SCHEDULE A TO

DECISION

BOARD FILE NO. EB-2007-0606

Settlement Agreement

DATED JANUARY 17, 2008

EB-2007-0606

UNION GAS LIMITED

SETTLEMENT AGREEMENT

January 3, 2008

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EB-2007-0606

SETTLEMENT AGREEMENT

This Settlement Agreement ("Agreement") is for the consideration of the Ontario Energy Board ("the Board") in its determination, under Docket No. EB-2007-0606, of Calendar 2008 rates and the 2009-2012 rate-setting methodology for Union Gas Limited ("Union"). By Procedural Order No. 5 dated August 31, 2007, the Board scheduled a Settlement Conference to commence December 6, 2007. The Settlement Conference was duly convened, in accordance with Procedural Order No. 5, with Mr. Ken Rosenberg as facilitator. The Settlement Conference proceeded until December 17, 2007.

Attached as Appendix A to the Agreement is the Board's Issues List which was issued through Procedural Order No. 4 dated August 13, 2007. The Agreement identifies the issues on the Board's list for which agreement has been reached. The Agreement is supported by the evidence filed in the EB-2007-0606 proceeding.

Each of the issues (or, in some cases, parts of issues) identified below falls within one of the following three categories:

1. an issue for which there is complete settlement, because Union and all of the other parties who discussed the issue either agree with the settlement or take no position,
2. an issue for which there is partial settlement, agreed to by Union and a majority of parties but one or more parties do not agree with the settlement,
3. an issue for which there is no settlement.

For the purposes of this Agreement, the term “no position” may include both parties who were involved in negotiations on an issue but who ultimately took no position on that issue and parties who were not involved in negotiations on that issue at all.

It is acknowledged and agreed that none of the completely settled provisions of this Agreement is severable. If the Board does not, prior to the commencement of the hearing of the evidence in EB-2007-0606, accept the completely settled provisions of the Agreement in their entirety, there is no Agreement (unless the parties agree that any portion of the Agreement the Board does accept may continue as a valid Agreement).

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

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

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

The role adopted by Board Staff in Settlement Conferences is set out on page 5 of the Board's Settlement Conference Guidelines. Although Board Staff is not a party to this Agreement, as noted in the Guidelines, "Board Staff who participate in the settlement conference are bound by the same confidentiality standards that apply to parties to the proceeding".

The evidence supporting the Agreement on each issue is set out in each section of the Agreement. Abbreviations will be used when identifying exhibit references. For example, Exhibit B1, Tab 4, Schedule 1, Page 1 will be referred to as B1/T4/S1/p1. There are Appendices to the Agreement which provide further evidentiary support. The structure and presentation of the settled issues is consistent with settlement agreements which have been accepted by the Board in prior cases. The parties agree that this Agreement and the Appendices form part of the record in the proceeding.

The following parties participated in the Settlement Conference:

Association of Power Producers of Ontario ("APPrO")
Building Owners and Managers Association of the Greater Toronto Area ("BOMA")
Consumers Council of Canada ("CCC")
Coral Energy Canada Inc. ("Coral")
Enbridge Gas Distribution Inc. ("EGD")
Energy Probe Research Foundation ("Energy Probe")
Green Energy Coalition ("GEC")
Industrial Gas Users Association ("IGUA")

Jason Stacey (“Jason Stacey”)

City of Kitchener (“Kitchener”)

London Property Management Association (“LPMA”)

Ontario Association of Physical Plant Administrators (“OAPPA”)

Pollution Probe (“PP”)

Power Workers Union (“PWU”)

School Energy Coalition (“SEC”)

Sithe Global Power Goreway (“Sithe”)

The City of Timmins (“Timmins”)

TransAlta Cogeneration L.P. and TransAlta Energy Corp. (“TransAlta”)

TransCanada PipeLines Limited (“TCPL”)

Union Gas Limited (“Union”)

Vulnerable Energy Consumers Coalition (“VECC”)

Wholesale Gas Services Purchasers Group (“WGSPG”)

OVERVIEW

The parties who participated in the settlement conference which lead to this Agreement are pleased to present the result of their efforts to the Board. The Agreement is comprehensive although there are three matters that must proceed to a hearing. They are: 1) the commodity risk management (written argument only) component of Issue 14.1; 2) the treatment of customer additions under incentive regulation ("IR"), a component of Issues 5.1; and 3) whether tax changes resulting from changes to federal and/or provincial legislation and/or regulations thereunder qualify as a 2007 base rate adjustment and as a Z factor in years 2008 and beyond being a component of Issues 6.1 and 14.1. The parties to this Agreement accept that the Agreement is not contingent on the outcome of any of those contested matters.

The Board stated in the Natural Gas Forum ("NGF") Report that rate regulation should meet three objectives:

1. establish incentives for sustainable efficiency improvements that benefit customers and shareholders;
2. ensure appropriate quality of service for customers; and
3. create an environment that is conducive to investment, to the benefit of customers and shareholders.

Those parties shown as being in agreement with the resolution of the various issues in this proceeding accept that the 5 year incentive regulation plan established in this Agreement meets those objectives.

Those parties shown as being in agreement with the resolution of the various issues in this proceeding agree that this IR plan is expected to put downward pressure on Union's rates by encouraging new levels of efficiency and provide the regulatory stability needed for Union's anticipated investment in Ontario. The IR plan agreed to is intended by the parties to ensure that the benefits of new efficiencies will be shared with customers during the term of the IR plan. Further, under this agreed to IR plan, the number of deferral accounts has been reduced and the parties have agreed to minimize reliance on Y and Z factors and off ramps.

Those parties shown as being in agreement with the resolution of the various issues in this proceeding represent the major stakeholders and constituencies with an interest in Union's rates. These parties represent a wide range of sometimes competing interests who hold a wide range of sometimes competing objectives.

The evidence in this proceeding dealt with a number of complex issues, including the productivity, or X, factor. Evidence was filed by five experts on this issue, most of whom did not share the views or conclusions of the others. In this context, the totality of the evidence indicates that the components of the price cap approach likely fall within a range of reasonable results and as a consequence are probably incapable of precise determination. Different parties had different approaches to the ultimate resolution of the X factor issue. Some took no position at all. The parties who took a position, however, agree that the X factor and, indeed, the IR plan described in this Agreement, including any adjustments to base rates, are reasonable and fall within a reasonable range available on the evidence. (The derivation of the specific X factor agreed to for Union is set forth in more detail under Issue 3.1 below.)

It is for this reason that the parties agreeing with this settlement encourage the Board to accept this Agreement, in its entirety, as the basis for setting Union's rates from 2008 to 2012, subject to the resolution of the three contested items.

RESULTING RATES AND BILL IMPACTS

Union agrees to file with the Board, as soon as possible but no later than January 8, 2008, a schedule of Union's proposed rates and resulting bill impact (using the assumptions that the Board approves this Agreement and that each of the contested issues is decided in accordance with Union's proposals). The parties' acceptance of this Agreement is conditional on being satisfied, prior to the presentation of this Agreement to the Board, that the rates and resulting bill impacts are reasonably consistent with the preliminary overview of such rates and bill impacts presented during the settlement conference.

1 MULTI-YEAR INCENTIVE RATEMAKING FRAMEWORK

1.1 WHAT ARE THE IMPLICATIONS ASSOCIATED WITH A REVENUE CAP, A PRICE CAP AND OTHER ALTERNATIVE MULTI-YEAR INCENTIVE RATEMAKING FRAMEWORKS?

(Complete Settlement)

Subject to the agreement on Issue 9.1, the parties agree that a multi-year price cap framework is appropriate for Union. In light of this Agreement, the parties agree that it is unnecessary to pursue this issue further in this proceeding.

The following parties agree with the settlement of this issue: APPrO, BOMA, CCC, Energy Probe, IGUA, Jason Stacey, Kitchener, LPMA, OAPPA, SEC, Sithe, Timmins, TransAlta, Union, VECC, WGSPG.

The following parties take no position on this issue: Coral, EGD, GEC, PP, PWU, TCPL.

Evidence References:
1. B/T1p.18-20.
2. C1.1, C1.2, C3.1, C3.7, C3.14, C4.1, C4.2, C4.3, C4.4, C4.5, C4.6, C10.1, C11.1, C11.2, C11.3, C13.3, C13.8, C13.20, C15.1, C15.2, C15.5, C15.6, C17.1, C17.2, C22.1, C22.2, C22.3, C22.4, C22.6, C23.1, C23.2, C27.1, C32.12.
3. JTA.4, JTA.9, JTA.40.
4. L/T1/S2, L/T4.
5. EB-2007-0615 – B/T3/S6.

1.2 WHAT IS THE METHOD FOR INCENTIVE REGULATION THAT THE BOARD SHOULD APPROVE FOR EACH UTILITY?

(Complete Settlement)

The parties agree that a price cap framework as further delineated in this Agreement is appropriate for Union. The parties agree that the structure of the price cap index is PCI = I – X + Z + Y + AU, where I is the inflation factor, X is the productivity factor, Z represents certain non-routine adjustments, Y represents certain predetermined pass-throughs and AU is the average use factor, all as further set out in this Agreement.

The following parties agree with the settlement of this issue: APPrO, BOMA, CCC, Energy Probe, IGUA, Jason Stacey, Kitchener, LPMA, OAPPA, SEC, Sithe, Timmins, TransAlta, Union, VECC, WGSPG.

The following parties take no position on this issue: Coral, EGD, GEC, PP, PWU, TCPL.

Evidence References:
1. B/T1 p.18.
2. C13.1, C13.3, C13.8, C13.21, C13.22, C13.30, C13.31, C23.3, C23.4, C32.6, C32.12.

1.3 SHOULD WEATHER RISK CONTINUE TO BE BORNE BY THE SHAREHOLDERS, AND IF SO, WHAT OTHER ADJUSTMENTS SHOULD BE MADE?

(Complete Settlement)

Except as otherwise provided in this Agreement, the parties agree that no change needs to be made to the attribution of weather risk in this proceeding. Further, the parties have agreed that the weather methodology used to determine the degree day forecast in Union's 2007 rates will continue during the IR period. In the event that, prior to the end of the IR period, the Board institutes a rule of general application relating to degree day forecasting that produces a different degree day result, Union shall be allowed to implement such change upon rebasing, unless otherwise directed by the Board. Union agrees that it will not make any application that seeks such an order during the IR period.

The following parties agree with the settlement of this issue: APPrO, BOMA, CCC, Energy Probe, IGUA, Jason Stacey, Kitchener, LPMA, OAPPA, SEC, Sithe, Timmins, TransAlta, Union, VECC, WGSPG.

The following parties take no position on this issue: Coral, EGD, GEC, PP, PWU, TCPL.

Evidence References:
1. B/T1 p. 12-16, B/T2.
2. C1.3, C13.10, C22.5, C23.5, C23.6, C23.7, C23.8, C23.9, C23.10, C23.11, C23.12, C23.13, C23.14, C23.15.

3. L/T2.

2 INFLATION FACTOR

2.1 WHAT TYPE OF INDEX SHOULD BE USED AS THE INFLATION FACTOR (INDUSTRY SPECIFIC INDEX OR MACROECONOMIC INDEX)?

2.1.1 Which macroeconomic or industry specific index should be used?

(Complete Settlement)

The parties agree that the inflation factor to be used in Union's price cap index is the actual year over year change in the annualized average of 4 quarters (using Q2 to Q2) of Statistics Canada's Gross Domestic Product Implicit Price Index Final Domestic Demand (GDP IPI FDD). For 2008, the inflation factor calculated in this manner is 2.04%. The inflation factor will be adjusted annually on this basis, as set forth under Issue 12.1 below, with no true ups.

The following parties agree with the settlement of this issue: APPrO, BOMA, CCC, EGD, Energy Probe, IGUA, Jason Stacey, Kitchener, LPMA, OAPPA, SEC, Sithe, Timmins, TransAlta, Union, VECC, WGSPG.

The following parties take no position on this issue: Coral, GEC, PP, PWU, TCPL.

Evidence References:
1. B/T1 p.21-22, D/T1/App A.
2. C32.7.
3. L/T1/S2, L/T4/S1.

2.1.2 Should the inflation factor be based on an actual or forecast?

(Complete Settlement)

See 2.1 above.

Evidence References:
1. B/T1 p.22-23.

2.2 HOW OFTEN SHOULD THE BOARD UPDATE THE INFLATION FACTOR?

(Complete Settlement)

See 2.1 above.

Evidence References:
1. B/T1 p.23.
2. C3.10, C23.16.

2.3 SHOULD THE GAS UTILITIES ROE BE ADJUSTED IN EACH YEAR OF THE INCENTIVE REGULATION (IR) PLAN USING THE BOARD'S APPROVED ROE GUIDELINES?

(Complete Settlement)

The parties agree that, except as otherwise provided in this Agreement, the percentage return on equity already included in Union's rates of 8.54% for 2007 will not be adjusted under the Board's formula for setting ROE during the term of the incentive regulation (IR) mechanism.

The following parties agree with the settlement of this issue: APPrO, BOMA, CCC, Energy Probe, IGUA, Jason Stacey, Kitchener, LPMA, OAPPA, SEC, Sithe, Timmins, TransAlta, Union, VECC, WGSPG.

The following parties take no position on this issue: Coral, EGD, GEC, PP, PWU, TCPL.

Evidence References:
1. B/T1 p.40
2. C13.28

3 X FACTOR

3.1 HOW SHOULD THE X FACTOR BE DETERMINED?

(Complete Settlement)

The parties agree that the X factor (inclusive of any stretch factor) that will be used in Union's price cap index is fixed at 1.82% for the IR term. This is exclusive of the impact of changes in average use per customer in the general service rate classes, which is dealt with below in section 4. This X factor falls within a range of X factor values presented by various expert witnesses in these proceedings.

The following parties agree with the settlement of this issue: APPrO, BOMA, CCC, Energy Probe, IGUA, Jason Stacey, Kitchener, LPMA, OAPPA, SEC, Sithe, Timmins, TransAlta, Union, VECC, WGSPG.

The following parties take no position on this issue: Coral, EGD, GEC, PP, PWU, TCPL.

Evidence Reference:
1. B/T1 p.23-37.
2. C1.4, C1.5, C4.7, C4.8, C4.9, C13.2, C13.4, C13.7, C13.10, C13.23, C13.24, C13.25, C13.26, C13.27, C22.10, C23.17, C23.18, C23.19, C23.20, C32.8, C32.9.
3. L/T1/S2, L/T3, L/T4/S1.
4. EB-2007-0615 – B/T3/S3, B/T3/S6.

3.2 WHAT ARE THE APPROPRIATE COMPONENTS OF AN X FACTOR?

(Complete Settlement)

See 3.1 above.

Evidence Reference:
1. B/T1 p.23-24.
2. C3.13, C3.15, C4.10, C13.7, C22.9, C32.15.
3. L/T1/S2, L/T3, L/T4/S1.
4. EB-2007-0615 – B/T3/S6.

3.3 WHAT ARE THE EXPECTED COST AND REVENUE CHANGES DURING THE IR PLAN THAT SHOULD BE TAKEN INTO ACCOUNT IN DETERMINING AN APPROPRIATE X FACTOR?

(Complete Settlement)

See 3.1 above.

Evidence Reference:
1. C3.16, C22.11, C23.21, C23.22, C23.23, C23.52, C23.53, C28.1.
2. L/T1/S2, L/T4S1.

4 AVERAGE USE FACTOR

4.1 IS IT APPROPRIATE TO INCLUDE THE IMPACT OF CHANGES IN AVERAGE USE IN THE ANNUAL ADJUSTMENT?

(Complete Settlement)

The parties agree that it is appropriate during the IR term to adjust rates to reflect the impact of changes in average use per general service customer on a class by class basis. This average use adjustment is, for the term of the IR plan, only applicable to rate classes M1, M2, 01 and 10. Further, the parties agree that the way to accomplish this is to reduce the volume used to determine rates by the average of the most recent three years' actual weather normalized volume loss (using the 55/45 blended weather method, updated annually) per general service customer within each rate class. This methodology is similar to how the volume losses associated with DSM are handled when rates are determined.

Further, parties agree to establish a new deferral account to capture the variance between forecast use per customer declines (based on the three year historical average) and what is observed on an actual basis.

For 2008, the parties agree that the use per customer declines to be incorporated into rates

(subject to later true-up through the application of the deferral account) are as follows:

M1/M2 – 1.7%
R01 – 2.4%
R10 – 1.8%

An illustrative example of the M1 rate class has been provided in Appendix C.

The following parties agree with the settlement of this issue: APPrO, BOMA, CCC, Energy Probe, IGUA, Jason Stacey, Kitchener, LPMA, OAPPA, SEC, Sithe, Timmins, TransAlta, Union, VECC, WGSPG.

The following parties take no position on this issue: Coral, EGD, GEC, PP, PWU, TCPL.

Evidence Reference:
1. B/T1 p.26.
2. C13.5, C23.24, C23.25, C23.26, C23.27, C23.28, C23.29, C23.30, C23.31, C32.10.
3. JTA.14.
4. L/T1/S2, L/T3, L/T4/S1.

4.2 HOW SHOULD THE IMPACT OF CHANGES IN AVERAGE USE BE CALCULATED?

(Complete Settlement)

See 4.1 above.

Evidence Reference:
1. B/T1 p.32.
2. C1.6, C1.7, C3.11, C3.12, C3.17, C3.18, C4.11, C13.5, C32.11.
3. JTA.7, JTA.43, JTA.44, JTA.45.
4. L/T1/S2.

4.3 IF SO, HOW SHOULD THE IMPACT OF CHANGES IN AVERAGE USE BE APPLIED (E.G., TO ALL CUSTOMER RATE CLASSES EQUALLY, SHOULD IT BE DIFFERENTIATED BY CUSTOMER RATE CLASSES OR SOME OTHER MANNER)?

(Complete Settlement)

See 4.1 above and 12.3.1 below.

Evidence Reference:
1. B/T1, p. 36-37.
2. C1.8, C1.9, C13.5, C32.13, C32.14, C32.17.
3. L/T1/S2.

5 Y FACTOR

5.1 WHAT ARE THE Y FACTORS THAT SHOULD BE INCLUDED IN THE IR PLAN?

(Partial Settlement on the treatment of any temporary revenue deficiencies associated with customer additions; Complete Settlement on the remainder of the issue.)

The parties agree that identified Y factors will not be adjusted by the price cap index but will be passed through to rates.

Items that will be treated as Y factors are:

- Upstream gas costs
- Upstream transportation costs
- Incremental DSM costs (as determined in EB-2006-0021 and in any subsequent DSM proceeding) and volume reductions
- Storage margin sharing changes (as determined in EB-2005-0551)

The parties agree that the deferral accounts listed in Appendix B (including LRAM and SSM) will continue during the IR plan.

The parties further agree to the elimination of the following four deferral accounts:

Transportation Exchange Services Account (179-69)

Other S&T Services Account (179-73)

Other Direct Purchase Services Account (179-74)

Heating Value Account (179-89)

The parties agree that the disposition of Y factor amounts will be in accordance with existing Board approved allocation methods and allocators.

The following parties agree with the settlement of this part of the issue: APPrO, BOMA, CCC, Energy Probe, IGUA, Jason Stacey, Kitchener, LPMA, OAPPA, SEC, Sithe, Timmins, TransAlta, Union, VECC, WGSPG.

The following parties take no position on this part of the issue: Coral, EGD, GEC, PP, PWU, TCPL.

All parties except GEC and PP agree that there should not be a Y factor relating to customer additions during the term of the IR plan.

The following parties agree with the settlement of this part of the issue: APPrO, BOMA, CCC, Energy Probe, IGUA, Jason Stacey, Kitchener, LPMA, OAPPA, SEC, Sithe, Timmins, TransAlta, Union, VECC, WGSPG.

The following parties do not agree with the settlement of this part of the issue: GEC and PP.

The following parties take no position on this part of the issue: Coral, EGD, PWU, TCPL.

Evidence References:
1. B/T1 p.37-39.
2. C1.10, C3.19, C3.22, C4.12, C20.1, C20.2.
3. L/T1/S2, L/T3.

5.2 WHAT ARE THE CRITERIA FOR DISPOSITION?

(Complete Settlement)

See 5.1 above.

Evidence References:
1. C3.20, C3.21, C11.04.

6 Z FACTOR

6.1 WHAT ARE THE CRITERIA FOR ESTABLISHING Z FACTORS THAT SHOULD BE INCLUDED IN THE IR PLAN?

(No Settlement on whether tax changes resulting from changes to federal and/or provincial legislation and/or regulations thereunder qualify as a Z factor in years 2008 and beyond; Complete Settlement on all other aspects of the issue.)

The parties agree that Z factors generally, have to meet the criteria established in Union's evidence, i.e.,

1. the event must be causally related to an increase/decrease in cost;
2. the cost must be beyond the control of the utility's management, and not a risk for which a prudent utility would take risk mitigation steps;
3. the cost increase/decrease must not otherwise be reflected in the price cap index;
4. any cost increase must be prudently incurred; and
5. the cost increase/decrease must meet the materiality threshold of $1.5 million annually per Z factor event (i.e., the sum of all individual items underlying the Z factor event).

If a proceeding is instituted before the Board, before the term of this IR plan expires, in which changes to the methodology for determining return on equity is requested, then all parties

including Union will be free to take such positions as they consider appropriate with respect to that proceeding. Union may apply to the Board to institute such a proceeding should a change in the methodology for determining return on equity be approved or adopted by the Board. If the Board determines that a change in methodology is appropriate, then Union or any other intervenor in this proceeding may apply for determination of whether that change should be applied to Union during the term of this Agreement. All parties including Union would be free to take any position on that application, including without limitation; a) opposing the application of the change to Union during the IR period, b) proposing offsetting or complementary adjustments to Union's IR plan, revenue requirement or rates that the party considers appropriate to the circumstances, and c) taking any other positions as the party may consider relevant and the Board agrees to hear. If the Board determines after hearing such application that such ROE methodology change should be treated as a Z factor, it will operate on a prospective basis only.

The parties also agree that rate impacts specifically identified in any order of the Board related to certain intervenors' petitions to the Lieutenant Governor in Council in connection with the NGEIR Decision (EB-2006-0551) or the Board's disposition of Union's pending storage allocation proceeding (EB-2007-0725) will be treated as Z factors, subject to the materiality threshold.

Further examples of potential Z factor adjustments may include the outcome of LPP litigation, including either damages or settlement, and the incurrence of municipal permit fees. The prudence of any proposed Z factor adjustment must be determined by the Board at the time of Union's application therefor.

The following parties agree with the settlement of this issue: APPrO, BOMA, CCC, Energy Probe, IGUA, Jason Stacey, Kitchener, LPMA, OAPPA, SEC, Sithe, Timmins, TransAlta, Union, VECC, WGSPG.

The following parties take no position on this issue: Coral, EGD, GEC, PP, PWU, TCPL.

Certain parties maintain that changes in the amounts of taxes payable by Union resulting from federal and/or provincial legislation and/or regulations thereunder quality as Z factors including changes in federal tax rates and calculation rules announced in March and October of 2007. Union maintains that such tax changes are not Z factors.

All parties agree that this issue will proceed to hearing before the Board for a determination but that this Agreement will remain in full force and effect regardless of the Board's disposition of this issue.

Evidence References:
1. B/T1 p.39-41, Technical Conference, October 3, 2007, pp. 25 – 26.
2. C1.11, C1.12, C1.13, C1.14, C3.23, C3.24, C3.26, C4.13, C4.14, C4.15, C4.16, C13.28, C23.32.
3. L/T3.

6.2 SHOULD THERE BE MATERIALITY TESTS, AND IF SO, WHAT SHOULD THEY BE?

(Complete Settlement)

See 6.1 above.

Evidence References:
1. B/T1 p.40.
2. C3/C16/C33.25, C13.28, C32.20, C32.22.

7 NATURAL GAS ELECTRICITY INTERFACE REVIEW (NGEIR) DECISIONS

7.1 HOW SHOULD THE IMPACTS OF THE NGEIR DECISIONS, IF ANY, BE REFLECTED IN RATES DURING THE IR PLAN?

(Complete Settlement)

The parties agree, subject to the reservation of rights described in paragraph 6.1 of this Agreement, to Union's proposed implementation of the impacts of the NGEIR Decision.

The following parties agree with the settlement of this issue: APPrO, BOMA, CCC, Energy Probe, IGUA, Jason Stacey, Kitchener, LPMA, OAPPA, SEC, Sithe, Timmins, TransAlta, Union, VECC, WGSPG.

The following parties take no position on this issue: Coral, EGD, GEC, PP, PWU, TCPL.

Evidence References:
1. B/T1 pp.11-12 and 39, D/T1, pp.3-5.
2. C2.2, C2.3, C2.4, C9.1, C9.2, C13.16, C17.3, C22.7, C23.33, C27.2, C27.3, C27.4.
3. JTA.15, JTA.21, JTA.24, JTA.28, JTA.29, JTA.31, JTA.52.

8 TERM OF THE PLAN

8.1 WHAT IS THE APPROPRIATE PLAN TERM FOR EACH UTILITY?

(Complete Settlement)

Subject to the agreement on Issue 9.1, the parties agree that the term of the IR plan shall be 5 years, being the calendar years 2008 to 2012 inclusive.

The following parties agree with the settlement of this issue: APPrO, BOMA, CCC, EGD, Energy Probe, IGUA, Jason Stacey, Kitchener, LPMA, OAPPA, SEC, Sithe, Timmins, TransAlta, Union, VECC, WGSPG.

The following parties take no position on this issue: Coral, GEC, PP, PWU, TCPL.

Evidence References:
1. B/T1 p.16.
2. C4.17, C22.8, C23.34, C23.35, C32.4.
3. L/T3.

9 OFF-RAMPS

9.1 SHOULD AN OFF-RAMP BE INCLUDED IN THE IR PLAN?

(Complete Settlement)

The parties agree that if there is a 300 basis point or greater variance in weather normalized utility earnings above or below the amount calculated annually by the application of the Board's ROE formula in any year of the IR plan, Union will file an application to the Board, with appropriate supporting evidence, for a review of the price cap mechanism. During the course of that review, the Board may be asked to determine whether it is appropriate to continue the price cap mechanism for future years and, if so, with or without modifications. All parties including Union will be free to take such positions as they consider appropriate with respect to that application, including without limitation; a) proposing that a component of the IR Plan, including the X factor, be adjusted, b) proposing that IR plan be terminated, and c) taking any other positions as the party may consider relevant and the Board agrees to hear. Union shall file such application as soon as reasonably possible in the year following the year in which the over earnings threshold is met, unless all parties to this Agreement agree otherwise at that time.

The following parties agree with the settlement of this issue: APPrO, BOMA, CCC, Energy Probe, IGUA, Jason Stacey, Kitchener, LPMA, OAPPA, SEC, Sithe, Timmins, TransAlta, Union, VECC, WGSPG.

The following parties take no position on this issue: Coral, EGD, GEC, PP, PWU, TCPL.

Evidence References:

1. B/T1, p.42.
2. C4.18, C32.21.

9.2 IF SO, WHAT SHOULD BE THE PARAMETERS?

(Complete Settlement)

See 9.1 above.

10 EARNING SHARING MECHANISM (ESM)

10.1 SHOULD AN ESM BE INCLUDED IN THE IR PLAN?

(Complete Settlement)

The parties agree that there will be an earnings sharing mechanism, based on actual, utility earnings. If in any calendar year Union's actual utility return on equity is more than 200 basis points over the amount calculated annually by the application of the Board's ROE formula in any year of the IR plan, then such excess earnings will be shared 50/50 between Union and its customers. For the purposes of the earnings sharing mechanism, Union shall calculate its earnings using the regulatory rules prescribed by the Board from time to time, and shall not make any material changes in accounting practices that have the effect of reducing utility earnings. All revenues that would be included in revenues in a cost of service application shall be included in the earnings calculation and only those expenses (whether operating or capital) that would be allowable as deductions from earnings in a cost of service application shall be included in the earnings calculation.

Parties acknowledge that the DSM related Shared Savings Mechanism (SSM) and Lost Revenue Adjustment Mechanism (LRAM) and storage related deferral accounts are outside of the earnings sharing mechanism identified above.

The following parties agree with the settlement of this issue: APPrO, BOMA, CCC, Energy Probe, GEC, IGUA, Jason Stacey, Kitchener, LPMA, OAPPA, PP, SEC, Sithe, Timmins, TransAlta, Union, VECC, WGSPG.

The following parties take no position on this issue: Coral, EGD, PWU, TCPL.

Evidence References:
1. B/T1 p.2, 11, 46.
2. C1.15, C13.6, C15.3, C15.4, C23.36, C32.15, C32.16.
3. L/T3, L/T4/S1.

10.2 IF SO, WHAT SHOULD BE THE PARAMETERS?

(Complete Settlement)

See 10.1 above.

Evidence References:
1. C13.6.

11 REPORTING REQUIREMENTS

11.1 WHAT INFORMATION SHOULD THE BOARD CONSIDER AND STAKEHOLDERS BE PROVIDED WITH DURING THE IR PLAN?

(Complete Settlement)

Union agrees to support making its RRR filings with the Board available to intervenors. Union also agrees to prepare the following utility information annually for the most recent historical year (the exhibit numbers noted below are from Union's 2007 Rate Case (EB-2005-0520) and provide an example of the "actuals" to be filed;

1. Calculation of revenue deficiency / (sufficiency) - Exhibit F6/T1/S1;
2. Statement of utility income – Exhibit F6/T2/S1;
3. Statement of earnings before interest and taxes;

4. Summary of cost of capital – Exhibit E6/T1/S1;
5. Total weather normalized throughput volume by service type and rate class – Exhibit C6/T2/S4;
6. Total actual (non-weather normalized) throughput volumes by service type and rate class;
7. Total weather normalized gas sales revenue by service type and rate class;
8. Total actual (non-weather normalized) gas sales revenue by service type and rate class;
9. Delivery revenue by service type and rate class and service class – Exhibit C6/T2/S6;
10. Total customers by service type and rate class – Exhibit C6/T2/S3;
11. Summary revenue from regulated storage and transportation – Exhibit C6/T4/S1;
12. Other revenue – Exhibit C6/T3/S1;
13. Operating and maintenance expense by cost type – Exhibit D6/T3/S2/pl – actuals only;
14. Calculation of utility income taxes – Exhibit D6/T6/S1/pl.2;
15. Calculation of capital cost allowance – Exhibit D6/T6/S2;
16. Provision for depreciation, amortization and depletion – Exhibit D6/T4/S1/pl.2.3;
17. Capital budget analysis by function – Exhibit B1/SS2; and
18. Statement of utility rate base – Exhibit B1/SS1- actuals only.

In addition, Union agrees to prepare an earnings sharing calculation following release of its audited financial statements for the prior year. Union will file this calculation (and an application for disposition of earnings meeting the threshold, if any) as soon as reasonably possible after year

end financial results have been made public, with the intention that any rate impact be implemented no later than the time of Union's July 1 QRAM. The parties agree that stakeholders, including all parties to this proceeding, should have a reasonable opportunity to review the application and calculations, including the ability to make reasonable requests for additional information with respect thereto from Union, and to make submissions or provide comments thereon.

The following parties agree with the settlement of this issue: APPrO, BOMA, CCC, Energy Probe, IGUA, Jason Stacey, Kitchener, LPMA, OAPPA, SEC, Sithe, Timmins, TransAlta, Union, VECC, WGSPG.

The following parties take no position on this issue: Coral, EGD, GEC, PP, PWU, TCPL.

Evidence References:
1. B/T1 p.42-45.
2. C1.16, C3.30, C13.29, C15.10, C23.37, C23.38, C28.1.

11.2 WHAT SHOULD BE THE FREQUENCY OF THE REPORTING REQUIREMENTS DURING THE IR PLAN (E.G., QUARTERLY, SEMI-ANNUAL OR ANNUALLY)?

(Complete Settlement)

See 11.1 above.

Evidence References:
1. B/T1 p.42-45.

11.3 WHAT SHOULD BE THE PROCESS AND THE ROLE OF THE BOARD AND STAKEHOLDERS?

(Complete Settlement)

See 11.1 above.

Evidence References:
1. B/T1 pp. 42-45

12 RATE-SETTING PROCESS

12.1 ANNUAL ADJUSTMENT

12.1.1 What should be the information requirements?

(Complete Settlement)

The parties agree that annual rate adjustments will be made in accordance with the following process:

1. Union will make application for Z factor adjustments, any structural rate design changes or the pricing of new regulated services in a time frame that will enable these issues to be resolved in sufficient time to be reflected prospectively in the next year's rates;
2. Union will file a draft rate order with supporting documentation by October 31 which reflects the impact of the PCI pricing formula, Y factors, Z factors, fixed monthly charge changes, and AU factor;
3. A final rate order will be issued by December 15 for implementation by January 1; and
4. As soon as reasonably possible following the public release of Union's annual audited financial statements, Union will make application (as it does now) for disposition of actual year end deferral account balances. (This would coincide with the filing of an annual earnings sharing calculation as described in section 11.1). It would be Union's intent to

implement all rate adjustments associated with deferral account disposition at the time of its July 1 QRAM.

The following parties agree with the settlement of this issue: APPrO, BOMA, CCC, Energy Probe, IGUA, Jason Stacey, Kitchener, LPMA, OAPPA, SEC, Sithe, Timmins, TransAlta, Union, VECC, WGSPG.

The following parties take no position on this issue: Coral, EGD, GEC, PP, PWU, TCPL.

Evidence Reference:
1. D/T1, D/T2, D/T3.
2. C1.17, C17.5, C28.2.
3. JTA.20, JTA.30, JTA.33, JTA.34.

12.1.2 What should be the process, the timing, and the role of the stakeholders?

(Complete Settlement)

See 12.1.1 above.

Evidence References:
1. B/T1 p.44.
2. C17.8.

12.2 NEW ENERGY SERVICES

12.2.1 What should be the criteria to implement a new energy service?

(Complete Settlement)

Union agrees that all new regulated energy services will require Board approval. Accordingly, Union will make application, on notice with supporting material, for all new regulated energy services.

The following parties agree with the settlement of this issue: APPrO, BOMA, CCC, Coral, Energy Probe, IGUA, Jason Stacey, Kitchener, LPMA, OAPPA, SEC, Sithe, Timmins, TransAlta, Union, VECC, WGSPG.

The following parties take no position on this issue: EGD, GEC, PP, PWU, TCPL.

Evidence References:
1. C2.1, C5.1, C13.9.

12.2.2 What should be the information requirements for a new energy service?

(Complete Settlement)

See 12.2.1 above.

12.3 CHANGES IN RATE DESIGN

12.3.1 What should be the criteria for changes in rate design?

(Complete Settlement)

Union proposed that it have certain flexibility to adjust rate design, including in particular adjustments to the fixed/variable rate structure in some rate classes during the IR period. In place of that proposal the parties have agreed that after rates (fixed monthly/demand, volumetric and fuel ratios) are adjusted to reflect the impact of the PCI pricing formula, Y factors and Z factors as otherwise set out in this Agreement, no other adjustments will be made except for the following further adjustments to be made on a revenue neutral basis as follows:

a) The fixed monthly charge in the Rate 01 and M1 rate classes shall increase by a total of $1.00 per month in each year of the 5 year term irrespective of the impacts of the other adjustments referenced elsewhere in this Agreement. The fixed monthly charge in the Rate 01 and M1 rate classes will be $17.00 in 2008, $18.00 in 2009, $19.00 in 2010, $20.00 in 2011, and $21.00 in 2012.

b) The fixed monthly charge in the Rate 10 and M2 rate classes shall not increase during the 5 year term.

The parties acknowledge that the offset to fixed monthly/demand charge changes is the volumetric charges in Rates M1, M2, 01 and 10. The parties agree that changes made to volumetric charges should generally be done proportionately to the revenue recovered through each block, unless that produces inappropriate block relationships. In making adjustments to volumetric charges, Union will be mindful of the resulting rate impact on low volume consumers.

Rates M1, M2, 01 and 10 will then be adjusted by the AU factor as explained in 4.1 above.

An illustrative example of the M1 rate class has been provided as Appendix C.

All other rate design changes that Union wishes to implement shall be the subject of a specific application to the Board, with supporting evidence justifying the change, and shall not be implemented until the Board has approved the changes.

The following parties agree with the settlement of this issue: APPrO, BOMA, CCC, Energy Probe, IGUA, Jason Stacey, Kitchener, LPMA, OAPPA, SEC, Sithe, Timmins, TransAlta, Union, VECC, WGSPG.

The following parties take no position on this issue: Coral, EGD, PWU, TCPL.

GEC and PP do not support the proposed increases to the fixed monthly customer charges but will not pursue this issue in the proceeding.

Evidence Reference:
1. B/T1 p.17.
2. C3.4, C3.5, C3.6, C4.19, C4.20, C11.5, C13.9, C13.17, C17.6, C32.5.
3. JTA.11, JTA.48, JTA.49.

12.3.2 How should the change in the rate design be implemented?

(Complete Settlement)

See 12.3.1 above.

Evidence References:
1. C1.21, C1.22, C17.7.

12.3.3 What should be the information requirements for a change in rate design?

(Complete Settlement)

See 12.3.1 above.

Evidence References:
1. C13.15, C13.19, C17.4, C23.39, C23.40, C23.41, C23.42.

12.4 NON-ENERGY SERVICES

12.4.1 Should the charges for these services be included in the IR mechanism?

(Complete Settlement)

Parties agree that miscellaneous non-energy service charges shall be outside of the price cap formula. If Union requires any changes to its miscellaneous non-energy service charges during the IR term, Union 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.

Union agrees that all new regulated non-energy services will require Board approval.

Accordingly, Union will make application on notice with supporting material, for all new regulated non-energy services.

The following parties agree with the settlement of this issue: APPrO, BOMA, CCC, Coral, Energy Probe, IGUA, Jason Stacey, Kitchener, LPMA, OAPPA, SEC, Sithe, Timmins, TransAlta, Union, VECC, WGSPG.

The following parties take no position on this issue: EGD, GEC, PP, PWU, TCPL.

Evidence References:
1. C3.8, C5.1.

12.4.2 If not, what should be the criteria for adjusting these charges?

(Complete Settlement)

See 12.4.1 above.

Evidence References:
1. C3.29, C5.1.

12.4.3 What should be the criteria to implement new non-energy services?

(Complete Settlement)

See 12.4.1 above.

Evidence References:
1. C5.1.

12.4.4 What should be the information requirements for new non-energy services?

(Complete Settlement)

See 12.4.1 above.

Evidence Reference:
1. C4.21, C23.43.

13 REBASING

13.1 WHAT INFORMATION SHOULD THE BOARD CONSIDER AND STAKEHOLDERS BE PROVIDED WITH AT THE TIME OF REBASING?

(Complete Settlement)

Union agrees (subject to any subsequent agreement of all parties to the contrary) to provide a full cost of service filing (Phase I & II) at the time of rebasing, regardless of whether Union applies to set rates for 2013 on a cost of service basis or not.

Parties agree that the Board's minimum filing guidelines provide sufficient information to rebase. At the time of rebasing, Union will provide 2011 actual, 2012 bridge and 2013 forecast information. In addition, Union will provide historical plant continuity information for 2006, 2007, 2008, 2009 and 2010 similar to the information provided in the EB-2005-0520 proceeding at B6/T1 & T2/S 1 – 5.

The following parties agree with the settlement of this issue: APPrO, BOMA, CCC, Energy Probe, IGUA, Jason Stacey, Kitchener, LPMA, OAPPA, SEC, Sithe, Timmins, TransAlta, Union, VECC, WGSPG.

The following parties take no position on this issue: Coral, EGD, GEC, PP, PWU, TCPL.

Evidence References:
1. B/T1 p.45.
2. C1.18, C3.31, C32.23.

14 ADJUSTMENTS TO BASE YEAR REVENUE REQUIREMENTS AND/OR RATES

14.1 ARE THERE ADJUSTMENTS THAT SHOULD BE MADE TO BASE YEAR REVENUE REQUIREMENTS AND/OR RATES?

(No Settlement on the risk management component of this issue or the amount of taxes payable by Union as a result of tax changes resulting from changes to federal and/or provincial legislation and/or regulations thereunder; Complete Settlement on all other aspects of the issue.)

All parties agree that only the following additional adjustments (other than those adjustments otherwise set out in this Agreement) should be made to reduce the 2008 base revenue requirement and/or 2008 rates prior to the application of the price cap index:

1. Increase to S&T revenues/margin	$4.3 million*
2. Deferred tax drawdown	$1.9 million
3. Reduction to regulatory cost budget	$1.0 million
4. Phase II GDAR costs that will not be incurred	$1.6 million **

* This adjustment has been made to reflect the elimination of certain S&T revenue deferral accounts, described in 5.1 above. The parties agree that 100% of this amount will be allocated to in-franchise customers, as described in Exhibit D/T1, p. 7 of Union's evidence.

** This adjustment to base rates is being made as a result of the Board's decision to amend the GDAR to treat bill ready distributor-consolidated billing in the same manner as split billing and gas vendor-consolidated billing as described in the Board's December 11, 2007 letter, attached as Appendix D. Union notes that these costs were incorporated into the 2008 interim

rates approved by the Board. They will be eliminated from rates when final 2008 rates are implemented.

When implementing final 2008 rates, Union will calculate what the final 2008 rates need to be to reflect all of the adjustments referenced in this Agreement and the Board's findings on those issues that are proceeding to hearing had they been implemented prospectively January 1, 2008. Differences between what was charged to customers during the period interim 2008 rates were in place and what should have been charged had final 2008 rates been in place will be recovered/rebated either as a one-time charge/credit or over the remainder of 2008 in rates.

The following parties agree with the settlement of this issue: APPrO, BOMA, CCC, Energy Probe, IGUA, Jason Stacey, Kitchener, LPMA, OAPPA, SEC, Sithe, Timmins, TransAlta, Union, VECC, WGSPG.

The following parties take no position on this issue: Coral, EGD, GEC, PP, PWU, TCPL.

Evidence References:
1. B/T1 p.10, B/T2, B/T3, B/T4.
2. C1.19, C1.20, C3.2, C3.3, C3.9, C3.27, C3.28, C10.2, C10.3, C10.4, C10.5, C10.6, C10.7, C10.8, C15.7, C15.8, C15.9, C15.10, C13.11, C13.12, C13.13, C13.14, C23.44, C23.45, C23.46, C23.52, C23.53, C28.1, C32.1, C32.3, C32.18, C32.19, C32.24.
3. JTA.6, JTA.8, JTA.10, JTA.12, JTA.13, JTA.16, JTA.17, JTA.18, JTA.19, JTA.22, JTA.23, JTA.25, JTA.26, JTA.27, JTA.32, JTA.37, JTA.38, JTA.39, JTA.41, JTA.42, JTA.46, JTA.47, JTA.50.

There is no settlement of the commodity risk management component of this issue but all parties have agreed that the Board should deal with commodity risk management by way of written submission and that no oral evidence is required.

There is no settlement of the base rate adjustments that flow from the amount of taxes payable by Union as a result of tax changes resulting from changes to federal and/or provincial legislation and/or regulations thereunder.

14.2 IF SO, HOW SHOULD THESE ADJUSTMENTS BE MADE?

(Complete Settlement)

The parties agree that the base rate adjustments in 14.1 will be implemented effective January 1, 2008. These adjustments will be allocated as follows:

1. increases to S&T revenues / margin ($4.3 million) will be allocated in proportion to the allocation of 2007 approved in-franchise revenue less DSM, upstream transportation, compressor fuel, unaccounted for gas and storage (as identified in Exhibit D/T3/Schedule 2);
2. deferred tax drawdown ($1.9 million) will be allocated in proportion to the allocation of 2007 deferred tax drawdown;
3. reduction to regulatory cost budget ($1.0 million) will be allocated in proportion to the allocation of 2007 administrative and general expenses; and
4. reduction to GDAR implementation cost ($1.6 million) was to be an increase so that this increase will simply not be implemented.

The following parties agree with the settlement of this issue: APPrO, BOMA, CCC, Energy Probe, IGUA, Jason Stacey, Kitchener, LPMA, OAPPA, SEC, Sithe, Timmins, TransAlta, Union, VECC, WGSPG.

The following parties take no position on this issue: Coral, EGD, GEC, PP, PWU, TCPL.

Evidence References:
1. C3.32, C3.33, C3.34, C13.11, C13.12, C13.13, C13.14, C23.47, C32.2.
2. D/T1 p.7.
3. JTA.5.

APPENDIX A

UNION GAS LIMITED
ENBRIDGE GAS DISTRIBUTION INC.
EB-2007-0606 / EB-2007-0615

ISSUES LIST

1. Multi-Year Incentive Ratemaking Framework

1.1 What are the implications associated with a revenue cap, a price cap and other alternative multi-year incentive ratemaking frameworks?

1.2 What is the method for incentive regulation that the Board should approve for each utility?

1.3 Should weather risk continue to be borne by the shareholders, and if so what other adjustments should be made?

2. Inflation Factor

2.1 What type of index should be used as the inflation factor (industry specific index or macroeconomic index)?

2.1.1 Which macroeconomic or industry specific index should be used?

2.2 Should the inflation factor be based on an actual or forecast?

2.3 How often should the Board update the inflation factor?

2.4 Should the gas utilities ROE be adjusted in each year of the incentive regulation (IR) plan using the Board's approved ROE guidelines?

3. X Factor

3.1 How should the X factor be determined?

3.2 What are the appropriate components of an X factor?

3.3 What are the expected cost and revenue changes during the IR plan that should be taken into account in determining an appropriate X factor?

4. Average Use Factor

4.1 Is it appropriate to include the impact of changes in average use in the annual adjustment?

4.2 How should the impact of changes in average use be calculated?

4.3 If so, how should the impact of changes in average use be applied (e.g., to all customer rate classes equally, should it be differentiated by customer rate classes or some other manner)?

5. Y Factor

5.1 What are the Y factors that should be included in the IR plan?

5.2 What are the criteria for disposition?

6. Z Factor

6.1 What are the criteria for establishing Z factors that should be included in the IR plan?

6.2 Should there be materiality tests, and if so, what should they be?

7. Natural Gas Electricity Interface Review (NGEIR) Decisions

7.1 How should the impacts of the NGEIR decisions, if any, be reflected in rates during the IR plan?

8. Term of the Plan

8.1 What is the appropriate plan term for each utility?

9. Off-Ramps

9.1 Should an off-ramp be included in the IR plan?

9.2 If so, what should be the parameters?

10. Earning Sharing Mechanism (ESM)

10.1 Should an ESM be included in the IR plan?

10.2 If so, what should be the parameters?

11. Reporting Requirements

11.1 What information should the Board consider and stakeholders be provided with during the IR plan?

11.2 What should be the frequency of the reporting requirements during the IR plan (e.g., quarterly, semi-annual or annually)?

11.3 What should be the process and the role of the Board and stakeholders?

12. Rate-Setting Process

12.1 Annual Adjustment

12.1.1 What should be the information requirements?

12.1.2 What should be the process, the timing, and the role of the stakeholders?

12.2 New Energy Services

12.2.1 What should be the criteria to implement a new energy service?
12.2.2 What should be the information requirements for a new energy service?

12.3 Changes in Rate Design

12.3.1 What should be the criteria for changes in rate design?

12.3.2 How should the change in the rate design be implemented?

12.3.3 What should be the information requirements for a change in rate design?

12.4 Non-Energy Services

12.4.1 Should the charges for these services be included in the IR mechanism?

12.4.2 If not, what should be the criteria for adjusting these charges?

12.4.3 What should be the criteria to implement new non-energy services?

12.4.4 What should be the information requirements for new non-energy services?

13. Rebasing

13.1 What information should the Board consider and stakeholders be provided with at the time of rebasing?

14. Adjustments to Base Year Revenue Requirements and/or Rates

14.1 Are there adjustments that should be made to base year revenue requirements and/or rates?

14.2 If so, how should these adjustments be made?

List of deferral accounts continuing during IR term

Account Name	Account Number	Proposed Changes (if any)
Gas Cost Deferral Accounts		
TCPL Tolls and Fuel	179-100	
North Purchase Gas Variance Account	179-105	Modify effective January 1, 2008 to capture heat value variances from North gas sales rates
South Purchase Gas Variance Account	179-106	Modify effective January 1, 2008 to capture heat value variances from South gas sales rates
Spot Gas Variance Account	179-107	
Unabsorbed Demand Cost Variance Account	179-108	
Inventory Revaluation Account	179-109	

Storage and Transportation Deferral Accounts		
Short Term Storage & Exchange Balancing	179-70	
Long Term Peak Storage	179-72	

Other Deferral Accounts		
Deferred Customer Rebates/Charges	179-26	
Lost Revenue Adjustment Mechanism	179-75	
Intra Period WACOG Changes	179-102	
Unbundled Services Unauthorized Storage Overrun	179-103	
Demand Side Management Variance Account	179-111	
Gas Distribution Access Rule ("GDAR") Costs	179-112	
Late Payment Penalty Litigation	179-113	
Shared Savings Mechanism Variance Account	179-115	
Carbon Dioxide Offset Credits Deferral Account	179-117	

Example of 2008 Rate Adjustments Excluding Base Rate Adjustments and Y Factors

IMPACTS - Delivery & Storage

Rate M1	2007	IR	Diff	%
1,500	287	294	7	2.5%
2,200	327	333	5	1.6%
2,600	350	354	4	1.1%
30,000	1,863	1,792	(72)	-3.8%

Rate M1

Line No.	Particulars	Billing Units 10^3m^3 (a)	Revenue ($000's) (b)	Rates (cents/m^3) (c)	Change in Rates (cents/m^3) (d)
	M1 Using $16.00 Monthly Charge - 2007 Approved				
1	Monthly Charge	11,761,016	188,176	$16.00	
2	First 100 m^3	942,287	51,148	5.4281	
3	Next 150 m^3	787,238	40,534	5.1489	
4	All Over 250 m^3	1,132,740	50,838	4.4881	
5	Total	2,862,265	330,697		
6	Storage	2,862,265	28,757	1.0047	
	M1 Using $16.04 Monthly Charge -> after PCI of 0.22% is applied				
7	Monthly Charge	11,761,016	188,590	$16.04	
8	First 100 m^3	942,287	51,261	5.4400	
9	Next 150 m^3	787,238	40,623	5.1602	
10	All Over 250 m^3	1,132,740	50,950	4.4980	
11	Total	2,862,265	331,425		
12	Storage	2,862,265	28,820	1.0069	
	M1 Using $17 Monthly Charge				
13	Monthly Charge	11,761,016	199,937	$17.00	$0.96
14	First 100 m^3	942,287	47,189	5.0079	(0.4322)
15	Next 150 m^3	787,238	37,396	4.7503	(0.4099)
16	All Over 250 m^3	1,132,740	46,903	4.1406	(0.3573)
17	Total	2,862,265	331,425		
18	Storage	2,862,265	28,820	1.0069	
	M1 Using $17 Monthly Charge -> With Decline in AU of 1.7%				
19	Monthly Charge	11,761,016	199,937	$17.00	$0.00
20	First 100 m^3	926,268	47,189	5.0945	0.0866
21	Next 150 m^3	773,855	37,396	4.8324	0.0822
22	All Over 250 m^3	1,113,483	46,903	4.2123	0.0716
23	Total	2,813,607	331,425		
24	Storage	2,862,265	28,820	1.0069	

Ontario Energy Board
P.O. Box 2319
27th Floor
2300 Yonge Street
Toronto ON M4P 1E4
Telephone: 416- 481-1967
Facsimile: 416- 440-7656
Toll free: 1-888-632-6273

Commission de l'énergie de l'Ontario
C.P. 2319
27e étage
2300, rue Yonge
Toronto ON M4P 1E4
Téléphone; 416- 481-1967
Télécopieur: 416- 440-7656
Numéro sans frais: 1-888-632-6273

BY E-MAIL AND WEB POSTING

NOTICE OF AMENDMENT TO A RULE

THE GAS DISTRIBUTION ACCESS RULE

BOARD FILE NO: EB-2007-0685

To: All Natural Gas Distributors
All Licensed Natural Gas Marketers
All Participants in Proceeding RP-2000-0001
All Participants in Proceeding EB-2006-0198
All Participants in Proceeding EB-2007-0685
All Other Interested Parties

The Ontario Energy Board (the "Board") has today amended the Gas Distribution Access Rule (the "GDAR") as indicated below, pursuant to section 45 of the *Ontario Energy Board Act, 1998*. The Board is amending sections 1.4.1, 1.4.3 and 6.1.2.1 of the GDAR, as set out in Appendix A and described below.

Background

On March 9, 2006, the GDAR was amended to defer to January 1, 2008 the requirement that gas distributors accommodate a bill-ready form of gas distributor-consolidated billing ("bill-ready DCB").

Further to input received from certain stakeholders, the Board subsequently directed Board staff to conduct inquiries and report back on the issue of whether the approach to bill-ready DCB should be revisited. Based on the results of those inquiries, the Board issued a Notice of Proposal on July 16, 2007 (the "July Notice") in which the Board proposed to amend the GDAR to eliminate the need for gas distributors to accommodate bill-ready DCB as of January 1, 2008. Instead, the Board proposed to treat bill-ready DCB in the same manner as split billing and gas vendor-consolidated billing. Specifically, a gas distributor would only be required to accommodate bill-ready DCB upon being requested to do so by a gas vendor. Such a request would trigger negotiations between the parties on the necessary amendments to the Electronic

Business Transactions (EBT) standards appendix to the Service Agreement and subsequent review and approval of those amendments by the Board.

The Board also proposed to amend section 1.4.1 of the GDAR to include a general provision to the effect that amendments to the GDAR come into force on the date on which they are published on the Board's website after having been made by the Board, except where expressly provided otherwise.

In the July Notice, the Board noted that the proposed amendments to the GDAR would, if adopted, trigger the need to amend the form of Service Agreement previously approved by the Board. The Board included, as an attachment to the July Notice, a description of the amendments to the Service Agreement and invited interested parties to comment on those amendments as part of their filing in response to the July Notice.

The Board received five submissions in response to the July Notice, three from gas distributors and two from gas vendors. No submission opposed the proposed amendment to section 1.4.1 of the GDAR.

The proposed amendments to sections 1.4.3 and 6.1.2.1 of the GDAR were supported by all three gas distributors. One gas distributor suggested that any request for bill-ready DCB should trigger the development, through the EBT Standards Working Group, of a generic standard that would be applicable to the industry as a whole. Another gas distributor noted that functionality for bill-ready DCB could not be made available for at least twelve months after the service requirements have been determined through consultation with the industry. None of the gas distributors offered comments on the amendments to the Service Agreement.

One gas vendor suggested that the proposed amendments to the GDAR be modified to require that gas distributors develop, implement and test the bill-ready DCB system within 12 months after receiving a request for this billing option. This gas vendor echoed the suggestion that all gas vendors and gas distributors be required to participate in the EBT standards design process once a request had been made for bill-ready DCB, and further proposed that the GDAR be amended to include this requirement. This gas vendor also proposed that meetings of the EBT Standards Working Group be initiated in the coming months to determine guiding principles for the bill-ready DCB option, as a number of issues remain unresolved and gas vendors therefore cannot currently properly evaluate the option.

The other gas vendor agreed that implementation of bill-ready DCB needs to be deferred, but proposed that the Board defer a decision on how that option should be treated until gas vendors have a clearer understanding of how bill-ready DCB service will be made available by gas distributors. That gas vendor therefore proposed that, rather than treating bill-ready DCB in the same manner as split billing and gas vendor-consolidated billing, the Board should amend the GDAR to specify that gas distributors be required to accommodate bill-ready DCB on a date to be determined by the Board. In the interim, the Board should direct Board staff to conduct a review with all gas

vendors and gas distributors to clarify the concept and main operating rules around the billing option, determine the level of gas vendor commitment to the option and identify an appropriate time frame for implementation of the option. Consistent with this approach, this gas vendor proposed that the Board not amend the Service Agreement other than amending the definition of "Bill-ready Date" such that it refers to "a date determined by the Board". This gas vendor also recommended that any changes to the Service Agreement should be made only to the standard form as it is not necessary for parties to be put to the expense of amending and re-signing existing agreements. Rather, any amendments could be integrated when the parties renew or enter into a new agreement.

Adoption of Amendments to the GDAR

The Board has considered the submissions received in response to the July Notice, and has determined that no changes need to be made relative to the GDAR amendments as originally proposed. The amendments to the GDAR as adopted by the Board are set out in Appendix A to this Notice.

All of the submissions received in response to the July Notice acknowledge the need to amend the GDAR to eliminate the current reference to January 1, 2008 and, with one exception, are also supportive of treating bill-ready DCB in the same manner as split billing and gas vendor-consolidated billing. The Board remains of the view that this is the preferred approach. It provides greater regulatory certainty to the industry than does the proposal to defer implementation to an unascertained future date to be determined by the Board. It is also the approach that has the greatest potential to avoid costs being incurred to accommodate a billing option that gas vendors may ultimately decide not to pursue.

The Board acknowledges the concerns expressed about the absence of a common understanding as to the nature of the bill-ready DCB service to be offered by gas distributors. The Board notes that some efforts have already been devoted to this issue through the EBT Standards Working Group, and will direct Board staff to organize further meetings with a view to resolving outstanding service parameter issues in a timely manner. The Board agrees that a single, industry-wide set of EBT standards should be developed in relation to bill-ready DCB as and when a request is made for that option by a gas vendor, but does not believe it is necessary to codify this objective in the GDAR at this time. Once notified that a request for the billing option has been made, the Board will direct Board staff to facilitate the development of the necessary common EBT standards. The Board expects that all gas vendors and gas distributors will participate in this exercise and work together in good faith as they have done in the past. Implementation timelines can be addressed by the participants at that time. The Board will consider taking a more prescriptive approach if that should become necessary to ensure that the EBT standards are developed, implemented and tested within a reasonable timeframe.

Coming Into Force

In the July Notice, the Board indicated that the amendments to the GDAR set out in Appendix A will come into force when they are posted on the Board's website. The Board also indicated that it did not intend to post the amendments until it has adopted any necessary associated amendments to the Service Agreement. The Board has today, under separate cover, given notice of the adoption of those amendments.

This Notice, including the amendments to the GDAR, all other Board documents referred to in this Notice (including the GDAR) and all submissions received in response to the July Notice are available for inspection on the Board's website at www.oeb.gov.on.ca and at the office of the Board during normal business hours.

If you have any questions regarding the GDAR amendments, please contact Russ Houldin, Senior Advisor, Compliance Office, at 416-440-8112, or toll-free at 1-888-632-6273.

DATED at Toronto, December 11, 2007

ONTARIO ENERGY BOARD

Kirsten Walli
Board Secretary

Attachments: Appendix 'A' : Amendments to the Gas Distribution Access Rule

Appendix A

Amendments to the Gas Distribution Access Rule

1. **Section 1.4.1 of the Gas Distribution Access Rule is amended by adding the following to the end of that section:**

   Any amendment to this Rule shall come into force on the date that the Board publishes the amendment by placing it on the Board's website after it has been made by the Board, except where expressly provided otherwise.

2. **Section 1.4.3 of the Gas Distribution Access Rule is repealed and replaced with the following:**

   Chapter 4 of this Rule shall come into force on June 1, 2007.

3. **Section 6.1.2.1 of the Gas Distribution Access Rule is repealed and replaced with the following:**

   Gas distributor-consolidated billing;

SCHEDULE B

EB-2007-0606 Settlement Agreement

List of Parties:

Association of Power Producers of Ontario (“APPrO”)
Building Owners and Managers Association of the Greater Toronto Area (“BOMA”)
Consumers Council of Canada (“CCC”)
Coral Energy Canada Inc. (“Coral”)
Enbridge Gas Distribution Inc. (“EGD”)
Energy Probe Research Foundation (“Energy Probe”)
Green Energy Coalition (“GEC”)
Industrial Gas Users Association (“IGUA”)
Jason Stacey (“Jason Stacey”)
City of Kitchener (“Kitchener”)
London Property Management Association (“LPMA”)
Ontario Association of Physical Plant Administrators (“OAPPA”)
Pollution Probe (“PP”)
Power Workers Union (“PWU”)
School Energy Coalition (“SEC”)
Sithe Global Power Goreway (“Sithe”)
The City of Timmins (“Timmins”)
TransAlta Cogeneration L.P. and TransAlta Energy Corp. (“TransAlta”)
TransCanada PipeLines Limited (“TCPL”)
Union Gas Limited (“Union”)
Vulnerable Energy Consumers Coalition (“VECC”)
Wholesale Gas Services Purchasers Group (“WGSPG”)

SCHEDULE C TO

DECISION

BOARD FILE NO. EB-2007-0606

Addendum

DATED JANUARY 17, 2008

EB-2007-0606
EB-2007-0615

IN THE MATTER OF the *Ontario Energy Board Act*, 1998, S.O. 1998, c. 15 (Sched. B);

AND IN THE MATTER OF an Application by Union Gas Limited for an Order or Orders approving a multi-year incentive rate mechanism to determine rates for the regulated distribution, transmission and storage of natural gas, effective January 1, 2008;

AND IN THE MATTER OF an Application by Enbridge Gas Distribution Inc. for an Order or Orders approving or fixing rates for the distribution, transmission and storage of natural gas, effective January 1, 2008;

AND IN THE MATTER OF a combined proceeding Board pursuant to section 21(1) of the *Ontario Energy Board Act, 1998*.

Addendum to Union Gas Limited January 3, 2008 Settlement Agreement
January 14, 2008

1. This addendum to the Union Gas Limited Settlement Agreement in EB-2007-0606 resolves matters which arose following the conclusion of the Settlement Agreement. This Addendum should be considered to be a part of the Settlement Agreement.

2. The parties agree that the rate impacts of all settled issues in the Settlement Agreement should be implemented as soon as reasonably possible following Board approval, with a view to implementation (with effect from January 1, 2008) coincident with Union's April, 2008 QRAM application.

3. The parties agree that the hearing of two unsettled issues: 1) risk management; and 2) treatment of customer additions during the term of the incentive regulation plan, should proceed as currently scheduled on January 24, 2008 or such other date as the Board determines. The timing and manner of implementing rate consequences, if any, of the Board's disposition of these two issues are open issues in that proceeding.

4. Intervenors requested and Union agrees that the resolution of the third unsettled issue, the treatment of tax changes under incentive regulation (where the GDP IPI FDD deflator is used) (the "tax change issue"), will be conducted in accordance with the following process:

by January 25	EGD evidence, if any, filed
by February 8	Board staff will file the evidence of Dr. Lowry.
by February 15	Intervenors and Board staff interrogatories to Union/EGD. Union/EGD and intervenors interrogatories to Dr. Lowry
by February 22	Union/EGD and Dr. Lowry to provide interrogatory responses
by March 4	Dr. Lowry may provide a supplement to his evidence, based on Union/EGD interrogatory responses
by March 7	Intervenor evidence filed
by March 14	Union/EGD and Board staff interrogatories on intervenor evidence. Intervenors may also submit interrogatories on other intervenors' evidence
by March 25	Intervenors to provide interrogatory responses
March 31	Proposed hearing subject to OEB and other contingencies

5. Intervenors requested, and Union agrees, all on a completely without prejudice basis pending the Board's disposition of the tax change issue, that interim base rates will be adjusted down by $8.0 million, representing the approximate possible value of federal and provincial tax changes for 2008 (the "interim adjustment"). The appropriateness of making this interim adjustment and how the adjustment should be calculated if the Board finds that an adjustment is appropriate are both unsettled components of this issue. Union will establish a deferral account

to capture the variance between the interim adjustment being made to 2008 rates and the adjustment that would have been made to rates had the Board's decision on this unsettled issue been incorporated into 2008 rates.

6. To the extent Union's position on tax changes ultimately prevails, Union shall be entitled to future recovery of the interim adjustment from ratepayers (subject to the reservation of rights of SEC below) through the established deferral account process. To the extent the intervenors' position on tax changes ultimately prevails, subject only to a true up to actuals based on a determination of how the adjustment should be calculated, no further rate adjustment will be required. It is the parties' intention that any recovery of the interim adjustment by Union or any true up based on the determination of how the adjustment should be calculated will be processed through the existing deferral account process with the result that there will be no further rate changes in 2008 on account of the tax change issue.

7. With respect to the scenario under which Union's position on the treatment of tax changes during the term of the incentive regulation plan ultimately prevails, SEC reserves the right to argue that Union's recovery of tax change amounts should not necessarily extend to January 1, 2008 on account of any alleged delays. Similarly, Union's agreement to the timetable set out above is without prejudice to its position on alleged delay.

The following parties agree with the resolution of these matters as described in the Addendum: APPrO, BOMA, CCC, Energy Probe, GEC (paras. 1 to 3), IGUA, Jason Stacey, Kitchener, LPMA, OAPPA, PP (paras. 1 to 3) SEC, Sithe, Timmins, TransAlta, Union, VECC, WGSPG.

The following parties take no position on the resolution of these matters as described in the Addendum: Coral, EGD, GEC (paras. 4 to 7), PP (paras. 4 to 7), PWU, TCPL.