Appendix D

RP-1999-0017

UNION GAS

SETTLEMENT AGREEMENT

June 7, 2000

TABLE OF CONTENTS

List of Appendices

RP-1999-0017

AGREEMENT AMONG INTERESTED PARTIES

This Alternative Dispute Resolution Agreement ("Agreement") is for the consideration of the Ontario Energy Board ("the Board") in its determination, under Docket No. RP-1999-0017, of the unbundling of certain rates charged for the sale, distribution, transportation and storage of gas. The Agreement identifies all unbundling issues [Issue 1] on the Board's list of issues even if no agreement has been reached. The Agreement is supported by the evidence filed in RP-1999-0017. No agreement was reached on any of the remaining issues [Issues 2, 3, 4, 5 and 6].

The agreement deals with all of the unbundling issues on the Board's Issues List and each issue falls within one of the following two categories:

1. an issue for which there is complete settlement, because the Company and all of the other parties who discussed the issue either agree with the settlement or take no position
2. an issue for which there is no settlement, because the Company and the other parties who discussed the issue are unable to reach an agreement to settle the issue.

It is acknowledged and agreed that this Agreement will be null and void if the Board does not, prior to the commencement of the hearing of the unbundling evidence, accept the Agreement in its entirety. Given the desire to begin the proceeding prior to the Board being able to review and rule on the Agreement, the parties encourage the Board to rule on this Agreement as soon as practicable subsequent to the start of the proceeding.

It is further acknowledged and agreed that parties will not withdraw from this Agreement under any circumstances except as provided under Rule 40 of the Ontario Energy Board's Rules of Practice and Procedure. It is also acknowledged and agreed that this Agreement is without prejudice to parties re-examining these issues in a future proceeding.

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

The evidence supporting the agreement on each issue is set out in each section of the Agreement. Abbreviations will be used when identifying exhibit references. For example, Exhibit B, Tab 4, Schedule 1, Page 1 will be referred to as B/T4/S1/p1. There are Appendices to the Agreement which provide further evidentiary support. The parties agree that this Agreement and the Appendices form part of the record in the proceeding.

In the Agreement, "customer" refers to an in-franchise customer. In-franchise customers include small volume users (ie. individual residential, commercial customers), wholesale and large industrial, commercial and institutional customers. “Customer” also refers to Retail Energy Marketers (REMs) that supply gas to end users.

The following parties participated in the Settlement Conference:
Alliance of Manufacturers and Exporters Canada (“the Alliance”), Association of Municipalities of Ontario (“AMO”), CENGAS, Coalition for Efficient Energy Distribution (“CEED”), Comsatec Inc., Consumers’ Association of Canada (“CAC”), The Corporation of the City of Kitchener (“Kitchener”), Enbridge Consumers Gas (“Enbridge”), Energy Probe, Enron, Green Energy Coalition (“GEC”), HVAC Coalition (“HVAC”), Hydro One Networks (“Hydro”), Industrial Gas Users Association (“IGUA”), John Fullerton, London Property Management Association (“LPMA”), Major Energy Consumers and Producers (“MECAP”), Nova Chemicals (Canada) Ltd. (“Nova”), Ontario Association of Physical Plant Administrators (“OAPPA”), Ontario Energy Savings Corp. (“OESC”), Pollution Probe, Ontario Association of School Business Officials (“Schools”), TransCanada PipeLines Limited (“TCPL”), Vulnerable Energy Consumers Coalition (“VECC”), Wholesale Gas Service Purchasers Group (“WGSPG”).

Enron, GEC, and Pollution Probe take no position on the issues addressed within this Agreement.

The role adopted by Board Staff in Settlement Conferences is set out on page 5 of the Board’s Settlement Conference Guidelines. As noted in that document, “Board Staff will attend the Settlement Conference to ensure that all relevant information is brought forward and considered in negotiations. They will present options for the consideration of the parties and will offer advice on the strengths and weaknesses of the parties’ proposals. Staff will endeavour to help the parties reach a settlement but will not sign the settlement proposal”. Board Staff takes no position on any issue and as a result is not a party to this Agreement.

The parties agree that all positions, information, documents, negotiations and discussion of any kind whatsoever which took place or were exchanged during the Settlement Conference (the “Settlement Negotiations”) are strictly confidential and without prejudice. Further, Board Staff acknowledge that they will not provide any information on the Settlement Negotiations to the Board or any member of Board Staff other than what may be disclosed in the Agreement itself.

Energy Probe has submitted prefiled evidence which addresses, at a high level, the unbundling of upstream transportation and storage through market mechanisms. A motion was brought by Union to strike this evidence from the record and remains outstanding. Energy Probe’s evidence does not suggest immediate implementation. However, Energy Probe’s agreement on the settled issues is without prejudice to Energy Probe arguing that the unbundling issues as settled and contained within this Agreement, should apply for a limited time horizon and not preclude an examination of the appropriate end state market structure for natural gas. Energy Probe also agrees that it will cross-examine only on the unsettled issues [Issues 1.1, 1.2.1, 1.2.2, 1.2.5 and 1.2.6]

1. UNBUNDLING

1.1 Unbundling Overview and Rationale (Including Implementation)

[No Settlement]

Union's unbundling proposals generally represent a disaggregation of the bundled rates approved by the Board in E.B.R.O. 499. The unbundled rates will be adjusted on a basis consistent with the Board's findings on Union's PBR proposal.

Union's unbundling proposals relied on the following principles:

- Customers can elect either the existing bundled or the new unbundled service offering.
- The operational capability of the transportation and storage assets underlying the bundled service will be made available through the unbundled service.
- Stranded costs will be eliminated/minimized.
- With the exception of storage integrity space and delivery/redelivery costs, the unbundling proposals are based on the cost allocation methodologies and rate design principles supporting the rates approved by the Board in E.B.R.O. 499.
- The unbundled services have been designed such that maintaining system integrity and system reliability are not jeopardized and the associated cost of such maintenance is minimized.
- The terms and conditions of the unbundled service provides the risk and rewards to the user.
- Existing allocations of upstream transportation in Union's Southern Operations area will be grandfathered.

Union's proposals continue to reflect the differences between Union's Southern Operations area and Northern and Eastern Operations area. As such, the upstream transportation capacity and storage allocation proposals differ between the two operational areas.

The unbundled services will be provided as an option to customers. While unbundling will provide the customers with more control, the customers will need to manage on a daily basis the nominations required to balance their upstream transportation capacity, storage injections and withdrawals with their consumption to within predefined tolerances.

Union contends that its unbundling proposals are consistent with the continued evolution over time of competitive options which began with commodity based direct purchase and extended to t-service offerings. The new unbundled service offering is intended to be part of the continued evolution of new services in support of a competitive market in natural gas commodity and other non-monopoly services.

The evidence of other parties stressed the importance of certain other principles that should guide the design and implementation of new unbundled services. This evidence stressed the importance of flexibility and proper rate design. Operational flexibility within the unbundled services is required to allow efficiencies to be achieved for the benefit of end users and to support customer choice and mobility. Other parties contend that flexibility must exist within each of the components of the unbundled service in order to avoid any undue restrictions on the ability of REM's to manage the portfolio of unbundled services efficiently and to provide value added rebundled services to end use customers. Certain parties strongly endorsed customer mobility and the need for unbundled services to be designed in a manner that supports customer mobility and further contended that any stranding of costs as a result of unbundling be quantified, mitigated and recovered equitably from all customers.

Lastly, certain parties emphasized that the proper design of the unbundled rates is necessary to ensure no cross subsidization between bundled and unbundled services.

The Energy Probe evidence, which is subject to Union's motion, responds to Union's evidence and in contrast to Union's proposal proposes an end state market structure which contends to feature transparency, efficient price signals, and the balancing of stranded benefits against stranded costs. Energy Probe proposes facilitation of competitive services so suited without requiring any change in the ownership of Union's rate base assets. Energy Probe's evidence also suggests that the overview and rationale of unbundling should include a consideration of fully unbundled, market-based, competitive storage services in the end state which is not, in Energy Probe's view, contemplated in Union's evidence.

There is no agreement on this issue.

Evidence References:

1. B/T1/p3-5, Unbundling Overview
2. B/T1/p6-10, The Unbundling Proposal
3. B/T1/p10-11, Unbundling Overview
4. C1.1; C1.2; C1.3; C1.4; C1.5; C1.6; C1.7; C1.8; C1.9; C3.1; C3.2; C3.3; C3.4; C3.8; C5.1; C7.1; C13.1; C13.2; C13.3; C19.1; C19.2; C21.52; C21.53; C21.54; C21.71; C21.78; C24.1; C24.20; C26.1; C26.2; C26.3; C26.4; C26.5; C26.6; C26.7; C34.1; C34.2; C36.14
5. Exhibit D5, CEED's prefiled evidence, para 4-11.
6. Exhibit D21, IGUA's prefiled evidence, Tab 1, para. 2.
7. Exhibit D34, TCPL's prefiled evidence, pp. 22 – 27.

1.2 Upstream Transportation

1.2.1 Southern Operations Area - Upstream Transportation Allocation
1.2.2 Southern Operations Area - Allocation Terms and Conditions

[No Settlement]

Union currently facilitates movement to direct purchase through an allocation/assignment of TransCanada PipeLines Limited ("TCPL") firm transportation (FT) capacity. This approach has been in place since direct purchase began and was last confirmed by the Board in its E.B.R.O. 493/494 Decision. The remaining amount of TCPL capacity has been declining and now represents a very small proportion of Union's remaining system portfolio. Effective November 1, 2000, Union is proposing to allocate/assign upstream transportation based on a "vertical slice" of Union's upstream transportation portfolio. The vertical slice will include all upstream transportation portfolio components including spot gas and will be updated to reflect Union's portfolio each November 1. This methodology will apply to all system customers electing either a bundled direct purchase or unbundled service as well as to the annual administration of Daily Contract Demand (DCQ) changes as of the unbundling start date. All existing direct purchase assignments/allocations (i.e. 100% TCPL FT and FST) will be grandfathered which leaves existing direct purchase customers responsible for TCPL capacity even if existing direct purchase customers elect the unbundled service. The initial allocation of capacity to all system customers electing either the bundled or unbundled service through the vertical slice will allow them to make their own upstream arrangements upon the expiry of the transportation contracts underlying the vertical slice.

The primary terms and conditions associated with upstream transportation assignments for the unbundled service in the Southern Operations Area are:

- Subject to the agreement on Issue 1.2.3, a 22-day commitment to deliver volumes at Parkway at Union's call (Parkway commitment equal to the capacity allocated/assigned to customers with a Parkway delivery point at the time a switch from system gas to direct purchase is facilitated and/or the weighted average Parkway portfolio percentage as adjusted annually to reflect changes in an REM's upstream transportation portfolio and to reflect customers moving between REM's).
- Customer required to take a mandatory assignment or allocation of Union's existing upstream contracts for the remaining terms of those contracts (ie. for the remaining customers on system gas supply and electing to move to a direct purchase option).
- One year perpetual evergreening agreements.

The one year evergreening assignments will automatically roll over every year except in those circumstances where one or more of the following conditions arise:
(a) Mutual agreement between Union and the customer to terminate the assignment.
(b) Customer decontracts TCPL capacity via Union's TCPL turnback policy.
(c) Customer default.
(d) Failure to provide appropriate credit.

(e) Renegotiation of upstream contracts with terms and conditions acceptable to Union and the customer.
(f) Changes resulting from future regulatory decisions.

When Union assigns/allocates upstream transportation contracts with no annual renewal provisions, the underlying term of the assignment/allocation will match the term of the underlying transportation contract(s) held by Union. Union will also permanently assign upstream transportation capacity to the extent requested by customers and provided the customer meets all financial and credit requirements of the upstream transporter.

Union will attempt to facilitate customer requests for a different mix of transportation capacity from that determined by the vertical slice by offering an upstream transportation clearinghouse. This service is optional and does not restrict the ability of parties to trade upstream transportation capacity in the secondary market.

Union will continue to operate under the existing TCPL turnback policy.

Union will enter the appropriate transportation queues and contract for long-term capacity on behalf of direct purchase customers at their request but may require the customer to make a longer term commitment in return.

Vertical Slice Details, Justification and Operation

A projection of Union’s remaining system supply portfolio as at November 1, 2000 is attached at Appendix A. Appendix A illustrates the various transportation components along with the average remaining term of the underlying contracts associated with each component.

Union noted that given the continued facilitation of direct purchases using TCPL FT only as directed by the Board in E.B.R.O. 493/494, Union has very little TCPL FT capacity remaining in its system portfolio. As noted in Appendix A, there is 24,000 GJ/day of remaining TCPL FT capacity which represents approximately 10% of Union’s system portfolio. Further, direct purchase activity between May and November, 2000 is projected to utilize approximately 6,000 GJ/day of this capacity resulting in remaining TCPL FT capacity of approximately 18,000 GJ/day at November 1, 2000. At this level, Union would only be able to facilitate approximately 60,000 new residential direct purchase arrangements if it were to continue to facilitate new direct purchase using TCPL FT only.

Union further clarified that the vertical slice would be facilitated through a single one year assignment for each transportation component representing a consolidation of the underlying contracts and tolls. As such, customers would not have to manage numerous underlying contracts in connection with the allocation of a particular transportation component. The only exception to facilitating the vertical slice through a single one year assignment arises where a customer requests a permanent assignment of upstream capacity. In this case, Union would facilitate a permanent assignment of each transportation component and this would involve a vertical slice of underlying contracts and their respective terms.

Based on the projected portfolio as at November 1, 2000 (Appendix A), approximately 50% of the transportation components allocated through the vertical slice will expire within two years which will provide customers the flexibility to arrange for their own replacement supplies in the market at that time, subject only to any associated Parkway commitments.

Mandatory Versus Optional Allocation

Union contends that its mandatory vertical slice proposal is grounded by the existing regulatory framework in Ontario where the regulated LDC's have made available upstream transportation capacity contracted by the LDC's in order to facilitate direct purchase. To date, the upstream transportation capacity made available (i.e. assigned/allocated) by Union to facilitate direct purchase has been TCPL FT and FST only. Union also noted that the existing TCPL turnback policy is founded on the principle of avoiding stranded costs by maintaining a direct purchase customer's obligation for the capacity and the underlying contract term of the TCPL FT and FST capacity currently supporting the existing direct purchase arrangements. The mandatory allocation approach maintains consistency between existing and new direct purchase customers (either bundled or unbundled) and avoids any unfavourable cost impacts on the remaining system supplied customers.

Attached as Appendix B is a point in time estimate of the potential stranded cost impact associated with Union's remaining system portfolio. This estimate represents the difference between the posted tolls and the estimated market value of each upstream contract for a one year period. The analysis on the remaining system portfolio as at November 1, 2000 highlighted the potential stranded costs that would occur if all existing customers opted for direct purchase without an obligation to use any of Union's existing upstream transportation capacity. Further, to the extent that existing direct purchase customers were not responsible for grandfathered upstream transportation and could escape responsibility by electing the unbundled service, the stranded cost impact increases further. Union also noted that this estimate was conservative in that it did not reflect the potential for further value erosion were Union obligated to liquidate a large volume of capacity at a particular point in time.

Lastly, Union emphasized that the current upstream transportation allocation methodology is used to determine the proportion of volumes (i.e. DCQ) required to be delivered to Parkway (either 365 days for bundled or 22 day call for unbundled) in order to maintain Union's existing system integrity and design. Specifically, the delivery point inherent in Union's upstream transportation capacity portfolio is the basis on which the existing Parkway commitment is determined.

The following parties agree with Union's proposal: CAC; CENGAS; Enbridge; LPMA; Schools; VECC; WGSPG.

Alternative 1

This alternative supports grandfathering which leaves existing direct purchase customers responsible for Union TCPL capacity assigned or allocated to them, even if they choose to take unbundled services. This alternative recognizes and accepts that existing system gas customers who choose to become direct purchasers should be precluded from acquiring upstream capacity to meet their needs in the secondary market (including the delivered gas market) as long as Union still holds any capacity in its upstream transportation portfolio which is capable of meeting their needs on a delivery point specific basis. This alternative recognizes that Union's TCPL contracts and some of its Exchanges, Panhandle and Trunkline contracts specify a Parkway delivery point. The Alliance/Vector contracts and some of the Panhandle, and Exchange contracts specify a Dawn delivery point. Under this alternative, if a new direct purchaser wishes to meet its requirements through gas delivered at Parkway, then it must select and take an assignment/allocation of Union's contracted capacity with a Parkway delivery point to meet its requirements. If a new direct purchaser wishes to satisfy its requirements through gas delivered at Dawn, then it must select and take an assignment/allocation of Union's contracted capacity with a Dawn delivery point to meet its requirements.

This alternative is thought to be consistent with the existing methodology which allows a new direct purchaser to obtain its entire upstream transportation requirements from a single upstream transportation source (currently TCPL) rather than a combination of upstream transportation sources. This approach is also consistent with Union's TCPL turnback policy which, in its effect, precludes customers from terminating their responsibility for a proportionate share of Union's TCPL capacity and acquiring capacity in the secondary market before Union's contract for such TCPL capacity ends. This alternative relies on the probability that Union will continue to require a part of its existing upstream transportation portfolio to serve system gas customers and as such ought to lead to an orderly allocation of upstream transportation without stranding costs by leaving Union holding unutilized capacity. If and when any prudently incurred costs of idle upstream transportation cannot be mitigated and, are stranded, then they should be brought forward for recovery from customers in a manner to be determined by the Board.

This alternative is considered by certain parties to be a preferred approach to the mandatory "vertical slice" of Union's upstream capacity to new direct purchasers who choose either bundled or unbundled service. A delivery commitment at Parkway should apply to existing system gas users who select a direct purchase option from Union facilitated through an assignment of upstream transportation capacity with a Parkway delivery point. No delivery commitment at Parkway should apply to those existing system gas users who select direct purchase option from Union facilitated through an assignment of upstream transportation capacity with a Dawn delivery point.

The following parties agree with this alternative: IGUA; Nova

Alternative 2

This alternative opposes any mandatory allocation of transportation capacity. Rather, this alternative proposes that allocations of upstream transportation capacity be made on a voluntary basis for both bundled and new unbundled direct purchase customers, so that REMs may choose to either accept Union's capacity or make their own transportation arrangements. This alternative is thought to be consistent with Union's proposed treatment of transportation when a customer moves from unbundled to bundled services. Specifically, under Union's proposal, "any return of upstream transportation capacity to Union in these circumstances would require mutual consent of both Union and the customer." (Exhibit B, Tab 1, p. 76). Union will not accept a return of capacity that has been specifically arranged by an REM. Union does not want to be exposed to the taking on of capacity for which it has not arranged. Under this alternative, it is thought that REMs should receive similar consideration and treatment.

This alternative supports the view that REMs should be entitled to arrange for the delivery of their customers' gas (ie. both existing bundled direct purchase and new unbundled direct purchase arrangements) at the appropriate delivery point using the mix of transportation, storage and spot gas that meets their customers' needs. System customers would then continue to be served by Union's transportation portfolio, which it will presumably be adjusted from time to time in light of its changing customer base, and in light of the need to avoid stranding transportation costs in the future. In this way, both Union and REMs would be in a position to serve their customers in a fair and efficient manner.

Union's rationale for a mandatory allocation is that, in the absence of a mandatory allocation, it faces stranded costs because Union "would be in a position of having excess pipeline capacity and would be exposed to unabsorbed demand charges given that the terms of Union's upstream transportation contracts do not allow Union to immediately remove itself (i.e. decontract) from these contracts." (Exhibit C3.8). When asked to quantify the losses which would result from this scenario, Union answered that "it is impossible to speculate." (*Ibid*). Union subsequently filed information on the potential stranded costs as outlined above in Appendix B.

It is true that Union may be left with excess transportation capacity which could potentially be a stranded cost. The issue according to this alternative is therefore to determine the best way to quantify and ultimately mitigate stranded costs resulting from unbundling upstream transportation.

This alternative supports the view that Union's mandatory allocation proposal downloads the system's capacity on REMs and requires the REMs to take on the cost of restructuring the system portfolio, thus imposing increased cost on the end users of both bundled and unbundled direct purchase services.

Further, this alternative is of the view that Union's proposal is misguided because it puts the burden of minimizing stranded costs on REMs and their customers by increasing the costs of moving to unbundled rates. A more appropriate regulatory treatment of stranded costs is not to increase the costs of migration from bundled services, but to have a process which clearly identifies stranded costs and ensures that they are equitably recovered from all customers. In order to appreciate the perspective supported by this alternative, it is considered necessary to more fully address the concept of stranded costs in the unbundling context.

Union does not provide a definition of stranded costs in its evidence. A definition of stranded costs was outlined in CEED's evidence at paragraph 43.

According to that definition, to identify costs as stranded, it is necessary to separately identify and quantify expenditures on utility assets which were invested prior to unbundling but which may not be recovered as a result of the introduction of unbundling.

Following the initial identification and quantification of stranded costs, the next step is to determine how these costs may be mitigated and from whom they should be recovered. The CEED evidence outlines the general criteria which have been applied by regulators with respect to the mitigation and recovery of stranded costs, i.e. "whether (1) they were prudently incurred to serve the public interest; (2) the Company has taken all reasonable steps to mitigate those costs; and (3) their recovery will result in an increase in rates." (at p.14)

In other words, identifying quantifying, mitigating and recovering stranded costs are separate but equally important parts of the market design for unbundled services. This alternative takes the view that this is consistent with the approach taken by the Government and Legislature of Ontario in the electricity sector of the energy market.

Applying these principles in the context of transportation, Union's does not provide a method of identifying, quantifying, mitigating or recovering stranded costs, given its principle of "minimizing or avoiding stranded costs" as part of implementing unbundling. This alternative contends that Union avoids this by downloading the cost of restructuring its system transportation portfolio on REMs.

Under this alternative, the simplest way to quantify the potentially stranded transportation costs is for Union to determine the amount of excess capacity which is not voluntarily taken up by existing bundled direct purchase or new unbundled direct purchase customers and which Union therefore does not require. Union should then try to recover value for that capacity in the market. The difference between its transportation costs and the costs which it recovers through management of its assets in the market is the portion which may reasonably be considered to have been "stranded". Union may then apply to have those costs recovered from all customers – both bundled and unbundled.

Thus, this alternative supports the view that the preferred approach towards stranded costs – i.e., the process of identifying, quantifying, mitigating and recovering stranded costs - encourages an efficient and fair method of minimizing them. Furthermore this alternative supports, Union being put on notice that the recovery of stranded transportation costs relates only to those costs incurred prior to unbundling. In the future, the costs of any transportation arrangements that Union takes on behalf of its bundled customers may only be recovered from bundled customers. In other words, if Union does not want to incur losses for stranded costs in the future, Union should commence restructuring its transportation/supply portfolio for bundled customers as soon as possible.

The following parties agree with this alternative: CEED

Administrative Amendments

During the negotiations, Union agreed to modify its original proposal and establish a 300 GJ/day threshold for purposes of determining the applicability of the vertical slice. As indicated in its evidence, Union proposes to grandfather all existing direct purchase customers with their current 100% TCPL FT or FST upstream transportation allocation. The majority of direct purchase contracts are subject to a DCQ adjustment annually at the time of contract renewal based on the most recent 12 months of normalized consumption. In the situation where the DCQ increases by a small amount to reflect increased consumption, Union had proposed that the customer get a small increment of vertical slice capacity to add to their existing 100% TCPL FT or FST grandfathered capacity. Union is now proposing that the customer receive 100% TCPL FT or FST where this DCQ change is less than 300 GJ/day in order to simplify the administration for both customers and Union. Marketers with a number of direct purchase contracts (representing an aggregation of end use customers) would be administered in aggregate and the 300 GJ/day threshold would apply on an aggregate annual basis.

Union also agreed to take back capacity from an unbundled customer in the event that customers are returned to system. In this circumstance, the unbundled customer would have the choice of continuing to maintain the capacity assigned by Union or to return any remaining assigned capacity to Union. Union is committed to take back any Union capacity remaining under assignment and will at its sole discretion, take back capacity that was arranged for specifically by an REM. In the event the unbundled customer elected to return the capacity to Union, the customer would be required to return the capacity in proportion to the remaining capacity originally assigned by Union. For example, if a customer who originally received an allocation/assignment of 50% TCPL and 50% U.S. capacity and now has only the TCPL capacity remaining under assignment from Union, Union is committed to take back TCPL capacity from the customer in an amount equal to 50% of the DCQ associated with the customers returned to system.

With the exception of the administrative amendments outlined above, there is no agreement on this issue.

The following parties reserve their rights on this issue: the Alliance; AMO; Comsatec; Energy Probe; HVAC; MECAP; OAPPA; TCPL.

Evidence References (1.2.1):

1. B/T1/p12-13, Southern Operations Area Methodology and Related Proposals
2. B/T1/p13-15, Existing Upstream Transportation Allocation Methodology
3. B/T1/p15-18, Proposed Upstream Transportation Allocation Methodology
4. B/T1/p18-19, Upstream Transportation Capacity Details
5. B/T1/Appendix B, Vertical Slice Allocation Methodology
6. B/T1/Appendix C, Southern Operations Summary of Transportation Contracts
7. C1.10; C1.11; C1.12; C1.14; C5.4; C7.2; C9.1; C9.2; C9.3; C9.4; C9.5; C19.3; C19.4; C21.5; C21.6; C21.7; C21.10; C21.35; C21.36; C21.37; C21.38; C21.39; C21.40; C24.2; C24.3; C24.45; C26.8; C26.9; C34.3; C34.4; C34.5; C36.1
8. Exhibit D5, CEED’s prefiled evidence, para. 37-47.
9. Exhibit D34, TCPL's prefiled evidence, pp 22 – 27.
10. Exhibit D21, IGUA’s prefiled evidence, para. 3 – 12.

Evidence References (1.2.2):

1. B/T1/p19-21, Upstream Transportation Assignment Terms and Conditions
2. B/T1/p21-22, Transportation Clearinghouse
3. B/T1/p22-23, TCPL Turnback Policy
4. B/T1/Appendix D, TCPL Capacity Turn Back Issue and Policy - Letter to OEB dated April 5, 1999
5. C1.13; C1.15; C1.16; C5.5; C9.6; C21.2; C21.3; C21.4; C21.8; C21.9; C21.17; C21.18; C21.19; C21.20; C21.21; C21.22; C21.41; C21.42; C21.43; C21.70; C24.46; C24.47; C26.10; C34.6; C34.7; C34.8; C34.9; C34.10; C36.2
6. Exhibit D5, CEED’s prefiled evidence, para. 37-47.
7. Exhibit D34, TCPL's prefiled evidence, pp 22 – 27.
8. Exhibit D21, IGUA’s prefiled evidence, Tab 1, para. 3 – 12.

1.2.3 Southern Operations Area - Parkway Commitment / 22 Day Callback

[Complete Agreement]

Union’s current system operation and design relies on the firm delivery of TCPL FT volumes at Parkway. Union's historical and continued reliance on these firm obligated Parkway volumes has resulted in Union’s Dawn-Trafalgar system being smaller than it would have otherwise been. All ratepayers have benefited from this system design and the smaller size of the facilities. As customers have moved from system to bundled direct purchase, they have received a 100% allocation of TransCanada FT capacity with a Parkway delivery point.

Given the above, Union will continue to require that all bundled direct purchase customers holding upstream transportation capacity with a Parkway delivery point to deliver firm (365 days a year) supplies at Parkway on 100% of the volumes of the upstream transportation capacity with a Parkway delivery point allocated/assigned to customers at the time a switch from system gas to direct purchase is facilitated. Upstream transportation capacity allocations/assignments under the vertical slice approach and within individual direct purchase contracts will be blended together to reflect changes over time resulting in an obligated Parkway percentage. Specifically, as customers or REM's are allocated differing slices of upstream transportation capacity over time, the amount of capacity with a Parkway delivery point will differ. The Parkway obligation for these different upstream transportation "slices" will be combined and result in an overall obligated Parkway percentage. The obligated Parkway percentage will reflect a blend of grandfathered TCPL FT and FST along with new upstream transportation allocations resulting from the vertical slice. The Parkway delivery obligation for unbundled customers will be similarly based on the obligated Parkway percentage but the delivery obligation will be limited to the 22 day call at Parkway.

Under Union's existing TCPL turnback policy, customers are able to turn back their capacity on TransCanada to the extent that Union has the contractual ability to turn back the capacity to TransCanada. Customers, however, are still required to obligate the delivery of any replacement capacity at Parkway.

Delivery Point Flexibility

In its supplemental evidence, Union provided an overview of options that could provide customers the flexibility to change their delivery point from Parkway to other delivery points on Union's system, subject only to Union's physical capability to receive such volumes. The options which would provide delivery point flexibility to both bundled and unbundled customers include:

(a) Build additional Dawn-Trafalgar facilities
(b) Acquire Dawn-Trafalgar capacity from existing M12 customers
(c) Change contractual arrangements between TransCanada and Union.

It is noted that the issue of delivery point flexibility, while arising through the development of the unbundled services, is not purely an unbundling issue. Specifically, all customers (both existing bundled and prospective unbundled customers) were seeking greater delivery point flexibility.

Union indicated that it is willing to pursue the options of constructing facilities to provide greater system wide delivery point flexibility if there is consensus agreement that the cost of providing this greater flexibility will be recovered from customers

Union provided the cost of building additional Dawn-Trafalgar capacity (and the associated compression at Dawn and Parkway). Union indicated that it could provide delivery point flexibility in annual increments of 10% and up to a total of 40% of the existing Parkway deliveries starting November 1, 2001 and provided the allocation of the cost by rate class on a system-wide basis assuming that all in-franchise customers (system, bundled, and unbundled) paid for this additional flexibility. Union indicated that M12 capacity turnback (i.e. Option (b)) did not appear to be a viable option as responses to letters Union sent to M12 customers requesting them to examine their Dawn-Trafalgar capacity requirements indicated that they were unable to commit to turn back any M12 capacity to Union. In addition, Union indicated it had several discussions with TransCanada with respect to Option (c) and that a response from TransCanada was still forthcoming.

20% System Wide Solution

Prior to the settlement negotiations, Union and TCPL negotiated an agreement providing for an unconditional temporary assignment by TCPL to Union, of 150 mmcfd of M12 Dawn to Parkway capacity for a 3 year term. Union made this unconditional 3 year commitment to the 150 mmcfd of capacity in order to be in a position to facilitate delivery point flexibility for Union's in-franchise customers effective November 1, 2000. This 3 year agreement is renewable by mutual agreement of Union and TCPL. Further, the Union/TCPL agreement provides the ability for Union and TCPL to negotiate, prior to November 1, 2000, for an additional assignment of M12 capacity by TCPL to Union of up to 200 mmcfd. This additional capacity could be used to facilitate additional delivery point flexibility in excess of that provided by the 150 mmcfd. Subsequent to November 1, 2000, Union and TCPL have agreed to negotiate any additional temporary M12 capacity assignments on a best efforts basis.

The parties agree that the 150 mmcfd of M12 Dawn-Parkway capacity be used to facilitate system wide delivery point flexibility for all in-franchise customers. Further, the parties agree that the costs associated with the 3 year temporary M12 Dawn to Parkway assignment (ie. forgone M12 revenue) be allocated amongst all in-franchise customers based on Union's 1999 Board approved Dawn-Trafalgar design day demand and as outlined at Appendix C. The parties agree that the recovery of these costs which will start to be incurred November 1, 2000, by rate class, meets the definition of a non-routine adjustment and that rates will be adjusted to recover these amounts separate and apart from any rate adjustments arising from the Board's decision on Union's PBR proposal.

The 150 mmcfd temporary M12 assignment represents approximately 20% of the existing volumes currently committed to and delivered at Parkway. As such, customers will have delivery point flexibility equal to 20% of their existing Parkway obligated volumes effective November 1, 2000.

The agreement between Union and TCPL giving rise to the ability to facilitate a system wide delivery point flexibility dated May 10, 2000 is attached at Appendix D.

Delivery Point Flexibility in Excess of the 20% System Wide Solution

For those customers seeking delivery point flexibility in excess of the 20% provided by the system wide solution, Union agrees to facilitate individual customer requests for additional flexibility. To the extent that there are individual customer demands for flexibility in excess of the 20% system wide solution, Union will negotiate with TCPL under the terms of the agreement outlined above. The parties acknowledge that any additional temporary M12 assignment

capacity from TCPL to Union will provide delivery point flexibility for both bundled and unbundled customers. The parties also acknowledge and agree that Union's facilitation of additional M12 (temporary) assigned capacity from TCPL to provide flexibility in excess of the base 20% system wide solution will require a separate agreement between Union and the customer outlining the customer's commitment to pay for the associated costs. The costs of any additional M12 assigned capacity from TCPL to Union will represent forgone M12 revenue at the M12 rate which is currently approved at approximately $0.086/GJ.
The process agreed to by Union to facilitate individual customer requests for delivery point flexibility in excess of the 20% system wide solution will require Union to establish a queue to determine individual customer interest for greater delivery point flexibility, the amount of capacity required, and the associated term. Union will consolidate the information received via the queue process and use this as the basis for which to negotiate any additional temporary assignment of M12 capacity from TCPL to Union. Subject to the Board's review and consideration of this Agreement, it is Union's intent to initiate this queue process in June 2000.

Union also agreed to facilitate the queue mechanism outlined above for years subsequent to 2000. As noted above, Union and TCPL have committed to negotiate, on a best efforts basis, for an additional temporary assignment of M12 capacity subsequent to November 1, 2000. In addition, Union committed to facilitate user specific requests for additional delivery point flexibility in a manner that in no way tied or linked the greater delivery point flexibility to other contractual/service commitments. Specifically, customers are free to pursue their own upstream transportation arrangements with other third parties.

The parties recognize that marketers / aggregators have the ability to tender for market based alternatives to replace the 22 day Parkway call associated with the unbundled service. Union commits that it will support and facilitate any such market based alternatives as arranged for by marketers / aggregators.

Future Reversion to Parkway

Union agreed to consult annually with parties on whether there is a consensus to support Union seeking either an extension of the 150 mmcfd three year temporary M12 assignment as described above between Union and TCPL or an increase in the level of capacity supporting a system wide solution. To the extent that there is an agreement amongst all parties to extend the existing three year term associated with the temporary M12 assignment or to expand the level of capacity supporting a system wide solution, Union will seek to negotiate such arrangements with TCPL. The parties acknowledge that any extension of the existing 3 year temporary M12 assignment or any agreement to expand the level of capacity supporting a system wide solution must be agreed to mutually by Union and TCPL and paid for by customers.

To the extent that there is no consensus agreement amongst the parties to either renew the 150 mmcfd three year M12 temporary assignment or to expand the level of capacity supporting a system wide solution above the 20% level, any party may file an application with the Board to advance specific proposals.

To the extent that the 3 year temporary M12 assignment is not renewed, Union will adjust delivery rates to reflect the removal from all rate classes of the non-routine adjustment relating to delivery point flexibility costs at the end of the 3 year term.

The parties acknowledge that solutions to provide delivery point flexibility such as the 150 mmcfd three year temporary assignment of M12 capacity from TCPL are temporary solutions. It is acknowledged that the permanent solutions to the existing Parkway obligation would involve a permanent release of M12 capacity and/or the construction, by Union, of additional Dawn-Trafalgar facilities. The parties were not supportive of Union proceeding to construct additional Dawn-Trafalgar facilities at this time to provide a more permanent solution to the existing Parkway obligation for all customers. However, individual customers are able to contract for new long term M12 capacity which would provide those customers with a more permanent solution.

The parties acknowledge that absent any extension of the 150 mmcfd 3 year temporary M12 assignment, customers will be required to obligate the delivery of 20% of their Parkway DCQ back to Parkway at the end of the 3 year term.

The following parties agree with the settlement of this issue as outlined above: AMO; CAC; CEED; CENGAS; Comsatec; Enbridge; Energy Probe; IGUA; Kitchener; LPMA; MECAP; Nova; OAPPA; OESC; Schools; TCPL; VECC; WGSPG.

The following parties take no position on this issue: the Alliance; John Fullerton; HVAC.

Evidence References:

1. B/T1/p23-25, Current System Design and Allocation of Benefits Associated with East End (Parkway) Deliveries
2. B/T1/p30-36, Parkway Commitment
3. B/T1/p36-37, Options to Reduce Parkway Commitment and Increase Shipper Flexibility
4. B/T1/Supplemental, Parkway Commitment – Evidence Update
5. C1.17-26; C1.185-193; C3.5; C3.85-88; C5.6; C5.9; C5.10; C7.3-5; C9.7-9; C11.21-23; C11.25; C11.26; C11.29; C11.31; C11.32; C19.5; C19.6; C19.49-52; C21.1-2; C21.11-16; C21.23-34; C21.44-51; C21.162-167; C24.4-6; C24.48-50; C24.53-65; C26.11; C34.11-17; C34.38-45; C36.3-5; C36.38-40
6. Exhibit D5, CEED's prefiled evidence, para. 62-69.
7. Exhibit D21, IGUA's prefiled evidence, Tab 1, para. 13 – 42; Tab 2.

1.2.4 Southern Operations Area - DCC Elimination

[Complete Settlement]

Union currently pays a Delivery Commitment Credit (DCC) to all bundled direct purchase customers managing their transportation capacity and obligating to deliver in accordance with the terms and conditions of the delivery service. The terms and conditions of all existing direct purchase arrangements contain a contractual obligation to deliver which provides Union with the ability to continue to rely on these volumes from a system design and integrity perspective and provides Union with the ability to authorize in advance all upstream transportation capacity assignments/diversions rendering the DCC unnecessary.

Union's evidence outlined the proposal to eliminate the DCC effective January 1, 2001.The DCC will be eliminated in a manner which is revenue neutral to all end-use customers. During the negotiations, Union agreed to defer the elimination of the DCC to be effective April 1, 2001 in order to align with the projected unbundling implementation date.

The following parties agree with the settlement of this issue as outlined above: AMO; CAC; CEED; CENGAS; Comsatec; Energy Probe; IGUA; Kitchener; LPMA; MECAP; Nova; Schools; TCPL; VECC; WGSPG.

The following parties take no position on the issue: the Alliance; Enbridge; John Fullerton; HVAC; OAPPA; OESC.

Evidence References:

1. B/T1/p26-27, Delivery Commitment Credit ("DCC")
2. B/T1/p27-30, Delivery Commitment Credit Elimination and Related Rate Adjustments
3. C1.27-31; C5.7-8; C7.67; C11.28; C11.30; C21.55; C24.17; C24.40-44; C26.12; C34.18-20
4. Exhibit D5, CEED's prefiled evidence, para 62-69.

1.2.5 Northern & Eastern Operations Area - Upstream Transportation Allocation
1.2.6 Northern & Eastern Operations Area - Allocation Terms and Conditions

[No Settlement]

The assets used to serve the Northern and Eastern Operations Area are currently managed in an integrated manner to serve all of the delivery areas. These assets include upstream transportation capacity on TCPL, Storage Transportation Service (STS), STS pooling rights, storage (at Dawn and LNG), Dawn-Parkway capacity and other third party services.

The methodology used to allocate the assets in the Northern and Eastern Operations Area is based on the current mix and operation of assets. These assets are allocated in a manner which addresses upstream transportation capacity as the first step followed by delivery/redelivery service capacity and storage respectively.

Further details regarding the allocation of delivery/redelivery service and storage are provided at issues 1.2.7 and 1.3.3, respectively.

Union proposes that existing t-service customers be grandfathered and continue to receive an allocation of TCPL FT capacity. Union proposes that new direct purchase customers receive an allocation of upstream transportation capacity (ie. t-service and unbundled service) in the Northern and Eastern Operations Area in a manner consistent with the proposal for the Southern Operations Area as outlined at Issue 1.2. However, applying the vertical slice to the current Northern and Eastern Operations Area system gas portfolio would result in an allocation containing a very small percentage of non-TCPL capacity since Union's system gas portfolio is currently comprised of 97% TCPL firm transport from Empress and 3% other. For this reason, Union is proposing a mandatory assignment of 100% TCPL capacity for customers electing the unbundled service offering to the extent that the overall level of TCPL FT capacity in the system gas portfolio is greater than 60%. Should the TCPL FT capacity percentage within the system gas portfolio fall below 60%, the upstream transportation allocation will be based on a vertical slice as described for the Southern Operations area or whatever approach is ultimately in place in the Southern Operations Area. Bundled direct purchase would continue to be facilitated as it is currently and will continue to represent an Alberta supply arrangement with no specific allocation or assignment of upstream transportation capacity.

The primary terms and conditions associated with upstream transportation assignments for the unbundled service are:

- Customers required to take a mandatory assignment or allocation of Union's existing upstream assets
- Assignment cancelable only by mutual agreement (i.e. One year perpetual evergreening agreements)

When Union assigns/allocates an asset with no renewal provisions, the term of the assignment/allocation will match the term of the underlying contract held by Union.

The STS contracts and associated STS pooling rights are contractual rights that Union has with TCPL based on Union's underlying portfolio of FT capacity contracted with TCPL. These pooling rights contribute to Union's ability to provide firm service to customers. If Union were to permanently assign the FT capacity it has contracted with TCPL, it may reduce Union's STS pooling rights. As such, Union will not be in a position to permanently assign upstream transportation capacity in the Northern & Eastern Operations area.

Union will continue to operate under the existing TCPL turnback policy. Parties acknowledge and recognize that Union will be unable to reduce its existing TCPL contractual obligations until November 1, 2003. However, Comsatec is of the view that current t-service customers operating with an assignment of Union's TCPL FT capacity (referred to as a Temporary FT Assignment) should not be subject to Union's mandatory allocation proposal and should be allowed to turn back the capacity to Union. Comsatec is of the view that this approach should be effective October 31, 2000 upon the expiry of existing t-service contracts.

The positions of the remaining parties are consistent with those outlined under Issue 1.2.1/1.2.2

There is no agreement on this issue.

Evidence References: (1.2.5)

1. B/T1/p38-40, Overview of Northern and Eastern Operations Area
2. B/T1/p40, Existing Approach to Facilitating Direct Purchase in the Northern and Eastern Operations Area
3. B/T1/p40-45, Asset Allocation Details and Assignment Terms and Conditions
4. C1.32; C1.33; C5.11; C21.56-60; C21.63-65; C36.6
5. Exhibit D21, IGUA's prefiled evidence, Tab 1, para. 43 – 53.
6. Exhibit D5, CEED's prefiled evidence, para. 37 – 47.
7. Exhibit D34, TCPL's prefiled evidence, pp. 22 – 27.

Evidence References: (1.2.6)

1. B/T1/p40-45, Asset Allocation Details and Assignment Terms and Conditions
2. B/T1/p50-51, Transportation Capacity Details
3. C1.34; C1.35; C13.4-6; C21.61-62; C21.66-68
4. Exhibit D21, IGUA's prefiled evidence, Tab 1, para. 43 – 53.
5. Exhibit D5, CEED's prefiled evidence, para. 37 – 47.
6. Exhibit D34, TCPL's prefiled evidence, pp. 22 – 27.

1.2.7 Northern & Eastern Operations Area - Delivery / Redelivery Services

[Complete Settlement]

The delivery/redelivery is a semi-bundled service that uses STS service and the associated STS pooling rights, Dawn-Trafalgar capacity, and exchanges. The delivery/redelivery service is a mandatory firm service associated with the unbundled service which provides customers the ability to nominate the "delivery" of gas from a particular delivery area to Dawn storage during the summer, and to nominate the "redelivery" of gas from Dawn storage to the customer's delivery area during the winter.

Union is unable to unbundle the individual services that comprise the delivery/redelivery service due to both contractual and operational limitations. Further, given the inability to unbundle the individual services, Union proposes to manage all of the services comprising the delivery/redelivery service under the PBR proposal. In addition, Union's proposed delivery/redelivery service preserves the existing operational and cost efficiencies in the Northern and Eastern Operations Area.

The following parties agree that Union's evidence on this subject should be accepted: AMO; CAC; CENGAS; Comsatec; Energy Probe; IGUA; MECAP; OESC; Schools; VECC.

The following parties take no position on this issue: the Alliance; CEED; Enbridge; John Fullerton; HVAC; Kitchener; LPMA; Nova; OAPPA; TCPL; WGSPG.

Evidence References:

1. B/T1/p45-50, Delivery/Redelivery Service
2. B/T1/p50-51, Transportation Capacity Details
3. C1.36; C1.48; C36.7

1.2.8 Northern & Eastern Operations Area - Unbundling Costs – Threshold Level

[Complete Settlement]

Union is proposing to manage the risks associated with allocating assets to meet incremental t-service and unbundling requests in the Northern & Eastern Operations area using the asset allocation methodology as outlined in the evidence at Exhibit B1, Tab 1, pp 43-47. Specifically, Union will manage the risks associated with an incremental 30% of combined new t-service and unbundled service demand (representing approximately 830 10*6 m*3 of annual demand) subsequent to November 1, 2000.

In the event that the 30% threshold level as described above was reached, this could trigger a review by Union or other parties to assess the experience and impact of new incremental t-service and unbundled service demand on costs and the operations in the Northern and Eastern Operations area.

The following parties agree with the settlement: AMO; CAC; CENGAS; Comsatec; IGUA; MECAP; OESC.

The following parties take no position on this issue: the Alliance; CEED; Enbridge; Energy Probe; John Fullerton; HVAC; Kitchener, LPMA; Nova; OAPPA; Schools; TCPL; VECC; WGSPG.

Evidence References:

1. B/T1/p51-53, Northern and Eastern Market Area – Implications for Bundled Services
2. C1.37-41; C21.69; C34.21

1.3 Storage

1.3.1 Standard Storage Service

1.3.2 Standard Peaking Service

[Complete Settlement]

The physical operating characteristics of Union's storage facilities have been incorporated into the design of the unbundled storage service. Union's "base" pools which provide a base level of deliverability are used to provide the Standard Storage Service (SSS) and the high deliverability pool capacity in the Southern Operations Area is used to provide the Standard Peaking Service (SPS), maintain system integrity, and to supplement the SSS late in the withdrawal cycle (ie. late winter). The SSS is available to customers in both operational areas. Since the SPS has been used to serve M2 customers and the costs are currently recovered in M2 rates, the SPS is only available in Union's Southern Operations Area.

The injection and withdrawal parameters of the SSS are based on the amount of gas in inventory, the physical capabilities of the underlying storage assets and pipeline facilities. The daily injection entitlement is 0.75% when the customer's inventory balance is less than or equal to 80% and 0.50% when the customer's inventory balance is greater than 80%. The daily withdrawal entitlement is 1.2% when the customer's inventory balance is greater than or equal to 20% and 0.8% when the customer's inventory balance is less than 20%.

The SPS is a high deliverability storage service used to meet the design day demands of the heat sensitive general service customers in Union's Southern Operations Area (i.e. Rate M2 customers). In the absence of the SPS service, Union could not serve Rate M2 small volume customers on cold days. The withdrawal deliverability is 10% of the maximum storage balance of the SPS. The combination of the SSS and SPS represents the storage service underpinning the existing M2 rate class. Consequently, Union has designed the SSS and SPS to recognize this linkage. The SPS entitlement is determined as 16% of the SSS entitlement. Union has proposed that the SPS service be mandatory as it represents the deliverability currently needed to supply the M2 market. As such, the cost of the SPS was included in Union's delivery rate. Given the amendments to Union's filed proposal as outlined below, Union agrees to separate the cost of SPS from the U2 delivery rate. This is also directionally consistent with the need to separate certain rate components as contemplated and outlined in Union's supplemental evidence (reference). However, unbundled customers will have the ability to manage the service in conjunction with the SSS.

In addition to the above, the following terms and conditions apply to the SPS:

- The SPS account is managed separately from the SSS account.
- The customer will have access to the SPS account and associated deliverability when the forecast mean temperature for a day is -4ºC or lower and when the customer's SSS inventory is in excess of 20%.
- Injection into the SPS account will be subject to the injection parameters associated with the SSS during the summer period. Daily injections into the SPS account are 5% of the maximum storage balance during the winter period.

Breaking out the SSS and SPS from the existing total storage service serving existing Rate M2 customers was undertaken in an effort to provide a "base" standard unbundled storage service (SSS) that would apply and be in place across all Union in-franchise rate classes in the Northern and Eastern Operations area and the Southern Operations area. Further, Union's intent in designing the SSS was to achieve consistency with the structure of Union's existing ex-franchise storage services as well as provide a common structure and transparency to facilitate any future changes respecting storage pricing in the future.

Parties expressed concerns over the mandatory nature of Union's unbundled storage service proposals and the linkage in the design of the SSS and SPS as it relates to the small volume Rate M2 rate class. In order to address parties concerns, Union has agreed to amend its unbundled storage proposals as follows:

i) The SSS will be optional. This optional feature of the SSS applies to all customers and rate classes in the Northern and Eastern and Southern Operations Areas eligible for an SSS entitlement. This will help to support and foster a more competitive market for storage services in Ontario.

ii) For Rate M2 customers in the Southern Operations Area with an SPS entitlement, the SPS will continue to be mandatory (subject to the exception noted in (iii) below) and the operation and parameters of the combined SSS/SPS service are as proposed by Union. In this context, parties acknowledge and agree that given the structure and linkage in the design of the SSS/SPS, that the SPS will be available on an interruptible basis in the late winter season (ie. post March 1) to the extent that an unbundled customers gas in inventory is less than 20% of the full (initial) SSS entitlement.

iii) Further to (ii) above, Union agrees to allow the SPS to be optional in the circumstance where it can be demonstrated that a physical replacement for SPS peaking deliverability exists. In this circumstance, the terms and conditions associated with the SPS being optional are as follows:

   a) The party providing the physical SPS replacement service must provide to Union an independent third party opinion verifying that it has sufficient physical storage deliverability in Ontario to provide the high deliverability storage peaking service replacement.
   b) The storage facilities underlying the storage peaking service replacement must be physically and appropriately tied into Union's system in order to provide the required gas flow under design day conditions.
   c) Parties in the position to provide a storage peaking replacement service must elect to provide 100% of the respective end-use customers SPS requirements (ie. the SPS service will not be split between Union and another service provider).
   d) The party providing the peaking storage service replacement must have an OEB approved rate under which to provide a storage peaking service replacement.

iv) Further to (ii) and (iii) above, Union agrees to review proposals advanced by parties through the then existing regulatory process for a contractual SPS replacement service. The review of any such proposals would be undertaken within a timeframe sufficient to allow for any such proposals found to be an appropriate replacement for the SPS service to be implemented effective April 1, 2003. This timeframe will allow for some experience to be gained in terms of operating the new unbundled service prior to considering the merits of a contractual SPS replacement service. To the extent that there is no agreement by parties on the appropriateness of a contractual replacement for the SPS, the resolution of this issue may be taken to the Board for determination.

v) Consistent with the amendment outlined in (iii) above, Union commits to separating the SPS service from the U2 delivery rate.

In all circumstances, should a customer or a marketer acting on behalf of end-use customers elect less than 100% of their SSS and/or SPS entitlement, this will represent a permanent election. Specifically, customers electing less than 100% of their SSS or SPS entitlement are no longer able to access this capacity at cost in the future. Union will have the ability to utilize this "unelected storage" to meet incremental in-franchise requirements at cost. Unelected storage in excess of that required to meet in-franchise requirements may be used to meet other demands at market rates.

Union shall continue to provide access to cost based storage in circumstances where end-use customers move between REM's. Specifically, Union will not hold a subsequent REM and its customers to an election made by a previous REM not to elect the full unbundled storage service entitlement.

The following parties agree with the settlement: AMO; CAC; CEED; CENGAS; Comsatec; Energy Probe; IGUA; LPMA; MECAP; Nova; OESC; Schools; TCPL; VECC; WGSPG.

The following parties take no position on this issue: the Alliance; Enbridge; John Fullerton; HVAC; Kitchener; OAPPA.

Evidence References (1.3.1):

1. B/T1/p55, Structure of Unbundled Storage Services
2. B/T1/p56-58, Unbundled Storage Service – SSS
3. C1.42; C1.43; C5.12-14; C24.8; C24.14; C24.21
4. B/T1/p2/Supplemental (B).
5. Exhibit D5, CEED's prefiled evidence, para. 70-95.

Evidence References (1.3.2):

1. B/T1/p55, Structure of Unbundled Storage Services
2. B/T1/p58-60, Unbundled Storage Service – SPS
3. C5.15; C19.7-11; C36.8
4. Exhibit D5, CEED's prefiled evidence, para. 70 – 95.

1.3.3 Space Allocation

[Complete Settlement]

In the Southern Operations area, the allocation of storage space to customers electing the unbundled service option reflects the existing Board approved cost allocation methodology. This methodology allocates storage space and the associated costs to bundled rate classes in proportion to each rate class' "aggregate excess", or difference between winter demand and average annual demand for a 151 day winter period. In addition, Union proposes to apply a factor of 97.6% to each customer's aggregate excess in order to not "over-allocate" storage to unbundled customers. The factor recognizes that some customers have a predominately summer load which reduces the aggregate excess in total.

To simplify the determination of storage allocation for M2 customers, Union has calculated a fixed amount of SSS storage space per residential customer (i.e. 742 m*3) and a commercial/industrial SSS storage space allocation of 23.6% of the customer's normalized annual consumption. Union has indicated that it will examine, and adjust as necessary, the annual storage allocation to reflect changes in the underlying aggregate excess profile. Union also confirmed its intent to grandfather all existing T1 storage allocations subject to change only in the circumstances of material changes in customer demand.

The storage space allocation in the Northern and Eastern Operations area recognizes its unique operational characteristics. First, the space available is allocated by delivery area in relation to the peak day shortfall (i.e. peak day demand less allocated firm transportation capacity). Next, the allocation of storage by rate class within each delivery area is allocated in proportion to each rate class' peak day shortfall. The storage allocation will vary annually depending on the annual changes in the level of TCPL FT capacity underpinning the demand in each delivery area. The storage space allocation for individual customers in each rate class is as follows:

- Rate 01 (residential) – rate class space by delivery area divided by the number of customers in delivery area

- Rate 01 (commercial)/Rate 10 – rate class space by delivery area divided by annual demand/volume in delivery area
- Rate 20/100 – customer specific allocation by delivery area in proportion to the peak day shortfall

Under Union's proposals, no storage space or delivery/redelivery service was reserved or would be available to existing t-service customers that have not already contracted for storage service.

IGUA had concerns with the storage allocation methodology as proposed for the Northern and Eastern Operations Area. In particular, the concern focused on the impact of the proposed methodology on existing T-service customers currently operating with an allocation of storage capacity.

In order to facilitate the transition to the new allocation methodology, Union agrees to grandfather existing T-service customers currently operating with storage at their existing storage deliverability level, whether these customers remain as t-service or select the new unbundled service. Grandfathering the storage deliverability for existing t-service customers maintains the consistency in approach for both t-service and the new unbundled service.

The following parties agree with the settlement as outlined above: AMO; CAC; CENGAS; Comsatec; Enbridge; Energy Probe; IGUA; LPMA; MECAP; Nova; OESC; Schools; WGSPG.

The following parties take no position on this issue: the Alliance; CEED; John Fullerton; HVAC; Kitchener; OAPPA; TCPL; VECC.

Evidence References:

1. B/T1/p60-64, Unbundled Storage Space Allocation
2. C1.44-46; C7.6-16; C13.9-12; C15.1; C19.12-15; C21.75; C21.82-85; C22.1-3; C24-9-10; C26.13-15; C34.22-23; C36.9-10
3. Exhibit D21, IGUA's prefiled evidence, Tab 2, para. 54 – 57.

1.3.4 System Integrity Storage Space

[Complete Settlement]

System integrity storage space allows Union to manage weather variations, backstop supply failures and maintain the operational integrity of the delivery system. Union currently has 10.4 Bcf of system integrity storage space underpinning the existing bundled services.

Union's proposal is to maintain 9.1 Bcf of storage space (i.e. 7% of total storage capacity This space includes the following components:

- 3.3 Bcf – manage weather variance for non-daily metered customers (range of 3.0-4.0 Bcf)
- 2.3 Bcf – Backstop supply failures (range of 2.0-3.0 Bcf)

- 3.5 Bcf – Operational integrity (range of 3.0-4.0 Bcf)

Union noted that system integrity storage space was not specifically tracked and identified in the past as storage was managed in total as part of providing bundled services.

The following parties agree that Union's evidence on this subject should be accepted: AMO; CAC; CEED; CENGAS; Comsatec; Enbridge; Energy Probe; IGUA; LPMA; MECAP; Nova; OESC; Schools; VECC; WGSPG.

The following parties take no position on this issue: the Alliance; John Fullerton; HVAC; Kitchener; OAPPA; TCPL.

Evidence References:

1. B/T1/p64-65, System Integrity Storage
2. C1.47; C5.16; C7.17-18; C9.10-14; C13.8; C22.4-5; C24.11; C36.15
3. Exhibit D5, CEED's prefiled evidence, para. 70 – 95.

1.3.5 Pricing and Annual Storage Space Reallocation / Redistribution

[Complete Settlement]

Union is proposing to initially, and throughout the initial PBR term to unbundle its in-franchise storage services at cost. The unbundled storage rate will be subject to the provisions of any PBR framework governing service price increases.

Under Union's proposal, Retail Energy Marketers (REMs) would have the amount of storage reallocated and redistributed to them once each year (i.e. April 1) based on the number of end-use customers under contract. The use of April 1 recognizes that storage levels are lowest at that point in time which, in turn, minimizes inventory transfers and other transitional issues. In addition, administrative complexity and costs could be greater if dates other than April 1 were accommodated. Further details regarding the mechanics behind the transfers and transactional issues are provided at Issue 1.4.2.

Certain parties expressed concerns over Union's proposal as it related to facilitating customer mobility. In particular, there were concerns that Union's proposal to allocate storage only once per year (every April 1) would unduly constrain customers moving between REM's through the year and would limit the ability of REM's to sign up and transfer customers from a bundled service (system or direct purchase) to an unbundled service.

In response to these concerns, Union agreed to amend its proposal as follows:

a) Union agreed to allow for the redistribution of SSS and SPS storage allocations and for the transfer of any related storage inventories to reflect the movement of unbundled end-use customers from one REM to another more frequently than once per year (i.e. to facilitate customer mobility). Specifically, Union agreed to facilitate the redistribution of storage allocations and inventories at the beginning of any month during the year subject to appropriate notice and agreement, in advance, by each of the affected REM's on the space and inventory amounts to be redistributed.

b) Union also agreed to facilitate customers transferring from a bundled service (system or direct purchase) to the unbundled service more frequently than once per year according to the following schedule:

   (i) period April 1, 2001 – March 31, 2002 = April 1 and October 1, 2001
   (ii) period April 1, 2002 & beyond = bi-monthly

The parties acknowledge the administrative issues associated with inventory transfers and the financial true-up associated with transitioning from a bundled service to an unbundled service at a date other than April 1 (i.e. start of the storage injection period for the unbundled service).

The parties further acknowledge that the details associated with these administrative issues will require appropriate resolution and are confident that resolution can be accomplished. To the extent that there is disagreement respecting the resolution of these issues, a determination by the Board may be necessary.

Union agrees to facilitate customer transfers as outlined above subject to the following conditions:

1. Existing bundled direct purchase contracts need to be completely transferred to the unbundled service (i.e. all existing accounts with a particular contract), excluding any end-use customer accounts that are returned to system.

2. Existing bundled direct purchase contracts with expiry dates other than those noted in the above schedule will be extended to match up with the above noted transition dates.

The following parties agree with the settlement of this issue as outlined above: AMO; CAC; CEED; CENGAS; Comsatec; Energy Probe; IGUA; LPMA; MECAP; Nova; OESC; Schools; VECC; WGSPG.

The following parties take no position on this issue: the Alliance; Enbridge; John Fullerton; HVAC; Kitchener; OAPPA; TCPL.

Evidence References:

1. B/T1/p65-66, Unbundled Storage Pricing
2. B/T1/p66-67, Transition from Cost to Market Pricing for Storage
3. B/T1/p68-69, Annual Reallocation/Redistribution of Unbundled Storage
4. C1.49; C1.50; C5.17; C5.18; C5.52; C15.3; C24.12; C36.11
5. Exhibit D5, CEED's prefiled evidence, para. 70-95

1.3.6 Future Standardization of Storage Contracts

[Complete Agreement]

While most of Union's existing ex-franchise (M12 and C1) contracts have injection and withdrawal parameters consistent with the parameters for the SSS, there are some exceptions. When each of the existing ex-franchise storage contracts renew, they will be structured to be consistent with the proposed SSS and SPS.

The following parties agree that Union's evidence on this subject should be accepted: AMO; CAC; CEED; CENGAS; Comsatec; Energy Probe; IGUA; LPMA; MECAP; Nova; OESC; OAPPA; Schools; WGSPG.

The following parties take no position on this issue: the Alliance; Enbridge; John Fullerton; HVAC; Kitchener; TCPL; VECC.

Evidence References:

1. B/T1/p67-68, Future Standardization of Storage Contracts
2. C1.51

1.3.7 Future Storage Development

[Complete Agreement]

As outlined in the evidence, Union proposed to manage all future in-franchise storage requirements related to growth at cost over the initial term of the proposed PBR plan subject to Board approval of the PBR plan.

The parties agree that Union's evidence on managing future in-franchise storage requirements due to growth at cost should be accepted. The status of Union's proposal to eliminate the existing storage and transportation deferral accounts remains outstanding and is contained within Union's PBR proposal.

The following parties agree with the settlement of this issue as outlined above: AMO; CAC; CEED; CENGAS; Comsatec; Energy Probe; IGUA; Kitchener; LPMA; MECAP; Nova; OAPPA; OESC; Schools; VECC; WGSPG.

The following parties take no position on this issue: the Alliance; Enbridge; John Fullerton; GEC; HVAC; Pollution Probe; TCPL.

Evidence References:

1. B/T1/p68, Future Storage Development
2. C1.52

1.4 Other Issues

1.4.1 Title Transfers

[Complete Agreement]

Union's evidence described the operation and the manner in which title transfers are facilitated and charged for today and distinguished between in-franchise bundled title transfers and unbundled title transfers.

Ex-franchise title transfers of gas arriving to Union's system are facilitated through a title transfer volumetric fee of $0.003/GJ with a monthly cap of $1,800 per contract. The monthly cap is reduced to $850 in circumstances where the level of transactional business contracted by the customer with Union exceeds $5,000 per month per contract.

In the circumstance where a bundled direct purchase customer has not proactively balanced the direct purchase contract within +/- 4% annually at contract renewal, a storage service not contemplated under the bundled service is effectively provided. In this situation, Union facilitates a bundled title transfer through a storage commodity withdrawal charge and the title transfer fee of $0.003/GJ.

Parties expressed the following concerns with respect to the title transfer service:

(a) amount of monthly title transfer cap
(b) the justification for storage injection and withdrawal charges related to "in-storage" title transfers between unbundled customers

In response to the concerns expressed by certain parties, Union agreed to amend the existing title transfer service (for title transfers occurring between unbundled customers) as follows:

(a) the monthly title transfer cap will be set at the lowest existing monthly cap of $850/month per contract
(b) Union will facilitate title transfers between unbundled customers in a manner which continues to respect the contractual storage injection and withdrawal parameters and to only charge the $0.003/GJ title transfer administration fee for in-storage title transfers (ie. no storage injection/withdrawal charge)

The following parties agree with the settlement of this issue as outlined above:
AMO; CAC; CEED; CENGAS; Comsatec; Energy Probe; IGUA; Kitchener; LPMA; MECAP; Nova; OESC; Schools; VECC; WGSPG.

The following parties take no position on this issue: the Alliance; Enbridge; John Fullerton; HVAC; OAPPA; TCPL.

Evidence References:

1. B/T1/p69-70, Title Transfers
2. C1.53; C5.19; C7.19; C21.87-92; C24.13; C26.16-19
3. Exhibit D5, CEED's prefiled evidence, para. 79-80.
4. Exhibit D21, IGUA's prefiled evidence, Tab 1, para. 58 – 59.

1.4.2 Allocation of Gas in Inventory

[Complete Agreement]

Customers will be allowed to switch from bundled (either system sales or direct purchase) to unbundled service at April 1 of each year. April 1 was selected as it is the point in the year when inventory is at its lowest.

Union is proposing to transfer to the customer its proportional share of the gas in storage at the time that a customer chooses to take the unbundled service.

For system customers, the transfer will involve the sale of the prorata share of gas in inventory at the time of the transfer. This sale will be deemed a system sale at Union's Board approved inventory reference price and will attract its proportionate share of Union's gas supply deferral account balances upon disposition of those balances at year end.

The direct purchase imbalance of bundled customers transferring to unbundled service will need to be considered. If the direct purchase imbalance is greater than or equal to the prorata amount of gas inventory filling the allocated storage spaces then there is no need for the customer to purchase the gas in inventory from Union. However, if this direct purchase imbalance is less than the prorata amount of gas inventory then a purchase of Union's gas in inventory will be required.

In addition, to the above, transfers at dates other than April 1 will require a storage cost recovery true-up. Storage costs are recovered from bundled customers as gas is consumed (ie. on a commodity basis). However, for unbundled customers, storage costs are recovered through both fixed monthly charges and as gas is injected and withdrawn. At dates other than April 1, there will be a difference between the amount of storage costs recovered under bundled and unbundled service. As such, it will be necessary to true-up for the difference in storage cost recovery.

The following parties agree that Union's evidence on this subject should be accepted:
AMO; CAC; CEED; CENGAS; Comsatec; Energy Probe; IGUA; Kitchener; LPMA; MECAP; Nova; OAPPA; OESC; Schools; VECC; WGSPG.

The following parties take no position on this issue: the Alliance; Enbridge; John Fullerton; HVAC; TCPL.

Evidence References:

1. B/T1/p70-75, Allocation of Inventory and Storage
2. B/T4/p37, Allocation of Inventory and Storage During the Unbundling Transition Period
3. C1.54; C24.16

1.4.3 Return to System

[Complete Agreement]

In addition to providing supply for system customers, Union is also the default supplier for direct purchase customers returning to system. When customers return to system from bundled direct purchase, the upstream transportation capacity allocated to the customer is also returned to Union. However, given the introduction of the TCPL turnback policy, Union is no longer able to rely on all the allocated upstream transportation capacity including TCPL FT deliveries at Parkway returning to Union. As noted previously, Union relies on deliveries at Parkway in designing its transmission system. As such, Union may need to acquire replacement capacity at Parkway or a winter peaking service in order to manage the customer's return to system. Costs associated with managing the east-end obligation for return to system will be recorded in a new deferral account and all prudently incurred costs recovered from system customers.

Under the unbundled direct purchase option, the customer or their REM will also receive an allocation of storage. This is an additional obligation that Union will need to manage when unbundled customers return to system. Union proposes that REM's enter into a one year contract for the unbundled service under which the REM will not be allowed to return a customer to system prior to April 1. Should an REM return customers to system prior to April 1, both the storage and the remaining allocated upstream transportation capacity used to serve these customers will be returned to Union. Should an end-use customer return to system on their own volition, no return of upstream transportation capacity is required and such a return will not be considered a breach by the REM of the contract with Union.

Union has also proposed to modify its return to system policy to provide for 90 days notice prior to April 1 from an REM wishing to return customers to system. Customers will be required to stay on system gas for a minimum of 60 days. These modifications are required to enable Union to manage return to system.

Union proposes to manage the costs associated with return to system much as it does today. With the exception of managing the Parkway obligation, the costs are recorded in the gas supply deferral accounts and disposed to customers. However, in the case of an "abnormal" return to system, where the average annual impact is $5 or greater for a typical residential customer, Union has sought the ability to propose an alternate disposition methodology. Should an abnormal return to system occur, Union will immediately inform the OEB and other parties.

Certain parties sought clarification from Union on whether Union would permit delinquent end-use customers served by an REM to return to system. Union clarified that it currently assumes the credit and collection risk for all ABC t- service customers and may terminate gas service as part of its collection procedure. As such, REM's operating under the ABC t-service are not exposed to non-payment risk.

If, in the future, an REM is directly billing customers (i.e. not operating under an ABC –t-service arrangement), Union agreed that it would continue to accept customers being returned to system. However, Union also noted that it continued to reserve the right to seek a return of any underlying assets (i.e. storage, upstream transportation) in the event that there were a large number of customers proposed to be returned to system at a particular time.

The following parties agree with the settlement of this issue as outlined above: AMO; CAC; CEED; CENGAS; Comsatec; Energy Probe; IGUA; LPMA; MECAP; Nova; OAPPA; OESC; Schools; VECC; WGSPG.

The following parties take no position on this issue: the Alliance; Enbridge; John Fullerton; HVAC; Kitchener; TCPL.

Evidence References:

1. B/T1/p75-81. Return to System
2. C1.55-59; C5.20-21

1.4.4 Nomination Imbalance Fees

[Complete Agreement]

Under the unbundled service, customers will need to manage supply nominations related to upstream transportation capacity and storage on a daily basis.

Union is proposing imbalance fees for variances between actual consumption and actual nominated supplies consistent with those currently charged by TCPL.

Further to Union's evidence, Union clarified the need for nomination discipline under the unbundled service. Specifically, nomination discipline is required in order to allow Union to schedule nominations and operate the system efficiently. Further, Union clarified that the nomination imbalance fees do not apply to small volume end-user unbundled customers not equipped with electronic meter reading capability. Specifically, for small volume unbundled customers, the nomination amount will be determined through the use of the demand algorithm.

Union also noted that the existing GISB nomination procedures provide customers the ability to change and/or adjust their nominations twice within the gas day which provides customers electing the unbundled service additional flexibility in managing daily nomination imbalances.

Intervenors sought clarification with respect to the current operation of the TCPL nomination imbalance fees and in particular, the "make up rights" that exist within the TCPL imbalance fee schedule. In this regard, Union clarified that TCPL has two tiers of charges – daily imbalance fees and cumulative monthly imbalance fees. The "make up rights" in the TCPL imbalance fee schedule are related only to the cumulative monthly imbalance charges and not the daily imbalance charges. Further in this regard, Union noted that it is not proposing a monthly cumulative imbalance charge comparable to that which exists in the TCPL imbalance fee schedule.

Intervenors expressed the following concerns with respect to Union's nomination imbalance fees proposal:

(a) size of the dead band for which no nomination imbalance fee is charged
(b) The applicability of nomination imbalance fees in the North versus the South given the operational differences that exist in the two Operations Areas.

To respond to intervenor concerns, Union agreed to the following:

<u>Northern & Eastern Operations Area</u>

Adopt the TCPL daily balancing fee schedule inclusive of structure, rates, and imbalance thresholds, subject to the following adjustments:
(a) Widen the TCPL +/- 2% dead band to +/- 4%.

(b) Reduce the TCPL fees for imbalances greater than 4% to a level equal to 50% of the approved TCPL imbalance fees.

Southern Operations Area

Adopt the TCPL daily balancing fee schedule inclusive of structure, rates, and imbalance thresholds, subject to the following adjustments:

(a) Widen the TCPL +/- 2% dead band to +/- 4% for the months of September, October, November, February, March and April and to +/- 8% for the remaining months of the year.
(b) Reduce the TCPL fees for imbalances greater than 4% or 8%, which ever is applicable, to a level equal to 50% of the approved TCPL imbalance fees.

The difference in nomination imbalance fees in the Northern & Eastern Operations area and the Southern Operations area reflects the operational differences present in each area. Specifically, the different dead band periods for the Southern Operations Area is reflective of the critical storage operating periods.

Further to the agreed to amendments outlined above, Union agreed that to the extent there was customer demand for a new service associated with nomination imbalances, Union would work with customers to develop such a service.

Appendix E identifies the daily balancing fees agreed to by Union and interested parties.

The following parties agree to the settlement of this issue as outlined above: AMO; CAC; CEED; CENGAS; Comsatec; Energy Probe; IGUA; LPMA; MECAP; OESC; Nova; Schools; VECC; WGSPG.

The following parties take no position on this issue: the Alliance; Enbridge; John Fullerton; HVAC; Kitchener; OAPPA; TCPL.

Evidence References:

1. B/T1/p81, Imbalance Fees
2. C1.60-61; C7.20-21; C9.15-19; C21.93; C36.12
3. Exhibit D5, CEED's prefiled evidence, para. 96-101.
4. Exhibit D21, IGUA's prefiled evidence, Tab 1, para. 60.

1.4.5 Unauthorized Storage Overrun

[Complete Agreement]

With the introduction of unbundled services, customers will have the flexibility to meet their demand requirements. As such, Union's ability to control and manage the operation of the system and the integrity of the system will become more difficult.

Union is proposing that a $100/GJ storage overrun penalty apply to all customer electing the unbundled service in order to ensure that unbundled customers do not exceed their authorized storage entitlement on a given day, and to protect the overall integrity of Union's system.

The overrun charge is not cost based but is designed to ensure that customers do not exceed their storage withdrawal entitlement.

Large volume customers will be accountable for projecting their demands and nominating their supplies. Small volume customers, or their REM's will rely on the demand forecast provided by Union through a usage algorithm and manage their supplies accordingly.

Intervenors expressed the following concerns with respect to Union's unauthorized storage overrun proposal:

(a) the appropriate period for which the unauthorized storage overrun charges would apply
(b) the size of the proposed unauthorized storage overrun fees (i.e. $100/GJ)
(c) the treatment of any revenue or margin associated with charging the unauthorized storage overrun fees

Union responded to the above noted intervenor concerns by agreeing to the following amendments:

(a) Union agreed to limit the period for which the unauthorized storage overrun charges would apply to the winter period only (i.e. November 1 – April 15). This amendment explicitly recognizes the winter operating period as being most critical from a storage perspective and Union's ability to operate storage in a manner which ensures that all firm demands can be met on a given day.
(b) Union agreed to reduce the unauthorized storage overrun fee from $100/GJ to $50/GJ. The $50/GJ fee was supported based on a $35/GJ U.S. market price of gas in Chicago during severe winter conditions of 1996.
(c) Union agreed to record any unauthorized storage overrun charges derived from the $50/GJ fee, net of any associated costs, in a Board approved deferral account. Union's agreement in this respect was meant to clarify that the intent of the unauthorized storage overrun charge is to ensure that Union does not encounter a situation where customers overrun their storage entitlement during peak winter conditions resulting in an inability to meet all firm delivery requirements.

The following parties agree with the settlement of this issue as outlined above: AMO; CAC; CEED; CENGAS; Comsatec; Energy Probe; IGUA; LPMA; MECAP; Nova; OAPPA; OESC; Schools; VECC; WGSPG.

The following parties take no position on this issue: the Alliance; Enbridge; John Fullerton; HVAC; Kitchener; TCPL.

Evidence References:

1. B/T1/p82, Unauthorized Storage Overrun
2. C1.62; C24.18; C21.19; C36.13
3. Exhibit D5, IGUA's prefiled evidence, Tab 2, para. 61.

1.4.6 Implementation Timing

[Complete Agreement]

In its evidence, Union noted that the approvals sought in its application were for the unbundling of upstream transportation and storage and that the Board decision was expected for May, 2000. Union also highlighted that new and enhanced systems would be required in order to manage daily nominations and other parameters associated with the unbundled service. Overall, Union projected a September 1, 2000 implementation date for the unbundling services.

The oral hearing for the remaining unresolved issues related to PBR and unbundling are proposed to take place in June. Depending on the timing of a Board decision, Union will attempt to seek a Board approved rate order necessary to implement the new services and associated rates as soon as possible. At this time, Union does not expect that the new unbundled services will be implemented before November 1, 2000.

The parties acknowledge the necessity to address rates and services related to retail billing through a subsequent application in order to provide small volume, non-daily metered customers access to the new unbundled services. Union commits to filing this application by July, 2000 and agrees to forgo the consultation process originally contemplated in order to dispose of the application as soon as practicable to allow for the unbundled services for the small volume market to be accessed as close to April 1, 2001 as possible.

The parties also acknowledge that Union will incur certain costs in order to be in a position to provide the new unbundled services. These costs and the associated recovery will be addressed under Issue 4.2 – Incremental Unbundling Costs Account, during the hearing.

The following parties agreed with the settlement of this issue as outlined above: AMO; CAC; CEED; CENGAS; Comsatec; HVAC; IGUA; Kitchener; LPMA; MECAP; Nova; OESC; Schools; VECC; WGSPG.

The following parties take no position on this issue: the Alliance; Enbridge; Energy Probe; John Fullerton; OAPPA; TCPL.

Evidence References:

1. B/T1/p7-8, Unbundling Timing
2. B/T1/p86-87, Unbundling Implementation Timing
3. B/T1/Supplemental (B), Retail Billing Relationship – Evidence Update
4. C1.63; C1.64; C3.9-11; C21.94-96; C24.22
5. Exhibit D5, CEED's prefiled evidence, para. 102-105.
6. Exhibit D21, IGUA's prefiled evidence, Tab 1, para. 62.

1.4.7 System Gas Pricing Methodology

This issue, while not separately identified on the Board's Issues List, arose during the Settlement negotiations in conjunction with a number of issues [Issues 2.2.2.5 and 5.3].

CEED's evidence raised certain concerns related to the pricing and components of system gas supply.

By Notice of Motion dated April 28, 2000, Union moved to strike CEED's evidence on this issue from the proceeding, given that in Union's view, this issue was not covered within the Issues List approved by the Board for this proceeding.

The following parties acknowledge and recognize that there continues to be issues and different views concerning the methodology used to price system gas: AMO; CEED; CENGAS; Comsatec; Enbridge; Energy Probe; OAPPA; OESC; Union.

Accordingly, the above noted parties are of the view that the Board should initiate a process to review this methodology and the terms and conditions of the system gas supply offering as soon as practicable.

Accordingly, CEED agrees to withdraw its evidence on this issue and Union agrees to withdraw its motion.

The following parties reserve their rights on this issue: the Alliance; CAC; IGUA; Kitchener; LPMA; MECAP; Nova; Schools; VECC; WGSPG.

The following parties take no position on this issue: John Fullerton; HVAC; TCPL.