

RP-2001-0029

UNION GAS

SETTLEMENT AGREEMENT

March 22, 2002

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A. Deferral Account Balances (B/T13/S1 Updated)

AGREEMENT AMONG INTERESTED PARTIES

This Agreement is for the consideration of the Ontario Energy Board (the “Board”) in its determination of the issues raised in RP-2001-0029. There was no issues list approved by the Board prior to the settlement conference in this case. Accordingly, the Agreement follows a list of issues developed from Union’s evidence by Board Staff, as adopted and amended by the parties during the settlement conference. The Agreement identifies all issues even if no agreement has been reached. The Agreement is supported by evidence filed in RP-2001-0029.

Each issue falls within one of the following three categories:

1. an issue for which there is complete settlement, because Union and all of the other parties who discussed the issue either agree with the settlement or take no position,
2. an issue for which there is no settlement, because Union and the other parties who discussed the issue are unable to reach an agreement to settle the issue, and
3. an issue for which there is partial settlement, because Union and the other parties agree to the settlement of the item, but not the full item.

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 evidence in RP-2001-0029, accept the Agreement in its entirety. Notwithstanding that the agreement will be null and void in the above circumstances, if all parties agree, that portion of the agreement that the Board accepts may continue as a valid settlement agreement.

It is further acknowledged and agreed that parties will not withdraw from this Agreement under any circumstances except as provided under Rule 40.02 of the Ontario Energy Board’s Rules of Practice and Procedure.

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

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.

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 who participate in the settlement conference are bound by the same confidentiality standards that apply to parties to the proceeding.” Board Staff is not a party to this Agreement.

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.

The following parties participated in the Settlement Conference:

Canadian Manufacturers and Exporters Inc. (“CME”), Consumers’ Association of Canada (“CAC”), Coalition for Efficient Energy Distribution (“CEED”), Enbridge Consumers Gas (“ECG”), The Corporation of the City of Kitchener (“CCK”), Green Energy Coalition (“GEC”), HVAC Coalition (“HVAC”), Industrial Gas Users Association (“IGUA”), London Property Management Association (“LPMA”), Ontario Association of Physical Plant Administrators (“OAPPA”), Ontario Flue-Cured Tobacco Growers Marketing Board (“Tobacco”), Pollution Probe, Ontario Association of School Business Officials (“Schools”), TransCanada PipeLines Limited (“TCPL”), Vulnerable Energy Consumers Coalition (“VECC”), Wholesale Gas Service Purchasers Group (“Group”).

1. RESPONSES TO BOARD DIRECTIVES

1.1 Load Balancing and Flexibility Directive

[No Settlement]

At B/T4/p22, Union provided the status of its response to the Board's directive from paragraph 3.1.59 of its EBRO 499 Decision to address the treatment of load balancing and flexibility costs. Union indicated that it anticipated addressing the directive after implementing the RP-1999-0017 and RP-2000-0078 Decisions and after completing the implementation of rates from the current (RP-2001-0029) proceeding. In C4.19 Union indicated that it was not prepared to address the Board's directive as part of the 2003 Customer Review Process.

CEED is seeking an order from the Board that Union be required to address the directive in the 2003 Customer Review Process.

Evidence Reference:

1. B/T4 – Gas Supply
2. C4.19

1.2 Directive Concerning Ontario Income Tax Rate

[No Settlement]

Union provided its response to the Board's directive from paragraphs 2.318 and 4.47 of its RP-1999-0017 Decision concerning the treatment of Ontario income tax rate changes during the PBR period at B/T15. This issue is fully addressed at Section 15.

2. EARNINGS SHARING MECHANISM

2.1 2001 Adjustment

[Complete Settlement]

In its RP-1999-0017 Decision, the Board ruled that an earnings sharing mechanism should apply for use during the trial PBR. The earnings sharing mechanism applies to actual earnings that fall outside of a range of 100 basis points from the benchmark return on equity. The benchmark return on equity is determined through the use of the Board's formula.

For 2001, Union had proposed to use the current Board's formula for the determination of the benchmark return on equity. Union is proposing to use an average reflecting actual

long Canada yields for the period January 2001 to May 2001 and the June consensus forecast for the June 2001 to December 2001 period. The average long Canada for the period January to May was 5.8%. The long Canada forecast for the period June to December was 5.89% (i.e. 10-year Canada bond yield per the June consensus forecast of 5.75% plus an average spread between 10 year and 30 year Canada bond yields of 0.14%). When applied to the current Board approved formula, the resulting benchmark return on equity is 9.75%.

Some parties were of the view that more recent information should be used in the determination of the inputs to the formula for the determination of the benchmark return on equity for the earnings sharing mechanism.

The parties agree to use actual long Canada bond yields for the determination of potential earnings sharing for 2001. The actual long Canada bond yield for 2001 was 5.73%. When applied to the current Board approved formula, the resulting benchmark return on equity is 9.66%.

The following parties agree with the settlement of this issue: CAC, CCK, ECG, IGUA, LPMA, Schools, VECC, Group

The following parties take no position on this issue: CME, CEED, GEC, HVAC, OAPPA, Pollution Probe, TCPL, Tobacco

Evidence References:

1. B/T1 – Earnings Sharing Mechanism
2. B/T2, Prefiled Testimony of K. McShane
3. C1.44, C4.20, C.4.21, C8.1, C8.4, C8.5, C8.19, C20.1, C23.13, C25.3

2.2 2002 Adjustment

[Partial Settlement]

Union originally proposed changes to the Board's formula used to establish return on equity for consideration in the current Customer Review Process.

The Board, in its Procedural Order No. 1 in this proceeding, indicated that it would consider Union's proposal in respect of revisions to the return on equity formula in a separate proceeding to be determined at a later date.

The parties agree that the input to the return on equity formula for earnings sharing will be determined using actual long Canada bond yields for 2002. The use of actual long Canada bond yields is consistent with the earnings sharing mechanism which is determined on actual earnings.

The issue of whether or not results from the separate return on equity proceeding should apply to the 2002 earnings sharing mechanism is an area of disagreement between Union and intervenors. Accordingly, Union is seeking a decision from the Board in this proceeding regarding this issue.

The agreement to use actual long Canada bond yields is made without prejudice to Union's position that any change in the Board's formula be applicable to 2002 earnings sharing and without prejudice to the intervenor's position that no change in the Board's formula should be applied to Union during the current PBR Plan.

The following parties agree with the partial settlement of this issue: CAC, CCK, IGUA, LPMA, Schools, VECC, Group

The following parties take no position on this issue: CME, CEED, ECG, GEC, HVAC, OAPPA, Pollution Probe, TCPL, Tobacco

Evidence References:

1. B/T1 – Earnings Sharing Mechanism
2. B/T2, Prefiled Testimony of K. McShane
3. C.4.20, C5.1, C8.4, C8.16, C.8.17, C8.18, C8.19, C20.1, C25.1, C25.2, C25.3

3. PASS-THROUGH ITEMS

3.1 UFG Volume, 2001

[Complete Settlement]

Union is proposing that for rates effective January 1, 2001, the actual UFG volume and throughput volumes for 1997 through 1999 be used in the determination of the UFG ratio. The ratio is then applied to the E.B.R.O. 499 approved throughput volumes for 1999 to determine the UFG volume to be recovered for 2001. This results in UFG volume of $196,453 \text{ } 10^3 \text{ m}^3$ for 2001, which is an increase of $26,807 \text{ } 10^3 \text{ m}^3$ from that approved in rates for 2000. This increase in volume results in a \$4.546 million increase in UFG.

The parties acknowledge that the pass-through mechanism for UFG volume allows for recovery of costs associated with actual UFG volume over time. The intervenors agree with Union's proposed pass-through adjustment for UFG volume for 2001.

The following parties agree with the settlement of this issue: CAC, CCK, IGUA, LPMA, Schools, VECC, Group

The following parties take no position on this issue: CME, CEED, ECG, GEC, HVAC, OAPPA, Pollution Probe, TCPL, Tobacco

Evidence References:

1. B/T3 – Pass-Through Adjustments
2. C4.14, C5.2, C5.3, C8.2, C25.6

3.2 WACOG Changes, 2001

[Partial Settlement]

Union is proposing to reflect the impact of the changes in WACOG in its delivery rates for 2001. The calculations apply the difference between the WACOG experienced during 2001 and the WACOG reflected in Union's current Board approved rates to the unaccounted for gas volume determined under Section 3.1 above and the 1999 Board approved volumes for company used gas and gas in inventory. The WACOG change for 2001 is an increase and results in an increase of \$26.716 million for UFG, a \$14.357 million increase in gross company used gas net of a \$16.280 million increase in customer supplied fuel, and a \$12.160 million increase in inventory carrying costs.

Except for the Ontario income tax rate used in the determination of the carrying costs on gas in inventory the parties agree with the proposed WACOG changes. Union used the Ontario income tax rate in effect during 2000 in the determination of the carrying costs of gas in inventory. Intervenors are of the view that the current Ontario income tax rate should be used for the calculation of the pass-through adjustment.

The following parties agree with the partial settlement of this issue: CAC, IGUA, LPMA, Schools, VECC, Group

The following parties take no position on this issue: CME, CEED, CCK, ECG, GEC, HVAC, OAPPA, Pollution Probe, TCPL, Tobacco

Evidence References:

1. B/T3/- Pass-Through Adjustments
2. C4.13, C8.3, C8.5, C20.12, C25.5, C25.13

3.3 UFG Volume, 2002

[Complete Settlement]

Union is proposing that for rates effective January 1, 2002, the actual UFG volume and throughput volumes for 1998 through 2000 be used in the determination of the UFG ratio. The ratio is then applied to the E.B.R.O. 499 approved volumes for 1999 to determine the UFG volume to be recovered for 2002. This results in UFG volume of 189,396 10³m³ for

2002, which is a decrease of 7,057 10³m³ from the level of recovery proposed for 2002. This decrease in volumes results in a \$2.158 million decrease in UFG.

The parties acknowledge that the pass-through mechanism for UFG volume allows for recovery of costs associated with actual UFG volume over time. The intervenors agree with Union's proposed pass-through adjustment for UFG volume for 2002.

The following parties agree with the settlement of this issue: CAC, CCK, IGUA, LPMA, Schools, VECC, Group

The following parties take no position on this issue: CME, CEED, ECG, GEC, HVAC, OAPPA, Pollution Probe, TCPL, Tobacco

Evidence References:

1. B/T3/- Pass-Through Adjustments
2. C4.15, C5.2, C25.6

3.4 WACOG Changes, 2002

[Partial Settlement]

Union is proposing that for 2002, delivery rates will be adjusted to reflect the impact of Union's current approved WACOG in effect at the end of 2001. The calculations apply the difference between the WACOG in effect at the end of 2001 and the WACOG reflected in Union's Board approved rates to the unaccounted for gas volume determined under issue 3.3 above and the 1999 Board approved volume for fuel and gas in inventory. Differences between the WACOG reflected in rates for 2002 and Union's actual approved WACOG during 2002 will be recorded in the Intra-Period WACOG Changes deferral account (179-102), consistent with the RP-1999-0017 Rate Order, for subsequent disposition to customers. The WACOG charge for 2002 is a decrease and results in a \$21.682 million decrease for UFG, a \$11.728 million decrease in gross company used gas net of a \$13.108 million decrease in customer supplied fuel, and a \$10.082 million decrease in inventory carrying costs.

Except for the Ontario income tax rate used in the determination of the carrying costs on gas in inventory the parties agree with the proposed WACOG changes. Union used the Ontario income tax rate in effect during 2000 in the determination of the carrying costs of gas in inventory. Intervenors are of the view that the current Ontario income tax rate should be used for the calculation of the pass-through adjustment.

The following parties agree with the partial settlement of this issue: CAC, IGUA, LPMA, Schools, VECC, Group

The following parties take no position on this issue: CME, CEED, CCK, ECG, GEC, HVAC, OAPPA, Pollution Probe, TCPL, Tobacco

Evidence References:

1. B/T3/ – Pass-Through Adjustments
2. C1.1, C8.3, C8.5, C25.13

4. GAS SUPPLY

4.1 2000 Deferral Account Balances

[Partial Settlement]

Union's evidence outlined the actual gas cost deferral account balances as at December 31, 2000 at B/T13/S1 Updated/p1. This schedule is attached as Appendix A to this Agreement. These balances total a debit of \$62.0 million (excluding interest since 2000). The components of this balance include:

- A debit balance of \$66.3 million in the Firm Supply Purchase Gas Variance deferral account (179-80) which represents variances in the unit cost of Union's Alberta supply relative to Union's reference price;
- A net credit of \$15.3 million in the Other Purchased Gas Costs deferral account (179-68). The major components of this account can be found at Appendix A to this Agreement;
- A debit of \$1.0 million in the TCPL tolls and fuel deferral account for Union's Southern Operations area (179-67);
- A debit of \$10.0 million in the TCPL tolls and fuel deferral account for Union's Northern & Eastern Operations area (179-100).

The account balances are reflective of commodity prices experienced in 2000 relative to the amounts that were included in rates.

The intervenors agree to Union's 2000 Gas Supply deferral account balances with the exception of the cost impacts of Union's contracts with Alliance and Vector pipelines. The difference between the landed cost of supply using Alliance and Vector transportation and the landed cost of supply included in Union's gas supply rates is recorded in the flexibility component of the Other Purchased Gas Costs deferral account (179-68). The flexibility component of the Other Purchased Gas Costs deferral account is shown at B/T13/S1 Updated/p1, lines 3 and 4.

Some parties are unable to agree to the cost implications of Union's contracting with the Alliance and Vector pipelines because they do not accept that Union made a prudent decision on behalf of its customers in contracting for capacity on these pipelines.

The following parties agree with the partial settlement of this issue: CAC, CEED, IGUA, LPMA, Schools, VECC, Group

The following parties take no position on this issue: CME, CCK, ECG, GEC, HVAC, OAPPA, Pollution Probe, TCPL, Tobacco

Evidence References:

1. B/T4 – Gas Supply
2. C1.2, C1.6, C5.5, C23.1, C39.1, C39.3

4.2 2001 Deferral Account Balances

[Partial Settlement]

Union's evidence outlined the actual gas cost deferral account balances as at December 31, 2001 at B/T13/S1 Updated/p1. This schedule is attached as Appendix A to this agreement. These balances total a debit of \$226.7 million, prior to the application of a rate rider described below. The major components of the balance include:

- A debit balance of \$16.3 million in the Firm Supply Purchase Gas Variance deferral account (179-80) which represents variances in the unit cost of Union's Alberta supply relative to Union's reference price;
- A net debit of \$93.7 million in the Other Purchased Gas Costs deferral account (179-68). The major components of this account can be found at Appendix A to this agreement;
- A credit of \$5.1 million in the TCPL tolls and fuel deferral account for Union's Southern Operations area (179-67);
- A debit of \$4.5 million in the TCPL tolls and fuel deferral account for Union's Northern & Eastern Operations area (179-100).

The account balances are reflective of commodity prices experienced in 2001 relative to the amounts that were included in rates.

In the EB-2001-0533 and EB-2001-0778 proceedings, the Board approved a gas storage inventory rate rider that was forecast to collect \$155.865 million from November 2001 to March 2002. All revenue generated from the rate rider for the period November 2001 to March 2002 is credited to the Other Purchased Gas Costs deferral account (179-68). It is anticipated that by March 31, 2002, \$117.160 million will have been collected through the rate rider. The amount collected was lower than anticipated largely as a result of much warmer than normal weather and the corresponding decrease in volume.

The intervenors agree to Union's 2001 Gas Supply deferral account balances with the exception of the cost impacts of Union's contracts with Alliance and Vector pipelines. The difference between the landed cost of supply using Alliance and Vector transportation and the landed cost of supply included in Union's gas supply rates is

recorded in the flexibility component of the Other Purchased Gas Costs deferral account (179-68). The flexibility component of the Other Purchased Gas Costs deferral account is shown at B/T13/S1 Updated/p1, lines 3 and 4.

Some parties are unable to agree to the cost implications of Union's contracting with the Alliance and Vector pipelines because they do not accept that Union made a prudent decision on behalf of its customers in contracting for capacity on these pipelines.

The following parties agree with the partial settlement of this issue: CAC, CEED, ECG, IGUA, LPMA, Schools, VECC, Group

The following parties take no position on this issue: CME, CCK, GEC, HVAC, OAPPA, Pollution Probe, TCPL, Tobacco

Evidence References:

1. B/T4 – Gas Supply
2. C1.3, C1.19, C4.22, C5.4, C5.6, C5.7, C23.1, C39.2

4.3 Risk Management Strategy and Activities

[Complete Settlement]

Union's commodity risk management strategy is designed to achieve a market responsive price and reduce price volatility.

A market responsive price is achieved by finding a balance between the use of physical gas purchases and financial risk management of indexed contracts over time. The objective of the program is not to beat the market. Union does not speculate on price and therefore transfers price risk to financial intermediaries or producers/marketers who are willing to accept this risk.

The reduction of price volatility is achieved by hedging a portion of the gas supply portfolio over time in order to temper price swings. The objective is not to interfere with the long term or current trend of prices, but to dampen the exposure from the volatility embedded in gas market pricing.

Union's results during 2000 and 2001 indicate that these goals were achieved in the gas supply portfolio. As shown in response at C1.4, Union's average purchase price over the period 2000 and 2001 was \$5.44 C/GJ versus a market price of \$5.38 C/GJ. The market standard deviation was \$2.55 C/GJ compared with Union's standard deviation of \$1.67 C/GJ. These results are consistent with the goals of Union's commodity risk management program and were achieved in a market that exhibited unprecedented volatility and absolute price movement over this twenty-four month period.

All parties accept the financial impacts of Union's commodity risk management plan for 2000 and 2001 as reflected in the gas supply deferral account balances above. Union agreed, at the request of parties to retain an independent consultant to review Union's commodity risk management policies. The consultant will be asked to consider whether Union's current policy is an appropriate way to meet the desired objective of providing system customers with supply at market sensitive prices while mitigating the impacts of volatility. The consultant will also consider the overall costs of the policy relative to the benefits achieved. Union also agreed to circulate the proposed terms of reference to interested parties for comment. The parties also agree that the prudently incurred costs of conducting this review will be recoverable from customers as appropriate.

Intervenors acknowledged that the ability to complete such a study for the Customer Review Process for 2003 rates is not possible. Union will bring forward the results of the study along with Union's response in conjunction with the generic review of system gas agreed to under Section 12 or, in any event, no later than the 2004 rate proceeding.

Parties agree that notwithstanding the provisions of Rule 40.02 of the Board's Rules of Practice and Procedure, provided Union maintains its commitment for an independent review of its commodity risk management policies, Intervenors will not cross-examine Union's witnesses or file submissions on Union's commodity risk management strategy and activities should the Board determine that further consideration of Union's commodity risk management activities is required in the hearing of the RP-2001-0029.

The following parties agree with the settlement of this issue: CAC, CCK, ECG, IGUA, LPMA, Schools, VECC, Group

The following parties take no position on this issue: CME, CEED, GEC, HVAC, OAPPA, Pollution Probe, TCPL, Tobacco

Evidence References:

1. B/T4 – Gas Supply
2. C1.4, C1.5, C39.1

4.4 2002 Gas Supply Plan – Portfolio and Alliance-Vector

[No Settlement]

The “vertical slice” allocation methodology, used for the allocation of upstream transportation capacity to direct purchase customers, was approved by the Board in RP-1999-0017. The composition of Union's upstream transportation portfolio and the vertical slice transportation allocation underpinning the facilitation of incremental direct purchase in Union's Southern Operations area for the period November 1, 2001 to October 31, 2002 was determined by the Board in its EB-2001-0441 Decision dated September 6, 2001. Union proposes to deal with the composition of its upstream transportation portfolio and the resulting impact on the vertical slice for the period November 1, 2002 to

October 31, 2003 as part of the 2003 Customer Review Process scheduled for the summer of 2002. Approximately 52% of that portfolio is scheduled to expire on November 1, 2002. During the course of the ADR, Union advised that it must make a decision on how to replace any or all of that capacity in May or June of 2002 (i.e. prior to the commencement of the 2003 Customer review Process).

In its EB-2001-0441 Decision, the Board approved the inclusion of the Alliance and Vector contracts in the vertical slice at their respective tolls. The Board did not make a finding on the rate impact of the inclusion of Alliance and Vector in the portfolio. Instead, the Board directed that the cost consequences be dealt with in this Customer Review Process.

As noted in Sections 4.1 and 4.2, some parties did not accept that Union made a prudent decision on behalf of its customers in contracting for capacity on Alliance and Vector. Further, in this context, some parties expressed a desire to have input into Union's future contracting of new and renewed upstream transportation capacity and that Union bring forward certain defined upstream transportation contracting plans for the Board's prior approval. Specifically, some parties believe that Union's vertical slice should be reviewed prior to being implemented, and that Union should obtain prior Board approval before entering into long-term contracts for inclusion in the vertical slice.

Evidence References:

1. B/T4 – Gas Supply
2. C1.17, C1.18, C4.18, C6.1, C6.2, C6.3, C23.2, C39.5, C39.6, C39.7, C39.8, C39.9, C39.10, C39.11, C39.12, C39.13

4.5 Proposed Changes to Trigger Mechanisms

[Complete Settlement]

Union was proposing to increase its existing gas cost triggers. Union proposed to increase the gas cost deferral account trigger from \$20 per residential customer to \$30 per residential customer. Union was also proposing to increase the Quarterly Rate Adjustment Mechanism (“QRAM”) trigger from \$0.05 Cdn/GJ to \$0.15 Cdn/GJ (i.e. from an annual bill impact of \$5.45 per customer to \$16.35 per customer for a residential customer consuming 2900 m³). The increases in these triggers recognize the increase in gas price volatility from the levels that existed when the triggers were established. Should there be a material change in volatility, Union proposed to review these triggers through the Customer Review Process should there be a material change in volatility.

Some parties consider that the appropriate trigger mechanisms to be applied to Union's QRAM process and Gas Supply deferral accounts should be considered as part of the review Union has agreed to at Section 12, Inventory Revaluation Methodology.

As a result of its commitment at Section 12, Union has withdrawn its request for a change in the trigger mechanisms in the 2001/2 Customer Review Process.

The following parties agree with the settlement of this issue: CAC, CEED, IGUA, LPMA, Schools, Tobacco, VECC, Group

The following parties take no position on this issue: CME, CCK, ECG, GEC, HVAC, OAPPA, Pollution Probe, TCPL

Evidence References:

1. B/T4 – Gas Supply
2. C4.16, C4.17, C6.6, C23.2, C25.7, C30.1, C39.4

5. NON-ROUTINE ADJUSTMENT – WEATHER NORMALIZATION METHODOLOGY

[Partial Settlement]

Union provided evidence describing a proposed weather normalization methodology and was seeking endorsement from the Board and interested parties of Union’s use of the new methodology for operational and planning purposes. Union is proposing to determine the normal temperature condition by taking the most recent 20 historic years, fitting a regression line to the data and calculating the expected normal heating degree days (“HDD”) with a trend line. Planning and managing using the revised weather methodology will allow Union to more accurately project its upstream transportation and gas supply requirements to better match the declining demand. The new weather methodology would be used to allocate upstream transportation capacity to direct purchase customers and storage capacity to customers electing unbundled service.

The intervenors indicated that they are not prepared to endorse a new weather normalization methodology in this proceeding for either forecasting or operational and planning purposes because they are not satisfied with the level of evidence concerning direct and indirect impacts of the use of the new weather normalization methodology.

Union acknowledges that the use of the new weather methodology will have no impact on the existing contracted storage space of direct purchase customers.

Union noted that it would proceed to use the new methodology for operational and planning purposes but Union agreed to withdraw its request for endorsement of this change in the 2001/2 Customer Review Process. Accordingly, the Board does not have to make a finding on this issue.

The following parties agree with the settlement of this issue: CAC, CCK, GEC, IGUA, Schools

The following parties do not agree with the settlement of this issue: CEED, CME

The following parties take no position on this issue: ECG, HVAC, LPMA, OAPPA, Pollution Probe, TCPL, Tobacco, VECC, Group

Evidence References:

1. B/T5 – Introduction
2. B/T6 – Non-Routine Adjustment – Weather
3. C1.28, C1.29, C1.30, C1.31, C1.32, C1.33, C1.34, C1.35, C1.36, C1.37, C1.38, C1.39, C1.40, C1.41, C4.23, C5.8, C5.9, C5.10, C5.11, C6.4, C6.5, C8.6, C20.2, C23.2, C25.8, C39.14, C39.15, C39.16, C39.17, C39.18

6. NON-ROUTINE ADJUSTMENT – PIPELINE INTEGRITY

[Complete Settlement]

Union proposed that a new deferral account be established to record the incremental costs arising from the enactment, on October 2001, of regulations under the *Technical Standards and Safety Act, 2000* (i.e. Ontario Regulation 210/01, Oil and Gas Pipeline Systems (“the Regulation”)) related to pipeline integrity. Union proposed that the incremental impacts of the new regulations will be recorded in the deferral account and be brought forward for consideration as a non-routine adjustment in the next customer review process.

The intervenors agree that, subject to the PBR plan’s materiality threshold, incremental costs arising from the enactment of the above noted regulations qualify as a non-routine adjustment to rates commencing in 2002. Accordingly, the parties agree to the creation of a deferral account to record such costs. All issues relating to the disposition of this account, including the monetary threshold for a recoverable non-routine adjustment and whether the costs were incremental, caused by the Regulation, prudently incurred or give rise to shareholder benefits will be dealt with when Union seeks recovery of any balances in this account.

The following parties agree with the settlement of this issue: CAC, CME, CCK, IGUA, LPMA, Schools, VECC, Group

The following parties take no position on this issue: CEED, ECG, GEC, HVAC, OAPPA, Pollution Probe, TCPL, Tobacco

Evidence References:

1. B/T5 - Introduction
2. B/T7 – Non-routine Adjustment – Pipeline Integrity

3. B/T13 – Deferral Accounts
4. C1.10, C1.20, C1.21, C1.22, C1.23, C4.2, C20.3, C23.2, C39.14, C39.19

7. DELIVERY POINT FLEXIBILITY SERVICE EXTENSION

[Complete Settlement]

In RP-1999-0017, parties accepted and the Board approved that 150 mmcf of M12 Dawn-Parkway capacity temporarily assigned from TransCanada Pipelines (“TCPL”) for a three-year term would be used to provide 20% system-wide delivery point flexibility. The associated costs are allocated to all in-franchise customers based on Union’s 1999 Board approved Dawn-Trafalgar design day demand and included in delivery rates.

Based on the RP-1999-0017 Settlement Agreement, Union agreed to consult annually with parties to determine whether there is consensus agreement for Union to seek either an extension to the 150 mmcf three year temporary M12 assignment from TransCanada Pipelines (“TCPL”) and/or an increase in the level of capacity supporting a system-wide delivery point flexibility solution. In the absence of a commitment from TCPL to extend the current agreement, Union is prepared to consider a permanent solution.

Union proposed that, if consensus amongst all parties was not reached through the Customer Review Process to extend the delivery point flexibility, the original agreement, which provides 20% system-wide delivery point flexibility, would remain in place until it expires on October 31, 2003.

There is no consensus among parties to continue this service beyond the initial three-year term (i.e. October 31, 2003). As such, Union is not proposing any review of alternatives for providing 20% system wide delivery point flexibility be conducted in this proceeding and Union will not seek to extend the 20% system-wide delivery point flexibility beyond October 31, 2003. Accordingly, the Board does not have to make a finding on this issue.

Until October 31, 2003, Union will continue to honour the commitments made in the RP-1999-0017 ADR Agreement pertaining to facilitating individual customer requests for delivery point flexibility in excess of the 20% system wide solution.

Union agrees to facilitate individual in-franchise customer requests for delivery point flexibility by accepting secondary market assignments of M12 capacity from an existing M12 contract holder to a third party (i.e. the in-franchise customer), for a minimum term of one year. The temporary assignment between the existing M12 contract holder and the third party will be bound by the existing M12 terms and conditions. The rate charged by Union to the third party will be the M12 rate.

Some parties may want to revisit the desirability of delivery point flexibility in the 2003 Customer Review Process. The complete settlement of this issue is without prejudice to

any intervenors right to raise delivery point flexibility in the 2003 Customer Review process.

The following parties agree with the settlement of this issue: CAC, CCK, ECG, IGUA, LPMA, Schools, Group

The following parties take no position on this issue: CME, CEED, GEC, HVAC, OAPPA, Pollution Probe, TCPL, Tobacco, VECC

Evidence References:

1. B/T8 - Delivery Point Flexibility
2. C1.42, C1.43, C5.12, C5.13, C8.7, C8.8, C8.9, C20.4, C20.5, C23.4, C23.5, C23.6, C23.7, C23.8, C23.9, C23.10, C23.11, C30.2, C39.20

8. PRICE CAP CALCULATION

8.1 2001

[Complete Settlement]

For 2001, Union is applying the price cap of 1.4%, as determined by the Board in its RP-1999-0017 Decision, to the base revenue for the price cap calculation for 2001 resulting in a rate increase of \$10.096 million. The change in GDPPI of 3.9% minus the X-factor of 2.5% results in a price cap of 1.4% for 2001.

The following parties agree with the settlement of this issue: CAC, CCK, IGUA, LPMA, Schools, VECC, Group

The following parties take no position on this issue: CME, CEED, ECG, GEC, HVAC, OAPPA, Pollution Probe, TCPL, Tobacco

Evidence References:

1. B/T9 – Price Cap Calculation
2. RP-1999-0017 Decision with Reasons – para. 2.287
3. RP-1999-0017 Decision with Reasons – Appendix C
4. C39.21

8.2 2002

[No Settlement]

Union calculated the price cap for 2002 using the second quarter 2000 GDPPI to second quarter 2001 GDPPI reported by Statistics Canada, which results in a change in GDPPI of 2.5%. Subtracting the X-factor of 2.5% results in a price cap of 0% for 2002.

Intervenors are proposing a price cap for 2002 using the fourth quarter 2000 GDPPI to the fourth quarter 2001 GDPPI reported by Statistics Canada which results in a change in GDPPI of -0.9%. Subtracting the X-factor of 2.5% results in a price cap of -3.4% for 2002.

Both Union and the intervenors consider that their proposals are consistent with the Board's Decision in RP-1999-0017.

Evidence References:

1. B/T9 – Price Cap Calculation
2. RP-1999-0017 Decision with Reasons – para. 2.287
3. RP-1999-0017 Decision with Reasons – Appendix C
4. C1.24, C8.10, C20.6, C20.7, C39.21

9. DEMAND SIDE MANAGEMENT

9.1 1999 Evaluation Report and Independent Audit

9.2 2000 Evaluation

9.3 2001 Estimate

9.4 LRAM: 1999 Actual, 2000 Actual, 2001 Forecast, Incorporation into Rates

9.5 DSM Budget, Annual Target Review

9.6 Rate Impacts

[Partial Settlement]

In order to reduce the magnitude of retroactive rate adjustments through deferral account dispositions, the parties agree that the methodology for inclusion of approved LRAM amounts (if any) cleared from the LRAM deferral account in a given year should be included in rates in subsequent years rather than continue to be deferred, along with amounts in subsequent years. In other words, any amount accumulated for the year 2001, and approved for clearance, should be cleared from the deferral in the current Customer

Review Process and included in 2002 rates. Rather than continue to accumulate that amount again in the LRAM deferral account during 2002, along with any additional activity in 2002, the approved 2001 LRAM amount will be included in 2002 rates so that the LRAM deferral account would only capture the amount related to 2002 activity.

As the approved 2001 LRAM amount may be based on the unaudited results of 2001 DSM activity, the difference, if any, between the audited and unaudited results will be true-up in the 2003 Customer Review Process.

Beyond this, there is no agreement on any DSM issue.

The following parties agree with the partial settlement of this issue: CAC, CME, GEC, IGUA, LPMA, Pollution Probe, Schools, VECC, Group

The following parties take no position on this issue: CEED, CCK, ECG, HVAC, OAPPA, TCPL, Tobacco

Evidence References:

1. B/T10 – Demand Side Management
2. Exhibit D18 – GEC’s prefiled evidence
3. Exhibit D34 – Pollution Probe prefiled evidence
4. Exhibit E19.1-E19.7 – GEC’s Interrogatory Responses
5. C1.15, C1.16, C1.25, C1.26, C1.27, C4.3, C4.4, C4.5, C4.6, C4.7, C4.8, C4.9, C4.10, C4.11, C4.12, C8.11, C19.1, C19.2, C19.3, C19.4, C19.5, C19.6, C19.7, C19.8, C19.9, C19.10, C19.11, C19.12, C19.13, C19.14, C20.9, C23.2, C34.1, C34.2, C39.22

10. ALLOCATION OF RATE ADJUSTMENTS – PASS-THROUGH AND OTHERS

[Partial Settlement]

Union proposes to allocate 2001 and 2002 pass-through adjustments related to UFG volume and changes in WACOG to each rate class using the allocation factors contained in the 1999 cost allocation study, consistent with the allocation of pass-through adjustments presented in RP-1999-0017.

Union proposes to allocate the 2001 deferred tax amortization using the 1999 allocation of the deferred tax drawdown. This allocation is also consistent with the allocation of the deferred tax related adjustment presented at RP-1999-0017.

Union proposes that Year 2000 (“Y2K”) related costs be removed from 2001 rates on the same basis that they were included in 1999 rates.

As noted at Section 9, Union proposes an adjustment to 2002 rates to reflect the 2001 LRAM amount, thereby reducing the amount that would otherwise accumulate in the LRAM deferral account during 2002. Union proposes that this adjustment to rates be allocated consistent with the allocation of balances accumulated in the LRAM deferral account during 1999, 2000, and 2001. Although parties have not agreed on the amount of the LRAM (as outlined at Section 9), parties do support the concept of the inclusion in rates and the allocation methodology.

Union proposes that the delivery commitment credit (“DCC”) removal be allocated to each rate class consistent with the Board’s RP-1999-0017 Decision (i.e. on a revenue neutral basis).

All parties agreed that the DCC was not to be eliminated until the unbundled services are available to the small volume market.

Some parties do not agree to the allocation of rate adjustments in respect of the DCC on the grounds that it does not achieve revenue neutrality and because of the impacts on revenue to cost ratios

The following parties agree with the partial settlement of this issue: CAC, CCK, GEC, IGUA, LPMA, Schools, Tobacco, VECC, Group

The following parties take no position on this issue: CME, CEED, ECG, HVAC, OAPPA, Pollution Probe, TCPL

Evidence References:

1. B/T11 – Summary of Rate Adjustments
2. B/T12 – Allocation of Rate Adjustments
3. C8.12, C20.8, C20.10, C20.11, C20.12, C25.10, C25.11, C39.23, C39.24

11. DEFERRAL ACCOUNTS

11.1 Deferral Account Balances

[Partial Settlement]

The parties agree to Union’s deferral account balances with the exception of the cost consequences of Union’s contracting on Alliance and Vector pipelines as noted at Sections 4.1 and 4.2, and with the exception of the balance in Lost Revenue Adjustment Mechanism deferral account (179-75). The disputed LRAM balances are found at Appendix A to this Agreement.

The following parties agree with the partial settlement of this issue: CAC, CME, GEC, HVAC, IGUA, LPMA, Schools, VECC, Group

The following parties take no position on this issue: CEED, CCK, ECG, OAPPA, Pollution Probe, TCPL, Tobacco

Evidence References:

1. B/T13 – Deferral Accounts
2. C1.7, C1.13, C1.14, C20.13

11.2 Changes to existing Deferral Accounts

Union proposes to modify the operation of three existing deferral accounts.

Deferred Customer Rebates/Charges (179-26)

[No Settlement]

The Deferred Customer Rebates/Charges deferral account currently records deferral account dispositions for customers that had been issued a final bill before the deferral account disposition and cannot be found after taking reasonable steps to find them. The account also records deferral account dispositions for all customers that had been issued a final bill before the deferral account disposition when the amount is less than \$10.

Union is proposing to modify the operation of the Deferred Customer Rebates/Charges deferral account to include uncollected deferred charges, in the event that a customer is financially unable to pay the deferred charge after following normal collection recourse.

Evidence References:

1. B/T13
2. C1.8, C4.24, C5.14, C5.15, C5.16, C5.17, C39.39

Lost Revenue Adjustment Mechanism (179-75)

[Complete Settlement]

Union is proposing to modify the operation of the LRAM deferral account such that amounts approved for clearance are built into rates in the year following their initial accumulation. This proposal avoids the necessity to accumulate in the LRAM account on an annual basis amounts from prior years activities and minimizes the LRAM impacts

dealt with through deferral dispositions each year. This proposal is dealt with at Section 9 (Demand Side Management).

The following parties agree with the settlement of this issue: CAC, CME, GEC, IGUA, LPMA, Schools, VECC, Group

The following parties take no position on this issue: CEED, CCK, ECG, HVAC, OAPPA, Pollution Probe, TCPL, Tobacco

Evidence References:

1. B/T13
2. C5.24

Other Purchased Gas Costs (179-68)

[No Settlement]

Union is proposing two changes to the operation of the Other Purchased Gas Costs deferral account. One of these changes is to the treatment of inventory revaluations and is described and agreed to in Section 12 of this agreement. The other change is in relation to direct purchase customers that have consumed in excess of the maximum allowed variance (i.e. 4%) upon contract renewal. In order to provide an incentive to direct purchase customers to balance their own requirements and to ensure that Union's other customers do not incur additional charges as a result of a direct purchase customer's failure to balance their own requirements, Union proposes to charge these customers the difference between WACOG and highest Dawn delivered gas supply price in the month following contract expiry as identified in the Canadian Gas Price Reporter ("CGPR") for contracts that expire between October 31, 2000 and October 30, 2001. Effective October 31, 2001, Union proposes that the charge reflect the highest Dawn delivered gas supply price in either the month of expiry or the following month.

Currently, these charges are levied at the time that Union disposes of its deferral account balances – which can be well after the contract renewal. In order to levy the charge in a timely manner, Union proposes that, in the future, this charge be treated as a predisposition of a deferral account and billed as soon as the charge can be determined rather than at the time deferral account balances are disposed.

Evidence References:

1. B/T13 – Changes to Deferral Accounts

11.3 Closing of Deferral Accounts

[Complete Settlement]

In the Board's RP-1999-0017 Decision, the Board approved the closure of a number of deferral accounts upon the disposition of the balances in those accounts. These accounts include:

- Spot Gas (179-81)
- Compressor Fuel Gas (179-83)
- TCPL Tolls (179-84)
- Centra Transmission Holdings (179-86)
- Centra Pipelines Minnesota (179-87)
- Transportation Capacity Assignment (179-88)
- TCPL Variance Charges (LBA) (179-98)
- Energy Balancing (179-38)
- Ten Year Market Review (179-54)
- Municipal Tax (179-59)
- Tax Impact of A&G Expenses (179-66)

These accounts have been maintained for the purpose of calculating interest until the balances have been disposed. Union is proposing to close these accounts upon disposition of the balances in these accounts.

Union is also proposing to close the CIS Affiliate Payment deferral account (179-57) and the Year 2000 Costs deferral account (179-61) upon disposition of the balances in these accounts. The derivation of the \$2.1 million credit in the CIS Affiliate Payment deferral account was provided at B/T13/p11. Union indicated that the most favoured nations clause in the CIS contract has not been triggered.

The following parties agree with the settlement of this issue: CAC, CCK, IGUA, LPMA, Schools, VECC, Group

The following parties take no position on this issue: CME, CEED, ECG, GEC, HVAC, OAPPA, Pollution Probe, TCPL, Tobacco

Evidence References:

1. B/T13 – Deferral Accounts

11.4 Proposed Pipeline Integrity Deferral Account (179-Y1)

The establishment of the Pipeline Integrity deferral account has been dealt with at Section 6 in this agreement.

11.5 Allocation of Balances – Gas Supply Related and Non Gas Supply Related

[Partial Settlement]

Union proposes to allocate the balances in its deferral accounts consistent with the allocation used and approved by the Board in previous years.

Parties have accepted the allocation methodology for Union's 2000 and 2001 deferral account balances except for the allocation of the Direct Purchase revenue and Payments deferral account (179-60) and the allocation of the Transportation and Exchanges deferral account (179.69).

Some parties do not agree with proposed allocation of the Direct Purchase Revenue and Payments deferral accounts on the basis that the allocation of this balance (which includes variances in the payment of the Delivery Commitment Credit ("DCC")) is in proportion to Dawn-Trafalgar design day demand while the elimination of the DCC from rates is allocated on the basis of DCC paid.

In respect of the Transportation and Exchanges deferral account, CCK raised a concern with respect to the allocation of margin earned from the sale of transportation capacity that may have become available as a result of direct purchase customers that did not opt to take advantage of the 20% system wide delivery point flexibility option.

The following parties agree with the partial settlement of this issue: CAC, CCK, IGUA, LPMA, Schools, VECC, Group

The following parties take no position on this issue: CME, CEED, ECG, GEC, HVAC, OAPPA, Pollution Probe, TCPL, Tobacco

Evidence References:

1. B/T13 – Deferral Accounts
2. C.1.11, C1.12, C5.20, C5.21, C5.22, C20.14, C30.3, C39.10

11.6 Sharing of S&T Revenues and Long-Term Storage Premium

[Complete Settlement]

Consistent with the Board's RP-1999-0017 Decision, Union proposes to share the amounts in the S&T transactional services deferral accounts 75:25 in favour of customers for both 2000 and 2001. Union's S&T transactional services deferral accounts include:

Transportation and Exchange Services (179-69)
Balancing Services (179-70)
Short-term Storage Services (179-71)
Other S&T Services (179-73)
Other Direct Purchase Services (179-74)

Consistent with the Board's RP-1999-0017 Decision, Union proposes to share the amounts in the S&T Long-Term Peak Storage deferral account 100:0 in favour of customers for 2000 and 75:25 in favour of customers for 2001.

The following parties agree with the settlement of this issue: CAC, CCK, IGUA, LPMA, Schools, VECC, Group

The following parties take no position on this issue: CME, CEED, ECG, GEC, HVAC, OAPPA, Pollution Probe, TCPL, Tobacco

Evidence References:

1. B/T13 – Deferral Accounts
2. C5.23

11.7 Incremental Unbundling Costs Deferral Account (179-101)

[Complete Settlement]

The balance and allocation of the balance in the Incremental Unbundling Costs deferral account will be dealt with by the Board in its RP-2000-0078 Decision. The results of that decision will be incorporated in the Rate Order resulting from the Customer Review Process.

The following parties agree with the settlement of this issue: CAC, CCK, ECG, IGUA, LPMA, Schools, VECC, Group

The following parties take no position on this issue: CME, CEED, GEC, HVAC, OAPPA, Pollution Probe, TCPL, Tobacco

Evidence References:

1. B/T13 – Deferral Accounts
2. C5.25, C39.27

11.8 Treatment of Rate Retroactivity and Deferral Account Balances

[Complete Settlement]

Parties acknowledge that rate implementation and deferral account disposition cannot be implemented at April 1, 2002. Union will put together a new implementation plan and circulate to parties for comment as soon as possible.

The following parties agree with the settlement of this issue: CAC, CCK, ECG, IGUA, LPMA, Schools, VECC, Group

The following parties take no position on this issue: CME, CEED, GEC, HVAC, OAPPA, Pollution Probe, TCPL, Tobacco

Evidence References:

1. B/T19 – Treatment of Rate Retroactivity and Deferral Account Balances
2. C5.28, C8.27, C8.28, C20.16, C20.17, C23.1, C25.16, C38.39

12. INVENTORY REVALUATION METHODOLOGY

[Complete Settlement]

Union is proposing a change in the treatment of inventory revaluations. Currently, Union revalues all the gas in inventory at the time Union's rates and deferral account reference prices are changed. This assumes that all gas in inventory is required to meet the sales requirements of Union's system customers. However, Union has a significant amount of gas in inventory to meet Union's requirement to balance bundled direct purchase customers. Since inventory revaluation amounts are cleared to sales customers only, sales customers may wind up paying more or less than Union's actual cost of gas.

With dramatic changes in gas prices during 2000 and 2001, the potential overstatement of inventory revaluations is significant. In addition, as more of Union's sales customers move to direct purchase, the inventory revaluation amount would be recovered from a smaller number of system sales customers.

Union is proposing that inventory revaluations should only be applied to the portion of gas in inventory that is related to meeting the needs of system customers. Union is also proposing that the accounting order be changed to record the gas required to balance direct purchase customers separately from gas in inventory that is available for sale so that Union will no longer revalue Union's gas required to balance direct purchase customers. In addition, Union will annually assess the inventory for balancing direct purchase and adjust the inventory accounts, as necessary.

Parties accept Union's proposal in respect of inventory revaluation subject to Union participating in a future review of system gas. This review will consider Union's system gas pricing, the QRAM process, inventory revaluations and triggers. This review is expected to occur in conjunction with the next Enbridge Consumers Gas ("ECG") rate case following ECG's fiscal 2002 or in a generic proceeding held specifically for that purpose subsequent to ECG's fiscal 2002.

The following parties agree with the settlement of this issue: CAC, CEED, CCK, IGUA, LPMA, Schools, Tobacco, VECC, Group

The following parties take no position on this issue: CME, ECG, GEC, HVAC, OAPPA, Pollution probe, TCPL

Evidence References:

1. B/T13 – Deferral Accounts
2. C1.9, C4.25, C5.18, C5.19, C30.3, C39.25, C39.26, C39.28

13. FINANCIAL RESULTS

13.1 2001 Actual

Parties acknowledge that a review of 2001 actual financial information and earnings sharing will be part of the 2003 Customer Review Process. Union agrees to file actual 2001 financial information prior to the commencement of the hearing.

As this information has no impact on the customer review process for 2001 or 2002, there is no “issue” for resolution by the Board.

13.2 2002 Forecast (or 3+9 e.g.,)

As this information has no impact on the customer review process for 2001 or 2002, there is no “issue” for resolution by the Board.

Evidence References:

1. B/T16/p1 – 2000 Year End Results
2. C1.11, C8.16, C8.17, C20.13, C23.13

14. PROPOSED RATE SCHEDULE CHANGES

14.1 M9 Overrun Charges

[Complete settlement]

Union is proposing that, in the future, M9 overrun charges will apply in instances where the customer’s contract demand (“CD”) is exceeded by more than 3% and the CD is not being reset.

All parties agree to Union’s proposed rate schedule changes with respect to M9 overrun charges.

The following parties agree with the settlement of this issue: CAC, IGUA, Schools, Group

The following parties take no position on this issue: CME, CEED, CCK, ECG, GEC, HVAC, LPMA, OAPPA, Pollution Probe, TCPL, Tobacco, VECC

Evidence References:

1. B/T14 – Proposed Rate Schedule Changes
2. C20.18, C39.29

14.2 Failure to Deliver – R1, T1, and T3

[No Settlement]

Union is proposing to increase the charge applicable to direct purchase customers in the Southern Operations area who fail to deliver gas that they are obligated to provide to Union on a firm basis.

The failure to deliver charge is specified on the R1 rate schedule. Historically, for T1 and T3 customers, this charge has been the unauthorized transportation overrun charge. Union proposes to specify the failure to deliver charge on the T1 and T3 rate schedules. The amounts collected in respect to failure to deliver charges are recorded as revenue.

In addition to the existing failure to deliver charge, Union currently has the ability to retroactively recover (i.e. “claw back”) the Delivery Commitment Credit (“DCC”) that had been paid to a direct purchase customer for the period between the beginning of the contract year and the time of the failure. The failure to deliver charge and the DCC claw back provided direct purchase customer with the incentive to deliver their obligated gas. In recognition of the elimination of the DCC, Union proposes to increase the failure to deliver charge by \$1.34/GJ from \$2.31/GJ to \$3.65/GJ. The \$1.34/GJ is approximately equal to 12 months of DCC payment claw back recovered over 30 days of failure.

Evidence References:

1. B/T14 – Proposed Rate Schedule Changes
2. C30.4, C39.30

14.3 Harmonization of M2 Fixed Monthly Charge

[Complete Settlement]

In the RP-1999-0017 Decision with Reasons, the Board indicated that it was prepared to support initiatives that would further “harmonize” rates between the Southern Operations area and the Northern & Eastern Operations area.

Union proposed to increase the Southern Operations area’s M2 fixed monthly charge from \$7.50 to \$10, to align it with the Northern & Eastern Operations area’s Rate 01 fixed monthly charge. M2 volumetric charges for the first 1400 m³ of consumption will

be reduced in Union's 2002 rates, such that the total revenue achieved from the M2 rate class for purposes of establishing rates will remain unchanged.

While parties agreed with the proposal to harmonize the fixed monthly charge, certain parties were concerned about implementing the \$2.50 increase in the fixed monthly charge in one rate adjustment.

All parties agree to the increase in the M2 fixed monthly charge and further agree that the increase to the fixed monthly charge will be phased in equally over two years (i.e. to \$8.75 in 2002 rates and to \$10 in 2003 rates) and will be designed to maintain revenue neutrality as proposed by Union.

The following parties agree with the settlement of this issue: CAC, IGUA, LPMA, Schools, VECC

The following parties take no position on this issue: CME, CEED, CCK, ECG, GEC, HVAC, OAPPA, Pollution Probe, TCPL, Tobacco, Group

Evidence References:

1. B/T14 – Proposed Rate Schedule Changes
2. C1.46, C5.26, C5.27, C25.12, C39.31

14.4 T1/T3 Diversion of Gas Service description, Gas Supply Charge for Customers with Negative Storage Balances

[No Settlement]

Union is proposing to change the description of the diversion of gas service in the T1 and T3 rate schedules to provide more clarity and consistency with the *Ontario Energy Board Act, 1998*.

Union is also proposing to change the unauthorized storage space overrun charge applicable to T1 and T3 customers when their storage balances fall below zero. Union proposes that the charge be changed to be consistent with the proposed charge to bundled direct purchase customers that do not balance within -4% at contract renewal as identified at Section 11.2. For customers that do not provide their own deliverability inventory, the unauthorized storage space overrun charge will apply to each GJ of gas below a zero inventory level. For customers that provide their own deliverability inventory, the zero inventory level shall be deemed to mean 20% of annual firm storage space. If the customer's contract has a provision that ratchets down (reduces) the customer's withdrawal right when the amount of gas in their contracted firm storage space is less than 20% then the zero inventory level is zero (i.e. not 20% of annual firm storage space).

Evidence References:

1. B/T14 – Proposed Rate Schedule Changes
2. C30.5, C39.32

14.5 Other In-Franchise Changes

[Complete Settlement]

Union proposed a number of changes to its in-franchise rate schedules to make the rate schedule wording consistent with the *Ontario Energy Board Act, 1998* and current practice. In addition, definitions that appear in contracts have been removed from the rate schedules. Blacklined versions of the rate schedules are provided at Appendix A to B/T14.

All parties agree to Union's proposed rate schedule changes for other in-franchise changes.

The following parties agree with the settlement of this issue: CAC, IGUA, LPMA, Schools, Group

The following parties take no position on this issue: CME, CEED, CCK, ECG, GEC, HVAC, OAPPA, Pollution Probe, TCPL, Tobacco, VECC

Evidence References:

1. B/T14 – Proposed Rate Schedule Changes

14.6 C1 Charges

[No Settlement]

Union is proposing to increase the Board approved maximum rates for C1 storage and short-term firm transportation services. Union proposes these increases to capture full market value for these services, thereby maximizing the margin from these services.

Some parties do not agree with Union's proposal because in their view Union should not be charging market based rates unless it has been established that there is sufficient competition to protect the public interest.

Evidence References:

1. B/T14 – Proposed Rate Schedule Changes

2. C8.14, C39.33

14.7 M13, M16, C1 Firm Transportation – Customer Supplied Fuel

[No Settlement]

Union is proposing that it have the option to request M13, M16, and C1 firm transportation service customers to provide their own fuel.

Evidence References:

1. B/T14 – Proposed Rate Schedule Changes
2. C8.15

15. ONTARIO INCOME TAX RATE

[No Settlement]

As directed by the Board in its RP-1999-0017 Decision, Union tracked the effect of changes in Ontario income tax rates that were to be considered through the Customer Review Process as possible adjustment to rates.

Union is not proposing any specific rate adjustments as a result of Ontario income tax rate changes.

Some parties are of the view that Ontario income tax rate reductions in 2001 and 2002 should be specifically reflected in rates.

Evidence References:

1. B/T15 – Directive Response – Ontario Income Tax Rates
2. B/T15/Appendix A – Bill 72
3. B/T15/Appendix B – Bill 45
4. B/T15/Appendix C – Report by R. Hemphill and P. Schoech
5. B/T15/Appendix D – Report by J. Mintz and T. Wilson
6. C1.45, C4.26, C20.8, C23.1, C25.9, C25.13, C39.34, C39.35, C39.36

16. RATE IMPACTS:

16.1 2001

16.2 2002

[Complete Settlement]

Parties acknowledge that rate implementation and deferral account disposition cannot be implemented at April 1, 2002. As noted at Section 11.8, Union will put together a new implementation plan and circulate to parties for comment as soon as possible.

The following parties agree with the settlement of this issue: CAC, IGUA, LPMA, Schools, VECC, Group

The following parties take no position on this issue: CME, CEED, CCK, ECG, GEC, HVAC, OAPPA, Pollution Probe, TCPL, Tobacco

Evidence References:

1. B/T17/p1 – Proposed 2001 Rate Changes
2. B/T18/p1 – Proposed 2002 Rate Changes
3. C5.2, C5.28, C8.19, C8.20, C8.21, C8.22, C8.23, C8.24, C8.25, C8.26, C20.15, C23.1, C23.12, C25.15, C39.37

17. RATE SCHEDULES:

17.1 2001

17.2 2002

[Complete Settlement]

Parties acknowledge that rate implementation and deferral account disposition cannot be implemented at April 1, 2002. As noted at Section 11.8, Union will put together a new implementation plan and circulate to parties for comment as soon as possible.

The following parties agree with the settlement of this issue: CAC, IGUA, LPMA, Schools, VECC, Group

The following parties take no position on this issue: CME, CEED, CCK, ECG, GEC, HVAC, OAPPA, Pollution Probe, TCPL, Tobacco

Evidence References:

1. B/T17/p1 – Proposed 2001 Rate Changes
2. B/T18/p1 – Proposed 2002 Rate Changes

18. REVISED LATE PAYMENT POLICY

[Complete Settlement]

In response to rulings of the Ontario Appeals Court and Supreme Court of Canada, and in response to directions from the Board, Union proposed to reduce the late payment charge from 5% to 2% at the same time it implements its next rate change.

Union has estimated the impact on the delayed payment revenue amount currently in rates due to the reduction of the delayed payment charge from 5% to 2% to be \$4.788 million. The reduction in the delayed payment amount in rates is material and is driven by external changes in the law and a direction from the Board. As such, the reduction in the delayed payment amount in rates qualifies as a non-routine adjustment. Union proposes to increase delivery rates to recover the \$4.788 million in proportion to the allocation of delayed payment revenue as contained in the E.B.R.O. 499 cost allocation studies (i.e. to Rates 01, 10, and 16 in the Northern and Eastern Operations area and Rate M2 in the Southern Operations area).

Union expected that the late payment policy change would be implemented effective April 1, 2002. Union proposed that 2002 delivery rates be increased by \$3.016 million for the amount applicable to the April 2002 to December 2002 period and that 2003 delivery rates be increased by the remaining \$1.772 million. Union indicated that, should the Board approve an effective date other than April 1, 2002, these delivery rate increases would be adjusted accordingly.

It was recognized that given the timing of the current process and the time required to implement a Board decision, implementation effective April 1, 2002 was not possible.

All parties agree to Union's proposals with respect to the late payment policy. All parties support the implementation of these proposals as soon as possible. The adjustments to rates in 2002 and 2003 will reflect the timing of the implementation of the reduction in the late payment charge.

Union has agreed to implement the reduced late payment charge by May 1, 2002 provided an order from the Board approving the change is received by March 27, 2002. If an order of the Board is issued subsequent to March 27, 2002, the earliest Union could implement a change is June 1, 2002.

The following parties agree with the settlement of this issue: CAC, CEED, CCK, ECG, IGUA, LPMA, Schools, VECC, Group

The following parties take no position on this issue: CME, GEC, HVAC, OAPPA, Pollution Probe, TCPL, Tobacco

Evidence References:

1. B/T20 – Late Payment Policy
2. C1.47, C23.3, C25.4

19. REVIEW OF SERVICE QUALITY INDICATORS (SQI'S)

[Complete Settlement]

As 2001 is the first year of the trial PBR plan, 2001 is the first year that SQI's and the their reporting is to be applied. Union has committed to bring forward a review of service quality indicators in the 2003 customer review process.

The following parties agree with the settlement of this issue: CAC, ECG, IGUA, LPMA, Schools, VECC, Group

The following parties take no position on this issue: CME, CEED, CCK, GEC, HVAC, OAPPA, Pollution Probe, TCPL, Tobacco

20. CONNECTION CHARGES

[Complete Settlement]

Union obtained approval from the Board outside the context of the Customer Review Process for a change in connection charges in August/September 2001.

The parties have reviewed the previously approved increase in the connection charges and accept that the increase is necessary to enable Union to recover its “fully loaded” costs of inspections required under the new Technical Standards and Safety Authority Act in respect of new customer connections.

Union agrees that any new changes in the regulated charges outlined in Union's rate orders will be brought forward in the context of future customer review processes.

The following parties agree with the settlement of this issue: CAC, ECG, HVAC, IGUA, LPMA, Schools, VECC, Group

The following parties take no position on this issue: CME, CEED, CCK, GEC, OAPPA, Pollution Probe, TCPL, Tobacco

Evidence References:

1. C5.29, C5.30, C21.3, C21.4, C21.5

APPENDIX A

DEFERRAL ACCOUNT BALANCES (B/T13/S1 UPDATED)

