

# **ENBRIDGE**

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2006-04-21

## **VIA EMAIL and COURIER**

Mr. John Zych  
Board Secretary  
Ontario Energy Board  
2300 Yonge Street, Suite 2700  
Toronto, ON M4P 1E4

Dear Mr. Zych:

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

Please find attached ten copies of the evidence of Enbridge Gas Distribution in response to Appendix B to Procedural Order No. 2 and to paragraph 1 in Procedural Order No. 5.

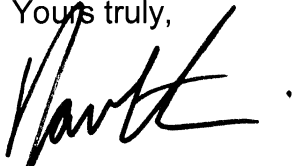
Specifically, the evidence being filed by Enbridge Gas Distribution includes the following:

C-1-1	Proposed Tariffs for Power Generators (updated)
C-2-3	Rate 125 - Draft Rate Schedule
C-2-4	Rate 125 - Derivation of Charges
C-3-1	Rate 316 – Overview, Description and Derivation of Charges (updated)
C-3-3	Rate 316 - Draft Rate Schedule
C-4-2	Additional Service Offerings - Derivation of Charges
C-4-3	Additional Service Offerings - Draft Rate Riders
D-1-1	300 series rates - Overview
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

Also included is an updated index of the evidence of Enbridge Gas Distribution filed to date.

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Mr. John Zych  
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Yours truly,

A handwritten signature in black ink, appearing to read "David Stevens". The signature is stylized and cursive, with a prominent initial "D" and "S".

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)

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### A – OVERVIEW AND BACKGROUND

<u>Exhibit</u>	<u>Tab</u>	<u>Schedule</u>	<u>Contents</u>	<u>Witness(es)</u>
A	1	1	Overview and Background	M. Giridhar

### B – CONTEXT FOR DEVELOPING NEW RATES

<u>Exhibit</u>	<u>Tab</u>	<u>Schedule</u>	<u>Contents</u>	<u>Witness(es)</u>
B	1	1	Current Experience	D. Charleson J. Grant
	2	1	Operational Characteristics and Needs of Power Generation Customers	E. Chin E. Overcast
	3	1	Operational Characteristics and Issues: Load Balancing	D. Charleson
		2	Operational Characteristics, Issues, and Proposed Solutions: Storage	J. Grant
		3	Operational Characteristics, Issues and Proposed Solutions: Rate Implementation	J. Sarnovsky
	4	1	Rate Design Principles and Pricing Approaches	M. Giridhar

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### C – PROPOSED TARIFFS FOR POWER GENERATION CUSTOMERS

<u>Exhibit</u>	<u>Tab</u>	<u>Schedule</u>	<u>Contents</u>	<u>Witness(es)</u>	
C	1	1	Overview	M. Giridhar	
		2	1	Rate 125	E. Overcast M. Giridhar
			2	Proposed Tariff for Rate 125	E. Overcast M. Giridhar
			3	Rate 125 – Draft Rate Schedule	M. Giridhar E. Overcast
	3	4	4	Rate 125 – Derivation of Charges	M. Giridhar E. Overcast
			1	Rate 316	E. Overcast M. Giridhar
			2	Proposed Tariff for Rate 316	E. Overcast M. Giridhar
			3	Rate 316 – Draft Rate Schedule	M. Giridhar E. Overcast
		4	4	Rate 316 – Derivation of Charges	M. Giridhar E. Overcast
			1	Additional Service Offerings	D. Charleson
	4	2	Additional Service Offerings – Derivation of Charges	D. Charleson	

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3	Additional Service Offerings – Draft Rate Riders	D. Charleson
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### D – PROPOSED TARIFFS FOR RATE 300 CUSTOMERS

<u>Exhibit</u>	<u>Tab</u>	<u>Schedule</u>	<u>Contents</u>	<u>Witness(es)</u>	
D	1	1	Overview	M. Giridhar	
	2	1	Rate 300 – Overview, Description and Derivation of Charges	E. Overcast M. Giridhar	
			1	Rate 300 – Draft Rate Schedule	E. Overcast M. Giridhar
	3	1	Rate 315 – Overview, Description and Derivation of Charges	E. Overcast M. Giridhar	
			2	Rate 315 – Draft Rate Schedule	M. Giridhar E. Overcast

PROPOSED TARIFFS FOR POWER GENERATION CUSTOMERS: OVERVIEW

(i) Background

1. Enbridge Gas Distribution understands that the Board wishes to ensure that the Company files sufficient information in this proceeding to allow the Board to make a decision on rate setting that will result in a rate order. The Company understands that this applies to both the rates for gas fired generators and to the redesigned 300 series rates.
2. Enbridge Gas Distribution has developed two proposed or modified rates for service to power generators. Rate 125 - Extra Large Firm Transportation Service ("Rate 125") and Rate 316 - High Deliverability Gas Storage Service (Customer Arranged Transport) ("Rate 316") constitute the service offerings. As outlined in the preceding evidence, these service offerings are the outcome of extensive discussions with power generation customers, generally accepted rate principles, the operational constraints discussed above, the Board's Procedural Orders in this proceeding, and the assumptions regarding services availability from upstream providers.
3. The following sections of the evidence provide a description of the conceptual framework for these proposed rates, and then discuss how the proposed charges associated with the rates have been derived. Draft rate schedules are also included. The evidence includes a discussion of some additional services that could be offered to power generation (and other) customers, as mandated by the Board in this proceeding. A draft rate rider for those additional services is included.

4. The Company has also developed two proposed rates that constitute the mandated redesign of the conventional 300 series of rates. Rate 300 – Firm Transportation (“Rate 300”) and Rate 315 – Storage Service (“Rate 315”) constitute these service offerings. These proposed rates are discussed at Exhibit D of the Company’s evidence.
5. The Company is mindful of the Board’s direction to provide sufficient information to permit a rate order to be made and has presented not only the necessary underlying evidence and rate descriptions and details, but also rate implementation proposals, described below, that would enable rates to be set in this proceeding.
6. This will mean, however, that in this proceeding, rates are being established and set for certain rate classes, independent of the impact that the establishment or modification of these rates will have on all of the rest of the Company’s ratepayers.
7. The following evidence sets out the rate setting issues that will be encountered if rates are to be set in this proceeding, separate and apart from a full rate proceeding. The Company then sets out approaches that it believes can be used, in combination, to address these issues and ensure that ratepayers and the Company are kept whole through the setting of rates in this proceeding. It is the Company’s position, however, that if the rate setting issues set out below are not taken into account when rates are set, meaning that the Company is prevented from recovering its full revenue requirement, then the rates that are set will not be just and reasonable rates.

(ii) Rate setting issues in this proceeding

8. In Exhibit B, Tab 4, Schedule 1, the Company set out rate design principles that apply to the setting of new rates or the redesign of existing rates. In that section, however, there is no discussion of the challenges that are faced when particular rates are set or adjusted in isolation from the rest of the Company's rates.
9. Typically the provision of new rates and services is examined in a full rates proceeding in conjunction with the approval of costs to provide service and a mechanism for revenue recovery. Such a process allows the Board to ensure that rates are set to afford the Company a full and fair opportunity to recover its full revenue requirement, including the full costs of providing services (O&M, depreciation, taxes and return on capital investment). Indeed, the Company's risk profile and approved rate of return are predicated on the OEB approving rates that provide the Company with the opportunity to fully recover the revenue requirement approved by the Board from all of its ratepayers.
10. A full cost of service proceeding generally has two phases. In Phase I, the Board determines the total revenue requirement that the Company is allowed to recover from ratepayers. Phase II reviews the costs allocation and rate design proposals for recovery of the approved revenue requirement from all customer classes. This ensures that rates are just and reasonable.
11. Setting rates outside of a rate proceeding for a select group of rate classes means that the overall revenue requirement is not considered, nor can there be an



allocation of costs across all customer classes. Instead, alternate measures must be adopted.

12. Where new or modified services are being offered, the determination of revenue requirement would ordinarily include, among other things, a determination of the incremental costs incurred to provide the service. Where rates are being set before the costs have been incurred, as is generally the case here, then it is necessary to forecast what the incremental costs will be. To the extent that the forecast is too high or too low, this will be reflected in an inaccurate revenue requirement.
13. The incremental costs at issue in this proceeding include the costs associated with building and operating facilities to permit enhanced storage deliverability (Exhibit B, Tab 3, Schedule 2) and the business process implementation costs necessary to permit the Company to offer unbundled rates and other services (Exhibit B, Tab 3, Schedule 3).
14. Since the impact of these costs cannot be added to the Company's overall revenue requirement, which is not under consideration in this proceeding, these costs must instead somehow be recovered in addition to the Company's approved F2006 revenue requirement. This is addressed in the proposals set out below.
15. When the revenue requirement impact of the costs of the new or modified services is being allocated among ratepayer groups in Phase II of a rate proceeding, both incremental costs as well as an allocation of existing costs that relate to the services must be considered. The incremental costs to be allocated that are at issue in this proceeding are the business process and storage build costs discussed above. The

existing costs to be allocated in this proceeding relate to the storage, transportation and distribution assets, as well as operating, maintenance and general costs that will be used for each of the new rates being proposed.

16. The allocation process will result in an allocation of incremental costs to the recipients of the new or modified services, as well as to any other ratepayer groups that benefit from the services. It will also result in a reallocation of costs from the customers of the existing service to the customers of the new or modified services.
17. Finally, rate levels are determined by considering allocated costs and a forecast of customer take up, such that there is no under or over recovery of the Company's revenue requirement on a forecast basis.
18. It is an issue then, that to the extent that the forecast costs and take up do not match the actual experience after the new rates and services are in place, the rates that are set may not ensure full revenue recovery. The proposals set out in the next section of the Company's evidence provide a mechanism for the allocation and recovery of relevant costs.
19. In the case of the rates at issue in this proceeding, the concerns that forecast costs and the per unit costs and take up may turn out to be inaccurate are very real.
20. This results, in part, from the fact that the storage build program necessary to offer high deliverability storage (which is necessary for both Rate 125 (the load balancing aspect) and Rate 316 (high deliverability storage) has not been approved or commenced, meaning that the forecast costs and resulting deliverability may well

change. In addition, the provision of load balancing service may require upstream transport assets whose rates and terms and conditions of service are either not defined or not approved at this point in time.

21. Concerns also exist that the business process costs incurred to enable the Company to offer unbundled services on a large scale may also differ from the forecasts now being made.
22. Finally, and perhaps most significantly, there are concerns about being able to forecast take up for these rates. This raises increased forecast risks from those typically faced by the Company in prospective rate making.
23. In the case of Rates 125 and 316, this arises from the fact that gas fired generators are new customers for the Company with unique characteristics and needs. The plant operators have provided some insights about their planned operations, however, they are unable to commit to load forecasts, daily consumption levels etc. until some operating experience has been achieved. This leaves the Company with a high degree of uncertainty about the operating parameters and needs of these customers.
24. In the case of Rates 300 and 315, the forecast uncertainty arises from the fact that these are essentially new rates, and the Company has no operational experience to be able to predict, with any degree of accuracy, how many customers will take advantage of the new rates, and at what volumes. Further, the Company has no history or experience to assist in predicting when customers will make a decision to migrate to the new rates.

25. In circumstances where forecast costs and take up do not match actual experience, the usual practice is to address any actual shortfalls or overcollections in subsequent cost of service proceedings, so that adjustments may be made to the rates to ensure proper revenue recovery. This may be made difficult or impossible, however, in current circumstances where an undefined form of incentive regulation is likely to prevail in the near future, so that F2007 may well be the Company's last cost of service application for some time.
  
26. This is of particular concern, given that certain of the Company's proposed rate offerings in this proceeding will not actually be available and used until a later time, perhaps in 2008. The timing lag results from the fact that the Rate 316 offering is contingent on the approval and construction of significant new facilities, and also from the fact that much of the power generation forecast for the Company's franchise area appears to be some time off. Thus, the possibility exists that if the forecast costs and take up used to determine rates in this proceeding turn out to be inaccurate, there may be no way to adjust rates to ensure revenue recovery.
  
27. The proposals set out in the next section of the Company's evidence provide mechanisms to deal with the unusual forecast uncertainty around implementation costs and customer take up outside of a rate case context.
  
28. Finally, in circumstances where customers migrate from an existing rate to a new rate, there may be an overall shortfall in the recovery of a revenue deficiency if the new rate is lower and overall adjustments are not made to the rest of the Company's rates to make the introduction of the new rate revenue neutral on an

overall basis. The impact of such circumstances is that the Company is not kept whole.

29. Ordinarily, in the course of a rate case, the Board would take migration issues into account, and adjust the rates for all affected rate groups to ensure that overall rate recovery is maintained. Once again, in the context of a proceeding where only a subset of the Company's rates are being assessed and set, this is difficult to achieve. The proposals set out below take this into account and provide a mechanism to address the issue.

(iii) Proposals to address rate setting issues

30. The Company has assessed each of the rate setting issues described above, in order to put together a series of measures that can be used to permit rates for power generators and large volume customers to be set in this proceeding, independent of a full rate case. The Company believes that its proposals, which are set out below, will enable sustainable rates to be set in this proceeding that are fair to ratepayers and to the Company. The Company wishes to emphasize that its proposals are interrelated in that all of these proposals must be used together to ensure that the rate setting issues are addressed, so that the rates that are put in place will be just and reasonable.

(a) *Allocation and Recovery of Implementation Costs*

31. The first issue to be addressed is a determination of how the implementation costs for new business processes should be allocated among customers, and how they should then be recovered in rates.

32. At Exhibit B, Tab 3, Schedule 3, Page 2, the Company has identified capital costs of up to \$4M for modifications to its EnTrac system and annual operating costs of around \$400,000 per year. As outlined at Page 4 of the same evidence, these costs cannot be estimated accurately due to several unknowns, such as the specific form and content of the rates that will be eventually approved, the approval date, the implementation date, the number of customers that would take unbundled rates in 2007 and the surrounding implications for designing manual and /or automated solutions.
33. In order to set rates for unbundled services in this proceeding, the Company first seeks approval from the Board to incur capital costs in addition to the Company's existing F2006 Board-approved capital budget of \$300 million.
34. Second, the Company seeks a variance account to record the revenue requirement implications from the estimated costs.
35. Next, the Company proposes to determine an increment in the customer charge for all large volume customers, including bundled and unbundled customers. It would do this by determining an annualized revenue requirement for an estimated capital cost of \$4M and annual operating costs of \$400,000. Dividing an estimated annual revenue requirement of \$1.6M by total large volume customers in 2006 yields an incremental monthly customer charge of approximately \$50 per month. This increased customer charge would be effective as of January 1, 2007.

36. Finally, when actual capital and O&M costs are known, the Company would recalculate an annualized revenue requirement and compare it to the revenue that has been received through the incremental customer charge to large volume customers. Any difference would result in a one-time adjustment for 2007. It would also be used to adjust the level of the customer charge going forward. This adjusted customer charge would form part of the base rates to which incentive regulation parameters may be applied post 2007.
37. The Company believes that the above proposal meets existing Board Approved cost allocation principles for system enhancements that are market enabling and provide choice to customers. The proposal also addresses the Company's concern about ensuring revenue recovery, thus meeting the twin goals of cost of service regulation.
- (b) *Allocation and Recovery of Storage Build costs*
38. The next issue to be addressed is a determination of how the capital and operating costs for developing enhanced storage capability should be allocated among customers, and how they should then be recovered in rates.
39. At Exhibit B, Tab 3, Schedule 2, Pages 20 -22, the Company has identified capital costs of approximately \$26M for modifications and improvements to its storage system and annual operating costs of approximately \$280,000 per year. The estimated build costs are predicated on a high deliverability storage offering that provides up to 10% firm deliverability or 200 mmcf/d and 2 bcf of space.

40. At Exhibit C, Tab 3, Schedule 1, Page 1, the Company has explained its position that while cost based rates should be used for the standard storage service offering that determines space allocations based on a Board approved formula and provides 1.2% deliverability, the new high deliverability storage should have market based pricing. As detailed earlier in the Company's evidence, market based rates provide a superior result to cost based rates for high deliverability storage services which are part of a competitive market offering today in Ontario. This is because market based rates address the issue of allocating limited high value storage between customers more efficiently than cost based storage. Market based pricing also allows for sharing of the benefits of high deliverability storage between all customers while making no customers worse off. Finally, a market pricing approach, which would include an open season bidding process to determine demand for the proposed service, allows for a level of build that the market wants and provides better assurance of revenue recovery.
41. If the Board disagrees with the Company's position, and orders that cost based rates should be used for high deliverability storage, then the Company must address similar cost recovery issues to the business process implementation cost recovery issues described above.
42. The Company believes that a cost based offering for high deliverability storage, if mandated by the Board, must provide for full revenue recovery. As set out earlier, based on pricing principles, if only one group benefits from increased costs, then that group would pay for the costs. In the case of high deliverability storage, this means that it is the customers taking advantage of Rate 316 who should pay the full amount of the incremental costs associated with offering that service.



43. In the event that Rate 316 is to be a cost based offering, the Company believes that an open season should still apply to determine the level of interest in the service, and at what parameters. The Company can then ensure that any build program and associated costs are limited to what is necessary to meet customer needs.
44. If it is required to set cost based rates for this service, the Company first seeks, approval from the Board to incur and record costs of the storage build as part of this proceeding. The Company seeks approval to incur these capital costs in addition to the Company's Board-approved F2006 capital budget of \$300 million.
45. Next, also as part of this proceeding, the Company would seek approval for a variance account to record the difference between the forecast annualized revenue requirement for high deliverability storage and the revenue requirement associated with actual costs.
46. Next, the Company would set cost based rates for high deliverability storage as outlined at Exhibit C, Tab 3, Schedule 4. It would do this by determining an annualized revenue requirement for the type of offering and making certain assumptions about the take up of high deliverability storage.
47. Finally, when capital and O&M costs as well as the storage deliverability characteristics are known and a better estimate of customer take up is known, the Company would adjust storage rates to ensure revenue recovery for the Company.

48. In these circumstances, there would be no need to credit, or seek additional amounts from ratepayers, because the rates would not actually be in place and collected until after the storage build had been completed and the take up rate is known. Moreover, even if the information necessary to make the rate adjustment was not known until after incentive regulation had begun, the Company would be able to make adjustments since those changes would only affect Rate 316, and would have no impact on the rest of the Company's rates.

(c) *Revenue recovery of shortfall resulting from customer migration*

49. An additional issue, mostly related to the conventional large volume customers who may take advantage of the redesigned 300 series of rates, is the question of how to recover any revenue shortfall resulting from customers moving to the new rates.

50. The offering of new services typically leads to the subsequent migration of existing customers to these new services if there is an economic advantage, or a reduction in rates from doing so. However, unless a reduction in rates to a subset of customers is accompanied by an equal reduction in costs incurred by the Company, or an increase in rates to other customers, the Company is faced with an under recovery of costs to the Company. In this case, the redesign of 300 series rates will not result in cost reductions for the Company.

51. The redesign of the Company's unbundled rates is estimated to provide benefits in the form of lower distribution rates to approximately 1100 customers, worth approximately \$4M collectively. Currently, these customers constitute higher load factor customers whose efficient utilization of capacity results in lower rates for all customers in the existing bundled rate classes.

52. As described above, a full cost of service proceeding would allow for the resetting of bundled rates to recover this shortfall, along with the design of new unbundled services. While the Company would be subject to some revenue recovery risk based on forecast take up of the new services, subsequent cost of service proceedings would allow for adjustments to rates.
53. Keeping in mind that unbundled rates may be set in this proceeding, separate from a full cost of service application where all rates might be considered and adjusted, and considering that the F2007 case may be the Company's last cost of service application for some time, the Company proposes the following mechanism to address revenue recovery issues.
54. First, the Company requests the establishment of a variance account to record the revenue consequences of actual customer migration being different from the revenue consequences of forecast customer migration.
55. Second, the Company would seek approval of its unbundled rates through this proceeding, to be effective no earlier than the effective date for the rates set through the Company's F2007 rates case. This timing is necessary because of the time required to consider and implement business process changes and because of the fact that the revenue impact of customer migration from unbundled rates cannot be considered until the Company's F2007 rate proceeding.
56. Third, the Company would design bundled rates in its 2007 rates proceeding on the assumption that all customers who would find it economically advantageous to take

unbundled rates will migrate to unbundled rates in 2007 would do so. Such an assumption is necessary to ensure that the appropriate pricing signals are incorporated in the base rates that would be used for an incentive rate making regime. The Company believes that approximate \$4 million impact of the redesign of its bundled rates to reflect customer migration to unbundled rates will primarily be felt by the remaining customers using Rates 100 and 110. In this proceeding, the Company seeks the Board's acknowledgement that such an approach is appropriate.

57. Finally, to the extent that actual customer migration is less than forecast, the Company would credit customers for any over recovery from the increase in bundled rates, thus protecting rate payers from the impact of variances in customer take up of these new services.

58. The Company believes that this is a superior approach to using iterative steps to arrive at the required level of bundled rates. It would result in an increase to bundled rates to ensure revenue recovery for the Company in the event that all customers who could economically benefit from unbundled rates chose to do so.

(d) *Rate adjustments in the Company's F2007 rates case*

59. Finally, adjustments to the level of Rate 125, 300, 315 and 316 may be required, depending upon the Board approved parameters for the Company's rates in its F2007 rates proceeding. Even though each of these rates may be set and approved as part of this proceeding, a further adjustment to the rates would be warranted to reflect the full recovery of the revenue requirement approved by the

Board in the Company's F2007 rates case, assuming that there is some change to the revenue requirement.

RATE NUMBER:	<b>125</b>	<b>EXTRA LARGE FIRM TRANSPORTATION SERVICE</b>
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**APPLICABILITY:**

To any Applicant who enters into a Service Contract with the Company to use the Company's natural gas distribution network for the transportation, to a single terminal location ("Terminal Location"), of a specified maximum daily volume (Contract Demand) of natural gas of not less than 600,000 cubic metres. The Service under this rate requires Automatic Meter Reading (AMR) capability.

**CHARACTER OF SERVICE:**

Service shall be firm except for events specified in the Service Contract including force majeure.

For Non-Dedicated Service the Contract Demand shall be 24 times the Hourly Demand and the Applicant shall not exceed the Hourly Demand.

For Dedicated Service the monthly demand charges payable shall be based on the billing contract demand specified in the Service Contract. The Applicant shall not exceed an hourly flow calculated as 1/24th of the Contract Demand specified in the Service Contract.

**DISTRIBUTION RATES:**

The following rates and charges, as applicable, shall apply for deliveries to the Terminal Location.

<b>Monthly Customer Charge</b>	<b>\$550</b>
<b>Demand Charge</b>	
Per cubic metre of Contract Demand per month	<b>9.2021 ¢/m<sup>3</sup></b>
<b>Direct Purchase Administration Charge</b>	<b>\$50.00</b>
<b>Forecast Unaccounted For Gas Percentage</b>	<b>0.3%</b>

**Monthly Minimum Bill:** The Monthly Customer Charge plus the Monthly Contract Demand Charge.

**TERMS AND CONDITIONS OF SERVICE:**

1. To the extent that this Rate Schedule does not specifically address matters set out in PARTS III and IV of the Company's **HANDBOOK OF RATES AND DISTRIBUTION SERVICES** then the provisions in those Parts shall apply, as contemplated therein, to service under this Rate Schedule.

2. **Unaccounted for Gas (UFG) Adjustment Factor:**

The Applicant is required to deliver to the Company on a daily basis the sum of: (a) the volume of gas to be delivered to the Applicant's Terminal Location; and (b) a volume of gas equal to the forecast unaccounted for gas percentage as stated above multiplied by (a). In the case of a Dedicated Service, the Unaccounted for Gas volume requirement is not applicable.

3. **Nominations:**

Customer shall nominate gas delivery daily based on the gross commodity delivery required to serve the customer's daily load plus the UFG. Customers may change daily nominations based on the nomination windows within a day as defined by the customer contract with TransCanada PipeLines (TCPL) or Union Gas Limited.

Schedule of nominations under Rate 125 has to match upstream nominations. This rate does not allow for any more flexibility than exists upstream of the EGD gas distribution system. Where the customer's nomination does not match the confirmed upstream nomination, the nomination will be confirmed at the upstream value.

Customer may nominate gas to a contractually specified Primary Delivery Area that may be EGD's Central Delivery Area (CDA) or EGD's Eastern Delivery Area (EDA). The Company may accept deliveries at a Secondary Delivery Area such as Dawn, at its sole discretion. Quantities of gas nominated to the system cannot exceed Contract Demand, unless Make-up Gas or Authorized Overrun is permitted.

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RATE NUMBER: **125**

Customers with multiple Rate 125 contracts within a Primary Delivery Area may combine nominations subject to system operating requirements and subject to the Contract Demand for each Terminal Location. For combined nominations the customer shall specify the quantity of gas to each Terminal Location and the order in which gas is to be delivered to each Terminal Location. The specified order of deliveries shall be used to administer Load Balancing Provisions to each Terminal Location. When system conditions require delivery to a single Terminal Location only, nominations with different Terminal Locations may not be combined.

**4. Authorized Demand Overrun:**

The Comapay may, at its sole discretion, authorize consumption of gas in excess of the Contract Demand for limited periods within a month, provided local distribution facilities have sufficient capacity to accommodate higher demand. In such circumstances, customer shall nominate gas delivery based on the gross commodity delivery (the sum of the customer's Contract Demand and the authorized overrun amount) required to serve the customer's daily load, including quantities of gas in excess of the Contract Demand, plus the UFG. In the event that gas usage exceeds the gas delivery on a day where demand overrun is authorized, the excess gas consumption shall be deemed Supply Overrun Gas. Such service shall not exceed 5 days in any contract year. Based on terms of Service Contract, requests beyond 5 days will constitute a request for a new Contract Demand level with retroactive charges. The new Contract Demand level may be restricted by the capability of the local distribution facilities to accommodate higher demand.

Automatic authorization of transportation overrun will be given in the case of Dedicated Service to the Terminal Location provided that pipeline capacity is available and subject to a maximum volume as specified in the Service Contract.

Authorized Demand Overrun Rate **0.30 ¢/m<sup>3</sup>**

The Authorized Demand Overrun Rate may be applied to commissioning volumes at the Company's sole discretion, for a contractual period of not more than one year, as specified in the Service Contract.

**5. Unauthorized Demand Overrun:**

Any gas consumed in excess of the Contract Demand and/or maximum hourly flow requirements, if not authorized, will be deemed to be Unauthorized Demand Overrun gas. Unauthorized Demand Overrun gas may establish a new Contract Demand effective immediately and shall be subject to a charge equal to 120 % of the applicable monthly charge for twelve months of the current contract term, including retroactively based on terms of Service Contract. Based on capability of the local distribution facilities to accommodate higher demand, different conditions may apply as specified in the applicable Service Contract. Unauthorized Demand Overrun gas shall also be subject to Unauthorized Supply Overrun provisions.

**6. Unauthorized Supply Overrun:**

Any volume of gas taken by the Applicant on a day at the Terminal Location which exceeds the sum of:

- i. any applicable Load Balancing Provision pursuant to Rate 125, plus
- ii. the volume of gas delivered by the Applicant on that day shall constitute Unauthorized Supply Overrun Gas.

The Company may also deem volumes of gas to be Unauthorized Supply Overrun gas in other circumstances, as set out in the Load Balancing Provisions of Rate 125.

Any gas deemed to be Unauthorized Overrun gas shall be purchased by the customer at a price (Pe), which is equal to 150% of the highest price in effect for that day as defined below.\*\*

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RATE NUMBER: **125**

**7. Unauthorized Supply Underrun:**

Any volume of gas delivered by the Applicant on any day in excess of the sum of:

- i. any applicable Rate 125 Load Balancing Provision pursuant to Rate 125, plus
- ii. the volume of gas taken by the Applicant at the Terminal Location on that day shall be classified as Supply Underrun Gas.

The Company may also deem volumes of gas to be Unauthorized Supply Underrun gas in other circumstances, as set out in the Load Balancing Provisions of Rate 125.

Any gas deemed to be Unauthorized Supply Underrun Gas shall be purchased by the Company at a price ( $P_u$ ) which is equal to fifty percent (50%) of the lowest price in effect for that day as defined below\*\*.

$$P_e = (P_m * E_r * 100 * 0.03769 / 1.054615) * 1.5$$

$P_m$  = highest daily price in U.S. \$/mmBtu published in the Gas Daily, a Platts Publication, for that day under the column "Absolute", for the Niagara export point if the terminal location is in the CDA delivery area, and the Iroquois export point if the terminal location is in the EDA delivery area.

$E_r$  = Noon day spot exchange rate expressed in Canadian dollars per U.S. dollar for such day quoted by the Bank of Canada in the following days Globe & Mail Publication.

1.054615 = Conversion factor from mmBtu to GJ.

0.03769 = Conversion factor from GJ to cubic metres.

\*\* where the price  $P_u$  expressed in cents / cubic metre is defined as follows:

$$P_u = (P_1 * E_r * 100 * 0.03769 / 1.054615) * 0.5$$

$P_1$  = lowest daily price in U.S. \$/mmBtu published in the Gas Daily, a Platts Publication, for that day under the column "Absolute", for the Niagara export point if the terminal location is in the CDA delivery area, and the Iroquois export point if the terminal location is in the EDA delivery area.

**Term of Contract:**

A minimum of one year. A longer-term contract may be required if incremental contracts/assets/facilities have been procured/built for the customer. Migration from an unbundled rate to bundled rate may be restricted subject to availability of adequate transportation and storage assets.

**Right to Terminate Service:**

The Company reserves the right to terminate service to customers served hereunder where the customer's failure to comply with the parameters of this rate schedule, including the load balancing provisions, jeopardizes either the safety or reliability of the gas system. The Company may, in its sole discretion, provide notice to the customer of such termination; however, no notice is required to alleviate emergency conditions.

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RATE NUMBER: <b>125</b>
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**LOAD BALANCING PROVISIONS:**

Load Balancing Provisions shall apply at the customer's Terminal Location or at the location of the meter installation for a customer served from a dedicated facility. In the event of an imbalance any excess delivery above the customer's actual consumption or delivery less than the actual consumption shall be subject to the Load Balancing Provisions.

**Definitions:**

**Aggregate Delivery:**

The Aggregate Delivery for a customer's account shall equal the sum of the confirmed nominations of the customer for delivery of gas to the applicable delivery area from all pipeline sources.

**Applicable Delivery Area:**

The Applicable Delivery Area for each customer shall be specified by contract as a Primary Delivery Area. Where system-operating conditions permit, the Company, in its sole discretion, may accept a Secondary Delivery Area as the Applicable Delivery Area by confirming the customer's nomination of such area. Confirmation of a Secondary Delivery Area for a period of a gas day shall cause such area to become the Applicable Delivery Area for such day. Where delivery occurs at both a Terminal Location and a Secondary Delivery Area on a given day, the sum of the confirmed deliveries may not exceed Contract Demand, unless Demand Overrun and/or Make-up Gas is authorized.

**Primary Delivery Area:**

The Primary Delivery Area shall be delivery area such as EGD's Central Delivery Area (CDA) or EGD's Eastern Delivery Area (EDA).

**Secondary Delivery Area:**

A Secondary Delivery Area may be a delivery area such as Dawn where the Company, at its sole discretion, determines that operating conditions permit gas deliveries for a customer.

**Actual Consumption:**

The Actual Consumption of the customer shall be the metered quantity of gas consumed at the customer's Terminal Location or in the event of combined nominations at the Terminal Locations specified.

**Net Available Delivery:**

The Net Available Delivery shall equal the Aggregate Delivery times one minus the annually determined percentage of Unaccounted for Gas (UFG) as reported by the Company.

**Daily Imbalance:**

The Daily Imbalance shall be the absolute value of the difference between Actual Consumption and Net Available Delivery.

**Cumulative Imbalance (also referred to as Banked Gas Account):**

The Cumulative Imbalance shall be the sum of the difference between Actual Consumption and Net Available Delivery since the date the customer last balanced or was deemed to have balanced its cumulative imbalance account.

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RATE NUMBER: **125**

**Maximum Contractual Imbalance:**

The Maximum Contractual Imbalance shall be less than or equal to 60% of the customer's Contract Demand.

**Winter and Summer Seasons:**

The winter season shall commence on the date that the Company provides notice of the start of the winter period and conclude on the date that the Company provides notice of the end of the winter period. The summer season shall constitute all other days.

**Operational Flow Order:**

An Operational Flow Order (OFO) shall constitute an issuance of instructions to protect the operational capacity and integrity of the Company's system, including distribution and/or storage assets, and/or connected transmission pipelines.

Circumstances that would call for an OFO would include but not be limited to:

- Capacity constraint on the system, or portions of the system, or upstream systems, that are fully utilized;
- Conditions where the potential exists that forecasted system demand plus reserves for short notice services provided by the Company and allowances for power generation customers' balancing requirements would exceed facility capabilities and/or provisions of 3rd party contracts;
- Pressures on the system or specific portions of the system are too high or too low for safe operations;
- Storage system constraints on capacity or pressure or caused by equipment problems resulting in limited ability to inject or withdraw from storage;
- Pipeline equipment failures and/or damage that prohibits the flow of gas;
- Any and all other circumstances where the potential for system failure exists.

**Daily Balancing Fee:**

On any day where the customer has a Daily Imbalance the customer shall pay a Daily Balancing Fee equal to:

(Tier 1 Quantity X Tier 1 Fee) + (Tier 2 Quantity X Tier 2 Fee) + (Applicable Penalty Fee for Imbalance in excess of the Maximum Contractual Imbalance X the amount of Daily Imbalance in excess of the Maximum Contractual Imbalance)

Where Tier 1 and 2 Fees and Quantities are set forth as follows:

Tier 1 = .885 cents/m3 applied to Daily Imbalance of greater than 2% but less than 10% of the Maximum Contractual Imbalance

Tier 2 = 1.062 cents/m3 applied to Daily Imbalance of greater than 10% but less than the Maximum Contractual Imbalance

In addition for Tier 2, instances where the Daily Imbalance represents an under delivery of gas during the winter season shall constitute Unauthorized Supply Overrun Gas for all gas in excess of 10% of Maximum Contractual Imbalance. Where the Daily Imbalance represents an over delivery of gas during the summer season, the Company reserves the right to deem as Unauthorized Supply Underrun Gas for all gas in excess of 10% of Maximum Contractual Imbalance. The Company will issue a 24-hour advance notice to customers of its intent to impose cash out for over delivery of gas during the summer season.

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RATE NUMBER: **125**

The customers shall also pay any Load Balancing Agreement (LBA) charges imposed by the pipeline on days when the customer has a Daily Imbalance provided such imbalance matches the direction of the pipeline imbalance. LBA charges shall first be allocated to customers served under Rates 125 and 300. The system bears a portion of these charges only to the extent that the system incurs such charges based on its operation excluding the operation of customers under Rates 125 and 300. In that event, LBA charges shall be prorated based on the relative imbalances.

Customer's Actual Consumption cannot exceed Net Available Delivery when the Company issues an Operational Flow Order in the winter. Net nominations must not be less than consumption at the Terminal Location. Any negative Daily Imbalance on a winter Operational Flow Order day shall be deemed to be Unauthorized Supply Overrun. Customer's Net Available Delivery cannot exceed Actual Consumption when the Company issues an Operational Flow Order in the summer. Actual Consumption must not be less than net nomination at the Terminal Location. Any positive Daily Imbalance on a summer Operational Flow Order day shall be deemed to be Unauthorized Supply Underrun.

The Company will waive Daily Balancing Fee and Cumulative Imbalance Charge on the day of an Operational Flow Order if the customer used less gas than the amount the customer delivered to the system during the winter season or the customer used more gas than the amount the customer delivered to the system during the summer season. The Company will issue a 24-hour advance notice to customers of Operational Flow Orders and suspension of Load Balancing Provisions.

**Cumulative Imbalance Charges:**

Customers may trade Cumulative Imbalances within a delivery area. Customers may also title transfer gas from their Cumulative Imbalances Account (Banked Gas Account) into a Rate 316 storage account of the customer provided that the customer has space available in the storage account to accommodate the transfer.

Customers shall be permitted to nominate Make-up Gas, subject to operating constraints, provided that Make-up Gas plus Aggregate Delivery do not exceed Contract Demand. The Company may, on days with no operating constraints, authorize Make-up Gas that, in conjunction with Aggregate Delivery, exceeds Contract Demand.

The customer's Cumulative Imbalance cannot exceed its Maximum Contractual Imbalance. In the event that the customer cannot title transfer gas from their Cumulative Imbalances Account (Banked Gas Account) in whole or in part to storage the Company shall deem the excess imbalance to be Unauthorized Overrun or Underrun gas, as appropriate.

The Cumulative Imbalance Fee shall be equal to of 1.895 cents/m<sup>3</sup> per unit of imbalance.

In addition, on any day that the Company declares an Operational Flow Order, negative Cumulative Imbalances greater than 10 % of Maximum Contractual Imbalance in the winter season shall be deemed to be Unauthorized Overrun Gas. The Company reserves the right to deem positive Cumulative Imbalances greater than 10% of Maximum Contractual Imbalance in the summer season as Unauthorized Supply Underun Gas. The Company will issue a 24-hour advance notice to customers of Operational Flow Orders including cash out instructions for Cumulative Imbalances greater than 10 % of Maximum Contractual Imbalance.

**EFFECTIVE DATE:**

To apply to bills rendered for gas service provided on and after January 1, 2007. This rate schedule is effective January 1, 2007.

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DERIVATION OF RATE 125 CHARGES

1. This evidence addresses the derivation of the charges included in the draft Rate 125 Rate Schedule as filed at Exhibit C, Tab 2, Schedule 3. In order to develop rates and charges for the NGEIR proceeding, the Company utilized the results from its fully allocated cost study stemming from the Board's Decision with Reason from EB-2005-0001/EB-2006-0035 which incorporates the 2006 calendar year decision and April 1, 2006 QRAM costs. This evidence also responds to the Board's questions as outlined at Appendix A in Procedural Order #2.

Delivery Charges:

2. Monthly Customer Charge - The monthly customer charge will be set at \$550.00 per month. This level of fee reflects the existing level of customer charges recovered from the large volume rate classes 110 and 115 as well as the proposed allocation of implementation costs. It is reasonable to assume that Rate 125 customers would incur the same level of customer related costs as other large volume customers. As described in Exhibit B, Tab 3, Schedule 3, Page 2, the estimated capital costs for EnTrac enhancements is estimated at \$2.3 to \$4.0 million. If we assume the high end of \$4.0 million, this translates into a annual revenue requirement of approximately \$1.6 million as seen at Appendix C to this Schedule. As outlined in EB-2005-0551, EGD Undertaking #1, the benefits from the EnTrac enhancements flow primarily to the unbundled large volume customers. However, the EnTrac enhancements also as providing a benefit to bundled large volume customers by providing them with a choice of service options. Benefits flowing to general service customers are minimal as these customers are unlikely to subscribe to the proposed unbundled rates. As a result of this analysis, the Company is proposing to allocate and recover the costs of implementation costs from bundled and unbundled large volume customers based on

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E. Overcast

customer numbers. As seen at Appendix C to this evidence, at Lines 8, 9 and 10, the revenue requirement divided by the number of large volume customers yields a monthly customer charge of approximately \$50.00 per month. Therefore, this proposed allocation results in an additional \$50.00 per month in customer related costs to the Rate 125 class.

3. Delivery Demand Charge - The Company is proposing to increase the existing Board Approved Delivery Demand Charge of 8.3768 cents/m<sup>3</sup> for Rate 125 which recovers the costs associated with extra high pressure mains. Prior to EB-2005-0001, the Rate 125 delivery demand rate was \$8.2125 cents/m<sup>3</sup> which was originally set in 2001. The Company has reviewed the increases in the costs of extra high pressure mains between 2001 and 2006. This analysis indicates that the costs have increased by 12%, however, the Rate 125 rate has only increased by 2% over this same time period. The Company is therefore proposing to increase the 2001 rate established at \$8.2125 cents/m<sup>3</sup> by 12%. This results in a proposed Rate 125 Delivery Demand Charge of \$9.2021 cents/m<sup>3</sup>. The Company submits that the level of Rate 125 should fully recover the level of costs allocated to the rate class. The corresponding authorized demand overrun rate which is a volumetric charge derived from the Rate 125 demand charge, would increase to 0.3025 cents/m<sup>3</sup>.

Load Balancing Charges:

4. Daily Load Balancing Charges - The Company is proposing to set the fee for the Tier 1 daily load balancing charge at 0.88 cents/m<sup>3</sup> and the Tier 2 fee at 120% of this rate, or 1.06 cents/m<sup>3</sup>. Appendix A to this Schedule outlines the derivation of the Tier 1 and Tier 2 charges as seen at Lines 3 and 4 of Col. 3. The costs embedded in Appendix A can be seen in Appendix B which is also attached to this Schedule. Appendix B is an excerpt from the Company's fully allocated cost study and reflects the classification of storage and transportation costs embedded in Enbridge's April 1,

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E. Overcast

2006 QRAM rates. The Tier 1 daily balancing fee includes the costs of storage injection and withdrawals from Tecumseh and Union Gas and the associated fuel costs. In addition, it includes transportation costs on Union's M12 and TCPL's STS service. The original strawman contemplated having the transportation costs recovered through the cumulative balancing charge. The Company has now determined that it is more appropriate to recover these costs from the daily balancing charge as the transportation assets are used for daily balancing to the franchise area. These costs are depicted in Col. 1 under Lines 1 and 2 in Appendix A. The volumes depicted in Col. 2 are based on Enbridge Gas Distribution's 2006 forecast level of injections and withdrawals from Tecumseh storage as well as volumes associated with 100% utilization of Union and TCPL systems. In addition to the Tier 1 and 2 charges, customers would be responsible for their portion of any Load Balancing Agreement ("LBA") charges from transportation pipelines which Enbridge Gas Distribution may incur as a result of the customers not complying with their load balancing agreement with Enbridge Gas Distribution. Customer responsibility for LBA charges results from imbalances that customers impose in the same direction as the total Company imbalance.

5. Cumulative Balancing Charge

The Company is proposing to set the cumulative load balancing charge at 1.9 cents/m<sup>3</sup>. The derivation of the charge is outlined in Appendix A at Lines 5, 6, and 7. The cumulative load balancing charge reflects the cost of Enbridge Gas Distribution's existing storage demand costs for space and deliverability as well as a portion of the costs for the incremental storage assets which the Company anticipates developing in 2008. The rationale for the development of the proposed storage build is outlined at Exhibit B, Tab 3, Schedule 2. The cost of the existing storage assets can be seen in Col. 1, Items No. 5 and 6 of Appendix A. These costs are based on the classification of storage and transportation costs set out in Appendix B and the associated volumes.

Witness: M. Giridhar  
E. Overcast

In Col. 1 of Item 7, the Company has identified approximately \$0.44 million of incremental storage deliverability costs. The Company is anticipating incurring approximately \$26 million in capital costs for its storage build program to enhance deliverability. As shown in Exhibit C, Tab 3, Schedule 1, page 3, column 6, this translates into a revenue requirement of approximately \$3.6 million in 2008. The Company has assumed that it will utilize approximately 12% of the benefit from the storage build program or \$0.44 million in revenue requirement, to provide load balancing to Rate 125, customers. The corresponding volumes shown in Col. 2 at Line 7 are based on an aggregate daily demand of  $11.3 \times 10^6 \text{m}^6$  of volumes on Rate 125. The load balancing option under Rate 125 allows for 60% of daily contract demand for cumulative balancing (MCI) and 10% of MCI for Daily Balancing. These plants are assumed to require 5% daily balancing and operate for 146 days a year. The aggregate annual volume is derived by assuming that the imbalance is in opposite directions on consecutive days. This translates into a volume of  $24,747 \times 10^3 \text{m}^3$ .

Response to Board Questions in Appendix A of Procedural Order #2

- (i) *What are the operational implications/barriers (if any) of providing these new services? How could these barriers be eliminated?*
  
6. The Company currently offers unbundled distribution service under its existing Rate 125 (excluding the default load balancing service). Exhibit B, Tab 3, lays out the operational issues faced by the Company from offering new unbundled rates to power generation and other large volume customers. The following is a high level summary of certain of those issues.

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7. The Company does not anticipate that it will encounter any operational barriers in providing the unbundled distribution service as filed. The Applicability and Character of Service criteria will determine if existing customers and new customers would be eligible for this service. In addition, new customers who require additional facilities will continue to utilize existing processes such as leave to construct applications and feasibility guidelines in order to qualify for the rate class.
  
8. The Company's proposal to offer default load balancing service under Rate 125 does raise several operational issues as it relates to power generation customers. Firstly, the ability of a customer to load balance within the parameters set out in the load balancing provisions assumes that the customer has contracted for upstream transportation service to either the Central Delivery Area ("CDA") or Eastern Delivery Area ("EDA") which provides for additional nominations windows. The load balancing provisions have been structured on the assumption that a customer can balance throughout the gas day except for the last two hours. If the customer does not have the ability to alter their nominations throughout the gas day, the existing load balancing structure will not be feasible. Secondly, the ability of the Company to offer a low price load balancing option for Rate 125 customers is based on the assumption that the Company can utilize existing transportation assets to its franchise area for limited load balancing purposes. The Company can provide a certain degree of load balancing by utilizing system diversity of pipeline and storage assets. The use of system diversity, existing short haul transport capacity and associated load balancing tolerances allows the Company to minimize costs associated with dedicated assets to provide service. However, when these assets are constrained as on peak day, the balancing provisions allow for balancing in the direction that eases constraints.

(ii) *What are the costs and revenues associated with providing these new services?*

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E. Overcast



9. The derivation of the charges associated with Rate 125 has been described in the preceding section. The revenues associated with this rate will be a function of the number of customers who take service under Rate 125, as well as their operating characteristics.
  
10. The costs associated with providing this service have been identified as the cost of providing incremental assets to service new customers, the cost for system implementation costs and the cost of providing load balancing service. Any incremental costs of providing distribution service to new customers who require pipelines to be built would be customer specific and determined through a Leave to Construct application. The Company does not believe this will be an issue or barrier to providing this service. The cost for systems implementation has been discussed at Exhibit B, Tab 3, Schedule 3 and the rationale for requesting a variance account to capture actual versus forecast costs has been discussed at Exhibit C, Tab 1, Schedule 1 (Updated). In order to provide load balancing for Rate 125 customers, the Company has assumed that it will have incremental storage assets available in 2008. The cost of the incremental storage assets has been identified in Exhibit B, Tab 3, Schedule 2 and the rationale for requesting a variance account to capture the actual versus forecast costs has been discussed at Exhibit C, Tab 1, Schedule 1 (Updated).

*(iii) What are the Rate implication (if any) on other customer groups?*

11. The development of the Rate 125 distribution and load balancing charges does not have any rate implication on other rate classes. The Company may incur costs when the load balancing provisions are breached. The intent of the Company's cash out provision is to induce compliance with the load balancing provisions. If customers do not comply then higher costs would be incurred. To ensure bundled customers and

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E. Overcast

the Company are held whole, the cash out provision of 150% of the highest daily index price would be directed as follows: 100% of the commodity costs would be booked to the Purchase Gas Variance Account ("PGVA") and 50% to the Transactional Service account. The 100% assignment to the Company's PGVA would compensate bundled customers for any commodity costs the Company might incur to provide load balancing on an unforecast basis. The 50% assignment to the Transactional Service account recognizes the opportunity costs of the transactional services revenue the Company may have generated in the absence of the breach.

*(iv) What is the expected timing regarding the implementation of the new services?*

12. The Company's Rate 125 distribution service would be available in 2007. The Company is forecasting to develop incremental storage assets in 2008. These assets are necessary to provide the load balancing options under Rate 125. Therefore, this feature of the Rate would not be available until 2008.

**DERIVATION OF RATE 125 LOAD BALANCING CHARGES  
 EB-2005-0551**

<b>Item No.</b>	<b>Description</b>	<b>Col. 1 Costs \$(000)</b>	<b>Col. 2 Volumes 103m3</b>	<b>Col. 3 Rate cents/m3</b>	<b>Reference</b>
<b>Daily Balancing Fee Tier 1 and Tier 2</b>					
<u>Injection and Withdrawl Charges:</u>					
1.1	Tecumseh In/Out Storage	3,912.6	5,504,619		Ex.C, T2, S4, Appendix B, Line 2.3
1.2	Tecumseh In/Out Transmission	9,526.7			Ex.C, T2, S4, Appendix B, Line 1.3
1.3	Tecumseh Fuel	6,340.2			Ex.C, T2, S4, Appendix B, Line 1.4
1.4	Union Storage Injection	77.7	544,605		Ex.C, T2, S4, Appendix B, Line 4.3
1.5	Union Storage Withdrawl	98.1	544,605		Ex.C, T2, S4, Appendix B, Line 4.4
1.6	Union Fuel	19,685.3			Ex.C, T2, S4, Appendix B, Line 5.4
1.7	Chatham D Pool	126.0			Ex.C, T2, S4, Appendix B, Line 4.5
1.0	Total Commodity Related Charges	<u>39,766.6</u>	<u>6,593,828.1</u>	0.603	Col. 1/Col. 2 x 100
2.1	Union M12 Transmission	52,296.7	17,119,230		Ex.C, T2, S4, Appendix B, Line 5.1
2.2	TCPL STS	5,283.9	3,288,646		Ex.C, T2, S4, Appendix B, Line 9.1
2.0	Total Demand Related Charges	<u>57,580.6</u>	<u>20,407,876</u>	<u>0.282</u>	Col. 1/Col. 2 x 100
3.0	Tier 1 Daily Balancing Rate			0.885	Item 1 + Item 2
4.0	Tier 2 Daily Balancing Rate			1.062	Item 3 at 120%

<b>Description</b>	<b>Col. 1 Costs \$(000)</b>	<b>Col. 2 Volumes 103m3</b>	<b>Col. 3 Rate cents/m3</b>	<b>Reference</b>	
<b>Cumulative Balancing Fee</b>					
<u>Storage Demand Deliverability</u>					
5.1	Tecumseh Daily Demand Storage	10,157.5			Ex.C, T2, S4, Appendix B, Line 2.2
5.2	Tecumseh Daily Demand Transmission	8,433.7	46,902		Ex.C, T2, S4, Appendix B, Line 1.2
5.3	Union Peak Storage Costs	4,178.4	9,010		Ex.C, T2, S4, Appendix B, Line 4.2
5.4	Union Interruptible Margin Rebate	(732.7)			Ex.C, T2, S4, Appendix B, Line 5.5
5.5	Union Dehydration	770.5			Ex.C, T2, S4, Appendix B, Line 7
5.6	Total Storage Demand Deliverability	<u>22,807.3</u>	<u>55,912</u>	3.3993	(Col. 1/Col. 2 x 100)/12
5.0	Total Unitized Storage Demand Rate			0.1118	Line 5.6 * 12/365
<u>Storage Demand Space</u>					
6.1	Tecumseh Annual Demand Storage	6,743.1			Ex.C, T2, S4, Appendix B, Line 2.1
6.2	Tecumseh Annual Demand Transmission	5,617.6	2,826,734		Ex.C, T2, S4, Appendix B, Line 1.1
6.3	Union Storage Space	2,551.2	563,320		Ex.C, T2, S4, Appendix B, Line 4.1
6.4	Total Storage Space	<u>14,911.9</u>	<u>3,390,054</u>	0.0367	(Col. 1/Col. 2 x 100)/12
6.0	Total Unitized Storage Space Rate			0.0012	Line 6.4 * 12/365
<u>Incremental Storage Deliverability</u>					
7.0	Tecumseh Incremental Deliverability	440.9 (1)	24,747 (2)	1.782	Col. 1 / Col. 2 x 100
8.0	Total Cumulative Load Balancing Rate			1.895	Lines 5.0+6.0+7.0

Note: 1) 12% of Annual Revenue Requirement of \$3.6 M based on Incremental Rate Base Costs of \$25.7M  
 2) Assumes 11.3 106m3 additional volumes for 2000MW plants with a daily balancing amount based on 60% for MCI and 10% for Daily Balancing. Plant is assumed to load balance in opposite directions on consecutive days and operate for 146 days.

**EB-2006-0035 April 1, 2006 QRAM  
CLASSIFICATION OF  
STORAGE AND TRANSPORTATION**

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(\$000)							
Item No.	Description	Col. 1 Tecumseh O&M	Col. 2 Annual Cost	Col. 3 Deliver- ability	Col. 4 Seasonal Space	Col. 5 Winter	Col. 6 Annual Commodity
<b>TECUMSEH</b>							
<b>TRANSMISSION</b>							
1.1	Annual Demand	5,617.6	5,617.6		5,617.6		
1.2	Daily Demand	8,433.7	8,433.7	8,433.7			
1.3	In/out	9,526.7	9,526.7		9,526.7		
1.4	Fuel	6,340.2	6,340.2		6,340.2		
1.5	Transactional Services R	(2,113.1)	(2,113.1)	(1,267.8)	(845.2)		
		-----	-----	-----	-----	-----	-----
1.	Total Transmission	27,805.0	27,805.0	7,165.8	20,639.2	0.0	0.0
<b>STORAGE</b>							
2.1	Annual Demand	6,743.1	6,743.1		6,743.1		
2.2	Daily Demand	10,157.5	10,157.5	10,157.5			
2.3	In/out	3,912.6	3,912.6		3,912.6		
2.4	Transactional Services R	(1,774.9)	(1,774.9)	(1,065.0)	(710.0)		
		-----	-----	-----	-----	-----	-----
2.	Total Storage	19,038.3	19,038.3	9,092.5	9,945.8	0.0	0.0
		-----	-----	-----	-----	-----	-----
3.	Total Tecumseh	46,843.3	46,843.3	16,258.3	30,585.0	0.0	0.0
<b>UNION GAS</b>							
<b>STORAGE</b>							
4.1	Space		2,551.2		2,551.2		
4.2	Peak		4,178.4	4,178.4			
4.3	Injection		77.7		77.7		
4.4	Withdrawal		98.1		98.1		
4.5	Chatham D		126.0		126.0		
			-----	-----	-----	-----	-----
4.	Total Storage		7,031.4	4,178.4	2,853.0	0.0	0.0
<b>TRANSMISSION</b>							
5.1	Demand with comp.		52,296.7	29,885.1	22,411.6		
5.2	Company Production M13		0.0				0.0
5.3	US Trns. C1		262.7	0.0			262.7
5.4	Fuel		21,632.2	12,361.8	9,270.4		
5.5	Interruptible Margin Rebate		(732.7)	(418.7)	(314.0)		
			-----	-----	-----	-----	-----
5.	Total Transportation		73,458.9	41,828.2	31,368.0	0.0	262.7
6.	<b>SNG Premium</b>		0.0				0.0
<b>DEHYDRATION</b>							
7.1	Demand		741.8	741.8			
7.2	Commodity		28.7		28.7		
			-----	-----	-----	-----	-----
7.	Total Dehydration		770.5	741.8	28.7	0.0	0.0
8.	Total Union		81,260.8	46,748.4	34,249.7	0.0	262.7
<b>TRANSCANADA</b>							
9.1	STS and Other		5,283.9	5,283.9			
			-----	-----	-----	-----	-----
9.	Total TransCanada		5,283.9	5,283.9	0.0	0.0	0.0
			-----	-----	-----	-----	-----
10.	<b>TOTAL STORAGE &amp; TRANSP</b>	46,843.3	133,388.0	68,290.7	64,834.7	0.0	262.7
11.	<b>Less Union M13</b>		0.0				0.0
12.	<b>Less Union C1</b>		(262.7)	0.0			(262.7)
			-----	-----	-----	-----	-----
13.	<b>COST TO OPERATIONS</b>	46,843.3	133,125.3	68,290.7	64,834.7	0.0	0.0

**Ontario Utility Capital Structure  
 NGEIR Financial Impact On a Proforma Basis  
 Used to determine Revenue Requirement for Entrac reporting system**

Line No.	Exhibit Reference Final Rate Order EB-2005-0001 Appendix A.S5.P1	Col. 1	Col. 2	Col. 3	Return Component
		Component	Indicated Cost Rate	Return Component	Component
		%	%	%	%
1.	Long-term debt	60.01	7.44	4.46	4.46
2.	Short-term debt	2.24	3.46	0.08	0.08
3.	Total	62.25		4.54	4.54
4.	Preference shares	2.75	5.00	0.14	0.22
5.	Common equity	35.00	8.74	3.06	4.86
6.	Total	100.00		7.74	9.62

Line No.		(\$000's)
<b>Cost of capital</b>		
1.	Rate base	\$3,899.8
2.	Required rate of return	9.62%
3.	Cost of capital	\$375.2
<b>Cost of service</b>		
4.	O&M Incremental	\$400.0
5.	Depreciation and amortization	\$866.4
6.	Municipal and other taxes	\$11.5
7.	Cost of service	\$1,277.9
8.	<b>Revenue requirement</b>	\$1,653.1
9.	Number of Customers	2,707.0
10.	Derivation of Monthly Customer Charge	\$50.89

## RATE 316

### Overview

1. The Company's proposed, Rate 316 provides for a highly flexible, high deliverability, natural gas storage service. The Company proposes no limits on customers taking the service. Rate 316 permits both in- franchise and ex- franchise customers to contract for service under this rate. The Company believes that the combination of choices for both space and deliverability provides power generation customers a range of options for electing a suitable storage service. Customers other than power generation customers may also find this service attractive.
2. The operational issues, infrastructure requirements, and costs to provide this service are identified at Exhibit B, Tab 3, Schedule 2. The implementation timeline would be impacted by the timeline for constructing storage infrastructure and the business process changes required to implement unbundled rates (Exhibit B, Tab 3, Schedule 3). These issues are also summarized below.
3. The pricing of this service includes cost based (regulated) and market based elements. The regulated rate only applies to in-franchise customers whose space and deliverability requirements are in accordance with current Board approved allocation methodology. Space is allocated based on an algorithm that takes in account of customer's seasonal load profile. Standard deliverability is 1.2% of allocated space and subject to ratchets.
4. The Company currently provides standard 1.2% deliverability at cost. The Company's Rate 330, Transmission, Compression and Pool Storage is a Dawn

Witnesses: M. Giridhar  
E. Overcast

based service that provides for a range of prices from cost based at the minimum to five times the cost based rate at the maximum.

5. While the Company believes that high deliverability storage should be priced at market rates, the following evidence in addition, addresses the Board's directive that the Company provide cost based rates for deliverability offerings of 5% and 10%.
  
6. As outlined at Exhibit B, Tab 3, Schedule 2, the Company is proposing to build storage facilities that will offer incremental storage space of 2 Bcf and 10% deliverability of 200 mmcf/d on a firm or unratcheted basis. The table below outlines the capital and O&M cost associated with different levels of build, the associated annual revenue requirement, deliverability demand charges as well as the average annual cost per unit of space. The 10% unratcheted service costs have been reduced by 12% to reflect an allocation to the Load Balancing service under Rate 125.

**Annual Storage Cost Under Alternative Build Assumptions**

Line No.	Col. 1	Col. 2	Col. 3	Col. 4	Col. 5	Col. 6
	Deliverability					
	1.2% Ratcheted (\$000's)	1.2% Unratchet (\$000's)	5% Ratcheted (\$000's)	5% Unratchet (\$000's)	10% Ratcheted (\$000's)	10% Unratchet (\$000's)
<b>Cost of capital</b>						
1. Rate base	\$586.2	\$3,908.2	\$8,877.0	\$13,821.8	\$12,133.8	\$25,776.4
2. Required rate of return <sup>6</sup>	<u>9.62%</u>	<u>9.62%</u>	<u>9.62%</u>	<u>9.62%</u>	<u>9.62%</u>	<u>9.62%</u>
3. Cost of capital	\$56.4	\$376.0	\$854.0	\$1,329.7	\$1,167.3	\$2,479.7
<b>Cost of service</b>						
4. O&M Incremental	\$130.0	\$158.0	\$180.0	\$216.0	\$180.0	\$280.0
5. Depreciation and amortization	\$27.6	\$183.6	\$246.0	\$356.4	\$332.4	\$847.2
6. Municipal and other taxes	<u>\$1.4</u>	<u>\$9.0</u>	<u>\$25.5</u>	<u>\$36.8</u>	<u>\$35.0</u>	<u>\$66.3</u>
7. Cost of service	\$159.0	\$350.6	\$451.5	\$609.2	\$547.4	\$1,193.5
8. <b>Revenue requirement</b>	<u>\$215.2</u>	<u>\$726.5</u>	<u>\$1,306.2</u>	<u>\$1,939.4</u>	<u>\$1,714.1</u>	<u>\$3,674.1</u>
9. Incremental Revenue Requirement			1	2	3	4
10. Deliverability Demand Charge/Monthly (\$/10 <sup>3</sup> m <sup>3</sup> )	35.0933	35.9888	\$1,091.0	\$633.2	\$1,498.9	\$1,960.0
11. Annual Storage Cost (\$/10 <sup>3</sup> m <sup>3</sup> ) of Space <sup>5</sup>	14.9230	15.0520	60.4742	84.9835	42.2589	75.0191
12. Annual Storage Cost (\$/GJ) of Space <sup>5</sup>	0.3959	0.3994	1.1276	1.4276	1.5800	2.5013

Notes:

1. 5% Ratcheted - 1.2% Ratcheted
2. 5% Unratcheted - 5% Ratcheted
3. 10% Ratcheted - 1.2% Ratcheted
4. 10% Ratcheted - 10% Unratcheted
5. Reflects the cost of space, deliverability and single cycle injections & withdrawals over a twelve month period.
6. Current approved gross required return using effective tax rate.

7. For costing purposes, the demand charge for 1.2% deliverability is deemed on a fully allocated basis, while the demand charges for high deliverability storage are determined on an incremental basis. In other words, it is assumed that the

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incremental cost of the build is picked up entirely by the customers seeking high deliverability storage.

8. An annual cost based rate for 10% unratcheted deliverability basis all year round on a single cycle is estimated to be \$2.5 per GJ of space or \$94 per  $10^3\text{m}^3$  of space. If the build were to provide 10% deliverability with ratchets, the annual cost per unit of space would be \$1.6/GJ or \$60 per  $10^3\text{m}^3$ . If the storage build is sized to provide 5% deliverability on an unratcheted basis, the comparable cost per unit is \$1.4 /GJ or \$53 per  $10^3\text{m}^3$ . 5% deliverability on a ratcheted basis could be offered at \$1.1/GJ or \$42/ $10^3\text{m}^3$ . In contrast, 1.2% ratcheted deliverability at cost based rates would be priced at \$0.4/GJ.
  
9. The table also demonstrates that a 10% deliverability build provides economies of scale relative to a 5% deliverability build. Therefore, the cost based rate for the deliverability demand component alone would be lower for a 10% deliverability build than for a 5% deliverability build. Accordingly, provided that demand for such service exists, it would appear that a 10% deliverability build would be a better solution. Rather than offer three tiers of deliverability, the Company believes that customers should be able to choose any level of deliverability between 1.2% and 10%. The original "strawman" proposal that was presented to stakeholders and filed at Exhibit C, Tab 3, Schedule 2 refers to a three tier structure for pricing deliverability. Based on its build analysis, the Company believes that a continuum of offerings up to 10% is more appropriate. The range of prices included in the Draft Rate Schedule filed at Exhibit C, Tab 3, Schedule 3 addresses both cost based and market based pricing options, as required by the Board.

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10. As outlined earlier in its evidence, the Company submits that revenues from the enhanced features of the proposed storage service should be recovered on market based rates with the pricing set through an open season. This would allow for benefit sharing between unbundled and bundled customers.
  
11. Pricing premium high deliverability services at cost could result in windfalls to the subscribers of this service, to the detriment of those who are unable to subscribe. To the extent that high value services that are limited in quantity are offered at cost, there is a real risk that the Company will be oversubscribed. In such circumstances, the Company will have to determine an appropriate method for allocating the capacity. Allocation methods for competitive offerings result in less optimal outcomes, in that the service may be awarded on the basis of first come first served, size or perceived need. The risk in such circumstances is that the successful recipients of this service may determine that they can resell (arbitrage) their capacity to third parties at a higher cost. In such circumstances, benefits will have been expropriated by a small group of customers to the detriment of the Company and its ratepayers. Additionally, if bundled customers are pre-empted from the process, they will be denied savings that they could otherwise realize by displacing more expensive alternatives to high deliverability storage such as peaking contracts and spot purchases.
  
12. For all of the above reasons, an open season and market determination of prices is a preferred outcome for the vast majority of stakeholders and the Company. The use of a range rate for Rate 316 will permit the use of market pricing.

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Features of Rate 316

13. The section below provides a brief description of the features of Rate 316 as attached in the draft Rate Schedule at Exhibit C, Tab 3, Schedule 3. The proposed Rate 316 contains the following provisions:

- a. Availability
- b. Character of Service
- c. Monthly Customer Charge
- d. Storage Reservation Charge
- e. Monthly Minimum Bill
- f. Nominated Storage Service
- g. Unratcheted Deliverability Service
- h. Other provisions
- i. Term of Contract

14. The following describes the provisions and the derivation of applicable charges:

a. *Availability*

The availability provision provides that a customer must contract for both storage space and storage deliverability as separate options. This storage is not a delivered service and the customer must provide a separate pipeline transportation contract from storage to the Enbridge Gas Distribution delivery area that serves the customer's terminal location. In the event that the customer electing service is not in the Company franchise area, the customer must provide delivery to the customer's location. This service is limited to confirmed pipeline deliveries. Deliverability options available for contract range from 1.2% to 10%. All such withdrawals are subject to storage ratchets based on the actual quantity of gas in the customer's storage account. This service requires daily nomination and the rate of injection or withdrawal is limited to 1/24<sup>th</sup> of the daily maximum right available.

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*b. Character of Service*

This service is a firm Dawn based service. The status of the service in the franchise area depends on the nature of the pipeline delivery service the customer contracts for. Firm deliveries constitute firm service while interruptible deliveries constitute interruptible service.

*c. Monthly Customer Charge*

The monthly customer charge is designed to recover the customer related costs for providing unbundled services including the availability of the electronic bulletin board, managing nominations and confirmations, gas in storage accounting, managing injection and deliverability constraints and posting information for customers regarding ratchets for storage. This charge represents the monthly management related costs for the service and applies to each customer. The Monthly Customer Charge is set at \$200 per month to recover the incremental cost of system implementation (\$50) and the cost of issuing a bill (\$150).

*d. Storage Reservation Charge*

There are several components to the storage price. First, there is a storage space demand charge. This charge reserves the maximum space in storage allotted to the contract. The minimum space demand charge is a cost based rate that incorporates the cost associated with creating 2 Bcf of space into the Tecumseh Fully Allocated Cost Study, stemming from the Board's Decision with Reasons from EB-2005-0001/EB-2006-0035. Under current pricing, the minimum charge is applicable if the customer storage space reservation does not exceed the maximum storage space allocable to the customer under the current Board approved formula. The maximum space demand charge equals 10 times the minimum. Under current pricing, storage space reservation that exceeds the

amount allocable under the Board approved formula may be contracted for at market based prices.

The deliverability injection/withdrawal charge reserves daily injection/withdrawal capacity subject to storage ratchets. The minimum deliverability demand charge is a cost based rate that incorporates the cost of providing 1.2% deliverability associated with 2 Bcf of space into the EB-2005-0001 Tecumseh Fully Allocated Cost Study. The maximum charge is ten times the minimum charge. The Company's current market based offering under Rate 330 provides for a range of 5 times the minimum cost based rate to cover off market pricing options. However this is for standard deliverability options. The Company is proposing a wider range equal to 10 times the minimum cost based charge to recognize the higher value of high deliverability storage.

Finally, the service requires volumetric charges for activities under the service. The volumetric charges include charges for injection and withdrawal as well as a fuel charge applicable to the service. These charges are derived from the 2006 Board Approved Tecumseh Fully Allocated Cost Study.

If the Board were to approve market based rates for enhanced storage services, the price for deliverability and space would be set through an open season. Cost based rates would apply for the customer charge and the volumetric charges.

*e. Minimum Bill*

The monthly minimum bill equals the sum of the monthly customer and monthly demand charges.

*f. Nominated Storage Provision*

Nominated storage service provides that storage services up to the maximum injection or withdrawal must be nominated at Dawn. The provision also permits customers to transfer title to gas in storage, subject to certain restrictions as proposed at Exhibit C, Tab 4, Schedule 1. Finally, there may be periods when operational considerations limit either injection or withdrawal. With proper notice, the Company reserves the right to impose limits to ensure the storage system meets operating requirements.

*g. Un-Ratcheted Storage Provision*

The purpose of this provision is to permit a customer to select a level of storage withdrawal service that will not be subject to storage ratchets. Under this provision, a customer will be able to withdraw up to the full amount of gas under the withdrawal tier so long as the customer has that amount of gas in storage. Based on the capital costs associated with providing unratcheted service, the Company proposes a premium of up to 100% over the Deliverability Demand Charge for equivalent ratcheted service.

*h. Other Provisions*

The purpose of the other provisions is to permit the Company to store its own gas in the space contracted for by the customer in the event that the customer does not use all of the storage space. This provision is necessary to permit the Company to offer higher deliverability and to maintain system reliability. This provision provides further that Company use of storage space does not reduce the flexibility of the customer to inject or withdraw from storage gas owned by the customer.

i. *Minimum Term of Contract*

The minimum term of contract is one year. The Company reserves the right to require a longer-term contract where it must acquire additional contracts with 3<sup>rd</sup> parties, construct facilities or make new capital investment in existing facilities to provide the requested service.

Response to Board Questions

6. The following discussion addresses the questions posed by the Board in Appendix A to Procedural Order No. 2.

Operational Barriers

7. The Company has discussed at length the overall issues related to maintaining safe, reliable service in the context of unbundled, high deliverability storage at Exhibit B, Tabs 3 and 4.

Costs and Revenues

8. With respect to the costs associated with the new services, the Company has provided informed estimates as to the costs for systems upgrades and has requested a variance account to recover the actual costs for implementing these services. This is discussed in detail at Exhibit C, Tab 1, Schedule 1.
9. The revenue implications of providing this service depend on the Board's Decision with Reason on the appropriate pricing mechanism for this service. They also depend on the amount of customer interest in the service, both in terms of storage space and deliverability level.

Witnesses: M. Giridhar  
E. Overcast

Rate Implications for Other Customers

10. As noted above, the Rate 316 proposal does not have any negative potential rate impacts on bundled customer service classes. Whether Rate 316 is priced at market or at cost, the Company expects that all incremental costs will be recovered solely from Rate 316 customers.

Implementation timing

11. Under the Company's proposal, the Company expects to implement Rate 316 only after the open season process indicates that customers demand the service and their price bids permit the Company to recover its costs.

12. It is only after that process is successfully completed that the Company would undertake the storage build program necessary to offer the service. The Company does not foresee the build program being completed before 2008.

13. When it is in place, implementation of Rate 316 will require contract terms running from one spring until the next spring, at a minimum, to properly manage injection and withdrawal. Further, the Company believes that in order for it to justify the capital investment of the build program, customers will have to contract for more than one year. In this way, preference in the open season would go to customers who make multi-year commitments to the service.

Witnesses: M. Giridhar  
E. Overcast



RATE NUMBER: **316**

**HIGH DELIVERABILITY GAS STORAGE SERVICE**

**APPLICABILITY:**

This rate requires a Service Contract that identifies the required storage space and deliverability tier. In addition, the customer must arrange for pipeline delivery service from Dawn to the Primary Delivery Area of the customer where the customer is served by Enbridge Gas Distribution, otherwise, the customer must provide delivery to the customer's preferred location. This service is not a delivered service and is only available when the relevant pipeline confirms the delivery.

A daily nomination for storage injection and withdrawal shall also be required.

The maximum hourly injections / withdrawals shall equal 1/24th of the daily Storage Demand.

Customer contracts for a combination of storage space and deliverability. The deliverability available represents the maximum withdrawal rate from the contract storage capacity. The maximum daily withdrawal contracted for may not exceed 10% of contracted storage capacity. All such withdrawals are subject to storage ratchets based on the actual quantity of gas in the customer storage account. Customer may also contract for un-ratcheted deliverability service where the Company permits maximum daily withdrawal on a year round basis provided the gas is available in the customer's storage.

**CHARACTER OF SERVICE:**

Service shall be firm to Dawn. Service to the customer's terminal location is interruptible when used in conjunction with interruptible upstream transportation service. All service is subject to contract terms and force majeure.

The service is nominated daily based on the available capacity and gas in storage up to the maximum contracted daily deliverability.

**Monthly Customer Charge:** **\$200.00**

**Storage Reservation Charge** that is made up of:

1	Storage Space Demand Charge:	
	<b>Minimum</b>	<b>0.3853 /10<sup>3</sup>m<sup>3</sup></b>
	<b>Maximum</b>	<b>3.8530 /10<sup>3</sup>m<sup>3</sup></b>
2	Tiered Storage Deliverability/Injection Demand Charge:	
	<b>Minimum</b>	<b>35.0933 /10<sup>3</sup>m<sup>3</sup></b>
	<b>Maximum</b>	<b>350.933 /10<sup>3</sup>m<sup>3</sup></b>
3	Injection & Withdrawal Unit Charge:	<b>2.6230 /10<sup>3</sup>m<sup>3</sup></b>
4	Fuel Ratio:	<b>0.35%</b>

All Storage Space and Deliverability/Injection Demand Charges are applicable monthly. Injection and withdrawal charges are applicable to each unit of gas injected or withdrawn based on daily nominations.

In addition, for each unit of injection or withdrawal there will be an applicable fuel charge adjustment expressed as a percent of gas.

**Monthly Minimum Bil:** The sum of the Monthly Customer Charge plus Monthly Demand Charges.

**Nominated Storage Service:**

The customer may elect to nominate all or a portion of the available withdrawal capacity for delivery to Dawn. Customers may transfer the title of gas in storage.

The Company reserves the right to limit injection and withdrawal rights based on storage system operating requirements.

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RATE NUMBER: **316**

**Un-ratcheted Deliverability Service:**

This service permits the customer to withdraw gas from storage on any day equal to the contracted withdrawal rate provided that the customer has at least the withdrawal amount in storage. Un-ratcheted withdrawal service is subject to an additional annual charge up to 100% of the applicable deliverability demand charge.

**Other provisions**

If the customer elects to use the contracted storage capacity at less than the full volumetric capacity of the storage, the Company may inject its gas provided that such injection does not reduce the right of the customer to withdraw the full amount of gas injected on any day during the withdrawal season or to schedule its full injection right during the injection season.

**Term of Contract:**

A minimum of one year.

A longer-term contract may be required if incremental contracts/assets/facilities have been procured/built for the customer.

**EFFECTIVE DATE:**

To apply to bills rendered for gas service provided on and after January 1, 2007. This rate schedule is effective January 1, 2007

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ADDITIONAL SERVICE OFFERINGS – DERIVATION OF CHARGES

1. The purpose of this evidence is to describe the manner in which the cost of service rates related to the additional service offerings, as specified in the draft Rate Rider at Exhibit C, Tab 4, Schedule 3, have been determined.

Inter-Franchise Movement of Gas

2. There are two cost components that are applicable to the ETT Service. All users of this service will be subject to an administration charge. Bundled service customers will also be subject to a charge that is equivalent to the absolute difference between the NEB approved TCPL Eastern Zone and Southwest Zone firm transportation tolls at a 100% load factor. The rationale for this additional bundled service charge is described at Exhibit C, Tab 4, Schedule 1, paragraphs 7 through 10.
3. The administration charge is intended to recognize costs related to the provision of the service to all customers. This includes a base charge to recover labour costs associated with processing the request and a commodity charge associated with the movement of gas into or out of storage as a result of the transaction.
4. Administering requests for inter-franchise title transfers is expected to result in some manual intervention by Enbridge Gas Distribution staff. These activities will include:
  - the receipt and review of the title transfer request;
  - communication with the customer regarding the approval of the request;
  - coordination of the request with the other participating utility;
  - receipt and processing of nominations; and
  - final settlement of the transferred gas with the other participating utility.

The Company estimates that on average these activities will require a total of 45 minutes to 1 hour of staff time to complete each transaction. Assuming a fully

allocated rate of \$60 per hour for the staff that would be involved in processing these transactions, the Company proposes a base charge of \$50 per transaction.

5. The commodity charge recognizes that these transactions will result in Enbridge Gas Distribution having to either receive gas from or provide gas to another utility at Dawn. This will require the Company to either move gas to or away from Dawn. This would typically involve the use of the Company's storage facilities due to their proximity to Dawn. As Exhibit C, Tab 4, Schedule 1, paragraph 6 indicates, the manner in which the physical settlement between the two utilities involved in the inter-franchise title transfer would have to be determined. Enbridge Gas Distribution anticipates that this settlement approach would lead to some offsetting title transfer transactions (i.e., some transfers out of the utility and some transfers into the utility). The Company also anticipates that some transactions would support the activities of the utility (e.g., a transfer into the utility during the winter). Based on these factors, Enbridge Gas Distribution believes it is reasonable to assume that only 50% of transactions may require a physical transaction with storage.
  
6. Enbridge Gas Distribution currently has a cost-based rate for injections and withdrawals from storage. The minimum Full Cycle Commodity Charge per unit of gas delivered to/received from storage under Rate 330 is reflective of these costs. The Company proposes that an appropriate cost-based rate for the commodity charge component of the administration charge associated with the ETT service is 50% of this current Rate 330 charge, or \$1.3115/10<sup>3</sup>m<sup>3</sup>.

### Redirection of Gas

7. As Enbridge Gas Distribution indicated in Exhibit C, Tab 4, Schedule 1, paragraph 16, the Company does not see itself providing any benefit to the marketplace by providing a service that supports the Redirection of Gas. As a result, the Company is not proposing a service in this area so there has not been a need to develop any charges.

### Title Transfer of Gas in Storage

8. Title Transfers of Gas in Storage are subject to an administration charge and, for dissimilar services, the customer's contracted injection and withdrawal charges. The injection and withdrawal charges are specified within the specific storage service that the customer has contracted for and as a result, no specific derivation of these charges is required for the purpose of Gas in Storage Title Transfers.
5. The Administration Charge related to this service is intended to recover the labour costs associated with the receipt and processing of the title transfer request. Each request will require:
  - reviewing the current storage balances for each of the parties involved in the title transfer;
  - assessing if the title transfer is between contracts with different or identical service parameters;
  - evaluating current storage conditions to assess if a request that exceeds the more restrictive flow rate of either party can be accommodated; and
  - updating the Company's records to reflect the outcome of the title transfer.

The Company estimates that on average these activities will require approximately 20 to 30 minutes of contract administration effort and 10 to 15 minutes of storage operations effort. Assuming a fully allocated rate of \$60 per hour for contract administration and \$75 per hour for storage operations, the Company proposes an administration charge of \$25 to each of the parties involved in the title transfer.

Witness: D. Charleson

**APPLICABILITY:**

This rider is applicable to any Applicant who enters into Gas Transportation Agreement with the Company under any rate.

**ENHANCED TITLE TRANSFER SERVICE:**

In any Gas Transportation Agreement between the Company and the Applicant, the Applicant may elect to initiate a transfer of natural gas between the Company and another utility, regulated by the Ontario Energy Board, at Dawn for the purposes of reducing an imbalance between the customer's deliveries and consumption within the Enbridge Gas Distribution franchise areas. The ability of the Company to accept such an election may be constrained at various points in time for customers obtaining services under any rate other than rate 125, 300, and 305 due to operational considerations of the Company.

The cost for this service is separated between an Administration Charge that is applicable to all Applicants and a Bundled Service Charge that is only applicable to Applicants obtaining services under any rate other than rate 125, 300, and 305.

**Administration Charge:**

Base Charge \$50.00 per transaction  
 Commodity Charge \$1.3115 per 10<sup>3</sup>m<sup>3</sup>

**Bundled Service Charge:**

The Bundled Service Charge shall be equal to the absolute difference between the Eastern Zone and Southwest Zone Firm Transportation tolls approved by the National Energy Board for TCPL at a 100% Load Factor.

**GAS IN STORAGE TITLE TRANSFER:**

An Applicant that holds a contract for storage services under rate 315 or 316 may elect to initiate a transfer of title to the natural gas currently held in storage between the storage service and another storage service held by the Applicant, or any other Applicant that has contracted with the Company for storage services under rate 315 or 316. The service will be provided on a firm basis up to the volume of gas that is equivalent to the more restrictive firm withdrawal and injection parameters of the two parties involved in the transfer. Transfer of title at rates above this level may be done on at the Company's discretion.

For Applicants requesting service between two storage service contracts that have like services, each party to the request shall pay an Administration Charge applicable to the request. Services shall be considered to be alike if the injection and deliverability rate at the ratchet levels in effect at the time of the request are the same and both services are firm or both services are interruptible. In addition to the Administration Charge, Applicants requesting service between two storage service contracts that do not have like services would be subject to the injection and withdrawal charges specified in their contracts.

Administration Charge: \$25.00 per transaction

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PROPOSED TARIFFS FOR RATE 300 CUSTOMERS: OVERVIEW

1. The 300 series of rates provide for unbundled services where a customer can selectively elect services such as distribution or storage from Enbridge Gas Distribution. The Company has had unbundled rates for Distribution, Load Balancing, and Storage service since 1988.
2. Historically, Rates 300 and 305 have provided distribution service from the Company's city gate to a customer's terminal location, assuming that a customer is able to forecast its consumption on a daily basis and deliver the exact amount of gas required. Under Rate 310 or Load Balancing Service, the Company has undertaken to match actual consumption and nominated gas deliveries, on behalf of the customer within a predefined tolerance. Under Rate 315 or Storage Service, the customer would receive a notional allocation of storage that they are required to manage by nominating withdrawals or injections based on their daily consumption and gas deliveries to the city gate.
3. In the mid 1990's unbundled customers migrated to bundled service. No customers have taken service on the 300 series rates since then, with the exception of a landfill gas application that currently uses unbundled distribution rates. The reason why these unbundled rates became unused is because the bundled rates for large volume customers reflected a lower allocated cost for long haul transportation than what a customer would pay if they made their own arrangements for transport with TCPL as unbundled customers. In addition, the Company's bundled rates allowed customers to make their own arrangements for upstream transportation but compensated them in rates with a credit for the full toll paid to TCPL (or T-service credit), rather than simply crediting the allocated TCPL costs. This meant that if the customer was able to make its own upstream transportation arrangements at a cost



less than the credit from the Company, then the customer would benefit from lower overall costs. The corresponding result was that small volume customers paid more because of an effective subsidy to large volume customers who were making their own transportation arrangements.

4. As set out below, the Company has undertaken a process to address these cost allocation issues, and to assess whether and how the service offerings could be changed, so that the 300 series rates may again become attractive to some customers.
  
5. As part of the settlement process for aspects of its Fiscal 2005 rate case, the Company agreed to a cost allocation change that would result in two outcomes:(i) over the next four years the Company would increase the allocated transport cost for large volume customers to the average transport cost paid by the Company to TCPL; and (ii) at the end of four years the Company would cease to compensate customers who make their own transport arrangements because the transportation charge will be unbundled from the load balancing charge and the credit to customers who make their own transportation arrangements will not be required and therefore will be eliminated. Such customers would then bear the full cost consequences of their transport arrangements. These upstream cost allocation changes will be fully phased in by October 2007. The Company and its customers recognize that unbundled rates will be more attractive to some large volume customers as a result of this cost allocation change.
  
6. In November 2004, the Company hired R.J. Rudden Associates to assist the Company in its review. The Company identified and invited input from existing large volume customers who may benefit from unbundled rates as well as from potential power generation customers. The two groups of customers are not mutually

exclusive. Input was sought through a stakeholder meeting and telephone interviews. This input was used to devise rate proposals that tried to satisfy the needs of both groups of customers.

7. In mid January 2005, the Company circulated a strawman, or a preliminary conceptual framework for discussion purposes to its stakeholders. The strawman outlined conceptual changes to Unbundled Rates 300, 310, and 315 and allowed for service enhancements and proposed additional modifications to its Load Balancing and Storage services. One goal of the strawman was to try to meet the identified customer wants and needs. At the same time, the Company's operational flexibility was limited because the other goal to be met was to ensure that the changes to the services did not impose adverse impacts on other customer groups.
8. In February 2005, the Company held a stakeholder conference to discuss the strawman. While the strawman was favourably received for the additional flexibility it offered, several customers stated that they were seeking even greater flexibility, including no notice storage service. There was no consensus at the stakeholder conference as to whether the strawman was attractive or acceptable.
9. Through the course of its Fiscal 2006 rate case, the Company explained the work that it has been doing towards developing new 300 series rates and the challenges that it has encountered in this process. Chief among those challenges was the Company's lack of information about the power generation customers who might take advantage of the new rates. In its EB-2005-0001 Decision with Reason, the Board said that it was "somewhat understandable" that the Company was reluctant to provide a complete revision of 300 series rates while uncertainties remain regarding the gas fired generation market. The Board determined, however, that the Company should prepare and present redesigned rates for conventional large

volume customers as part of this proceeding.

10. Even before the Board's Decision with Reason in the Fiscal 2006 rate case, the Company had been moving ahead with refining the strawman and meeting with stakeholders to better understand and meet more of their needs. The Company has also obtained a somewhat better understanding of the needs of power generation customers, in part through the first phase of the NGEIR process, which took place in the Fall of 2005.
11. As the Company continued with the preparation of new rate proposals, a decision was taken to develop separate rate offerings for power generation customers, who are expected to be extra large customers with unique service requirements. The Company's proposals for new Rates 125 and 316 (which are available to any customers, not just power generators, who meet the volume requirements) have already been filed in this proceeding. This decision made it easier for the Company to proceed with developing discrete unbundled rates for conventional large volume customers.
12. On December 14, 2005, the Company held a stakeholder conference with customer groups to discuss the updated proposals for 300 series rates. Through these updated proposals, the Company attempted to address issues and suggestions made by stakeholders in previous meetings. The Company also responded to questions and issues left with the Company by stakeholders during and after the meeting.

13. At this time, the Company is in a position to put forward proposals for redesigned 300 series rates. The following sections of the Company's evidence describe the proposed Rate 300 (firm or interruptible distribution service) and Rate 315 (storage service) and attach proposed tariffs for each.
  
14. The Company's proposal for Rate 300 includes load balancing offering, so there is need for a separate Rate 310 for stand-alone load balancing. The way this service will function is that a customer who is in balance will not pay any load balancing fees, so that customers will view the proposed Rate 300 as a pure distribution rate. It is worth noting that at the last stakeholder meeting, the Company highlighted the fact that it did not intend to prepare a revised Rate 310, but would instead include load balancing in Rate 300, and no customer groups objected. The Company therefore takes the position that this proposal meets identified customer needs. The Company's proposal for Rate 300 also includes an interruptible provision. Accordingly, there is no separate Rate 305 rate proposal being made as the offering that has been Rate 305 in the past is now part of the redesigned Rate 300.
  
15. In its updated Exhibit C, Tab 1, Schedule 1, the Company set out the issues inherent in setting new rates in this proceeding independent from a full cost of service rate proceeding. The Company's proposed approaches to address those issues apply equally to the redesigned 300 series of rates as they do to Rates 125 and 316.



RATE 300

1. As set out in the previous section, the proposed Rate 300 provides for unbundled distribution service on a firm or interruptible basis. The proposed Rate 300 includes load balancing provisions, which eliminates the need for a separate Rate 310 for stand-alone load balancing.
2. The following sections of the Company's evidence set out the provisions and derivation of pricing for the proposed Rate 300 and then address the specific questions posed by the Board in Appendix B to Procedural Order #2. The actual provisions for the proposed Rate 300 are set out in the draft Rate Schedule, which is found at Exhibit D, Tab 2, Schedule 2.

Provisions of Rate 300 and derivation of charges

3. The proposed Rate 300 contains the following provisions:
  - (i) Availability
  - (ii) Character of Service
  - (iii) Monthly Charges
  - (iv) Unaccounted for Gas ("UFG") Provision
  - (v) Nomination Requirements
  - (vi) Load Balancing Requirements
  - (vii) Authorized Demand Overrun
  - (viii) Unauthorized Demand Overrun
  - (ix) Unauthorized Supply Overrun
  - (x) Term of Contract

The following paragraphs describe the provisions of Rate 300:

(i) Availability

Service under this rate schedule is available to a customer who contracts for gas transportation service on the distribution system. The service is for a single delivery location served using the Company's distribution network and requires automatic

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meter reading as a condition of service. There is no minimum annual volume requirement so that low load factor and seasonal customers are not precluded from accessing service under this rate. The Company reserves the right to limit service under this schedule to customers whose contract demand does not exceed 600,000 m<sup>3</sup>. Service under this schedule may be firm or interruptible. Where local distribution facilities cannot provide distribution service on a firm basis, the service provided is interruptible service.

(ii) Character of Service

Rate 300 provides for firm and interruptible service options subject to the contract demand and the maximum hourly demand equal to 1/24th of the contract demand. This feature ensures that the distribution system is sized to meet all operating conditions including system peak hourly demand. Firm and interruptible service under this schedule is subject to the terms and conditions contained in the customer contract. Interruptible service provides for a four-hour notice of interruption under normal circumstances and for one-hour notice under emergency conditions.

(iii) Monthly Charges

The distribution component of Rate 300 consists of a customer charge, a contract demand charge for firm service and a range of charges for interruptible service. These charges recover customer related costs as well as fixed costs of the distribution system and are shown in the proposed rate tariff filed at Exhibit D, Tab 2, Schedule 2. There is no commodity charge for distribution service under the schedule. The minimum bill is the sum of the customer charge plus the applicable contract demand charge. Customers with interruptible service pay the customer charge and the unitized contract demand charge on a daily basis based on the actual service received each day up to the maximum of the contract demand.

Derivation of Monthly Charges

The Company is proposing to set the customer charge at \$550.00 per month and the Contract Demand charge at \$0.2267 per m<sup>3</sup> of contract demand per month. The Company developed these charges using the Fully Allocated Cost Study ("FACS") results reflecting the Board's Decision with Reason from EB-2005-0001 (2006 Rate Case).

To determine the level of monthly customer and Contract Demand charges, the Company considered customer and distribution related costs it incurs to provide service to Rate 100, 110 and 115 customers. The Company views these customers as potential candidates to take service under Rate 300.

The Company also considered Demand Side Management ("DSM") costs it incurs to provide DSM to these three rate classes. The Company currently recovers DSM costs through its gas supply load balancing charges which are payable by all bundled customers. Should bundled customers migrate to Rate 300 service they would no longer pay gas supply load balancing charges. Consequently, the Company would lose its ability to recover DSM costs through such a mechanism. In light of the above, the Company is proposing to recover its DSM costs through distribution charges starting in 2007.



#### Derivation of Monthly Customer Charge

The monthly customer charge shall be set at \$550.00 per month. The charge is a reflection of the average customer related costs allocated to Rates 100, 110 and 115 as well as the proposed allocation of unbundled rate implementation costs. The derivation of customer related costs based on the existing costs is outlined in Appendix B, attached to this Schedule. As described in Exhibit C, Tab 1, Schedule 1(updated) and Exhibit C, Tab 2, Schedule 4, the Company is proposing to allocate the incremental costs associated with the implementation for unbundled rate offerings to large volume bundled and unbundled customers based on customer numbers. This proposed allocation results in an additional \$50.00 per month in customer related costs to the Rate 300 class. Therefore, the monthly customer charge for Rate 300 shall be set at \$550.00 per month.

#### Derivation of Monthly Contract Demand Charge

The monthly Contract Demand charge shall be set at \$0.2267/m<sup>3</sup> of contract demand per month. This level of charge reflects the existing level of distribution related costs allocated to the Rate 100, 110 and 115 customers as well as DSM costs for the three rate classes. The derivation of distribution related costs is outlined in Appendix B to this Schedule. A Monthly Contract Demand charge of \$0.2267 per m<sup>3</sup> of contract demand per month is needed to fully recover the remaining distribution related costs.

#### Derivation of Interruptible Charge

The interruptible charge under Rate 300 is a range rate. The lower and upper limits are derived from Rate 125 and Rate 300 respectively. The Rate 125 demand charge is unitized as follows:  $1.2 \times \$0.0920/\text{m}^3 \times 12 / 365 = \$0.0036/\text{m}^3$ . The Rate 300 demand charge is unitized as follows:  $1.2 \times \$0.2267/\text{m}^3 \times 12 / 365 =$

\$0.0089/m<sup>3</sup>. The customer pays the applicable unitized demand charge on a daily basis based on the actual service received each day.

(iv) The Unaccounted for Gas (“UFG”) Provision

The UFG provision recovers the amount of unaccounted for gas associated with system operation. The provision reduces the volume of gas delivered to the customer’s meter by the UFG factor determined on an annual basis. In other words, the adjustment means the customer receives less gas at the customer’s meter than is confirmed as a delivery to the system.

(v) Nomination Requirements

Enbridge Gas Distribution has provided for all of the nomination flexibility available to the customer on the upstream pipeline. Nominations are daily and the customer may change nominations in accordance with pipeline nomination windows. Nominations always equal confirmed upstream nominations. The schedule provides for substantial delivery area flexibility including the ability to nominate secondary delivery areas, when system operating conditions permit, and to combine nominations within a given delivery area such as CDA or EDA where the customer has more than one terminal location.

(vi) Load Balancing Requirements

The Company expects customers to match their loads with gas deliveries on a daily basis. Where loads and deliveries do not match, the customer with a Rate 315 contract uses the no-notice feature of the gas storage service, to the extent available, to provide balancing. Remaining imbalances become subject to the load balancing provisions. Load balancing is a default provision under the Rate 300 schedule that applies only to the extent that gas deliveries plus available no-notice

storage service, adjusted for UFG, do not match gas consumption at the customer's meter.

The default balancing applies up to a limit called the Maximum Contractual Imbalance ("MCI"), which may be less than or equal to sixty percent (60%) of the customer's contract demand, based on the Company's assessment. The daily and cumulative imbalances cannot exceed the MCI, subject to certain restrictions. The restriction on imbalances encourages the customer to deliver excess gas to the system on the coldest days in the winter by waiving balancing fees on such days. The Company recognizes that under deliveries create greater operating risks on the coldest winter days. Cash out provisions apply if the customer violates the winter restrictions or the MCI provisions. Similarly, in the summer the Company may restrict over deliveries to the system. When a customer uses the balancing provisions, two charges are applicable: the daily imbalance charge and the cumulative imbalance charge.

#### Daily Load Balancing

The daily imbalance charge is based on storage injection and withdrawal charges, transport fuel costs, transportation costs on Union's M12 and TCPL's STS and an allocation of pipeline LBA charges, if any. The daily imbalance charge consists of two tiers. For each tier, the measure for imbalance is against the MCI. The Tier 1 charge applies to daily imbalances, whether positive or negative, greater than 2% but less than 10% of the customer's MCI. No charges apply for an imbalance that is less than +/- 2% of MCI. This provision, using an MCI, provides for a greater maximum imbalance than one that measures imbalance against the daily nomination, and therefore provides additional flexibility in daily balancing for customers served under this schedule. The combination of the pipeline deliveries

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and the no-notice provision under Rate 315 where the customer contracts for storage service provides multiple opportunities for customers to avoid balancing charges and to remain within the two percent daily tolerance band for which no charge applies. The Tier 2 charge applies to daily imbalances equal to or greater than 10%. Seasonal restrictions apply in the direction of seasonal constraints. Daily load balancing is suspended on Operational Flow Order (“OFO”) days, whether in summer or winter. During the winter season and when the Company issues an OFO day notice, any gas consumed in excess of deliveries is subject to a cashout. This provision requires that customers balance their supply and demand on OFO days to preserve the operational integrity of the system.

#### Derivation of Daily Load Balancing Charges

The Company is proposing to set the fee for the Tier 1 daily load balancing charge at 0.88 cents/ m<sup>3</sup> and the Tier 2 fee at 120% of this rate or 1.06 cents/ m<sup>3</sup>.

Appendix A to this Schedule outlines the derivation of the Tier 1 and Tier 2 charges as seen at Lines 3 and 4 of Col. 3. The costs embedded in Appendix A can be seen in Exhibit C, Tab 2, Schedule 4, Appendix B (Rate 125) which is taken from the Company’s Fully Allocated Cost Study (“FACS”) and reflects the classification of storage and transportation costs embedded in Enbridge Gas Distribution’s April 1, 2006 QRAM rates. The Tier 1 daily balancing fee includes the costs of storage injection and withdrawals from Tecumseh and Union Gas and the associated fuel costs. In addition, it includes transportation costs on Union’s M12 and TCPL’s STS service. These costs are depicted in Col. 1 under Lines 1 and 2 in Appendix A. The volumes depicted in Col. 2 are based on Enbridge Gas Distribution’s 2006 forecast level of injections and withdrawals from Tecumseh storage as well as contract levels of demand on Union and TCPL systems. In addition to the Tier 1 and 2 charges, customers would be responsible for their portion of any Load

Balancing Agreement charges from transportation pipelines which the Company may incur as a result of the customers not complying with the load balancing provisions of Rate 300. This charge applies when the customer's imbalance occurs in the same direction as the total imbalance.

#### Cumulative Load Balancing Charges

The cumulative imbalance charge is derived by unitizing storage space and demand charges. As noted above, the customer's cumulative imbalance may range from +/- MCI. Cumulative imbalance charges apply; however, the customer has two alternatives to manage imbalances. The customer who contracts for Rate 315 uses the no-notice storage provision so long as the customer manages the storage account to have service available. Second, customers may trade balances in their cumulative imbalance account to reduce or eliminate the imbalances. Further, the rate provides the customer with opportunities to nominate make-up gas to reduce cumulative imbalances. The cumulative imbalance must be zero within five (5) days from the last day of the Service Contract.

#### Derivation of Cumulative Load Balancing Charges

The Company is proposing to set the cumulative load balancing charge at 0.45 cents/m<sup>3</sup>. The derivation of the charge is outlined in Appendix A to this Schedule, under Lines 5, 6, and 7. The cumulative load balancing charge reflects the cost of the Company's existing storage demand costs for space and deliverability. The cost of the existing storage assets can be seen in Col. 1, Item No. 5 and 6. These costs are based on the classification of storage and transportation costs as seen at Exhibit C, Tab 2, Schedule 4, Appendix B. The unitized storage space and deliverability rate shown at Line 7 of Appendix A has been increased to assume a 25% utilization factor, which can be seen at Line 8. This assumes that a customer

utilizes balancing 50% of the time and balances in opposite directions with either positive or negative imbalances on consecutive days.

(vii) Authorized Demand Overrun

Authorized demand overrun service provides a limited opportunity for the customer to exceed contract demand at the sole discretion of the Company. Once authorized, gas deliveries in excess of the contract demand plus UFG equal authorized demand overrun plus UFG. Authorization of a demand overrun assumes that the customer will deliver gas equal to the contract demand, the authorized overrun amount at the meter plus UFG for total deliveries. Any consumption above the authorized demand overrun is unauthorized supply overrun. The charge for this service equals 12/365 times the applicable contract demand charge for service under this rate times the authorized overrun. Based on terms of the Service Contract, requests beyond five days will establish a new contract demand and be subject to the higher annual charge for twelve months.

(viii) Unauthorized Demand Overrun

The unauthorized demand overrun provision applies when a customer exceeds the maximum hourly or daily contract demand. Any amount of unauthorized demand may establish a new Contract Demand where local facilities permit. In any case, the customer will be subject to a charge of 120% of the applicable annual Contract Demand charge times the volume of gas taken in excess of the Contract Demand. In addition, all excess consumption plus the applicable UFG equals unauthorized supply overrun. Where the customer consumes gas under the interruptible provision of the rate schedule during a period of curtailment, the rate provides for a substantial penalty. To the extent that pricing penalties do not deter consumption that threatens system reliability, the Company reserves the right to terminate service to the

customer without notice. The unauthorized supply overrun billing provision applies as well.

(ix) Unauthorized Supply Overrun

Unauthorized supply overrun equals any gas consumed above levels explicitly authorized by Enbridge Gas Distribution under either the contract demand provision or an authorized demand overrun. The rate applicable to unauthorized supply overrun is 150% of the highest daily index price applicable for such day.

(x) Term of Contract

The term of contract provides for a minimum of one year. A longer-term contract may be required if incremental contracts, assets or facilities have been procured or built for the customer. Migration from an unbundled rate to bundled rate may be restricted subject to availability of adequate transportation and storage assets.

Responses to Board Questions

4. In Appendix B to Procedural Order No. 2, the Board indicated that the Company's proposed changes to certain of its 300 series of rates should consider the following matters
  - a. Combined multi-facility delivery, storage and load balancing options;
  - b. Flexibility in delivery point, minimum annual volumes, daily delivery obligations, provision of fuel, and choice between bundled and unbundled services; and
  - c. Term differentiated rates.

The following brief discussion sets out how the Company has addressed each of these matters.

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*(i) Combined multi-facility delivery, storage and load balancing options*

5. At the outset, the Company believes that it is important to appreciate that existing regulatory policy and system constraints place limitations on the services that can be offered. The operational issues faced by the Company are described in detail earlier in this evidence.
  
6. In any event, Rate 300 responds directly to the issue of multi-facility delivery including delivery area flexibility. Customers with multiple facilities have the option of combining nominations within a designated delivery area provided that the nomination indicates the order of delivery. The order of delivery is a necessary condition for load balancing and permits cost minimization for customers. As outlined previously Rate 300 also provides load balancing capability.
  
7. Storage service under Rate 315 provides the opportunity to use one contract for multiple facilities provided the facilities location falls in one delivery area. Delivery area flexibility allows the customer to deliver gas to both the system and to storage provided total deliveries do not exceed contract demand.

*(ii) Flexibility Requirements*

8. As seen below, the combined offering of Rate 300 and Rate 315 provides substantial flexibility to customers who use these rates.
  
9. Rate 300, in conjunction with Rate 315, provides substantial load balancing flexibility through the no-notice storage provision and the ability to use storage on a nominated basis as well. Taken together, the two services permit customers to manage their unbundled services with all the flexibility that existing system resources permit.

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10. The redesign of Rate 300 based on the straight-fixed variable rate design (recovering fixed costs through fixed charges and variable costs through variable charges) allows the rate to be offered without a minimum annual volume, which is something that customers were seeking.
11. Customers nominate gas deliveries on a daily basis to match the pattern of gas consumption at the customer's premises. The customers' daily delivery obligations are limited to the flexibility provided by no-notice storage under Rate 315 and default balancing under Rate 300. The ability to choose the combination of services and to match deliveries and consumption on a daily basis optimizes the use of available services.
12. There are no fuel requirements under Rate 300. The customer provides unaccounted for gas in-kind.
13. Under Rate 300 service, the customer chooses to accept the responsibility to manage gas supply, storage and delivery. The customer may, however, continue to receive a bundled service under the existing rates. Under certain circumstances, the customer may also switch back to bundled service from Rate 300. The limitation on switching reflects the fact that the Company may not have sufficient upstream assets (pipeline and storage services) to permit the customer to return to bundled service. Assuming the availability of assets in the Company's portfolio, bundled service remains an option.

(iii) *Term differentiated rates*

14. The Company determined that no cost basis exists for term-differentiated rates. Under current ratemaking principles, costs are allocated to classes based on their load characteristics at the time of each rate proceeding. Term-differentiated rates impose risks on all rate classes. Where rates are above costs in one period, other classes receive a subsidy that disappears at the end of the term and vice-versa. The basic principles of cost-based rates provide no basis for term-differentiated rates with common distribution investments, depreciated original cost rate base and cost of service regulation. Based on these considerations, the Company determined that no basis for term-differentiated delivery service rates existed. To the extent that customers find term-differentiation an attractive feature of gas contracting, the market will offer such rates.
15. Appendix B to Procedural Order No. 2 also set out a number of questions for the Company to address in evidence. The following responses to these questions address both Rate 300 and Rate 315 together. The Company submits that the complementary nature of the two rates and the benefit from combining services offered means that the Board's questions are best answered in respect of both rates together. In addition, the discussion includes separate responses for each rate
- (i) *What are the operational implications of providing these new services?*
16. In the evidence found at Exhibits B and C, the Company has discussed at length the issues related to maintaining safe, reliable service in the context of unbundled rates for delivery and storage. Many of the same issues apply here.

17. The Company's Rate 300 and Rate 315 proposals assume that customers currently taking some of the bundled rates will migrate to these unbundled rates. Accordingly, no operational barriers have been identified in terms of storage, transport, and distribution assets.
18. Barriers to providing service on Rate 300 and Rate 315 are process and systems related. With respect to Rate 300, given the number of customers, daily nominations, balancing and the required settlements, the Company requires substantial enhancements to its systems to permit the service. To the extent that customer nominations change frequently under the Rate 300 provisions, gas control processes and procedures will need to be coordinated closely with the customer nominations and pipeline confirmations. The increased level of activity and the complexity of interaction require timely information to assure real time reliability. These issues are described in more detail at Exhibit B, Tab 3, Schedule 2.
19. With respect to Rate 315, given the number of customers, daily nominations, balancing and the required settlements, the Company requires substantial enhancements to its systems to permit the service. The management of storage and the exchange of information related to ratchets for both injection and withdrawal require real time systems and communication protocol. These issues are described in more detail at Exhibit B, Tab 3, Schedule 2.
- (ii) *What are the costs and revenues associated with providing these new services ?*
20. With respect to cost for the new services, the Company has provided informed estimates as to the costs for systems upgrades and has requested a variance account to recover the actual costs for implementing these services.

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21. With respect to Rate 300, the revenue implications obviously depend on the number of customers that switch from bundled to unbundled service and the particular combination of services customers elect. For ratemaking purposes, the Company assumes that all customers will behave rationally and select unbundled service where that service results in the lowest cost for delivery service. The Company proposes to set its rates for all classes of customers on this rational behavior assumption for customers. The Company recognizes that not all customers will switch immediately and that other considerations by some customers could limit their movement to new rates despite the apparent benefit. Since the actual revenue implications of these uncertainties impacts all customers, the Company proposes a variance account mechanism that credits revenue from customer that do not switch to the lowest distribution rate back to all customers. The use of the variance account eliminates any potential over recovery unexplained behavior of eligible customers. By crediting any extra revenue, the Company protects the interest of stakeholders in efficient, timely and fair cost recovery. Further, the iterative process of switching customers based on their own decision process is avoided. This issue is described in further detail at Exhibit C, Tab 1, Schedule 1(updated).
22. In addition, the Company has designed its proposals to reduce or eliminate the potential for unbundled customers to operate in ways that impose costs on bundled customers. For example, the cashout provision under Rate 300 for under deliveries eliminates the ability of an unbundled customer to use balancing arbitrage on high gas cost days at the expense of bundled customers who ultimately pay the commodity cost of gas. The cashout mechanism assures that unbundled customers have no incentive to operate in a way that creates a benefit at the expense of other customers. The availability of no-notice storage service allows the

unbundled customer to avoid the cashout penalty by using the service to balance on high cost days. Various provisions such as penalties in the rates provide additional incentives for unbundled customers to manage their transactions in a way that insulates bundled customers from negative consequences.

23. With respect to Rate 315, the revenue and cost implications cannot be determined in the abstract. If customers elect the same level of storage service reflected in the bundled rate, there is no net fixed cost impact. The variable costs recovery is dollar for dollar based on the actual use of the service and has no impact under any circumstances. To the extent that unbundled customers elect lower levels of storage than their allocated share, costs shift to bundled customers occurs. As a practical matter, the cost shifts represent re-optimization of the bundled gas supply portfolio and the net impact of fixed cost shifts may be offset by other savings.

(iii) *What are the rate implications (if any) on other customer groups?*

24. As noted above, the Company's proposals are designed to minimize potential rate impacts on bundled customer service classes. In Exhibit C, Tab 1, Schedule 1, the Company set out its proposal to deal with the redesign of bundled rates to account for the migration of large volume customers to Rate 300. The Company submits to closely monitor the implementation of the rates and promptly propose revisions if adverse impacts arise in the future. The Company believes that an appropriate policy position requires that other customers not provide subsidies to unbundled customers.

(iv) *What is the expected timing regarding the implementation of the new services?*

25. The Company expects to implement the new rates together in 2007, provided that the systems are in place to permit the level of activity required under these rates. Major changes to the services contemplated in this filing create potential implementation timing issues if the changes require further systems specification and modification. The Company believes, however, given the collaborative approach to rate development and the comprehensive and responsive nature of its filings that major changes would not be warranted. As a result, the current goal for the Company is implementation in 2007, but not before the rates set in the Company's F2007 rate case become effective.

26. With respect to Rate 300, implementation requires a new contract for the customer. Practically, the customer must take a more active role in gas supply management. The only issue related to the Rate 300 implementation depends on the relationship to Rate 315 as discussed below.

27. The implementation of Rate 315 requires a specific schedule for the contract term and/or a transition mechanism. Storage service requires that customers inject gas (or buy the Company's gas in place) prior to the withdrawal cycle. As an annual rate, the Company must have a customer commitment for the entire storage cycle. Currently, customer contracts for bundled service typically reflect an annual period beginning in the fall. The fall implementation for storage misses the injection cycle. On an annual basis, the Rate 315 contracts need to run from the spring until the next spring to properly manage injection and withdrawal. There is also a startup issue for no-notice service in the injection period where the customer may not yet have injected gas in to storage. The Company submits that these issues require

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the ability of the Company, at a customer's request, to transfer a limited quantity of storage gas to the customer at the start of the contract. The result improves the quality and effectiveness of service under the proposed Rate 315.

**DERIVATION OF RATE 300 LOAD BALANCING CHARGES  
 EB-2005-0551**

<b>Item No.</b>	<b>Description</b>	<b>Col. 1 Costs \$(000)</b>	<b>Col. 2 Volumes 103m3</b>	<b>Col. 3 Rate cents/m3</b>	<b>Reference</b>
<b>Daily Balancing Fee Tier 1 and Tier 2</b>					
<u>Injection and Withdrawl Charges:</u>					
1.1	Tecumseh In/Out Storage	3,912.6	5,504,619		Ex.C, T2, S4, Appendix B, Line 2.3
1.2	Tecumseh In/Out Transmission	9,526.7			Ex.C, T2, S4, Appendix B, Line 1.3
1.3	Tecumseh Fuel	6,340.2			Ex.C, T2, S4, Appendix B, Line 1.4
1.4	Union Storage Injection	77.7	544,605		Ex.C, T2, S4, Appendix B, Line 4.3
1.5	Union Storage Withdrawl	98.1	544,605		Ex.C, T2, S4, Appendix B, Line 4.4
1.6	Union Fuel	19,685.3			Ex.C, T2, S4, Appendix B, Line 5.4
1.7	Chatham D Pool	126.0			Ex.C, T2, S4, Appendix B, Line 4.5
1.0	Total Commodity Related Charges	<u>39,766.6</u>	<u>6,593,828.1</u>	0.603	Col. 1/Col. 2 x 100
2.1	Union M12 Transmission	52,296.7	17,119,230		Ex.C, T2, S4, Appendix B, Line 5.1
2.2	TCPL STS	5,283.9	3,288,646		Ex.C, T2, S4, Appendix B, Line 9.1
2.0	Total Demand Related Charges	<u>57,580.6</u>	<u>20,407,876</u>	<u>0.282</u>	Col. 1/Col. 2 x 100
3.0	Tier 1 Daily Balancing Rate			0.885	Item 1 + Item 2
4.0	Tier 2 Daily Balancing Rate			1.062	Item 3 at 120%

<b>Description</b>	<b>Col. 1 Costs \$(000)</b>	<b>Col. 2 Volumes 103m3</b>	<b>Col. 3 Rate cents/m3</b>	<b>Reference</b>	
<b>Cumulative Balancing Fee</b>					
<u>Storage Demand Deliverability</u>					
5.1	Tecumseh Daily Demand Storage	10,157.5			Ex.C, T2, S4, Appendix B, Line 2.2
5.2	Tecumseh Daily Demand Transmission	8,433.7	46,902		Ex.C, T2, S4, Appendix B, Line 1.2
5.3	Union Peak Storage Costs	4,178.4	9,010		Ex.C, T2, S4, Appendix B, Line 4.2
5.4	Union Interruptible Margin Rebate	(732.7)			Ex.C, T2, S4, Appendix B, Line 5.5
5.5	Union Dehydration	770.5			Ex.C, T2, S4, Appendix B, Line 7
5.6	Total Storage Demand Deliverability	<u>22,807.3</u>	<u>55,912</u>	3.3993	(Col. 1/Col. 2 x 100)/12
5.0	Total Unitized Storage Demand Rate			0.1118	Line 5.6 * 12/365
<u>Storage Demand Space</u>					
6.1	Tecumseh Annual Demand Storage	6,743.1			Ex.C, T2, S4, Appendix B, Line 2.1
6.2	Tecumseh Annual Demand Transmission	5,617.6	2,826,734		Ex.C, T2, S4, Appendix B, Line 1.1
6.3	Union Storage Space	2,551.2	563,320		Ex.C, T2, S4, Appendix B, Line 4.1
6.4	Total Storage Space	<u>14,911.9</u>	<u>3,390,054</u>	0.0367	(Col. 1/Col. 2 x 100)/12
6.0	Total Unitized Storage Space Rate			0.0012	Line 6.4 * 12/365
7.0	Total Unitized Storage Demand and Space			0.11	Lines 5.0+6.0
8.0	Total Cumulative Load Balancing Charge			0.45	Line 7.0 divided by 25%



DERIVATION OF RATE 300 DEMAND AND CUSTOMER CHARGES

ALLOCATION OF RETURN & TAXES

ITEM No.	DESCRIPTION	Col. 1 RATE 100	Col. 2 RATE 110	Col. 3 RATE 115	Col. 4 TOTAL REFERENCE (\$M)
DISTRIBUTION FACILITIES					
1.1	Total Distribution	11.31	2.43	2.04	15.78 Final Board Order / EB-2005-0001 / Ex. G2 / T5 / S2 / P1 / I4
CUSTOMER RELATED					
1.2	Total Customer Related	2.34	0.54	0.16	3.04 Final Board Order / EB-2005-0001 / Ex. G2 / T5 / S2 / P1 / I5
1.3	Entrac	0.04	0.02	0.03	0.10 Final Board Order / EB-2005-0001 / Ex. G2 / T5 / S2 / P1 / I6
1	Sub-Total	13.70	2.99	2.23	18.92 Item 1.1 + Item 1.2 + Item 1.3

ALLOCATION OF COST OF SERVICE

DESCRIPTION	Col. 1 RATE 100	Col. 2 RATE 110	Col. 3 RATE 115	Col. 4 TOTAL (\$M)	
DSM					
2.1.1	DSM - Peak	3.08	0.66	0.76	4.50 Final Board Order / EB-2005-0001 / Ex. G2 / T5 / S3 / P1 / I2.5
2.1.2	DSM - Annual	1.26	0.58	0.90	2.75 Final Board Order / EB-2005-0001 / Ex. G2 / T5 / S3 / P1 / I2.6 (excluding TS revenues)
2.1	Total DSM	4.34	1.25	1.66	7.25 Item 2.1.1 + Item 2.1.2
DISTRIBUTION FACILITIES					
2.2.1	Total Distribution	22.07	5.26	5.36	32.69 Final Board Order / EB-2005-0001 / Ex. G2 / T5 / S3 / P1 / I4
2.2.2	Less Commodity	2.25	1.04	1.61	4.89 Final Board Order / EB-2005-0001 / Ex. G2 / T5 / S3 / P1 / I4.4
2.2	Total Distribution Excluding Commodity	19.82	4.23	3.75	27.80 Item 2.2.1 - Item 2.2.2

CUSTOMER RELATED

2.3	Total Customer Related	8.05	1.76	0.75	10.57 Final Board Order / EB-2005-0001 / Ex. G2 / T5 / S3 / P1 / I5
2	Sub-Total	32.22	7.23	6.16	45.62 Item 2.1 + Item 2.2 + Item 2.3
CUSTOMER RELATED					
3	Total Customer Related	10.44	2.32	0.94	13.70 Item 1.2 + Item 2.3
4	Total Distribution Related	35.48	7.90	7.45	50.83 Item 1.1 + Item 1.3 + Item 2.1 + Item 2.2
5	Total Cost of Service	45.92	10.23	8.39	64.53 Item 1.0 + Item 2.0

	Col. 1	Col. 2	Col. 3
6	Number of Contracts	2,360	\$500
7	Contract Demand (CD) in 10 <sup>3</sup> m <sup>3</sup>	18,516	\$0.2267
8	Total Annual Charges		\$64,533,049

Col. 3= Col. 1 x Col. 2 (Note: Does not reflect unbundled rate implementation costs)  
 Col. 3= Col. 1 x Col. 2  
 Item 8, Col. 3 (Annual Revenues) = Item 5, Col. 4 (Annual Costs)

RATE NUMBER: <b>300</b>	<b>FIRM OR INTERRUPTIBLE DISTRIBUTION SERVICE</b>
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**APPLICABILITY:**

To any Applicant who enters into a Service Contract with the Company to use the Company's natural gas distribution network for the transportation to a single Terminal Location of a specified maximum daily volume of natural gas. The Company reserves the right to limit service under this schedule to customers whose maximum contract demand does not exceed 600,000 m<sup>3</sup>. The Service under this rate requires Automatic Meter Reading (AMR) capability. Service under this schedule is firm unless a customer is currently served under interruptible service or the Company, in its sole judgment, determines that existing delivery facilities cannot adequately serve the load on a firm basis.

**CHARACTER OF SERVICE:**

The Service shall be continuous (firm) except for events specified in the Service Contract including force majeure. The Applicant is neither allowed to take a daily quantity of gas greater than the Contract Demand nor an hourly amount in excess of the Contract Demand divided by 24, without the Company's prior consent. Interruptible Distribution Service is provided on a best efforts basis subject to the events identified in the service contract including force majeure and, in addition, shall be subject to curtailment or discontinuance of service when the Company notifies the customer under normal circumstances 4 hours prior to the time that service is subject to curtailment or discontinuance. Under emergency conditions, the Company may curtail or discontinue service on one-hour notice. The Interruptible Service Customer is not allowed to exceed maximum hourly flow requirements as specified in Service Contract.

**DISTRIBUTION RATES:**

<b>Monthly Customer Charge</b>	<b>\$550.00</b>
<b>Monthly Contract Demand Charge Firm</b>	<b>22.6710 ¢/m<sup>3</sup></b>
<b>Interruptible Service:</b>	
<b>Minimum Delivery Charge</b>	<b>0.3630 ¢/m<sup>3</sup></b>
<b>Maximum Delivery Charge</b>	<b>0.8944 ¢/m<sup>3</sup></b>
<b>Direct Purchase Administration Charge</b>	<b>\$50.00</b>
<b>Forecast Unaccounted For Gas Percentage</b>	<b>0.3%</b>

**Monthly Minimum Bill:** The Monthly Customer Charge plus the Monthly Contract Demand Charge.

**TERMS AND CONDITIONS OF SERVICE:**

1. To the extent that this Rate Schedule does not specifically address matters set out in PARTS III and IV of the Company's **HANDBOOK OF RATES AND DISTRIBUTION SERVICES** then the provisions in those Parts shall apply, as contemplated therein, to service under this Rate Schedule.

2. **Unaccounted for Gas (UFG) Adjustment Factor:**

The Applicant is required to deliver to the Company on a daily basis the sum of: (a) the volume of gas to be delivered to the Applicant's Terminal Location; and (b) a volume of gas equal to the forecast unaccounted for gas percentage as stated above multiplied by (a).

3. **Nominations:**

Customer shall nominate gas delivery daily based on the gross commodity delivery required to serve the customer's daily load plus the UFG, net of No-Notice Storage Service provisions under Rate 315, if applicable. The amount of gas delivered under No-Notice Storage Service will also be reduced by the UFG adjustment factor for delivery to the customer's meter.

Schedule of nominations under Rate 300 has to match upstream nominations. This rate does not allow for any more flexibility than exists upstream of the EGD gas distribution system. Where the customer's nomination does not match the confirmed upstream nomination, the nomination will be confirmed at the upstream value.

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RATE NUMBER: **300**

Customer may nominate gas to a contractually specified Primary Delivery Area that may be EGD's Central Delivery Area (CDA) or EGD's Eastern Delivery Area (EDA). The Company may accept deliveries at a Secondary Delivery Area such as Dawn, at its sole discretion. Quantities of gas nominated to the system cannot exceed Contract Demand, unless Make-up Gas or Authorized Overrun is permitted.

Customers with multiple Rate 300 contracts within a Primary Delivery Area may combine nominations subject to system operating requirements and subject to the Contract Demand for each Terminal Location. For combined nominations the customer shall specify the quantity of gas to each Terminal Location and the order in which gas is to be delivered to each Terminal Location. The specified order of deliveries shall be used to administer Load Balancing Provisions to each Terminal Location. When system conditions require delivery to a single Terminal Location only, nominations with different Terminal Locations may not be combined.

**4. Authorized Demand Overrun:**

The Company may, at its sole discretion, authorize consumption of gas in excess of the Contract Demand for limited periods within a month, provided local distribution facilities have sufficient capacity to accommodate higher demand. In such circumstances, customer shall nominate gas delivery based on the gross commodity delivery required to serve the customer's daily load, including quantities of gas in excess of the Contract Demand, plus the UFG. The Load Balancing Provisions and/or No-Notice Storage Service provisions under Rate 315 cannot be used for Authorized Demand Overrun. Failure to nominate gas deliveries to match Authorized Demand Overrun shall constitute Unauthorized Supply Overrun.

The rate applicable to Authorized Demand Overrun shall equal the applicable Monthly Demand Charge times 12/365 provided, however, that such service shall not exceed 5 days in any contract year. Requests beyond 5 days will constitute a request for a new Contract Demand level, with retroactive charges based on terms of Service Contract.

**5. Unauthorized Demand Overrun:**

Any gas consumed in excess of the Contract Demand and/or maximum hourly flow requirements, if not authorized, will be deemed to be Unauthorized Demand Overrun gas. Unauthorized Demand Overrun gas will establish a new Contract Demand and shall be subject to a charge equal to 120 % of the applicable monthly charge for twelve months of the current contract term, including retroactively based on terms of Service Contract. Unauthorized Demand Overrun gas shall also be subject to Unauthorized Supply Overrun provisions. Where a customer receives interruptible service hereunder and consumes gas during a period of interruption, such gas shall be deemed Unauthorized Supply Overrun. In addition to charges for Unauthorized Supply Overrun, interruptible customers consuming gas during a scheduled interruption shall pay a penalty charge of \$18.00 per m<sup>3</sup>.

**6. Unauthorized Supply Overrun:**

Any volume of gas taken by the Applicant on a day at the Terminal Location which exceeds the sum of:

- i. any applicable Load Balancing Provision pursuant to Rate 300 and/or provisions of Rate 315, plus
- ii. the volume of gas delivered by the Applicant on that day shall constitute Unauthorized Supply Overrun Gas.

The Company may also deem volumes of gas to be Unauthorized Supply Overrun gas in other circumstances, as set out in the Load Balancing Provisions of Rate 300.

Any gas deemed to be Unauthorized Overrun gas shall be purchased by the customer at a price (Pe), which is equal to 150% of the highest price in effect for that day as defined below.\*\*

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RATE NUMBER: **300**

**7. Unauthorized Supply Underrun:**

Any volume of gas delivered by the Applicant on any day in excess of the sum of:

- i. any applicable Rate 300 Load Balancing Provision pursuant to Rate 300 and/or provisions of Rate 315, plus
- ii. the volume of gas taken by the Applicant at the Terminal Location on that day shall be classified as Supply Underrun Gas.

The Company may also deem volumes of gas to be Unauthorized Supply Underrun gas in other circumstances, as set out in the Load Balancing Provisions of Rate 300.

Any gas deemed to be Unauthorized Supply Underrun Gas shall be purchased by the Company at a price ( $P_u$ ) which is equal to fifty percent (50%) of the lowest price in effect for that day as defined below\*\*.

$$P_e = (P_m * E_r * 100 * 0.03769 / 1.054615) * 1.5$$

$P_m$  = highest daily price in U.S. \$/mmBtu published in the Gas Daily, a Platts Publication, for that day under the column "Absolute", for the Niagara export point if the terminal location is in the CDA delivery area, and the Iroquois export point if the terminal location is in the EDA delivery area.

$E_r$  = Noon day spot exchange rate expressed in Canadian dollars per U.S. dollar for such day quoted by the Bank of Canada in the following days Globe & Mail Publication.

1.054615 = Conversion factor from mmBtu to GJ.

0.03769 = Conversion factor from GJ to cubic metres.

\*\* where the price  $P_u$  expressed in cents / cubic metre is defined as follows:

$$P_u = (P_l * E_r * 100 * 0.03769 / 1.054615) * 0.5$$

$P_l$  = lowest daily price in U.S. \$/mmBtu published in the Gas Daily, a Platts Publication, for that day under the column "Absolute", for the Niagara export point if the terminal location is in the CDA delivery area, and the Iroquois export point if the terminal location is in the EDA delivery area.

**Term of Contract:**

A minimum of one year. A longer-term contract may be required if incremental assets/facilities have been procured/built for the customer. Migration from an unbundled rate to bundled rate may be restricted subject to availability of adequate transportation and storage assets.

**Right to Terminate Service:**

The Company reserves the right to terminate service to customers served hereunder where the customer's failure to comply with the parameters of this rate schedule, including interruptible service and load balancing provisions, jeopardizes either the safety of the gas system. The Company may, in its sole discretion, provide notice to the customer of such termination; however, or reliability no notice is required to alleviate emergency conditions.

**Load Balancing:**

Any difference between actual daily-metered consumption and the actual daily volume of gas delivered to the system less the UFG shall first be provided under the provisions of Rate 315 - Gas Storage Service, if applicable. Any remaining difference will be subject to the Load Balancing Provisions.

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RATE NUMBER: **300**

**LOAD BALANCING PROVISIONS:**

Load Balancing Provisions shall apply at the customer's Terminal Location.

In the event of an imbalance any excess delivery above the customer's actual consumption or delivery less than the actual consumption shall be subject to the Load Balancing Provisions.

**Definitions:**

**Aggregate Delivery:**

The Aggregate Delivery for a customer's account shall equal the sum of the confirmed nominations of the customer for delivery of gas to the applicable delivery area from all pipeline sources plus, where applicable, the confirmed nominations of the customer for Storage Service under Rate 315 and any available No-Notice Storage Service under Rate 315 for delivery of gas to the Applicable Delivery Area.

**Applicable Delivery Area:**

The Applicable Delivery Area for each customer shall be specified by contract as a Primary Delivery Area. Where system-operating conditions permit, the Company, in its sole discretion, may accept a Secondary Delivery Area as the Applicable Delivery Area by confirming the customer's nomination of such area. Confirmation of a Secondary Delivery Area for a period of a gas day shall cause such area to become the Applicable Delivery Area for such day. Where delivery occurs at both a Terminal Location and a Secondary Delivery Area on a given day, the sum of the confirmed deliveries may not exceed Contract Demand, unless Demand Overrun and/or Make-up Gas is authorized.

**Primary Delivery Area:**

The Primary Delivery Area shall be delivery area such as EGD's Central Delivery Area (CDA) or EGD's Eastern Delivery Area (EDA).

**Secondary Delivery Area:**

A Secondary Delivery Area may be a delivery area such as Dawn where the Company, at its sole discretion, determines that operating conditions permit gas deliveries for a customer.

**Actual Consumption:**

The Actual Consumption of the customer shall be the metered quantity of gas consumed at the customer's premise.

**Net Available Delivery:**

The Net Available Delivery shall equal the Aggregate Delivery times one minus the annually determined percentage of Unaccounted for Gas (UFG) as reported by the Company.

**Daily Imbalance:**

The Daily Imbalance shall be the absolute value of the difference between Actual Consumption and Net Available Delivery.

**Cumulative Imbalance (also referred to as Banked Gas Account):**

The Cumulative Imbalance shall be the sum of the difference between Actual Consumption and Net Available Delivery.

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RATE NUMBER: **300**

**Maximum Contractual Imbalance:**

The Maximum Contractual Imbalance shall be less than or equal to 60% of the customer's Contract Demand.

**Winter and Summer Seasons:**

The winter season shall commence on the date that the Company provides notice of the start of the winter period and conclude on the date that the Company provides notice of the end of the winter period. The summer season shall constitute all other days.

**Operational Flow Order:**

An Operational Flow Order (OFO) shall constitute an issuance of instructions to protect the operational capacity and integrity of the Company's system, including distribution and/or storage assets, and/or connected transmission pipelines.

Circumstances that would call for an OFO would include but not be limited to:

- Capacity constraint on the system, or portions of the system, or upstream systems, that are fully utilized;
- Conditions where the potential exists that forecasted system demand plus reserves for short notice services provided by the Company and allowances for power generation customers' balancing requirements would exceed facility capabilities and/or provisions of 3rd party contracts;
- Pressures on the system or specific portions of the system are too high or too low for safe operations;
- Storage system constraints on capacity or pressure or caused by equipment problems resulting in limited ability to inject or withdraw from storage;
- Pipeline equipment failures and/or damage that prohibits the flow of gas;
- Any and all other circumstances where the potential for system failure exists.

**Daily Balancing Fee:**

On any day where the customer has a Daily Imbalance the customer shall pay a Daily Balancing Fee equal to:

(Tier 1 Quantity X Tier 1 Fee) + (Tier 2 Quantity X Tier 2 Fee) + (Applicable Penalty Fee for Imbalance in excess of the Maximum Contractual Imbalance X the amount of Daily Imbalance in excess of the Maximum Contractual Imbalance)

Where Tier 1 and 2 Fees and Quantities are set forth as follows:

Tier 1 = Daily Imbalance of greater than 2% but less than 10% of the Maximum Contractual Balance and shall be subject to a charge of 0.8852 cents/m<sup>3</sup>

Tier 2 = Daily Imbalance of greater than 10% but less than Maximum Contractual Imbalance shall be subject to a charge of 1.0623 cents/m<sup>3</sup>

The customers shall also pay any Load Balancing Agreement (LBA) charges imposed by the pipeline on days when the customer has a Daily Imbalance provided such imbalance matches the direction of the pipeline imbalance. LBA charges shall first be allocated to customers served under Rate 125 and 300. The system bears a portion of these charges only to the extent that the system incurs such charges based on its operation excluding the operation of customers under Rates 125 and 300. In that event, LBA charges shall be prorated based on the relative imbalances.

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RATE NUMBER: **300**

A Daily Imbalance in excess of the Maximum Contractual Imbalance shall be deemed to be Unauthorized Supply Overrun or Underrun gas, as appropriate.

Customer's Actual Consumption cannot exceed Net Available Delivery when the Company issues an Operational Flow Order in the winter. Net nominations must not be less than consumption at the Terminal Location. Any negative Daily Imbalance on a winter Operational Flow Order day shall be deemed to be Unauthorized Supply Overrun. Customer's Net Available Delivery cannot exceed Actual Consumption when the Company issues an Operational Flow Order in the summer. Actual Consumption must not be less than net nomination at the Terminal Location. Any positive Daily Imbalance on a summer Operational Flow Order day shall be deemed to be Unauthorized Supply Underrun.

The Company will waive Daily Balancing Fee and Cumulative Imbalance Charge on the day of an Operational Flow Order if the customer used less gas than the amount the customer delivered to the system during the winter season or the customer used more gas than the amount the customer delivered to the system during the summer season. The Company will issue a 24-hour advance notice to customers of Operational Flow Orders and suspension of Load Balancing Provisions.

**Cumulative Imbalance Charges:**

Customers may trade Cumulative Imbalances within a delivery area.

Customers shall be permitted to nominate Make-up Gas, subject to operating constraints, provided that Make-up Gas plus Aggregate Delivery do not exceed Contract Demand. The Company may, on days with no operating constraints, authorize Make-up Gas that, in conjunction with Aggregate Delivery, exceeds Contract Demand.

The customer's Cumulative Imbalance cannot exceed its Maximum Contractual Imbalance. The excess imbalance shall be deemed to be Unauthorized Overrun or Underrun gas, as appropriate.

The Cumulative Imbalance Fee shall be equal to of 0.4519 cents/m<sup>3</sup> per unit of imbalance.

The customer's Cumulative Imbalance shall be equal to zero within five (5) days from the last day of the Service Contract.

**EFFECTIVE DATE:**

To apply to bills rendered for gas service provided on and after January 1, 2007. This rate schedule is effective January 1, 2007.

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PROPOSED RATE 315 – STORAGE SERVICE

1. This purpose of this evidence is to describe the Rate 315 Storage Service offering and discuss the derivation of the charges associated with that rate. The rates discussed in this evidence can be found in the Rate 315 rate schedule filed at Exhibit D, Tab 3, Schedule 2. In order to develop rates and charges for this proceeding, the Company utilized the results from its fully allocated cost study stemming from the Board's decision from EB-2005-0001/EB-2006-0035 which incorporates the 2006 calendar year Decision and April 1, 2006 QRAM costs. This evidence also responds to the Board's questions that are set out at Appendix B in Procedural Order No. 2.
  
2. Rate 315 contains the following provisions:
  - (i) Availability
  - (ii) Character of Service
  - (iii) Monthly Customer Charge
  - (iv) Storage Reservation Charge
  - (v) Monthly Minimum Bill
  - (vi) Nominated Storage Service
  - (vii) No-Notice Storage Service
  - (viii) Other provisions
  - (ix) Term of Contract

Witnesses: M. Girihdar  
E. Overcast

3. The following evidence discusses each of the provisions:

(i) Availability

The availability provision restricts service to customers served under Rate 300 since the design of Rate 315 complements service under Rate 300. Service under this rate requires a contract that specifies the storage capacity and deliverability subject to the maximum constraints provided under the rate. The Company believes that customers will, in general, take the maximum space and deliverability since this will permit the customer to match the existing bundled service offering. Service is available on both a nominated and no-notice basis. The sum of the two services cannot exceed the maximum withdrawal or injection rate for storage.

(ii) Character of Service

The service under this rate is firm where the customer contracts for firm service under Rate 300 and interruptible where the customer contracts for interruptible service under Rate 300. Storage service is available on a nominated basis and a no-notice basis.

(iii) to (v) Monthly Charges

The Rate 315 rates consist of a monthly customer charge, a storage reservation charge and a minimum bill.

Monthly Customer Charge

The monthly customer charges has been set at \$200 per month. The charge has been set to recover the forecast level of incremental system enhancements costs the Company is forecasting to incur to enable the unbundling of rates and service, which is \$50.00. The derivation of the \$50 is explained at Exhibit C, Tab 2, Schedule 4, paragraph 2. In addition, the Company has identified \$150 per month

in incremental billing costs as outlined at Exhibit B, Tab 3, Schedule 3, Page 4, paragraph 11.

### Monthly Reservation Charges

#### Storage Space Demand

The storage space demand charge for Rate 315 is 0.0367 cents /m<sup>3</sup>. The derivation of this charge is attached as Appendix A to this evidence. The costs included in Appendix A can be seen in Exhibit C, Tab 2, Schedule 4, Appendix B. Appendix B is an excerpt from the Company's fully allocated cost study and reflects the classification of storage and transportation costs embedded in Enbridge Gas Distribution's April 1, 2006 QRAM rates. The volumes depicted in Col. 2 of Appendix A are based on Enbridge Gas Distribution's 2006 forecast level of injections and withdrawals from Tecumseh storage as well as contract levels of demand on Union and TCPL systems. The costs included in the storage space charge can be seen at Item 2 of Column 3 and reflect the capacity reserved in storage.

#### Storage Demand Deliverability

The storage demand deliverability charge is 11.9813 cents /m<sup>3</sup> and reflects the costs of deliverability and storage transportation. The derivation of this rate can be seen at Item 1 in the attached Appendix A.

#### Injection and Withdrawal Charges

These are variable charges applicable to the injection and withdrawal of gas from storage and a fuel ratio factor. The derivation of these charges can be seen at Line 3 of Appendix A. The fuel ratio would be set at 0.35%.

Monthly Minimum Bill

Monthly minimum bill is equal to the customer charge plus demand charges.

(vi) Nominated Storage Service

This service requires that the customer nominate service from storage as part of the gas supply for delivery to the customer's meter. The amount of gas nominated from storage applies first to daily load balancing. Storage service is not available for delivery to secondary delivery points and all the unnominated storage is available for No-Notice service. Customers refill storage by nominating an amount for delivery and identifying the storage delivery point as the primary delivery point. The sum of gas nominated for storage and for delivery at the customer's meter cannot exceed the contract demand. Under certain conditions, the Company may restrict deliveries and withdrawals based on system operating requirements.

(vii) No-Notice Storage Service

Providing that system operating conditions permit, service under this schedule is available on a No-Notice basis. In order to provide No-Notice service, the customer must grant the Company exclusive rights to use service available from storage to reduce daily imbalances for the customer. Whether No-Notice service for injection or withdrawal, this service is limited to available unscheduled withdrawal or injection capacity under contract. A single storage contract may be combined with multiple Rate 300 delivery points if the customer specifies the order of delivery for No-Notice storage service. Customers may not deliver more gas for storage than the available injection capacity. Any excess deliveries for storage injection are subject to cash-out. Where cash-out is defined in the Rate 300 rate schedule under P<sub>u</sub>.

(viii) Other Provisions

To the extent that a customer elects to operate its storage capacity at less than full volumetric storage capacity, this provision permits the Company to inject its own gas into storage. This provision is critical to maintaining overall system reliability based on available gas supply in storage.

(ix) Term of Contract

The contract term is for a minimum of one year.

Response to Procedural Order #2 – Board Questions to Appendix B

4. Please see Exhibit D, Tab 2, Schedule 1 for a response to the questions posed in Appendix B.

**DERIVATION OF RATE 315 GAS STORAGE SERVICE  
 EB-2005-0551**

<b>Item No.</b>	<b>Description</b>	<b>Col. 1 Costs \$(000)</b>	<b>Col. 2 Volumes 103m3</b>	<b>Col. 3 Rate cents/m3</b>	<b>Reference</b>
<b><u>Storage Demand/ Deliverability</u></b>					
1.1	Tecumseh Daily Demand Storage	10,157.5			Ex.C, T2, S4, Appendix B, Line 2.2
1.2	Tecumseh Daily Demand Transmission	8,433.7	46,902		Ex.C, T2, S4, Appendix B, Line 1.2
1.3	Union Peak Storage Costs	4,178.4	9,010		Ex.C, T2, S4, Appendix B, Line 4.2
1.4	M12 Demand with Compression	52,296.7			Ex.C, T2, S4, Appendix B, Line 5.1
1.5	Union Interruptible Margin Rebate	(732.7)			Ex.C, T2, S4, Appendix B, Line 5.5
1.6	Union Dehydration	770.5			Ex.C, T2, S4, Appendix B, Line 7
1.7	STS	5,283.9			Ex.C, T2, S4, Appendix B, Line 9.1
1.8	Total Storage Demand Deliverability	80,387.9	55,912	11.9813	(Col. 1/Col. 2 x 100)/12
1.0	Total Unitized Storage Demand Rate			0.3939	Line 1.8 * 12/365
<b><u>Space Demand</u></b>					
2.1	Tecumseh Annual Demand Storage	6,743.1			Ex.C, T2, S4, Appendix B, Line 2.1
2.2	Tecumseh Annual Demand Transmission	5,617.6	2,826,734		Ex.C, T2, S4, Appendix B, Line 1.1
2.3	Union Storage Space	2,551.2	563,320		Ex.C, T2, S4, Appendix B, Line 4.1
2.4	Total Storage Space	14,911.9	3,390,054	0.0367	(Col. 1/Col. 2 x 100)/12
2.0	Total Unitized Storage Space Rate			0.0012	Line 2.4 * 12/365
<b><u>Injection and Withdrawl Charges:</u></b>					
3.1	Tecumseh In/Out Storage	3,912.6			Ex.C, T2, S4, Appendix B, Line 2.3
3.2	Tecumseh In/Out Transmission	9,526.7	5,504,619		Ex.C, T2, S4, Appendix B, Line 1.3
3.3	Tecumseh Fuel	-			
3.4	Union Storage Injection	77.7	544,605		Ex.C, T2, S4, Appendix B, Line 4.3
3.5	Union Storage Withdrawl	98.1	544,605		Ex.C, T2, S4, Appendix B, Line 4.4
3.6	Union Fuel	19,685.3			Ex.C, T2, S4, Appendix B, Line 5.4
3.7	Chatham D Pool	126.0			Ex.C, T2, S4, Appendix B, Line 4.5
3.0	Total Commodity Related Charges	33,426.4	6,593,828	0.5069	Col. 1/Col. 2 x 100

**APPLICABILITY:**

This rate is available to any customer taking service under distribution rates 300. It requires a Service Contract that identifies the required storage space and deliverability. In addition, the customer shall maintain a positive balance of gas in storage at all times or forfeit the use of Storage Services for Load Balancing and No-Notice Storage Service.

A daily nomination for storage injection and withdrawal except for No-Notice Storage Service, hereunder, which is used automatically for daily Load Balancing, shall also be required.

The maximum hourly injections / withdrawals shall equal 1/24 of the daily Storage Demand. No-Notice Storage Service is available up to the maximum daily withdrawal rights less the nominated withdrawal or the maximum daily injection rights less the nominated injections.

Storage space shall be based on the storage space algorithm [(customer's average winter demand – customer's average annual demand) x 151]. Maximum deliverability shall be 1.2% of contracted storage space. The maximum injection rate shall be based on the level of gas in storage and shall be posted daily by the Company. The customer may inject and withdraw gas based on the quantity of gas in storage and the limitations specified in the Service Contract. Both injection and withdrawal shall be subject to applicable storage ratchets as determined by the Company and posted from time to time.

**CHARACTER OF SERVICE:**

Service shall be firm when used in conjunction with firm distribution service. Service is interruptible when used in conjunction with interruptible service. All service is subject to contract terms and force majeure.

The service is available on two bases:

- (1) Service nominated daily based on the available capacity and gas in storage up to the maximum contracted daily deliverability; and
- (2) No-Notice Storage Service for daily Load Balancing consistent with the maximum hourly deliverability.

**RATE:**

The following rates and charges shall apply in respect to all gas received by the Company from and delivered by the Company to storage on behalf of the Applicant.

<b>Monthly Customer Charge:</b>	<b>\$200.00</b>
<b>Storage Reservation Charge:</b>	
<b>Storage Space Demand Charge</b>	<b>0.0367 ¢/m<sup>3</sup></b>
<b>Storage Deliverability/Injection Demand Charge</b>	<b>11.9813 ¢/m<sup>3</sup></b>
<b>Injection &amp; Withdrawal Unit Charge:</b>	<b>\$0.5069 ¢/m<sup>3</sup></b>

**Monthly Minimum Bill:** The sum of the Monthly Customer Charge plus Monthly Demand Charges.

**FUEL RATIO REQUIREMENT:**

The Fuel Ratio per unit of gas injected and withdrawn is 0.35%.

All Storage Space and Deliverability/Injection Demand Charges are applicable monthly. Injection and withdrawal charges are applicable to each unit of gas injected or withdrawn based on daily nominations and No-Notice Storage Service quantities.

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All deemed withdrawal quantities under the No-Notice Storage Service provisions of this rate will be adjusted for the UFG provisions applicable to the distribution service rates.

In addition, for each unit of injection or withdrawal there will be an applicable fuel charge adjustment expressed as a percent of gas.

**TERMS AND CONDITIONS OF SERVICE:**

**1. Nominated Storage Service:**

The customer may elect to nominate all or a portion of the available withdrawal capacity for delivery to the applicable Primary Delivery Area, which may be EGD's Central Delivery Area (CDA) or EGD's Eastern Delivery Area (EDA). All volumes nominated from storage are delivered first for purposes of daily Load Balancing of available supply assets. Storage Service will not be available for delivery to Secondary Delivery Areas. Storage not nominated for delivery will be available for No-Notice Storage Service. The sum of gas nominated for storage injection and for the Terminal Location shall not exceed the customer's Contract Demand.

Customer may also nominate gas for delivery into storage by nominating the storage delivery area as the Primary Delivery Area. Gas nominated for storage delivery will not be available for No-Notice Storage Service. The sum of gas nominated for storage injection and for the Terminal Location shall not exceed the customer's Contract Demand. Any gas in excess of the contract demand shall be deemed injection overrun gas and cashed out at 50% of the lowest index price of gas, as defined as  $P_t$  in the Rate 300 rate schedule.

The Company reserves the right to limit injection and withdrawal rights based on system operating requirements and may reduce nominations for injection or require nominations to be delivered to the system.

**2. No-Notice Storage Service:**

The Company, at its sole discretion based on operating conditions, may provide a No-Notice Storage Service that allows customers taking gas under distribution service rates to balance daily deliveries using this Storage Service. No-Notice Storage Service requires that the customer grant the Company the exclusive right to use unscheduled service available from storage to reduce the daily imbalance associated with the actual consumption of the customer.

No-Notice Storage Service is limited to the available, unscheduled withdrawal or injection capacity under contract to serve a customer. Where the customer serves multiple delivery locations from a single storage Service Contract, the customer shall specify the order in which gas is to be delivered to each Terminal Location served under a distribution Service Contract. The specified order of deliveries shall be used to administer Load Balancing Provisions to each Terminal Location.

The availability of No-Notice Storage Service is subject to and reduced by any service schedule from or to storage. To the extent that the quantity of gas available in storage is insufficient to meet the requirements of the customer under a No-Notice Storage Service, the customer will be unable to use the service on a no-notice basis for Load Balancing service. To the extent that the scheduled injections into storage plus No-Notice Storage Service exceed the maximum limit for injection, No-Notice Storage Service will be reduced and the remainder of the gas will constitute a daily imbalance. Gas delivered in excess of the maximum injection quantity shall be deemed injection overrun gas and cashed out at 50% of the lowest index price of gas, as defined as  $P_t$  in the Rate 300 rate schedule.

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**Other provisions:**

If the customer elects to use the contracted storage capacity at less than the full volumetric capacity of the storage, the Company may inject its gas provided that such injection does not reduce the right of the customer to withdraw the full amount of gas injected on any day during the withdrawal season or to schedule its full injection right during the injection season.

**Term of Contract:**

A minimum of one year.

A longer-term contract may be required if incremental contracts/assets/facilities have been procured/built for the customer.

**EFFECTIVE DATE:**

To apply to bills rendered for gas service provided on and after January 1, 2007. This rate schedule is effective January 1, 2007.

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