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May 5, 2009

VIA COURIER AND EMAIL

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

Dear Ms. Walli:

**Re: Enbridge Gas Distribution Inc.
Year 2 of 5 Year Incentive Regulation Plan – 2008 - 2012
Ontario Energy Board File No. EB-2008-0219**

Attached please find Enbridge Gas Distribution's Settlement Proposal in Phase 2 of the 2009 Rate Adjustment Application.

Also enclosed please find a CD of the complete 2009 Rate Adjustment proceeding.

Sincerely,

A handwritten signature in blue ink that reads 'L Chiasson'.

Lorraine Chiasson

encl.

cc: Mr. F. Cass, Aird & Berlis LLP
All Interested Parties EB-2008-0219 (via email)

SETTLEMENT PROPOSAL
PHASE II

MAY 5, 2009

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PREAMBLE

This Settlement Proposal is filed with the Ontario Energy Board (the "OEB" or the "Board") in connection with Phase II of the application of Enbridge Gas Distribution Inc. ("Enbridge" or the "Company"), for an order or orders approving or fixing rates for the sale, distribution, transmission, and storage of gas for 2009. Phase II of this proceeding addresses issues from Enbridge's Application that are not directly related to the setting of rates for 2009 under Enbridge's approved incentive regulation ("IR") rate adjustment mechanism.¹

A Settlement Conference to consider Phase II issues was held on April 29 and April 30, 2009. Ken Rosenberg acted as facilitator for the Settlement Conference. This Settlement Proposal arises from the Settlement Conference and subsequent discussions.

Enbridge and the following intervenors (collectively, the "parties"), as well as Ontario Energy Board technical staff ("Board Staff"), participated in the Settlement Conference:

ASSOCIATION OF POWER PRODUCERS OF ONTARIO (APPrO)
BP CANADA ENERGY COMPANY (BP)
BUILDING OWNERS AND MANAGERS ASSOCIATION OF THE
GREATER TORONTO AREA (BOMA)
CANADIAN MANUFACTURERS & EXPORTERS (CME)
CONSUMERS COUNCIL OF CANADA (CCC)
DIRECT ENERGY MARKETING LIMITED (DE)
ECNG ENERGY LP (ECNG)
ENERGY PROBE RESEARCH FOUNDATION (Energy Probe)
INDUSTRIAL GAS USERS ASSOCIATION (IGUA)
ONTARIO ASSOCIATION OF PHYSICAL PLANT ADMINISTRATORS (OAPPA)
SCHOOL ENERGY COALITION (SEC)
SHELL ENERGY NORTH AMERICA (CANADA) INC. (Shell Energy)
TRANSCANADA PIPELINES LIMITED (TCPL)
VULNERABLE ENERGY CONSUMERS COALITION (VECC)

The Settlement Proposal deals with all of the issues listed at Appendix "B" to the Board's Procedural Order #6, dated February 17, 2009 (the "Issues List").

The description of each issue assumes that all parties participated in the negotiation of the issue, unless specifically noted below. Board Staff takes no position on any issue and, as a result, is not a party to the Settlement Proposal. BP, DE, Shell Energy and TCPL did not participate in the discovery or settlement processes of any of the settled issues (Issues 1, 2, 3, 4, 5 and 6) and therefore take no position with respect to those issues. OAPPA did not participate in the discovery or settlement processes of Issues 1,

¹ Phase I addressed the rate adjustment under Enbridge's IR rate adjustment mechanism. On December 18, 2008, the Board approved a complete settlement of all issues in Phase I.

3, 4 and 5 and therefore takes no position with respect to those issues. IGUA did not participate in the discovery or settlement processes of Issues 3 and 5 and therefore takes no position with respect to those issues.

Best efforts have been made to identify all of the evidence that relates to each settled issue. The supporting evidence for each settled issue is identified individually by reference to its exhibit number in an abbreviated format; for example, Exhibit C, Tab 1, Schedule 1 is referred to as C-1-1. Where appropriate, references are also included for the pages of the transcripts from the April 22/23, 2009 Technical Conference where issues were addressed by Enbridge and other parties. The identification and listing of the evidence that relates to each settled issue is provided to assist the Board.

The Settlement Proposal describes the agreements reached on the issues. The Settlement Proposal provides a direct link between each settled issue and the supporting evidence in the record to date. In this regard, the parties 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 agreeing with the proposed resolution of the settled issues.

The parties agree that all positions, information, documents, negotiations and discussion of any kind whatsoever which took place or were exchanged during the Settlement Conference are strictly confidential and without prejudice, and inadmissible.

According to the Board's *Settlement Conference 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 and the other parties who participated in the Settlement Conference consider that no settled issue requires an adjustment mechanism other than those expressly set forth herein.

None of the parties can withdraw from the Settlement Proposal except in accordance with Rule 32 of the *Ontario Energy Board Rules of Practice and Procedure*. Finally, unless stated otherwise, a settlement of any particular issue in this proceeding is without prejudice to the positions parties might take with respect to the same issue in future proceedings, including future proceedings during the term of Enbridge's current five year IR plan.

THE ISSUES

1 Is Enbridge's request for approval of a new deferral account to record the incremental costs of complying with new International Financial Reporting Standards (IFRS) guidelines appropriate? (Ex. C/1/2)?

All parties agree that Enbridge's request for a new deferral account for 2009 and future years to record the incremental costs of complying with new International Financial Reporting Standards (IFRS) should be determined as part of the Board's IFRS Consultation (EB-2008-0408) where issues associated with the transition to IFRS, including the recovery of associated costs, are being considered.

All parties agree that transferring the consideration of this issue to the EB-2008-0408 proceeding is done on a without prejudice basis to Enbridge's request for an IFRS Conversion Cost deferral account for 2009. No party will rely upon the transfer of this issue to the EB-2008-0408 proceeding as a basis for precluding Enbridge's request for an IFRS Conversion Cost deferral account for 2009. In all other respects, all parties will be free to take any position in respect of this issue in the EB-2008-0408 proceeding.

If after the release of a Board Report on IFRS issues, which is expected in the summer of 2009, Enbridge is of the view that a separate application for its own IFRS Conversion Cost deferral account is necessary, then Enbridge may re-file an application in respect of this issue. If this occurs, all parties will be free to take any position in that proceeding.

Evidence: The evidence in relation to this issue includes the following:

C-1-2	International Financial Reporting Standards Conversion Costs Deferral Account ("IFRSCCDA")
I-2-8	APPrO Interrogatory #8
I-3-10	BOMA Interrogatory #10
I-4-10	CME Interrogatory #10
I-7-13	VECC Interrogatory #13
I-8-9 to 11	CCC Interrogatories #9 to 11
1 Tr. 17-29 and 30-35	Evidence at April 22 nd Technical Conference (pp. 17-29 and 30-35)
TCU2.1 to 2.2	Technical Conference Undertakings 2.1 and 2.2

2 Is Enbridge's request for approval to change some of the non-energy service charges listed on Rider G appropriate? (Ex. C/1/3)

No party opposes Enbridge's request to change certain of its Rider G charges, as described in Table 1 of Ex. C-1-3.

All parties have relied on section 12.4.1 of the EB-2007-0615 Settlement Agreement, which addresses charges for non-energy services during the IRM plan period, and states as follows:

"The Parties agree that miscellaneous, regulated non-energy service charges shall be handled outside the Adjustment Formula. If Enbridge proposes any changes to the miscellaneous non-energy service charges during the term of the IR Plan, it will provide the Board with evidence that supports the change. The Parties agree to the principle that non-energy service charges should not generate incremental revenue in excess of any related incremental costs."

Evidence: The evidence in relation to this issue includes the following:

C-1-3	Schedule of Other Service Charges
I-1-10	Board Staff Interrogatory #10
I-3-11	BOMA Interrogatory #11
I-4-11 to 13	CME Interrogatories #11 to 13
I-7-14	VECC Interrogatory #14
I-11-1	IGUA Interrogatory #1
1 Tr. 39-43	Evidence at April 22 nd Technical Conference (pp. 39-43)

3 Is Enbridge's request for approval of some revisions to wording in the rate handbook in respect of late payment penalties, the "force majeure" clause, and some other areas appropriate? (Ex. C/1/4)

No party opposes Enbridge's request for approval of wording changes in the Rate Handbook, as set out at B-3-2 and C-1-4.

In respect of the proposed wording changes to the late payment penalty ("LPP") wording, Enbridge acknowledges that issues related to LPPs are being considered in the EB-2008-0150 proceeding and that, as a result of that proceeding, further changes to the wording related to LPPs may be required at a later date, depending on the Board's decision in that proceeding.

In respect of the wording on the Enbridge bill, set out in response to VECC Interrogatory #15, which provides that LPPs may be imposed on third party water heater rental charges², Enbridge agrees that it will implement changes to the bill wording, as soon as is practical after its new CIS has been implemented, so that the relevant provision will essentially read as follows:

² The current wording in this respect reads as follows :

Late Payment Charge

A late payment charge equal to 1.5% per month or 18% per annum (for an effective rate of 19.56% per annum) multiplied by a total of all unpaid charges excluding any unpaid Direct Energy Essential Home Services charges that are not rental water heater charges, will be added to your bill if full payment is not received by the late payment effective date below.

Late Payment Charge

An OEB-approved late payment charge equal to 1.5% per month or 18% per annum (for an effective rate of 19.56% per annum) multiplied by a total of all unpaid Enbridge Gas Distribution charges will be added to your bill if full payment is not received by the late payment effective date below. A late payment charge, calculated and assessed in the same manner, will also be added to your bill in respect of all other unpaid charges on your bill excluding any Direct Energy Essential Home Services charges that are not rental water heater charges.

Evidence: The evidence in relation to this issue includes the following:

B-3-2	Rate Handbook
C-1-4	2009 Rate Handbook Revisions
I-2-9 and 10	APPrO Interrogatories #9 and 10
I-4-14 to 20	CME Interrogatories #14 to 20
I-7-15	VECC Interrogatory #15
I-11-3	IGUA Interrogatory #3
1 Tr. 6-17 and 29	Evidence at April 22 nd Technical Conference (pp. 6-17 and 29 and 187-192)
TCU 2.13	Technical Conference Undertaking 2.13

4 Is Enbridge's request for approval of the discontinuation of an Alternative Dispute Resolution (ADR) commitment stemming from the EB-2006-0034 proceeding requiring the submission of an EnVision benefit report on an annual basis appropriate? (Ex. C/1/5)

Enbridge agrees to withdraw this request, and as a result all parties agree that it is not necessary for the Board to consider this issue.

Evidence: The evidence in relation to this issue includes the following:

C-1-5	EnVision update for 2006 and 2007
I-1-11	Board Staff Interrogatory #11
I-7-16	VECC Interrogatory #16
I-8-12 to 13	CCC Interrogatories #12 to 13
I-11-4	IGUA Interrogatory #4
1 Tr. 57-64 and 66-70	Evidence at April 22 nd Technical Conference (pp. 57-64 and 66-70)
TCU 2.3	Technical Conference Undertaking 2.3

5 Is Enbridge's request for approval of a revision to the GDAR IVA fee, from a percentage of the absolute value of the adjustment, to a flat transaction fee appropriate? (Ex. C/1/6)

No party opposes Enbridge's request to revise its GDAR IVA fee to a charge of 30 cents per transaction.

Evidence: The evidence in relation to this issue includes the following:

C-1-6	Gas Distribution Access Rule
I-1-12	Board Staff Interrogatory #12
I-4-21	CME Interrogatory #21
I-7-17	VECC Interrogatory #17
1 Tr. 71-73	Evidence at April 22 nd Technical Conference (pp. 71-73)

6 Is Enbridge's request for approval of an In-Franchise Title Transfer fee, to account for additional costs for the provision of this service after the new CIS software becomes operational appropriate? (Ex. C/1/7)

No party opposes Enbridge's request to charge a new In-Franchise Title Transfer ("ITT") fee to account for additional costs of providing the services. In response to suggestions made by certain stakeholders, Enbridge has agreed to modify the charge from what was proposed in evidence. Enbridge will charge an ITT fee of \$169 per transaction to apply only to the seller side of ITTs between pools with dissimilar points of acceptance (transfers from Western T-Service pools to Ontario T-Service pools, and vice versa), to be effective on the date that Enbridge's new CIS is brought into service. There will be no charge for ITTs between pools with similar points of acceptance (transfers between two Western T-Service pools and transfers between two Ontario T-Service pools). Parties agree that these changes will result in a fee structure that properly reflects the nature and drivers of the costs that Enbridge is seeking to recover.

Evidence: The evidence in relation to this issue includes the following:

C-1-7	In-Franchise Title Transfer
I-1-13 to 15	Board Staff Interrogatories #13 to 15
I-2-11	APPrO Interrogatory #11
I-4-22 to 24	CME Interrogatories #22 to 24
I-11-5	IGUA Interrogatory #5
1 Tr. 43-57 and 64-66	Evidence at April 22 nd Technical Conference (pp. 43-57 and 64-66)

7 Is Enbridge's request for approval of a change in the requirements for the contracting of upstream transportation that would require direct purchase bundled service customers to contract for firm upstream transportation appropriate? (Ex. C/1/8)

There is no settlement of this issue.

Evidence: The evidence in relation to this issue includes the following:

C-1-8	Firm Capacity on Upstream Transportation
C-1-9	Report for Enbridge Gas Distribution
	Tariff Provisions for Transportation and other Miscellaneous Provisions
C-1-10	Firm Capacity on Upstream Transportation
	Supplemental Evidence
L-7	DE evidence
L-21	TCPL Evidence
I-1-16	Board Staff Interrogatory #16
I-2-12	APPRO Interrogatory #12
I-3-12 and 13	BOMA Interrogatories #12 and 13
I-4-25 and 26	CME Interrogatories #25 and 26
I-8-14 to 16	CCC Interrogatories #14 to 16
I-9-1 to 27	DE Interrogatories #1 to 27
I-10-1 to 15	BP Canada Interrogatories #1 to 15
I-11-6 to 22	IGUA Interrogatories #6 to 22
I-12-1 to 14	Shell Energy Interrogatories #1 to 14
I-13-1 to 10	Enbridge Interrogatories of DE #1 to 10
I-14-1 to 17	DE Interrogatories of TCPL #1 to 17
I-15-1 to 7	Shell Energy Interrogatories of TCPL #1 to 7
I-16-1 to 4	TCPL Interrogatories of DE #1 to 4
I-17-1 to 3	CME Interrogatories of DE #1 to 3
I-18-1 to 7	CME Interrogatories of TCPL #1 to 7
1 Tr. 73-203	Evidence at April 22 nd Technical Conference (pp. 73-203)
TCU2.5 to 2.15	Technical Conference Undertakings 2.5 to 2.15
2 Tr 1- 66	Evidence at April 23 rd Technical Conference (pp. 1-66)
TCU 3.2 to 3.6	Technical Conference Undertakings 3.2 to 3.6

8 What should be the timing of the next IRM filing (2010 rates)?

There is no settlement of this issue. Parties agree that the issue can be addressed in written argument, and that there is no need for a witness panel to address any evidence for this issue.

Evidence: The evidence in relation to this issue includes the following:

C-1-11	Timing for EGD's 2010 Rate Adjustment Proceeding
I-1-17 to 18	Board Staff Interrogatories #17 and 18
I-3-14	BOMA Interrogatory #14
I-7-18	VECC Interrogatory #18
1 Tr. 35-37	Evidence at April 22 nd Technical Conference (pp. 35-37)