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## VIA EMAIL AND COURIER

Kirsten Walli  
Board Secretary  
Ontario Energy Board  
2300 Yonge Street  
Suite 2700  
Toronto, Ontario  
M4P 1E4

Dear Ms. Walli:

**Re: Ontario Energy Board ("Board") File No.: EB-2005-0551  
Natural Gas Electricity Interface Review and Storage Regulation  
Argument of Enbridge Gas Distribution Inc.**

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Enclosed are ten copies of Enbridge Gas Distribution's argument in this matter. A PDF searchable and Word format version of the argument will also be filed with the Board electronically.

If you have any questions in this regard please do not hesitate to contact us.

Yours very truly,

AIRD & BERLIS LLP



Fred D. Cass

FDC/  
Encls.

**IN THE MATTER OF** a proceeding initiated by the Ontario Energy Board to determine whether it should order new rates for the provision of natural gas transmission, distribution and storage services to gas-fired generators (and other qualified customers) and whether the Board should refrain from regulating the rates for storage of gas.

## **SUBMISSIONS OF ENBRIDGE GAS DISTRIBUTION INC.**

### **A. Introduction**

This proceeding was initiated by a Notice of Proceeding issued by the Ontario Energy Board (the "Board" or the "OEB") on December 29, 2005. The Board's Notice indicated that it would hold a generic hearing to determine whether it should order new rates for natural gas transmission, distribution and storage services that contain the following:

1. more frequent nomination windows for distribution, storage and transportation;
2. firm higher deliverability from storage;
3. greater operational flexibility in the provision of distribution services, including the removal of inter-franchise barriers, the ability to redirect or acquire gas on short notice and the removal of unreasonable restrictions on the title transfer of gas in storage; and
4. gas storage and distribution as discrete new services to gas-fired generators (and other qualified customers).

In addition, the Notice of Proceeding indicated that the Board would determine whether to refrain, in whole or in part, from exercising its power to regulate the rates charged for the storage of gas in Ontario. The Notice went on to say that the Board would reach this determination by considering whether, as a question of fact, the storage of gas in Ontario is subject to competition sufficient to protect the public interest.

On January 26, 2006, the Board issued Procedural Order No. 1 in this matter. This Procedural Order identified issues under three separate headings or categories, namely:

- I. Rates for gas-fired generators (and other qualified customers);
- II. Storage regulation; and
- III. Transportation capacity bidding process and allocation.

The list of issues set out in Procedural Order No. 1 was expanded by later Procedural Orders. Procedural Order No. 2 added a new set of issues under the following heading:

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

Procedural Order No. 2 included an Issues List, which was attached thereto as Appendix C. Later, Procedural Order No. 3 identified certain issues that were "moved" from the 2007 rates proceeding for Union Gas Limited ("Union") to this proceeding.

The issues added to this proceeding by Procedural Order No. 3 are specific to Union, as is Issue III (Transportation capacity bidding process and allocation) that was set out in the earlier procedural orders. Of relevance to Enbridge Gas Distribution Inc. ("Enbridge Gas Distribution" or the "Company") are the following categories of issues identified in the Issues List attached to Procedural Order No. 2:

- I. Rates for gas-fired generators (and other qualified customers);
- II. Storage regulation; and
- IV. Enbridge rates for large volume customers (Rate 300 Series).

The Board's Procedural Orders provided for a Settlement Conference, but indicated that the Board did not intend to receive a Settlement Proposal on issues in category II (Storage regulation). Consequently, Enbridge Gas Distribution and interested parties proceeded with a Settlement Conference in

respect of issues in categories I and IV. This Settlement Conference took place on May 29, 30 and 31 and June 1, 2, 5, 6, 12 and 13, 2006. The outcome of the Settlement Conference was a Settlement Proposal filed with the Board on June 13, 2006, which left unresolved the following issues:

1. a "threshold issue" regarding allocation of costs and revenue deficiencies attributable to changes in Rates 125 and 300;
2. all issues in category II (Storage regulation);
3. an issue about the Company's proposal that Rate 125 be made available to existing and new firm loads greater than 600,000 m<sup>3</sup> per day: IGUA, AMPCO and CME reserved their right to request that availability be limited to new loads only; and
4. high deliverability storage under Rate 316: there was agreement on base level deliverability, but no agreement as to whether and how high deliverability storage service would be offered and what pricing would apply.

The "threshold issue" was heard and determined by the Board on July 14, 2006, at which time the Board also approved the Settlement Proposal. The remaining issues that were not resolved in the Settlement Proposal will be addressed under the headings which follow.

## **B. Storage Forbearance**

### **The Governing Legislation**

The wording of subsection 29(1) of the *Ontario Energy Board Act, 1998*<sup>1</sup> (the "OEB Act") has been referred to many times in this proceeding. Nonetheless, it is important that any consideration of the forbearance issue start from the words of that section. Subsection 29(1) provides as follows:

On an application or in a proceeding, the Board shall make a determination to refrain, in whole or in part, from exercising any power or performing any duty

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<sup>1</sup> S.O. 1998, c. 15, Sch. B

under this Act if it finds as a question of fact that a licensee, person, product, class of products, service or class of services is or will be subject to competition sufficient to protect the public interest.

It seems to be common ground in this proceeding that the test for forbearance established by subsection 29(1) is “competition sufficient to protect the public interest”. This test was recognized in the Notice which initiated this proceeding, where the Board indicated that, in determining whether to forbear from regulation, it would consider whether, as a question of fact, the storage of gas in Ontario is subject to competition sufficient to protect the public interest.

While there seems to be no dispute about the statutory test established by subsection 29(1), there are a number of other important features of this provision that should be emphasized.

First, subsection 29(1) makes clear that (subject to satisfaction of the statutory test) competition is preferred, and indeed required, instead of regulation. This is the effect of the words which state that, when the statutory test is met, the Board “shall” make a determination to refrain (in whole or in part) from exercising “any” power or performing “any” duty under the statute. That is to say, when the Board determines that there is sufficient competition to protect the public interest, the statute requires a determination that the Board will refrain from exercising *any* powers or duties in that area, subject only to the qualification that the Board may refrain in whole or in part.

Another important feature of subsection 29(1) is that the test of “competition sufficient to protect the public interest” is to be applied in a number of different ways. The required determination to refrain from regulation is triggered when a “person” is subject to competition sufficient to protect the public interest, or when a class of products or services is subject to competition sufficient to protect the public interest, or even when a single product or service is subject to such competition. Thus, the statutory test may trigger a required forbearance determination in respect of all gas storage services, or a particular class of gas storage services (such as transactional storage services) or even an individual gas storage service (such as one particular transactional storage service).

A third feature of subsection 29(1) that should not be overlooked is the words which precede the statutory test, namely, the words “is or will be”. In applying the test, the Board is to consider not only whether there is sufficient competition to protect the public interest, but also whether there will be such competition in the future.

### **The Competitive Market**

The evidence in this proceeding has clearly demonstrated that the gas storage market at Dawn, Ontario is subject to competition sufficient to protect the public interest.

The most persuasive and useful evidence of this fact came from parties who actually participate in the Dawn market to acquire and sell storage and storage substitutes. Those parties provided real-world examples of competitive alternatives that exist for gas storage customers who are seeking to obtain storage services in Ontario.

However, before discussing the evidence from parties such as Société en Commandite Gaz Métro ("Gaz Métro") and BP Canada Energy Company ("BP"), it is useful to examine the expert evidence provided in this proceeding. On the one hand, there are reports and testimony from Energy and Environmental Analysis/R. Schwindt ("EEA"), Navigant Consulting and Concentric Energy Advisors which all conclude that Enbridge Gas Distribution and Union do not have market power in the provision of natural gas storage in Ontario. On the other hand, the reports and testimony from Bruce McConihe and Mark Stauff come to the opposite conclusion (although Ms McConihe did concede that Enbridge Gas Distribution on its own could not exercise market power for ex-franchise markets)<sup>2</sup>.

All of the reports employ a common approach of identifying the relevant product and geographic market and then examining the market share of the Ontario gas utilities for the relevant product within the determined geographic market. While all experts considered physical gas storage to be the relevant product, and there was little debate about the amount of gas storage owned by different players in the market, there was no consensus on the relevant geographic market to be considered. There seems to be little doubt though, that if the relevant geographic market is considered to include neighbouring jurisdictions such as Michigan and Illinois, then the Ontario utilities do not have a sufficient market share concentration to exercise market power.<sup>3</sup>

In his examination in chief, Rick Smead of Navigant Consulting captured the essence of the differences between the experts on both sides of the issue:

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<sup>2</sup> 8 Tr. 206-207

<sup>3</sup> Indeed, Ms McConihe herself acknowledged this in earlier reports for Enbridge Inc. and Enbridge Consumers Gas where she concluded that, based on a geographic market that included Michigan and other nearby jurisdictions, the Ontario utilities could not exercise market power: Exhibit J1.2, Tab 7(b)

Fundamentally, everybody, everybody on both sides of the issue, goes through pretty much the same kind of analysis, except that the size of the market that they consider grows or shrinks based upon perceptions of availability of alternatives in the United States and the availability of delivery capacity to be able to communicate with the alternatives in the United States.

...

So, really, you can boil down the disagreements on this, the competition issue, I think simply to a question of: What is the ease of communication between the markets for competitors to compete with each other?<sup>4</sup>

In cross-examination, Ms McConihe agreed that it was “[her] concern that there is not unsubscribed firm pipeline capacity into Ontario that caused [her] to narrow the geographic market to Ontario”.<sup>5</sup>

In the Company’s submission, the evidence supports the conclusion that the Ontario gas storage market does “communicate” with Michigan and other jurisdictions such that storage and storage substitutes in those markets are available to Ontario end users. The record in this proceeding confirms Navigant Consulting’s conclusion that “there is ample ability for storage and other services in the United States to provide meaningful competition for Ontario storage”.<sup>6</sup>

That the Ontario and Michigan and other nearby markets “communicate” can be seen in the reports filed by EEA and Navigant Consulting. There is no debate that Dawn is physically connected, through pipelines, to storage facilities throughout much of the United States and Canada.<sup>7</sup> The issue is whether those facilities are actually part of the same market as Dawn. In order to assess this question, EEA looked at the “basis differential” between Dawn and other market “hubs” to evaluate the level of correlation of natural gas pricing at these different points. To the extent that natural gas prices are consistent between two hubs, taking into account the transportation costs involved between them, then it can be said that the markets communicate and that there is flexible transportation available between the markets.<sup>8</sup> As John Reed of Concentric Energy Advisors testified, price correlation analysis is the “best evidence” that there are no transportation constraints.<sup>9</sup> Through their research and analysis, EEA found, and Navigant Consulting concurred, that the results of the basis differential analysis “indicate a very close relationship in daily price movements between Dawn and

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<sup>4</sup> 6 Tr. 16-17

<sup>5</sup> 8 Tr. 198

<sup>6</sup> Exhibit F, Tab 3, Schedule 1, page 6

<sup>7</sup> EEA Study, Union Evidence, Exhibit C, Appendix B, Table 3, p. 33

<sup>8</sup> Exhibit F, Tab 3, Schedule 1, p. 9; see also 1 Tr. 86-88

<sup>9</sup> 5 Tr. 148

MichCon, Consumers Energy, Chicago and Alliance”.<sup>10</sup> If transportation constraints existed, then one would expect to see, at some time, the sort of “basis blowout”<sup>11</sup> as was seen in the New England cold snap in 2004. In that case, demand for gas so outstripped supply that the prices in New England skyrocketed well beyond the prices in other North American markets because of the fact that transportation into New England was constrained.<sup>12</sup> The fact that there has been no such basis blowout at Dawn (notwithstanding the fact that there have been “cold snaps” in Ontario and Michigan), and the fact that the basis differential between Dawn and these other hubs (MichCon, Consumers Energy, Chicago and Alliance) is modest and stable indicates that these markets communicate freely through the flexible availability of transportation.<sup>13</sup> Moreover, as Bruce Henning of EEA testified, EEA’s modelling work in this case indicates that this stability is likely to continue into the future: “the scenarios which we have run using the GMFDS [EEA’s model], show a level of stability, largely driven by the multiple paths, the pipeline capacity, the dynamics of the different kinds of transactions. Ontario’s located at a very favourable point within the North American gas industry”.<sup>14</sup>

The evidence and testimony of Ms McConihe and Mr. Stauff was premised on the assertion that there is no firm transportation capacity available from pipeline companies into Ontario from Michigan and other nearby storage fields and, accordingly, the geographic market definition must be limited to Ontario only. Interestingly, while Ms McConihe asserts that the lack of available primary firm transportation in the United States operates to limit the size of the geographic market to be considered, she was unable to indicate how much uncontracted capacity would be necessary in order for her to broaden her geographic market definition.<sup>15</sup> In any event, the position taken by Ms McConihe and Mr. Stauff ignores the fact that there is always transportation capacity available in the

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<sup>10</sup> EEA Study, Union Evidence, Exhibit C, Appendix B, p. 40; Navigant Consulting Study, Enbridge Gas Distribution Evidence, Exhibit E, Tab 3, Schedule 1, p. 8

<sup>11</sup> 4 Tr. 26-27

<sup>12</sup> Exhibit F, Tab 3, Schedule 1, p. 10; 7 Tr. 83-84

<sup>13</sup> Exhibit F, Tab 3, Schedule 1, pp. 9-10

<sup>14</sup> 4 Tr. 29; at 4 Tr. 31-33, Mr. Henning explained how EEA’s GMDFS model has been widely used and cited by federal and state regulators in the United States, and perhaps also in Canada

<sup>15</sup> 8 Tr. 205-206: in answer to the last in a series of questions on this subject at 8 Tr. 208-209, Ms McConihe appeared to suggest that the amount of firm uncontracted transportation that would be necessary is the same amount as is held by Ontario marketers who have storage in the United States. If this is the case though, then one wonders why there is any concern about transportation availability since the evidence in this case has made it clear that transportation or other capacity in the hands of marketers is available for use by end-use customers if a price can be agreed upon



secondary market which provides access from Michigan and other markets into Ontario. Indeed, while Mr. Ratra (who collected the data used to support Ms McConihe's report) confirmed that his inquiries of available capacity were confined to the primary market and that he did not speak with marketers at all<sup>16</sup>, Ms McConihe did speak with a marketer (later identified as BP) who "was anxious to make sure that I understand that the secondary market is extremely active and that there are ways that storage customers can get around the issue of pipelines in the US being fully subscribed".<sup>17</sup> The position taken by Ms McConihe and Mr. Stauff also ignores the fact that gas can be transported into Ontario through other means such as backhaul, which itself is available at least on the secondary market.<sup>18</sup>

In the Company's submission, the real-world experience of actual market players provides strong support to the conclusion that the broader storage market around Dawn "communicates" and the storage market at Dawn is workably competitive. Set out below is a sampling of the evidence about this issue provided during the hearing.

Gaz Métro is Union's largest ex-franchise storage customer.<sup>19</sup> Gaz Métro intervened in this proceeding because it is concerned about the potential "claw back" of its access to Union storage under certain outcomes.<sup>20</sup> During the course of its evidence, though, Gaz Métro made clear that every time that its storage contracts with Union expire, it considers its competitive options and looks at what alternatives exist and at what cost. It also goes to marketers to see what they may offer.<sup>21</sup> Gaz Métro's evidence is that there are other options available to meet its needs, in addition to Union, and that the pricing of these other options is competitive with Union's pricing.<sup>22</sup> Gaz Métro made it clear that some of the options may come from Michigan or other locations (either directly or through marketers).<sup>23</sup>

Representatives of BP attended at the hearing to provide evidence, at the Board's invitation, about the experience of a marketer in Ontario. During his

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<sup>16</sup> 8 Tr. 69-70

<sup>17</sup> Exhibit J8.3

<sup>18</sup> 4 Tr. 172-175

<sup>19</sup> 10 Tr. 58

<sup>20</sup> 10 Tr. 58

<sup>21</sup> 10 Tr. 115-116

<sup>22</sup> 10 Tr. 79

<sup>23</sup> 10 Tr. 85-86

testimony, Stephen Acker, the Director of Marketing and Origination for BP in eastern Canada, spoke extensively about the competitive market for storage and storage-like services at Dawn. Mr. Acker confirmed that BP holds transportation and storage accounts, both in its own name and under management for third parties, in Ontario and in Michigan.<sup>24</sup> Mr. Acker also explained that, at certain times, storage held by BP in Michigan or in the Chicago area may be used to serve the Ontario market.<sup>25</sup> Mr. Acker gave an example of a case where BP was able to offer services to a Union customer to replace the ex-franchise storage contract the customer had held with Union:

BP used its own suite of assets, at that time, which consisted of its access to the financial, the physical, natural gas markets; its suite of pipe capacity into and out of the Dawn area; and exfranchise storage accounts we held in other jurisdictions. It's probably of particular interest to the Board to know that we did not hold and did not use any access to Union's storage in order to offer this service.<sup>26</sup>

In addition, Mr. Acker indicated that BP's experience in recent open seasons for Union storage offerings is that the successful bidders have paid more for Union storage than BP and that BP has then been able to acquire service from other parties that provided "almost identical capability at a lower price".<sup>27</sup>

A number of witnesses also spoke about arrangements entered into by utilities and other large customers in the northeast of the United States which demonstrate the availability of storage and transportation into and through Ontario.<sup>28</sup> Certain customers such as Southern Connecticut, Connecticut Natural Gas and Yankee Gas have entered into ten year transportation contracts with TransCanada PipeLines and Union to move gas from Dawn to the United States border, and then went to the market to buy gas. Mr. Acker elaborated on the arrangements entered into by these companies in the following testimony:

And they had the option of buying gas at Dawn. They had the option of buying gas further upstream. They had the option of purchasing storage from Union at Dawn. They had the option of purchasing storage further upstream in Michigan. Those particular companies chose to bypass Dawn as a storage location and contracted with Vector, and did subsequently contract with Washington 10 to acquire storage services and transportation away from that facility, and then through the Dawn hub.

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But getting back to your question about Union's storage, those particular well-

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<sup>24</sup> 13 Tr. 23

<sup>25</sup> 13 Tr. 52

<sup>26</sup> 13 Tr. 22

<sup>27</sup> 13 Tr. 61

<sup>28</sup> See, for example, 1 Tr. 73-74 and 4 Tr. 50-53

seasoned storage purchasers, being exfranchise LDCs, chose not to buy Union storage but chose to buy storage further upstream. That being said, some northeast LDCs have chosen to buy Union storage, and some have chosen to let theirs expire.<sup>29</sup>

This experience of American utilities shows a number of things. It demonstrates that sophisticated purchasers and users of storage see Michigan as competitive with Dawn, even with the additional transportation costs involved. As Mr. Reed testified, “[t]hey chose an alternative that was Michigan-based storage over Ontario storage, because, as it turned out, that was cheaper. That should tell us something about how competitive Michigan storage is vis-à-vis Ontario storage.”<sup>30</sup> This experience of American utilities also suggests that there must be available transportation, at least for these customers, from Michigan to Dawn.<sup>31</sup> Thirdly, it shows that there are large amounts of gas flowing through Ontario that could be available to Ontario customers for displacement or exchange transactions.

Enbridge Gas Distribution’s own experience reviewing responses to its request for proposals (“RFP”) for the provision of storage services to meet the Company’s needs has also confirmed the existence of a competitive storage market at Dawn.<sup>32</sup> The RFP requested that parties bid to provide at least 5 Bcf of storage, with Enbridge Gas Distribution delivering and receiving the stored gas at Dawn.<sup>33</sup> The Company received responses from six bidders, some of which are marketers and at least one of which (Bluewater Gas Storage, LLC) is in Michigan.<sup>34</sup> The Company’s evidence is that the bids showed that some alternatives were priced competitively with Union.<sup>35</sup>

The conclusion that the market for storage at Dawn is workably competitive is amplified when one examines a product market for storage that includes more than physical storage. As Mr. Reed testified, storage is a means to an end, not an end in itself.<sup>36</sup> Specifically, as was explained on a number of occasions

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<sup>29</sup> 13 Tr. 42 and 43

<sup>30</sup> 4 Tr. 178

<sup>31</sup> This was also discussed by the Union witness panel at 4 Tr. 50-53

<sup>32</sup> Enbridge Gas Distribution Undertaking #56; the Company’s experience with its Stagecoach contract where it obtained storage in New York State that could be delivered into its Central Delivery Area for ten days each winter is another example of a competitive storage option outside Ontario available to an Ontario customer (discussed at 7 Tr. 127-129 and 4 Tr. 173-174)

<sup>33</sup> Exhibit K7.11

<sup>34</sup> Exhibit K7.11

<sup>35</sup> 7 Tr. 78

<sup>36</sup> 4 Tr. 181

during the hearing, the function of storage is to allow a party to have gas delivered at one time and used at a different time.<sup>37</sup> With this in mind, when examining the competitiveness of the storage market, it is logical to look at the product market for storage as including a number of substitutes that can be used in the same way as physical storage. The Federal Energy Regulatory Commission (“FERC” or the “Commission”) recognized this in its recent Order 678, which modified the test for assessing whether a storage provider has market power by allowing storage alternatives to be considered in addition to physical storage.<sup>38</sup>

During the course of the hearing, the nature and availability of storage substitutes such as commodity sales for peaking, swaps, exchanges, displacement, delivery/redelivery service and financial instruments were discussed at length.<sup>39</sup> While many of these storage substitute services are not available directly from storage providers, they are available on the secondary market. Dawn is an important hub for this secondary market. During his testimony, Mr. Acker of BP asserted that the secondary market around Dawn is “deep and liquid” and that “BP has never been frustrated in either being able to sell gas or to buy gas at the Dawn hub for any reasonable volume, for any reasonable amount of time”.<sup>40</sup> In response to a follow-up question from the Board panel, Mr. Acker explained that the amount of gas traded at Dawn each day is a multiple of the volume that actually passes through Dawn, such that particular gas molecules (which can only be burned once) may actually be traded several times.<sup>41</sup> Given the level of trading activity and the number of active gas marketers operating at Dawn<sup>42</sup>, the fact that a broad range of storage substitutes are readily available at Dawn is not surprising.

The Company submits that, taken together, the evidence in this proceeding clearly establishes that the gas storage market at Dawn, Ontario is part of a larger market that includes at least Michigan and other nearby jurisdictions.<sup>43</sup>

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<sup>37</sup> See, for example, 7 Tr. 53 and 4 Tr. 59

<sup>38</sup> Exhibit J4.3

<sup>39</sup> See, for example, 13 Tr. 20, 34-35, 41-43 and 50; 4 Tr. 58-59; 5 Tr. 39-40 and 150; 7 Tr. 178 and 10 Tr. 86-87

<sup>40</sup> 13 Tr. 16 and 19; see also 1 Tr. 77-78

<sup>41</sup> 13 Tr. 33-34

<sup>42</sup> See, for example 10 Tr. 116 and 13 Tr. 39-40

<sup>43</sup> This is consistent with a similar finding made by the FERC in the recent WPS-ESI Gas Storage, LLC case, which found that the relevant geographic market included Michigan and parts of Indiana, Illinois, Iowa and Ontario: FERC Docket No. C04-80-000, 108 FERC 61,061, discussed at Exhibit E, Tab 3, Schedule 1, p. 9

The gas storage market in this larger geographic area is subject to competition sufficient to protect the public interest.

### **FERC Decisions**

A considerable amount of evidence was given during this proceeding about decisions of FERC that address rates for gas storage services.<sup>44</sup> The decisions of FERC that have attracted attention are those where FERC has considered whether or not to approve market-based rates for storage services. These decisions, of course, are not in any way binding on the Board and, further, the legislation governing FERC does not contain a forbearance provision like subsection 29(1) of the OEB Act.<sup>45</sup> Nevertheless, the experience of FERC is illuminating, particularly insofar as it allows the Board to avoid pitfalls that have been encountered by another regulator. Enbridge Gas Distribution submits that an important lesson to be learned from the experience of FERC is that an overly restrictive approach to issues of market power in gas storage cases will lead to undesirable consequences.

Simply put, FERC's recent Order 678 amounts to a recognition that, in future, FERC's approach to the assessment of market power in gas storage cases should be less restrictive. This point was made in the following testimony by Mr. Reed summarizing the impetus for Order 678:

It really stems from the over-arching purpose that FERC had when they issued the rule, and that was to encourage new entry for gas storage providers in the United States where the perspective of FERC has been that storage has not kept pace with overall gas demand and that its policies on market-based rates may have in fact been an impediment to the development of additional storage.<sup>46</sup>

The Chairman of FERC stated, in relation to Order 678, that the Commission acted to reduce price volatility in natural gas markets and to provide greater assurance of peak demand being met by encouraging expansions in natural gas

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<sup>44</sup> Parties also relied on other documents issued by FERC. Mr. Stauff, for example, interpreted a FERC "Rate Design Policy Statement" to mean that a provider of storage services has market power if it can sell those services at a price that exceeds regulated cost-based rates by 10% or more: Exhibit X.8.1, pp. 17-8 and 33-34. Unlike situations dealt with by FERC, Ontario has an observable competitive-market rate and such a competitive-market rate is always the first choice for a threshold: Exhibit F, Tab 3, Schedule 1, pp. 13-18. Enbridge Gas Distribution submits that no weight should be given to Mr. Stauff's interpretation of the FERC policy statement because, in the Ontario context, it is clear that an ability to sell storage services at more than 10% above cost-based rates has nothing to do with market power

<sup>45</sup> 4 Tr. 208-9

<sup>46</sup> 4 Tr. 165

storage capacity.<sup>47</sup> This statement indicates that the purpose of Order 678 is to encourage development of gas storage, because of the role storage plays both in meeting peak demand for gas and in reducing volatility of the price of gas.

The need for additional storage to meet peak demand was addressed in the written evidence of Concentric Energy Advisors. This evidence referred to a 2003 study by the National Petroleum Council which projects a need for 700 Bcf of incremental gas storage capacity for North America by 2025, including 54 Bcf of incremental capacity in Eastern Canada.<sup>48</sup> The role of storage in managing natural gas price volatility was canvassed with the Board staff expert witness. Ms McConihe confirmed that the issue of price volatility has moved centre stage in terms of public policy in the gas world.<sup>49</sup> She agreed that more gas storage is desirable for the purpose of managing price volatility<sup>50</sup> and that it should be an important public interest consideration for the Board to consider the effects on price volatility of increased storage availability to Ontario consumers.<sup>51</sup>

In her oral testimony, Ms McConihe also agreed that the FERC decision in the *Red Lake* case left the people of Arizona in the worst of all worlds, particularly insofar as price volatility is concerned.<sup>52</sup> Following the *Red Lake* decision, Congress intervened, “adding momentum to efforts already underway at the Commission to adopt policy reforms [to encourage storage development]”,<sup>53</sup> and FERC came forward with a new approach that is less restrictive. FERC crafted Order 678 very deliberately to encourage development of market area storage.<sup>54</sup> Mr. Reed testified that, with FERC’s new rule, it is quite clear that the United States is poised to encourage storage development. He went on to add the following comments in this regard:

I would hate to see, simply by virtue of regulation, all of that development occurring in Michigan or in New York rather than in Ontario where, in fact, the formations, the geology and the market access may be more favourable to have it done here, but

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<sup>47</sup> 8 Tr. 212

<sup>48</sup> Exhibit X7.1.2, p. 15

<sup>49</sup> 8 Tr. 212-3

<sup>50</sup> 8 Tr. 182

<sup>51</sup> 8 Tr. 214

<sup>52</sup> 8 Tr. 218

<sup>53</sup> Exhibit J4.3, p. 2

<sup>54</sup> 8 Tr. 215

unfortunately the regulatory regime is more favourable  
someplace else.<sup>55</sup>

Enbridge Gas Distribution therefore submits that the Board should not take guidance from FERC decisions that apply a narrow approach to the assessment of market power. It would not be in the public interest for Ontario to follow FERC decisions that apply a particular approach to the assessment of market power, when FERC itself has decided to move away from that approach in order to encourage development of storage.

### **CRTC Decisions**

Unlike FERC, which does not make forbearance decisions, the Canadian Radio-television and Telecommunication Commission ("CRTC") has vast experience in this area. Since 1994, the CRTC has forborne from regulating many telecommunications services<sup>56</sup> and it has issued more than 100 decisions and orders related to forbearance.<sup>57</sup> It was acknowledged by Mr. Stauff, for example, that no Canadian regulator has more experience with forbearance than the CRTC.<sup>58</sup>

Enbridge Gas Distribution's pre-filed evidence explains how the Board can look to the CRTC's approach to forbearance as a model for the appropriate analytical framework. It is submitted that the CRTC experience also provides a model for the benefits that can be achieved from forbearance.

There is a striking similarity between the objectives that the Board has enunciated in the context of the Natural Gas Forum and the objectives that have been established by the CRTC. The Board's report of March 30, 2005 entitled *Natural Gas Regulation in Ontario: A Renewed Policy Framework* concluded that the regulatory framework must meet the following criteria:

- Establish incentives for sustainable efficiency improvements that benefit customers and shareholders
- Ensure appropriate quality of service for customers

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<sup>55</sup> 5 Tr. 181-2

<sup>56</sup> Exhibit E, Tab 2, Schedule 1

<sup>57</sup> 6 Tr. 12-13

<sup>58</sup> Technical Conference May 18, 2006, Tr. 197

- Create an environment that is conducive to investment, to the benefit of customers and shareholders.<sup>59</sup>

Although stated in a slightly different order, these objectives match very closely with those identified by the CRTC, which are as follows:

- To render reliable and affordable services of high quality, accessible to both urban and rural area customers
- To foster competition in the Canadian telecommunications markets
- To provide incumbents with incentives to increase efficiencies and to be more innovative, and with a reasonable opportunity to earn a fair return for their Utility segments.<sup>60</sup>

The experience of the CRTC shows how forbearance can lead to success in meeting objectives such as these. Specifically, the CRTC has concluded that the combination of competitive market forces and forbearance from regulation has provided benefits which include reducing regulation, promoting innovation and ensuring that economic resources are put to their most productive use.<sup>61</sup> Enbridge Gas Distribution submits that the evidence in this case supports the conclusion that similar benefits can be expected as a result of forbearance from regulation of rates for gas storage.

A number of witnesses testified that forbearance from regulation of rates for gas storage will encourage new storage development.<sup>62</sup> As well, the Board can expect that, by facilitating the provision of storage services in the competitive market, forbearance will foster creativity and innovation. The innovation that occurs in competitive markets for natural gas services was discussed, for example, by Mr. Reed, who testified that:

...we've probably seen half a dozen major players come into the market and offer ... supply management services.

It really is a testimonial to the fact that when you put all of these into a much larger portfolio ... you really have the flexibility to achieve a lot more in terms of exchange displacement and

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<sup>59</sup> Exhibit E, Tab 2, Schedule 1, pp. 3-4

<sup>60</sup> Exhibit E, Tab 2, Schedule 1, p. 4

<sup>61</sup> Exhibit E, Tab 2, Schedule 1, p. 20

<sup>62</sup> See, e.g., 14 Tr. 134-5 (Mr. Grant) and 8 Tr. 187 and 220 (Ms McConihe)



providing service to markets that are – in a very creative and innovative way.<sup>63</sup>

Enbridge Gas Distribution submits that forbearance from regulation of rates for gas storage will facilitate and promote the provision of gas storage services (or equivalent services<sup>64</sup>) by competitive market participants who will bring innovation and creativity to these offerings.

Further, the evidence in this case indicates that market pricing of energy services will contribute to efficient outcomes. As Mr. Reed stated in his testimony, the concept of allocative efficiency holds that markets produce the right results, in terms of supply and demand, when those that value a service or product most highly are those that receive it.<sup>65</sup> Mr. Reed said that FERC very definitely views allocative efficiency as a positive goal and he explained how, when FERC required pipeline companies to unbundle transportation and storage services, the result was that customers chose a different mix of services because they saw separate and more accurate price signals for each component.<sup>66</sup>

Enbridge Gas Distribution therefore submits that the benefits achieved by the CRTC as a consequence of its forbearance decisions provide a useful model for the potential benefits of forbearance from economic regulation of gas storage. These benefits include: (1) reducing regulatory burden; (2) encouraging provision of services in competitive markets where innovation is more likely to occur; and (3) promoting efficient use of resources by allowing services or products to be acquired by those who value them the most. Of course, all of these favourable impacts are in addition to the benefit of encouraging new gas storage development.

### **The Transitional Proposal**

Notwithstanding these benefits of forbearance, Enbridge Gas Distribution recognizes that ratepayer representatives are legitimately concerned about potential rate impacts of full forbearance from economic regulation of gas storage. These potential rate impacts do not in any way suggest that there is something wrong with the prices for storage services produced by competitive

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<sup>63</sup> 5 Tr. 173

<sup>64</sup> Mr. Acker of BP Canada considered it incorrect to refer to a storage-like service, that does not actually involve any physical storage, as a storage service: 13 Tr. 73. He referred to BP Canada's storage-like service as delivery/re-delivery and he confirmed that it is not necessary for BP Canada to hold storage anywhere in order to conduct delivery/re-delivery business: 13 Tr. 34-5 and 54

<sup>65</sup> 5 Tr. 129

<sup>66</sup> 5 Tr. 130-1

forces; on the contrary, the reason for the potential rate impact is that historical cost-based rates for storage services have been “suppressed” below the true value of those services. The effect of rates for storage services being suppressed at such a low level is to weaken the cost incentive for customers to prudently manage their use and consumption of this valuable economic resource. In this regard, Mr. Reed drew an analogy to rent controls, when he gave the following evidence:

...when you remove rent control from pricing an apartment, if the price doubles, that doesn't mean the landlord has market power. It means that, in that case, regulation has been suppressing the price far below the marketplace with all of the ill effects of suppressing the price far below the market price.<sup>67</sup>

Enbridge Gas Distribution recognizes, however, that the cost incentive for prudent use of gas storage is not clearly transmitted to customers who acquire storage services bundled together with other services. In its pre-filed evidence, the Company accepted that, in order for the true value of the highly competitive storage marketplace to reach all end use customers, they must first make an informed choice to unbundle the storage component from their bundled rate.<sup>68</sup> The Company proposed an “exemption”<sup>69</sup> for in-franchise customers from rate forbearance at this time. Under this exemption, the Board would forbear from economic regulation of all new storage capacity and deliverability, effective in the 2007 Test Year.<sup>70</sup> The cost of future increments of storage capacity and deliverability at market prices, as well as the storage acquired from Union at market prices beginning in April 2006, would be rolled in with cost-based rates for the capacity and deliverability now provided from existing Tecumseh facilities. Over time, as increments of storage are added at market prices, the rolled-in cost of storage services would move in the direction of the market price.

Enbridge Gas Distribution submits that its proposal is extremely well-matched to the circumstances that have been disclosed in the evidence in this case. Because the Company does not own sufficient storage to meet the needs of its in-franchise customers, it is already meeting some of those needs through the acquisition of storage in the competitive market. The price of these storage services acquired in the competitive market is rolled in with the cost of the storage services provided from the Company's existing facilities. The Company's

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<sup>67</sup> 5 Tr. 23

<sup>68</sup> Exhibit E, Tab 1, Schedule 1, p. 8

<sup>69</sup> Enbridge Gas Distribution submits that the Board's power under subsection 29(1) of the OEB Act to refrain from regulation “in whole or in part” provides ample authority for such an “exemption”

<sup>70</sup> Exhibit E, Tab 1, Schedule 1, p. 10

proposal builds on the current storage-acquisition regime by rolling in, on a similar basis, future increments of storage capacity and deliverability at market prices. The proposal serves many purposes, including the following:

- it recognizes that there is sufficient competition to protect the public interest in the “ex-franchise” market where Enbridge Gas Distribution acquires storage services;
- it recognizes that the value of the competitive market for storage does not fully reach bundled in-franchise customers who are potential direct purchasers of the services, but who are currently purchasing bundled services;
- it means that the Board need not be concerned about issues raised by witnesses like Mr. Stauff which relate to competition at the burner tip and the problems of market rates for bundled services;<sup>71</sup>
- it allows the Board to adopt a regulatory framework that reflects the factual circumstances of bundled customers, while at the same time forbearing in the market area where storage services are purchased and sold in a competitive marketplace;
- it means that the full rate impact of forbearance from regulation of storage rates will not occur unless and until the Board decides in some future case that full forbearance is appropriate in the circumstances which exist at that time;
- it has a smoothing effect on forbearance rate impacts as the cost of storage acquired at market prices is blended with the cost-based rates for capacity and deliverability now provided from existing Tecumseh storage facilities;
- to the extent that, as Enbridge Gas Distribution contends, full forbearance at the burner tip is the ultimate end state, it produces a measured transition to this end state; and
- it encourages new storage development in Ontario, including both enhancement of existing storage facilities and development of new storage reservoirs, by addressing the current mis-match between the risks

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<sup>71</sup> 9 Tr. 184 and 213

of storage development and the returns allowed to regulated distribution utilities.<sup>72</sup>

For all of these reasons, Enbridge Gas Distribution submits that the Board should forbear from economic regulation of all new storage capacity and deliverability, effective in the 2007 Test Year.

### **Transactional Services**

As a result of the above, the Company seeks a forbearance Order, exempting the costs, revenues, business activities and rates associated with transactional storage services from the Company's regulated operations.

Transactional storage services include gas loans, park and loans, released storage and other off-peak transactions.<sup>73</sup> The Company's transactional services, including transactional storage services, have been sold at market prices, with the approval of the Board, since at least as early as the EBRO 492 decision in 1996.<sup>74</sup> In the years since then, there have been debates about the sharing of the proceeds from transactional services, but parties have not taken the position that market pricing is inappropriate or that the transactional services market is not competitive. Indeed, in the Company's F2005 rate case (EB-2003-0203), the Board stated that "[w]hile the physical delivery of gas is a natural monopoly, storage and transactional services could reasonably be provided by competitors".<sup>75</sup> Additionally, in the Enbridge Gas Distribution transactional services proceeding in the summer of 2005 (EB-2005-0244), a variety of issues related to transactional services were examined and all parties reached a settlement where the Company's transactional services offerings would be sold through an auction process, at market prices.<sup>76</sup> The Settlement Proposal that was accepted by the Board in the transactional services proceeding expressly recognized that the goal of the new transactional services methodology was to make assets "available to the market place".<sup>77</sup> In the Company's submission, the history of transactional services activity at market prices over the past ten years

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<sup>72</sup> As to the mis-match between risks and returns, see the evidence of Ms McConihe at 8 Tr. 184-7

<sup>73</sup> Exhibit E, Tab 1, Schedule 1, page 9; Exhibit J6.1: EBRO 492 Decision with Reasons, September 10, 1996, at para. 3.3.1; 8 Tr. 15-16

<sup>74</sup> Exhibit J6.1: EBRO 492 Decision with Reasons, September 10, 1996, at paras. 3.3.25 to 3.3.31; see also 6 Tr. 33-34

<sup>75</sup> EB-2003-0203 Decision with Reasons, November 1, 2004, at para. 2.5.2

<sup>76</sup> 6 Tr. 104; EB-2005-0244 Final Order, July 19, 2005

<sup>77</sup> EB-2005-0244 Final Order, July 19, 2005, Appendix A, p. 5

clearly demonstrates that there is a competitive marketplace for transactional storage services in Ontario.<sup>78</sup>

This proceeding is the first time that the Board has considered the interplay between section 29 of the OEB Act and transactional storage services and addressed the question of whether transactional storage services should be subject to forbearance. The question before the Board at this time is different, therefore, from the issues that have been considered when debates about the transactional services sharing methodology have arisen in the Company's rate cases.<sup>79</sup> In the decision from the Company's most recent rate case, the Board itself recognized that the issues to be considered in this proceeding might impact upon the current transactional services sharing mechanism: "[f]inally, the Board would like to comment on the longevity of this sharing mechanism .... The Board encourages Enbridge and the parties to adopt this methodology beyond 2006 unless a change is necessitated as a result of conclusions reached in the Natural Gas Electricity Interface Review".<sup>80</sup>

As outlined above, the storage market at Dawn is subject to sufficient competition to protect the public interest. This satisfies the forbearance prerequisite found in section 29 of the OEB Act. Transactional storage services are a subcategory, or a "class of products or services", within the competitive storage market. This is also consistent with the forbearance requirements in section 29 of the OEB Act. The fact that these particular business activities have been conducted for many years at market prices in a competitive market at Dawn, where there are many buyers and sellers and the Company is just one of a number of active market players, makes it abundantly clear that this class of products or services is subject to competition sufficient to protect the public interest.<sup>81</sup> In these circumstances, Enbridge Gas Distribution submits that section 29 of the OEB Act provides the legal and public interest basis for the Board to issue a decision forbearing from regulating the rates, revenues and costs associated with the Company's transactional storage services.

In order to give effect to this outcome, a number of changes will be necessary through the Company's next rate case in order to remove the revenues and expenses associated with transactional storage services. On the one hand, all of the costs and expenses incurred to provide these services will be removed from the Company's operating and maintenance budget, and on the other hand the

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<sup>78</sup> Enbridge Gas Distribution Undertaking #54; Exhibit K6.1

<sup>79</sup> 6 Tr. 74-75; 7 Tr. 101-102

<sup>80</sup> EB-2005-001 Decision with Reasons, at para. 6.2.12

<sup>81</sup> Exhibit E, Tab 1, Schedule 1, pp. 9-10 ; 8 Tr. 28-29; 32-34

revenue forecast will be changed to reflect the fact that transactional storage services revenues will no longer be part of the regulated portion of the Company's business. As explained in oral testimony, there is no need to reduce the Company's storage-related rate base in conjunction with forbearance for transactional storage services.<sup>82</sup>

While the issues related to changes in Enbridge Gas Distribution's cost and revenue forecasts can and will be dealt with in its next rate case, the Company submits that the Board should rule in this proceeding that, from and after January 1, 2007, it will forbear from regulating the rates, revenues and costs associated with the Company's transactional storage services.

### **High Deliverability Storage**

The Company in its evidence described an enhancement of its Tecumseh storage facilities that possibly could be completed in order to enable Tecumseh to offer a high deliverability storage service. As Mr. Grant explained, there are a number of risks and uncertainties associated with any such offering of high deliverability storage by Tecumseh. Mr. Grant testified that:

One of the key factors, of course, is this question of forbearance, because, in doing this build, we of course are competing at the margin in, we believe, a very competitive marketplace.

...

It is an additionally complex decision for us, though, because there are also a number of risks associated with this build, from our standpoint. Those risks must be well understood before we make any final decisions.<sup>83</sup>

Mr. Grant went on to discuss in greater detail the reservoir risk, drilling risk, well interference risk, re-contracting risk and regulatory risk that must be analyzed before any decision is made to proceed with the storage enhancement project.<sup>84</sup>

As indicated in the testimony of Mr. Grant, one of the key factors bearing on the Company's determination of whether or not to proceed with the Tecumseh storage enhancement project is the question of forbearance. The returns available under distribution cost of service regulation are not commensurate with the risks of the storage enhancement project.<sup>85</sup> It is important to distinguish, though, between the Tecumseh project that may proceed if forbearance is

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<sup>82</sup> 6 Tr. 34-36

<sup>83</sup> 6 Tr. 19

<sup>84</sup> 6 Tr. 19-24

<sup>85</sup> 6 Tr. 23

granted and the Enbridge Gas Distribution Rate 316 offering that will be made available as a Board-regulated service whether or not forbearance is granted through this proceeding. That is to say, regardless of whether a forbearance ruling and other factors align so as to support the Tecumseh storage enhancement project, Enbridge Gas Distribution will acquire the necessary services from the marketplace in order to be able to meet in-franchise demand for Rate 316 high deliverability storage.<sup>86</sup> The underpinning services acquired in the market will be purchased at market prices and the costs of making such acquisitions will be included in the rate for Enbridge Gas Distribution's high deliverability storage service. Tecumseh potentially will be a bidder to provide service at market prices to underpin Enbridge Gas Distribution's Rate 316 offering.<sup>87</sup> Even in the event that a forbearance ruling and other factors align such that Tecumseh is able to offer a high deliverability service, however, it is quite conceivable that Enbridge Gas Distribution will acquire services from other sources, given that the non-binding open season for the Tecumseh service was oversubscribed.<sup>88</sup>

The important point to be taken out of all this is that, in any scenario, gas-fired generators will have options to acquire high deliverability storage service. In one possible scenario, Tecumseh will offer high deliverability service at market prices. It will be open to gas-fired generators to bid for this service, but, if they choose not to bid or if they bid unsuccessfully, they can look to Enbridge Gas Distribution for service under Rate 316. In the other scenario, the Tecumseh storage enhancement project will not proceed, but high deliverability service will still be available under Rate 316.

Furthermore, the record of this case confirms that the Board need have no concerns whatsoever about the existence of options to Enbridge Gas Distribution's proposed high deliverability storage service. The Settlement Proposal for issues related to Enbridge Gas Distribution was reached on the basis that there was no certainty as to whether the Rate 316 high deliverability storage service would be offered by the Company. Under Issue 1.6, dealing with Rate 316, the Settlement Proposal states that there is disagreement as to "whether" and "how" the service would be offered, and what pricing would apply. The uncertainty about "whether" the Company will offer the high deliverability storage service is reflected in the next sentence of the Settlement Proposal, which says that "[i]n the event that the Company does offer Rate 316 storage

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<sup>86</sup> 14 Tr. 89-90

<sup>87</sup> 14 Tr. 90-1

<sup>88</sup> 14 Tr. 158

service”, it is prepared to offer the service using the same nomination windows as agreed to for Rate 125.

The same uncertainty is reinforced in paragraph (b) of the settlement described under Issue 1.5 in the Settlement Proposal. Issue 1.5 deals with the methodology for allocating storage to gas-fired generators at 1.2% deliverability. In paragraph (b) under Issue 1.5, the Settlement Proposal plainly states that the Settlement Proposal does not address “whether” or “when” the Company might offer high deliverability storage services using its own assets. Paragraph (b) also states that, in the event that the Company does not offer the service using its own assets, but customers request the service, the Company will use “reasonable efforts” to procure the service from third parties.

Notwithstanding the uncertainty in the Settlement Proposal about whether high deliverability storage would be offered by Enbridge Gas Distribution, a storage allocation methodology based on assumed availability of 10% deliverability was agreed to by, among others, APPrO, PEC, Sithe and TCE (for ease of description, this group will be referred to herein as “the generators”). This can be seen from the complete settlement of Issue 1.5. The allocation methodology for base level deliverability agreed upon in the context of Issue 1.5 includes a determination of “space demand”, that is derived by multiplying the maximum hourly demand by 17 and then dividing by 10%. As stated in paragraph (h) under Issue 1.5 in the Settlement Proposal, the maximum hourly demand over 17 hours was divided by 10% because an assumption was made that “high deliverability storage at 10% is available to meet the gas fired generator’s needs”.

In short, the settlement of Issue 1.5 was agreed to by the generators on the basis of an assumption that 10% deliverability will be available, even though the Settlement Proposal gives no certainty that Enbridge Gas Distribution will provide such deliverability. Paragraph (a) under Issue 1.5 in the Settlement Proposal describes more fully the nature of the assumption that was made about the availability of high deliverability storage. This paragraph says that the storage space requirement to meet gas fired generators’ intra day balancing needs is based on the assumption that high deliverability storage is available “to those customers in the market”. This paragraph speaks of high deliverability storage that is available “to those customers”, not to a utility like Enbridge Gas Distribution. Further, this paragraph speaks of high deliverability storage that is available “in the market”, not from Enbridge Gas Distribution. Paragraph (a) therefore makes clear that the determination of “space demand” in the methodology for establishing base level deliverability assumes the availability of 10% deliverability to generators from market sources other than Enbridge Gas Distribution. In order to reach agreement on a storage allocation methodology



that assumes the availability of 10% deliverability from the market, the generators must have been confident about the ability of the market to deliver appropriate services.

This confidence about the ability of the market to deliver appropriate services to the generators was revealed in the testimony of the generators' representatives at the Technical Conference on May 16, 2006. Ms Duguay asked a question about APPRO's proposal in the event of a constraint on provision of high deliverability service to in-franchise customers.<sup>89</sup> At the conclusion of his answer to this question, Mr. Wolnik said that the generators would pay the direct costs or incremental costs to deliver that service, but that, if the price gets too high, "we'll look for other solutions collectively".<sup>90</sup> Similarly, during the Technical Conference on May 17, 2006, Mr. Cramer said, in respect of high deliverability storage service, that "it's going to be available in some form from some source on some sort of cost basis".<sup>91</sup>

The generator's confidence in the ability of the market to deliver appropriate services is confirmed by other evidence as well. As stated by Mr. Charleson:

...I think one example we can look at is Sithe, where they entered into a contract in the absence of all of these services that are being discussed before the Board right now being available. And they obviously have expectations that they have means of being able to do the load balancing and managing that plant by the nature of entering into a contract to provide services.<sup>92</sup>

The evidence is that, if built, the Tecumseh storage enhancement project will not be complete until 2008<sup>93</sup>, but no concerns were expressed about the availability of appropriate services for generators in the meantime.<sup>94</sup>

Enbridge Gas Distribution therefore submits that, if forbearance in respect of the Tecumseh high deliverability service is granted, and if other factors support a decision to proceed with the storage enhancement project, Tecumseh will be in a

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<sup>89</sup> Technical Conference, May 16, 2006, Tr. 225

<sup>90</sup> Technical Conference, May 16, 2006, Tr. 226

<sup>91</sup> Technical Conference, May 17, 2006, Tr. 31

<sup>92</sup> 14 Tr. 87-8

<sup>93</sup> Exhibit B, Tab 3, Schedule 2, pp. 22-24

<sup>94</sup> Not only were no concerns expressed, but, on the contrary, see testimony at 10 Tr. 172, lines 8-9 confirming that "it's something that can be done in some way" and at 10 Tr. 173, lines 9-10 indicating that "if it's available to Enbridge, it's also available to generators to go out and get, that may be true"

position to offer a service that will represent an additional option for gas-fired generators above and beyond other high deliverability storage options available to them. Consistent with its proposal that the Board should forbear from economic regulation of future increments of storage capacity and deliverability effective in the 2007 Test Year, the Company submits that the Board should forbear from rate or economic regulation of Tecumseh's proposed high deliverability storage service.

### **C. Rate Issues**

#### **Rate 125 and revenue deficiency impacts of customer migration to unbundled rates (Issue 1.1)**

##### ***Rate 125***

Following the approval of the Settlement Proposal related to Enbridge Gas Distribution's rate offerings, the remaining issue related to Rate 125 is whether it should be limited to new loads only.<sup>95</sup> Through the Settlement Proposal, IGUA, AMPCO and CME reserved their right "to request that the Board limit the availability of Rate 125 to new loads only". As described below, the Company submits that Rate 125 should continue in the form that was previously approved by the Board, such that it is available to all customers (existing or new) who meet the 600,000 m<sup>3</sup>/day volume threshold. The Company therefore seeks to have a draft Rate 125 Rate Schedule similar to the form that was filed as Exhibit S1.3A (Rate Sheet with heading "To any applicant who enters into a service contract with the Company") approved by the Board. A copy of the draft Rate 125 Rate Schedule, with two changes from Exhibit S1.3A (as a consequence of the approval of the Settlement Proposal and of changes to Rate 316) is attached as Appendix A.<sup>96</sup>

The Board first approved Rate 125 in the RP-1999-0001 case.<sup>97</sup> The RP-1999-0001 decision indicates that IGUA, among others, supported the introduction of Rate 125.<sup>98</sup> In that case, the Board approved the new Rate 125 "to respond to the emerging opportunities for natural gas fueled cogeneration and power

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<sup>95</sup> Settlement Proposal, Exhibit S1.1, section 1.1(r)

<sup>96</sup> The changes are found in the definition for "Aggregate Delivery" and in the "Effective Date" section

<sup>97</sup> excerpt from the Decision with Reasons from that case is found at Tab 6 of Exhibit S1.6

<sup>98</sup> RP-1999-0001 Decision with Reasons, at para. 6.5.5

generation”.<sup>99</sup> The new Rate 125 was to be available to all customers who met certain conditions.

At the time that the new Rate 125 was approved, there was no distinction between new and existing customers and the rate was intended to be available for all customers, new and existing.<sup>100</sup> In fact, in the RP-1999-0001 decision, the Board recognized that there was one existing customer which met the applicability criteria for the rate, but which was not expected to move to the new rate until it made more economic sense.<sup>101</sup> This customer, which was identified during the hearing as TransAlta, is a power generator.<sup>102</sup> As recognized in paragraph 1.1(q) of the Settlement Proposal, after a number of years of choosing not to migrate, this customer is now forecast to move to the redesigned Rate 125. One reason that Rate 125 will now become attractive to TransAlta is that the impact of the phase-out of the upstream transportation credits, agreed to in the Company’s RP-2003-0203 case, will be fully implemented by 2007, so historic benefits associated with being a bundled customer will disappear.<sup>103</sup> Once that occurs, it will make economic sense for TransAlta to move to Rate 125.

The history of Rate 125, described above, reveals that it was never intended to be applicable to new customers only. It is not simply a “bypass competitive” rate, designed to attract new customers who might otherwise connect directly to upstream transporters.<sup>104</sup> While it is true that the “billing contract demand” feature of Rate 125 is designed to be “bypass competitive”, that feature is expressly limited to new customers only.<sup>105</sup> The other features of Rate 125 are designed to meet the needs of power cogenerators and generators and other qualifying customers, regardless of whether they are new or existing customers, and regardless of whether they are bypass candidates or not.<sup>106</sup>

The Company recognizes that making unbundled rates (Rate 125 or Rate 300) available to TransAlta (as has always been contemplated) will impact upon the other customers remaining in Rate 115, the rate class from which TransAlta will

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<sup>99</sup> RP-1999-0001 Decision with Reasons, at para. 6.5.1

<sup>100</sup> 11 Tr. 18 and 69

<sup>101</sup> RP-1999-0001 Decision with Reasons, at para. 6.5.4

<sup>102</sup> 11 Tr. 68-71

<sup>103</sup> 14 Tr. 124

<sup>104</sup> 14 Tr. 127

<sup>105</sup> Exhibits S1.2 and S1.3; 14 Tr. 127

<sup>106</sup> 14 Tr. 127

migrate.<sup>107</sup> This impact results from the fact that TransAlta is cheaper to serve than the average Rate 115 customer and has effectively subsidized the rest of the rate class. Thus, when TransAlta leaves the rate class, the remaining Rate 115 customers will have to pay a higher average cost for their service.<sup>108</sup> This impact on Rate 115 customers will be the same regardless of whether TransAlta moves to Rate 125 or to Rate 300 because, in either event, Rate 115 customers will no longer share the benefits of having this large low cost customer as part of the rate class. In other words, the impact on Rate 115 customers as a result of TransAlta's migration to unbundled rates will not be avoided by limiting Rate 125 to new loads only.<sup>109</sup>

In all the circumstances, the Company submits that there is no proper justification to limit the availability of Rate 125 to new loads only.

***Revenue deficiency impacts of customer migration to unbundled rates***

The Company recognizes, as seen in paragraph 1.1(q) of the Settlement Proposal, that the forecast migration of 20 customers to the redesigned Rate 300 will result in distribution rate increases on the rates from which those customers migrate (which are Rates 100, 110 and 115). These increases, which are in addition to the impact of TransAlta's forecast migration to Rate 125, will occur because the customers who are likely to migrate are effectively subsidizing the rate classes from which they will move.

During the testimony about the "Threshold Issue" and about Enbridge Gas Distribution's proposed Rate 125, there was discussion about whether and how the migration impact on Rates 100, 110 and 115 might be mitigated or "smoothed". In its decision on the "Threshold Issue", the Board indicated that "we are not making a decision with respect to the smoothing at this point. It's our understanding that there will be further submissions made in this proceeding with respect to that aspect".<sup>110</sup> While the Company does not have a preference for whether smoothing is used or not, the Company believes that it is important for the Board, in this case, to indicate if smoothing should be used.<sup>111</sup> Should the

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<sup>107</sup> Even if Rate 125 was limited to new loads only, there is no such limitation on Rate 300, so TransAlta could migrate to that Rate

<sup>108</sup> 11 Tr. 13-14 and 16

<sup>109</sup> 11 Tr. 19 and 39-40

<sup>110</sup> 11 Tr. 129

<sup>111</sup> 11 Tr. 76

Board decide that smoothing is appropriate, then the Company submits it should be implemented in the manner set out below.

During the hearing, the Company explained that, based on current migration forecasts, the total distribution rate impacts on Rates 100, 110 and 115 as a result of migration in 2007 would be 2%, 1% and 38% respectively.<sup>112</sup> For Rate 115 customers, this 38% distribution rate impact would translate to an overall bill impact of 7% (excluding commodity) or less than 1% (including commodity).<sup>113</sup>

In order to limit the impacts on Rate 115, the Company also advanced a smoothing proposal during the hearing. Specifically, the Company suggested an approach whereby the distribution rate increase impact on Rate 115 would be limited to 15%, which would reflect the migration of TransAlta and some additional load from Rate 115. As a result of this smoothing, the distribution rate impact on Rates 100, 110 and 115 would be 3%, 2% and 15% respectively. The corresponding bill impacts, excluding commodity costs, would be 1%, .5% and 2.7%.<sup>114</sup> Therefore, the annual bill impact including commodity will be even less. In its proposal, the Company indicated that “[i]f approved, the proposal to limit the distribution rate impact on Rate 115 to 15% would apply solely to migration related impacts and will be implemented as part of the 2007 Rates Case.”<sup>115</sup>

As stated above, the Company believes that it is important for the Board, in this case, to provide guidance about how Rates 100, 110 and 115 will be impacted by customer migration to unbundled rates. This is consistent with the Company’s understanding that one of the aims of this proceeding is to establish and set new rates.<sup>116</sup> Assuming that to be the case, then it is logical to indicate the consequential impacts of migration to the new rates on other customer groups.

Additionally, the process for the implementation of unbundled rates agreed to in the Settlement Proposal provides that customers must make a decision, by October 15, 2006, about whether they want to move to Rate 300 in 2007. In the Fall of this year, as part of that process, the Company will provide information to and have meetings with customers in order to allow the customers to evaluate the operational and financial implications of moving to unbundled rates.<sup>117</sup> In order for customers to make informed decisions, they must have proper

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<sup>112</sup> Exhibit S1.6, Tab 5 and 11 Tr. 16-17

<sup>113</sup> Exhibit S1.6, Tab 5 and 11 Tr. 16-17

<sup>114</sup> Exhibit S1.6, Tab 5

<sup>115</sup> Exhibit S1.6, Tab 5, page 2

<sup>116</sup> Procedural Order No. 5; see also 11 Tr. 44-45

<sup>117</sup> Settlement Proposal, Exhibit S1.1, section 4(f)

information about the Rates that they are comparing. Given that the Company's F2007 rate case will not have been determined by that time, it is only through this proceeding that the Board can provide an indication of how Rates 100, 110 and 115 will be impacted by customer migration to unbundled rates.

In any event, it is important to note that customers in Rates 100, 110 and 115 will not actually be paying rates that include migration related impacts until the Company's F2007 rate case has been decided.<sup>118</sup> In that case, the Company will present a forecast of migration to the unbundled rates and, based upon that forecast and any other relevant factors, the levels for Rates 100, 110 and 115 that will be paid starting January 1, 2007 will be set. The Company recognizes that the Board Panel determining the F2007 rate case will not be bound by any decision in this case, but given the extent to which the migration impact issue has been canvassed in this proceeding, the Company requests that the Board take this opportunity to provide guidance as to how the migration impacts ought to be allocated.

### **Rate 316 (Issue 1.6)**

Procedural Order No. 2 in this proceeding specified certain "mandatory" evidence (set out in Appendix A to the Procedural Order) that Enbridge Gas Distribution and Union were required to file. The mandatory evidence included a proposed tariff for firm high deliverability service from storage, in respect of which Appendix A went on to say that:

The rates for the firm high deliverability service from storage will need to reflect the following three scenarios: (1) Current pricing (i.e., the customer has access to cost-based storage in accordance with the current allocation methodology, and market-based storage above that); (2) all storage is priced at cost; and (3) All storage is priced at market prices.

In response to the Board's directions, Enbridge Gas Distribution investigated the possibility of offering a Rate that includes high deliverability service and it developed a proposal for Rate 316. As a result of the Settlement Proposal, and as described in more detail below, the Company's Rate 316 proposal provides an allocation of base level deliverability storage at rolled-in cost along with high deliverability storage at incremental cost to in-franchise gas fired generators. As gas fired generators have requested, the Company's proposal for Rate 316 commits the Company (rather than the generators themselves) to obtain the services necessary to offer high deliverability storage in conjunction with generators' allocation of rolled-in cost based storage.<sup>119</sup> In short, as set out

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<sup>118</sup> 14 Tr. 141-145

<sup>119</sup> See, for example, 10 Tr. 167 and 180-181 and Exhibit K10.4, pp. 2-3

below, the Company's proposal for Rate 316 is responsive to the stated needs of gas-fired generators and provides them with an option for high deliverability storage service from the Company, regardless of the outcome of the forbearance issue in this proceeding.

Rate 316 is titled "high deliverability gas storage service". It provides for customers to receive a storage service that is delivered to Dawn with deliverability of up to 10%, depending on the level contracted for by the customer. It also includes an allocation of 1.2% deliverability storage, at rolled-in cost based rates. Through its prefiled evidence, the Company has set out the mechanics and details of the proposed Rate 316.<sup>120</sup> Although APPrO has listed three concerns with the proposed Rate 316, the Company is not aware that any other party takes issue with the nature and operational details of this proposed service.<sup>121</sup>

Section 1.6 of the Settlement Proposal provides, in part, that "[w]hile it appears that parties are supportive of many of the technical aspects of the proposed Rate 316, there is disagreement as to whether and how the service would be offered, and what pricing would apply". The following paragraphs set out the Company's position as to how the Rate 316 service will be offered, and the pricing that will apply.

Through section 1.5 of the Settlement Proposal, parties agreed that gas fired generators were entitled to an allocation of 1.2% deliverability storage at rolled-in cost based rates. The amount of this allocation is to be determined using a new allocation methodology that is applicable only to gas fired generators. The allocation of rolled-in cost based 1.2% deliverability storage can be used for service under Rate 316.<sup>122</sup> Given this agreement reached in the Settlement Proposal which envisages that Rate 316 customers will have an entitlement to an allocation of rolled-in cost based storage, it is necessary to limit Rate 316 to in-franchise customers. Otherwise, all the Company's ratepayers could be burdened by increased rolled-in costs for storage as a result of ex-franchise customers taking service under Rate 316 and requiring the Company to obtain additional 1.2% deliverability storage at market prices to serve those customers.

Given the inclusion of 1.2% deliverability storage at rolled-in cost based rates as part of Rate 316, this Rate will be an in-franchise rate only, and will be subject to regulation under the Company's transitional proposal. As discussed above in the

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<sup>120</sup> Exhibit C, Tab 3, Schedules 1-4

<sup>121</sup> Exhibit K10.4, pp. 2-3: items (b) and (c) from APPrO's response are discussed below

<sup>122</sup> Settlement Proposal, Exhibit S1.1, section 1.5

“High Deliverability Storage” section of this Argument, Rate 316 should therefore be looked at differently from the services which would result from the proposed storage build at Tecumseh, which would be strictly high deliverability storage, tailored to the particular needs of each party contracting for that service.

The Company’s proposal for the high deliverability storage portion of Rate 316 is that it will be offered at cost, but the Company does not currently have any high deliverability storage. Thus, the costs involved will be the Company’s costs of acquiring the necessary services in the market through an RFP process. In his direct testimony, Mr. Charleson described how this process might work:

Well, since we don’t have it, we would obviously have to look to the market to be able to get what is needed. Prior to going to the market, we would obviously look for commitments from customers looking for this 316 service, and with those commitments, we would then look to issue a RFP to the market and look for responses from market participants. These could be storage providers or marketers, again we see there being different alternatives being available.

We would then look to match what we were able to contract for with the commitments that we’ve had made by the customers interested in this 316 service. As I indicated, I think as it back on day 7 of this proceeding, we have talked with some marketers, and we’re reasonably confident that we would be able to acquire what’s required to be able to provide this service.<sup>123</sup>

The Company will acquire the services necessary to offer high deliverability storage from marketers, or directly from the owners of those services, such as Bluewater (which is developing high deliverability storage).<sup>124</sup> The services used might include an aggregation of base level deliverability storage, transportation capacity, high deliverability storage from others and physical gas purchases.<sup>125</sup> In addition, the Company is confident that marketers will respond to RFPs and customer demand and use a variety of tools and approaches to offer high deliverability or equivalent service for the Company’s use.<sup>126</sup> Assuming that the Company can acquire the services necessary to offer Rate 316, then there is no remaining issue about “whether” the Rate will be offered. Given that the Company will have to acquire the services to offer Rate 316 in the marketplace, the Company is not able to make any commitment to automatic renewal (or roll-over) rights for Rate 316, since the contracts for these services will be for fixed terms and the competitive market price and terms that the Company will commit

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<sup>123</sup> 14 Tr. 89-90

<sup>124</sup> 14 Tr. 109-110

<sup>125</sup> Exhibit K14.1; 14 Tr. 151-152

<sup>126</sup> Exhibit K14.1; 14 Tr. 151-152; as discussed above, gas-fired generators are also confident that they can acquire such services themselves



to for these services will likely change from time to time.<sup>127</sup> The Company does believe, however, that upon the expiry of a Rate 316 contract it will be able to enter into a new Rate 316 contract with an interested customer.

Under both a forbearance and a non-forbearance scenario, the Company will go through the same process to acquire the services needed for the high deliverability portion of the Rate 316 service. Under a non-forbearance scenario, the Company will rely exclusively on third party procurement of these services. Under a forbearance scenario, as set out below, Enbridge Gas Distribution's gas storage group (*i.e.*, Tecumseh) might be one of the bidders into an RFP seeking services for a Rate 316 offering.

The Company's evidence is clear that it will not proceed with its storage build proposal unless forbearance is ordered through this proceeding.<sup>128</sup> In the event that forbearance is ordered, the Company may proceed with the storage build proposal, outside of regulation. As described above in the "High Deliverability Storage" section of this Argument, in a forbearance scenario the Company would be free to sell the service resulting from its storage build to the bidder or bidders offering the most attractive terms. In that case, there could be another source for the services necessary for the Company to offer high deliverability Rate 316 service. As Mr. Charleson explained in examination in chief:

Under a forbearance scenario, I see there being the potential that Enbridge Gas Distribution would proceed with its build that is being described within the evidence. If that were to occur, I would then see Mr. Grant, or somebody representing those storage operations, potentially bidding in on that RFP I discussed earlier under a non-forbearance scenario. Or, if Mr. Grant was conducting an open season, I could look to bid in on that capacity.

All of this would obviously have to occur with some appropriate controls, in terms of separation and clarity of functions, but really the -- our view is that under a forbearance scenario the storage that Enbridge Gas Distribution would develop if they were to proceed with it would just result in them becoming another bidder for the services that we're looking for.<sup>129</sup>

The Company has conducted a non-binding open season process to evaluate the level of interest in the high deliverability storage that would be created through its proposed storage build.<sup>130</sup> Bidders into that process included

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<sup>127</sup> Exhibit K10.4, p. 3: item (c); similarly, in response to Exhibit K10.4, p. 3: item (b), the Company cannot articulate all of the possible circumstances where an Operational Flow Order might be imposed for Rate 316, since that will depend to some extent on the provisions of the contracts that underpin the services and capacity used to support Rate 316

<sup>128</sup> 14 Tr. 95 and 132

<sup>129</sup> 14 Tr. 90-91

<sup>130</sup> 6 Tr. 19

marketers, gas fired generators and end-use customers.<sup>131</sup> The level of interest shown through the non-binding open season process demonstrated that the Company's offering at market rates would be oversubscribed.<sup>132</sup> There is no assurance, therefore, that the Company's proposed storage build will become part of the services used to offer Rate 316.

Whether or not forbearance is ordered as a result of this proceeding, the pricing for Rate 316 will be the same.<sup>133</sup> Essentially, Rate 316 customers will pay a rate that is based on the costs that the Company incurs to acquire the services necessary to offer the high deliverability Rate 316 service.<sup>134</sup> As seen in the draft Rate 316 Rate Schedule attached as Appendix A, the Company proposes a range rate for the "storage reservation charge". This range rate is intended to be broad enough to recover whatever level of costs the Company may incur on behalf of Rate 316 customers. As it is proposed, the floor for the range rate allows for the recovery of the estimated costs, on a rolled-in (not incremental) basis, that the Company would incur if it were to proceed with the proposed storage build and offer the resulting service to utility customers at a rolled-in cost.<sup>135</sup> Given that the Company does not plan to proceed with this storage build in a cost-based rates environment, and given that even gas fired generators are not advocating rolled-in pricing for high deliverability storage, it is highly unlikely that the actual storage reservation charge for Rate 316 will be as low as the floor. The ceiling for the range rate is an amount that is ten times as high as the floor.<sup>136</sup> This ceiling is high enough that it would accommodate the "top-end cost" of the Company acquiring 10% high deliverability storage capability by aggregating 8 times as much 1.2% deliverability storage.<sup>137</sup>

In order to resolve the outstanding Issue 1.6, the Company is seeking approval of its draft Rate Schedule for Rate 316, which is attached as Appendix B and which reflects the features of the Rate set out in evidence and discussed above.

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<sup>131</sup> 7 Tr. 108-110

<sup>132</sup> 14 Tr. 158

<sup>133</sup> 14 Tr. 91

<sup>134</sup> 14 Tr. 90-92: note that, as Mr. Charleson stated in his testimony, the Company will look for commitments from Rate 316 customers that they wish to take the service before the Company will go to the market to procure the services needed to offer the Rate

<sup>135</sup> Exhibit C, Tab 3, Schedule 1, pp. 7-8

<sup>136</sup> Exhibit C, Tab 3, Schedule 1, pp. 7-8; 14 Tr. 97

<sup>137</sup> Exhibit K14.1 and 14 Tr. 149-151

### **Draft Rate Schedules**

On the last day of the hearing, the Company confirmed that it would file updated draft Rate Schedules for Rates 300 and 315 to reflect the matters agreed upon in the Settlement Proposal.<sup>138</sup> These documents are attached as Appendices C and D, for approval by the Board.

Also attached, as Appendix E, is a draft Rate Rider titled "Balancing Service Rider" which reflects the settlement of the parties as set out at Sections 1.2 and 1.4 of the Settlement Proposal.

Versions of each of the draft Rate Schedules, in blacklined form to show changes from the draft Rate Schedules originally filed in this proceeding, are also included with Appendices A to E.

### **D. Conclusion**

Enbridge Gas Distribution therefore submits that the Board should conclude, as a question of fact, that there is sufficient competition in gas storage services bought and sold at Dawn to protect the public interest. Based on this factual conclusion, subsection 29(1) of the OEB Act requires that the Board refrain, in whole or in part, from exercising any power or performing any duty under the Act in relation to gas storage services traded at Dawn. The gas storage services traded in the competitive market at Dawn include transactional storage services sold by Enbridge Gas Distribution and the Company submits that forbearance should apply in respect of these services.

The Company submits further that the Board should forbear "in part" by allowing an "exemption" for in-franchise customers which recognizes that the impact of competition does not fully reach in-franchise customers who are purchasers of bundled services. Under the Company's exemption proposal, storage capacity and deliverability provided to in-franchise customers from existing Tecumseh facilities (and not sold as transactional services at Dawn) would continue to receive cost-based rate treatment. Forbearance would apply in respect of all new storage capacity and deliverability effective in the 2007 Test Year; future increments of capacity and deliverability, as well as the storage acquired from Union in April 2006, would be rolled-in at market prices with the cost-based storage from the now existing Tecumseh facilities.

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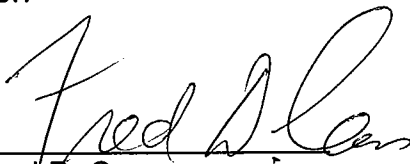
<sup>138</sup> 14 Tr. 96-97

Consistent with this proposal, should Tecumseh's proposed storage enhancement project proceed, the new increment of high deliverability storage service provided as a result of this project would be subject to forbearance and would be sold at market prices. Regardless of the availability of Tecumseh's high deliverability storage service, however, Enbridge Gas Distribution will offer high deliverability storage, as well as an allocation of 1.2% deliverability storage, under Rate 316. Enbridge Gas Distribution will acquire services at market prices (from sources which would possibly, but not necessarily, include Tecumseh) and then offer the high deliverability service to prospective purchasers at a cost which reflects the market prices of the underpinning services.

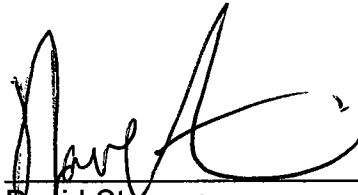
Enbridge Gas Distribution also submits, for the reasons already given, that the Board should: (1) reject the argument that Rate 125 ought to be limited to new loads only and approve the draft Rate Schedule attached as Appendix A; (B) approve the draft Rate Schedules for Rates 300, 315 and 316 and the Balancing Services Rider (Appendices B to E); and (3) rule, in the manner set out above, on the "smoothing" issue with respect to the impact of customer migration to unbundled rates.

ALL OF WHICH IS RESPECTFULLY SUBMITTED THIS 11<sup>th</sup> DAY OF AUGUST 2006,

Per:



Fred D. Cass  
Aird & Berlis LLP  
Counsel to Enbridge Gas Distribution



David Stevens  
Aird & Berlis LLP  
Counsel to Enbridge Gas Distribution

Filed: 2006-08-11  
EB-2005-0551  
Exhibit Y  
Tab 1  
Appendix A

**Submissions of Enbridge Gas Distribution**

**Appendix A  
Draft Rate Schedule for Rate 125**

RATE NUMBER: **125**

**EXTRA LARGE FIRM DISTRIBUTION SERVICE**

**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 of natural gas. The maximum daily volume for billing purposes, Contract Demand or Billing Contract Demand, as applicable, shall not be 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 monthly demand charges payable shall be based on the Contract Demand which 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 the Contract Demand or the Billing Contract Demand, as applicable, 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 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 the 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.

The Company permits pooling of Rate 125 contracts for legally related customers who meet the Business Corporations Act (Ontario) ("OBCA") definition of "affiliates" to allow for the management of those contracts by a single manager. The single manager is jointly liable with the individual customers for all of their obligations under the contracts, while the individual customers are severally liable for all of their obligations under their own contracts.

**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 (the sum of the customer's Contract Demand and the authorized overrun amount) required to serve the customer's daily load, 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 the terms of the 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 over the Billing Contract Demand will be given in the case of Dedicated Service to the Terminal Location provided that pipeline capacity is available and subject to the Contract Demand 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 provisions of Rate 315 and 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 provisions of Rate 315 and any applicable 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\*\*.

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

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

$P_m$  = 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 day's 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 shall provide notice to the customer of such termination; however, no notice is required to alleviate emergency conditions.

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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 including where applicable, the confirmed nominations of the customer for Storage Service under Rate 316 or 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 the 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 equal to 60% of the customer's Contract Demand for non dedicated service and 60% of the Billing Contract Demand for dedicated service.

**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. The Company shall provide advance notice to the customer of the start and end of the winter season as soon as reasonably possible, but in no event not less than 2 days prior to the start or end.

**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.

Enbridge Gas Distribution, acting reasonably, may call for an OFO in the following circumstances:

- 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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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. The Company will provide the customer with a derivation of any such charges.

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 the Contract Demand. The Company may, on days with no operating constraints, authorize Make-up Gas that, in conjunction with Aggregate Delivery, exceeds the 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 1.004 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 delivered on or after July 1, 2007.

This rate schedule is effective July 1, 2007.

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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. *The maximum daily volume for billing purposes, Contract Demand or Billing Contract Demand, as applicable, shall not be 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 *monthly demand charges payable shall be based on the Contract Demand which 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 the Contract Demand or the Billing Contract Demand, as applicable, per month	<b>9.2021 ¢/m³</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 the 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.

*The Company permits pooling of Rate 125 contracts for legally related customers who meet the Business Corporations Act (Ontario) ("OBCA") definition of "affiliates" to allow for the management of those contracts by a single manager. The single manager is jointly liable with the individual customers for all of their obligations under the contracts, while the individual customers are severally liable for all of their obligations under their own contracts.*

**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 (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 the terms of the 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 over the Billing Contract Demand 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 the Contract Demand 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 provisions of Rate 315 and 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 provisions of Rate 315 and 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\*\*.

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

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

$P_m$  = 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 day's 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, shall provide notice to the customer of such termination; however, no notice is required to alleviate emergency conditions.

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RATE NUMBER: **125**

**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 *including where applicable, the confirmed nominations of the customer for Storage Service under Rate 316 or 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 the 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 for non dedicated service and 60% of the Billing Contract Demand for dedicated service.

**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. *The Company shall provide advance notice to the customer of the start and end of the winter season as soon as reasonably possible, but in no event not less than 2 days prior to the start or end.*

**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~~ Enbridge Gas Distribution, acting reasonably, may call for an OFO ~~would include but not be limited to~~ in the following circumstances:

- 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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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. *The Company will provide the customer with a derivation of any such charges.*

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 the Contract Demand. The Company may, on days with no operating constraints, authorize Make-up Gas that, in conjunction with Aggregate Delivery, exceeds the 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 ~~ef-1.895~~ 1.004 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 Underrun 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 delivered on or after July 1, 2007 ~~or such earlier date as the Board may specify.~~

This rate schedule is effective July 1, 2007 ~~or such earlier date as the Board may specify.~~

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Filed: 2006-08-11  
EB-2005-0551  
Exhibit Y  
Tab 1  
Appendix B

**Submissions of Enbridge Gas Distribution**

**Appendix B  
Draft Rate Schedule for Rate 300**

RATE NUMBER: **300**

**FIRM OR INTERRUPTIBLE DISTRIBUTION SERVICE**

**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 distribution 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:**

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

**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.

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 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\*\*.

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

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

$P_m$  = 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 or reliability of the gas system. The Company shall provide notice to the customer of such termination; however, 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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**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 including where applicable, the confirmed nominations of the customer for Storage Service under Rate 316 or 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.

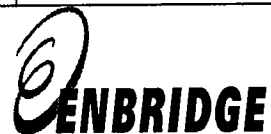
**Daily Imbalance:**

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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**Maximum Contractual Imbalance:**

The Maximum Contractual Imbalance shall be 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. The Company shall provide advance notice to the customer of the start and end of the winter season as soon as reasonably possible, but in no event not less than 2 days prior to the start or end.

**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.

Enbridge Gas Distribution, acting reasonably, may call for an OFO in the following circumstances:

- 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 Imbalance 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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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 delivered on or after January 1, 2007, or, on or after April 1, 2007, depending on the start date chosen by the customer.

This rate schedule is effective January 1, 2007.

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RATE NUMBER: **300**

**FIRM OR INTERRUPTIBLE DISTRIBUTION SERVICE**

**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 *distribution* 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:**

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

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.

*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 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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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\*\*.

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

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

$P_m$  = 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 or reliability of the gas system. The Company ~~may, in its sole discretion, shall~~ 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~~ *including* where applicable, the confirmed nominations of the customer for Storage Service under Rate 316 or 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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**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. *The Company shall provide advance notice to the customer of the start and end of the winter season as soon as reasonably possible, but in no event not less than 2 days prior to the start or end.*

**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.

*Enbridge Gas Distribution, acting reasonably, may* ~~Circumstances that would call for an OFO in the following circumstances: -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 Imbalance 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 delivered on or after January 1, 2007, or, on or after April 1, 2007.

This rate schedule is effective January 1, 2007.

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Filed: 2006-08-11  
EB-2005-0551  
Exhibit Y  
Tab 1  
Appendix C

**Submissions of Enbridge Gas Distribution**

**Appendix C  
Draft Rate Schedule for Rate 315**

**APPLICABILITY:**

This rate is available to any customer taking service under Distribution Rates 125 and 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<sup>th</sup> 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]. Gas fired power generation customers have the option to have storage space determined based on the methodology approved in EB-2005-0551.

Maximum deliverability shall be 1.2% of contracted storage space. 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 distribution 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>Monthly Storage Space Demand Charge</b>	<b>0.0367 ¢/m<sup>3</sup></b>
<b>Monthly 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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RATE NUMBER: **315**

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:**

Nominations under this rate shall only be accepted at the standard North American Energy Standards Board ("NAESB") nomination windows. 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. When system conditions permit, the customer may nominate all or a portion of the available withdrawal capacity for delivery to Dawn or to the customer's Primary Delivery Area for purposes other than consumption at the customer's own meter.

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 (CD).

The 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 CD. Any gas in excess of the contract demand will be subject to cash out as injection overrun gas.

The Company reserves the right to limit injection and withdrawal rights to all storage customers in certain situations, such as major maintenance or construction projects, and may reduce nominations for injections and withdrawals over and above applicable storage ratchets. The Company will provide customers with one week's notice of its intent to limit injection and withdrawal rights, and at the same time, shall provide its best estimate of the duration and extent of the limitations.

In situations where the Company limits injection and withdrawal rights, the Company shall proportionately reduce the Storage Deliverability/Injection Demand Charge for affected customers based on the number of days the limitation is in effect and the difference between Deliverability/Injection Demand, subject to applicable storage ratchets, and the quantity of gas actually delivered or injected.

**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.

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RATE NUMBER: **315**

**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 own 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 delivered on or after January 1, 2007, or, on or after April 1, 2007, depending on the start date chosen by the customer.

This rate schedule is effective January 1, 2007.

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RATE NUMBER: **315**

**GAS STORAGE SERVICE**

**APPLICABILITY:**

This rate is available to any customer taking service under Distribution Rates 125 and 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<sup>th</sup> 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]. *Gas fired power generation customers may request to have storage space determined based on the storage space algorithm or based on the methodology approved in EB-2005-0551.*

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 *distribution* 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:**

*Nominations under this rate shall only be accepted at the standard North American Energy Standards Board ("NAESB") nomination windows. 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. When system conditions permit, the customer may nominate all or a portion of the available withdrawal capacity for delivery to Dawn or to the customer's Primary Delivery Area for purposes other than consumption at the customer's own meter.~~*

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 (CD).

The 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 CD. Any gas in excess of the contract demand will be subject to cash out as injection overrun gas.

The Company reserves the right to limit injection and withdrawal rights ~~based on system operating requirements to all storage customers in certain situations, such as major maintenance or construction projects, and may reduce nominations for injection or require nominations to be delivered to the system. injections and withdrawals over and above applicable storage ratchets. The Company will provide customers with one week's notice of its intent to limit injection and withdrawal rights, and at the same time, shall provide its best estimate of the duration and extent of the limitations.~~

*In situations where the Company limits injection and withdrawal rights, the Company shall proportionately reduce the Storage Deliverability/Injection Demand Charge for affected customers based on the number of days the limitation was in effect and the difference between Deliverability/Injection Demand, subject to applicable storage ratchets, and the quantity of gas delivered or injected.*

**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.

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RATE NUMBER: **315**

**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 *own* 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 delivered on or after January 1, 2007, *or, on or after April 1, 2007.*

This rate schedule is effective January 1, 2007.

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Filed: 2006-08-11  
EB-2005-0551  
Exhibit Y  
Tab 1  
Appendix D

**Submissions of Enbridge Gas Distribution**

**Appendix D  
Draft Rate Schedule for Rate 316**

**APPLICABILITY:**

This Rate is available to any customer taking service under Distribution Rates 125 and 300. It requires a Service Contract that identifies the required storage space and injection/deliverability tiers. In addition, the customer must arrange for pipeline delivery service from Dawn to the Primary Delivery Area of the customer. This service is not a delivered service and is only available when the relevant pipeline confirms the delivery.

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.

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

Customer contracts for a combination of storage space and injection/deliverability rights. The deliverability right represents the maximum withdrawal rate from the contracted storage capacity. The injection right represents the maximum injection rate to the contracted 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 account.

The customer is entitled to an amount of storage space and associated 1.2% ratcheted deliverability at the minimum demand charges for Storage Space and Storage Deliverability/Injection. The amount of this storage space shall be based on the storage space algorithm [(customer's average winter demand – customer's average annual demand) x 151]. Gas fired power generation customers have the option to have storage space determined based on the methodology approved in EB-2005-0551.

Storage space and deliverability requirements above this level will be subject to the range rates below. The level of the rate within the range will reflect the Company's cost of procuring the required capacity.

**CHARACTER OF SERVICE:**

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

The service is nominated 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:

<p><b>1</b> Monthly Storage Space Demand Charge:</p> <p style="padding-left: 20px;"><b>Minimum</b></p> <p style="padding-left: 20px;"><b>Maximum</b></p>	<p><b>0.3853 /10<sup>3</sup>m<sup>3</sup></b></p> <p><b>3.8530 /10<sup>3</sup>m<sup>3</sup></b></p>
<p><b>2</b> Monthly Tiered Storage Deliverability/Injection Demand Charge:</p> <p style="padding-left: 20px;"><b>Minimum</b></p> <p style="padding-left: 20px;"><b>Maximum</b></p>	<p><b>35.0933 /10<sup>3</sup>m<sup>3</sup></b></p> <p><b>350.933 /10<sup>3</sup>m<sup>3</sup></b></p>
<p><b>3</b> Injection &amp; Withdrawal Unit Charge:</p>	<p><b>2.6230 /10<sup>3</sup>m<sup>3</sup></b></p>
<p><b>4</b> Fuel Ratio:</p>	<p><b>0.35%</b></p>

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.

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**Monthly Minimum Bill:** 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.

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

**Un-ratcheted Deliverability Service:**

This service permits the customer to withdraw gas from storage on any day equal to the contract Tier 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. The level of the charge will reflect the Company's cost of procuring the required capacity.

**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 own 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.

**EFFECTIVE DATE:**

To apply to bills rendered for gas delivered on or after July 1, 2007.

This rate schedule is effective July 1, 2007.

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**APPLICABILITY:**

*This Rate is available to any customer taking service under Distribution Rates 125 and 300. It requires a Service Contract that identifies the required storage space and injection/deliverability tiers. In addition, the customer must arrange for pipeline delivery service from Dawn to the Primary Delivery Area of the customer. This service is not a delivered service and is only available when the relevant pipeline confirms the delivery.*

*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.*

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

Customer contracts for a combination of storage space and injection/deliverability rights. The deliverability right represents the maximum withdrawal rate from the contracted storage capacity. *The injection right represents the maximum injection rate to the contracted 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 account.

*The customer is entitled to an amount of storage space and associated 1.2% ratcheted deliverability at the minimum demand charges for Storage Space and Storage Deliverability/Injection. The amount of this storage space shall be based on the storage space algorithm [(customer's average winter demand – customer's average annual demand) x 151]. Gas fired power generation customers have the option to have storage space determined based on the methodology approved in EB-2005-0551.*

*Storage space and deliverability requirements above this level will be subject to the range rates below. The level of the rate within the range will reflect the Company's cost of procuring the required capacity.*

**CHARACTER OF SERVICE:**

Service shall be firm when used in conjunction with firm pipeline delivery service. Service is interruptible when used in conjunction with interruptible pipeline delivery 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	Monthly Storage Space Demand Charge:	
	<b>Minimum</b>	0.3853 /10 <sup>3</sup> m <sup>3</sup>
	<b>Maximum</b>	3.8530 /10 <sup>3</sup> m <sup>3</sup>
2	Monthly Tiered Storage Deliverability/Injection Demand Charge:	
	<b>Minimum</b>	35.0933 /10 <sup>3</sup> m <sup>3</sup>
	<b>Maximum</b>	350.933 /10 <sup>3</sup> m <sup>3</sup>
3	Injection & Withdrawal Unit Charge:	2.6230 /10 <sup>3</sup> m <sup>3</sup>
4	Fuel Ratio:	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.

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

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**Monthly Minimum Bill:** 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.

**Un-ratcheted Deliverability Service:**

This service permits the customer to withdraw gas from storage on any day equal to the contract Tier 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. *The level of the charge will reflect the Company's cost of procuring the required capacity.*

**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 *own* 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 delivered on or after July 1, 2007.*

*This rate schedule is effective July 1, 2007.*

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Filed: 2006-08-11  
EB-2005-0551  
Exhibit Y  
Tab 1  
Appendix E

**Submissions of Enbridge Gas Distribution**  
**Appendix E**  
**Draft Rate Rider for Balancing Service Rider**

RIDER:

**H**

**BALANCING SERVICE RIDER**

**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 or 300 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 or 300.

**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 like services, the Company, at its sole discretion based on operational conditions, will also allow for the transfer of gas from a storage service contract that has a level of deliverability that is higher than the level of deliverability of the storage service contract the gas is being transferred to with only the Administration Charge being applicable to each party.

In addition to the Administration Charge, Applicants requesting service between two storage service contracts not addressed in the preceding paragraph would be subject to the injection and withdrawal charges specified in their contracts.

Administration Charge: \$25.00 per transaction

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**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, or 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, or 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 like services, the Company, at its sole discretion based on operational conditions, will also allow for the transfer of gas from a storage service contract that has a level of deliverability that is higher than the level of deliverability of the storage service contract the gas is being transferred to with only the Administration Charge being applicable to each party. 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.

In addition to the Administration Charge, Applicants requesting service between two storage service contracts not addressed in the preceding paragraph would be subject to the injection and withdrawal charges specified in their contracts.

Administration Charge:	\$25.00 per transaction
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