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November 29, 2011

VIA RESS, EMAIL and COURIER

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

Dear Ms Walli:

**Re: Enbridge Gas Distribution Inc. ("Enbridge")
2012 Rate Adjustment Application
Ontario Energy Board ("Board") File Number EB-2011-0277**

In accordance with the Board's Procedural Order No. 1, dated October 13, 2011, enclosed please find the Settlement Agreement for the above noted proceeding.

The Settlement Agreement has been filed through the Board's Regulatory Electronic Submission System (RESS) and will be available on the Enbridge website at www.enbridgegas.com/ratecase.

Two paper copies are being forwarded to the Board via courier.

Please contact the undersigned if you have any questions.

Sincerely,

[Original signed by]

Lesley Austin
Regulatory Coordinator

cc: Mr. F. Cass, Aird & Berlis LLP (via email and courier)
All Interested Parties EB-2011-0277 (via email)

SETTLEMENT AGREEMENT

November 29, 2011

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- 12 Is it appropriate to establish for 2012 the previously agreed upon list of deferral and variance accounts from the Settlement Agreement in the EB-2007-0615 proceeding, updated to include any additional approved, or discontinued, accounts?
- 13 Is it appropriate to establish for 2012 the proposed Pension Funding Costs Variance Account ("PFCVA")?
- 14 Is it appropriate to establish for 2012 the proposed Cross Bores Cost Variance Account ("CBCVA")?
- 15 Is it appropriate to establish for 2012 the proposed Transition Impact of Accounting Changes Deferral Account ("TIACDA")? (ref: C/1/5)
- 16 Is the adjustment calculated for the 2012 Tax Rate and Rule Change Variance Account ("TRRCVA") appropriate? (ref: C/1/4)
- 17 Is the proposed cost allocation of the two new Z factors appropriate? (ref: B/3/1)
- 18 Are the proposed changes to the wording of the Rate 200 rate schedule (Wholesale Service) relating to interruptible services appropriate? (ref: B/3/1)
- 19 What is the appropriate timing and method to implement the new rates?

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 2012.

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 22 and 23, 2011. 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:

ASSOCIATION OF POWER PRODUCERS OF ONTARIO ("APPRO")
BUILDING OWNERS AND MANAGERS ASSOCIATION OF THE GREATER
TORONTO AREA ("BOMA")
CANADIAN MANUFACTURERS & EXPORTERS ("CME")
COMSATEC INC. ("Comsatec")
CONSUMERS COUNCIL OF CANADA ("CCC")
ENERGY PROBE RESEARCH FOUNDATION ("Energy Probe")
FEDERATION OF RENTAL-HOUSING PROVIDERS OF ONTARIO ("FRPO")
INDUSTRIAL GAS USERS ASSOCIATION ("IGUA")
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 November 1, 2011 (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 settled 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.

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 Settlement Agreement. The parties agree that the inclusion of this specific confidentiality provision in this Settlement Agreement is without prejudice to the position that any party may take, as relates to any other existing or future Settlement Agreement, in respect of issues related to confidentiality at Settlement Conferences, and provisions in Settlement Agreements related to confidentiality.

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.

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 most issues (the "Settled Issues"), except for those related to: (i) Enbridge's request for a Transition Impact of Accounting Changes Deferral Account (Issue 15); (ii) the amount proposed for the Y-factor for Gas Cost & Carrying Cost (Issue 9); and (iii) Enbridge's requests for Z-factors for pension and cross-bore issues and related variance accounts (Issues 10, 11, 13 and 14). Each of these matters will proceed to hearing.

The oral hearing for this case is currently scheduled for December 2, 2011. Parties agree that it is not reasonable to expect that all of the non-settled issues can be heard on that one day. Parties expect, therefore, that all of the non-settled issues will be heard on future dates to be set by the Board.

Parties have agreed that, by November 30, 2011, Enbridge will file a draft rate order for interim rates effective January 1, 2012. Other parties will provide comments by December 2, 2011. That will allow for the draft rate order to be approved in time for the interim rates to be implemented in conjunction with Enbridge's January 1, 2012 QRAM Application.

The draft rate order will be prepared in accordance with the pre-filed evidence, with the exception of the Z-factor items noted above, which will not be included in interim rates. The determination of the proposed distribution revenue requirement, for the purposes of setting interim rates in accordance with the Settled Issues, is set out in the schedule attached as Appendix A to this Settlement Agreement. As noted in this Settlement Agreement, any impact on 2012 rates as result of the Board's determination with respect to the issues that are proceeding to hearing will be reflected in final 2012 rates and

¹ EB-2007-0615, Ex. N1, Tab 1, Schedule1.

implemented (into billing) in conjunction with a subsequent QRAM application, with the full-year impact of any such determination to be recovered in a manner deemed appropriate by the Board.

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?**

[COMPLETE SETTLEMENT]

For the purposes of settling the Settled Issues in this proceeding, and subject to any subsequent adjustment required as a result of the determination of the issues that are proceeding to hearing, 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.

The determination of the proposed distribution revenue requirement, for the purposes of setting interim rates in accordance with the Settled Issues, is set out in the schedule attached as Appendix A to this Settlement Agreement.

TransCanada Energy takes no position on the proposed settlement of this issue.

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

| | |
|-------|--|
| A-3-1 | Approvals Requested |
| B-1-1 | 2012 Rate Adjustment Summary |
| B-1-2 | 2012 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 Forecasting Model 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 and Carrying Cost |
| B-2-5 | Z Factor – Pension Funding Requirement |
| B-2-6 | Z Factor- Cross Bores/Sewer Laterals Cost |
| B-3-1 | 2012 Proposed Rates |
| B-3-2 | Rate Schedules |
| B-3-3 | 2011 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-2011-0296 vs EB-2011-0277 |
| B-3-10 | Assignment of Revenue Requirement |
| B-4-1 | Gas Cost, Transportation and Storage |
| B-4-2 | Gas Cost Schedules |
| C-1-1 | Deferral & Variance Accounts |
| C-1-2 | Pension Funding Requirement Variance Account |
| C-1-3 | Cross Bores Costs Variance Account |
| C-1-4 | Tax Rate and Rule Change Variance Account |
| C-1-5 | Transition Impacts of Accounting Changes Deferral Account |
| I-1-1 | Board Staff Interrogatory #1 |
| I-3-1 and 4 | CCC Interrogatory #1 and 4 |
| I-8-1, 11, 12 and 14 | VECC Interrogatories #11, 12 and 14 |

2 Is the forecast of customer additions appropriate?

[COMPLETE SETTLEMENT]

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

APPRO 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-3-1 | CCC Interrogatory #1 |
| I-4-1 and 2 | CME Interrogatories #1 and 2 |
| I-5-2 | Energy Probe Interrogatory #2 |
| I-8-1 | VECC Interrogatory #1 |

3 Is the gas volume budget appropriate?

[COMPLETE SETTLEMENT]

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

APPRO 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-5-4 | Energy Probe Interrogatory #4 |
| I-7-1 | Just Energy Interrogatory #1 |
| I-8-2, 4 and 5 | VECC Interrogatories #2, 4 and 5 |

4 Is the forecast of degree days appropriate?

[COMPLETE SETTLEMENT]

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

APPRO 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 |
|-------|--------------------|

5 Is the forecast of average use appropriate?

[COMPLETE SETTLEMENT]

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

APPRO 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 Forecasting Model and Economic Assumptions |
| I-3-1 | CCC Interrogatory #1 |
| I-5-3 | Energy Probe Interrogatory #3 |
| I-8-3 | VECC Interrogatory #3 |

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

[COMPLETE SETTLEMENT]

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

TransCanada Energy takes 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-4-3 to 6 | CME Interrogatories #3 to 6 |
| I-5-5 | Energy Probe Interrogatory #5 |
| I-8-6 | VECC Interrogatory #6 |

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

[COMPLETE SETTLEMENT]

For the purposes of settling the Settled Issues in this proceeding, all parties accept Enbridge's proposal to include the budgeted DSM costs of \$28.1M, as filed in EB-2011-0295, in 2012 rates on an interim basis. The parties' agreement to include the 2012 DSM budget as proposed in EB-2011-0295 in Enbridge's interim 2012 rates is without prejudice to positions any party may take in the EB-2011-0295 proceeding. The final 2012 DSM budget and allocation of the budget to rate classes will be determined in the EB-2011-0295 proceeding. If the decision in the EB-2011-0295 proceeding is available before the other outstanding issues in this proceeding are determined, then any impact of that decision (as compared to what is included in interim rates) will be reflected in final 2012 rates and implemented (into billing) in conjunction with a subsequent QRAM application, with the full-year impact of any such determination to be recovered in a manner deemed appropriate by the Board. In the event that the decision in the EB-2011-0295 proceeding is not available until after the other outstanding issues in this proceeding are determined, then any impact of that decision (as compared to what is included in interim rates) will be implemented through the 2012 DSMVA.

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

| | |
|-------------|---------------------------------------|
| B-2-2 | Y Factor – DSM Program |
| I-5-1 and 5 | Energy Probe Interrogatories #1 and 5 |
| I-8-7 | VECC Interrogatory #7 |

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

[COMPLETE SETTLEMENT]

For the purposes of settling the Settled 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.

APPRO 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 |
| I-5-5 | Energy Probe Interrogatory #5 |

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

[NO SETTLEMENT]

All parties, except for TransCanada Energy who takes no position, agree that this issue will proceed to hearing before the Board for determination.

For the purpose of setting interim rates as of January 1, 2012, all parties agree that Enbridge will use its forecast of gas cost and carrying cost as filed. That agreement is without prejudice to the position that any party may take when this issue is heard by the Board.

All parties agree that any impact on 2012 rates as result of the Board's determination with respect to this issue will be reflected in final 2012 rates and implemented (into billing) in conjunction with a subsequent QRAM application, with the full-year impact of any such determination to be recovered in a manner deemed appropriate by the Board.

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 |
| I-6-1 to 11 | FRPO Interrogatories #1 to 11 |

10 Is the nature of, and the amount proposed for, the Z factor – 2012 Pension Funding Requirement appropriate?

[NO SETTLEMENT]

All parties, except for TransCanada Energy who takes no position, agree that this issue will proceed to hearing before the Board for determination.

Parties agree that for the purposes of setting 2012 rates on a timely basis, the costs proposed by Enbridge for recovery as a Z-factor as being associated with the 2012 Pension Funding Requirement will not be included in rates at this time. This exclusion from 2012 rates is without prejudice to the position any party may take with respect to whether or not the costs associated with the 2012 Pension Funding Requirement qualify as a Z-factor under Enbridge's current approved IR framework. If the Board, after hearing the evidence in relation to the 2012 Pension Funding Requirement, determines that the associated costs qualify for Z-factor treatment, the recovery of such costs from customers will be reflected in final 2012 rates and implemented (into billing) in conjunction with a subsequent QRAM application, with the full-year impact of any such determination to be recovered in a manner deemed appropriate by the Board.

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

| | |
|-------------|--|
| B-2-5 | Z Factor – Pension Funding Requirement |
| C-1-2 | Pension Funding Requirement Variance Account |
| I-1-4 to 9 | Board Staff Interrogatories #4 to 9 |
| I-2-8 to 9 | BOMA Interrogatories #8 to 9 |
| I-3-2 to 3 | CCC Interrogatories #2 to 3 |
| I-4-7 to 11 | CME Interrogatories #7 to 11 |
| I-8-8 | VECC Interrogatory #8 |

11 Is the nature of, and the amount proposed for, the Z factor – 2012 Cross Bores /Sewer Laterals appropriate?

[NO SETTLEMENT]

All parties, except for TransCanada Energy who takes no position, agree that this issue will proceed to hearing before the Board for determination.

Parties agree that for the purposes of setting 2012 rates on a timely basis, the costs proposed by Enbridge for recovery as a Z-factor as being associated with the Cross Bore/ Sewer Lateral Safety program will not be included in rates at this time. This exclusion from 2012 rates is without prejudice to the position any party may take with respect to whether or not the costs associated with the Cross Bore/Sewer Lateral Safety program qualify as a Z-factor under Enbridge's current approved IR framework. If the Board, after hearing the evidence in relation to the Cross Bore/Sewer Lateral Safety program,

determines that the associated costs qualify for Z-factor treatment, the recovery of such costs from customers will be reflected in final 2012 rates and implemented (into billing) in conjunction with a subsequent QRAM application, with the full-year impact of any such determination to be recovered in a manner deemed appropriate by the Board.

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

| | |
|--------------|---|
| B-2-6 | Z Factor- Cross Bores/Sewer Laterals Cost |
| C-1-3 | Cross Bores Costs Variance Account |
| I-2-1 to 7 | BOMA Interrogatories #1 to 7 |
| I-3-5 to 9 | CCC Interrogatory #5 to 9 |
| I-4-12 to 14 | CME Interrogatories #12 to 14 |
| I-5-6 | Energy Probe Interrogatory #6 |
| I-6-12 | FRPO Interrogatory #12 |
| I-8-9 and 10 | VECC Interrogatories #9 and 10 |

12 Is it appropriate to establish for 2012 the previously agreed upon list of deferral and variance accounts from the Settlement Agreement in the EB-2007-0615 proceeding, updated to include any additional approved, or discontinued, accounts?

[COMPLETE SETTLEMENT]

For the purposes of settling the Settled Issues in this proceeding, all parties, except those noted below, agree that it appropriate to establish for 2012 the previously agreed upon list of deferral and variance accounts from the Settlement Agreement in the EB-2007-0615 proceeding, updated to include any additional approved or discontinued accounts. As set out in Issues 13, 14 and 16, there is no agreement as to the establishment of the new variance accounts requested by Enbridge.

TransCanada Energy takes 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 |
| I-8-15 | VECC Interrogatory #15 |

13 Is it appropriate to establish for 2012 the proposed Pension Funding Costs Variance Account (“PFCVA”)?

[NO SETTLEMENT]

All parties, except for TransCanada Energy who takes no position, agree that this issue will proceed to hearing before the Board for determination.

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

| | |
|-------------|--|
| B-2-5 | Z Factor – Pension Funding Requirement |
| C-1-2 | Pension Funding Requirement Variance Account |
| I-1-4 to 9 | Board Staff Interrogatories #4 to 9 |
| I-2-8 to 9 | BOMA Interrogatories #8 to 9 |
| I-3-2 to 3 | CCC Interrogatories #2 to 3 |
| I-4-7 to 11 | CME Interrogatories #7 to 11 |
| I-8-8 | VECC Interrogatory #8 |

14 Is it appropriate to establish for 2012 the proposed Cross Bores Cost Variance Account (“CBCVA”)?

[NO SETTLEMENT]

All parties, except for TransCanada Energy who takes no position, agree that this issue will proceed to hearing before the Board for determination.

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

| | |
|--------------|---|
| B-2-6 | Z Factor- Cross Bores/Sewer Laterals Cost |
| C-1-3 | Cross Bores Costs Variance Account |
| I-2-1 to 7 | BOMA Interrogatories #1 to 7 |
| I-3-5 to 9 | CCC Interrogatory #5 to 9 |
| I-4-12 to 14 | CME Interrogatories #12 to 14 |
| I-5-6 | Energy Probe Interrogatory #6 |
| I-6-12 | FRPO Interrogatory #12 |
| I-8-9 and 10 | VECC Interrogatories #9 and 10 |

15 Is it appropriate to establish for 2012 the proposed Transition Impact of Accounting Changes Deferral Account (“TIACDA”) (ref: C/1/5)

[NO SETTLEMENT]

All parties, except for TransCanada Energy who takes no position, agree that this issue will proceed to hearing before the Board for determination.

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

| | |
|--------------|---|
| C-1-5 | Transition Impacts of Accounting Changes Deferral Account |
| I-1-10 to 17 | Board Staff Interrogatories #10 to 17 |

16 Is the adjustment calculated for the 2012 Tax Rate and Rule Change Variance Account (“TRRCVA”) appropriate? (ref: C/1/4)

[COMPLETE SETTLEMENT]

For the purposes of settling the Settled Issues in this proceeding, all parties, except those noted below, agree that the adjustment calculated for the 2012 TRRCVA is appropriate.

TransCanada Energy takes no position on the proposed settlement of this issue.

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

| | |
|-------|---|
| C-1-4 | Tax Rate and Rule Change Variance Account |
| I-5-7 | Energy Probe Interrogatory #7 |

17 Is the proposed cost allocation of the two new Z factors appropriate? (ref: B/3/1)

[NO SETTLEMENT]

All parties, except for TransCanada Energy who takes no position, agree that this issue will proceed to hearing before the Board for determination.

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

| | |
|--------|---|
| B-2-5 | Z Factor – Pension Funding Requirement |
| C-1-2 | Pension Funding Requirement Variance Account |
| B-2-6 | Z Factor- Cross Bores/Sewer Laterals Cost |
| C-1-3 | Cross Bores Costs Variance Account |
| B-3-4 | Proposed Volumes and Revenue Recovery by Rate Class |
| I-8-10 | VECC Interrogatory #10 |

18 Are the proposed changes to the wording of the Rate 200 rate schedule (Wholesale Service) relating to interruptible services appropriate? (ref: B/3/1)

[COMPLETE SETTLEMENT]

For the purposes of settling the Settled Issues in this proceeding, all parties, except those noted below, agree that the proposed changes to the wording of the Rate 200 rate schedule (Wholesale Service) relating to interruptible services are appropriate.

TransCanada Energy takes no position on the proposed settlement of this issue.

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

| | |
|-------|--------------------|
| B-3-1 | 2012Proposed Rates |
| B-3-2 | Rate Handbook |

19 What is the appropriate timing and method to implement the new rates?

[COMPLETE SETTLEMENT]

For the purposes of settling the Settled Issues in this proceeding, all parties, except those noted below, agree that Enbridge will implement the interim 2012 rates arising from this Settlement Agreement on January 1, 2012.

All parties agree that Enbridge will file a draft rate order for rates effective January 1, 2012 according to the pre-filed evidence, with the exception of the Z-factor items and variance account requests set out at Issues 10, 11, 13, 14 and 15. Enbridge will file the draft rate order by November 30, 2011. Other parties agree that they will file any comments on the draft Rate Order by December 2, 2011. This will allow for the interim rates to be approved by the Board in time for the interim rates to be implemented in conjunction with Enbridge's January 1, 2012 QRAM Application.

As noted in this Settlement Agreement, any impact on 2012 rates as result of the Board's determination with respect to the issues that are proceeding to hearing will be reflected in final 2012 rates and implemented (into billing) in conjunction with a subsequent QRAM application, with the full-year impact of any such determination to be recovered in a manner deemed appropriate by the Board.

TransCanada Energy takes no position on the proposed settlement of this issue.

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

| | |
|--------|------------------------|
| A-3-1 | Approvals Requested |
| I-6-13 | FRPO Interrogatory #13 |

Filed: 2011-11-29
EB-2011-0277
Exhibit N1
Tab 1
Schedule 1
Appendix A

| 2012 REVENUE PER CUSTOMER CAP, DISTRIBUTION AND TOTAL REVENUE DETERMINATION | | | | | | |
|--|--|--|-------------------------|-------------------------|----------------|--------------|
| | | | Col. 1 | Col. 2 | Col. 3 | |
| | | | Updated | | | |
| | | | 2011-10-17 ExB.T1.S2 | Settlement Agreement | 2012 Ex. N1 | |
| Row | | | 2012 | Adjustments | App. A | |
| 1. | 2011 Total Approved Revenue (\$millions) | | 2,404.9 | | 2,404.9 | |
| 2. | Gas Costs to operations (at Oct. 1, 2010 ref. price) | | 1,416.3 | | 1,416.3 | |
| 3. | 2011 Approved Distribution Revenue | | 988.6 | | 988.6 | |
| 4. | 2011 Gas in storage related carrying costs (at Oct. 1, 2010 ref. price) | | (30.9) | | (30.9) | |
| 5. | DSM 2011 amount | | (26.7) | | (26.7) | |
| 6. | CIS / Cust. Care 2011 amount | | (97.4) | | (97.4) | |
| 7. | Power generation projects 2011 amount | | (3.5) | | (3.5) | |
| 8. | Distribution Revenue Sub-total | | 830.1 | | 830.1 | |
| 9. | Ratepayer 50% share of 2012 incremental tax amounts | | (4.6) | | (4.6) | |
| 10. | Distribution Revenue base (subject to the escalation formula, \$millions) | | 825.5 | | 825.5 | |
| 11. | Average Number of Customers (Beginning) | | 1,965,537 | | 1,965,537 | |
| 12. | Distribution Revenue per Customer 2012 (Beginning) | | \$ 419.99 | | \$ 419.99 | |
| 13. | GDP IPI FDD | | 1.72% | | 1.72% | |
| 14. | Inflation Coefficient (allowed % of GDP IPI FDD) | | 45.00% | | 45.00% | |
| 15. | Escalation Factor, 100 plus (GDP IPI FDD multiplied by the inflation coeff.) | | 100.77% | | 100.77% | |
| 16. | Distribution Revenue per Customer 2012 (Ending) | | \$ 423.23 | | \$ 423.23 | |
| 17. | Average Number of Customers (Ending) | | 1,984,734 | | 1,984,734 | |
| 18. | Distribution Revenue (resulting from the escalation formula, \$millions) | | 839.99 | | 839.99 | |
| | Y-Factors | | | | | |
| 19. | 2012 Gas in storage related carrying costs (at October 1, 2011 ref. price) | | 30.60 | | 30.60 | |
| 20. | 2012 DSM Y-factor amount | | 28.10 | | 28.10 | |
| 21. | CIS / Customer Care 2012 approved amount | | 99.20 | | 99.20 | |
| 22. | Power generation projects 2012 amount | | 6.60 | | 6.60 | |
| 23. | Total 2012 Y-Factors | | 164.50 | | 164.50 | |
| | Z-Factors | | | | | |
| 24. | 2012 Pension funding requirement | | 16.60 | (16.60) | - | ¹ |
| 25. | 2012 Crossbore / Sewer Lateral program requirement | | 3.80 | (3.80) | - | ² |
| 26. | Total 2012 Z-Factors | | 20.40 | (20.40) | - | |
| 27. | Total 2012 Distribution Revenues | | 1,024.89 | (20.40) | 1,004.49 | |
| 28. | 2012 Gas Costs to operations (at October 1, 2011 ref. price) | | 1,515.50 | | 1,515.50 | |
| 29. | 2012 Total Revenue (\$millions) | | 2,540.39 | (20.40) | 2,519.99 | |
| Notes: | | | | | | |
| 1. | Adjustment per the terms indicated for Issue 10 within the Settlement Agreement. | | | | | |
| 2. | Adjustment per the terms indicated for Issue 11 within the Settlement Agreement. | | | | | |