

# SETTLEMENT PROPOSAL

March 14, 2003

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Attachments:

Appendix A - Board's Letter Dated January 27, 2003

Appendix B - Exhibit N1, Tab 2, Schedules 1 to 11  
2003 Test Year, Financial Impact of the Settlement  
Proposal

This Settlement Proposal is filed with the Ontario Energy Board (the "Board") in connection with the application of Enbridge Gas Distribution Inc., for an order or orders approving or fixing rates for the sale, distribution, transmission, and storage of gas for its 2003 fiscal year (the "Test Year"). A Settlement Conference was conducted February 11, 12, 13, 14, 17, 18, 19, 20, 21, 24, 25, 26, and 28 and March 3, 5, 6 and 7, 2003 in accordance with Rule 31 of the *Ontario Energy Board Rules of Practice and Procedure* (the "Rules") and the Board's *Settlement Conference Guidelines* ("Settlement Guidelines"). The Settlement Proposal arises from the Settlement Conference.

The following parties participated, in whole or in part, in the Settlement Conference: Enbridge Gas Distribution Inc. ("Enbridge Gas Distribution" or the "Company"); the Ontario Energy Board's technical staff ("Board Staff"); Canadian Manufacturers & Exporters ("CME"); Canadian Institute of Environmental Law and Policy ("CIELAP"), Canadian Natural Gas Vehicle Alliance ("CNGVA"); Coalition for Efficient Energy Distribution ("CEED"); Consumers' Association of Canada ("CAC"); Direct Energy Marketing Limited ("Direct Energy"); Energy Probe ("Energy Probe"); Green Energy Coalition ("GEC"); Heating, Ventilation, Air Conditioning Contractors Coalition Inc. ("HVAC"); Industrial Gas Users Association ("IGUA"); Ontario Association of School Business Officials ("Schools"); Ontario Energy Savings Corporation ("OESC"); Ontario Public School Boards' Association ("School Boards"); Pollution Probe Foundation ("Pollution Probe"); Toronto Taxi Cab Co-operative Limited ("Co-op Cabs"); TransCanada PipeLines Limited ("TransCanada"); Union Gas Limited ("Union"); and Vulnerable Energy Consumers Coalition ("VECC").

The Settlement Proposal deals with all of the issues on the Board's Issues List (Appendix A to Board's Procedural Order #2), except Issue 9.6 which was not discussed as part of this Settlement, such that each issue falls within one of the following four categories:

1. an issue for which there is a **complete settlement**, and for which the parties agree they will not address at the hearing, because Enbridge Gas Distribution and the other parties who discussed the issue either agree with the settlement or take no position on the issue, or because the issue is being dealt with in another proceeding; Complete Settlement (parties will not address issue at the hearing)
2. an issue for which there is a **complete settlement on the cost consequences aspect**, because Enbridge Gas Distribution and all of the other parties who discussed the issue either agree with the settlement or take no position on the issue, **but for which Enbridge Gas Distribution and the other parties agree that certain policy (or future cost consequence) aspects of the issue will be addressed at the hearing;** Complete Settlement (parties will address only certain policy aspects at the hearing)

- |   |  |
|---|--|
| <p>3. an issue for which there is a <b>partial settlement</b>, and which the parties agree they will address the full issue at the hearing, because Enbridge Gas Distribution and certain of the other parties who discussed the issue in this or a previous proceeding agree with the settlement or take no position on the issue, but one or more of the other parties disagree(s) with the settlement; and</p> | <p>Partial Settlement<br/>       (full issue to be addressed at the hearing)</p> |
| <p>4. an issue for which there is <b>no settlement</b>, and which the parties agree they will address the full issue at the hearing, because Enbridge Gas Distribution and the other parties who discussed the issue are unable to reach an agreement to settle the issue.</p>  | <p>No Settlement<br/>       (full issue to be addressed at the hearing)</p>      |

More particularly, the Settlement Proposal depicts the 85\* issues enumerated on the Issues List as follows:

Complete Settlement (parties will not address issue at the hearing)	Complete Settlement (parties will address only certain policy aspects at the hearing)	Partial Settlement (full issue to be addressed at the hearing)	No Settlement (full issue to be addressed at the hearing)
1.1, 3.1, 4.1 to 4.4, 5.1, 5.2, 6.1 to 6.3, 6.5, 7.1, 7.6 to 7.42, 10.1, 10.2, 10.3, 11.1, 12.1 to 12.8**, 13.2, 14.1, 15.1	2.1, 7.2 to 7.5, 7.43, 7.44	9.1 to 9.5;	6.4, 7.45**, 8.1 to 8.7, 13.1
Total: 65	Total: 7	Total: 5	Total: 10

\* Issue 9.6 excluded from the total number of issues  
 \*\* not on the original Issues list

This Settlement Proposal was prepared in accordance with Rule 32 of the Rules and the Settlement Guidelines. Board Staff takes no position on any issue and, as a result, is not a party to this Settlement Proposal.

CNGVA and Co-op Cabs only participated in the discussion of the NGV Issue (Issue 7.31). CNGVA and Co-op Cabs support the settlement of Issue 7.31 and take no position on the balance of the issues. GEC, CIELAP and Pollution Probe only participated in the discussion of the NGV Issue (Issue 7.31) and the DSM Issues (Issues 9.1 to 9.6). GEC, CIELAP and Pollution Probe support the partial settlements of those issues and take no position on the balance of the issues.

TransCanada participated in the discussion of a number of issues, however, it takes no position on any issue except Issue 13.2, on which issue it supports the settlement.

The Settlement Proposal describes the agreements reached on the completely settled and partially settled issues, including the rationale for each of them, and may delineate for reference purposes the scope of the dispute over the issues for which there is no settlement or, when required by any conditional settlement of an issue, the scope of the conditional aspect(s) of the settlement; identifies the parties who agree and who disagree with each settlement, or alternatively who take no position on the settled issue; and provides a direct link between each settlement and the supporting evidence in the record to date. In this regard, the parties who agree with the individual settlements are of the view that the evidence provided is sufficient to support the Settlement Proposal in relation to the settled issues and, moreover, that the quality and detail of the supporting evidence, together with the corresponding rationale, will allow the Board to make findings on the settled issues.

Parties who agree to a partial settlement of any issues included in this Settlement Proposal do so on the understanding that they may participate fully by cross-examining and presenting evidence in any hearing of the issue where other parties may be challenging the appropriateness of the proposal.

Best efforts have been made to identify all of the evidence that relates to each issue. The supporting evidence for each issue is identified individually by reference to its exhibit number in an abbreviated format; for example, Exhibit A, Tab 8, Schedule 1 is referred to as A-8-1. A concise description of the content of each exhibit is also provided. In this regard, Enbridge Gas Distribution's response to an interrogatory is described by citing the name of the party and the number of the interrogatory (e.g., Board Staff Interrogatory #1), whereas another party's response to an interrogatory is described by citing the names of both parties and the number of the interrogatory (e.g., CAC Response to Enbridge Gas Distribution Interrogatory #1). The identification and listing of the evidence that relates to each issue is provided to assist the Board. The identification and listing of the evidence that relates to each issue is not intended to limit any party who wishes to assert that other evidence is relevant to a particular issue.

Exhibit N1, Tab 2, Schedules 1 through 7 demonstrate the effect of the Settlement Proposal on Rate Base, Cost of Service, Utility Income, and Capital Structure for the Test Year. Exhibit N1, Tab 2, Schedules 8 and 9 provide the proposed revenue recovery by rate class and a revenue comparison (current vs. proposed). The "N1, Tab 2" series of exhibits is intended to assist the Board in its review of the financial consequences of the Settlement Proposal and is also the Company's representation to the intervenors of the financial consequences of the Settlement Proposal. The intervenors acknowledge, however, that these financial consequences are subject to the impact of adjustments to be made pursuant to the QRAM methodology, discussed at Issue 4.2. The agreement of the intervenors is based and conditional on the results set forth in those exhibits, which are incorporated into and form part of the Settlement Proposal. Also attached in the N1,

Tab 2 set of exhibits are two schedules setting out the impact of the Settlement Proposal on specific customer profiles (Schedule 10) as well as the impact of the Settlement Proposal at the rate class level (Schedule 11). As noted in Section 10.1 of the Settlement Proposal, the impact of clearing the 2002 deferral/variance accounts will be subject to change due to the inclusion of interest as of April 30, 2003 associated with the 2002 deferral/variance account balances.

According to the Settlement Guidelines (p. 3), the parties must consider whether a settlement proposal should include an appropriate adjustment mechanism for any settled issue that may be affected by external factors. Enbridge Gas Distribution and the other parties who participated in the Settlement Conference, as well as Board Staff, consider that no settled issue requires an adjustment mechanism.

It is acknowledged and agreed that none of the provisions of this Settlement Proposal are severable. If the Board does not, prior to the commencement of the hearing of the evidence in RP-2002-0133, accept the Settlement Proposal in its entirety, there is no Settlement Proposal (unless the parties agree that any portion of the Settlement Proposal the Board does accept may continue as a valid Settlement Proposal). Neither Enbridge Gas Distribution nor the other parties can withdraw from the Settlement Proposal except in accordance with Rule 32 of the Rules.

The Settlement Guidelines prescribe the following three conditions for the Board's acceptance of a settlement proposal as a package (p. 8):

- the evidence supports the settlement proposal;
- the settlement proposal is in the public interest; and
- all evidence relevant to the issues is available to all parties, and to the Board, both in the settlement proposal itself and as part of the public record.

Enbridge Gas Distribution and the other parties are confident that this Settlement Proposal satisfies these conditions and, in consequence, they expect the Board to accept it as a package insofar as the completely settled issues are concerned. They recognize, though, that the Board may not accept this Settlement Proposal in its entirety. In this event, according to the Settlement Guidelines, "the Board will reject the settlement proposal as a whole and will proceed to a hearing of all of the issues on the issues list" (p. 8).

Enbridge Gas Distribution and the other parties would prefer, however, that the Board take an intermediate step in this event. Enbridge Gas Distribution and the other parties would like to have an opportunity to elaborate on the rationale for the package, if it is inadequate, or to improve the quality and detail of the supporting evidence. Enbridge Gas

Distribution and the other parties would like the Board to make findings on the completely settled issues, by accepting the Settlement Proposal, prior to hearing evidence and argument on the partially settled and the unsettled issues.

## **GAS VOLUME BUDGET**

### **1.1 Enbridge Gas Distribution Inc.'s gas volume forecast for the 2003 Test Year, including the forecasting methodology and weather normalization (per Issue 1.1 of the RP-2001-0032 Settlement Proposal).**

(Complete Settlement)

There is an agreement to settle this issue on the following basis:

The volume budget as filed at A2-2-1, updated on 2002-12-04 was 11,647.9  $10^6\text{m}^3$ . At the commencement of the Settlement Conference, the Company advised all stakeholders that the volume budget had been updated to 11,688.8  $10^6\text{m}^3$ , an increase of 40.9  $10^6\text{m}^3$  reflecting 2002 actual results for customer additions, average uses and contract market volumes. The volume budget was developed using the de Bever methodology and reflected a degree day forecast of 3,500 meter reading heating degree days. The Company used econometric models for forecasting average uses consistent with the methodology in place since 2001. The regression models are a good predictor of general service average uses and are performing well as outlined at A2-2-6.

Some intervenors contend that if the Company were to use actual volumes for the first three months of the Test Year in deriving the volume budget, the resultant volumes would be higher. For the purposes of gaining an overall settlement, the Company has agreed to a further volume adjustment of 86.2  $10^6\text{m}^3$  to reflect a cold weather adjustment for the Test Year only. This adjustment equates to an increase of 65 meter reading heating degree days beyond those calculated using the de Bever methodology. The overall volume budget agreed to for settlement purposes is therefore 11,775  $10^6\text{m}^3$ . The degree days implicit in this volume budget are 3565.

The agreement by the Company to increase meter reading heating degree days by 65 in the current proceeding is for the purpose of gaining an overall settlement and in no way represents agreement by the Company not to use the de Bever methodology in future proceedings.

The following parties agree with the settlement: All parties accept and agree, except for CEED, which takes no position.

The evidence in relation to this issue includes the following:

A2-2-1	Gas Volume Budget
A2-2-2	Average Use Forecasting Model for Rate 1

A2-2-3	Average Use Forecasting Models for Rate 6
A2-2-4	Unaccounted for Gas
A2-2-5	Budget Degree Days
A2-2-6	Average Use Model - RP-2000-0040 Settlement Agreement Committee Issue 1.1
A2-3-1	Economic Outlook
A2-3-2	Interest rate and Exchange Rate Forecast
C1-1-1	Utility Operating Revenue 2003 Test Year
C1-2-1	Customers, Volumes and Revenues by Rate Class 2003 Budget
C1-2-2	Comparison of Average Customer Numbers by Rate Class 2003 Budget and 2002 Estimate
C1-2-3	Comparison of Gas Sales and Transportation Volume by Rate Class 2003 Budget and 2002 Estimate
C1-2-4	Comparison of Gas Sales and Transportation Volume by Rate Class 2003 Budget and 2002 Estimate
C1-2-5	Comparison of Gas Sales and Transportation Revenue by Rate Class 2003 Budget and 2002 Estimate
C2-2-1	Customers, Volumes and Revenues by Rate Class 2002 Estimate
C2-2-2	Comparison of Customer Numbers by Rate Class 2002 Estimate and 2001 Actual
C2-2-3	Comparison of Gas Sales and Transportation Volume by Rate Class 2002 Estimate and 2001 Actual
C2-2-4	Comparison of Gas Sales and Transportation Volume by Rate Class 2002 Estimate and 2001 Actual
C2-2-5	Comparison of Gas Sales and Transportation Revenue by Rate Class 2002 Estimate and 2001 Actual
C2-2-6	Comparison of Gas Sales and Transportation Volume by Rate Class 2002 Estimate and 2002 Board Approved
C3-2-1	Customers, Volumes and Revenues by Rate Class, 2001 Actual
C3-2-2	Comparison of Gas Sales and Transportation Volume by Rate Class 2001 Actual and 2002 Board Approved
C3-2-3	Comparison of Gas Sales and Transportation Volume by Rate Class 2001 Actual and 2001 OEB Approved Budget.
C3-2-4	General Service Average Uses Historical Normalized and Board Approved
D1-3-1	Unbilled and Unaccounted-for Gas Volumes
D2-3-1	Unbilled and Unaccounted-for Gas Volumes
D3-3-1	Unbilled and Unaccounted-for Volumes 2001 Actual vs. 2001 Board Approved
I-1-16 to 22	Board Staff Interrogatories #16 to 22
I-2-8 to 17	CAC Interrogatories #8 to 17
I-4-3, 16 to 24	CME Interrogatories #3, 16 to 24
I-9-3, 7, 15	Energy Probe Interrogatories #3, 7, 15
I-13-59 to 64, 102	IGUA Interrogatories #59 to 64, 102
I-16-14 to 17	Schools Interrogatories #14 to 17
I-17-57, 106	School Boards' Interrogatories #57, 106
I-24-4 to 18, 42, 80, 83, 94	VECC Interrogatories #4 to 18, 42, 70, 83, 94
I-27-3 to 6	Enbridge Gas Distribution Interrogatories of IGUA #3 to 6
L-13	Evidence of IGUA

## **SERVICE CHARGES**

### **2.1 Enbridge Gas Distribution Inc.'s proposals for changes in the level of service charges**

(Complete Settlement)

There is an agreement to settle this issue on the following basis:

Enbridge Gas Distribution filed a list of service charges being charged to customers in the Test Year for the customer support and operations services set out in the evidence.

Enbridge Gas Distribution's \$8.8 million forecast service charge revenues for the Test Year were presented as a credit to O&M expenses. The parties now agree that the forecast of service charge revenues for the Test Year should be increased to \$9.1 million and that these revenues should be presented as a component of the "other operating revenue" line item in the utility operating revenue for the Test Year for the purposes of settlement. Accordingly, \$9.1 million is included as "other operating revenue" in N1-2-3.

In order to provide notice to customers of the services charges, Enbridge Gas Distribution agrees to post on its web site and set out in its Rate Handbook the service charges as soon as practicable.

The parties agree that parties may argue and the Board may determine that service charges require Board approval. If the Board determines that service charges require Board approval, the parties agree that, for the Test Year only, the Board should approve the service charges the Company has proposed. If necessary, Board approval of particular service charges can then occur in the Company's next rate case.

The following parties agree with the settlement: All parties accept and agree, except for CEED and OESC, which take no position.

The evidence in relation to this issue includes the following:

A2-4-1	Other Services Revenue
A2-4-2	Schedule of Other Service Charges
I-1-23, 24, 183	Board Staff Interrogatories #23, 24, 183
I-4-25	CME Interrogatory #25
I-9-4	Energy Probe Interrogatory #4
I-13-65	IGUA Interrogatory #65

## **TRANSACTIONAL SERVICES**

### **3.1 Enbridge Gas Distribution Inc.'s proposal for a new sharing methodology for Transactional Services for the 2003 Test Year.**

(Complete Settlement)

There is an agreement to settle this issue on the following basis:

At A2-5-1, Enbridge Gas Distribution proposed a new sharing methodology for Transactional Services to address what the Company stated in evidence amounted to asymmetrical sharing of risks and rewards with the shareholder taking all the risk on the downside and the ratepayer taking most of the reward in the case of any upside. The Company proposed the elimination of the requirement of setting an annual Transactional Services gross margin target and instead proposed using a 70/30 ratepayers/shareholder sharing mechanism (net of Transactional Services marginal O&M costs).

Following discussions and negotiations in the Settlement Conference, the parties agree to the following Transactional Services sharing methodology, for the Test Year, and only for the Test Year:

- The total Transactional Services gross margin will be divided 75% to ratepayers and 25% to the Company's shareholder, provided that a minimum of \$8 million shall be credited to the revenue requirement for the purpose of settling rates for the Test Year;
- The Company's shareholder will be solely responsible for the marginal O&M costs associated with Transactional Services;
- In the event that the total Transactional Services gross margin is between \$8 million and \$10.67 million, 100% of the difference between the total Transactional Services gross margin and \$8 million will accrue to the account of the Company's shareholder;
- In the event that the total Transactional Services gross margin exceeds \$10.67 million, the ratepayers' share (75% of the excess) will be credited to the 2003 Transactional Services Deferral Account ("2003 TSDA");

Further details pertaining to the creation of the 2003 TSDA and the accounting methodology applicable thereto are described under Issue 10.2.

CEED's agreement on this issue is without prejudice to CEED, in future cases or in this case where relevant to Issue 8, raising issues of principle in relation to the Company's and its affiliates' involvement in Transactional Services. The Company does not take issue that CEED's position is without prejudice to CEED in this regard.

While CEED does not oppose this one-year Transactional Services settlement, CEED's view is that Transactional Services revenues contain rents that are available as a result of Enbridge Gas Distribution's utility market power in wholesale gas services. CEED believes that it is preferable to reduce utility market power, and prevent the transfer of utility market power to affiliates rather than to increase the incentives available to utility shareholders to exercise that market power by increasing the shareholder's proportionate share of the rents. CEED strongly urges the Board to hold a generic review of the competitiveness of the transactional services market in Ontario.

The Company does not accept or agree that CEED's position raises appropriate or relevant issues for this proceeding.

The following parties agree with the settlement: All parties accept and agree.

The evidence in relation to this issue includes the following:

A2-5-1	Transactional Services
A8-1-1 pg. 8	Deferral and Variance Accounts Evidence Summary
I-1-25 to 27	Board Staff Interrogatories #25 to 27
I-2-13, 18 to 21	CAC Interrogatories #13 and 18 to 21
I-3-1 to 24, 31	CEED Interrogatories #1 to 24, 31
I-4-26 to 37	CME Interrogatories #26 to 37
I-8-7	Direct Energy Interrogatory #7
I-9-5, 6	Energy Probe Interrogatories #5, 6
I-13-35, 66, 103	IGUA Interrogatories #35, 66, 103
I-16-31	Schools Interrogatory #31
I-17-12 to 20, 26 to 35, 149	School Boards' Interrogatories #12, to 20, 26 to 35, 149
I-24-19	VECC Interrogatory #19
I-27-7 to 9	Enbridge Gas Distribution Interrogatories of IGUA #7 to 9
L-13	Evidence of IGUA

## **GAS COSTS, TRANSPORTATION AND STORAGE**

### **4.1 Review of the updated version of Enbridge Gas Distribution Inc.'s Gas Supply Risk Management Policies and Procedures Manual (A3/T4/S1) (per Issue 2.5 of the RP-2001-0032 Settlement Proposal).**

(Complete Settlement)

There is an agreement to settle this issue on the following basis:

The Company's objective for its Gas Supply Risk Management Program (the "Program") is to maintain a system gas supply commodity portfolio that contains a proportion of floating-price supply sufficient to provide an opportunity for customers to obtain the benefits of market-based prices, while limiting gas supply price volatility and avoiding unacceptable price increases.

The Company's objective for the Program is met through the use of appropriate risk management tools. The Company considers the overall mix of physical contract options - fixed price contracts, floating price contracts, transportation contracts and storage - and its financial derivative contracts in making its risk management decisions.

The Company does not use its risk management program as a means to "beat" the market. The Company will not use financial derivative instruments as speculative investments. The Company will only use financial derivative instruments as risk management tools to hedge identifiable price risk in its underlying physical contracts. The reduction of price volatility is achieved by hedging a portion of the gas supply portfolio over time to moderate price swings.

The Company followed the Program in the 2002 Test Year. The \$40.75 million cost of the Program for fiscal 2002 as seen in I-1-31 (Board Staff Interrogatory #31) represents the extent to which the Company's commodity costs as a result of risk management transactions in 2002 exceeded the market based indexed prices in the Company's gas supply contracts that would have otherwise prevailed.

All parties agree that for fiscal 2002, Enbridge Gas Distribution followed the currently approved parameters of the Program. As a result, all parties accept the financial impacts of the Program for fiscal 2002 as filed.

Enbridge Gas Distribution has agreed, at the request of Board Staff and certain intervenors, to retain an independent third party consultant to conduct a review and report on the Program. The consultant will be asked to assess the effectiveness of the Program in meeting its objectives. The consultant will also be asked to

consider whether the objectives of the Program, including its hedging procedures, and the continuance of the Program, are in the interests of ratepayers and are appropriate practices for management of system gas supply. The consultant will not be asked to determine or assess the prudence of the Program on an historical basis. The Company will circulate the proposed terms of reference for the consultant to interested parties for their comments. The Company proposes that the consultant's review not begin until after the similar review of Union's risk management program is completed so that the review of the Company's Program can benefit from the findings, observations and conclusions of the Union review.

The parties have agreed that the prudently incurred costs of having a consultant conduct this review will be recoverable in rates as appropriate.

The parties acknowledge and agree that it will not be possible to complete such a study for use or filing in connection with the 2003 rate case and that all efforts will be made to have the results of the study available for the Company's next rate case.

The following parties agree with the settlement: All parties accept and agree, except for CEED, which takes no position.

The evidence in relation to this issue includes the following:

A3-3-1	Natural Gas Procurement Policy
A3-4-1	Risk Management Policy
D2-1-1	Cost of Service 2002 Bridge Year
I-1-31	Board Staff Interrogatory #31
I-4-38, 39	CME Interrogatories #38, 39
I-24-20, 92	VECC Interrogatories #20, 92

#### **4.2 Review of QRAM methodology, including proposals for modifications (A3/T5/S1) (per Issue 2.2, Implementation Schedule, of the RP-2000-0040 Settlement Proposal).**

(Complete Settlement)

There is an agreement to settle this issue on the following basis:

##### Background

The Quarterly Rate Adjustment Mechanism ("QRAM") methodology was the subject of an agreement of Issue 2.2 in the RP-2000-0040 Settlement Proposal.

The Settlement Proposal stated at page 18 of 54 that:

[The Company] will monitor and record customer response to the new methodology, the consequential effect on customer care costs, and the incremental costs arising from administering the new methodology.

The new methodology, including the 0.5¢/m<sup>3</sup> adjustment and clearance thresholds, will be examined thoroughly in the light of the eight principles enumerated [below]. This examination will occur in [the Company]'s next rates case following Fiscal 2002 or, instead, in a proceeding held for the purpose subsequent to Fiscal 2002. [The Company] will prepare and file, for this purpose, a report on customer response, customer care costs, and administrative costs. [The Company] will also prepare and file a consequential recommendation on adjusting or maintaining, as the case may be, the size of the adjustment and clearance thresholds.

The QRAM methodology was developed to achieve or accommodate the following eight principles:

- 1) more reflective of market prices on an ongoing basis;
- 2) enhanced price transparency;
- 3) regular quarterly review process;
- 4) increased customer awareness and customer acceptance, and decreased confusion in the marketplace;
- 5) mitigation of large adjustments of customer bills;
- 6) fairness and equity among all customer groups;
- 7) implementation in a cost effective manner; and
- 8) reduced regulatory burden relative to the Company's trigger methodology and the related rate adjustment mechanism.

The QRAM is a mechanism created to address the potential for two adjustments taking place in any given quarter. If the recalculated utility price for any quarter varies from the utility price in effect at the time by more than 0.5 cents per cubic meter ("¢/m<sup>3</sup>") then the utility price would be changed. Similarly, if the adjusted year-end balance in the Purchase Gas Variance Account ("PGVA") (inclusive of the gas in inventory debits/credits, when translated into ¢/m<sup>3</sup> based on forecast consumption for the remainder of the test year) exceeds 0.5¢/m<sup>3</sup>, the adjusted PGVA year-end balance will be cleared during the remainder period of the test year through a rate rider. The existing QRAM guidelines do not provide for any PGVA clearance in the first quarter of any given test year.

### Customer Response

Ipsos Reid was commissioned to undertake a Customer Evaluation Survey. By its report dated November 2002 filed at A8-5-1, Ipsos Reid reported at page eight:

There is little question that customers prefer a quarterly rate adjustment much more than the older once a year adjustment. Three-quarters (75%) of both customer groups choose the quarterly option.

### Settlement - QRAM Costs

Enbridge Gas Distribution filed in evidence at A8-3-1, the amounts accumulated in the 2002 Customer Communication Deferral Account. The costs of administering the QRAM in fiscal 2002 inclusive of customer care costs that are included in the 2002 Customer Communication Deferral Account amounted to \$323,000.

The parties accept as reasonable the administrative and customer care costs of \$323,000 relating to the QRAM that have been accumulated in the 2002 Customer Communication Deferral Account. The parties agree that these costs will be cleared to all customers based on customer count at the time that Enbridge Gas Distribution will dispose of its approved 2002 deferral/variance accounts as per the Board's RP-2002-0133 Rate Order.

### Settlement - Change In QRAM Methodology

The parties agree that the methodology for establishing a rate rider to clear the adjusted year-end PGVA balance be modified to allow Enbridge Gas Distribution's budgeted sales volumetric forecast to be updated to reflect most current customer migration between system gas and T-Service for the period in question rather than adhering to the Board approved sales volumetric forecast for the applicable period. The parties further agree to allow Enbridge Gas Distribution the flexibility to exercise discretion, in relation to the fourth quarter QRAM application of each fiscal year, to clear the forecast year-end balance in the PGVA in a non-standard manner, over a period of six months instead of three months. The Company recognizes that the onus is on it to demonstrate that any deviation from clearing balances in the standard manner as determined in RP-2000-0040 is justified.

Enbridge Gas Distribution did not propose any changes to the eight principles underpinning the QRAM methodology, the existing preset thresholds of 0.5 ¢/m<sup>3</sup>, nor to the methodology used to calculate the utility price which will continue to be based on a 21-day NYMEX strip of the forward 12 months of gas contract prices. The last day of the 21-day strip would precede the quarter in question by no more than 45 days. All parties agree that Enbridge Gas Distribution will be using the most recent volumetric forecast available to calculate the change in the revenue requirement calculation as filed in the most recent rate case application filing.

In addition, all parties agree that the capital structure used to translate the change in rate base into a revenue requirement impact will incorporate the most recent Board approved ROE. The remaining components of the capital structure will reflect the most recent cost rates filed with the Board to retain a consistent set of underlying variables related to the volumetric projections and customer base data supporting the QRAM application.

### Settlement – Procedural Requirements

All parties agree that Enbridge Gas Distribution will adopt the following changes to existing QRAM procedural requirements:

- **Filing Date:** the QRAM filing must be received by the Board no fewer than 20 business days prior to the effective date of the rate change.
- **Customer Rate Notices:** The QRAM filing with the Board will not include draft customer rate notices. Enbridge Gas Distribution will submit these draft customer rate notices to Board Staff no later than 5 business days after the filing of the QRAM application.
- **Board Staff Comments:** Board Staff will be included on the list of interested parties for the submission of comments for reply by Enbridge Gas Distribution.
- **Executive Summary:** The QRAM filing will include a one page executive summary of the highlights of the QRAM (e.g., new utility price, riders, clearance of the PGVA, customer impact, and any other key information).
- **Minimum Filing:** If the preset thresholds of 0.5 ¢/m<sup>3</sup> are not met in any quarter, a minimum filing (one page letter) will advise the Board of Enbridge Gas Distribution's latest price forecast, the resultant approximate utility price and the reasons for maintaining the existing rates. In addition, Enbridge Gas Distribution will provide the "Summary of Gas Costs to Operations" schedule (QX-3/T1/S1) as well as the "Projected Year-End PGVA Balance" schedule (QX-3/T1/S2). This filing will be provided to all intervenors of record in the most current rates application.
- Enbridge Gas Distribution will revise its "Summary of Gas Costs to Operations" (QX-3/T1/S1) to introduce a percentage variance column for volume and cost relative to the previous QRAM. This will show changes to the portfolio mix on an on-going basis.
- In addition to all existing schedules, Enbridge Gas Distribution will introduce a new schedule to support the schedule "Calculation of Gas Supply Charges by Rate Class" (QX-3/T4/S4).

### Settlement – Effective Date

The parties agree that the above changes to the QRAM methodology and associated procedural requirements will be effective as of July 1, 2003.

The following parties agree with the settlement: All parties accept and agree, except for CEED, which takes no position.

The evidence in relation to this issue includes the following:

A3-5-1	Quarterly Rate Adjustment Methodology
I-1-32 to 36	Board Staff Interrogatories #32 to 36
I-4-40, 41	CME Interrogatories #40, 41
I-8-1	Direct Energy Interrogatory #1
I-15-2	OAPPA Interrogatory #2
I-16-32	Schools Interrogatory #32
I-17-36	School Boards Interrogatory #36
I-24-22	VECC Interrogatory #22

### **4.3 System gas management and direct purchase costs, including review of the FAC study (A3/T6/S1) (per Issue 2.2, Cost Allocation, of the RP-2000-0040 Settlement Proposal).**

(Complete Settlement)

There is an agreement to settle this issue on the following basis:

The Company agrees that it will complete the balance of the Fully Allocated Cost (“FAC”) study agreed to pursuant to Issue 2.2, Cost Allocation, of the RP-2000-0040 Settlement Proposal, and that the full FAC study, as directed by the Board in its Decision with Reasons in RP-2001-0032 (at paragraph 4.6.4), will be filed together with the Company’s prefiled evidence in its next rate case.

All parties agree that system gas management fees and direct purchase costs can then be fully examined in the next rate case, in the context of the completed study.

The evidence in relation to this issue includes the following:

A3-6-1	System Gas Management and Direct Purchase Costs
G1-1-1	Cost Allocation
G2-1-1	Fully Allocated Cost Study
G2-3-4	Functionalization of Utility O&M
I-1-37, 38	Board Staff Interrogatories #37, 38
I-2-22	CAC Interrogatory #22

I-3-25, 26 CEED Interrogatories #25, 26  
I-8-2, 3 Direct Energy Interrogatories #2, 3  
I-13-67, 82, 83, 92 IGUA Interrogatories #67, 82, 83, 92  
I-15-4 OAPPA Interrogatory #4  
I-17-110, 111 School Boards Interrogatories #110, 111  
I-24-93, 105 to 112 VECC Interrogatories #93, 105 to 112

#### **4.4 Gas Supply and Transportation Costs**

(Complete Settlement)

There is an agreement to settle this issue on the following basis:

The forecast of the cost consequences of the gas supply portfolio for the Test Year are accepted by the parties for the reasons set out in the supporting evidence except for the following issue, which was not discussed in the supporting evidence:

In furtherance of the RP-2001-0032 Settlement Agreement, Enbridge Gas Distribution's shareholder will continue to bear in the Test Year the cost consequences of any underutilization of Enbridge Gas Distribution's service entitlements on the Link Pipeline. The cost consequences of any underutilization of the Link Pipeline will be eliminated by a year-end adjustment to the PGVA. This settlement is for the Test Year only and is without prejudice to the Company's right in future periods to seek recovery from ratepayers of the cost consequences of the Company's Link Pipeline service entitlements.

Enbridge Gas Distribution's proposal to change the TCPL FT Turnback condition to accommodate a customer's request to turnback capacity on either the anniversary date or on the termination date of the customer's contract with the Company, is accepted by the parties for the reasons outlined in the evidence at H1-1-3.

The following parties agree with the settlement: All parties accept and agree, except for CEED, which takes no position.

The evidence in relation to this issue includes the following:

A3-1-1 Gas Costs Evidence Summary  
A3-2-1 Gas Costs, Transportation, and Storage  
D1-2-1 Summary of Gas Cost to Operations 2003 Test Year  
D1-2-2 Summary of Storage and Transportation Costs Fiscal 2002-2003  
D1-2-3 Peak Day Supply Mix - 2003  
D1-2-4 Monthly Pricing Information  
D2-2-1 Summary of Gas Cost to Operations Year ended September 30, 2002

D2-2-2	Summary of Storage and Transportation Costs Fiscal 2001-2002
D2-2-3	Peak Day Supply Mix - 2002
D3-2-1	Summary of Gas Cost to Operations Year ended September 30, 2001
D3-2-2	Summary of Storage & Transportation Costs Fiscal 2002-2001
D3-2-3	Peak Day Supply Mix - 2001
H1-1-3	TCPL FT Capacity Turnback
I-1-28 to 31	Board Staff Interrogatories #28 to 31
I-4-38, 39	CME Interrogatories #38, 39
I-24-20, 21, 89, 90, 91	VECC Interrogatories #20, 21, 89, 90, 91

## **COST OF CAPITAL**

### **5.1 Establishment of the return on equity for the 2003 Test Year using the Board's existing Return On Equity (ROE) Guidelines.**

(Complete Settlement)

There is an agreement to settle this issue on the following basis:

The Company's calculation of the Test Year forecast of the return on common equity ("ROE") using the current Board approved formula, based on the deemed level of common equity, is 9.69%. The calculation for this ROE is found at A4-2-2. This calculation is based upon the September 2002 Consensus Economic forecast and incorporated into the Company's deficiency calculations in the E1 and F1 series of exhibits.

All parties agree with the calculation of ROE at 9.69%.

There is currently a proceeding under Board docket RP-2002-0158/EB-2002-0484, titled "Review of the Board's Guidelines for setting ROE", which will examine and possibly change the current Board approved formula for the calculation of ROE. All parties agree that all issues related to the formula for the calculation of ROE should be addressed in the pending proceeding and not in this case, including questions pertaining to the effective date of any change to the formula that the Board ultimately approves.

The following parties agree with the settlement: All parties accept and agree, except for CEED, which takes no position.

The evidence in relation to this issue includes the following:

A4-1-1	Cost of Capital Evidence Summary
A4-2-1	Cost of Capital
A4-2-2	Return on Equity Calculations
A4-4-1	Impact of Return on Equity on Revenue Deficiency

E1-1-1	Cost of Capital 2003 Test Year
E1-1-2	Summary Statement of Principal and Carrying Costs of Term Debt 2003 Test Year
E1-1-3	Unamortized Debt Discount and Expense Average of Monthly Averages 2003 Test Year
E1-1-4	Preference Shares Summary Statement of Principal and Carrying Cost 2003 Test Year
E1-1-5	Unamortized Preference Share Issue Expense Average of Monthly Averages 2003 Test Year
E2-1-1	Cost of Capital 2002 Bridge Year
E2-1-2	Analysis of the Cost of Capital 2002 Bridge Year
E2-1-5	Preference Shares Summary Statement of Principal and Carrying Cost 2002 Bridge Year
E2-1-6	Unamortized Preference Shares Issue Expense Average of Monthly Averages 2002 Bridge Year
E3-1-1	Cost of Capital 2001 Historical
E3-1-2	Analysis of the Cost of Capital 2001 Historical
E3-1-5	Preference Shares Summary Statement of Principal and Carrying Cost 2001 Historical
E3-1-6	Unamortized Preference Share Issue Expense Average of Monthly Averages 2001 Historical
I-1-9, 10, 39 to 43, 184	Board Staff Interrogatories #9, 10, 39 to 43, 184
I-4-1, 2	CME Interrogatories #1, 2
I-9-7	Energy Probe Interrogatory #7
I-17-13, 14, 23 to 25, 148	School Boards Interrogatories #13, 14, 23 to 25, 148
I-24-23 to 25	VECC Interrogatories #23 to 25

## **5.2 Enbridge Gas Distribution Inc.'s estimates of the cost of short-term and long-term debt for the 2003 Test Year.**

(Complete Settlement)

There is an agreement to settle this issue on the following basis:

Enbridge Gas Distribution's financing plan for the Test Year includes the following elements:

- repay \$125 million of outstanding Medium Term Note ("MTN") issues at maturity in October 2002 and repay \$100 million notes due May 2003;
- raise funds through two MTN issues:
  - a \$150 million MTN issue in November 2002 at an effective actual cost rate of 6.95%.
  - a \$300 million MTN issue in June 2003 at an effective forecast cost rate of 7.55%;
- the cost of short-term debt for the Test Year is projected to be 3.54%, based on the Company's interest rate forecast for 90-day Commercial Paper, weighted by the short-term borrowing pattern projected for the Test Year (based on 5 months of actual and 7 months of forecast data); and

- the annual fixed costs of financing for the Test Year for bank credit facility standby and agency fees, credit rating fees and MTN shelf prospectus costs are projected to be \$1.1 million.

The following parties agree with the settlement: All parties accept and agree, except for CEED, which takes no position.

The evidence in relation to this issue includes the following:

A4-1-1	Cost of Capital Evidence Summary
A4-2-1	Cost of Capital
E1-1-6	Fiscal 2003 Calculation of Short-term Unfunded Debt
E2-1-3	Summary Statement of Principal and Carrying Cost of Term Debt 2002 Bridge Year
E2-1-4	Unamortized Debt Discount and Expense Average of Monthly Averages 2002 Bridge Year
E2-1-7	Fiscal 2002 Calculation of Short-term Unfunded Debt
E3-1-3	Summary Statement of Principal and Carrying Cost of Term Debt 2001 Historical
E3-1-4	Unamortized Debt Discount and Expense Average of Monthly Averages 2001 Historical
E3-1-7	Fiscal 2001 Calculation of Short-term Unfunded Debt
I-1-39 to 42	Board Staff Interrogatories #39 to 42
I-13-68	IGUA Interrogatory #68
I-24-24, 25	VECC Interrogatories #24, 25

## **RATE BASE**

### **6.1 Enbridge Gas Distribution Inc.'s Capital Budget for the 2003 Test Year.**

(Complete Settlement)

There is an agreement to settle this issue on the following basis:

The Company has proposed a Capital Budget of \$266.3 million. The discussion of the proposed Capital Budget is found at A5-2-1 and B1-2-1. The major components of the 2003 Capital Budget are customer related distribution plant, system improvements and upgrades, general and other plant, and underground storage facilities.

The proposed 2003 Capital Budget includes the amount of \$6.5 million for the Energy Transaction Reporting Accounting System ("EnTRAC"). That project is considered separately from the rest of the Capital Budget in the context of Issue 6.4, leaving a proposed 2003 Capital Budget of \$259.8 million.

The Company will reduce its Capital Budget (not including EnTRAC) by the sum of \$9.8 million in order to accommodate the concerns of the intervenors about the

overall level of the Capital Budget. This will result in a 2003 Capital Budget of \$250 million, not including EnTRAC. The Company agrees that the reduction of \$9.8 million will be allocated as follows: System Improvements and Upgrades (Improvement Mains) will be reduced by \$5.8 million and General and Other Plant (Computers and Communication Equipment) will be reduced by \$4.0 million.

The following parties agree with the settlement: All parties accept and agree, except for CEED and OESC, which take no position.

The evidence in relation to this issue includes the following:

A5-1-1	Rate Base Evidence Summary
A5-2-1	Rate Base - Capital Budget
A5-5-1	IT Capital Budget
B1-1-1	Utility Rate Base - Comparison of 2003 Test Year to 2002 Bridge Year
B1-2-1	Comparison of Utility Capital Expenditures Budget 2003 and Estimated 2002
B1-2-2	2003 Capital Expenditures by Project (Exceeding \$500,000)
B1-2-3	Gross Customer Additions and Average Cost per Customer Addition Budget 2003 and Estimated 2002
B1-2-4	System Expansion Monitoring - 2003 Budget
B1-2-5	2003 Forecast of New Major Projects Exceeding \$500,000 Discounted Cash Flow Analysis and Net Present Value Results
B1-2-6	2003 Investment Portfolio Societal Cost Test
B1-3-1	Property, Plant and Equipment Summary Statement - Average of Monthly Averages 2003 Test Year
B1-3-2	Net Book Value of Property, Plant, & Equipment Transferred from an Affiliate at October 1, 2002
B1-3-3	Ontario Utility Opening Undepreciated Capital Costs 2003 Test Year
B1-4-1	Gas In Storage - Month End Balances and Average of Monthly Averages 2003 Test Year
B1-4-2	Working Capital Components - Working Cash Allowance 2003 Test Year
B2-1-1	Utility Rate Base Comparison of 2002 Bridge Year to 2002 Board Approved
B2-1-2	Utility Rate Base Comparison of 2002 Bridge Year to 2001 Historical Year
B2-2-1	Comparison of Utility Capital Expenditures Estimated 2002 and Board Approved 2002
B2-2-2	2002 Capital Expenditures by Project (Exceeding \$500,000)
B2-2-3	Gross Customer Additions and Average Cost per Customer Addition Estimated 2002 and Board Approved Budget 2002
B2-2-4	System Expansion Monitoring - 2002 Estimate
B2-2-5	2002 Estimate of New Major Projects Exceeding \$500,000 Discounted Cash Flow Analysis and Net Present Value Results
B2-3-1	Property, Plant, and Equipment Summary Statement - Average of Monthly Averages 2002 Bridge Year
B2-4-1	Gas In Storage Month End Balances and Average of Monthly Averages 2002 Bridge Year
B2-4-2	Working Capital Components Working Cash Allowance 2002 Bridge Year
B3-1-1	Utility Rate Base Comparison of 2001 Historical to 2001 Board Approved
B3-1-2	Utility Rate Base Comparison of 2001 Historical to 2000 Historical
B3-2-1	Comparison of Utility Capital Expenditures Actual 2001 and Board Approved Budget 2001
B3-2-2	2001 Capital Expenditures by Project (Exceeding \$500,000)
B3-2-3	Gross Customer Additions and Average Cost per Customer Addition Actual 2001 and Board Approved Budget 2001

B3-2-4	System Expansion Monitoring - 2001 Actual
B3-2-5	Net Book Value of Property, Plant and Equipment Transferred to Affiliates as of October 1, 2000
B3-2-6	Ontario Utility Opening Undepreciated Capital Cost 2001 Actual
B3-2-7	2001 New Major Projects Exceeding \$500,000 Discounted Cash Flow Analysis and Net Present Value Results
B3-2-8	Summary of EBLO/PL Capital Costs, Attachments and Volumes - Budget vs. Actual
B3-3-1	Property, Plant, and Equipment Summary Statement - Average of Monthly Averages 2001 Historical
B3-4-1	Gas In Storage Month End Balances and Average of Monthly Averages 2001 Historical
B3-4-2	Working Capital Components - Working Cash Allowance 2001 Historical
I-1-44 to 53, 185	Board Staff Interrogatories #44 to 53, 185
I-2-5, 23 to 27, 29, 33 to 35, 118	CAC Interrogatories #2, 23 to 27, 29, 33 to 35, 118
I-3-34, 35	CEED Interrogatories #34, 35
I-4-42	CME Interrogatory #42
I-9-8, 9	Energy Probe Interrogatories #8, 9
I-13-69 to 73	IGUA Interrogatories #69 to 73
I-17-38, 98 to 105, 160	School Boards Interrogatories #38, 98 to 105, 160
I-24-26, 27, 34, 79	VECC Interrogatories #26, 27, 34, 79
L-13	Evidence of IGUA

## **6.2 Depreciation Study and associated proposals to change the depreciation rates**

(Complete Settlement)

There is an agreement to settle this issue on the following basis:

The parties accept, with one exception, the results of the Enbridge Gas Distribution Depreciation Study as applied to Gas Plant in Service as of September 30, 2001. This results in a change in the composite depreciation rate from 4.36% to 4.40%.

The exception to the parties' acceptance of the Depreciation Study relates to the depreciation rate for natural gas vehicle rental cylinders. Consistent with the Depreciation Study, the Company initially proposed a depreciation rate of 29.15% for natural gas vehicle rental cylinders. Enbridge Gas Distribution now agrees to depreciate natural gas vehicle rental cylinders at the same rate as cylinders for Company vehicles, which, under the Depreciation Study, is 3.72%.

The following parties agree with the settlement: All parties accept and agree, except for CEED and OESC, which take no position.

The evidence in relation to this issue includes the following:

A5-3-1	Depreciation Study
A5-3-2	Change Depreciation Rate
A5-3-3	Schedule of Depreciation Rates
I-1-54 to 58, 186, 187	Board Staff Interrogatories #54 to 58, 186, 187
I-2-28	CAC Interrogatory #28
I-3-43, 44	CEED Interrogatories #43, 44
I-13- 71	IGUA Interrogatory #71
I-17-39 to 41	School Boards' Interrogatories #39 to 41

### **6.3 Property Plan including asset sharing arrangements**

(Complete Settlement)

Parties have discussed three sub-components under this issue, as follows:

(i) Gains or Losses Realized upon the Sale of Land

The Company, at A5-4-1, proposes that the gains or losses realized upon the sale of land during 2003 be allocated to the Company's shareholder and to ratepayers on a 50/50 ratio, in accordance with the Board's EBRO 465 Decision, which was the most recent Board Decision to deal with the disposition of Company owned land. As discussed at Issue 10.2, the Company proposes to establish a new variance account to record the difference between the actual 2003 profit on the sale of land and the forecast amount of profit on the sale of land of \$4.2 million. Removal costs, including those related to the preparation of the properties for sale, are deducted from the proceeds of sale in determining the gain or loss on sale of land.

Energy Probe supports the Company's proposal.

Some intervenors propose that all, or a substantial portion of the gains realized on the sale of utility owned land and buildings shall accrue to Enbridge Gas Distribution ratepayers.

In the interests of reaching an overall settlement on all issues necessary to allow rates to be set for the Test Year, the parties have agreed to the Company's proposal on this issue. The positions that the parties have taken on this issue are without prejudice to any position that they may take on this or similar issues in the future.

CEED and OESC take no position on this issue.

(ii) Rate Base Elimination Method

Enbridge Gas Distribution proposed to use a forecast of rental revenues to recognize the use by affiliates and CustomerWorks Limited Partnership of Company owned land and buildings instead of the rate base elimination method to eliminate the value of shared assets in the Test Year.

For the purposes of settlement, the Company agrees to continue to use the rate base elimination method for shared assets in the Test Year. As set out at I-13-72, and I-24-74 (IGUA Interrogatory #72, and VECC Interrogatory #74), this results in a reduction in the deficiency as filed of \$1.1 million. This settlement is for the Test Year only and is without prejudice to any position that parties may take on this or similar issues in the future.

Col. 1	Col. 2	Col. 3	Col. 4	Col. 5
<u>Type Of Asset</u>	Rate Base Value Fiscal 2003 \$Millions	<u>Allocation Factor</u>	<u>Non-Utility Percentage</u>	<u>Non-Utility Elimination \$Millions</u>
Computer Infrastructure	0.4	# of Computer Workstations	33.0	0.1
Communications Infrastructure	7.6	# of Handsets	31.5	2.4
Buildings	71.6	(Space ft <sup>2</sup> )	17.9	12.8
Office furniture	8.6	# Office Workstations	38.5	3.3
NGV Refuelling Facilities	1.5	NBV of Identified Sites	0.0	0.0
Total	89.7			18.6

CEED and OESC take no position on this issue.

(iii) Carrying Charges for Vacant Space in Properties Available for Sale

The Company proposes to include in the deficiency the carrying costs of vacant space in properties available for sale.

Conversely, the other parties wish to exclude from the deficiency the carrying cost of vacant space in properties available for sale. Exclusion of this carrying cost results in a reduction in the deficiency, as filed, of \$1.1 million.

In the interests of reaching an overall settlement on all issues necessary to allow rates to be set for the Test Year, the Company has agreed to the other parties' position on this issue and will exclude the carrying cost of vacant space in properties available for sale from the deficiency. This settlement is for the Test Year only and is without prejudice to any position that the parties may take on this or similar issues in the future.

CEED and OESC take no position on this issue.

The evidence in relation to this issue includes the following:

A5-4-1           Property Plan  
I-1-59 to 64     Board Staff Interrogatories #59 to 64  
I-2-30 to 32     CAC Interrogatories #30 to 32  
I-4-45 to 47, 52 CME Interrogatories #45 to 47, 52  
I-9-13           Energy Probe Interrogatory #13  
I-13-72 to 75, 104 IGUA Interrogatories #72 to 75, 104  
I-17-37, 42, 43, 96 School Boards' Interrogatories #37, 42, 43, 96  
I-24-28 to 33    VECC Interrogatories #28 to 33

#### **6.4 Enbridge Gas Distribution Inc.'s Energy Transaction, Reporting, Accounting and Contracting (EnTRAC) information technology project**

(No Settlement)

There is no agreement to settle this issue.

EnTRAC is a multi-year capital project proposed at a total cost of about \$19 million. While there is no consensus on the Company's proposal for EnTRAC, the parties agree that they endorse the objective of enhancing, at a reasonable cost, the information systems required to manage agreements with large volume and direct purchase customers and associated gas supply management issues.

The parties (other than CEED, which takes no position) agree that the Company's request for approval of the EnTRAC project should be the first issue (other than 2000 and 2001 DSM related issues) to be addressed in the oral hearing for this rate case. The parties agree that, in respect of this issue, the evidence will be presented, cross-examinations will be conducted and arguments will be presented before any further issues are addressed.

This issue has two main sub-issues - the justification of the project and allocation of the costs and benefits to customers. Parties agree that they will ask the Board to come to an early decision on this issue, if possible, so that the Company could

be in a position to proceed with its EnTRAC project as soon as possible, if approval is given.

The parties understand that the Company has included the cost consequences of the EnTRAC project in its calculation of the revenue deficiency which results in a reduction in the deficiency of \$1.4 million, and that as part of the overall settlement no further adjustment to this calculation will be made as a result of the Board's determination of this issue.

The evidence in relation to this issue includes the following:

A5-2-1	Rate Base - Capital Budget
A5-5-1	IT Capital Budget
A5-5-2	EnTRAC Business Case
I-1-65 to 68, 188	Board Staff Interrogatories #65 to 68, 188
I-2-40 to 55	CAC Interrogatories #40 to 55
I-4-49 to 64	CME Interrogatories #49 to 64
I-8-4	Direct Energy Interrogatory #4
I-9-14	Energy Probe Interrogatory #14
I-13-76, 105	IGUA Interrogatories #76, 105
I-15-3	OAPPA Interrogatory #3
I-17-44 to 55, 150 to 154	School Boards' Interrogatories #44 to 55, 150 to 154
I-24-34 to 38, 74	VECC Interrogatories #34 to 38, 74
I-27-11	Enbridge Gas Distribution Interrogatory of IGUA #11
L-13	Evidence of IGUA

## **6.5 Enbridge Gas Distribution Inc.'s necessary upgrades to existing hardware and software**

(Complete Settlement)

There is an agreement to settle this issue on the following basis:

The cost consequences of Enbridge Gas Distribution's proposed upgrades to existing hardware and software are subsumed by the proposed settlement of the Capital Budget in Issue 6.1.

The following parties agree with the settlement: All parties accept and agree, except for CEED and OESC, which take no position.

The evidence in relation to this issue includes the following:

A5-2-1	Rate Base - Capital Budget
A5-5-1	IT Capital Budget

A5-5-2 EnTRAC Business Case  
I-1-69, 70 Board Staff Interrogatories #69, 70  
I-2-36 to 39, 48, 56 CAC Interrogatories #36 to 39, 48, 56  
I-4-48 CME Interrogatories #48  
I-8-4 Direct Energy Interrogatory #4  
I-17-46 School Board's Interrogatory #46  
I-24-34, 35 VECC Interrogatories #34, 35

## **2003 O&M BUDGET**

### **7.1 Overall O&M levels for 2003**

(Complete Settlement)

There is an agreement to settle this issue on the following basis:

Subject to the Board's determination of the amount, if any, that is to be recorded in the 2003 Operations & Maintenance Expense Deferral Account ("2003 O&MDA") described below, the parties agree that the Company's overall O&M expense budget for the Test Year will be \$270 million plus the amounts included in the DSM O&M budget described under Issue 9.1. The parties agree that the O&M expense allowance of \$270 million is an "envelope" amount that the Company can allocate as it wishes.

An unresolved issue between the Company and intervenors pertaining to the amount of O&M expenses for 2003 to be recovered from ratepayers is the amount, if any, by which the total O&M expenses envelope of \$270 million is to be reduced to reflect the efficiency gains which intervenors say were transferred by Enbridge Gas Distribution to affiliates and then, in part, to a related party, between October 1, 1999 and September 30, 2002, being the term of the Board approved targeted performance based regulation ("TPBR") plan. The Company does not agree that the alleged efficiency gain transfers during the term of the TPBR plan are an appropriate matter to be considered by the Board in the determination of its O&M expenses to be recovered from ratepayers in the Test Year and thereafter. However, the Company does agree that if the Board does accept the intervenors' position with respect to this issue then any financial impact of the Board's determination for the Test Year is to be recorded in the 2003 O&MDA. Any amounts recorded in the 2003 O&MDA as a result of the Board's decision in this case will be credited to ratepayers at a time and in a manner to be determined by the Board. Further details pertaining to the creation of the 2003 O&MDA and the accounting methodology applicable thereto are described under Issue 10.2.

Intervenors take the position that if the issue pertaining to a deduction of transferred efficiency gains is resolved in favour of intervenors, then the Board

determined deduction amount is to be considered in a determination of the Company's overall O&M expenses allowance in the 2004 Test Year.

All parties acknowledge that the agreed upon O&M expense envelope of \$270 million covers all of the expense line items in which corporate costs allocated by Enbridge Inc. to Enbridge Gas Distribution are recorded. Accordingly, for the Test Year the cost consequences of Enbridge Inc.'s corporate cost allocations to Enbridge Gas Distribution have been settled on condition that policy issues pertaining to Enbridge Inc. corporate cost allocations to Enbridge Gas Distribution and its Intercorporate Services Agreement with Enbridge Gas Distribution remain unresolved and are to be determined in accordance with the provisions of this Settlement Proposal specified under Issue 7.43, proposed Issue 7.45, and Issue 8.1.

The intervenors have agreed to establish the 2003 O&MDA because neither the Company's affiliates nor the related party have provided the information that intervenors say is a prerequisite to a determination of the value of the alleged efficiency gain transfers. The Company believes that it has provided sufficient evidence for the Board to establish just and reasonable rates for the Test Year. Intervenors will be seeking rulings from the Board compelling production and disclosure of the requisite information from the affiliates and the related party which realized the alleged efficiency gains during the term of the TPBR, being EI, ECS, CWLP, EGS and EOS.

The Settlement of the O&M expense "envelope" and unresolved policy issues in the manner described herein is intended to facilitate the earliest possible implementation of rates.

The following parties agree with the settlement: All parties accept and agree.

The evidence in relation to this issue includes the following:

A6-1-1 2003 O&M Budget  
A6 Tabs 2 to 19 All O&M Evidence  
D1-4-1 Operating and Maintenance Expenses 2003 Budget and 2002 Estimate  
I-1-71 to 77, 79 Board Staff Interrogatories #71 to 77, 79  
I-2-3, 4, 67 to 72, 113, 114 CAC Interrogatories #3, 4, 67 to 72, 113, 114  
I-4-65, 66 CME Interrogatories #65, 66  
I-9-9 Energy Probe Interrogatory #9  
I-13-1 to 9, 55, 56, 94 to 96 IGUA Interrogatories #1 to 9, 55, 56, 94 to 96  
I-16-1, 2 Schools Interrogatories #1, 2  
I-17-17, 19, 56 to 60, 145, 147 School Boards' Interrogatories #17, 19, 56 to 60, 145, 147  
I-24-39 to 46 VECC Interrogatories #39 to 46

I-25-1 to 4, 8, 10, 11, 13, 16 to 19 Enbridge Gas Distribution Interrogatories of Dr. Bauer #1 to 4, 8, 10, 11,  
13, 16 to 19  
L-2 Evidence of Johannes Bauer  
L-13 Evidence of IGUA

## **7.2 A comparison of the budget process followed during the years 1999 - 2002 inclusive, and 2003**

(Complete Settlement)

There is an agreement to settle this issue on the following basis:

The cost consequences of this issue are covered by the settlement of Issue 7.1 on condition that the unresolved policy matters listed at Issues 7.45 and 8.1 are to be addressed in the hearing.

The following parties agree with the settlement: All parties accept and agree.

The evidence in relation to this issue includes the following:

A6-1-1 2003 O&M Budget  
I-1-73 Board Staff Interrogatory #73  
I-2-4, 113 to 115 CAC Interrogatories #4, 113 to 115  
I-3-2 to 5 CEED Interrogatories #2 to 5  
I-13-1, 2, 4 to 6, 8, 95 IGUA Interrogatories #1, 2, 4 to 6, 8, 95  
I-24-39, 40 VECC Interrogatories #39, 40

## **7.3 The expense reductions achieved during the years 1999, 2000, 2001 and 2002, and the criteria for deciding whether those expense reductions are sustainable**

(Complete Settlement)

There is an agreement to settle this issue on the following basis:

The cost consequences of this issue are covered by the settlement of Issue 7.1 on condition that the unresolved policy matters listed at Issues 7.45 and 8.1 are to be addressed in the hearing.

The following parties agree with the settlement: All parties accept and agree.

The evidence in relation to this issue includes the following:

A6-1-1            2003 O&M Budget  
A6- Tabs 2 to 19 All O&M Evidence  
I-1-75            Board Staff Interrogatory #75  
I-2-6, 67, 69 to 71, 116 CAC Interrogatories #6, 67, 69 to 71, 116  
I-4-3, 4, 121, 149 CME Interrogatories #3, 4, 121, 149  
I-13-7            IGUA Interrogatory #7  
I-16-1            Schools Interrogatory #1  
I-17-56           School Boards Interrogatory #56

**7.4 Where and how efficiency gains, and the benefits of efficiency gains, are realized in each of the years 2000, 2001 and 2002**

(Complete Settlement)

There is an agreement to settle this issue on the following basis:

The cost consequences of this issue are covered by the settlement of Issue 7.1 on condition that the unresolved policy matters listed at Issues 7.45 and 8.1 are to be addressed in the hearing.

The following parties agree with the settlement: All parties accept and agree.

The evidence in relation to this issue includes the following:

A6-1-1            2003 O&M Budget  
A6- Tabs 2 to 19 All O&M Evidence  
I-1-4, 104        Board Staff Interrogatories #4, 104  
I-2-67, 69 to 71, 117 CAC Interrogatories #67, 69 to 71, 117  
I-4-9, 58, 96    IGUA Interrogatories #9, 58, 96

**7.5 The appropriateness and evaluation of the benchmarking evidence to assess O&M costs**

(Complete Settlement)

There is an agreement to settle this issue on the following basis:

The cost consequences of this issue are covered by the settlement of Issue 7.1 on condition that the unresolved policy matters listed at Issues 7.45 and 8.1 are to be addressed in the hearing.

The following parties agree with the settlement: All parties accept and agree.

The evidence in relation to this issue includes the following:

A6-1-2	Cost per Customer
I-1-78 to 81	Board Staff Interrogatories #78 to 81
I-4-66, 67	CME Interrogatories #66, 67
I-17-60	School Boards' Interrogatory #60
I-24-46	VECC Interrogatory #46
I-25-15	Enbridge Gas Distribution Interrogatory of Dr. Bauer #15
L-2	Evidence of Dr. Johannes Bauer

## **7.6 O&M - Finance**

(Complete Settlement)

There is an agreement to settle this issue on the following basis:

The parties have agreed to settle this issue within the context of the overall settlement of all O&M issues, as described above at Issue 7.1.

The following parties agree with the settlement: All parties accept and agree.

The evidence in relation to this issue includes the following:

A6-2-1	O&M Finance
I-1-82, 83	Board Staff Interrogatories #82, 83
I-2-73 to 77	CAC Interrogatories #73 to 77
I-4-68, 69	CME Interrogatories #68, 69
I-13-10 to 12	IGUA Interrogatories #10 to 12
I-17-62, to 64	School Boards' Interrogatories #62 to 64
I-24-47	VECC Interrogatories #47

## **7.7 O&M - Engineering & Capital Appropriations Department**

(Complete Settlement)

There is an agreement to settle this issue on the following basis:

The parties have agreed to settle this issue within the context of the overall settlement of all O&M issues, as described above at Issue 7.1.

The following parties agree with the settlement: All parties accept and agree.

The evidence in relation to this issue includes the following:

A6-3-1            O&M - Engineering and Capital Appropriations  
I-1-84            Board Staff Interrogatory #84  
I-4-70, 71        CME Interrogatories #70, 71  
I-13-13           IGUA Interrogatory #13  
I-17-65 to 67    School Boards' Interrogatories #65 to 67  
I-24-47 to 50, 63 VECC Interrogatories #47 to 50, 63

## **7.8    O&M - Damage Prevention**

(Complete Settlement)

There is an agreement to settle this issue on the following basis:

The parties have agreed to settle this issue within the context of the overall settlement of all O&M issues, as described above at Issue 7.1.

The following parties agree with the settlement: All parties accept and agree.

The evidence in relation to this issue includes the following:

A6-3-2            O&M - Damage Prevention  
I-24-48           VECC Interrogatory #48

## **7.9    O&M - System Regulation**

(Complete Settlement)

There is an agreement to settle this issue on the following basis:

The parties have agreed to settle this issue within the context of the overall settlement of all O&M issues, as described above at Issue 7.1.

The following parties agree with the settlement: All parties accept and agree.

The evidence in relation to this issue includes the following:

A6-3-3            O&M - System Regulation  
I-24-49           VECC Interrogatory #49

## **7.10 O&M - Distribution Planning**

(Complete Settlement)

There is an agreement to settle this issue on the following basis:

The parties have agreed to settle this issue within the context of the overall settlement of all O&M issues, as described above at Issue 7.1.

The following parties agree with the settlement: All parties accept and agree.

The evidence in relation to this issue includes the following:

A6-3-4            O&M - Distribution Planning

## **7.11 O&M - Engineering Operations**

(Complete Settlement)

There is an agreement to settle this issue on the following basis:

The parties have agreed to settle this issue within the context of the overall settlement of all O&M issues, as described above at Issue 7.1.

The following parties agree with the settlement: All parties accept and agree.

The evidence in relation to this issue includes the following:

A6-3-5            O&M - Engineering Operations  
I-4-72, 73        CME Interrogatories #72, 73

## **7.12 O&M - Integrity Management**

(Complete Settlement)

There is an agreement to settle this issue on the following basis:

The parties have agreed to settle this issue within the context of the overall settlement of all O&M issues, as described above at Issue 7.1.

The following parties agree with the settlement: All parties accept and agree.

The evidence in relation to this issue includes the following:

A6-3-6 Integrity Management  
I-4-74 CME Interrogatory #74  
I-24-50 VECC Interrogatory #50

### **7.13 O&M - Purchasing**

(Complete Settlement)

There is an agreement to settle this issue on the following basis:

The parties have agreed to settle this issue within the context of the overall settlement of all O&M issues, as described above at Issue 7.1.

The following parties agree with the settlement: All parties accept and agree.

The evidence in relation to this issue includes the following:

A6-3-7 O&M - Purchasing  
I-4-75 CME Interrogatory #75

### **7.14 O&M - Quality Acceptance**

(Complete Settlement)

There is an agreement to settle this issue on the following basis:

The parties have agreed to settle this issue within the context of the overall settlement of all O&M issues, as described above at Issue 7.1.

The following parties agree with the settlement: All parties accept and agree.

The evidence in relation to this issue includes the following:

A6-3-8 O&M - Quality Acceptance  
I-4-76 CME Interrogatory #76

### **7.15 O&M - System Measurement**

(Complete Settlement)

There is an agreement to settle this issue on the following basis:

The parties have agreed to settle this issue within the context of the overall settlement of all O&M issues, as described above at Issue 7.1.

The following parties agree with the settlement: All parties accept and agree.

The evidence in relation to this issue includes the following:

A6-3-9            O&M System Measurement

### **7.16 O&M - Capital Appropriations and Process Quality**

(Complete Settlement)

There is an agreement to settle this issue on the following basis:

The parties have agreed to settle this issue within the context of the overall settlement of all O&M issues, as described above at Issue 7.1.

The following parties agree with the settlement: All parties accept and agree.

The evidence in relation to this issue includes the following:

A6-3-10            O&M - Business Process Solutions  
I-4-77, 78        CME Interrogatories #77, 78  
I-24-51            VECC Interrogatory #51

### **7.17 O&M - Facilities**

(Complete Settlement)

There is an agreement to settle this issue on the following basis:

The parties have agreed to settle this issue within the context of the overall settlement of all O&M issues, as described above at Issue 7.1.

The following parties agree with the settlement: All parties accept and agree.

The evidence in relation to this issue includes the following:

A6-3-11	O&M - Facilities
I-1-60	Board Staff Interrogatory #60
I-24-52	VECC Interrogatory #52

### **7.18 O&M - Environment Health and Safety**

(Complete Settlement)

There is an agreement to settle this issue on the following basis:

The parties have agreed to settle this issue within the context of the overall settlement of all O&M issues, as described above at Issue 7.1.

The following parties agree with the settlement: All parties accept and agree.

The evidence in relation to this issue includes the following:

A6-4-1	O&M - Environment, Health and Safety
A6-4-2	Environment Canada's Proposed PCB Regulations
I-1-85	Board Staff Interrogatory #85
I-13-14	IGUA Interrogatory #14

### **7.19 O&M - Customer Support**

(Complete Settlement)

There is an agreement to settle this issue on the following basis:

The parties have agreed to settle this issue within the context of the overall settlement of all O&M issues, as described above at Issue 7.1, on condition that unresolved policy matters with respect to Customer Support falling within the ambit of matters listed at Issues 7.45 and 8.1 will be addressed at the hearing.

The following parties agree with the settlement: All parties accept and agree.

The evidence in relation to this issue includes the following:

A6-5-1 O&M - Customer Support  
A6-5-2 Customer Care Service Outsourcing  
A6-5-3 Douglas Louth Associates Inc. Report  
I-1-86 to 108 Board Staff Interrogatories #86 to 108  
I-2-78 to 105 CAC Interrogatories #78 to 105  
I-4-79 to 98 CME Interrogatories #79 to 98  
I-8-5 Direct Energy Interrogatory #5  
I-11-10 to 34 HVAC Interrogatories #10 to 34  
I-13-15 to 28, 97, 98 IGUA Interrogatories #15 to 28, 97, 98  
I-16-4 to 11 Schools Interrogatories #4 to 11  
I-17-5 to 11, 68 to 73, 119 to 137, 140 to 143, 155, 156 School Boards' Interrogatories #5 to 11, 68 to 73,  
119 to 137, 140 to 143, 155, 156  
I-24-53 to 74 VECC Interrogatories #53 to 74

## 7.20 O&M - Opportunity Development

(Complete Settlement)

There is an agreement to settle this issue on the following basis:

The parties have agreed to settle this issue within the context of the overall settlement of all O&M issues, as described above at Issue 7.1.

The following parties agree with the settlement: All parties accept and agree.

The evidence in relation to this issue includes the following:

A6-6-1 O&M - Opportunity Development  
I-1-109 to 116, 130, 191 Board Staff Interrogatories #109 to 116, 130, 191  
I-2-92 CAC Interrogatory #92  
I-4-6, 106 to 108, 126, 167 CME Interrogatories #6, 106 to 108, 126, 167  
I-11-1 to 9, 35 to 42 HVAC Interrogatories #1 to 9, 35 to 42  
I-13-29, 30, 36 to 42 IGUA Interrogatories #29, 30, 36 to 42  
I-16-19, 24 Schools Interrogatories #19, 24  
I-17-74 to 77 School Boards' Interrogatories #74 to 77  
I-24-44, 95 to 97 VECC Interrogatories #44, 95 to 97

## 7.21 O&M - Market Development

(Complete Settlement)

There is an agreement to settle this issue on the following basis:

The parties have agreed to settle this issue within the context of the overall settlement of all O&M issues, as described above at Issue 7.1.

The following parties agree with the settlement: All parties accept and agree.

The evidence in relation to this issue includes the following:

A6-6-2	O&M - Market Development
I-1-117 to 119	Board Staff Interrogatories #117 to 119
I-2-89 to 91	CAC Interrogatories #89 to 91
I-4-109 to 114	CME Interrogatories #109 to 114
I-11-1, 4, 6	HVAC Interrogatories #1, 4, 6
I-17-76 to 80	School Boards' Interrogatories #76 to 80

## **7.22 O&M - Mass Markets**

(Complete Settlement)

There is an agreement to settle this issue on the following basis:

The parties have agreed to settle this issue within the context of the overall settlement of all O&M issues, as described above at Issue 7.1.

The following parties agree with the settlement: All parties accept and agree.

The evidence in relation to this issue includes the following:

A6-6-3	O&M - Mass Markets
I-1-120, 121	Board Staff Interrogatories #120, 121
I-4-115 to 117	CME Interrogatories #115 to 117
I-11-5	HVAC Interrogatory #5

## **7.23 O&M - Business Markets**

(Complete Settlement)

There is an agreement to settle this issue on the following basis:

The parties have agreed to settle this issue within the context of the overall settlement of all O&M issues, as described above at Issue 7.1.

The following parties agree with the settlement: All parties accept and agree.

The evidence in relation to this issue includes the following:

A6-6-4 O&M - Business Markets  
I-4-118 to 122 CME Interrogatories #118 to 122

## **7.24 O&M - New Construction Markets**

(Complete Settlement)

There is an agreement to settle this issue on the following basis:

The parties have agreed to settle this issue within the context of the overall settlement of all O&M issues, as described above at Issue 7.1.

The following parties agree with the settlement: All parties accept and agree.

The evidence in relation to this issue includes the following:

A6-6-5 O&M - New Construction Markets  
I-4-123 to 127 CME Interrogatories #123 to 127  
I-11-6 to 8 HVAC Interrogatories #6 to 8  
I-16-20 Schools Interrogatory #20

## **7.25 O&M - Marketing Communications**

(Complete Settlement)

There is an agreement to settle this issue on the following basis:

The parties have agreed to settle this issue within the context of the overall settlement of all O&M issues, as described above at Issue 7.1.

The following parties agree with the settlement: All parties accept and agree.

The evidence in relation to this issue includes the following:

A6-6-6 O&M - Marketing Communications  
I-4-128 CME Interrogatory #128

## **7.26 O&M - Distributed Energy**

(Complete Settlement)

There is an agreement to settle this issue on the following basis:

The parties have agreed to settle this issue within the context of the overall settlement of all O&M issues, as described above at Issue 7.1.

The following parties agree with the settlement: All parties accept and agree.

The evidence in relation to this issue includes the following:

A6-6-7	O&M - Distributed Energy
I-4-129, 130	CME Interrogatories #129, 130
I-9-15 to 18	Energy Probe Interrogatories #15 to 18
I-11-1	HVAC Interrogatory #1

## **7.27 O&M - Energy Technology**

(Complete Settlement)

There is an agreement to settle this issue on the following basis:

The parties have agreed to settle this issue within the context of the overall settlement of all O&M issues, as described above at Issue 7.1.

The following parties agree with the settlement: All parties accept and agree.

The evidence in relation to this issue includes the following:

A6-6-8	O&M - Energy Technology
I-9-19	Energy Probe Interrogatory #19
I-11-9, 39	HVAC Interrogatories #9, 39
I-16-21	Schools Interrogatory #21
I-24-98	VECC Interrogatory #98

## **7.28 O&M - Opportunity Development Support**

(Complete Settlement)

There is an agreement to settle this issue on the following basis:

The parties have agreed to settle this issue within the context of the overall settlement of all O&M issues, as described above at Issue 7.1.

The following parties agree with the settlement: All parties accept and agree.

The evidence in relation to this issue includes the following:

A6-6-9 O&M - Opportunity Development Support  
I-4-131, 132 CME Interrogatories #131, 132  
I-16-24 Schools Interrogatory #24

### **7.29 O&M - Energy Policy & Analysis**

(Complete Settlement)

There is an agreement to settle this issue on the following basis:

The parties have agreed to settle this issue within the context of the overall settlement of all O&M issues, as described above at Issue 7.1.

The following parties agree with the settlement: All parties accept and agree.

The evidence in relation to this issue includes the following:

A6-6-10 O&M - Energy Policy & Analysis  
I-1-122 to 124, 192 Board Staff Interrogatories #122 to 124, 192  
I-4-133 to 138 CME Interrogatories #133 to 138  
I-13-31, 32 IGUA Interrogatories #31, 32  
I-16-22 Schools Interrogatory #22

### **7.30 O&M - Regional Operations**

(Complete Settlement)

There is an agreement to settle this issue on the following basis:

The parties have agreed to settle this issue within the context of the overall settlement of all O&M issues, as described above at Issue 7.1.

The following parties agree with the settlement: All parties accept and agree.

The evidence in relation to this issue includes the following:

A6-7-1	O&M - Regional Operations
I-1-127, 193	Board Staff Interrogatories #127, 193
I-4-141, 142	CME Interrogatories #141, 142
I-9-9	Energy Probe Interrogatory #9
I-13-33	IGUA Interrogatory #33
I-16-3	Schools Interrogatory #3
I-17-78	School Boards' Interrogatory #78
I-24-62 to 67	VECC Interrogatories #62 to 67

### **7.31 O&M - Enbridge Gas Distribution Inc.'s proposals for NGV (Natural Gas for Vehicles) including increasing Rate 9 and discontinuing revenue imputation**

(Complete Settlement)

There is an agreement to settle this issue on the following basis (see also Issue 6.2: Depreciation Study):

The Company's forecast of O&M costs of the NGV department is accepted as filed.

The Company will charge the same depreciation rate for NGV rental cylinders (Account Number 487.90) as it does for cylinders for Company vehicles which, pursuant to the fiscal 2003 Depreciation Study, is 3.72%. This issue is discussed above in greater detail at Issue 6.2.

Enbridge Gas Distribution will increase the NGV Rate 9 by two cents per m<sup>3</sup>. The impact of these measures is that the NGV program revenue deficiency is reduced to about \$0.2 million.

Enbridge Gas Distribution agrees that revenue imputation will continue and will be in the amount of \$0.2 million for the Test Year.

The following parties agree with the settlement: All parties accept and agree, except for CEED, which takes no position.

The evidence in relation to this issue includes the following:

A6-7-2	Natural Gas for Vehicles ("NGV")
C1-4-1	NGV Program Performance 2003
C2-4-1	NGV Program Performance 2002
C3-4-1	NGV Program Performance 2001
I-1-126	Board Staff Interrogatory #126
I-2-57 to 61	CAC Interrogatories #57 to 61

I-4-143 to 145	CME Interrogatories #143 to 145
I-9-4, 10	Energy Probe Interrogatories #4, 10
I-13-34	IGUA Interrogatory #34
I-16-23	Schools Interrogatory #23
I-24-68	VECC Interrogatory #68
L-5	Evidence of Peter Zahakos (Co-Op Cabs)
L-6	Evidence of W. John Finch (NGVA)

### **7.32 O&M - Storage Operations**

(Complete Settlement)

There is an agreement to settle this issue on the following basis:

The parties have agreed to settle this issue within the context of the overall settlement of all O&M issues, as described above at Issue 7.1.

The following parties agree with the settlement: All parties accept and agree.

The evidence in relation to this issue includes the following:

A6-8-1	O&M - Gas Storage
I-1-129	Board Staff Interrogatory #129
I-4-146 to 149	CME Interrogatories #146 to 149
I-13-35	IGUA Interrogatory #35
I-24-69	VECC Interrogatory #69

### **7.33 O&M - Strategic and Key Accounts**

(Complete Settlement)

There is an agreement to settle this issue on the following basis:

The parties have agreed to settle this issue within the context of the overall settlement of all O&M issues, as described above at Issue 7.1. The parties further agree that in all future rate cases the DPAC credit amount will be separated from the O&M costs for the Strategic and Key Accounts department and presented as a component in the Other Operating Revenue line item.

The following parties agree with the settlement: All parties accept and agree.

The evidence in relation to this issue includes the following:

A6-9-1	O&M - Strategic and Key Accounts
I-1-130	Board Staff Interrogatory #130
I-2-92	CAC Interrogatory #92
I-4-150	CME Interrogatory #150
I-13-36	IGUA Interrogatory #36
I-16-26	Schools Interrogatory #26
I-17-79	School Boards' Interrogatory #79

### **7.34 O&M - Fleet and Equipment**

(Complete Settlement)

There is an agreement to settle this issue on the following basis:

The parties have agreed to settle this issue within the context of the overall settlement of all O&M issues, as described above at Issue 7.1.

The following parties agree with the settlement: All parties accept and agree.

The evidence in relation to this issue includes the following:

A6-10-1	O&M - Fleet and Equipment
I-1-131	Board Staff Interrogatory #131
I-13-37 to 39	IGUA Interrogatories #37 to 39
I-16-27	Schools Interrogatory #27
I-17-81	School Boards' Interrogatory #81
I-24-70	VECC Interrogatory #70

### **7.35 O&M - Human Resources**

(Complete Settlement)

There is an agreement to settle this issue on the following basis:

The parties have agreed to settle this issue within the context of the overall settlement of all O&M issues, as described above at Issue 7.1.

The following parties agree with the settlement: All parties accept and agree.

The evidence in relation to this issue includes the following:

A6-11-1 O&M - Human Resources  
I-1-77, 132 to 135 Board Staff Interrogatories #77, 132 to 135  
I-2-93, 94 CAC Interrogatories #93, 94  
I-4-6, 7, 151 CME Interrogatories #6, 7, 151  
I-13-40 to 42 IGUA Interrogatories #40 to 42  
I-16-25 Schools Interrogatory #25  
I-17-21, 22, 82 to 86, 88, 157, 158 School Boards' Interrogatories #21, 22, 82 to 86, 88, 157, 158  
I-24-71, 72 VECC Interrogatories #71, 72

### **7.36 O&M - Regulatory Affairs**

(Complete Settlement)

There is an agreement to settle this issue on the following basis:

The parties have agreed to settle this issue within the context of the overall settlement of all O&M issues, as described above at Issue 7.1.

The parties have also agreed to the creation of a 2003 Ontario Hearings Cost Variance Account. The Variance Account will record any variance from the \$4,460,000 budget and will include variances from the \$3 million forecast of the Board's costs charged to Enbridge Gas Distribution and costs of all Enbridge Gas Distribution rate and franchise proceedings, and generic hearings (\$1.46 million). Further details pertaining to the creation of the variance account and the accounting methodology to be applied are described under Issue 10.2.

The following parties agree with the settlement: All parties accept and agree, except for CEED, which takes no position.

The evidence in relation to this issue includes the following:

A6-12-1 O&M - Regulatory Affairs  
I-1-136 to 138 Board Staff Interrogatories #136 to 138  
I-2-95, 96 CAC Interrogatories #95, 96  
I-13-43 IGUA Interrogatory #43  
I-24-73 VECC Interrogatory #73

### **7.37 O&M - Public and Government Affairs**

(Complete Settlement)

There is an agreement to settle this issue on the following basis:

The parties have agreed to settle this issue within the context of the overall settlement of all O&M issues, as described above at Issue 7.1.

The following parties agree with the settlement: All parties accept and agree.

The evidence in relation to this issue includes the following:

A6-13-1	O&M - Public & Government Affairs
I-2-97, 105	CAC Interrogatories #97, 105
I-9-9	Energy Probe Interrogatory #9
I-34-44, 45	IGUA Interrogatories #44, 45
I-16-28	Schools Interrogatory #28

### **7.38 O&M - Law Department**

(Complete Settlement)

There is an agreement to settle this issue on the following basis:

The parties have agreed to settle this issue within the context of the overall settlement of all O&M issues, as described above at Issue 7.1.

The following parties agree with the settlement: All parties accept and agree.

The evidence in relation to this issue includes the following:

A6-14-1	O&M - Asset Protection and Law Department
I-1-139	Board Staff Interrogatory #139
I-2-98	CAC Interrogatory #98
I-4-152 to 154	CME Interrogatories #152 to 154
I-13-46	IGUA Interrogatory #46
I-16-29	Schools Interrogatory #29

### **7.39 O&M - Information Technology Department**

(Complete Settlement)

There is an agreement to settle this issue on the following basis:

The parties have agreed to settle this issue within the context of the overall settlement of all O&M issues, as described above at Issue 7.1.

The following parties agree with the settlement: All parties accept and agree.

The evidence in relation to this issue includes the following:

A6-15-1 O&M - Information Technology Department  
I-1-140 to 142 Board Staff Interrogatories #140 to 142  
I-2-99, 100 CAC Interrogatories #99, 100  
I-4-155 CME Interrogatory #155  
I-13-47 to 49, 99 IGUA Interrogatories #47 to 49, 99  
I-16-30 Schools Interrogatory #30  
I-17-58, 88, 89, 159 School Boards' Interrogatories #58, 88, 89, 159

### **7.40 O&M - Review of Enbridge Gas Distribution Inc.'s proposal to revise the Service Quality Indicators**

(Complete Settlement)

There is an agreement to settle this issue on the following basis:

The Company's evidence on Service Quality Indicators is found at A6-16-1 and A6-16-2.

Since the 2003 Rate Case is a cost of service case, and is not an incentive regulation case, the parties agree that matters pertaining to Service Quality Indicators need not be included as an issue in this rate case. The Company therefore withdraws its evidence for this issue.

The Company will discuss issues, positions and ideas related to Service Quality Indicators with interested parties as part of the Company's incentive regulation filing.

The following parties agree with the settlement: All parties accept and agree, except for CEED, which takes no position.

The evidence in relation to this issue includes the following:

A6-16-1 O&M - Service Quality Indicators  
A6-16-2 O&M - Service Quality Indicators Report for Fiscal 2002  
I-1-143, 190 Board Staff Interrogatories #143, 190  
I-4-156 to 158 CME Interrogatories #156 to 158  
I-11-25, 32 to 34 HVAC Interrogatories #25, 32 to 34  
I-16-33, 34 Schools Interrogatories #33, 34

#### **7.41 Non-Utility Elimination**

(Complete Settlement)

There is an agreement to settle this issue on the following basis:

The parties have agreed to settle this issue within the context of the overall settlement of all O&M issues, as described above at Issue 7.1.

The following parties agree with the settlement: All parties accept and agree.

The evidence in relation to this issue includes the following:

A6-17-1 Non-Utility Elimination  
I-1-144 Board Staff Interrogatory #144  
I-2-106 CAC Interrogatory #106  
I-4-159 to 163 CME Interrogatories #159 to 163  
I-13-50 IGUA Interrogatory #50  
I-16-35 Schools Interrogatory #35  
I-24-74 VECC Interrogatory #74

#### **7.42 Non-Departmental O&M Expenses**

(Complete Settlement)

There is an agreement to settle this issue on the following basis:

The parties have agreed to settle this issue within the context of the overall settlement of all O&M issues, as described above at Issue 7.1.

The following parties agree with the settlement: All parties accept and agree.

The evidence in relation to this issue includes the following:

A6-18-1	2003 Non Departmental O&M Expenses
I-1-145, 146	Board Staff Interrogatories #145, 146
I-2-101	CAC Interrogatory #101
I-13-51	IGUA Interrogatory #51
I-16-36	Schools Interrogatory #36
I-17-90	School Boards' Interrogatory #90

#### **7.43 Cost allocations to Enbridge Gas Distribution Inc. from the EI corporate office including changes in the scope of services provided**

(Complete Settlement)

There is an agreement to settle this issue on the following basis:

The cost consequences of this issue are covered by the settlement of Issue 7.1 on condition that the unresolved policy matters listed at Issues 7.45 and 8.1 are to be addressed in the hearing.

The following parties agree with the settlement: All parties accept and agree.

The evidence in relation to this issue includes the following:

A6-19-1	Cost Allocations
I-1-3, 71, 139, 141, 146 to 151, 194	Board Staff Interrogatories #3, 71, 139, 141, 146 to 151, 194
I-2-76, 94, 98, 99, 101 to 105, 107	CAC Interrogatories #76, 94, 98, 99, 101 to 105, 107
I-4-15, 152, 153, 163, 164	CME Interrogatories #15, 152, 153, 163, 164
I-13-45, 52 to 55, 100	IGUA Interrogatories #45, 52 to 55, 100
I-16-36, 37	Schools Interrogatories #36, 37
I-17-84 to 87, 90 to 94	School Boards' Interrogatories #84 to 87, 90 to 94
I-24-1, 99 to 101	VECC Interrogatories #1, 99 to 101

#### **7.44 Enbridge Gas Distribution Inc.'s O&M budget for the Distribution Plant Work and Asset Management Solution (DPWAMS) information technology project**

(Complete Settlement)

There is an agreement to settle this issue on the following basis:

The cost consequences of this issue are covered by the settlement of Issue 7.1 on condition that the unresolved policy matters listed at Issues 7.45 and 8.1 are to be addressed in the hearing.

The following parties agree with the settlement: All parties accept and agree.

The evidence in relation to this issue includes the following:

A6-7-1 O&M - Regional Operations  
A6-7-3 Work And Asset Management  
I-1-125, 128, 193 Board Staff Interrogatories #125, 128, 193  
I-2-56, 139, 140 CAC Interrogatories #56, 139, 140  
I-11-41 HVAC Interrogatory #41  
I-17-77 School Boards' Interrogatory #77  
I-24-66, 67 VECC Interrogatories #66, 67

#### **7.45 Unresolved policy aspects of specific issues relating to O&M.**

The parties propose that this issue be added to the Issues List not as a new issue but to identify the specific O&M issues which have unresolved policy components.

The parties acknowledge that the O&M "envelope" settlement described under Issue 7.1 was reached without resolving policy aspects of Issues 7.2, 7.3, 7.4, 7.5, 7.43 and 7.44. The policy aspects of these issues which arise from the expiry of TPBR and the Board's Reasons for Decision in RP-2001-0032 may have cost consequences for the setting of future rates. Accordingly, it is agreed that all parties are at liberty to examine witnesses and argue the unresolved policy aspects of the foregoing O&M issues. The issue which the parties propose to add is as follows:

7.45 Unresolved policy aspects of the following:

1. A comparison of the budget process followed during the years 1999-2002 inclusive, and 2003.
2. The expense reductions achieved during the years 1999, 2000, and 2002, and the criteria for deciding whether those expense reductions are sustainable.
3. Where and how efficiency gains, and the benefits of efficiency gains, are realized in each of the years 2000, 2001, and 2002.
4. The appropriateness and evaluation of the benchmarking evidence to assess O&M costs.
5. Cost allocations to Enbridge Gas Distribution Inc. from the EI corporate office including changes in the scope of services provided.
6. Enbridge Gas Distribution's O&M budget for the Distribution Plant Work and Asset Management Solution (DPWAMS) information technology project.

Additional policy issues relating to O&M include those subsumed under Issues 8.3 through 8.6.

The following parties agree with the settlement: All parties accept and agree.

The evidence in relation to this issue includes the following:

See evidence relating to issues 7.1 to 7.44, inclusive.

## **OUTSOURCING ARRANGEMENTS**

### **8.1 Outsourcing arrangements for 2003**

(No Settlement)

There is no agreement to settle this issue.

The evidence in relation to this issue includes the following:

A6-5-1	O&M - Customer Support
A6-5-2	Customer Care Service Outsourcing
A6-5-3	Douglas Louth Associates Inc. Report
A6-6-10	O&M – Energy Policy & Analysis
I-1-71, 72, 86, 112, 172, 180, 189	Board Staff Interrogatories #71, 72, 86, 112, 172, 180, 189
I-2-2	CAC Interrogatory #2
I-8-5	Direct Energy Interrogatory #5
I-13-57, 95	IGUA Interrogatories #57, 95
I-24-54 to 56, 58	VECC Interrogatories #54 to 56, 58
L-2	Evidence of Johannes Bauer
L-13	Evidence of IGUA

Intervenors contend that the Board should consider policy aspects of all charges paid by Enbridge Gas Distribution to affiliates and other related parties, including but not limited to Enbridge Inc., Enbridge Commercial Services, Enbridge Operational Services Inc., Enbridge Gas Services Inc., CustomerWorks Limited Partnership and CustomerWorks Inc. Certain intervenors (CAC, CME, IGUA, Schools, School Boards, VECC) contend that the policy aspects of the new Intercorporate Services Agreement with Enbridge Inc. regarding Costs Allocations ought to be considered either in the context of this issue or, alternately, under Issue 7.45. The 2003 cost consequences of these arrangements are part of the global O&M settlement described under Issue 7.1.

The Company does not agree that the Intercorporate Services Agreement with Enbridge Inc. is an “outsourcing arrangement” or is relevant to Issue 8, but the

Company agrees that if policy issues related to this Agreement are not included in Issue 8, they should be considered by the Board under Issue 7.45.

If the intervenors' position is accepted by the Board then the following further evidence is relevant to relevant to the Issue:

A6-19-1 Cost Allocations  
I-1-3, 71, 139, 141, 146 to 151, 194 Board Staff Interrogatories #3, 71, 139, 141, 146 to 151, 194  
I-2-76, 94, 98, 99, 101 to 105, 107 CAC Interrogatories #76, 94, 98, 99, 101 to 105, 107  
I-4-15, 152, 153, 163, 164 CME Interrogatories #15, 152, 153, 163, 164  
I-13-45, 52 to 55, 100 IGUA Interrogatories #45, 52 to 55, 100  
I-16-36, 37 Schools Interrogatories #36, 37  
I-17-84 to 87, 90 to 94 School Boards' Interrogatories #84 to 87, 90 to 94  
I-24-1, 99 to 101 VECC Interrogatories #1, 99 to 101

## **8.2 General policies regarding outsourcing and the pricing of such services, including the terms, conditions and monitoring of subcontractors performing utility services**

(No Settlement)

There is no agreement to settle this issue.

The evidence in relation to this issue includes the following:

A6-5-1 O&M - Customer Support  
A6-5-2 Customer Care Service Outsourcing  
A6-5-3 Douglas Louth Associates Inc. Report  
A6-6-10 O&M – Energy Policy & Analysis  
I-1-72, 105, 106, 148, 180, to 182 Board Staff Interrogatories #71, 105, 106, 148, 180 to 182  
I-13-57 IGUA Interrogatory #57  
I-17-15, 138 School Boards' Interrogatories #15, 138  
I-25-5 to 7, 9, 12, 14 Enbridge Gas Distribution Interrogatories of Dr. Bauer #5 to 7, 9, 12, 14  
I-33-1 to 3 CEED Interrogatories of Dr. Bauer #1 to 3  
L-2 Evidence of Johannes Bauer

## **8.3 Cost and other implications of Enbridge Gas Distribution Inc.'s agreements with Customer Works Limited Partnership for the provision of customer care services, including a review of the Douglas Louth report**

(No Settlement)

There is no agreement to settle this issue.

These cost and other implications relate to the Board's determination of the amount, if any, to be recorded in the 2003 O&MDA described under Issue 7.1.

The evidence in relation to this issue includes the following:

A6-5-1 O&M - Customer Support  
A6-5-2 Customer Care Service Outsourcing  
A6-5-3 Douglas Louth Associates Inc. Report  
I-1-71, 86 to 90, 92, 93, 97, 98, 102, 107 Board Staff Interrogatories #71, 86 to 90, 92, 93, 97, 98, 102, 107  
I-2-2 CAC Interrogatory #2  
I-3-2 CEED Interrogatory #2  
I-4-79 to 83, 86, 88, 90, 92 to 105, 156, 157, 159 CME Interrogatories #79 to 83, 86, 88, 90, 92 to 105, 156, 157, 159  
I-8-5 Direct Energy Interrogatory #5  
I-11-10 to 35, 40 HVAC Interrogatories #10 to 35, 40  
I-13-16 to 28, 57, 98 IGUA Interrogatories #16 to 28, 57, 98  
I-16-3 to 11, 30, 34 Schools Interrogatories #3 to 11, 30, 34  
I-17-6 to 11, 68 to 73, 119 to 137, 139, 144, 146, 161 to 163 School Boards' Interrogatories #6 to 11, 68 to 73, 119 to 137, 139, 144, 146, 161 to 163  
I-24-39, 40, 58 to 61 VECC Interrogatories #39, 40, 59 to 61  
L-2 Evidence of Johannes Bauer

#### **8.4 Cost and other implications of Enbridge Gas Distribution Inc.'s agreements with Enbridge Operational Services Inc. (EOS) for Gas Supply Operations**

(No Settlement)

There is no agreement to settle this issue.

These cost and other implications relate to the Board's determination of the amount, if any, to be recorded in the 2003 O&MDA described under Issue 7.1.

The evidence in relation to this issue includes the following:

A6-6-10 O&M - Energy Policy & Analysis  
I-1-71, 109 to 124 Board Staff Interrogatories #71, 109 to 124  
I-2-2 CAC Interrogatory #2  
I-13-31, 66 IGUA Interrogatories #31, 66

**8.5 Cost and other implications of Enbridge Gas Distribution Inc.'s agreements with Enbridge Gas Services Inc. for Gas Supply Services and Transactional Services**

(No Settlement)

There is no agreement to settle this issue.

These cost and other implications relate to the Board's determination of the amount, if any, to be recorded in the 2003 O&MDA described under Issue 7.1.

The evidence in relation to this issue includes the following:

A6-6-10 O&M - Energy Policy & Analysis  
I-1-25 to 27, 71 Board Staff Interrogatories #25 to 27, 71  
I-2-2, 18 to 21 CAC Interrogatories #2, 18 to 21  
I-3-31 CEED Interrogatory #31

**8.6 Reasonableness of O&M Expenses Enbridge Gas Distribution Inc. seeks to recover from ratepayers for services which have been outsourced initially to affiliates or related parties and then to third party service providers**

(No Settlement – See Issue 7.1)

There is an agreement to settle this issue on the following basis:

The Board will determine this issue when it determines the amount, if any, to be recorded in the 2003 O&MDA described under Issue 7.1.

The evidence in relation to this issue includes the following:

A6-5-1 O&M - Customer Support  
I-1-71 Board Staff Interrogatory #71  
I-13-57 IGUA Interrogatory #57  
L-2 Evidence of Johannes Bauer

**8.7 The implications of the Board's 2002 Test Year Decision**

(No Settlement)

There is no agreement to settle this issue.

The evidence in relation to this issue includes the following:

I-1-180 to 184 Board Staff Interrogatories #180 to 184  
I-3-25 to 31 CEED Interrogatories #25 to 31  
I-13-57, 101 IGUA Interrogatories #57, 101

## **DEMAND SIDE MANAGEMENT (DSM)**

### **9.1 Enbridge Gas Distribution Inc.'s DSM Plan for the 2003 Test Year, including the O&M budget and the volume target**

#### **A. *Volume Target***

(Partial Settlement)

There is a partial agreement to settle this issue on the following basis:

Enbridge Gas Distribution's volume target will be approximately 72.5 million cubic metres assuming a free-rider rate of 30% for custom projects. This volume target is equivalent to Enbridge Gas Distribution's original proposed volume target of 84.9 million cubic metres assuming a free-rider rate of 10% for custom projects.

The following parties agree with the settlement: Enbridge Gas Distribution, Energy Probe, GEC, HVAC, CIELAP, Pollution Probe, Schools.

The following parties do not agree with the settlement: CME, CAC, VECC and IGUA.

The following parties take no position on the issue: OESC, CEED, and School Boards.

#### **B. *O&M Budget***

(i) 2003 Rate Setting

(Complete Settlement)

All parties agree that, for the purposes of setting rates, the O&M budget for DSM for the Test Year (excluding Issue 9.3) should be set at \$10.9 million. There was no agreement on the volume target that this O&M budget was expected to achieve. The parties further agree that this issue will be contested at the hearing. To the extent that the Board determines that a higher or lower O&M budget for DSM is appropriate, any such difference will be reflected in the 2003 DSMVA. The accounting entry resulting from the Board's decision on this issue will be isolated and identified in the 2003 DSMVA, and cleared at a time and in a manner to be determined by the Board.

The following parties agree with the settlement: All parties accept and agree.

(ii) Non-Rate Setting

(Partial Settlement)

There is a partial agreement to settle the remainder of this issue on the following basis:

- In 2002 Enbridge Gas Distribution spent \$10.9 million to achieve a volume saving of 97.7 million cubic metres (assuming a 10% free-rider rate for custom projects). In 2002, 7.1 million cubic metres were saved as a result of water heater temperature setbacks in retrofit situations at zero cost, (a measure no longer available due to market saturation). Therefore the cost of achieving the remaining 90.6 million cubic metre of savings in 2002 (97.7 - 7.1 million cubic metres) was 12.03 cents per cubic metre (\$10.9 million/90.6 million cubic metres).
- Assuming a 3.3% inflation rate, a cost of 12.03 cents per cubic metre saved in 2002 is equivalent to a cost of 12.43 cents per cubic metre saved in 2003.
- Therefore a budget of at least \$10.55 million is necessary to achieve a volume target of 84.9 million cubic metres assuming a 10% free-rider rate for custom projects (84.9 million cubic metres x 12.43 cents per cubic metre) or a volume target of approximately 72.5 million cubic metres assuming a 30% free-rider rate for custom projects.
- The F2000 audit process revealed the need for enhanced DSM evaluation and tracking. There is, therefore, an agreement that a budget of \$300,000 is appropriate for this purpose.
- In summary, there is a partial agreement that the total O&M budget should be \$10.85 million, exclusive of any amount related to Issue 9.3

The following parties agree with the settlement: Enbridge Gas Distribution, Energy Probe, GEC, HVAC, CIELAP, Pollution Probe, and Schools.

The following parties do not agree with the settlement: CME, CAC, VECC and IGUA.

The following parties take no position on the issue: OESC, CEED, and School Boards.

The parties who do not agree take the position that the Board must review and determine all matters pertaining to Enbridge Gas Distribution's DSM initiatives for the 2003 Test Year and beyond.

**C. Demand Side Management Variance Account (DSMVA)**

(Partial Settlement)

There is a partial agreement to settle this issue on the following basis:

- The 2003 DSMVA will record differences between Enbridge Gas Distribution's Board-approved and actual total DSM costs. Overages in DSM costs will be subject to recovery through the DSMVA only for costs incurred to exceed the volume target. Enbridge will require Board approval to accumulate more than \$2.17 million (20% of its O&M budget of \$10.85 million) in the DSMVA.
- The agreement that recovery of overages in the DSMVA will be limited to costs incurred to exceed the volume target is conditional on the Company not being subject to a penalty if it fails to achieve its volume target. For clarity, the parties to this partial settlement agree that, if a penalty provision is imposed by the Board, the constraints set out above on the Company accessing the DSMVA to meet the target volume are removed.

The following parties agree with the settlement: Enbridge Gas Distribution, Energy Probe, GEC, HVAC, CIELAP, Pollution Probe, Schools.

The following parties disagree with the settlement: CME, CAC, VECC and IGUA.

The following parties take no position on the issue: OESC, CEED, and School Boards.

The evidence in relation to this issue includes the following:

A7-1-1 Fiscal 2003 Demand Side Management Overview and Proposal  
A7-2-1 Improvements to the DSM Framework  
A7-2-2 DSM Incentive Mechanism  
A7-3-1 to A7-3-8 Demand Side Management Plan Executive Summary and Related Evidence  
A8-3-1 Balances of Fiscal 2002 Deferral and Variance Accounts  
I-1-152 to 157 Board Staff Interrogatories #152 to 157  
I-2-62 to 66, 108 to 112 CAC Interrogatories #62 to 66, 108 to 112  
I-4-116, 168 to 278 CME Interrogatories #116, 168 to 278  
I-9-3, 24, 25 Energy Probe Interrogatory #3, 24, 25  
I-10-1 to 14 Green Energy Interrogatories #1 to 14  
I-13-78, 93, 107 IGUA Interrogatories #78, 93, 107  
I-18-1 to 7 Pollution Probe Interrogatories #1 to 7  
I-24-84 to 88, 113, 114 VECC Interrogatories #84 to 88, 113, 114

I-31-1	Pollution Probe Interrogatory of CME 31
L-4	Evidence of CME
L-9	Evidence of Norman Rubin (Energy Probe)
L-10	Evidence of Chris Neme (GEC)
L-13	Evidence of IGUA

## **9.2 Review of Shared Savings Mechanism (SSM) incentive scheme**

### **A. *Shared Savings Incentive Rate***

(Partial Settlement)

There is a partial settlement of this issue on the following basis:

- The SSM provides the Company's shareholder with a share of the DSM total resource cost (TRC) test savings in excess of the target or pivot point savings.
- In 2001 the marginal incentive rate for the SSM incentive was 0.35. In 2002 the marginal incentive rate was reduced to 0.20 for the 2002 test year only.
- In previous years the SSM was symmetrical. That is, if Enbridge Gas Distribution failed to achieve its target or pivot point level of savings, it would be subject to a penalty equal to the difference between target and actual savings times the marginal incentive rate.
- The TRC savings target for 2003 is approximately \$130 million. That is, approximately \$130 million is the value of the TRC benefits which will be realized if the Company achieves its volume target of approximately 72.5 million cubic metres assuming a 30% free-rider rate for custom projects and all actual assumptions are the same as budget.
- In order to reduce the impact to both ratepayers and shareholders, there is an agreement to: a) reduce the marginal incentive rate; and b) eliminate a penalty payment if Enbridge Gas Distribution fails to achieve its DSM TRC target.
- Specifically, there is an agreement that for 2003 the SSM incentive formula will be as follows.
  - For up to the first 10% of TRC savings over budget (up to and including 10%), the reward is 18% of those savings.

- Plus for the second 10% of TRC savings over budget (10.01% - 20%), the reward is 15% of those savings.
- Plus for the third 10% of TRC savings over budget (20.01% - 30%), the reward is 12% of those savings.
- Plus for the fourth 10% of TRC savings over budget (30.01% - 40%), the reward is 9% of those savings.
- Plus for all TRC savings that are in excess of 40% greater than budget TRC savings (greater than 40%), the reward is 6% of those savings.

There is partial agreement that the Board should hear evidence on this issue despite this settlement. The parties to this partial settlement agree to examine, through the DSM Consultative alternative shareholder incentive proposals for 2004 and beyond that may address market transformation, cost effectiveness and administrative ease. The parties to this partial settlement further agree that agreement on this issue is without prejudice to any party advocating to the Board an alternative SSM methodology or a methodology which eliminates the SSM in future rate cases.

The following parties agree with the settlement: Enbridge Gas Distribution, Energy Probe, GEC, HVAC, CIELAP, Pollution Probe, Schools.

The following parties do not agree with the settlement: CME, CAC, VECC and IGUA.

The parties who do not agree take the position that the Board must review and determine all matters pertaining to Enbridge Gas Distribution's DSM initiatives for the Test Year and beyond.

The following parties take no position on the issue: OESC, CEED and School Boards.

## **B. *Calculation of TRC Savings***

(Partial Settlement)

There is a partial agreement to settle this issue on the following basis:

- The rules for the calculation and clearance of the SSM account need to be set out clearly in advance.
- The intent of the SSM is to create a performance incentive environment where the Company will be rewarded for achieving greater TRC benefits as a result of factors

that it can influence, but not have the incentive fluctuate as a result of factors that are beyond its control.

- The SSM incentive is a function of: a) the difference between the budgeted TRC benefits and the actual TRC benefits; and b) the SSM's marginal incentive rates. For clarity, "actual TRC benefits" are defined as the updated estimate of TRC benefits resulting from the program using updated program performance data at year-end.
- For both budget and actual TRC benefit calculations the avoided gas costs will remain fixed at their original budget values.
- For budget TRC benefit calculations all the inputs will remain fixed at the values utilized in the volume budget approved by the Board except where there was a clear error in budget numbers (e.g., due to a mathematical error or inability by the Company to include updated information at the time the budget was prepared). In these exceptional cases, the most accurate information available at the time the budget was developed will be used.
- For all programmes, actual TRC benefits will be calculated using actual values for the following inputs: participants and utility programme costs.
- For prescriptive programmes, actual TRC benefits will be calculated using the budget values for: annual units savings for measures, measure lifetimes, customer incremental costs and free-rider rates.
- For custom programmes, actual TRC benefits will always be calculated using actual values for annual unit savings and customer incremental costs. Measure lives for the commonly-used commercial, industrial, agricultural and multi-family measures that have historically been called "custom measures" (which are identified in the table below) will be considered prescriptive. That is, the measure lives identified in the following table will be used for both budget and actual TRC net benefits calculations. Measure lives for efficiency measures not identified below will still be considered custom. That is, actual measure lives as estimated for a particular application not listed in the following table will be used to calculate actual TRC benefits (i.e. irrespective of what was in the budget).

Table 1: DSM Technologies and Measure Life

		Commercial	Industrial	Multi-Residential
Boiler Related				
	Boilers			
	DHW	10	na	15
	Industrial process	na	20	na
	Space heating	15	15	15
	Combustion tune-up	5	5	na
	Controls	15	15	15
	Steam pipe /tank insulation	na	15	na
	Steam trap audit	3	3	na
Building Related				
	Building envelope	25	25	25
	Windows	25	25	25
	Greenhouse curtains	na	10	na
	Double Poly greenhouse	na	5	na
HVAC Related				
	Dessicant cooling	15	na	na
	Heat Recovery	15	15	na
	Infra-red heaters	10	10	na
	Make-up Air	15	15	15
	Novitherm Panels	15	na	15

- If expected per unit costs, savings, measure lives, free ridership or other efficiency measure characteristics change as a direct result of Company-initiated changes in program design or delivery strategy, TRC net benefits will be calculated using assumptions that are consistent with such changes.
- For 2003 only, a 30% free-rider rate will be used to calculate the actual free rider rate for custom projects.
- The Company will complete its research with respect to free-rider rates for custom projects and participate with the DSM Consultative to develop a methodology for establishing actual free-rider rates for custom projects in 2004 and subsequent years.

- The Company is in the process of reviewing the technologies included in custom projects with the goal of identifying the prescriptive aspects of those technologies. The Company will present its proposals on this matter to the DSM Consultative for review.
- The results of evaluation studies and other new information that could change an input value, which becomes available after Board approval of a DSM plan, will be used to adjust the input value for the next year's DSM plan.

The following parties agree with the settlement: Enbridge Gas Distribution, Energy Probe, GEC, HVAC, CIELAP, Pollution Probe, and Schools.

The following parties do not agree with the settlement: CME, CAC, VECC and IGUA.

The parties who do not agree take the position that the Board must review and determine all matters pertaining to Enbridge Gas Distribution's DSM initiatives for the Test Year and beyond.

The following parties take no position on the issue: OESC, CEED, and School Boards.

The evidence in relation to this issue includes the following:

A7-4-1	Shared Savings Mechanism and Lost Revenue Adjustment Mechanism Proposal - Fiscal 2001
I-4-169	CME Interrogatory #169
I-9-24, 25	Energy Probe Interrogatories #24, 25
I-10-9	Green Energy Interrogatory #9
I-13-93, 107	IGUA Interrogatories #93, 107
I-16-18	Schools Interrogatory #18
I-26-2	Enbridge Gas Distribution Interrogatory of CME #2
I-28-1	Enbridge Gas Distribution Interrogatory of Energy Probe #1
I-35-3, 7, 8	GEC Interrogatories of CME #3, 7, 8
L-4	Evidence of CME
L-9	Evidence of Norman Rubin (Energy Probe)
L-10	Evidence of Chris Neme (GEC)
L-13	Evidence of IGUA

### **9.3 Review of the proposed new framework for DSM for 2003 Test Year and beyond, including the requested one-time budget amount of \$790,000**

(Partial Settlement)

There is a partial agreement to settle this issue on the following basis:

- There is agreement that a budget of \$50,000 for the development of a new/refined incentive mechanism for DSM is appropriate.
- There is agreement that a budget of \$500,000 for the development and collection of end-use market data is appropriate. This will include consideration of the benefits of DSM programmes on low income ratepayers and to identify opportunities for programme enhancements.
- There is agreement that a budget of \$30,000 for a study of North American DSM processes and results is appropriate. This study may provide assistance to the Board in its decision-making processes with respect to these issues in future years.
- There is agreement that a budget of \$20,000 is appropriate for an independent DSM meeting facilitator.

If approved by the Board, the above amounts (totalling \$600,000) will be recorded in the 2003 DSMVA. The amount of \$600,000 is in addition to the DSM O&M budget of \$10.85 million and the DSMVA amount of \$2.17 million as set out at Issue 9.1. To the extent the Board determines that any amount is approved, it will be reflected in the 2003 DSMVA and cleared at a time and in a manner determined by the Board. The amounts approved by the Board in this issue are not subject to the volume target constraint set out at Issue 9.1.

The following parties agree with the settlement: Enbridge Gas Distribution, Energy Probe, GEC, HVAC, CIELAP, Pollution Probe, and Schools.

The following parties do not agree with the settlement: CME, CAC, VECC and IGUA.

The parties who do not agree take the position that the Board must review and determine all matters pertaining to Enbridge Gas Distribution's DSM initiatives for the Test Year and beyond.

The following parties take no position on the issue: OESC, CEED, and School Boards.

The evidence in relation to this issue includes the following:

A7-1-1 Fiscal 2003 Demand Side Management Overview and Proposal  
A7-2-1 Improvements to the DSM Framework  
A7-2-2 DSM Incentive Mechanism  
A7-3-1 to A7-3-8 Demand Side Management Plan Executive Summary and Related Evidence  
I-1-154, 156 Board Staff Interrogatories #154, 156  
I-4-168, 172 to 175, 230, 236, 237, 238, 245, 246, 277 CME Interrogatories #168, 172 to 175, 230, 236, 237, 238, 245, 246, 277

L-4	Evidence of CME
L-9	Evidence of Norman Rubin (Energy Probe)
L-10	Evidence of Chris Neme (GEC)
L-13	Evidence of IGUA

## **9.4 Review of DSM Consultative Process**

(Partial Settlement)

There is a partial agreement to settle this issue on the following basis:

The parties agree that all future meetings of the Company's DSM Consultative will be conducted in accordance with the following protocol:

### **The Protocol for Enbridge Gas Distribution's DSM Consultative**

#### **Preamble**

Enbridge Gas Distribution is accountable to the Ontario Energy Board to develop and implement cost-effective DSM programmes.

#### **Purpose of Enbridge Gas Distribution's DSM Consultative**

The purpose of the DSM Consultative is to: a) provide stakeholder advice to the Company; and b) seek to achieve a consensus or a substantial consensus; with respect to:

- the development and implementation of the Company's DSM programmes;
- DSM budgets and targets;
- DSM evaluation reports and its LRAM and SSM claims;
- DSM shareholder incentive mechanisms; and
- other DSM matters.

The DSM Consultative is also responsible for the election of three members of Enbridge Gas Distribution's DSM Audit Committee.

#### **Members**

All intervenors at Enbridge Gas Distribution's most recent OEB main rates case have the right to become Consultative members.

Enbridge Gas Distribution may also invite other stakeholders to become Consultative members.

More than one representative from any intervenor organization may attend the meetings but only one representative may vote on behalf of that organization.

### **Rules of Procedure**

Enbridge Gas Distribution is responsible for the facilitation and coordination of the DSM Consultative. Where Enbridge Gas Distribution identifies the need to retain a facilitator to act on its behalf it may do so.

Enbridge Gas Distribution is responsible for producing the Consultative's minutes.

Enbridge Gas Distribution is responsible for setting the agenda for Consultative meetings. However, any member of the Consultative can suggest agenda items for Enbridge Gas Distribution's consideration.

All Consultative participants must abide by the following procedural rules:

- Participants will review all material provided for discussion prior to attending the Consultative;
- Participants will not speak out of order (as determined by the facilitator or Enbridge acting as coordinator);
- Participants will respect other participant's right to speak; and,
- Participants will request time out for side conversations and will not initiate side discussions while the consultative is in progress.

Enbridge Gas Distribution, at its sole discretion, may exclude from the Consultative any stakeholder representative who fails to act in a professional manner or treat another participant with courtesy and respect. In this circumstance, the stakeholder will have the option of assigning an alternative representative.

All members of the Consultative will make good faith attempts to achieve a consensus or substantial consensus on all DSM issues through interest based negotiations that take into account the interests of all parties. The interest based negotiations approach will move the Consultative away from the conflicted win-lose approach and will improve the opportunity for settlement.

Given that the Consultative is an advisory committee rather than a decision-making body, where a consensus or a substantial consensus on an issue cannot be achieved in a timely manner, the diverging points of view will be noted in the minutes. In absence of a

consensus, Enbridge Gas Distribution will take into account the participants' input in formulating its decisions and defend its actions through the normal regulatory process.

The following parties agree with the settlement: Enbridge Gas Distribution, Energy Probe, GEC, HVAC, CIELAP, Pollution Probe, and Schools.

The following parties do not agree with the settlement: CME, CAC, VECC and IGUA.

The parties who do not agree take the position that the Board must review and determine all matters pertaining to Enbridge Gas Distribution's DSM initiatives for the Test Year and beyond.

The following parties take no position on the issue: OESC, CEED, and School Boards.

The evidence in relation to this issue includes the following:

A7-1-1	Fiscal 2003 Demand Side Management Overview and Proposal
A7-2-1	Improvements to the DSM Framework
I-1-152, 1531	Board Staff Interrogatories #152, 153
I-2-64 to 66, 109 to 112	CAC Interrogatories #64 to 66, 109 to 112
I-4-168, 170, 176 to 181, 230, 234, 239 to 241, 277	CME Interrogatories #168, 170, 176 to 181, 230, 234, 239 to 241, 277
I-34-12	GEC Interrogatory of CME #12
I-36-1, 2	CAC Interrogatories of GEC #1, 2
I-37-1, 3	CAC Interrogatories of CME #1, 3
L-4	Evidence of CME
L-9	Evidence of Norman Rubin (Energy Probe)
L-10	Evidence of Chris Neme (GEC)
L-13	Evidence of IGUA

## **9.5 Review of the DSM Audit Process**

(Partial Settlement)

There is a partial agreement to settle this issue on the following basis:

There is an agreement that all future meetings of the Company's Audit Committee will be conducted in accordance with the following protocol:

## **The Protocol for Enbridge Gas Distribution's DSM Audit Committee**

### **Preamble**

Enbridge Gas Distribution is accountable to the Ontario Energy Board for obtaining an independent audit of its annual LRAM and SSM claims.

### **Role and Conduct of the Audit Committee**

1. The role of the Audit Committee is to:
  - Confirm the terms of reference for the independent audit;
  - Select the independent auditor;
  - Provide advice to the independent auditor with respect to the conduct of the audit;
  - Review the independent auditor's draft and final report(s);
  - Recommend appropriate LRAM and SSM claims for the Company; and
  - Deliver stated objectives within the designated timelines as indicated in the Audit Terms of Reference.
2. Enbridge Gas Distribution will coordinate the Audit Committee.
3. Enbridge Gas Distribution will set the agenda for Audit Committee meetings in consultation with the other members.
4. Enbridge Gas Distribution will produce the minutes for the Audit Committee meetings.
5. All members of the Audit Committee will make a good faith attempt to achieve a consensus or a substantial consensus on all issues through interest based negotiations that take into account the interests of all parties.
6. Given that the Audit Committee is an advisory committee rather than a decision-making body, where a consensus or a substantial consensus on an issue cannot be achieved in a timely manner, the diverging points of view will be noted in the minutes, and the Audit Committee will move on to the next agenda item.
7. In the absence of a consensus, Enbridge Gas Distribution will take into account the Audit Committee participants' input in its decision-making process and defend its actions through the normal regulatory process. Enbridge Gas Distribution will produce a report for the DSM Consultative Committee which clearly describes the various positions of Enbridge Gas Distribution and each participant.

8. All Audit Committee participants must abide by the following procedural rules:
- Participants will review all material provided for discussion prior to attending meetings; and
  - Participants will respect other participant's right to speak.

Enbridge Gas Distribution, at its sole discretion, may exclude from the Audit Committee a stakeholder representative that fails to act in a professional manner or treat another participant with courtesy and respect. In this circumstance, the stakeholder has the option of assigning an alternative representative.

### **Audit Committee Membership and Selection**

1. The Audit Committee will have four members: a) a company representative selected by Enbridge Gas Distribution; and b) three independent members selected by the DSM Consultative.
2. The three independent members will be selected annually by the non-utility members of the DSM Consultative by secret ballot. Each non-utility member of the DSM Consultative may cast up to one vote for each of his/her three preferred choices. A member that is unable to attend the voting session may give his/her voting proxy to another member. In the case of a tie vote, a run off vote will be held.

The following parties agree with the partial settlement: Enbridge Gas Distribution, GEC, CIELAP, Pollution Probe, and Schools.

The following parties do not agree with the settlement: CME, CAC, Energy Probe, VECC and IGUA.

The parties who do not agree take the position that the Board must review and determine all matters pertaining to Enbridge Gas Distribution's DSM initiatives for the Test Year and beyond.

The following parties take no position on the issue: HVAC, OESC, CEED, and School Boards.

The evidence in relation to this issue includes the following:

A7-1-1	Fiscal 2003 Demand Side Management Overview and Proposal
A7-2-1	Improvements to the DSM Framework
I-1-153	Board Staff Interrogatory #153
I-2-66, 112	CAC Interrogatories #66, 112
I-4-231, 235	CME Interrogatories #231, 235

I-9-26 to 28	Energy Probe Interrogatories #26 to 28
I-26-5	Enbridge Gas Distribution Interrogatory of CME #5
I-28-2	Enbridge Gas Distribution Interrogatory of Energy Probe #2
I-31-4, 5	Pollution Probe Interrogatories of CME #4, 5
I-32-1, 2	Pollution Probe Interrogatories of GEC #1, 2
I-34-5, 6	GEC Interrogatories of CME #5, 6
I-36-3	CAC Interrogatory of GEC #3
I-37-3	CAC Interrogatory of CME #3
L-4	Evidence of CME
L-9	Evidence of Norman Rubin (Energy Probe)
L-10	Evidence of Chris Neme (GEC)
L-13	Evidence of IGUA

## **9.6 Recovery of SSM and LRAM for 2000 and 2001(subject of Dec/2002 SSM ADR Settlement Conference)**

(Partial Settlement, reached during an ADR session held in December 2002)

There is a partial agreement to settle this issue, reached through previous discussions and negotiations. The Board has ordered that this issue will be the first issue heard in this rate case and that discussion of this issue is not required within the context of this Settlement Conference. A copy of the Board's letter on this issue, dated January 27, 2003, is attached as Appendix "A" to this Settlement Proposal.

The evidence in relation to this issue includes the following:

A7-4-1	Shared Savings Mechanism and Lost Revenue Adjustment Mechanism Proposal - Fiscal 2001
I-4-233, 278	CME Interrogatories #233, 278
I-26-1, 3, 4	Enbridge Gas Distribution Interrogatories of CME #1, 3, 4
I-30-1 to 3	Pollution Probe Interrogatories of Energy Probe #1 to 3
I-31-2, 3	Pollution Probe Interrogatories of CME #2, 3
I-34-1, 2, 8 to 11	GEC Interrogatories of CME #1, 2, 8 to 11
I-37-3	CAC Interrogatory of CME #3
L-4	Evidence of CME
L-9	Evidence of Norman Rubin (Energy Probe)
L-10	Evidence of Chris Neme (GEC)
L-13	Evidence of IGUA

## **DEFERRAL AND VARIANCE ACCOUNTS**

### **10.1 Amounts and disposition of balances in the fiscal 2002 deferral and variance accounts**

(Complete Settlement)

There is an agreement to settle this issue on the following basis:

Enbridge Gas Distribution filed a summary of the actual deferral account and variance account balances for fiscal 2002 (A8-3-1, updated 2003-03-12). The result of clearing certain of these accounts is that Enbridge Gas Distribution will credit customers \$56.997 million in principal based upon the January 31, 2003 balances, and the related interest for fiscal 2002. Interest will be calculated as of April 30, 2003, to allow for clearance of these account balances concurrent with the May 1, 2003 implementation date for new rates for the Test Year.

The balances recorded in the following deferral and variance accounts established for fiscal 2002, and the proposed clearance of such balances, are accepted by the other parties for the reasons given in the supporting evidence:

#### Non-Gas Supply Accounts

Deferred Rebate Account ("2002 DRA")  
Class Action Suit Deferral Account ("2002 CASDA")  
Independent Consultant Assessment and Report Deferral Account  
Customer Communication Plan Deferral Account ("2002 CCPDA")

#### Gas Supply Related Accounts

2002 Transactional Services Deferral Account ("2002 TSDA")  
2002 Purchased Gas Variance Account ("2002 PGVA")  
2002 Unaccounted for Gas Variance Account ("2002 UAFVA")

Enbridge Gas Distribution does not seek to clear, in the Test Year, the balances recorded in the following non-gas supply deferral and variance accounts:

#### Non-Gas Supply Accounts

Demand-Side Management Variance Account - Operating ("2002 DSMVA")  
Lost Revenue Adjustment Mechanism ("2002 LRAM")  
Shared Savings Mechanism Variance Account ("2002 SSMVA")

Issue 9.6 deals with disposition of the balances in the following accounts:

Lost Revenue Adjustment Mechanism ("2001 LRAM")  
Lost Revenue Adjustment Mechanism ("2000 LRAM")  
Shared Savings Mechanism Variance Account ("2001 SSMVA")  
Shared Savings Mechanism Variance Account ("2000 SSMVA")  
Demand Side Management Variance Account - Operating ("2001 DSMVA")

The following parties agree with the settlement: All parties accept and agree, except for CEED, which takes no position.

The evidence in relation to this issue includes the following:

A2-5-1 Transactional Services  
A8-1-1 Deferral and Variance Accounts Evidence Summary  
A8-2-1 Proposed Clearing of the 2002 Deferral and Variance Accounts  
A8-3-1 Balances of Fiscal 2002 Deferral and Variance Accounts  
I-1-158 to 163 Board Staff Interrogatories #158 to 163  
I-4-165, 166 CME Interrogatories #165, 166  
I-13-79 IGUA Interrogatory #79  
I-17-95 to 97 School Boards' Interrogatories #95 to 97  
I-24-75 VECC Interrogatory #75

**10.2 Enbridge Gas Distribution Inc.'s request to continue or establish deferral and variance accounts for fiscal 2003, including new treatments such as the 2003 Market Restructuring Deferral Account (2003 MRDA), and new variance accounts including the 2003 Disposition of Property Variance Account and the 2003 Ontario Hearing Costs Variance Account**

(Complete Settlement)

There is an agreement to settle this issue on the following basis:

Enbridge Gas Distribution's proposal to continue the following deferral and variance accounts for the Test Year, including the accounting methodology, is accepted by the other parties for the reasons given in the supporting evidence:

2003 Purchased Gas Variance Account  
2003 Union Gas Deferral Account  
2003 Unaccounted for Gas Variance Account  
2003 Deferred Rebate Account

2003 Class Action Suit Deferral Account  
2003 Debt Redemption Deferral Account  
2003 Electronic Regulatory Filings Deferral Account

The parties' proposed settlement respecting the revenue sharing methodology as it relates to amounts recorded in the 2003 TSDA is discussed under Issue 3.1. The accounting methodology to apply to the 2003 TSDA is that simple interest is to be calculated on the opening monthly balance of the account at the approved short-term debt interest rate. The balance of the account, together with carrying charges, will be disposed of in a manner to be designated by the Board in a future rate hearing.

Enbridge Gas Distribution's proposals respecting the 2003 DSMVA, 2003 SSMVA, and 2003 LRAM are considered in the context of Issues 9.1 to 9.3.

Enbridge Gas Distribution's proposal to establish the 2003 Market Restructuring Deferral Account ("2003 MRDA") for the Test Year, including the accounting methodology, is accepted by the other parties for the reasons given in the supporting evidence. The continuation is limited, however, to the prudently incurred incremental unbudgeted costs described in the evidence that are not related to the development, implementation, and operation of the Gas Distribution Access Rule ("GDAR").

On December 18, 2002, the Board issued the GDAR. The impacts of the GDAR on the Company are discussed in the evidence at A8-1-1, pp. 18-19. Enbridge Gas Distribution proposed to record any amounts related to GDAR in the 2003 MRDA. The parties support establishment of the GDAR Costs Deferral Account to ensure that the costs related to GDAR are separately identified.

Enbridge Gas Distribution agrees to establish a new 2003 GDAR Costs Deferral Account for the Test Year that will include all prudently incurred incremental unbudgeted costs associated with the development, implementation, and operation of the GDAR. Enbridge Gas Distribution proposes that such amounts would include, but not be limited to, the cost of:

- market restructuring oriented customer education and communication programs;
- legal or other expert advice that may be required by the Company to assist in the negotiation and drafting of any required contractual agreements or supporting documents; and
- developing revised business processes and related computer hardware and software that may be required to facilitate the administration of direct purchase arrangements in the manner specified in the GDAR.

The account methodology to apply to the 2003 GDAR Costs Deferral Account is that simple interest is to be calculated on the opening monthly balance of the account at the approved short-term debt interest rate. The balance of the account, together with carrying charges, will be disposed of in a manner to be designated by the Board in a future rate hearing, at which time the prudence and allocation of those costs will be considered.

As discussed at Issue 6.3 and in evidence at A8-1-1, Enbridge Gas Distribution will create a 2003 Disposition of Property Variance Account ("2003 DPVA") in order to record variances between the actual profit realized and the forecast profit of \$4.2 million on the sale of land that has been determined to be no longer required by the Company. The accounting methodology to apply to the 2003 DPVA set out in the evidence is accepted by the parties for the purposes of settlement.

As discussed at Issue 7.36, Enbridge Gas Distribution will create a 2003 Ontario Hearing Costs Variance Account to record variances from a budget of \$4,460,000 for Board costs charged to Enbridge Gas Distribution (\$3 million) and costs of all Enbridge Gas Distribution rate, franchise, and generic hearings. This Variance Account will replace the Company's proposal to establish a 2003 Generic Regulatory Hearings Account. The accounting methodology to apply to this account is that simple interest is to be calculated on the opening monthly balance at the approved short-term debt interest rate. The balance of this account, together with carrying charges, will be disposed of in a manner to be designated by the Board in a future rate hearing.

As discussed at Issue 7.1, Enbridge Gas Distribution will create a 2003 O&M Deferral Account to record amounts, if any, attributable to the Board's determination of those matters discussed at Issue 7.1. The accounting methodology to apply to this account is that simple interest is to be calculated on the opening monthly balance, if any, at the approved short-term debt interest rate. The balance of this account, together with carrying charges, if any, will be disposed of in a manner to be designated by the Board in this rate hearing.

The Company filed evidence seeking permission to establish a 2003 Manufactured Gas Plant Deferral Account ("MGPDA") which would record the costs of investigating, defending, and dealing with any claims made in respect of manufactured coal gas property contamination. The Company proposes to record in the MGPDA those costs incurred net of any monies recovered from the Company's insurers or other parties. All parties will have the opportunity to review the amounts recorded in the MGPDA when the Company proposes to clear the account. Simple interest is to be calculated on the opening monthly balance of the MGPDA at the approved short-term debt

interest rate. This proposal does not fall within the ambit of this Settlement Proposal at this time.

The following parties agree with the settlement: All parties accept and agree, except for CEED, which takes no position.

The evidence in relation to this issue includes the following:

A8-1-1	Deferral and Variance Accounts Evidence Summary
A8-2-1	Manufactured Gas Plant Deferral Account
I-1-64, 136, 158, 161, 162	Board Staff Interrogatories #64, 136, 158, 161, 162
I-13-80	IGUA Interrogatory #80
I-17-95	School Boards' Interrogatory #95
I-24-76 to 78	VECC Interrogatories #76 to 78
I-27-10	Enbridge Gas Distribution Interrogatory of IGUA #10
L-13	Evidence of IGUA

### **10.3 Review of the balance in the 2002 Unaccounted for Gas Variance Account (2002 UAFVA), including Enbridge Gas Distribution Inc.'s proposal to continue it for 2003**

(Complete Settlement)

There is an agreement to settle this issue on the following basis:

Enbridge Gas Distribution's proposal for disposition of the balance in the 2002 Unaccounted for Gas Variance Account, and for continuation of the account for the Test Year, is considered in the context of Issues 10.1 and 10.2.

The following parties agree with the settlement: All parties accept and agree, except for CEED, which takes no position.

The evidence in relation to this issue includes the following:

A2-2-4	Unaccounted for Gas
A8-1-1	Deferral and Variance Accounts Evidence Summary
A8-3-1	Balances of Fiscal 2002 Deferral and Variance Accounts
I-1-165	Board Staff Interrogatory #165

## **DEFERRED TAXES**

### **11.1 Enbridge Gas Distribution Inc.'s proposal to recover \$13 million in the "notional" utility account in the 2003 Test Year revenue requirement**

(Complete Settlement)

There is an agreement to settle this issue on the following basis:

This issue will not be addressed in the Settlement Proposal because it is the subject matter of a separate proceeding. The parties anticipate that any rate impact of this issue in the Test Year will be considered and determined in that separate proceeding and will be implemented in such manner as the Board determines to be appropriate.

The following parties agree with the settlement: All parties accept and agree.

The evidence in relation to this issue includes the following:

A9-1-1	Notional Utility Account
I-1-164	Board Staff Interrogatory #164
I-13-81	IGUA Interrogatory #81

## **RATE DESIGN**

### **12.1 Enbridge Gas Distribution Inc.'s proposed changes to Rate 135 Seasonal Overrun**

(Complete Settlement)

There is an agreement to settle this issue on the following basis:

Enbridge Gas Distribution will institute a two tiered overrun charge. Overruns in the months of December and March will be billed at 2 times the sum of the load balancing and first block delivery charge. Overruns in the months of January and February will be billed at 5 times the sum of the load balancing and first block delivery charge. The changes will be made on a prospective basis, following the implementation date of the Board's Order.

The following parties agree with the settlement: All parties accept and agree, except for CEED and Energy Probe, which take no position.

The evidence in relation to this issue includes the following:

H1-1-1	Rate Design
H1-1-2	Rate Design Proposals Update
H2-1-1	Revenue Comparison - Current vs Proposed by Rate Class and Component
H2-1-2	Proposed Volumes and Revenue Recovery by Rate Class
H2-2-1	Fiscal Year Revenue Comparison - Current vs Proposed by Rate Class
H2-3-1	Summary of Proposed Rate Change by Rate Class
I-1-166, 167	Board Staff Interrogatories #166, 167
I-13-84 to 86	IGUA Interrogatories #84 to 86
I-19-1, 9	Sithe Interrogatories #1, 9

## **12.2 Enbridge Gas Distribution Inc.'s proposed changes to Annual Minimum Bill for large volume customers**

(Complete Settlement)

There is an agreement to settle this issue on the following basis:

The Annual Minimum Bill ("AMB") charge will be derived as the sum of the load balancing charge and the delivery charge for the first block of consumption less unit variable costs. The unit variable cost reflects the forecast volume of distribution losses valued at the forecast PGVA reference price, divided by budgeted distribution volumes. The proposed annual minimum bill unit rates appear at Tab 7 in the relevant large volume rate schedules. The changes will be made on a prospective basis, following the implementation date of the Board's RP-2002-0133 Rate Order.

The following parties agree with the settlement: All parties accept and agree, except for CEED and Energy Probe, which take no position.

The evidence in relation to this issue includes the following:

H1-1-1	Rate Design
I-1-168, 169	Board Staff Interrogatories #168, 169
I-13-87 to 89, 106	IGUA Interrogatories #87 to 89, 106
I-17-113	School Boards' Interrogatory #113

### **12.3 Enbridge Gas Distribution Inc.'s proposed changes to Sale/Purchase Price for BGA balances**

(Complete Settlement)

There is an agreement to settle this issue on the following basis:

The sale/purchase prices shall reflect an average Empress price over the 12 months of the contractual year rather than a price in effect at the end of the contract year. More specifically, the average price shall be calculated based on the index price for monthly AECO/NIT supply listed in the first issue of the month of the Natural Gas Market Report published by Canadian Enerdata Ltd. and adjusted for Nova's AECO to Empress transportation tolls as well as compressor fuel costs on TransCanada. The compressor fuel costs shall be reflective of TransCanada's monthly fuel ratios as reported by TransCanada. Existing incentives around the pricing structure would remain unchanged from the existing methodology. The changes will be made on a prospective basis, following the implementation date of the Board's RP-2002-0133 Rate Order.

The following parties agree with the settlement: All parties accept and agree, except for CEED, VECC, and Energy Probe, which take no position.

The evidence in relation to this issue includes the following:

H1-1-1	Rate Design
I-1-170	Board Staff Interrogatory #170
I-8-6	Direct Energy Interrogatory #6
I-13-90, 91	IGUA Interrogatories #90, 91

### **12.4 Enbridge Gas Distribution Inc.'s proposed changes to Rate 125**

(Complete Settlement)

The parties agree to the following two changes to Rate 125:

- 1) Authorized Demand Overrun – A customer may be given authorization at anytime to exceed contract demand, at the sole discretion of the Company. However, in the case of dedicated lines, the Company will offer automatic authorization, provided that there is sufficient pipeline capacity. The authorized overrun charge is equal to the unitized demand charge of Rate 125 at a 100% load factor (i.e.,  $0.27\phi/m^3$ ).

- 2) Unaccounted for Gas – Customers on Rate 125 are currently required to provide Unaccounted for Gas equal to 1% of deliveries. This requirement will continue to apply for customers taking service off non dedicated facilities at the forecast distribution system gas loss percentage rather than a fixed percent of deliveries. This will make the requirement comparable to the costs incorporated in the bundled service rates. The difference between the forecast distribution system gas losses and the actual level of gas losses will be subject to a true-up mechanism as part of the disposition of the Unaccounted for Gas Variance Account. In the case of volumes delivered using dedicated facilities and metered at a custody transfer point, the requirement to provide unaccounted for gas is not applicable. This is because gas losses incurred after the meter have no financial impact on the Company.

The following parties agree with the settlement: All parties accept and agree, except for CEED, VECC, and Energy Probe, which take no position.

The evidence in relation to this issue includes the following:

H1-1-1	Rate Design
I-1-171 to 177	Board Staff Interrogatories #171 to 177
I-13-92	IGUA Interrogatory #92
I-19-2 to 8	Sithe Interrogatories #2 to 8
I-24-102, 103	VECC Interrogatories #102, 103

## **12.5 Enbridge Gas Distribution Inc.'s proposed changes to the Direct Purchase Administration Charge**

(Complete Settlement)

There is an agreement to settle this issue on the following basis:

The parties agree that there will be no change to the DPAC fees in the Test Year.

For the 2004 Test Year, the DPAC fees will be fully examined, in the context of the balance of the FAC study that the Company will file pursuant to the settlement of Issue 4.3, above. The parties agree that any new DPAC fees will be implemented in fiscal 2004 subject to the positions that parties may take, and determinations that the Board may make, in respect of phasing in of any increases in DPAC fees.

The following parties agree with the settlement: All parties accept and agree, except for CEED, which takes no position.

The evidence in relation to this issue includes the following:

H1-1-1	Rate Design
H1-1-2	Rate Design Proposals Update
I-1-178, 179	Board Staff Interrogatories #178, 179
I-8-3	Direct Energy Interrogatory #3
I-13-92	IGUA Interrogatory #92
I-17-80	School Boards' Interrogatory #80

## 12.6 Review of the Rate 1 and Rate 6 monthly customer charge

(Complete Settlement)

There is an agreement to settle this issue on the following basis:

For the reasons set out at H1-1-4, the parties agree to the Company's proposal to change Rate 6 to increase the Monthly Customer Charge applicable to Rate 6 from \$18 to \$22 per month. This will allow the Company to recover 50% of its allocated customer-related costs for Rate 6 customers, as opposed to its current 42% recovery rate.

The evidence explains that the allocated revenue requirement for Rate 6 would remain unchanged through this proposal. However, because the revenue recovered through Monthly Customer Charges would increase, the Delivery Charge to Rate 6 customers would be reduced by a corresponding amount.

The Company has not filed a proposal to change the Rate 1 Monthly Customer Charge.

The following parties agree with the settlement: All parties accept and agree, except for CEED and OESC, which take no position.

The evidence in relation to this issue includes the following:

G2-1-1	Fully Allocated Cost Study
H1-1-1	Rate Design
H1-1-4	2003 Rate Design Proposals
H2-1-1	Revenue Comparison - Current vs Proposed by Rate Class and Component
H2-1-2	Proposed Volumes and Revenue Recovery by Rate Class
H2-2-1	Fiscal Year Revenue comparison - Current vs Proposed by Rate Class
H2-3-1	Summary of Proposed Rate Change by Rate Class
H2-4-1	Calculation of Gas Supply Charges by Rate Class
H2-5-1	Detailed Revenue Calculations by Rate Class
H2-6-1	Rate Handbook

H2-7-1 Annual Bill Comparison  
I-1-20 Board Staff Interrogatory #20  
I-9-11, 12, 23 Energy Probe Interrogatories #11, 12, 23  
I-15-5 OAPPA Interrogatory #5  
I-17-107 to 109, 112 to 115 School Boards' Interrogatories #107 to 109, 112 to 115  
I-24-80, 103, 104 VECC Interrogatories # 80, 103, 104

**12.7 Appropriateness of existing rate classes to serve publicly-funded school boards, and in particular:**

- a. Application of multiple customer charges.**
- b. Calculation of volumes for rate purposes.**

(Complete Settlement)

The Company will establish a stakeholder process (including one representative for the School Boards and one participant representing other customer groups' interests) to review its proposal to enhance the homogeneity of Rate 6. The Company will examine relevant factors such as volumes, load profiles, customer-related capital costs, and avoided costs. The rate design structure will also be examined. The Company will file its findings in the next rate case.

In the meantime, and on an ongoing basis, the Company will work with publicly-funded school boards and their representatives to explore possible initiatives to reduce the school boards' overall energy costs. These include a) demand-side management activities; and/or b) Opportunity Development or other initiatives to shift non-gas fuel use to gas where net savings would arise. On a best efforts basis, the Company will establish a target of at least \$2 million per annum of savings to school boards through these programs when fully implemented. The \$2 million per annum savings target will include energy savings achieved to date through the Enbridge programs. The School Boards will designate a key person who will work with Enbridge to develop a plan to co-operatively deliver these energy savings. Those activities that fit within existing programs and budget will be implemented as soon as possible. Those activities that involve new programs will be proposed in the Company's next rates case.

The following parties agree with the settlement: All parties accept and agree, except for CEED, OESC, VECC, and CAC, which take no position.

The evidence in relation to this issue includes the following:

H1-1-1	Rate Design
I-17-116, 118	School Boards' Interrogatories #116, 118
I-29-1 to 9	Enbridge Gas Distribution Interrogatories to School Boards' #1 to 9
I-35-1	CAC Interrogatory of School Boards' #1
L-17	Evidence of School Boards'

## 12.8 Other Rate Design Issues

(Complete Settlement)

The parties agree to ask the Board to permit the addition of this issue to the Issues List.

The existing Capacity Repurchase Rate section of the rate schedules applicable for Rates 145, 170 and 200 stipulate that in the case of customers supplying their own gas requirements, the gas delivered by the applicant during the period of curtailment shall be purchased by the Company for the Company's use. The purchase price for such gas will be equal to the price that is reported for the month, in the first issue of the Natural Gas Market Report published by Canadian Enerdata Ltd. during the month, as the "current" "Avg." "Alberta One-Month Firm Spot Price" for "AECO 'C' and Nova Inventory Transfer" in the table entitled "Domestic spot gas prices".

All parties agree that given that customers supplying their own gas requirements are also responsible contractually to provide their own compressor fuel requirements on any given day including a day when curtailment takes place, the existing Capacity Repurchase Rate contained in the Rates 145, 170 and 200 rate schedules will be amended to include compressor fuel costs on TransCanada. The firm AECO to Empress transportation tolls as approved by the Alberta Energy and Utilities Board will also be included such that the compensation for the commodity represents a price at the Empress receipt point.

The following parties agree with the settlement: All parties accept and agree, except for CEED, OESC, and VECC, which take no position.

The evidence in relation to this issue includes the following:

H1-1-1	Rate Design (at page 6 of 8)
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## **RATE RETROACTIVITY**

### **13.1 Proposals or options to minimize rate retroactivity**

(No Settlement)

The parties may make submissions in argument to address how rate retroactivity ought to be minimized in the future.

### **13.2 Recovery and implementation, including effective date, of the retroactive portion of distribution charges.**

(Complete Settlement)

There is an agreement to settle this issue on the following basis:

The parties agree that rates shall be implemented May 1, 2003, with an effective date of October 1, 2002.

School Boards support in the context of an overall settlement on monetary issues that the rate increase be effective October 1, 2002, for implementation May 1, 2003, as a one-time result for this year only. School Boards believe that setting of rates on a retroactive basis is not appropriate, and that methods of minimizing and/or preventing retroactive rate increases should be considered by the Board for implementation with respect to the 2004 test year and beyond.

The following parties agree with the settlement: All parties accept and agree, except for CEED, which takes no position.

The evidence in relation to this issue includes the following:

A1-4-1	Purpose, Issues, and Timing
I-1-5, 10, 11	Board Staff Interrogatories #5, 10, 11
I-9-1, 20 to 22	Energy Probe Interrogatories #1, 20 to 22
I-17-18 to 20	School Boards' Interrogatories #18 to 20
L-17	Evidence of School Boards'

## **INCENTIVE REGULATION BASE ADJUSTMENTS**

### **14.1 Enbridge Gas Distribution Inc.'s request for approval in principle for one-time adjustments for:**

- **cost consequences of the separation of storage assets and activities;**
- **costs due to changes in legislation, regulation, and accounting standards; and**
- **costs recovered for projects that have a forecast benefit in the Incentive Regulation Plan period.**

(Complete Settlement)

There is an agreement to settle this issue on the following basis:

The Company's evidence on this issue is found at A1-4-3 (Incentive Regulation Base Adjustments) and A6-8-1 (Gas Storage).

Since this is a cost of service hearing, and not an incentive regulation hearing, there is no need to deal with the Company's Incentive Regulation Base Adjustments. The Company is not proceeding with its proposed separation of storage assets and activities at this time. As a result, there is no need to deal with the cost consequences of that proposal in this case.

The Company therefore withdraws its evidence on these issues and is not seeking any associated relief.

The following parties agree with the settlement: All parties accept and agree, except for OESC, which takes no position.

The evidence in relation to this issue includes the following:

A1-4-3	Incentive Regulation Base Adjustments
A5-2-1 p. 5	Rate Base - Capital Budget
A6-8-1	O&M - Gas Storage
I-1-13, 46, 47	Board Staff Interrogatories #13, 46, 47
I-2-7	CAC Interrogatory #7
I-9-2, 22	Energy Probe Interrogatories #2, 22
I-13-35	IGUA Interrogatory #35
I-24-3	VECC Interrogatory #3

## **MUNICIPAL TAXES**

### **15.1 Level of municipal taxes.**

(Complete Settlement)

There is an agreement to settle this issue on the following basis:

Enbridge Gas Distribution's forecast increase of municipal taxes to \$35.2 million in 2003 is accepted by the other parties for the reasons given in the supporting evidence, namely, that the increase is due to three main factors, being the impact of the upcoming provincial reassessment, inflationary increases to mill rates, and a higher assessable plant base.

The following parties agree with the settlement: All parties accept and agree, except for CEED and OESC, which take no position.

The evidence in relation to this issue includes the following:

D1-1-1	Cost of Service 2003 Test Year
D1-1-2	Cost of Service Comparison of Utility Cost and Expenses Budget 2003 and Estimate 2002
I-13-77	IGUA Interrogatory #77
L-13	Evidence of IGUA