

**EB-2005-0551**

**UNION GAS LIMITED**

**SETTLEMENT AGREEMENT**

**June 13, 2006**

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**EB-2005-0551**

**SETTLEMENT AGREEMENT**

This Settlement Agreement (“Agreement”) is for the consideration of the Ontario Energy Board (“the Board”) in its determination, under Docket No. EB-2005-0551, whether it should order Union Gas Limited (“Union”) and Enbridge Gas Distribution Inc. (“Enbridge”) to provide new rates for the provision of natural gas, transmission, distribution and storage services to gas-fired generators (and other eligible customers) and whether the Board should refrain from regulating the rates for storage of gas.

By its Notice of Proceeding dated December 29, 2005, the Board, on its own motion, commenced a proceeding pursuant to sections 19, 36 and 29 respectively of the *Ontario Energy Board Act, 1998* to determine (i) whether it should order new rates for the provision of natural gas, transmission, distribution and storage services to gas-fired generators (and other eligible customers); and (ii) whether to refrain, in whole or part, from exercising its power to regulate the rates charged for the storage of gas in Ontario by considering whether, as a question of fact, the storage of gas in Ontario is subject to competition sufficient to protect the public interest.

By Procedural Order No. 1 dated January 24, 2006, the Board identified three issues for consideration in the proceeding: (1) Rates for gas-fired generators (and other qualified customers); (2) Storage regulation; and (3) Transportation capacity bidding process and

allocation. The Board indicated that it would receive a settlement agreement on Issues 1 and 3, but that it did not intend to receive a settlement proposal on Issue 2.

In Procedural Order No. 2, the Board noted that it had referred matters concerning Enbridge's 300 series rates to the NGEIR proceeding and added these matters as Issue 4. This issue was added to the matters to be resolved at the Settlement Conference.

In Procedural Order No. 3, the Board moved four issues from Union's 2007 rates proceeding to the NGEIR proceeding. These issues included i) matters relating to market pricing of storage services, ii) Union's proposal to eliminate S&T deferral accounts, iii) Union's proposal to change the blanket storage order, and iv) power services – M12 service upgrades for power services.

The Board scheduled the Settlement Conference to commence May 29, 2006. The Settlement Conference was duly convened with Mr. Chris Haussmann as facilitator. The Settlement Conference was scheduled to proceed until June 2, 2006. Agreement was not reached by June 2, 2006. Settlement discussions continued through to June 13, 2006.

Given that the Board did not intend that parties settle Issue No. 2 (storage regulation) and that Issue No. 4 (Enbridge series 300 rates) is a matter exclusive to Enbridge, this Agreement addresses only matters pertaining to Issue No. 1 (rates for gas-fired generators and other qualified

customers) and Issue No. 3 (Transportation capacity bidding process and allocation). The Agreement identifies the matters for which agreement has been reached. The Agreement is supported by the evidence filed in the EB-2005-0551 proceeding.

Each of the issues identified below falls within one of the following three categories:

1. an issue for which there is complete settlement, because Union 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 Union 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.

For the purposes of this Agreement, the term “no position” may include both parties who were involved in negotiations on an issue but who ultimately took no position on that issue and parties who were not involved in negotiations on that issue at all.

It is acknowledged and agreed that none of the completely settled provisions of this Agreement 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 Agreement in their entirety, there is no Agreement (unless the parties agree that any portion of the Agreement that the Board does accept may continue as a valid Agreement).

Unless otherwise indicated in this Settlement Agreement the terms and conditions for Union’s services are as set out in Union’s evidence, as amended in these proceedings.

It is further acknowledged and agreed that parties will not withdraw from this Agreement under any circumstances except as provided under Rule 32.05 of the Ontario Energy Board’s Rules of

Practice and Procedure.

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 Agreement 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 Agreement.

The role adopted by Board Staff in Settlement Conferences is set out on page 5 of the Board's Settlement Conference Guidelines. Although Board Staff is not a party to this Agreement, as noted in the Guidelines, "Board Staff who participate in the settlement conference are bound by the same confidentiality standards that apply to parties to the proceeding".

The evidence supporting the agreement on each issue is set out in each section of the Agreement. Abbreviations will be used when identifying exhibit references. For example, Exhibit B1, Tab 4, Page 1 will be referred to as B1/T4 p. 1. There are Appendices to the Agreement which provide

further evidentiary support. The structure and presentation of the settled issues is consistent with settlement agreements which have been accepted by the Board in prior cases. The parties agree that this Agreement and the Appendices form part of the record in the proceeding.

The following 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 (“APPPrO”)

Canadian Manufacturers & Exporters (“CME”)

Consumers Council of Canada (“CCC”)

Direct Energy Marketing Inc. (“Direct Energy”)

Enbridge Gas Distribution Inc. (“EGD”)

Energy Probe Research Foundation (“Energy Probe”)

Greenfield Energy Centre LP (“Greenfield”)

Independent Electricity System Operator (“IESO”)

Industrial Gas Users Association (“IGUA”)

London Property Management Association (“LPMA”)

Low-Income Energy Network (“LIEN”)

Ontario Power Authority (“OPA”)

Ontario Power Generation Inc. (“OPG”)

Portland's Energy Centre (“Portland's”)

School Energy Coalition (“SEC”)

Sithe Global Power Goreway ULC & Sithe Global Power Southdown ULC (“Sithe”)

The Corporation of the City of Kitchener (“CCK”)

TransAlta Cogeneration L.P. & TransAlta Energy Corp (“TransAlta”)

TransCanada Energy Ltd (“TransCanada Energy”)

TransCanada PipeLines Limited (“TCPL”)

Union Gas Limited (“Union”)

Vulnerable Energy Consumer's Coalition (“VECC”)

Wholesale Gas Service Purchasers Group (“WGSPG”)



## **OVERVIEW**

Union Gas has worked with existing and prospective natural gas power generators and affected stakeholders on the development of new services or enhancement of existing services to meet the needs of power generators in a rapidly evolving natural gas power generation marketplace in Ontario. When proposing new services or modifications to existing services Union has adhered to the following guiding principles:

- i) The introduction of new services or service enhancements should have no negative impact on the service to existing customers (either financial burden or reduction in service quality).
- ii) Under all operating conditions, reliability and integrity of the gas system must be maintained.
- iii) Customer requests for flexibility will be accommodated where possible.
- iv) The principle of postage stamp rate-making will be adhered to.
- v) Alignment with upstream and downstream services will be facilitated to the extent possible.

The new services and service enhancements that form the basis of this agreement are reasonably consistent with the above noted principles. These services contribute to economic efficiency and to the reliability of Ontario's power system.

The allocation of costs to rate classes will continue to be consistent with existing fully allocated cost allocation principles.

This agreement results in changes to the T1 and U7 rate schedules. Updated schedules will be circulated for review by all settlement conference participants and filed with the Board before the end of the evidentiary portion of the NGEIR proceeding.

**1 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:

**1.1 MORE FREQUENT NOMINATION WINDOWS FOR DISTRIBUTION, STORAGE AND TRANSPORTATION THAT CORRESPOND WITH THE NOMINATIONS OF UPSTREAM PIPELINES THAT CONNECT TO THE ONTARIO GAS SYSTEM.**

(Partial Settlement with the exception of Union's proposal that F24-S, UPBS and DPBS be priced at market based rates. The parties agree that the issue of market based storage pricing is within the ambit of Issue No. 2 (storage regulation) and accordingly beyond the scope of this settlement. TCPL and Energy Probe oppose Union offering new F24-T service first to 2007 transportation expansion shippers. )

The parties accept Union's proposal to develop four (4) new ex-franchise services (recognizing that it is Union's position that development of F24-S, UPBS and DPBS is contingent on the resolution of the storage pricing issue): F24T, F24S, UPBS and DPBS as described in its evidence subject to the following modifications:

- Three additional nomination windows will be provided. The additional nomination windows have nomination deadlines of 12:00, 18:00, and 07:00 with effective times of 14:00, 20:00, and 09:00 respectively. The complete nomination schedule has been attached as Appendix A. The additional nomination windows will provide more flexibility to customers such as power generators and can be provided without the implementation of hourly balancing agreements with upstream and downstream pipelines. The additional nomination windows apply to the receipt of gas from Enbridge, TCPL and Vector and to the delivery of gas to TCPL at Kirkwall and Parkway, all subject to their ability to confirm nominations.
- Union agrees to make the additional nomination windows available to U7 storage, U7 delivery services, and U7 receipts for new customers with loads greater than 1,200,000 m<sup>3</sup> per day.
- Union agrees to make the additional nomination windows available to T1 receipts for new customers with non obligated deliveries and loads greater than 1,200,000 m<sup>3</sup> per day.
- The U7 and T1 rate schedules will be modified to incorporate charges associated with making additional nomination windows available to those customers who elect to take the service. These charges will be cost-based, and will take into account the common IT capital costs and the costs associated with additional staffing associated with making additional nomination windows available for F24-T. The changes to the U7 and T1 rate schedules will be similar to the changes made to the M12 rate schedule to incorporate F24-T.

- Union agrees that it will evaluate the possibility of extending the additional nomination windows and reservation of capacity found in F24-T to the following transportation services:
  - i) C1 between Ojibway and Dawn
  - ii) C1 between Bluewater and Dawn
  - iii) C1 between St. Clair and Dawn
  - iv) C1 between Parkway and Kirkwall
  - v) C1 transport within the Dawn yard (e.g. between Union Dawn and Vector Dawn)

Union agrees to provide APPrO and other settlement conference participants with a summary of its findings no later than December 31, 2006.

- Customers may request that nomination changes become effective sooner and Union will use reasonable efforts to accommodate these requests, it being recognized that at the present time and for the foreseeable future Union does not expect to be able to make nomination changes effective sooner than two hours after the nomination.
- Union will also make reasonable efforts to allow large customers (with loads greater than 1,200,000 m<sup>3</sup> per day) to take gas prior to a scheduled nomination. The customer will make a request for such service directly to Union's Gas Control Department, and Union will permit such early start-up provided it has no adverse impact on Union's system. Depending on the customer's location, the customer may need approval of Enbridge and TCPL's Gas Control Departments as well.
- The proposed UPBS will allow customers to deliver supply at even hourly flow rates to consume at accelerated flow rates over 4 to 16 hours. The parties recognize that higher consumption flow rates will require higher levels of storage deliverability.

- Power generators that subscribe for U7 or T1 services and ex-franchise power generators that subscribe for F24-T, F24-S, UPBS, and DPBS services 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 Union in managing its system.
- Union, Enbridge and APPrO agree to convene an Industry Task Force and will invite all service providers interconnecting with Union and other parties that have expressed an interest. The purpose of the Industry Task Force is to investigate and develop, where feasible, appropriate arrangements for services that would enable 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 its first two meetings no later than September 30, 2006. Union, Enbridge and APPrO agree to work co-operatively and diligently to investigate and develop, where feasible, appropriate arrangements.
- Parties agree that once sufficient operating experience has been gained and in any event no later than March 31, 2009, interested customer groups and Union 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.

The parties accept Union's evidence that:

- To maximize the effectiveness of Union offering additional nomination windows, other pipeline operators, storage operators, marketers and producers will need to be able to manage and offer the same nomination windows and be able to confirm nominations on the same two hour schedule.

- F24-T will only be developed if there is 250,000 GJ/day or greater of customer demand (the level of demand used to determine the cost based F24-T rate). The parties are of the view that 250,000 GJ/day of demand is a realistic threshold. Union will offer the new F24-T service first to 2007 transportation expansion customers. Union will then hold an open season to determine if any other customers are interested in the service.
- The availability of F24-S, UPBS and DPBS is dependent upon Union's ability to develop assets to provide incremental storage deliverability.
- There will only be 500,000 GJ/day of F24-T available initially as a result of the 2006 and 2007 expansions of the Dawn-Trafalgar system. This capacity will not be available until the 2007 expansion of the Dawn-Trafalgar system is in service on November 1, 2007. Additional F24-T may become available as a result of future expansion of the Dawn-Trafalgar system and will be made available through an open season process.
- Union requires 12 months to develop the new IT systems required to implement F24-T, F24-S, UPBS and DPBS following a Board Decision and sufficient customer interest to develop the services. Upon the Board accepting this Settlement Agreement, Union will proceed immediately to contact 2007 expansion customers to ascertain their interest in subscribing to the F24-T service and if remaining capacity is available then hold an open season to determine if other existing M12 shippers are interested in the residual capacity. Union expects the open season process to be completed by 30 days after a Board Decision. Union will require approximately 24 months to build additional storage deliverability to provide new incremental high deliverability F24-S, UPBS and DPBS (recognizing that it is Union's position that development of F24-S, UPBS and DPBS are contingent on the resolution of the storage pricing issue).

- IT capital costs and the costs associated with additional staffing required to implement F24-T, F24-S, UPBS and DPBS will be recovered from the customers who elect the new services.

The settlement of this issue has no identifiable adverse impacts on existing customers.

The following parties agree with the settlement of this issue: APPrO, CCC, CME, IGUA, LMPA, LIEN, SEC, CCK, VECC, WPSPG, Sithe, TransCanada Energy, Portlands

The following parties take no position on this issue: Aagent

Evidence References:

1. Union Evidence - A/T4, D/T1 p.6-11 & p.15-18
2. Union Undertakings - UGL 12, UGL 28, UGL 23A, UGL 23B
3. Intervenor Evidence - APPrO May 1/06, TCPL Issue I (Section 2.2) & Appendix IB May 1/06, IGUA-AMPCO May 1/06
4. Intervenor Undertakings - APPrO 1, APPrO 2, APPrO 3, APPrO 7, TCPL 1, TCPL 2&3

**1.2 FIRM HIGH DELIVERABILITY SERVICE FROM STORAGE WITH CUSTOMER OPTIONS FOR 1.2%, 5% AND 10% DELIVERABILITY.**

(Complete Settlement with the exception of Union's proposal to price firm deliverability greater than 1.2% at market based rates. The parties agree that the issue of market based storage pricing is within the ambit of Issue No. 2 (storage regulation) and accordingly beyond the scope of this settlement.)

The parties agree that new T1 and U7 customers with non-obligated supply shall be entitled to contract for T1 and U7 storage service with firm storage deliverability up to 24 times the customer's peak hourly consumption and storage space up to 24 times the customer's peak



hourly consumption multiplied by 4 days. Should a customer elect to contract for firm storage deliverability that is less than the maximum entitlement, the maximum storage space that a customer is entitled to at cost shall be ten times the firm storage deliverability contracted for. In no event, shall the storage space exceed the maximum storage space entitlement previously described. Storage space with 1.2% firm deliverability will be available at cost based rates. Storage deliverability above base firm deliverability of 1.2% up to the customer's firm CD shall be made available by Union to in-franchise customers in a manner to be determined by the Board as part of Issue No. 2.

To the extent that a power generator does not contract for firm storage deliverability and chooses instead to rely on interruptible storage deliverability, there is no assurance that storage deliverability will be available on peak days.

An example of how these provisions may apply in specific circumstances is attached as Appendix B.

In the event of a conflict between the language of this section and the calculations shown on the attached examples, it is the parties' intention that the calculations shown in the examples shall govern the interpretation of this section.

The settlement of this issue has no identifiable adverse impacts on existing customers because the provision of storage services to these new T1 and U7 customers does not involve the "claw back"

of storage space or deliverability from existing customers and the costs associated with new high deliverability storage services will be recovered from the customers involved.

The following parties agree with the settlement of this issue: APPrO, CCC, CME, Energy Probe, IGUA, LMPA, LIEN, SEC, CCK, VECC, WGSPG, Sithe, TransCanada Energy, Portlands

The following parties take no position on this issue: Aegent, TCPL,

Evidence References:

1. Union Evidence - A/T3 p.30, A/T4 p.42, D/T1 p.2-5, D/T2 p.10, 18, 20, Appendix B
2. Union Undertakings - UGL 3, UGL 9, UGL 12, UGL 24, UGL 28
3. Intervenor Evidence - APPrO May 1/06

### **1.3 GAS STORAGE AND DISTRIBUTION OFFERED AS DISCRETE SERVICES.**

(Complete Settlement)

The parties acknowledge that Union's current U7 service allows for storage and distribution services to be contracted for as discrete services, and that Union's T1 service allows for distribution services to be contracted with or without storage services.

#### **New T1 (or U7) Firm Billing Contract Demand Levels**

Parties agree that effective January 1, 2007, for new T1 and U7 customers with loads greater than 1,200,000 m<sup>3</sup> per day, that are directly connected to i) the Dawn-Trafalgar transmission system in close proximity to Parkway or ii) a third party pipeline, Union will allow the customer's firm Billing Contract Demand level to be set at a level that recognizes the economics of the facilities used to serve the customer over the contract term (i.e., annual revenues over the term of the contract that would enable Union to recover the invested capital, return on capital and O&M

costs of the dedicated service in accordance with its system expansion policies). Daily deliveries that exceed the firm Billing Contract Demand quantity will be subject to cost related authorized overrun charges as specified in the T1 and U7 rate schedule (where authorized overrun charges are set using the demand charge of the first block of T1 and U7 rate schedule and the applicable commodity charge unitized at 100% load factor). This approach to establishing the firm Billing Contract Demand level of a new T1 and U7 customer's contract is similar to a feature approved by the Board for Enbridge's Rate 125 service.

As a result of this agreement, the parties agree that Union's proposal to redesign the T1 firm transportation service by:

- i. Replacing the current two block declining demand charge structure with a four step block demand rate structure, and
- ii. Replacing the two block declining commodity charge with a single commodity charge applicable to all firm T1 transportation customers,

is no longer required and is withdrawn as part of this settlement. Union's proposed T1 redesign was a response to the Board's comments and findings in the RP-2005-0022/EB-2005-0411 GEC Decision.

### **Delivery Obligations**

- a) West of Dawn: For new T1 or U7 customers and for existing customers with new firm incremental loads greater than 1,200,000 m<sup>3</sup> per day, at the customer's option there will be no obligated DCQ requirement, subject to the facilities required to support the incremental load being economic.

b) T1 Customers East of Dawn who have their Firm Billing Contract Demand set at a level that recognizes the economics of the facilities used to serve the customer as described above (New T1 (or U7) Firm Billing Contract Demand Levels): New T1 customers and existing customers with new firm incremental loads greater than 1,200,000 m<sup>3</sup> per day have the following options:

- i) The customer could deliver a daily obligated supply at Parkway equal to 100% of their firm CD (i.e. 24 times their peak hour firm delivery entitlement).
- ii) The customer could commit to M12 Dawn-Parkway transmission capacity sufficient to meet 100% of their firm CD (i.e. 24 times their peak hour firm delivery entitlement). The customer must assign the right to use the M12 Dawn-Parkway transmission capacity to Union to allow Union to manage the firm redeliveries to the plant on a no-notice basis. For greater clarity, this allows the customer to purchase all their gas supply at Dawn on a non-obligated basis, yet operate with the no-notice benefits of the T-1 service.
- iii) Any combination of the above.

c) U7 Customers East of Dawn who have their Firm Billing Contract Demand set at a level that recognizes the economics of the facilities used to serve the customer as described above (New T1 (or U7) Firm Billing Contract Demand Levels): New U7 customers and existing customers with new firm incremental loads greater than 1,200,000 m<sup>3</sup> per day have the following options:

- i) The customer could maintain arrangements sufficient to meet their Parkway call-back provision equivalent to 100% of their firm CD.
  - ii) The customer could elect to deliver their supply at Parkway in the same hourly pattern as their plant is consuming. This option requires modifications to the terms and conditions of the U7 service. This option is conditional on the Industry Task Force identified in Issue 1.1 developing appropriate arrangements that will permit Union to accept hourly nominations and possibly TCPL's proposed FT-SN being approved by the NEB.
  - iii) Any combination of the above.
- d) T1 Customers East of Dawn who have not had their Firm Billing Contract Demand set at a level that recognizes the economics of the facilities used to serve the customer as described above (New T1 (or U7) Firm Billing Contract Demand Levels): New T1 customers and existing customers with new firm incremental loads greater than 1,200,000 m<sup>3</sup> per day have the following options:
- i) The customer could deliver a daily obligated supply at Parkway equal to 80% of their firm CD (the current firm T1 rate class average load factor).
  - ii) The customer could commit to M12 Dawn-Parkway transmission capacity sufficient to meet 80% of their firm CD (i.e. 24 times their peak hour). The customer must assign the right to use the M12 Dawn-Parkway transmission capacity to Union to allow Union to manage the firm redeliveries to the plant on a no-notice basis. For greater clarity, this allows the customer to purchase all their

gas supply at Dawn on a non-obligated basis, yet operate with the no-notice benefits of the T-1 service.

iii) Any combination of the above.

e) U7 Customers East of Dawn who have not had their Firm Billing Contract Demand set at a level that recognizes the economics of the facilities used to serve the customer as described above (in the New T1 (or U7) Firm Billing Contract Demand Levels section):

New U7 customers and existing customers with new firm incremental loads greater than 1,200,000 m<sup>3</sup> per day have the following options:

i) The customer could maintain arrangements sufficient to meet their Parkway call-back provision equivalent to 80% of their firm CD.

ii) The customer could elect to deliver their supply at Parkway in an amount equivalent to at least 80% of their hourly consumption. This option requires modifications to the terms and conditions of the U7 service. This option is conditional on the Industry Task Force identified in Issue 1.1 developing appropriate arrangements that will permit Union to accept hourly nominations and possibly TCPL's proposed FT-SN being approved by the NEB.

iii) Any combination of the above.

All of the foregoing delivery obligation options avoid costs that would otherwise be incurred and that would otherwise be borne by other ratepayers.

## **Multiple Redelivery Points**

Union will permit multiple T1 (or U7) redelivery points not under common ownership provided the deliveries are managed by a common “fuel manager”. Each redelivery point will need to individually meet the minimum qualifications for the T1 (or U7) rate schedule. Management by a common fuel manager will have no impact on the calculation of delivery charges applicable to each redelivery point. In addition, a fully binding agency agreement with the fuel manager will be required for each of the redelivery points. The fuel manager will be responsible for providing the necessary required credit to Union to cover the prudential requirements of all of the redelivery points. The fuel manager will be responsible for all of the redelivery points in aggregate. The fuel manager will receive the total monthly T1 invoice. The fuel manager will be jointly liable with each of the redelivery point contracting parties for all of their obligations under the contract while the individual redelivery point contracting parties will remain severally liable for their obligations related to their individual redelivery portion of the bill.

The settlement of this issue has no identifiable adverse impacts on existing customers.

The following parties agree with the settlement of this issue: Aegent, APPrO, CCC, CME, Energy Probe, IGUA, LPMA, LIEN, SEC, VECC, WGSPG, Sithe, TransCanada Energy, Portlands

The following parties take no position on this issue: CCK, TCPL

### **Evidence References:**

1. Union Evidence - A/T3 p.2-12, 31, Supplemental A/T3, A/T4 p.43, D/T1 p.11-15 & p.18-20
2. Union Undertakings - UGL 1, UGL 2, UGL 5, UGL 6, UGL 10, UGL 11, UGL 14, UGL 17, UGL 18, UGL 19, UGL 22, UGL 25, UGL 26, UGL 28, UGL 52D
3. Intervenor Evidence - APPrO May 1/06, APPrO May 26/06, IGUA-AMPCO May 1/06, TCPL Issue I (Section 2.2) & Appendix IB May 1/06
4. Intervenor Undertakings - APPrO 1, IGUA 1

**1.4 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).**

(Complete Settlement)

The parties accept Union's current range of services that permit the redirection or acquisition of gas on short notice subject to Authorization Notice. These services were described in Appendix B to Union's evidence and include in-franchise transfers, ex-franchise transfers, DCQ assignments, suspensions, diversions, incremental supplies, loans, short-term storage and the Discretionary Gas Supply Service (DGSS). Union believes that its services align with Enbridge's proposed Enhanced Title Transfer service if settlement occurs daily.

Provided that customers remain within firm contractual parameters, it is acknowledged that customer's rights to divert or redirect gas should not be constrained or impeded by Union unless there are physical constraints on Union's system.

The settlement of this issue has no identifiable adverse impacts on existing customers.

The following parties agree with the settlement of this issue: APPrO, CCC, CCK, CME, Energy Probe, IGUA, LPMA, LIEN, SEC, VECC, WGSPG, Sithe, TransCanada Energy, Portlands

The following parties take no position on this issue: Aagent, TCPL

Evidence References:

1. Union Evidence - A/T3 p.31
2. Intervenor Evidence - APPrO May 1/06, CCK May 1/06, TCPL Issue I May 1/06



**1.5 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).**

(Complete Settlement)

The parties accept Union's current range of services that permit the redirect or acquisition of gas on short notice subject to Authorization Notice. These services were described in Appendix B to Union's evidence and include in-franchise transfers, ex-franchise transfers, DCQ assignments, suspensions, diversions, incremental supplies, loans, short-term storage and the Discretionary Gas Supply Service (DGSS).

Provided that customers remain within firm contractual parameters, it is acknowledged that customer's rights to divert or redirect gas should not be constrained or impeded by Union unless there are physical constraints on Union's system.

The settlement of this issue has no identifiable adverse impacts on existing customers.

The following parties agree with the settlement of this issue: APPrO, CCC, CCK, CME, Energy Probe, IGUA, LPMA, LIEN, SEC, VECC, WGSPG, Sithe, TransCanada Energy, Portlands

The following parties take no position on this issue: Aagent, TCPL,

Evidence References:

1. Union Evidence - A/T3 p.31
2. Intervenor Evidence - APPrO May 1/06
3. Intervenor Undertakings - APPrO 1

**1.6 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).**

(Complete Settlement)

The parties agree that underground title transfers shall be permitted between in-franchise customers (T1, T3, U7 and U9) with like and similar storage services subject to an administrative fee, without the application of withdrawal and injections charges. The contract parameters that must be the same include:

- % Withdrawals
- % Injections
- Supplier of deliverability inventory (customer supplied vs. Union supplied)
- Customer inventory within the same deliverability ratchets
- Quality of service (firm versus interruptible)

In addition, Union will permit underground title transfers between in-franchise customers on a interruptible basis (T1, T3, U7 and U9) 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.

Title transfers will be contracted for through Authorization Notices. Approval of all transactions would be limited to the lessor of the seller's withdrawal limit and the buyer's injection limit.

The settlement of this issue has no identifiable adverse impacts on existing customers.

The following parties agree with the settlement of this issue: Aegent, APPrO, CCC, CCK, CME, Energy Probe, IGUA, LPMA, LIEN, SEC, VECC, WGSPG, Sithe, TransCanada Energy, Portlands

The following parties take no position on this issue: TCPL,

Evidence References:

1. Union Evidence - A/T3 p.32-37
2. Union Undertakings - UGL 23B
3. Intervenor Evidence - APPrO May 1/06, TCPL Appendix IA May 1/06
4. Intervenor Undertakings - APPrO 1

### **3 TRANSPORTATION CAPACITY BIDDING PROCESS AND ALLOCATION**

#### **3.1 SHOULD THE BOARD ALLOW A GAS TRANSMITTER TO CHARGE A PREMIUM ABOVE COSTS FOR GAS TRANSMISSION SERVICES AND, IF SO, HOW SHOULD THAT PREMIUM BE ALLOCATED?**

(Complete Settlement)

On May 15<sup>th</sup>, 2006 Union submitted for the Board's review and approval a comprehensive Settlement Agreement between Union Gas and various intervenors, as part of the EB-2005-0520 proceeding. This Settlement Agreement included complete settlement of Issue 6.10 "Are the terms and conditions of M12 and C1 services, including the proposed rate schedule changes, appropriate (excluding the consideration of potential new services for power producers)?".

As part of this Agreement, Union agreed to some future actions which were anticipated to result in settlement of NGEIR Issue III. Specifically, Union proposed and the stakeholders accepted the following:

“In the event the Board approves this Settlement Agreement, Union will send a letter to the Board panel presiding over the NGEIR proceeding (supported by TCPL) providing for the following:

1. Union agrees to amend the contracts of the Parties that bid a premium in the 2006 and 2007 open seasons to remove the premium. These customers would then pay the posted M12 toll only. This would reduce Union’s revenue forecast for 2007 by \$150,000.
2. Union agrees to develop, prior to its next open season, an allocation procedure which defines the criteria by which Union will allocate long term firm transportation capacity for expansion, promptly post it on its web site, and notify shippers of any changes six months in advance.
3. Union will include in its allocation procedure or otherwise, a requirement that Union identify in its open season documents any anticipated capacity constraints, if a constraint is expected, and
4. Union agrees to not use bid premium as a criterion for allocating long term firm transportation capacity in the future.”

The following parties agreed with the settlement of this issue in the EB-2005-0520 proceeding:

CME, FONOM & the Cities, CCK, CCC, EGD, Energy Probe, IGUA, LPMA, SEC, Sithe, TransAlta, TCPL, WGSPG

The following parties took no position on this issue in the EB-2005-0520 proceeding: Coral,

LIEN, OAPPA, OESLP, SEM, VECC

The settlement of this issue has no identifiable adverse impacts on existing customers other than the reduction in the 2007 revenue forecast of \$150,000.

The following additional parties in this proceeding agree with the settlement of this issue:

APPrO, Sithe, TransCanada Energy, Portlands

The following additional parties in this proceeding take no position on this issue:

Evidence References:

1. Union Evidence - A/T5 p.1-3, Letter filed with Board re Settlement of Issue III dated May 15, 2006
2. Union Undertakings - UGL 52a, UGL 52d, UGL 52e, UGL 52f, UGL 52g
3. Intervenor Evidence - APPrO May 1/06, TCPL Issue III & Appendix IIIA May 1/06, IGUA AMPCO May 1/06
4. Intervenor Undertakings - APPrO 1, TCPL 4