



uniongas

A Duke Energy Company

January 20, 2003

Ontario Energy Board
2300 Yonge Street
Toronto, Ontario
M4P 1E4

Attention: Mr. Paul B. Pudge, Board Secretary

Re: RP-2002-0130/EB-2002-0363 - 2003 Rates ADR Settlement Agreement

Dear Mr. Pudge:

On November 1, 2002, the Board issued its procedural order No. 3 concerning the above noted proceeding, indicating that any settlement agreement in the above noted proceeding be submitted to the Board by January 24, 2003. Attached is the settlement agreement reached in the above noted proceeding.

Settlement discussions were held on January 7th through 10th, 2003 and on January 13th through 17th, 2003. Union and the parties have reached a settlement on a number of issues, which reduces the issues that require examination through a hearing.

In a case such as this where not all issues are settled, parties, for a variety of reasons, are very reluctant to proceed with the hearing on the contested issues without knowing whether the agreement of the settled issues is acceptable to the Board.

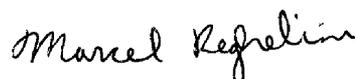
The consensus of the parties to the settlement conference was to encourage the Board to adopt a process for consideration of the Settlement Agreement which gives the Board ample time to consider the agreement and supporting evidence prior to the commencement of the hearing on the unsettled issues.

This is what was done in the Enabling Unbundling case (RP-2000-0078) which seemed to work well. In that proceeding, the Board convened on February 1, 2002 to consider a settlement agreement whereas the hearing of the case was scheduled to commence on

February 20, 2002. (In that case, the Board was able to rule on the agreement on February 1, 2002.) Under this approach if, upon a review of the Agreement, the Board feels that further explanation of the Settlement Agreement is required, a meeting would be scheduled in advance of the proposed hearing commencement date. At that meeting, Union and intervenors who support the Agreement could address the Board's concerns, such that the Board's further deliberations could take place, and a decision on the Settlement Agreement could be issued, before the hearing of the contested issues begins.

Union respectfully requests that the Board issue a procedural order that provides for a process as described above and provides for a hearing to deal with the unsettled issues. Any questions concerning this matter should be directed to myself at (519) 436-4515 or Bryan Goulden at (519) 436-4637.

Yours truly,



Marcel Reghelini
Director, Regulatory Affairs

cc: RP-2002-0130 Intervenors

RP-2002-0130

EB-2002-0363

UNION GAS

SETTLEMENT AGREEMENT

January 20, 2003

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Appendix B - Updated Deferral Account Balances

Appendix C – Schedule showing the basis of the allocation of UDC

Appendix D – Explanation of the 1999, 2000, and 2001 LRAM Deferral Account Balances and Volume Adjustments

Appendix E – Updated Exhibit C1.44 showing Union’s telephone response time for 2002 of 67.5%

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-2002-0130/EB-2002-0363. The Agreement identifies all issues even if no agreement has been reached. The Agreement is supported by evidence filed in RP-2002-0130/EB-2002-0363.

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 or for which the majority of parties are in agreement and one or more parties do not agree with the settlement.

It is acknowledged and agreed that none of the provisions of this Agreement are severable. If the Board does not, prior to the commencement of the hearing of the evidence in RP-2002-0130/EB-2002-0363, accept the Agreement in its entirety, there is no Agreement (unless the parties agree that any portion of the Agreement the Board does accept may continue as a valid Agreement).

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

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

It is also acknowledged and agreed that this Agreement is without prejudice to parties re-examining these issues in a future proceeding.

The parties agree that all positions, information, documents, negotiations and discussion of any kind whatsoever which took place or were exchanged during the Settlement Conference are strictly confidential and without prejudice, and inadmissible unless relevant to the resolution of any ambiguity that subsequently arises with respect to the interpretation of any provision of this Agreement.

The role adopted by Board Staff in Settlement Conferences is set out on page 5 of the Board's Settlement Conference Guidelines. 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 Institute of Environmental Law and Policy ("CIELAP"); Canadian Manufacturers and Exports ("CME"); Consumers' Association of Canada ("CAC"); City of Kitchener ("CCK"); Coalition for Efficient Energy Distribution ("CEED"); Direct Energy; Enbridge Gas Distribution Inc. ("EGD"); Energy Probe; Green Energy Coalition ("GEC"); Heating, Ventilation and Air Conditioning Contractors Coalition Inc. ("HVAC"); Industrial Gas Users Association ("IGUA"); London Property Management Association ("LPMA"); Ontario Association of Physical Plant Administrators ("OAPPA"); Ontario Association of School Business Officials ("Schools"); Pollution Probe; TransCanada PipeLines ("TCPL"); Vulnerable Energy Consumers Coalition ("VECC"); Wholesale Gas Services Purchasers Group ("WGSPG").

1. PRICE CAP

1.1 Calculation of the price cap.

[Complete Settlement]

The parties agree that the appropriate price cap for 2003 is -2.3%. The inflation factor for 2003 is derived by taking the percentage change of Q2:2002 over Q2:2001 using the most recently available StatsCan data. StatsCan has reported in its November 2002 revision that Q2:2002 was 107.5 and Q2:2001 was 107.3. A copy of that revision is attached as Appendix A. This results in an inflation factor of 0.2%. Applying the productivity factor of 2.5% produces the agreed upon price cap of -2.3%. The parties agree that the application of the price cap to the 2003 base delivery requirement of \$727.8 results in a rate decrease of \$ 16.74 million.

This agreement for 2003 is without prejudice to any party's position on calculation of price cap indices in future price cap plans.

The following parties agree with the settlement of this issue: CME; CAC; CCK; EGD; Energy Probe; IGUA; LPMA; Schools; TCPL; VECC; WGSPG

The following parties take no position on this issue: CIELAP; CEED; Direct Energy; GEC; HVAC; OAPPA; Pollution Probe

Evidence Reference:

1. Exhibit B, Tab 1
2. C1.1, C1.2, C1.3, C15.1, C16.1, C25.1, C26.1, C26.2, C26.3

2. NON-ROUTINE ADJUSTMENTS

2.1 The appropriate criteria to be applied and how they are applied.

[Complete Settlement]

The criteria for non - routine adjustment cost recovery, as approved by the Board in its RP-1999-0017 Decision and reiterated in its decision in this proceeding on the motion pertaining to weather normalization, include:

- Items outside of the base upon which rates were derived
- The cost is material and has a significant influence on the company's operations
- The cost must be attributable to some event outside of management's control
- The costs must have been prudently incurred

While the criteria for qualification for a non-routine adjustment has been decided by the Board, and no decision is required of the Board under this issue, these criteria will be considered in the assessment of issue 2.2 below.

The following parties agree with the settlement of this issue: CME; CAC; CCK; EGD; Energy Probe; IGUA; LPMA; Schools; VECC; WGSPG

The following parties take no position on this issue: CIELAP; CEED; Direct Energy; GEC; HVAC; OAPPA; Pollution Probe; TCPL

2.2 Pipeline Integrity – Whether the prudently incurred costs are incremental and exceed the trigger threshold.

[Complete Settlement]

Union's actual Pipeline Integrity deferral account balance for 2002 is \$2.189 million as shown on page 2, line 29 of the schedule attached as Appendix B of this Agreement.

Union confirms that the Pipeline Integrity deferral account balance is to begin each year of the trial PBR plan with a zero balance and accumulate incremental costs incurred within the respective year caused by the change in regulations filed in RP-2001-0029, Exhibit B, Tab, 7, Appendix A and in RP-2002-0130, Exhibit B, Tab 2, Updated (July 26, 2002).

The parties agree that the actual balance of \$2.189 million which Union has recorded in the Pipeline Integrity Account for 2002 should be recovered from ratepayers in the manner proposed by Union.

This agreement is without prejudice to positions parties may take on the recovery of amounts in respect of pipeline integrity in rate proceedings subsequent to RP-2002-0130, including positions with respect to the continuance or discontinuance of a Pipeline Integrity deferral account.

The following parties agree with the settlement of this issue: CME; CAC; CCK; Energy Probe; IGUA; LPMA; Schools; TCPL; VECC; WGSPG

The following parties take no position on this issue: CIELAP; CEED; Direct Energy; EGD; GEC; HVAC; OAPPA; Pollution Probe

Evidence References:

1. Exhibit B, Tab 2 – Non-Routine Adjustments – Pipeline Integrity
2. Exhibit B, Tab 8 – Allocation of Rate Adjustments – Pipeline Integrity Adjustment
3. C1.4, C1.5, C1.6, C1.7, C1.8, C1.9, C1.10, C1.11, C1.12, C1.30, C1.52, C1.53, C1.70, C1.71, C1.74, C1.75, C1.76, C3.1, C3.2, C3.3, C3.4, C3.5, C3.6, C3.7,

C3.8, C3.9, C3.10, C6.1, C6.2, C6.3, C6.4, C15.2, C16.2, C16.3, C16.4, C16.5, C16.6, C16.7, C16.8, C16.9, C16.10, C16.11, C16.33, C16.34, C16.73, C16.74, C25.2, C25.3, C25.4, C25.28, C25.34, C25.37

2.3 Late Payment Policy – Implementation including calculation of the costs related to late payers.

[Complete Settlement]

In response to a direction of the Board, Union proposed in RP-2001-0029 to reduce its late payment charge from 5% to 2% which translated to a non-routine rate adjustment of \$4.788 million on an annualized basis. Union's proposal was accepted in the RP-2001-0029 ADR settlement agreement and approved by the Board through acceptance of the ADR settlement agreement. The change to the late payment charge was made effective May 1, 2002 through an interim Decision and Order of the Board dated March 28, 2002.

The RP-2001-0029 Rate Order for 2002 rates included the recovery of a non-routine adjustment of \$2.510 million, reflecting the May 1 implementation. In 2003, the reduction to the late payment charge will be in effect for the entire year necessitating a further non-routine rate adjustment of \$2.278 million, which is the balance of the annualized non-routine adjustment of \$4.788 million.

The Board's interim Decision and Order also directed Union to make a further proposal concerning changes to its late payment policy, specifically, to design a policy that reflects the time value of money and in which the marginal revenues cover the marginal costs attributed to late paying customers. Union undertook a study in response to the Board's directive. Based on the forecast accounts receivable balance assumed in its analysis, Union proposed to replace the current one-time 2% late payment charge for rate classes R01, R10 and M2 with a 1.9% charge to be compounded monthly. This change in the late payment charge will increase the late payment revenues so that they cover costs of late payment attributed to late paying customers.

By changing from a 2% one-time charge to a 1.9% monthly compounded charge, Union will be recovering \$3.55 million more from late paying customers. To keep Union revenue neutral, the rates for R01, R10 and M2 rate classes will be reduced. The costs to implement the change will be approximately \$0.080 million. Therefore, Union proposes to reduce rates by \$3.55 million less the one time implementation cost of \$0.080 million. Combined with the non-routine adjustment that was required to increase rates by \$2.278 million to recover the full year impact in 2003 of the reduction in the late payment charge from 5% to 2% that was made in 2002, the net change to 2003 rates as a result of the non-routine rate adjustment proposed at Exhibit B, Tab 2 and of the non-routine adjustment required as a result of the proposed change

to the late payment charge made at Exhibit B, Tab 7 is a rate reduction of \$1.192 million.

Union's proposal to change from a 2% one-time charge to a 1.9% monthly compounded charge assumed an effective date of January 1, 2003, provided that a decision on this proposal was issued by September 30, 2002. Because this is no longer possible, the effective date and the rate impacts discussed in the evidence will have to be adjusted to reflect a partial year impact for 2003. Such adjustments will be circulated as part of the usual rate order finalization process.

In consideration for the Parties agreement to Union's proposals with respect to the late payment policy, Union agrees to complete an analysis of the costs associated with late payments to be filed in the 2004 rate case.

The following parties agree with the settlement of this issue: CAC; CCK; Energy Probe; IGUA; LPMA; Schools; VECC; WGSPG

The following parties take no position on this issue: CIELAP; CME; CEED; Direct Energy; EGD; GEC; HVAC; OAPPA; Pollution Probe; TCPL

Evidence References:

1. Exhibit B, Tab 2, June 25, 2002, Pages 25 to 30 – Non-Routine Adjustment –Late Payment Policy
2. Exhibit B, Tab 7, Addendum, July 26, 2002, Pages 13 to 23 – Deferral Accounts – Non Gas Supply
3. C1.13, C1.14, C6.20, C16.12, C16.13, C26.4

3. PASS-THROUGH ITEMS

3.1 Explanation of the change in Union's evidence on the calculation of UFG volumes for 2001 from 126,627 10³ m³ as filed on June 2002 to 184,102 10³ m³ filed on July 2002.

[Complete Settlement]

Prior to 2003, Union's process for recording unaccounted for gas ("UFG") was based on three interdependent calculations. These three calculations were applied both to a financial accounting system for gas and a volume accounting system for gas.

- a) On a monthly basis, Union calculated the UFG by subtracting the volume of gas sent out from storage less the gas received from storage (either consumed or transported ex-franchise). Because Union conducts business in both volume (10³ m³) and energy (GJ's), Union applied a systemwide estimated heat value conversion factor to convert the energy transactions into volume transactions. In 2001, this

monthly calculation produced a UFG of 126,627 10³ m³ attributable to volume measurement.

- b) On an annual basis, Union recalculated the monthly UFG based on the actual heat value conversion factors. This effectively “trued-up” the UFG calculated above to compensate for the difference between the actual and the systemwide estimated heat value conversion factors. In 2001, this energy “true-up” resulted in a further UFG adjustment of 38,722 10³ m³.
- c) Also on an annual basis, Union physically measured the volume of gas in the storage pools and the amount of gas required to “pack” distribution and transmission lines. After the physical measurement was taken, it was determined that an additional adjustment of 18,753 10³ m³ was required to Union’s annual UFG for 2001.

These adjustments, applied properly, resulted in a total 2001 UFG of 184,102 10³ m³ (126,627 + 38,722 + 18,753).

Exhibit B, Tab 3, Schedule 2 was prepared in June 2002 in reliance upon the volume accounting system for gas. However, because of an oversight, the original amount filed for UFG in Tab 3, Schedule 2 reflected only the volume based on the estimated systemwide heat value and did not reflect either the true-up for actual heating value or the true-up for gas in storage and line pack.

Because Union’s financial accounting system for gas had correctly applied all three measures of UFG, a discrepancy between the financial system UFG account and the volume system UFG account was noted shortly after filing Tab 3, Schedule 2. This led to an investigation of the UFG measurement which disclosed that the originally filed 126,267 10³ m³ did not reflect either the actual heating value true-up or the storage/line pack true-up. Once the correct UFG amount of 184,102 10³ m³ was confirmed, the corrected Tab 3, Schedule 2 was filed in July 2002.

As noted in Exhibit C1.15, Union has made accounting and other improvements to reduce the likelihood of any repetition of this kind of oversight.

Based on this explanation and Exhibit C1.15, the parties agree that the originally filed 2001 UFG volume of 126,627 10³ m³ was in error and that the correct 2001 UFG volume for 2001 is 184,102 10³ m³. Accordingly, parties agree with Union’s evidence and proposals for the pass through of UFG in this case.

The following parties agree with the settlement of this issue: CME; CAC; CCK; EGD; Energy Probe; IGUA; LPMA; Schools; VECC; WGSPG

The following parties take no position on this issue: CIELAP; CEED; Direct Energy; GEC; HVAC; OAPPA; Pollution Probe; TCPL

Evidence References:

1. Exhibit B, Tab 3
2. C1.15, C3.11, C3.12, C15.3, C16.4

3.2 The impact of an October 1, 2002 WACOG adjustment on WACOG, UFG, and intra-period WACOG calculations.

[Complete Settlement]

Union had not proposed an October 1, 2002 WACOG adjustment. Certain intervenors requested to see the impact of an October 1, 2002 WACOG adjustment and this was provided during the interrogatory process by Union at Exhibit C1.16. An October 1, 2002 WACOG adjustment would have a neutral impact on the overall amount to be recovered from rate payers. As a result, this is no longer an issue.

The following parties agree with the settlement of this issue: CAC; Energy Probe; IGUA; LPMA; Schools; VECC; WGSPG

The following parties take no position on this issue: CIELAP; CME; CCK; CEED; Direct Energy; EGD; GEC; HVAC; OAPPA; Pollution Probe; TCPL

Evidence References:

1. Exhibit B, Tab 3
2. C1.16, C15.4, C15.5, C16.22

3.3 Appropriate volumes used to calculate WACOG: 1999 or the most currently available volumes.

[Complete Settlement]

Union uses E.B.R.O. 499 approved volumes in calculating the WACOG. The rationale for this was provided in the RP-1999-0017 proceeding. Under PBR, rate adjustments should be as formulaic as possible to remove any controversy and to allow rates to be set without the need for an exhaustive examination and hearing. Union has continued to use the 1999 approved volumes for the purpose of calculating the 2003 pass through adjustments to remain consistent with the Board's decision in RP-2001-0029.

The following parties agree with the settlement of this issue: CAC; Energy Probe; IGUA; LPMA; Schools; VECC; WGSPG

The following parties take no position on this issue: CIELAP; CME; CCK; CEED; Direct Energy; EGD; GEC; HVAC; OAPPA; Pollution Probe; TCPL

Evidence References:

1. Exhibit B, Tab 3
2. C1.17

4. 2003 VERTICAL SLICE

[Partial Settlement]

All parties except CEED accept Union's Vertical Slice proposals for 2003 on the condition that Union provides in the 2004 rate case: a) a full and complete description of the basis on which costs in the Other Purchased Gas Cost deferral account are classified as delivery - related; and b) its response to the Board's directive regarding load balancing and flexibility costs, including an identification of the components, if any, of Union's portfolio that are used for the purposes of balancing and flexibility.

The following parties agree with the partial settlement of this issue: CAC; Direct Energy; Energy Probe; IGUA; LPMA; Schools; VECC; WGSPG

The following parties take no position on this issue: CIELAP; CME; CCK; EGD; GEC; HVAC; OAPPA; Pollution Probe; TCPL

4.1 Assignability of TCPL capacity from November 2002 vertical slice.

[Partial Agreement]

See Issue 4 above.

Evidence References:

1. Exhibit B, Tab 4, Updated, September 6, 2002 - Deferral Accounts - Non-Gas Supply
2. C1.18, C5.1, C5.2, C5.5, C5.6, C5.12 - 14, C6.9, C15.7, C25.18, C25.19

4.2 Lack of delivered supply (spot gas) in the 2003 vertical slice.

[Partial Settlement]

See Issue 4 above.

Evidence References:

1. Exhibit B, Tab 4, Updated, September 6, 2002, Pages 9 to 13 and S5 and S6 – Deferral Accounts – Gas Supply
2. C1.19, C5.3, C5.4, C16.16, C16.48, C16.75, C25.17, C25.40

5. DEFERRAL ACCOUNTS

Attached as Appendix B is a schedule showing Union's updated actual unaudited deferral account balances for 2002. Union will be filing an evidence update to explain significant variances in deferral accounts, including an explanation of the inventory revaluation amount included in the balance of the Other Purchased Gas Costs deferral account.

5.1 Non-gas supply – the relationship between S&T deferral accounts and UDC, accounting for UDC-driven decisions to engage in S&T transactions, the mechanics of these transactions, appropriateness of incurred costs, allocation, storage and upstream asset allocations, and risk to ratepayers.

[Complete Settlement]

For the purposes of this case only, the parties agree that Union should recover \$3.1 million of UDC for 2002. On this basis, Union agrees to reduce its request for recovery of 2002 UDC from \$6.2 million to \$3.1 million.

To achieve a settlement, the parties agreed to the allocation outlined in the schedule attached as Appendix C. The parties agree that the \$3.1 million to be recovered in respect of UDC shall be allocated between Union's Northern & Eastern Operations area and Union's Southern Operations area consistent with the allocation of UDC between the Northern and Eastern Operations area and the Southern Operations area as per Exhibit B, Tab 8, Schedule 3, line 5. UDC related to the Southern Operations area has been allocated to customer classes, excluding T-service and ex-franchise classes (both of which are responsible for managing their own upstream transportation capacity), on the basis of design day demand. In the Northern & Eastern Operations area, UDC has been allocated to rate classes using excess peak and average excluding T-service.

This agreement is without prejudice to the position of any party in any future proceeding in which the entitlement to recover UDC incurred in prior years or on a forecast basis and/or the manner of its recovery from ratepayers are raised as issues.

The following parties agree with the settlement of this issue: CME; CAC; CCK; Energy Probe; IGUA; LPMA; Schools; VECC; WGSPG

The following parties take no position on this issue: CIELAP; CEED; Direct Energy; EGD; GEC; HVAC; OAPPA; Pollution Probe; TCPL

Evidence References:

1. Exhibit B, Tab 4, June 25, 2002, Pages 1 - 3
2. Exhibit B, Tab 4, Updated, Oct. 10, 2002
3. C3.13-15, C10.1, C15.6, C16.42, C25.9, C25.35

5.2 Pipeline integrity

[Complete Settlement]

See Issue 2.2 above.

The following parties agree with the settlement of this issue: CME; CAC; CCK; Energy Probe; IGUA; LPMA; Schools; VECC; WGSPG

The following parties take no position on this issue: CIELAP; CEED; Direct Energy; EGD; GEC; HVAC; OAPPA; Pollution Probe; TCPL

5.3 Intra-period WACOG

[Complete Settlement]

The intra-period WACOG deferral account was established in RP-1999-0017 to record the impact of changes in WACOG on amounts recovered in Union's delivery rates. The costs for 2002 delivery rates are based on the WACOG approved in EB-2001-0533 (\$191.295/10³ m³). The actual intra-period WACOG deferral account balance for 2002 is \$6.480 million.

The following parties agree with the settlement of this issue: CAC; CCK; Energy Probe; IGUA; LPMA; Schools; VECC; WGSPG

The following parties take no position on this issue: CIELAP; CME; CEED; Direct Energy; EGD; GEC; HVAC; OAPPA; Pollution Probe; TCPL

Evidence References:

1. Exhibit B, Tab 4, Page 3 of 20
2. Exhibit B, Tab 4, Schedule 1, Page 2 of 2, Updated, October 10, 2002
3. C6.11

5.4 LRAM – Adjustments required by the Board's RP-2001-0029 decision, impact of the audit and the audit process.

[Complete Settlement]

The parties agree that Union's evidence on the LRAM deferral account balance for 2001 accurately reflects the Decision of the Board in RP-2001-0029 and agreed upon adjustments from the 2001 DSM audit process. Accordingly, the parties agree that the credited "true-up" of 2001 LRAM balances should be disposed of as proposed by Union. An explanation ("road map") of the derivation of the LRAM deferral account balance for 2001 is attached as Appendix D to this Agreement. The parties also agree that, subject to post-audit true-up in the next proceeding, the 2002 LRAM amounts proposed for disposition and recovery in 2003 rates are appropriate.

In response to a number of concerns raised by CME and Energy Probe, Union has agreed to attempt to resolve these concerns at an early date with CME and Energy Probe through the DSM Consultative Committee. The concerns of CME and Energy Probe include among other matters the manner in which the audit committee is selected, the reporting relationship of the external auditor and a review of the DSM Consultative participant funding guidelines. If these concerns are not resolved, then they will become issues for Union's 2004 rate application.

The following parties agree with the settlement of this issue: CIELAP; CME; CAC; Energy Probe; GEC; HVAC; IGUA; LPMA; Pollution Probe; Schools; VECC; WGSPG

The following parties take no position on this issue: CCK; CEED; Direct Energy; EGD; OAPPA; TCPL

Evidence References:

1. Exhibit B, Tab 4, June 25, 2002, Pages 4 to 9 – Deferral Accounts – LRAM
2. Exhibit B, Tab 4, Updated, October 10, 2002, Pages 2 to 4 – Deferral Accounts – LRAM
3. C1.31, C1.32, C3.16-22, C6.12, C15.8, C16.25, C25.7

5.5 Gas Supply – Appropriateness of Union's UDC claim; transportation portfolio and relationship to Vertical Slice.

[Complete Settlement]

See Issues 4 and 5.1.

The following parties agree with the settlement of this issue: CME; CAC; CCK; Energy Probe; IGUA; LPMA; Schools; VECC; WGSPG

The following parties take no position on this issue: CIELAP; CEED; Direct Energy; EGD; GEC; HVAC; OAPPA; Pollution Probe; TCPL

Evidence References:

1. Exhibit B, Tab 4, Updated, September 6, 2002 – Deferral Accounts – Gas Supply
2. Exhibit B, Tab 4, Updated, October 10, 2002 – Deferral Accounts
3. C1.18, C1.19, C1.25-29, C1.50, C1.51, C3.13 to C3.15, C5.1 to C5.4, C5.6, C6.6 to C6.8, C15.6, C15.7, C16.37-49, C16.75, C17.1, C25.8-19, C25.22, C25.32, C25.33, C25.35, C25.37-44, C25.49

5.6 Retroactivity – Appropriate frequency of gas cost deferral accounts disposition, maximum lag between end of period of cost accumulation and disposition.

[Complete Settlement]

The parties agree that, in principle, deferral account balances should be cleared on an annual basis or more frequently, in order to minimize the extent of retroactivity. Union agrees to undertake a review of potential mechanisms to avoid significant retroactive rate adjustments resulting from large deferral account balances and to bring forward a proposal in any proceeding the Board initiates to deal with retroactivity concerns and, in the absence thereof, in Union's 2004 rate case.

The following parties agree with the settlement of this issue: CME; CAC; CCK; Direct Energy; EGD; Energy Probe; IGUA; LPMA; OAPPA; Schools; VECC; WGSPG

The following parties take no position on this issue: CIELAP; CEED; GEC; HVAC; Pollution Probe; TCPL

Evidence References:

1. Exhibit B, Tab 4, Updated, September 6, 2002 – Deferral Accounts
2. Exhibit B, Tab 4, Updated, October 10, 2002 – Deferral Accounts
3. C1.22, C1.23, C1.34-38, C6.10, C6.13, C6.15, C16.23, C16.27, C25.9, C25.23

5.7 Other Purchased Gas Costs Deferral Account – Composition and allocation.

[Complete Settlement]

The Other Purchased Gas Costs deferral account is used to capture variances in the unit cost of supply arriving at Dawn relative to the TCPL landed cost of gas benchmark. This includes supply and transportation that arrives at Dawn on Panhandle, Trunkline, Alliance and Vector, and delivered service. Subject to the commitment below, parties accept the composition and allocation of this account for the purposes of this proceeding.

Union commits to work with Board Staff to examine whether further segregation of the amounts in this deferral account would be beneficial.

The following parties agree with the settlement of this issue: CAC; Energy Probe; IGUA; LPMA; Schools; VECC; WGSPG

The following parties take no position on this issue: CIELAP; CME; CCK; CEED; Direct Energy; EGD; GEC; HVAC; OAPPA; Pollution Probe; TCPL

Evidence References:

1. Exhibit B, Tab 4, June 25, 2002, Pages 11 to 12 – Deferral Accounts – Gas Supply
2. C1.21, C1.24, C1.33, C1.39, C1.72, C6.5, C16.39, C16.43, C25.9-14

5.8 Risk Management costs and benefits.

[Complete Settlement]

The difference between Union's 2002 commodity risk managed cost and the indexed reference price is \$19.9 million (see Exhibit C1.40) which is within the commodity risk management plan's parameters of one standard deviation of the market index. The parties accept that Union has followed its commodity risk management plan as previously approved by the Board and, accordingly, agree that Union should recover this amount. As agreed in the RP-2001-0029 Settlement Agreement, Union has engaged an independent consultant to conduct an assessment of its commodity risk management plan and will file that assessment as part of the overall consideration of Union's commodity risk management plan in the 2004 rate case.

The following parties agree with the settlement of this issue: CAC; Energy Probe; IGUA; LPMA; Schools; VECC; WGSPG

The following parties take no position on this issue: CIELAP; CME; CCK; CEED; Direct Energy; EGD; GEC; HVAC; OAPPA; Pollution Probe; TCPL

Evidence References:

1. C1.40, C6.14

6. 2001 FINANCIAL RESULTS – EARNINGS SHARING

6.1 Calculation of actual utility earnings – reconciliation of income attributable to common shares in regulatory filing with annual report.

[Complete Settlement]

In response to the Board's decision in RP-2001-0029, Union revised its financial information. Union's new financial information reconciles the differences between the 2001 Annual Report and 2001 earnings subject to sharing. Parties accept Union's

reporting of financials and reconciliation of Union's 2001 Annual Report to earnings subject to sharing.

The following parties agree with the settlement of this issue: CAC; CCK; Energy Probe; IGUA; LPMA; Schools; VECC; WGSPG

The following parties take no position on this issue: CIELAP; CME; CEED; Direct Energy; EGD; GEC; HVAC; OAPPA; Pollution Probe; TCPL

Evidence References:

1. Exhibit B, Tab 5
2. C1.41, C1.42, C15.9, C16.19, C16.21

6.2 Appropriate treatment of asset dispositions.

[Complete Settlement]

Union has included in utility earnings for purposes of the earnings sharing calculation the after tax financial impact of all asset dispositions, including sales of base pressure gas in 2001 and 2002 for a total gain of approximately \$9.6 million, before taxes. Parties accept this treatment of asset dispositions for 2001 and 2002. This agreement is without prejudice to parties' positions on the regulatory treatment to be applied to any future asset dispositions that may occur in 2003 or thereafter.

The following parties agree with the settlement of this issue: CME; CAC; CCK; Energy Probe; IGUA; LPMA; Schools; VECC; WGSPG

The following parties take no position on this issue: CIELAP; CEED; Direct Energy; EGD; GEC; HVAC; OAPPA; Pollution Probe; TCPL

Evidence References:

1. Exhibit B, Tab 5
2. C1.43, C1.73

6.3 Application of the Earnings Sharing Mechanism.

[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 (ROE). The benchmark ROE 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 ROE. In the RP-2001-0029 Settlement Agreement (Issue 2.1), the benchmark ROE of 9.66% was approved.

Union's calculation of 2001 earnings to which the earnings sharing mechanism applies is a net income of \$109.2 million and a Return on Equity (ROE) of 10.47%. Sharing with ratepayers begins at an ROE of 10.66%. Therefore, earnings sharing is not required with respect to 2001 earnings.

Parties agreed with Union's reporting of financials and reconciliation of Union's 2001 Annual Report to earnings subject to sharing.

The following parties agree with the settlement of this issue: CME; CAC; CCK; Energy Probe; IGUA; LPMA; Schools; VECC; WGSPG

The following parties take no position on this issue: CIELAP; CEED; Direct Energy; EGD; GEC; HVAC; OAPPA; Pollution Probe; TCPL

Evidence References:

1. Exhibit B, Tab 5
2. C6.17, C26.5

7. SERVICE QUALITY INDICATORS

7.1 Telephone SQI – below target results.

[Complete Settlement]

In its RP-1999-0017 Decision dated July 21, 2001, the Board approved the service quality indicator ("SQI") proposed by Union for telephone response. This SQI measures the time between when a customer's call is first received at Union's Call Centre and when the customer talks with a customer representative. Union's SQI target for telephone responses is to have 65% of calls answered within 20 seconds.

Union's 2001 actual performance was 45%. Union's explanation was this level of performance was caused by:

- July 2000 implementation of a new customer information system and extensive learning curve required for staff
- Unprecedented price increases in the natural gas industry in both 2000 and 2001 resulted in an increase in the number of calls received and an increase in the average length of each customer call

In August of 2001, Union refined its processes to improve its service levels. Union has consolidated its three call centres into two with a virtual network for all incoming calls.

Union has also refined its call handling processes. Union purchased (at the expense of the shareholder for the term of the trial PBR plan) and now uses an integrated voice response system to manage incoming calls. As a result of these measures, Union's telephone response time has been increased above the threshold of 65%. Union's 2002 telephone response time was 67.5%, as shown in Appendix E attached (update of Exhibit C1.44).

Intervenors agree not to ask the Board to impose penalties for below target results in 2001 and 2002 but reserve their rights with respect to any subsequent evaluation of Union's SQI's for 2003 and beyond.

The following parties agree with the settlement of this issue: CME; CAC; Energy Probe; IGUA; LPMA; Schools; VECC; WGSPG

The following parties take no position on this issue: CIELAP; CCK; CEED; Direct Energy; EGD; GEC; HVAC; OAPPA; Pollution Probe; TCPL

Evidence References:

1. Exhibit B, Tab 6, Page 4 – 9 – Service Quality Indicators – Telephone Response
2. C1.44, C1.45, C1.46, C1.48, C1.49, C6.18, C16.28, C25.24

8. ALLOCATION OF RATE ADJUSTMENTS AND DEFERRAL ACCOUNTS

8.1 Appropriateness of Union's proposed methodology for allocation of UDC.

[Complete Settlement]

See Issue 5.1.

The following parties agree with the settlement of this issue: CME; CAC; CCK; Energy Probe; IGUA; LPMA; Schools; TCPL; VECC; WGSPG

The following parties take no position on this issue: CIELAP; CEED; Direct Energy; EGD; GEC; HVAC; OAPPA; Pollution Probe

Evidence References:

1. Exhibit B, Tab 8, Updated, October 22, 2002, Page 6 – Allocation of Deferral Account Balances
2. Exhibit B, Tab 4, Updated, September 6, 2002, Para. 4 – UDC Cost Recovery
3. C16.36, C25.29-31

8.2 Allocation of Pipeline Integrity deferral account balance.

[Complete Settlement]

See Issue 2.2 above.

The following parties agree with the settlement of this issue: CME; CAC; CCK; Energy Probe; IGUA; LPMA; Schools; VECC; WGSPG

The following parties take no position on this issue: CIELAP; CEED; Direct Energy; EGD; GEC; HVAC; OAPPA; Pollution Probe; TCPL

Evidence References:

1. Exhibit B, Tab 8, Page 3 – Allocation of Rate Adjustments – Pipeline Integrity Adjustment
2. C1.52, C1.53, C1.74, C1.75, C1.76, C25.28, C25.37

9. RATE IMPLEMENTATION

9.1 Rate Implementation

[No Settlement]

Parties wish to know the likely timing of issuance of a Board decision on the approved rates and the impacts on ratepayers before accepting the particular rate implementation plan Union has proposed.

Evidence References:

1. Exhibit B, Tab 11, November, 2002, Page 6 – Rate Implementation
2. C1.54, C6.19, C16.29

10. BOARD DIRECTIVES

10.1 Appropriateness of the allocation methodology for the 3.3 Bcf of system integrity storage required to manage weather-related variances.

[Complete Settlement]

Given that Union will be filing full cost allocation evidence in the 2004 rate case, parties are prepared to accept Union's allocation methodology for the 3.3 Bcf of system integrity storage space for 2003. However, this agreement is without prejudice to the right of any party to address and seek changes to the cost allocation methodology associated with the 3.3 Bcf of system integrity storage space when Union brings forward its full cost study in the 2004 rate case.

The following parties agree with the settlement of this issue: CAC; CCK; Energy Probe; IGUA; LPMA; Schools; VECC; WGSPG

The following parties take no position on this issue: CIELAP; CME; CEED; Direct Energy; EGD; GEC; HVAC; OAPPA; Pollution Probe; TCPL

Evidence References:

1. Exhibit B, Tab 7, Pages 4-5
2. C1.55-56, C1.77-79, C16.32, C25.25

10.2 Financial Reporting – lines of business.

[Partial Settlement]

All parties agree that it would be helpful for the Board to provide further clarification of the lines of business directives contained in the Board's RP-1999-0017 and RP-2001-0029 Decisions. The parties agree to deal with the matter in argument only.

The following parties agree with the partial settlement of this issue: CME; CAC; CCK; CEED; Direct Energy; Energy Probe; IGUA; LPMA; Schools; VECC; WGSPG

The following parties take no position on this issue: CIELAP; EGD; GEC; HVAC; OAPPA; Pollution Probe; TCPL

Evidence References:

1. Exhibit B, Tab 7, Pages 8 – 10
2. C1.57, C1.58, C1.80, C1.81, C1.82, C5.7, C5.8, C5.9, C5.10, C5.11, C5.15, C5.16, C5.17, C10.2, C16.30, C25.26

10.3 Union's R20 and R100 proposals.

[Complete Settlement]

In response to the Board's direction in RP-1999-0017, Union has examined customer load factors, volumes, contract demand levels and load profiles for Rate 20 and Rate 100. This examination found that the rate class groupings are appropriate and that pricing of the Rate 20 service requires further refinement at the crossover points with both Rate 100 and Rate 10. Union proposed to smooth the rate continuum within Rate 20 and between Rate 20 and Rate 100, with the introduction of two contract demand and two delivery commodity blocks in Rate 20. For example, the new rate structure would reward Rate 20 customers who improve their load factor with a lower average unit rate. If a customer is on the margin between Rate 20 and Rate 100 qualification (in terms of load and load factor), then the average rates are similar between the two classes.

Union proposed that this redesign of Rate 20 be implemented effective on the date 2003 rates are implemented. There is no impact on Rate 100 from this proposal.

The following parties agree with the settlement of this issue: IGUA; Schools; TCPL

The following parties take no position on this issue: CIELAP; CME; CAC; CCK; CEED; Direct Energy; EGD; Energy Probe; GEC; HVAC; LPMA; OAPPA; Pollution Probe; VECC; WGSPG

Evidence References:

1. Exhibit B, Tab 10, Pages 6 - 13
2. Exhibit B, Tab 7, Page 11
3. C1.59, C25.27

10.4 Financial Reporting – paras. 6.4 and 6.5 of the RP-2001-0029 Decision with Reasons

[Complete Settlement]

See Issues 6.1 and 10.2.

The following parties agree with the settlement of this issue: CAC; Energy Probe; IGUA; LPMA; Schools; VECC; WGSPG

The following parties take no position on this issue: CIELAP; CME; CCK; CEED; Direct Energy; EGD; GEC; HVAC; OAPPA; Pollution Probe; TCPL

Evidence References:

1. RP-2001-0029 Decision with Reasons, para 6.4-6.5
2. C1.60

10.5 DCC – compliance or partial compliance with Board Directive in RP-2001-0029

[No Settlement]

Evidence References:

1. Exhibit B, Tab 9
2. C1.85, C4.1-4, C4.45-58, C15.16-17, C16.24, C16.35, C16.53-62, C16.64-69, C16.70, C16.72, C17.2, C25.20, C25.21, C25.45-C25.49
3. Exhibit D2 – Prefiled Evidence of John Todd and Joyce Poon
4. E2.1.1 – E2.1.3, E2.2.1

11. OTHER ISSUES

11.1 Kitchener's proposal for delivery point flexibility alternatives.

[No Settlement]

Evidence References:

1. Exhibit D1 – Prefiled Evidence of Dwayne Quinn
2. Exhibit B, Tab 12 – Union's Reply Evidence
3. C4.5, C4.6, C4.7, C4.8, C4.9, C4.10, C4.11, C4.12, C4.13, C4.14, C4.15, C4.16, C4.36, C4.37, C4.38, C4.39, C4.40, C16.63, C16.72, C26.8, C26.9
4. E1.1.1, E1.1.2, E1.1.3, E1.25.1, E1.25.2, E1.25.3, E1.25.4, E1.27.1, E1.27.2, E1.27.3, E1.27.4, E1.27.5, E1.27.6

11.2 Publication of Union's policies affecting the provision of its services and administration of its programs.

[Complete Settlement]

1. Union has committed to ensuring that written policies which affect regulated services (such as access, pricing and charges and terms and conditions) (collectively "policy" or "policies") are available to customers. It is Union's intent that such policies will principally be made available and updated when necessary on its website.
2. While it is recognized that not every eventuality is or necessarily should be the subject of a written policy, Union undertakes to pursue its commitment as soon as practicable:
 - a. establishing and leading a working group consisting of Union representation, Board Staff and intervenor representatives. The purpose of the working group is to discuss and develop recommendations on existing policies, to propose policy areas that may require written form, and to develop recommendations on practices which are not currently in the form of written policies available to customers;
 - b. conducting a review of its current policies, written or otherwise, that relate to access, pricing and charges and terms and conditions for the use of the working group;
 - c. commencing the process of committing unwritten policies relating to access, etc. to writing; and
 - d. delivering to the working group all of its existing policies relating to access, pricing and charges and terms and conditions, including those that were formerly unwritten as they become available. These are to include its policies on:

- i. the withholding of regulated services from a customer which is disputing an account; and
 - ii. the DCC clawback charge, unless the Board eliminates the DCC credit in RP-2002-0130.
3. Union undertakes to report on the progress of the working group's deliberations in the 2004 rate case in sufficient time for interrogatory requests.
4. It is understood that Union's commitment to publish its policies does not extend to the operational aspects of priority of service for interruptible services.
5. All parties accepting this agreement will defer further consideration of this issue to the 2004 rate case when parties will be free to raise any issue regarding the availability or effect of any Union policy with the Board.

The following parties agree with the settlement of this issue: CME; CAC; CCK; Direct Energy; Energy Probe; IGUA; LPMA; OAPPA; Schools; VECC; WGSPG

The following parties take no position on this issue: CIELAP; CEED; EGD; GEC; HVAC; Pollution Probe; TCPL

Evidence References:

1. C1.61, C4.17-31, C4.41-44

11.3 Basis for SSS/SPS storage allocation including derivation of the rate.

[No Settlement]

Evidence References:

1. C1.62, C4.32-35

11.4 Revenue-to-cost ratios.

[No Settlement]

See Issue 10.5.

Evidence References:

1. Exhibit B, Tab 9, Page 11
2. Exhibit B, Tab 9. Schedule 3
3. C1.63, C4.48, C15.15-17

11.5 Affiliate transactions involving Duke and Union's S&T group – impact on the conduct of S&T marketing.

[No Settlement]

Union will be filing an evidence update on this issue.

Evidence References:

1. C1.64, C1.65, C1.66, C1.67, C1.68, C1.84, C15.10, C15.11, C16.31, C25.36

Appendix A

Legend:
v1997756

Table 380-0003: Gross Domestic Product indexes; Canada; Implicit price i

Quarterly	v1997756
I 1999	99.9
II 1999	101.0
III 1999	101.9
IV 1999	102.2
I 2000	103.8
II 2000	105.2
III 2000	105.8
IV 2000	106.0
I 2001	107.3
II 2001	107.3 —
III 2001	105.9
IV 2001	104.7
I 2002	105.6
II 2002	107.5 —
III 2002	108.0

Source: Statistics Canada

UNION GAS LIMITED
Deferral Account Balances
Year Ending December 31 - Unaudited Actuals
(\$000's)

Line No.	Account Number	Account Name	Calendar 2001 (1) (a)	Calendar 2002 (b)
Gas Supply Accounts:				
Merged Accounts:				
1	179-80	Firm Supply PGVA	16,321	6,885
	179-68	Other purchased gas costs		
		Amount related to purchases		
2		Balancing	51,218	-
3		Flexibility - South	26,981	(1,941)
4		- North / East	2,610	(123)
5		Unabsorbed demand charges	-	6,277
6		Amount recovered in revenue	(7,291)	(8,367)
7		Inventory revaluations (2)	137,348	(29,721)
8		Impact of rate rider (3)	(117,160)	1,129
9		(Lines 2 through 8)	<u>93,705</u>	<u>(32,745)</u>
Southern Operations Area:				
10	179-67	TCPL Tolls and Fuel	(5,053)	(2,112)
Northern Operations Area:				
11	179-89	Heating Value	-	(2,073)
	179-100	TCPL Tolls and Fuel		
12		Tolls, LBA, Capacity Assignments	13,644	5,073
13		Fuel	(9,103)	(3,147)
14		(Lines 11 + 12 + 13)	<u>4,541</u>	<u>(147)</u>
15		Total Gas Cost Accounts (Lines 1 + 9 + 10 + 14)	109,514	(28,120)

Notes:

(1) RP-2001-0029 Exhibit B, Tab 13, Schedule 1, Updated. Includes interest up to December 31, 2001.

(2) The 2002 revaluation includes the following (including interest):

July 1 revaluation	(17,396)
December balancing gas transfer	(8,403)
Impact of annual UFG adjustments	(3,922)
Total revaluation	<u>(29,721)</u>

(3) Rate rider as approved in EB-2001-0533 and EB-2001-0788, reflecting collection of all amounts from November 1, 2001 through March 31, 2002. The 2002 deferral activity represents the true-up adjustment to the actual amount collected.

UNION GAS LIMITED
Deferral Account Balances
Year Ending December 31 - Unaudited Actuals
(\$000's)

Line No.	Account Number	Account Name	Calendar 2001 (1)	Calendar 2002
			(a)	(b)
<u>Storage and Transportation Accounts:</u>				
16	179-69	Transportation and Exchange Services	(823)	(3,714)
17	179-70	Balancing Services	312	2,118
18	179-71	Short-term Storage Services	(422)	(11,307)
19	179-72	Long-term Peak Storage	(1,252)	(3,874)
20	179-73	Other S&T Services	423	(199)
21	179-74	Other Direct Purchase Services	(817)	(672)
<u>Other:</u>				
22	179-26	Deferred Customer Rebates/Charges	-	-
23	179-60	Direct Purchase Revenue and Payments	6,093	4,216
24	179-75	Lost Revenue Adjustment Mechanism (2)	6,348	582
	179-101	Incremental Unbundling Costs		
25		RP-1999-0017 Related	-	-
26		RP-2000-0078 Related	5,475	3,202
27	179-102	Intra-period WACOG (3)	-	6,480
28	179-103	Unbundled Services Unauthorized Storage Overrun	-	-
29	179-Y1	Pipeline Integrity	-	2,189
30		Total Non-Gas Accounts (Lines 16 through 30)	<u>15,337</u>	<u>(981)</u>
31		Total Accounts (Line 15 + 31)	<u><u>124,851</u></u>	<u><u>(29,101)</u></u>

Notes:

(1) RP-2001-0029 Exhibit B, Tab 13, Schedule 1, Updated. Includes interest up to December 31, 2001.

(2) The 2002 LRAM balance includes (including interest)

2002 LRAM Activity	699
2001 True-up	(117)
Total	<u><u>582</u></u>

(3) The 2002 activity is net of a \$1.452 million credit related to the correction of the 2002 UFG volume forecast (see Exhibit B, Tab 3, Page 1, para. 3).

UNION GAS LIMITED
Allocation of 2002 UDC Deferral Account Balance to Rate Classes

Line No.	Particulars	Allocation Units (a)	Amount (\$000's) (b)
	<u>Allocation of Operating Areas</u>		
	(1)		
1	Northern and Eastern Operations	6.7	778
2	Southern Operations	20.0	2,322
3	Total Union	<u>26.7</u>	<u>3,100</u>
	<u>Allocation of Rate Classes - Northern Ops</u>		
	(2)		
4	Rate 01	5,335	538
5	Rate 10	1,805	182
6	Rate 20	578	58
7	Total Northern and Eastern Operations	<u>7,718</u>	<u>778</u>
	<u>Allocation to Rate Classes - Southern Ops</u>		
	(3)		
8	M2	38,964	1,650
9	M4	3,583	152
10	M5A	3,356	142
11	M6A	-	-
12	M7	8,732	370
13	M9	203	8
14	M10	11	-
15	Total Southern Operations	<u>54,849</u>	<u>2,322</u>
	<u>Summary of Allocations</u>		
16	Allocation to General Service (Rates 01,10, M2)		2,370
17	Allocation to Contract Rates		730
18	Total UDC per ADR		<u>3,100</u>

Notes:

- (1) Allocation per Exhibit B, Tab 8, Schedule 3, Updated, Line 5.
- (2) Allocation to Northern and Eastern rate classes based on 1999 Excess Peak and Average excluding T-service.
- (3) Allocation to Southern rate classes based on 1999 Design Day Demand excluding T-service and exfranchise Storage and Transportation customers.

1999, 2000, and 2001 LRAM Deferral Account Balance and Volume Adjustments

Schedules from the RP-2001-0029, 2002 Rate Order Working Papers detail and demonstrate Union's compliance with the Board's RP-2001-0029 Decision with Reasons as it relates to the approved LRAM deferral account balances and LRAM volume adjustments. Referenced schedules include:

- Schedule 3, page 1 - provides the volume savings and revenue impacts for 1999 by rate class.
- Schedule 3, page 2 - provides the volume savings and revenue impacts for 2000 by rate class.
- Schedule 3, page 3 - provides the volume savings and revenue impacts for 2001 by rate class.
- Schedule 3, page 4 - provides the LRAM deferral account balances approved for disposition for 1999, 2000, and 2001 less the Board's adjustment for DSM savings already recovered in 1999 approved rates. The amounts presented in this schedule do not reflect the adjustment for the results of the 2001 audit of the 2001 DSM evaluation and exclude interest.

The LRAM deferral account balance, including interest, is allocated to rate classes in the same proportion as the revenue impacts presented in Schedule 3, page 1 to 3 and appears at Schedule 19, page 4, (line 22).

- Schedule 3, page 5 - provides the volume savings related to DSM for 1999, 2000, 2001 and the volume impact of the Board's adjustment for DSM savings already recovered in 1999 approved rates by rate class. The volume adjustments are applied by rate class and used in the calculation of 2002 rates at Schedule 8.
- Schedule 3, page 6 - provides the DSM savings included in 1999 approved rates.

2002 LRAM Deferral Account Balance and Volume Adjustments

The audited 2001 DSM savings, volume and revenue impacts, are found at RP-2002-0130/EB-2002-0363, Exhibit B, Tab 4, Schedule 2, Updated, January 2003. The 2002 un-audited DSM savings, volume and revenue impacts, are found at RP-2002-0130/EB-2002-0363, Exhibit B, Tab 4, Schedule 3, Updated, January 2003.

2002 LRAM Deferral Account Balance

The 2002 deferral account balance related to DSM savings occurring in 2002 will equal Exhibit B, Tab 4, Schedule 3, Updated, January 2003, column (c), line 14 (\$682,004)

adjusted for the 2001 audited adjustment Exhibit B, Tab 4, Schedule 2, Updated, January 2003 (column (g), line 14 – column (c), line 14) (\$110,444). The total 2002 LRAM deferral account balance before interest is \$571,560.

The allocation of these amounts to rate classes is consistent with that found in Exhibit B, Tab 4, Schedule 3, Updated, January 2003, column (c) and Exhibit B, Tab 4, Schedule 2, Updated, January 2003, column (h).

The allocation of the LRAM deferral account balance including interest appears at Exhibit B, Tab 8, Schedule 2. The update to Exhibit B, Tab 8, Schedule 2 that reflects the January 2003 updates to Exhibit B, Tab 4, Schedule 2 and 3 will be provided in a subsequent filing.

2002 LRAM Volume Adjustments

2003 proposed rates found in Exhibit B, Tab 10 have been calculated using volumes adjusted for the 2002 DSM volume savings found at Exhibit B, Tab 4, Schedule 3, Updated, January 2003, column (a), line 13 and the 2001 audited volume adjustments from Exhibit B, Tab 4, Schedule 2, Updated, January 2003, column (d), line 13. The total volume adjustment is $34,559 \times 10^3 \text{ m}^3$ and represents the total annual volume impact related to DSM for 2002 and the 2001 audited adjustment.

The volume impact by rate class is used to adjust rates so as to maintain revenue neutrality over a reduced volume base. The rate adjustments related to LRAM are found at Exhibit B, Tab 10, Schedule 2.

UNION GAS LIMITEDAnswer to Interrogatory
from Board Staff**SERVICE QUALITY INDICATORS**
Telephone Response SQIReference B\T6\p. 6Question

Please provide the following by month for 2000, 2001 and January - August 2002: (i) the total number of calls received; and (ii) the total number of calls answered within 20 seconds.

Answer

For 2000, 2001 and 2002 this table provides:

- i) The total number of calls received
- ii) The total number of calls answered within 20 seconds and the percent of calls answered within 20 seconds as a percent of total calls received.

Line No.		2000				2001				2002			
		Calls Received	# Answered within 20 sec	%	Avg Wait Time (sec)	Calls Received	# Answered within 20 sec	%	Avg Wait Time (sec)	Calls Received	# Answered within 20 sec	%	Avg Wait Time (sec)
1	Jan	(1)	(1)	(1)	(1)	140,442	44,941	32	190	97,992	61,637	63	61
2	Feb	(1)	(1)	(1)	(1)	127,218	51,269	40	164	114,669	62,839	55	108
3	Mar	(1)	(1)	(1)	(1)	141,846	87,945	62	60	123,080	103,387	84	23
4	Apr	(1)	(1)	(1)	(1)	105,092	57,696	55	69	109,822	84,453	77	40
5	May	(1)	(1)	(1)	(1)	96,976	47,421	49	93	134,027	87,654	65	62
6	Jun	115,894	36,275	31	159	122,522	57,340	47	87	113,591	77,015	68	68
7	Jul	135,965	23,522	17	742	91,624	54,974	60	69	104,424	73,306	70	62
8	Aug	159,279	26,918	17	516	146,338	27,512	19	252	151,687	85,703	57	88
9	Sep	140,005	21,561	15	501	118,248	34,292	29	191	133,372	82,157	62	72
10	Oct	131,006	33,800	26	388	108,352	31,205	29	160	132,934	76,304	57	66
11	Nov	104,418	47,615	46	103	106,108	62,604	59	66	141,925	107,579	76	44
12	Dec	97,104	47,193	49	77	93,231	67,126	72	40	87,955	74,146	84	24
13	Avg				355				120				60
14	Annual Total					1,397,997	624,325	44.7		1,445,478	976,180	67.5	

(1)Consolidated call handling statistics (sheets) are not available prior to June 2000.