution, acting reasonably, may call for an OFO in the following circumstances:".
- j) The Company agrees to amend the wording in the Rate Schedule for Rate 315 to clarify that it is a firm service, and it is only in rare situations, such as major maintenance or construction projects, that the Company would limit injection and withdrawal rights based on system operating requirements (D-3-2, p. 2). The Company will also add a provision stating that "The Company will provide customers with one week's notice of its intent to limit injection or withdrawal rights and at the same time, shall provide its best estimate of the duration and extent of the limitations."
- k) The Company confirms that it will treat bundled and unbundled customers equally in situations where there are operating conditions that impose storage constraints on its system. In such cases, the storage constraints will be applied pro rata against bundled and unbundled customers.
- l) The Company agrees that in situations where injection and withdrawal rights are reduced because of system operating conditions, it will proportionately reduce the amount that affected Rate 315 customers will pay for injection and withdrawal. The Company will accomplish this in a manner similar to that employed by Union (demand charge relief) in its C1 Rate Schedule (Union evidence, Appendix L, Schedule A, p. 9, para. 8(b)). Specifically, Union's tariff provides:

- i. Demand Charge Relief for Storage Services: If on any day Union fails to deliver the quantity of gas nominated (up to the Withdrawal Demand) by reason of an event of force majeure on Union's system, then for that day Union shall credit to Shipper's bill an amount equal to the applicable Daily Demand Rate as defined in this paragraph, multiplied by the difference between the quantity of gas actually delivered to Shipper during such day and the quantity of gas which Shipper in good faith nominated on such day. The term "Daily Demand Rate" shall mean the monthly demand charge or equivalent (as stipulated in Article VIII of the Contract) divided by the number of days in the month for which such rate is being calculated.

All parties agree that this aspect of the agreement, and the associated rate impact, can be revisited in future years if the Company determines that it impairs full revenue recovery.

- m) The Company agrees that for Rate 315, in circumstances where a customer nominates from storage and system conditions permit, the Company is prepared to permit a customer to nominate either to Dawn or to the customer's delivery area for purposes other than consumption at the customer's own meter.

- n) For Rate 300 customers, at locations where Enbridge Gas Distribution interconnects with Union, Enbridge Gas Distribution will accept nomination changes at the thirteen nomination windows agreed upon between Union and APPrO, with changes becoming effective two hours later. At locations where Enbridge Gas Distribution interconnects with TCPL, and where TCPL has contracted with a shipper for FT-SN service, the Company will also accept and accommodate flow rate nominations at up to 96 nomination windows each day, assuming that these nomination windows are approved by the NEB. All parties acknowledge and agree that Enbridge Gas Distribution's ability to implement these additional nomination windows is contingent on the customer's use of the nomination windows being offered by and available from Union and TCPL.
- o) All parties accept and agree that nominations under Rate 315 will only be accepted at the standard North American Energy Standards Board ("NAESB") nomination windows.
- p) The Company agrees that Rate 315 will be made available to customers taking service on Rate 125. The storage allocation methodology for such service is as described above at section 1.5.
- q) The Company will incur administrative and staffing costs (estimated at between \$250,000 and \$750,000 per year, depending upon the number of customers) associated with offering the additional nomination windows described above in subparagraph (a). The Company intends to recover these costs from the parties using the additional nomination windows.
- r) Parties agree that a 2006 Unbundled Rate Implementation Cost Deferral Account should be established to collect the Company's costs associated with preparing to offer unbundled rates as of January 1, 2007. This Deferral Account will collect costs such as those related to the development of spreadsheets and procedures necessary to process transactions by unbundled customers, as well as staff hiring and training costs for the personnel who will actually run the manual solution. The Deferral Account will also include costs related to customer education (as described above) and limited EnTRAC changes required for even a manual solution, along with necessary implementation costs.
- s) Parties agree to support recovery by the Company in future rate proceedings of all reasonably incurred costs that are placed in the 2006 Unbundled Rate Implementation Cost Deferral Account. When the recovery of costs in this Deferral Account is addressed by the Board, the Company will seek to have these costs recovered from large volume customers. The question of when, and how, the issues pertaining to the allocation of implementation costs and migration revenue

deficiencies should be determined is the subject of the Threshold Issue set out above.

- t) If proceeding with an automated solution is required, parties agree that they will support the Company's request in future proceedings for the continuation of the Unbundled Rate Implementation Cost Deferral Account and the recovery by the Company of all reasonably incurred costs involved with this undertaking. The Company's current proposal to recover these costs is set out at C-1-1, page 9, and would involve an increased customer charge for large volume customers, estimated to be in the range of \$50 per month. The question of when, and how, the issues pertaining to the allocation of implementation costs and migration revenue deficiencies should be determined is the subject of the Threshold Issue set out above.
- u) Parties agree that in Enbridge Gas Distribution's F2007 rate case, the Company will present a forecast of migration to the new Rates 300 and 315, and the impact of that migration on the Company's distribution revenue. Until such time as the F2007 rate case is decided and implemented, the rates for Rate 300 and 315 will be set on the basis of the Company's F2006 cost of service costs. New rates will be set for Rates 300 and 315 in the Company's F2007 rate. The forecast of migration in 2007 will likely also impact on other rates. The Parties agree that they will support the Company's request in its F2007 rate case for an Unbundled Rates Customer Migration Variance Account, which will capture the revenue consequences of actual customer migration being different from revenue consequences of the forecast migration for the new unbundled rates (Rates 125, 300, 315 and 316). The pivot point for the variance account will be the revenue impact of the forecast of migration to new rates, such that if the actual revenue impact is smaller than forecast, there will be a refund to customers in applicable rate classes who have paid too much, and if the actual impact is larger than forecast, additional amounts will have to be collected from customers in applicable rate classes. Parties agree that they will support the clearing of this variance account in this manner at the appropriate time. The question of when, and how, the issues pertaining to the allocation of implementation costs and migration revenue deficiencies should be determined is the subject of the Threshold Issue set out above.
- v) Parties agree that, regardless of the regulatory model in place, the Company may adjust the levels of its Rates 300 and 315, as well as the rate classes from which Rate 300 and 315 customers have migrated and any other applicable rate classes, in future years to reflect the impact of the actual levels of customer migration.

Participating Parties: All parties participated in the negotiation and settlement of this issue, except IESO, TCPL, Direct Energy, OPA, Sithe, PEC and Kitchener.

Approval: All participating parties accept and agree with the proposed settlement of this issue, except for CCC, VECC, LIEN, SEC, LMPA, WGSPG and Energy Probe, who do not accept the foregoing if any portion of the implementation costs and revenue deficiencies is to be allocated to residential or general service customers.

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

Enbridge Gas Distribution Evidence

- A-1-1 Overview and Background
- C-1-1 Overview
- D-1-1 Overview – Proposed Tariffs for Rate 300 Customers
- D-2-1 Rate 300 – Overview, Description and Derivation of Charges
- D-2-2 Rate 300 – Draft Rate Schedule
- D-3-1 Rate 315 – Overview, Description and Derivation of Charges
- D-3-2 Rate 315 – Draft Rate Schedule

APPrO Evidence

Prefiled Evidence of APPrO pp. 1-44; 47-52; and 60-61

Technical Conference Evidence

April 6, 2006 Tr. 46-47, 64-72, 150-153 and 210-212 (Enbridge Gas Distribution)

April 27, 2006 Tr. 14-19, 55-62, 95-99, 154-163 and 173-180 (Enbridge Gas Distribution)

Undertakings

Enbridge Gas Distribution Undertaking #s 1, 2, 13, 14, 23, 27, 29-32 and 41-44