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October 29, 2013

VIA RESS, EMAIL and COURIER

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

**Re: EB-2012-0459 - Enbridge Gas Distribution Inc. ("Enbridge")
2014 – 2018 Rate Application
Notice of Motion and Settlement Agreement**

Enbridge is filing the attached Notice of Motion with the Ontario Energy Board for approval for a 2014 Unabsorbed Demand Charges Deferral Account and for interim approval of the 2014 Gas Supply Plan.

In support of the Motion, Enbridge is filing a Settlement Agreement with full agreement from Intervenor as Exhibit N1, Tab 2, Schedule 1 (Settlement Agreement of Aspects of Enbridge Gas Distribution 2014 Gas Supply Plan, October 29, 2013).

The Motion and Settlement Agreement are being filed through the Regulatory Electronic Submission System and will be available on Enbridge's website at www.enbridgegas.com/ratecase.

Please contact the undersigned if you have any questions.

Yours truly,

[original signed]

Lorraine Chiasson
Regulatory Coordinator

cc: Mr. F. Cass, Aird & Berlis
EB-2012-0459 Intervenor

ONTARIO ENERGY BOARD

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

AND IN THE MATTER OF an Application by Enbridge Gas Distribution Inc. for an order or orders approving or fixing rates for the sale, distribution, transmission and storage of gas commencing January 1, 2014.

NOTICE OF MOTION

THE MOVING PARTY, Enbridge Gas Distribution (Enbridge, or the Company), makes the following motion to the Ontario Energy Board (OEB, or the Board), and requests that the motion be heard in writing at the Board's earliest opportunity.

THE MOTION IS FOR:

1. Approval of a 2014 Unabsorbed Demand Charges Deferral Account (2014 UDCDA), which will record any unabsorbed demand charges up to a maximum amount of \$62.8 million, other than those which are forecast and included within the 2014 Design Day Criteria Transportation Deferral Account (DDCTDA);
2. Interim approval of Enbridge's updated 2014 gas supply plan (including forecast volumes), as set out at Exhibit D3-2-1 (updated), for use within Enbridge's 2014 QRAM applications, until such time as a final decision in this proceeding is implemented; and
3. Such further and other relief as counsel may advise.

THE GROUNDS FOR THE MOTION ARE AS FOLLOWS:

1. The relief sought will allow Enbridge to proceed with gas supply contracting for 2014 that is in the best interest of its ratepayers. As evidenced by the Settlement Agreement being filed in conjunction with this motion, there is broad support for this approach, and no party has indicated any opposition.

2. The context and background is set out in the following paragraphs.
3. Enbridge's prefiled evidence (Exhibit D1-2-1) set out its proposed gas supply plan for 2014, but explained that elements could change, depending upon anticipated changes to TransCanada PipeLines (TCPL) tolls related to Short Term Firm Transportation (STFT) service. Included within Enbridge's 2014 gas supply plan was a forecast amount of unutilized transportation capacity during winter months, much of which was related to the change in Peak Gas Day Design Criteria that was approved within Enbridge's 2013 rate case (EB-2011-0354). Parties agreed in that case that Enbridge could recover the actual cost consequences of any unutilized transportation capacity contracted by the Company to meet increased requirements resulting from the approved changes in Peak Gas Day Design Criteria. Those cost consequences will be recorded within, and then cleared from, the 2014 Design Day Criteria Transportation Deferral Account ("2014 DDCTDA").
4. By July 2013, it was clear that TCPL's STFT service is no longer a reasonable option for Enbridge, because the associated tolls are substantially higher than tolls for full year Firm Transportation (FT) service over the same transportation paths.
5. On July 12, 2013, Enbridge wrote to stakeholders to inform them that the Company planned to contract for FT service instead of STFT service, to replace capacity that is being assigned to agents for mass market customers pursuant to the System Reliability Settlement Agreement (EB-2010-0231). This resulted in a savings of \$4.5 million as compared to the cost that would have been incurred for STFT service.
6. On August 30, 2013, Enbridge again wrote to stakeholders, to inform them that that the Company intends to replace the remaining planned STFT capacity for 2014 with FT capacity, as it would cost \$7 million more to obtain STFT service for the winter only as compared to the cost of FT service for the full year. This contracting must be completed in advance of November 2013. In the August 30, 2013 letter, Enbridge told stakeholders that one consequence of acquiring FT capacity is that there will be unabsorbed demand charges (UDC) resulting from the fact that some of the capacity will be unused on non-peak days.

7. Stakeholders had questions about Enbridge's plans. In response, Enbridge held a Consultation Meeting on October 2, 2013, to explain its plans to acquire FT service instead of STFT service, and to present the updated 2014 gas supply plan.
8. In advance of the stakeholder session, Enbridge provided explanatory documents. At the Consultation Meeting, Enbridge explained how the updated 2014 gas supply plan would result in cost savings of approximately \$33 million, as compared to the originally filed 2014 gas supply plan. That cost savings takes into account the \$104 million in UDC that is forecast within the updated 2014 gas supply plan. The forecast UDC relates to transportation capacity that is required to accommodate the changes in Peak Gas Day Design Criteria, and also to system reliability capacity needed to meet peak day demand.
9. As discussed at the Consultation Meeting (and in the updated Exhibit D1-3-1), Enbridge expects that the actual amount of UDC will be less than \$104 million. Where possible, Enbridge will mitigate this amount by assigning unused transportation capacity to third parties, or by using the transportation itself to deliver gas to be injected into storage (in place of discretionary purchases at Dawn).
10. As described above, some of the forecast UDC capacity relates to the changes in Peak Gas Day Design Criteria. With the update from STFT to FT service, this forecast unutilized transportation capacity will occur in the summer months and November, as well as in the winter months (which had previously been forecast). In total, approximately \$41 million of the forecast unutilized transportation costs arises from the capacity acquired to accommodate the changes in Peak Gas Day Design Criteria. These costs will be captured in the 2014 DDCTDA.
11. The remaining \$63 million in forecast UDC relates to FT transportation for system reliability purposes to meet peak day demand.
12. At the Consultation Meeting, Enbridge explained that its updated 2014 gas supply plan raises two issues that need to be addressed imminently.

- a. First, there needs to be a means to track and recover the actual UDC costs incurred by Enbridge beyond the costs to be included within the DDCTDA. The current rules for the Purchased Gas Variance Account (PGVA) do not allow the Company to recover un-forecast UDC. This puts Enbridge and ratepayers at risk, to the extent that the actual UDC costs are different from the forecast (for example, where Enbridge is able to mitigate some of the forecast UDC costs). To solve this problem, Enbridge suggested establishing a new deferral account for 2014 (the UDCDA), to record and recover the actual amount of UDC incurred. To the extent that Enbridge is able to mitigate the forecast amount of UDC during 2013, then the amount recorded within the UDCDA will be less than the forecast amount. Enbridge proposes to record a maximum of \$62.8 million in the 2014 UDCDA, with the actual amount recorded to reflect the actual amount of UDC incurred, taking into account any mitigation savings.
 - b. Second, Enbridge needs to be able to use its updated 2014 gas supply plan (and associated volumes) for setting the PGVA reference price, starting in January 2014. Otherwise, taking into account the changes within the 2014 gas supply plan, there would be unnecessary volatility in the PGVA reference price by using the 2013 gas supply plan as the basis for 2014 QRAM determinations. In Enbridge's submission, it is more appropriate to use the 2014 gas supply plan, on an interim basis, as an input into Enbridge's 2014 QRAM applications until such time as a final 2014 gas supply plan is approved. The impact of any changes in the final approved 2014 gas supply plan and volumes budget can be reflected and implemented through later QRAM applications.
13. Through discussions at the Consultation Meeting, it became clear that intervenors support Enbridge's proposed approach, including the acquisition of FT capacity to replace STFT capacity, which must be completed before November 2013.
14. In response, Enbridge prepared and provided updated evidence setting out and explaining the updated 2014 gas supply plan, and the proposal for a 2014 UDCDA.

15. During the Information Session in this proceeding held on October 11, 2013 pursuant to Procedural Order No. 2, Enbridge and parties discussed the draft version of updated evidence regarding the 2014 gas supply plan, the proposal for establishment of the 2014 UDCDA and the proposal for use of the updated 2014 gas supply plan in QRAM applications. Enbridge's discussions with intervenors continued after the Information Session. Parties were able to agree upon a Settlement Agreement, endorsing the creation of a 2014 UDCDA and the use of Enbridge's updated 2014 gas supply plan, on an interim basis, for Enbridge's 2014 QRAM applications. In response to requests from intervenors, Enbridge made changes to the updated evidence, to include information requested.
16. The Settlement Agreement, and updated evidence, were provided to all registered intervenors in this proceeding. None of these parties have indicated any objection.
17. Enbridge requests that the Board consider this motion in writing at the first opportunity, to allow for Enbridge to complete its 2014 gas supply contracting.

THE EVIDENCE that will be used on this motion includes:

1. The prefiled evidence in this proceeding, including in particular the updated evidence filed within:
 - a. Exhibit D1-2-1 (2014 Gas Costs, Transportation and Storage)
 - b. Exhibit D1-2-2 (Status of Transportation Contracts)
 - c. Exhibit D1-8-1 (Deferral and Variance Accounts)
 - d. Exhibit D3-3-1 (2014 Summary of Gas Costs to Operations)
 - e. Exhibit D3-3-2 (2014 Summary of Storage & Transportation Costs)
 - f. Exhibit D3-3-3 (2014 Peak Day Demand)
 - g. Exhibit D3-3-4 (Monthly Pricing Information)
 - h. Exhibit D3-3-5 (Gas Supply/Demand Balance)
2. The Settlement Agreement arising from the October 2, 2013 Consultation Meeting and subsequent discussions, including appendices attaching:

- a. The letters from Enbridge to the OEB, dated July 12, 2013 and August 30, 2013 relating to Enbridge's replacement of STFT capacity.
 - b. The materials provided to stakeholders at the October 2, 2013 Consultation Meeting.
3. Such further and other evidence as counsel may advise.

DATE: October 29, 2013

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TO: Ontario Energy Board and all parties registered in EB-2012-0459

SETTLEMENT AGREEMENT

Aspects of Enbridge Gas Distribution 2014 Gas Supply Plan

October 29, 2013

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PREAMBLE AND OVERVIEW

This Settlement Agreement is filed with the Ontario Energy Board (the "OEB" or the "Board") in connection with the approval of certain aspects of the 2014 gas supply plan proposed by Enbridge Gas Distribution Inc. ("Enbridge" or the "Company").

Enbridge's prefiled evidence (Exhibit D1-2-1) in this case set out its proposed gas supply plan for 2014, but explained that elements could change, depending upon anticipated changes to TransCanada PipeLines ("TCPL") tolls for Short Term Firm Transportation ("STFT") service.

By July 2013, Enbridge had become aware that TCPL's STFT service is no longer a reasonable option for Enbridge, because the associated tolls are substantially higher than tolls for full year Firm Transportation (FT) service over the same transportation paths. On July 12, 2013, Enbridge wrote to stakeholders to inform them that the Company planned to contract for FT service instead of the STFT service that it would otherwise have acquired pursuant to the terms of the System Reliability Settlement Agreement (EB-2010-0231). A copy of Enbridge's July 12, 2013 letter is attached to this Settlement Agreement as Appendix A.

The System Reliability Settlement Agreement provides for Enbridge to assign short haul firm transportation capacity to agents for mass market customers and to replace the assigned capacity with an equivalent volume of STFT capacity from Empress, Alberta. The System Reliability Settlement Agreement goes on to state that the cost consequences of this aspect of the Agreement will be recovered from sales and Western T-service customers allocated by volume, pursuant to the Board-approved cost allocation and rate design methodology. The volume of STFT service that Enbridge would have acquired effective November 1, 2013 pursuant to these provisions of the System Reliability Settlement Agreement is 38,000 GJ/day.

Given the higher tolls for STFT service than for FT service, Enbridge would have had to pay more to acquire 38,000 GJ/day of STFT for five months than to acquire the same volume of FT for 12 months. Enbridge therefore decided to bid for FT capacity effective November 1, 2013 and it so informed stakeholders in the letter sent on July 12, 2013.

Enbridge's total planned STFT capacity effective November 1, 2013 was 257,500 GJ/day. In the summer of 2013, Enbridge was able to enter into an arrangement with a third party to provide 50,000 GJ/day of capacity to the CDA for the winter period at a price less than the updated STFT toll. Accordingly, the remaining volume of STFT after taking into account the 38,000 GJ/day discussed above is 170,000 GJ/day.

On August 30, 2013, Enbridge again wrote to stakeholders, to inform them of the Company's intention to replace this remaining volume of 170,000 GJ/day of STFT service with FT capacity. In the August 30, 2013 letter, Enbridge advised stakeholders that one consequence of acquiring FT capacity is that there will be unabsorbed demand charges (UDC) resulting from the fact that some of the capacity will be unused on non-peak days. A copy of Enbridge's August 30, 2013 letter is attached to this Settlement Agreement as Appendix B.

A portion of the STFT capacity that Enbridge seeks to replace with FT capacity relates to increased capacity requirements to meet Enbridge's updated peak gas day design criteria. The Board-approved Settlement Agreement in EB-2011-0354 (Enbridge 2013 Rates, Issue D.3) set

out the agreement of parties that Enbridge would increase its peak gas day design criteria to reflect a 1 in 5 recurrence interval. It was agreed that the resultant change to heating degree days would be increased equally over the 2013 and 2014 years. The EB-2011-0354 Settlement Agreement noted that, in order to meet the increased requirements, Enbridge would have to acquire increased transportation capacity. The EB-2011-0354 Settlement Agreement went on to set out the agreement of parties that the cost consequences of unutilized transportation capacity related to this incremental transportation capacity would be recorded in the 2013 and 2014 Design Day Criteria Transportation Deferral Account (DDCTDA).

Enbridge requires an additional 85,000 GJ/day of winter capacity to accommodate the change in peak gas day design criteria. Some of that capacity (approximately 10,500 GJ/day) is required for the EDA and was forecast to be filled through FT service. The balance of the capacity (approximately 74,500 GJ/per day) is required for the CDA, and had been forecast to be filled through STFT service. The acquisition of FT service, rather than STFT service, to meet the increased transportation requirements resulting from the change in peak gas day design criteria means that, although transportation costs will be less, there will be unutilized transportation capacity not just over five months of STFT service (November, 2013 to March, 2014), but over the one-year period of FT service commencing on November 1, 2013. Enbridge proposes that all UDC associated with the acquisition of FT service effective November 1, 2013 to meet requirements resulting from the change in peak gas day design criteria be recorded in the 2014 DDCTDA.

Subject to the decision ultimately reached by the Board in this proceeding regarding the Company's gas volume forecast, the estimated UDC to be recorded in the 2014 DDCTDA is approximately \$41.5 million. Details of that amount are set out in the chart at the end of Exhibit D1, Tab 2, Schedule 1 (updated). Enbridge will use its best efforts to mitigate the UDC that would otherwise be recorded in the 2014 DDCTDA and the results of Enbridge's best efforts to mitigate such UDC will be reflected in the amounts recorded in the 2014 DDCTDA.

In addition to the UDC that will be recorded in the 2014 DDCTDA, there will be other UDC associated with the acquisition of FT service, effective November 1, 2013, instead of STFT service. The volume of FT capacity that will give rise to this UDC is approximately 133,000 GJ/day (which is equal to the total amount of STFT being replaced less the amount related to the change in peak gas day design criteria). The amount of this UDC is currently forecast to be \$62.8 million, subject to the decision ultimately reached by the Board in this proceeding regarding Enbridge's gas volume forecast. Details of that amount are set out in the chart at the end of Exhibit D1, Tab 2, Schedule 1 (updated).

Enbridge does not propose to recover the \$62.8 million of UDC (or such other revised forecast amount as may result from the Board's decision regarding the gas volume forecast) in 2014 rates. Instead, Enbridge proposes to establish a new deferral account, called the 2014 Unabsorbed Demand Charges Deferral Account (2014 UDCDA) to record this UDC that is in addition to the UDC to be recorded in the 2014 DDCTDA.

Enbridge will use its best efforts to mitigate the amount of UDC that would otherwise be recorded in the 2014 UDCDA and the results of Enbridge's best efforts to mitigate such UDC will be reflected in the amounts recorded in the 2014 UDCDA. The amount recorded in the 2014 UDCDA will not be greater than the forecast amount of \$62.8 million (or such other revised

forecast amount as may result from the Board's decision regarding the gas volume forecast), but it may be less as a result of Enbridge's best efforts to mitigate UDC.

Enbridge believes that it will be appropriate to use the updated 2014 gas supply plan (including associated volumes) on an interim basis for the purpose of deriving reference prices in its January and April 2014 QRAM applications. Using the updated gas supply plan will minimize volatility when a final 2014 gas supply plan is implemented in conjunction with the final decision in this proceeding.

Enbridge held a Consultation Meeting on October 2, 2013 to explain and discuss its updated gas supply contracting plans. All parties to this proceeding were invited to participate. In advance of the Consultation Meeting, Enbridge provided stakeholders with explanatory materials, setting out details about Enbridge's proposed updated 2014 gas supply plan, including the savings to ratepayers as compared to the as-filed gas supply plan and the increased forecast UDC resulting from an increased amount of FT capacity. A copy of the materials circulated in advance of the October 2, 2013 Consultation Meeting is attached to this Settlement Agreement as Appendix C.

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

CANADIAN MANUFACTURERS & EXPORTERS (CME)
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)
TRANSALTA CORPORATION (TRANSALTA)
TRANSCANADA PIPELINES LIMITED (TCPL)
UNION GAS LIMITED (UNION)
VULNERABLE ENERGY CONSUMERS COALITION (VECC)

At the Consultation Meeting, participants indicated general acceptance of Enbridge's proposed approach, including the acquisition of FT capacity to replace STFT capacity, which must be completed before November 2013. Following the Consultation Meeting, Enbridge prepared and provided to all parties to this proceeding a draft version of updated evidence setting out and explaining the updated 2014 gas supply plan, and the proposal for the 2014 UDCDA.

During the Information Session in this proceeding held on October 11, 2013 pursuant to Procedural Order No. 2, Enbridge and parties discussed the draft version of updated evidence regarding the 2014 gas supply plan, the proposal for establishment of the 2014 UDCDA and the proposal for use of the updated 2014 gas supply plan in QRAM applications. Enbridge's discussions with intervenors continued after the Information Session and this Settlement Agreement arises from the Consultation Meeting, the Information Session and the subsequent discussions.

Enbridge and the intervenors listed above (except for TRANSALTA, UNION GAS and VECC, who take no position), as well as BUILDING OWNERS AND MANAGERS ASSOCIATION (BOMA), CONSUMERS COUNCIL OF CANADA (CCC) and SCHOOLS ENERGY COALITION (SEC), who participated in the Information Session and subsequent discussions, have agreed to the

settlement of certain issues relating to aspects of Enbridge's 2014 gas supply plan, as described on the following pages. Board Staff takes no position on any issue and, as a result, is not a party to the Settlement Agreement.

The final version of the updated evidence explaining the revised 2014 gas supply plan (Exhibit D1, Tab 2, Schedule 1) was filed on October 29, 2013, along with further updated evidence as listed below under the "Evidence" heading for Items 1 and 2. Based upon the evidence in this proceeding, as updated, Enbridge and intervenors have reached agreement on the provisions of this Settlement Agreement. As set out in the following section, Enbridge and intervenors agree that it is appropriate for Enbridge to: (i) establish the 2014 UDCDA to record UDC costs incurred in 2014; and (ii) use its updated 2014 gas supply plan (including volume forecast), on an interim basis, for the purposes of deriving reference prices in the January and April 2014 QRAM applications such that appropriate adjustments can be made when the final 2014 gas supply plan is approved.

In the event that the Board does not accept all or any part of the proposed settlement, additional evidence may be offered issue to assist the Board's further consideration of the settlement.

THE SETTLED ITEMS

1. 2014 Unabsorbed Demand Charges Deferral Account (2014 UDCDA)

The parties have agreed to the establishment of the 2014 UDCDA, for the purpose of recording actual UDC costs incurred during 2014. This will allow for the actual amount of UDC costs, rather than a forecast of such costs, to be recorded and subsequently recovered. The 2014 UDCDA will not record UDC costs associated with the transition to new peak gas day design criteria, as those costs will be recorded in the 2014 DDCTDA.

Enbridge will use its best efforts to mitigate the UDC that would otherwise be recorded in the 2014 DDCTDA and the 2014 UDCDA. For example, Enbridge will use transportation capacity to fill storage (by displacing discretionary purchases of gas at Dawn) where that is reasonably possible, to reduce the total amount of unutilized capacity. Where there is unutilized capacity, Enbridge will make best efforts to assign that capacity to third parties, to mitigate the UDC costs. The outcome of Enbridge's best efforts to mitigate UDC will be reflected in the amounts recorded in the 2014 DDCTDA and the 2014 UDCDA.

To enable parties to monitor the on-going impact of the acquisition of FT capacity for a term of one (1) year in November of 2013, under the auspices of Enbridge's 2014 Revised Gas Supply Plan, and to evaluate whether best efforts were made to mitigate 2014 UDC costs, Enbridge agrees that, on a monthly basis in 2014, it will provide a report to the parties to this Settlement Agreement and to other participants in this proceeding who request such information from Enbridge, which report will contain the following information:

1. Actual heating degree days for the month by Delivery Area (CDA and EDA)
2. Total capacity used for base exchanges by Delivery Area (CDA and EDA)

3. Total capacity released/assigned by Delivery Area (CDA and EDA) for that month or contracted for a future month
4. Projected Dawn deliveries during the summer of 2014 for UDC mitigation

The report will be provided within 30 days after the end of the subject month.

The parties acknowledge that, as further experience is gained and with the prior agreement of Enbridge and interested parties, the nature of the information to be provided and the frequency of the reporting specified herein can be altered.

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

D1-2-1 (updated)	2014 Gas Costs, Transportation and Storage
D1-2-2 (updated)	Status of Transportation Contracts
D1-8-1 (updated)	Deferral and Variance Accounts
D3-3-1 (updated)	2014 Summary of Gas Costs to Operations
D3-3-2 (updated)	2014 Summary of Storage & Transportation Costs
D3-3-3 (updated)	2014 Peak Day Demand
D3-3-4 (updated)	Monthly Pricing Information
D3-3-5 (updated)	Gas Supply/Demand Balance
N1-2-1, App. A	July 12, 2013 Letter re. Enbridge acquisition of FT capacity
N1-2-1, App. B	August 30, 2013 Letter re. additional Enbridge acquisition of FT capacity
N1-2-1, App. C	Materials provided for October 2, 2013 Consultation Meeting

2. Gas Supply Plan for 2014 QRAM Applications

The parties have agreed that Enbridge's updated 2014 gas supply plan, as set out at Exhibit D3-3-1, which incorporates Enbridge's forecast 2014 volumes, will be used, on an interim basis, for the purpose of deriving reference prices in 2014 QRAM applications by Enbridge, until such time as a final decision in this proceeding is implemented. Following Board approval of a 2014 gas supply plan and 2014 volumes, adjustments will be made within the next QRAM application to account for the impact of differences between the updated 2014 gas supply plan (including forecast 2014 volumes) and the final 2014 gas supply plan and volumes.

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

D1-2-1 (updated)	2014 Gas Costs, Transportation and Storage
D1-2-2 (updated)	Status of Transportation Contracts
D1-8-1 (updated)	Deferral and Variance Accounts
D3-3-1 (updated)	2014 Summary of Gas Costs to Operations
D3-3-2 (updated)	2014 Summary of Storage & Transportation Costs
D3-3-3 (updated)	2014 Peak Day Demand
D3-3-4 (updated)	Monthly Pricing Information
D3-3-5 (updated)	Gas Supply/Demand Balance
N1-2-1, App. A	July 12, 2013 Letter re. Enbridge acquisition of FT capacity
N1-2-1, App. B	August 30, 2013 Letter re. additional Enbridge acquisition of FT capacity
N1-2-1, App. C	Materials provided for October 2, 2013 Consultation Meeting

3. Clearance of UDC Recorded in 2014 Deferral Accounts

The parties agree that all matters relevant to a determination of the appropriateness of the net actual UDC balances recorded in the 2014 DDCTDA and 2014 UDCDA will remain open for consideration by the parties and the Board in a proceeding subsequent to December 31, 2014, so that a determination of the balances in each account to be recovered either through a one-time charge or over a twelve month period can be made in time for the clearances can begin with the either the April 1, 2015 or July 1, 2015 QRAM Application. Matters remaining open for consideration in that proceeding include the appropriateness of the efforts made by Enbridge to mitigate net UDC balances, and whether the proceeds of all of Enbridge's 2014 pipeline optimization activities have been recorded in the appropriate deferral accounts.

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

D1-2-1 (updated)	2014 Gas Costs, Transportation and Storage
D1-2-2 (updated)	Status of Transportation Contracts
D1-8-1 (updated)	Deferral and Variance Accounts
D3-3-1 (updated)	2014 Summary of Gas Costs to Operations
D3-3-2 (updated)	2014 Summary of Storage & Transportation Costs
D3-3-3 (updated)	2014 Peak Day Demand
D3-3-4 (updated)	Monthly Pricing Information
D3-3-5 (updated)	Gas Supply/Demand Balance
N1-2-1, App. A	July 12, 2013 Letter re. Enbridge acquisition of FT capacity
N1-2-1, App. B	August 30, 2013 Letter re. additional Enbridge acquisition of FT capacity
N1-2-1, App. C	Materials provided for October 2, 2013 Consultation Meeting

4. Reservation of Rights re: Gas Supply Plans for 2015 and Beyond

The parties agree that this Settlement Agreement is only intended to address Enbridge's urgent need to obtain approval for purchasing FT rather than STFT under the auspices of its revised 2014 Gas Supply Plan along with the 2014 UDC implications of such actions. This Settlement Agreement is without prejudice to the positions parties may take on any and all matters pertaining to gas supply planning and acquisition for the years 2015 and beyond.

APPENDIX A : ENBRIDGE'S JULY 12, 2013 TO THE OEB



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July 12, 2013

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")
EB-2010-0231 – System Reliability**

The Ontario Energy Board Decision and Order in the EB-2010-0231 proceeding accepted the Settlement Agreement which set out the terms of a long term resolution of the System Reliability issue. Included in that Settlement Agreement was an assignment of short haul transportation capacity to agents for mass market customers and a replacement of that capacity with Short Term Firm Transportation ("STFT").

The Settlement Agreement also identified that in the event of a material change in circumstances that affected either security of supply to Enbridge's franchise area and/or the long term resolution that Enbridge would notify parties to the Settlement Agreement.

Enbridge would like to notify the Board and interested parties that there is a change to the long term resolution of the Settlement Agreement. Enbridge plans to acquire one year of TCPL FT capacity effective November 1, 2013 instead of acquiring five months of STFT.

On July 9, 2013 TCPL posted its Canadian Mainline Winter 2013/2014 Open Season for STFT and ST-SN. Enbridge has reviewed the TCPL Open Season for STFT for the winter period November 2013 to March 2014 and the associated prices for that service. The minimum floor bid price for winter STFT is 290% of the TCPL FT toll. The open season will close on Monday, July 15, 2013 @ 8:00 MDT.

Ms Kirsten Walli
July 12, 2013
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The current Empress to CDA FT toll on TCPL is \$1.5659/gj which would mean that the STFT toll will be \$4.5411/gj. The impact of the higher toll would mean that Enbridge would have to pay approximately \$4.5 million more on an annual basis if it were to acquire 5 months of STFT as opposed to 12 months of FT. Enbridge believes that it is in the best interests of our customers to acquire the FT transportation at a reduced cost which will still allow Enbridge to satisfy its ability to have firm transportation throughout the winter months to meet the demands of its customers.

Due to the time sensitive nature of the Open Season Enbridge plans to proceed and bid for TCPL FT capacity effective November 1, 2013.

Please do not hesitate to contact me with any questions.

Yours Truly

[original signed]

Norm Ryckman
Director, Regulatory Affairs

cc: EB-2010-0231 and EB-2012-0459 Interested Parties

APPENDIX B : ENBRIDGE'S AUGUST 30, 2013 LETTER TO THE OEB



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August 30, 2013

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")
EB-2012-0459 – System Reliability – Correction

Further to Enbridge's letter filed yesterday, August 29, 2013, please note there was a typo-graphical error on page 2.

In the first paragraph on the second page it reads "the FT option will result in utilized capacity ...". Please note this should read "the FT option will result in **unutilized** capacity ..."

The contents of yesterday's letter follows for your reference.

The purpose of this letter is to notify the Board and interested parties of a change to the long term resolution of the Settlement Agreement pertaining to the System Reliability issue (EB-2010-0231). On July 12, 2013 the Company sent a similar letter notifying the Board and interested parties of its intention to acquire one year of TCPL Firm Transportation ("FT") capacity effective November 1, 2013 instead of acquiring five months of TCPL Short Term Firm Transportation ("STFT") as per the terms of the Settlement Agreement in EB-2010-0231. The acquisition of one year FT at NEB approved tolls delivered savings of \$4.5 million relative to five months of STFT at the tolls offered by TransCanada at that time (290% of the FT toll), as a result of greater pricing flexibility allowed by the National Energy Board in its RH-001-2013 decision.

Enbridge has determined that it will require an incremental 170,000 GJ/day during the January/14 to March/14 period to assist in meeting its peak day demand under design conditions. The options available to Enbridge:

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1. wait until monthly blocks of STFT are made available by TCPL and hope that there is sufficient capacity available,
2. acquire winter STFT (November to March),
3. acquire 7 months of STFT (September/13 to March/14), or
4. acquire 1 year FT effective November 1, 2013.

All options will result in a level of unutilized capacity from January 1, 2014 to March 31, 2014. In addition, the FT option will result in unutilized capacity and associated demand charges of \$55M throughout the summer of 2014.

The table below shows the gas cost impacts of the four options.

		FT Toll	Toll Premium	Effective Toll	Daily Volume Required	# of days of Service	Transportation Cost Incurred
		\$/GJ		\$/GJ	GJ		\$millions
Option 1	Monthly STFT	1.5659	1200.00%	18.7908	170,000	90	287.50
Option 2	Winter STFT	1.5659	260.00%	4.0713	170,000	151	104.51
Option 3	7 Months of STFT	1.5659	166.80%	2.6119	170,000	212	94.13
Option 4	1 Year of FT	1.5659	0.00%	1.5659	170,000	365	97.16

- The toll premium for Winter STFT and 7 months of STFT were based upon minimum floor bid prices posted by TCPL on August 26/13.

The lowest cost options shown above are options 3 and 4. Despite the fact that Option 3 is cheaper by \$3.0 million the Company proposes to contract for 1 year of FT capacity.

The Company believes that the service attributes associated with FT offset the cost differential between the seven month STFT option and the 1 year FT option.

Enbridge intends to pursue bidding for 1 year Empress to CDA FT capacity and incorporating the cost consequences in an updated 2014 Gas Cost budget to be filed with the Board.

Please do not hesitate to contact me with any questions.

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Yours Truly,

[original signed]

Norm Ryckman
Director, Regulatory Affairs

cc: EB-2010-0231 and EB-2012-0459 Interested Parties

**APPENDIX C : MATERIALS CIRCULATED IN ADVANCE OF THE OCTOBER 2, 2013
CONSULTATION MEETING**

Updates to Enbridge's 2014 Gas Supply Plan

Enbridge prepared its 2014 supply portfolio based upon the assumption that it would acquire STFT at a cost equivalent to the TCPL FT toll. Included within the 2014 supply portfolio was a total of 257,500 GJ of STFT service (Empress to CDA), as seen at Ex. D1-2-2, p. 1.

Subsequent to the preparation of the 2014 gas supply portfolio, the NEB approved new tolls and provided TCPL with the opportunity to charge what it believed would be a market price for STFT. For example, TCPL is currently asking for a minimum bid floor price for STFT equal to 260% of current FT toll price. That service would run from November 1st to March 31st (151 days).

As a result of the changes in TCPL tolls, Enbridge has looked for an updated 2014 gas supply approach with the lowest cost structure for ratepayers.

Based upon currently available information, Enbridge can reduce the gas supply costs to its customers through an updated gas supply plan. As seen in the attached Appendix A, Enbridge's proposed updated 2014 gas supply plan includes a reduction of approximately \$33 million in TCPL transportation costs, as compared to the filed gas supply portfolio. This includes an estimated \$11.5 million saving from contracting for full year FT service instead of five months STFT service at current TCPL tolls.

While this approach will result in cost savings, it will include an increase in forecast unutilized transportation costs (also referred to as UDC). The total cost savings of \$33 million takes into account the impact of the forecast UDC.

Under the current structure of the PGVA, un-forecast UDC costs would not be recoverable from ratepayers, but instead would be at the risk of the shareholder only. Details of the derivation of the UDC estimates are attached as Appendix B. Obviously, Enbridge would not be willing to pursue this very viable option unless it is able to treat UDC as a forecast cost and therefore be protected against the possibility of unrecoverable costs.

Therefore to capitalize on this opportunity to reduce customer costs, Enbridge needs the following:

- 1) Agreement upon the prudence of adopting this approach to gas supply planning.
- 2) Establishment of a mechanism, such as a deferral account, to allow Enbridge to record and recover UDC costs that cannot be otherwise offset using transportation and storage options.
- 3) Interim acceptance of Enbridge's updated 2014 gas supply plan for QRAM determinations for Jan 1 _14 and Apr 1_14, subject to any OEB ordered revisions to its as filed plans.

Enbridge believes that this gas planning approach will lead to annual savings to Enbridge's customers of \$33 million or more, depending on the level of forecast UDC that can be mitigated.

Option #1 -in August 30th letter to the Board					Option #2 -in August 30th letter to the Board					Option #4 -in August 30th letter to the Board				
Update for October QRAM Commodity pricing and TCPL tolls (Monthly STFT)					Update Supply Portfolio assuming 5 months of STFT					Update Supply Portfolio assuming 1 year FT				
Item #	Col. 1 10 ³ m ³	Col. 2 \$(000)	Col. 3 10 ³ m ³	Col. 4 \$(000)	Col. 5 10 ³ m ³	Col. 6 \$(000)	Col. 7 10 ³ m ³	Col. 8 \$(000)						
<u>Western Canadian Supplies</u>														
1.1	Alberta Production	0.0	0.0	0.0										
1.2	Western - @ Empress - TCPL	2,930,780.5	381,875.0	2,930,780.5	2,932,223.6	363,502.7	2,932,223.6	364,714.7	0.0	2,932,223.6	364,714.7	0.0	364,714.7	
1.3	Western - @ Nova - TCPL	938,105.2	123,155.9	938,105.2	938,105.2	117,147.7	938,105.2	117,147.7	0.0	938,105.2	117,147.7	0.0	117,147.7	
1.4	Western Buy/Sell - with Fuel	1,326.7	177.0	1,326.7	1,326.7	168.6	1,326.7	168.6	0.0	1,326.7	168.6	0.0	168.6	
1.5	Western - @ Alliance	962,756.8	131,704.5	962,756.8	962,756.8	125,441.6	962,756.8	125,441.6	0.0	962,756.8	125,441.6	0.0	125,441.6	
1.6	Less TCPL Fuel Requirement	(79,219.9)	0.0	(79,219.9)	(72,504.3)	0.0	(72,504.3)	0.0		(72,504.3)	0.0		0.0	
1.	Total Western Canadian Supplies	4,753,749.3	636,912.4	4,753,749.3	4,761,908.0	607,472.6	4,761,908.0	607,472.6		4,761,908.0	607,472.6		607,472.6	
2.	Peaking Supplies	36,068.0	9,769.3	36,068.0	36,068.0	8,637.9	36,068.0	8,637.9		36,068.0	8,637.9		8,637.9	
3.	<u>Ontario Production</u>	730.0	153.8	730.0	730.0	130.6	730.0	130.6		730.0	130.6		130.6	
4.	<u>Chicago Supplies</u>	1,847,142.8	279,682.7	1,847,142.8	1,847,142.8	271,897.1	1,847,142.8	271,897.1		1,847,142.8	271,897.1		271,897.1	
5.	Delivered Supplies	932,827.1	151,140.9	932,827.1	924,668.5	147,489.2	924,668.5	147,489.2		924,668.5	150,356.2		150,356.2	
6.	Total Supply Costs	7,570,517.3	1,077,659.2	7,570,517.3	7,570,517.3	1,035,627.3	7,570,517.3	1,038,494.3		7,570,517.3	1,038,494.3		1,038,494.3	
<u>Transportation Costs</u>														
7.1	TCPL - FT - Demand	300,730.0	300,730.0	300,730.0	391,053.5	252,640.7	3,799,151.2	229,942.4		3,799,151.2	229,942.4		229,942.4	
7.2	- FT - Commodity	20,542.2	20,542.2	3,790,992.6	0.0	0.0		0.0			0.0		0.0	
7.3	- Parkway to CDA	3,238.4	3,238.4		3,410.5	3,410.5		3,410.5			3,410.5		3,410.5	
7.4	- STS - CDA	5,793.8	5,793.8		12,924.1	12,924.1		12,924.1			12,924.1		12,924.1	
7.5	- STS - EDA	4,687.0	4,687.0		9,436.8	9,436.8		9,436.8			9,436.8		9,436.8	
7.6	- Dawn to CDA	10,182.6	10,182.6		9,226.6	9,226.6		9,226.6			9,226.6		9,226.6	
7.7	- Dawn to EDA	22,582.0	22,582.0		18,173.0	18,173.0		18,173.0			18,173.0		18,173.0	
7.8	- Dawn to Incoquis	7,063.3	7,063.3		6,129.2	6,129.2		6,129.2			6,129.2		6,129.2	
7.9	Other Charges	0.0	0.0		0.0	0.0		0.0			0.0		0.0	
7.10	Nova Transmission	7,039.6	7,039.6		7,039.6	7,039.6		7,039.6			7,039.6		7,039.6	
7.11	Alliance Pipeline	43,048.0	43,048.0		43,550.1	43,550.1		43,550.1			43,550.1		43,550.1	
7.12	Vector Pipeline	25,269.8	25,269.8		25,929.2	25,929.2		25,929.2			25,929.2		25,929.2	
7.	Total Transportation Costs	450,176.7	450,176.7		526,872.5	388,459.8		388,459.8			365,761.4		365,761.4	
8.	Total Before PGVA Adjustment	7,570,517.3	1,527,835.9	7,570,517.3	7,570,517.3	1,424,087.1	7,570,517.3	1,404,255.7		7,570,517.3	1,404,255.7		1,404,255.7	
TCPL Transportation Costs from above														289,242.6
Transportation cost associated with Western T-Service														49,681.4
Unutilized Transportation Costs (inclusive of amount in DDDA)														104,443.6
Total Payable to TCPL														443,367.5

Appendix B: Unutilized Demand Cost Breakdown

Winter STFT instead of 1 year FT

- Winter STFT assumed to be @ 260% of the Final TCPL FT Toll

- FT Toll - \$ 1.56/GJ

Amount Recorded in Gas Costs (\$ millions)	64.0	Associated Volume - GJ's	24,455,000
Amount Recorded in the DDCTDA (\$ millions)	<u>25.6</u>	Associated Volume - GJ's	<u>6,290,000</u>
	<u>89.6</u>		<u>30,745,000</u>
January to March	48.5		20,652,000
April to October	-		-
November	15.5		3,803,000
December	<u>-</u>		<u>-</u>
	<u>64.0</u>		<u>24,455,000</u>

Proposed Update to 2014 Gas Costs

Contract for 1 year of FT instead of STFT

- FT Toll - \$ 1.56/GJ

Amount Recorded in Gas Costs (\$ millions)	94.6	Associated Volume - GJ's	59,765,000
Amount Recorded in the DDCTDA (\$ millions)	<u>9.8</u>	Associated Volume - GJ's	<u>6,290,000</u>
	<u>104.4</u>		<u>66,055,000</u>

January to March	33.3		20,652,000
April to October	55.3		35,310,000
November	6.0		3,803,000
December	<u>-</u>		<u>-</u>
	<u>94.6</u>		<u>59,765,000</u>