



EB-2010-0146

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

AND IN THE MATTER OF an Application by Enbridge Gas
Distribution Inc. for an Order or Orders approving or fixing just
and reasonable rates and other charges for the sale,
distribution, transmission and storage of gas commencing
January 1, 2011.

BEFORE: Paula Conboy
Presiding Member

Cathy Spoel
Member

DECISION AND ORDER

Enbridge Gas Distribution Inc. ("Enbridge" or the "Applicant") filed an Application on September 1, 2010 with the Ontario Energy Board (the "Board") under section 36 of the *Ontario Energy Board Act, 1998*, S.O. c.15, Sched. B, as amended, for an order of the Board approving or fixing rates for the distribution, transmission and storage of natural gas, effective January 1, 2011. The Board assigned file number EB-2010-0146 to the Application and issued a Notice of Application dated September 13, 2010.

Enbridge applied for new rates for 2011 to be set under the Incentive Regulation plan approved by the Board under File No. EB-2007-0615. 2011 is the fourth year of the five year plan. The rates under the plan are adjusted each year by the application of a Distribution Revenue Requirement per Customer Formula (the "Adjustment Formula"). On October 1, 2010, Enbridge filed detailed evidence supporting the application for the Adjustment Formula and other elements underpinning the calculation of the 2011 rates.

On October 15, 2010, the Board issued Procedural Order No. 1 which included a Draft Issues List and provided for a commentary process, an interrogatory process, and dates for a Settlement Conference as well as the filing of a Settlement Proposal. The Board established the Final Issues List in its Procedural Order No. 2 on October 28, 2010.

The Settlement Conference was held on November 17, 2010 and Enbridge filed the Settlement Agreement on November 23, 2010. The Settlement Agreement indicates a complete settlement of all the issues on the Final Issues List. The Settlement Agreement is attached as Appendix "A".

Decision on the Settlement Agreement

The Board has reviewed the Settlement Agreement and has found it to be acceptable for the purposes of establishing the new rates for 2011. The Board finds that the quality and detail of the supporting evidence is sufficient to allow the Board to make findings on all of the matters of concern. The Board accepts the Settlement Agreement in its entirety and finds that it is in the public interest. The Board commends the parties on achieving settlement of all the issues.

The Board reminds parties that the terms contained in a settlement agreement do not create a precedent for the Board.

In light of this decision, the Board will cancel the oral hearing that had been scheduled for November 30, 2010 in Procedural Order No. 1.

Implementation

The Board expects that the new 2011 rates arising from this Settlement Agreement will be implemented on January 1, 2011. To accomplish this, Enbridge will need to file a Draft Rate Order for review as directed below.

Costs

A decision regarding cost awards will be issued at a later date. Eligible parties seeking an award of costs shall file their cost claims as directed below.

THE BOARD ORDERS THAT:

1. The oral hearing scheduled for November 30, 2010 is cancelled.

2. Enbridge shall file with the Board and forward to all parties a Draft Rate Order reflecting the Settlement Agreement within three (3) working days of the date of issuance of this Decision and Order. Upon receipt of the Draft Rate Order, all parties including Board staff shall have four (4) working days to comment, if they so choose, on the Draft Rate Order. Enbridge shall reply within two (2) working days to any comments submitted on the Draft Rate Order.
3. Parties eligible for a cost award shall submit their cost claims by December 22, 2010. A copy of the cost claim must be filed with the Board and a copy is to be served on Enbridge. Cost claims must be prepared in accordance with the Board's *Practice Direction on Cost Awards*.
4. Enbridge will have until December 31, 2010 to object to any aspect of the costs claimed. A copy of the objection must be filed with the Board and one copy must be served on the party against whose claim the objection is being made.
5. Any party whose cost claim was objected to will have until January 6, 2011 to make a reply submission as to why their cost claim should be allowed. One copy of the submission must be filed with the Board and one copy is to be served on Enbridge.
6. All filings to the Board must quote file number EB-2010-0146 and consist of two paper copies and one electronic copy in searchable / unrestricted PDF format filed through the Board's web portal at www.errr.oeb.gov.on.ca. Filings must clearly state the sender's name, postal address and telephone number and, if available, a fax number and e-mail address. Please use the document naming conventions and document submission standards outlined in the RESS Document Guideline found on the "e-Filing Services" webpage of the Board's website at www.oeb.gov.on.ca. If the web portal is not available you may email your document to BoardSec@oeb.gov.on.ca. With respect to distribution lists for all electronic correspondence and materials related to this proceeding, parties must include the Case Manager, Colin Schuch at colin.schuch@oeb.gov.on.ca and Senior Legal Counsel, Kristi Sebalj at Kristi.sebalj@oeb.gov.on.ca

DATED at Toronto, November 25, 2010
ONTARIO ENERGY BOARD

Original signed by

Kirsten Walli
Board Secretary

**APPENDIX “A” TO
DECISION AND ORDER
BOARD FILE NO. EB-2010-0146
DATED November 25, 2010**

SETTLEMENT AGREEMENT

November 23, 2010

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PREAMBLE

This Settlement Agreement is filed with the Ontario Energy Board (the "Board") in connection with the application of Enbridge Gas Distribution Inc. ("Enbridge"), for an order or orders approving or fixing rates for the sale, distribution, transmission, and storage of gas for 2011.

In Procedural Order No. 1, the Board established the process to address Enbridge's application. The Issues List for this proceeding was established in Procedural Order No. 1 and was updated in Procedural Order No. 2.

A Settlement Conference was held on November 17, 2010. Mr. Ken Rosenberg acted as facilitator for the Settlement Conference. This Settlement Agreement arises from the Settlement Conference.

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

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")
ENERGY PROBE RESEARCH FOUNDATION ("ENERGY PROBE")
FEDERATION OF RENTAL-HOUSING PROVIDERS OF ONTARIO ("FRPO")
INDUSTRIAL GAS USERS ASSOCIATION ("IGUA")
JASON STACEY, NATURAL GAS SPECIALIST
JUST ENERGY ONTARIO L.P. ("JUST ENERGY")
ONTARIO ASSOCIATION OF PHYSICAL PLANT ADMINISTRATORS ("OAPPA")
SCHOOL ENERGY COALITION ("SEC")
TRANSCANADA ENERGY LTD. ("TransCanada Energy")
VULNERABLE ENERGY CONSUMER'S COALITION ("VECC")

The Settlement Agreement deals with all of the issues listed at Appendix "A" to the Board's Procedural Order #2, dated October 28, 2010 (the "Issues List").

The description of each issue assumes that all parties participated in the negotiation of the issue, unless specifically noted otherwise. Board Staff takes no position on any issue and, as a result, is not a party to the Settlement Agreement.

It is acknowledged and agreed that none of the completely settled provisions of this Settlement Agreement is severable. If the Board does not, prior to the commencement of the hearing of the evidence in this proceeding, accept the provisions of the Settlement

Agreement in their entirety, there is no Settlement Agreement (unless the parties agree that any portion of the Settlement Agreement that the Board does accept may continue as a valid Settlement Agreement).

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 B, Tab 3, Schedule 1 is referred to as B-3-1. The identification and listing of the evidence that relates to each settled issue is provided to assist the Board.

The Settlement Agreement describes the agreements reached on the issues. The Settlement Agreement 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 Agreement 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. In the event that the Board does not accept the proposed settlement of any issue, further evidence may be required on the issue for the Board to consider it fully.

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 Agreement 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 during the term of Enbridge's current five year Incentive Regulation ("IR") plan, or thereafter.

OVERVIEW

In the EB-2007-0615 proceeding, the Board approved a settlement agreement that prescribes the rate setting approach to be used by Enbridge over the five year Incentive Regulation term from 2008 to 2012.¹ This approach involves the use of a Distribution Revenue Requirement per Customer Formula (the "Adjustment Formula") to adjust the amount to be recovered in rates for each year of the IR term.

¹ EB-2007-0615, Exhibit N1, Tab 1, Schedule 1.

The IR Settlement Agreement requires Enbridge to file prescribed information by October 1st each year, for the purpose of setting rates for the following year. This information is used in the Adjustment Formula to determine the Distribution Revenue Requirement (the “DRR”) for the following year. As part of the filing, the Company also sets out the Total Revenue Requirement to be recovered and the allocation of the DRR to its rate classes, and a rate handbook and supporting documentation detailing how rates have been adjusted.

As set out in this Settlement Agreement, the parties have reached a full settlement of all issues. The resulting average rate impact will be 0.5% or less for all customer classes on a T-service basis (that is, excluding commodity costs).

THE ISSUES

1 Has Enbridge calculated its proposed distribution revenue requirement, including the assignment of that revenue requirement to the rate classes and the resulting rates, in accordance with the EB-2007-0615 incentive settlement agreement?

For the purposes of settling the issues in this proceeding, all parties, except those noted below, agree that Enbridge has calculated its proposed distribution revenue requirement including the assignment of that revenue requirement to the rate classes and resulting rates in accordance with the EB-2007-0615 incentive settlement agreement.²

DE, Just Energy and TransCanada Energy take no position on the proposed settlement of this issue.

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

B-1-1	Rate Adjustment Summary
B-1-2	2010 Revenue per Customer Cap Determination
B-1-3	Inflation Factor
B-1-4	Customer Additions
B-1-5	Gas Volume Budget
B-1-6	Budget Degree Days
B-1-7	Average Use and Economic Assumptions
B-2-1	Y Factor – Power Generation Projects
B-2-2	Y Factor – DSM Program
B-2-3	Y Factor – CIS/Customer Care Cost
B-2-4	Y Factor – Gas Cost & Carrying Cost

² Note that the settlement described under Issue 13, below, has an effect on the amount of the distribution revenue requirement to be recovered through distribution revenues, but it does not impact the level of distribution revenue requirement, which remains at \$988.6 million (Exhibit B, Tab 1, Schedule 2, Page 1, Row 24, Col. 1). As a result of the settlement of Issue 13, the amount of the distribution revenue requirement that will be recovered through distribution revenues rather than DPAC and System Gas Administration Fee revenues is approximately \$276 thousand. The impact of this on distribution rates is minuscule.

B-3-1	2011 Proposed Rates
B-3-2	Rate Schedules
B-3-3	2010 Revenues by Rate Class
B-3-4	Proposed Volumes and Revenue Recovery by Rate Class
B-3-5	Proposed Billed and Unbilled Revenue
B-3-6	Summary of Proposed Rate Change by Rate Class
B-3-7	Calculation of Gas Supply Charges by Rate Class
B-3-8	Detailed Revenue Calculations
B-3-9	Annual Bill Comparison EB-2010-0146 vs EB-2010-0258
B-3-10	Assignment of Revenue Requirement
B-4-1	Gas Cost, Transportation and Storage
B-4-2	Gas Cost Schedules
I-1-1	Board Staff Interrogatory #1
I-2-1	BOMA Interrogatory #3
I-4-11 to 13	FRPO Interrogatories #11 to 13
I-6-2 to 8	TCE Interrogatories #2 to 8
I-7-1- 2 and 9-13 and 17-18	VECC Interrogatories #1, 2 and 9 to 13 and 17 to 18

2 Is the forecast of degree days appropriate?

For the purposes of settling the issues in this proceeding, all parties, except those noted below, agree that the forecast of degree days is appropriate.

DE, Just Energy and TransCanada Energy take no position on the proposed settlement of this issue.

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

B-1-6	Budget Degree Days
I-4-6 to 8	FRPO Interrogatories #6 to 8

3 Is the forecast of average use appropriate?

For the purposes of settling the issues in this proceeding, all parties, except those noted below, agree that the forecast of average use is appropriate.

DE, Just Energy and TransCanada Energy take no position on the proposed settlement of this issue.

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

B-1-7	Average Use and Economic Assumptions
I-4-9 to 10	FRPO Interrogatories #9 and 10
I-7-6	VECC Interrogatory #6

4 Is the forecast of customer additions appropriate?

For the purposes of settling the issues in this proceeding, all parties, except those noted below, agree that the forecast of customer additions is appropriate.

DE, Just Energy and TransCanada Energy take no position on the proposed settlement of this issue.

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

B-1-4	Customer Additions
I-1-2	Board Staff Interrogatory #2
I-7-3	VECC Interrogatory #3

5 Is the gas volume budget appropriate?

For the purposes of settling the issues in this proceeding, all parties, except those noted below, agree that the gas volume budget is appropriate.

DE, Just Energy and TransCanada Energy take no position on the proposed settlement of this issue.

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

B-1-5	Gas Volume Budget
B-3-7	Calculation of Gas Supply Charges by Rate Class
B-4-1	Gas Cost, Transportation and Storage
B-4-2	Gas Cost Schedules
I-1- 3	Board Staff Interrogatory # 3
I-4-1 to 5	FRPO Interrogatories #1 to 5
I-7-4 to 5	VECC Interrogatories #4 and 5

6 Is the amount proposed for the Y factor Power Generation Projects appropriate?

For the purposes of settling the issues in this proceeding, all parties, except those noted below, agree that the amount proposed for the Y factor Power Generation Projects is appropriate.

DE, Just Energy and TransCanada Energy take no position on the proposed settlement of this issue.

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

B-2-1	Y Factor – Power Generation Projects
I-2-2	BOMA Interrogatory #2
I-6-1	TCE Interrogatory #1

7 Is the amount proposed for the Y factor DSM Program appropriate?

For the purposes of settling the issues in this proceeding, all parties, except those noted below, agree that the amount proposed for the Y factor DSM Program is appropriate.

DE, Just Energy and TransCanada Energy take no position on the proposed settlement of this issue.

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

B-2-2	Y Factor – DSM Program
I-1-4	Board Staff Interrogatory #4
I-2-1 and 3	BOMA Interrogatories #1 and 3
I-7-7	VECC Interrogatory #7

8 Is the amount proposed for the Y factor for CIS/Customer Care appropriate?

For the purposes of settling the issues in this proceeding, all parties, except those noted below, agree that the amount proposed for the Y factor for CIS and Customer Care is appropriate.

DE, Just Energy and TransCanada Energy take no position on the proposed settlement of this issue.

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

B-2-3	Y Factors – CIS/Customer Care Cost
E-2-1	Customer Care and CIS Settlement Template

9 Is the amount proposed for the Y factor – Gas Cost & Carrying Cost appropriate?

For the purposes of settling the issues in this proceeding, all parties, except those noted below, agree that the amount proposed for the Y factor for Gas Cost and related carrying costs is appropriate.

DE, Just Energy and TransCanada Energy take no position on the proposed settlement of this issue.

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

B-2-4	Y Factor – Gas Cost & Carrying Cost
B-4-1	Gas Cost, Transportation and Storage
B-4-2	Gas Cost Schedules

10 Is it appropriate to establish for 2011 the previously agreed upon list of deferral and variance accounts from the Settlement Agreement in the EB-2007-0615 proceeding, updated to include additional approved accounts as identified in the Company's 2010 rates proceeding (EB-2009-0172)?

For the purposes of settling the issues in this proceeding, all parties, except those noted below, agree that it is appropriate to establish for 2011 the previously agreed upon list of deferral and variance accounts from the Settlement Agreement in the EB-2007-0615 proceeding, as well as the additional approved accounts as identified in the Company's 2010 rates proceeding (EB-2009-0172).

DE, Just Energy and TransCanada Energy take no position on the proposed settlement of this issue.

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

B-5-1	Deferral & Variance Accounts – Actual Balances
C-1-1	Deferral & Variance Accounts
I-7-15,17 and 18	VECC Interrogatories #14 to 16

11 Is it appropriate to discontinue for 2011 the Change in Purchased Gas Variance Disposition Methodology DA (“CPGVDMDA”)?

For the purposes of settling the issues in this proceeding, all parties, except those noted below, agree that it is appropriate to discontinue the CPGVDMDA for 2011.

DE, Just Energy and TransCanada Energy take no position on the proposed settlement of this issue.

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

B-7-1	Deferral & Variance Accounts – Actual Balances
C-1-1	Deferral & Variance Accounts

12 Is the adjustment calculated for the 2010 Tax Rate and Rule Change Variance Account (“TRRCVA”) appropriate? (ref: C/1/2)

For the purposes of settling the issues in this proceeding, all parties, except those noted below, agree that the adjustment calculated for the 2010 TRRCVA is appropriate.

DE, Just Energy and TransCanada Energy take no position on the proposed settlement of this issue.

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

B-7-1	Deferral & Variance Accounts – Actual Balances
C-1-1	Deferral & Variance Accounts
C-1-2	Update of Sharing of Tax Change Savings Forecast Amounts

13 Is the proposed increase in Direct Purchase Administration Charge (“DPAC”) appropriate?

For the purposes of settling the issues in this proceeding, all parties, except those noted below, have reached the following agreement with respect to the DPAC and the System Gas Administration Fee:

(a) the DPAC will remain unchanged at 2010 levels (monthly fixed charge of \$75 per pool and monthly account charge of \$0.21 per account) for the duration of Enbridge’s five year Incentive Regulation term (fiscal years 2011 and 2012);

(b) the System Gas Administration Fee will remain unchanged at the 2010 level of 0.0224 c/m³ for the duration of Enbridge’s five year Incentive Regulation term (fiscal years 2011 and 2012); and

(c) prior to filing the next IR rebasing application with the Board, Enbridge will facilitate a meeting with interested stakeholders to engage in discussion with Enbridge about the DPAC.

IGUA and TransCanada Energy take no position on the proposed settlement of this issue.

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

B-3-1	2011 Proposed Rates
B-3-2	Rate Handbook
I-3-1	Direct Energy Interrogatory #1
I-5-1 to 3	Just Energy Interrogatories #1 to 3

14 Is it appropriate to clarify the wording in Rider H of the Rate Handbook related to the In Franchise Title Transfer Service charges?

For the purposes of settling the issues in this proceeding, all parties, except those noted below, agree that clarifying wording as shown in Appendix A to this Settlement Agreement will be included in Rider H of the Rate Handbook.

DE, Just Energy and TransCanada Energy take no position on the proposed settlement of this issue.

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

B-3-1	2011 Proposed Rates
B-3-2	Rate Handbook

15 How should the new rates be implemented?

For the purposes of settling the issues in this proceeding, all parties agree that Enbridge will implement the new 2011 rates arising from this Settlement Agreement on January 1, 2011. In the event that, due to unforeseen circumstances, Enbridge is not able to implement the new 2011 rates on January 1, 2011, all parties agree that Enbridge is entitled to recover the full year impact of the rate changes arising from this Settlement Agreement, regardless of the timing of the implementation of the new rates.

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

A-3-1	Approvals Requested
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Just Energy and TransCanada Energy take no position on the proposed settlement of this issue.

RIDER:	H	BALANCING SERVICE RIDER
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APPLICABILITY:

This rider is applicable to any Applicant who enters into Gas Delivery Agreement with the Company under any rate.

IN FRANCHISE TITLE TRANSFER SERVICE:

In any Gas Delivery Agreement between the Company and the Applicant, an Applicant may elect to initiate a transfer of natural gas from one of its pools to the pool of another Applicant for the purposes of reducing an imbalance between the Applicant's deliveries and consumption as recorded in its Banked Gas Account or Cumulative Imbalance Account. Elections must be made in accordance with the Company's policies and procedures related to transaction requests under the Gas Delivery Agreement.

The Company will not apply an **Administration** Charge for transfers between pools that have similar Points of Acceptance (i.e. both Ontario or both Western Points of Acceptance). For transfers between pools that have dissimilar Points of Acceptance (i.e. one an Ontario and one a Western Point of Acceptance), the Company will apply the following Administration Charge per transaction to the Applicant transferring the natural gas (i.e. the seller or transferor).

Administration Charge: \$169.00 per transaction

Also, the average cost of transportation as per Rider A for the transferred volume is charged to the Applicant with a Western Point of Acceptance for transfers to an Applicant with an Ontario Point of Acceptance.
The average cost of transportation as per Rider A for the transferred volume is remitted to the Applicant with a Western Point of Acceptance for transfers from an Applicant with an Ontario Point of Acceptance.

ENHANCED TITLE TRANSFER SERVICE:

In any Gas Delivery Agreement between the Company and the Applicant, the Applicant may elect to initiate a transfer of natural gas between the Company and another utility, regulated by the Ontario Energy Board, at Dawn for the purposes of reducing an imbalance between the customer's deliveries and consumption within the Enbridge Gas Distribution franchise areas. The ability of the Company to accept such an election may be constrained at various points in time for customers obtaining services under any rate other than Rate 125 or 300 due to operational considerations of the Company.

The cost for this service is separated between an Administration Charge that is applicable to all Applicants and a Bundled Service Charge that is only applicable to Applicants obtaining services under any rate other than Rate 125 or 300.

Administration Charge:
Base Charge \$50.00 per transaction
Commodity Charge \$0.6622 per 10³m³

Bundled Service Charge:
The Bundled Service Charge shall be equal to the absolute difference between the Eastern Zone and Southwest Zone Firm Transportation tolls approved by the National Energy Board for TCPL at a 100% Load Factor.

Also, the average cost of transportation as per Rider A for the transferred volume is charged to the Applicant with a Western Point of Acceptance for transfers to another party. The average cost of transportation as per Rider A for the transferred volume is remitted to the Applicant with a Western Point of Acceptance for transfers from another party.

GAS IN STORAGE TITLE TRANSFER:

An Applicant that holds a contract for storage services under Rate 315 or 316 may elect to initiate a transfer of title to the natural gas currently held in storage between the storage service and another storage service held by the Applicant, or any other Applicant that has contracted with the Company for storage services under Rate 315 or 316. The service will be provided on a firm basis up to the volume of gas that is equivalent to the more restrictive firm withdrawal and injection parameters of the two parties involved in the transfer. Transfer of title at rates above this level may be done on at the Company's discretion.

For Applicants requesting service between two storage service contracts that have like services, each party to the request shall pay an Administration Charge applicable to the request. Services shall be considered to be alike if the injection and deliverability rate at the ratchet levels in effect at the time of the request are the same and both services are firm or both services are interruptible. In addition to like services, the Company, at its sole discretion based on operational conditions, will also allow for the transfer of gas from a storage service contract that has a level of deliverability that is higher than the level of deliverability of the storage service contract the gas is being transferred to with only the Administration Charge being applicable to each party.

In addition to the Administration Charge, Applicants requesting service between two storage service contracts not addressed in the preceding paragraph would be subject to the injection and withdrawal charges specified in their contracts.

Administration Charge: \$25.00 per transaction

EFFECTIVE DATE:	IMPLEMENTATION DATE:	BOARD ORDER:	REPLACING RATE EFFECTIVE:	Page 1 of 1
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