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March 13, 2015

**VIA RESS, EMAIL and COURIER**

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

**Re: EB-2014-0276 - Enbridge Gas Distribution Inc. ("Enbridge")  
2015 Rate Application – Year 2 of 5 Year Custom IR Plan  
Settlement Proposal**

In accordance with the Board's Procedural Order No. 1, dated January 12, 2015 enclosed please find the Settlement Proposal for the above noted proceeding.

Please disregard the Settlement Proposal filed March 12, 2015 and replace with the attached version.

The Settlement Proposal 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](http://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-2014-0276 Intervenors

# **SETTLEMENT PROPOSAL**

**Enbridge Gas Distribution Inc.  
2015 Rate Adjustment**

**March 13, 2015**

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## SETTLEMENT PROPOSAL CONTEXT

This Settlement Proposal is filed with the Ontario Energy Board (the "Board") in connection with the application by Enbridge Gas Distribution Inc. ("Enbridge"), for an order or orders approving or fixing just and reasonable rates for the sale, transmission, distribution and storage of natural gas commencing January 1, 2015.

In Procedural Order No. 1 issued on January 12, 2015, the Board provided for a series of procedural steps, up to and including a Settlement Conference.

The Settlement Conference was held on March 5 and 6, 2015. Chris Haussmann acted as facilitator for the Settlement Conference. This Settlement Proposal 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 – Greater Toronto (BOMA)
- Canadian Manufacturers & Exporters (CME)
- Consumers Council of Canada (CCC)
- Energy Probe Research Foundation (Energy Probe)
- Federation of Rental-Housing Providers of Ontario (FRPO)
- Ontario Association of Physical Plant Administrators (OAPPA)
- School Energy Coalition (SEC)
- Vulnerable Energy Consumers Coalition (VECC)

The Settlement Proposal deals with all of the relief sought in this proceeding. Should the Board approve this Settlement Proposal, one issue will remain unsettled and will proceed to hearing. The unsettled issue is described under the heading *Unsettled Issue*, below.

All intervenors listed above participated in the Settlement Conference and subsequent discussions. Board Staff is not a party to the Settlement Proposal. Although it is not a party to the Settlement Proposal, Board Staff will file a submission commenting on two aspects of the settlement: whether the settlement represents an acceptable outcome from a public interest perspective, and whether the accompanying explanation and rationale is adequate to support the settlement.

This document is called a "Settlement Proposal" because it is a proposal by the parties to the Board to settle the issues in this proceeding. It is termed a proposal as between the parties and the Board. However, as between the parties, and subject only to the Board's approval of this Settlement Proposal, this document is intended to be a legal agreement, creating mutual obligations, and binding and enforceable in accordance with its terms. As set forth later in this Context section, this Settlement Proposal is subject to a condition

subsequent, that if it is not accepted by the Board in its entirety, then unless amended by the parties it is null and void and of no further effect. In entering into this agreement, the parties understand and agree that, pursuant to the *Ontario Energy Board Act*, the Board has exclusive jurisdiction with respect to the interpretation or enforcement of the terms hereof.

Enbridge and all intervenors listed above have agreed to the settlement of the issues as described on the following pages. Any reference to “parties” in this Settlement Proposal is intended to refer to Enbridge and the intervenors listed above. The description of each issue assumes that all parties participated in the negotiation of the issue, unless specifically noted otherwise.

None of the parties can withdraw from the Settlement Proposal except in accordance with Rule 30 of the *Ontario Energy Board Rules of Practice and Procedure*. Further, 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, whether during the term of Enbridge’s 2014 to 2018 Incentive Regulation plan, or thereafter.

Consistent with the Board’s *Practice Direction on Settlement Conferences*, the parties agree that all positions, negotiations and discussion of any kind whatsoever that took place during the Settlement Proposal and all documents exchanged during the conference that were prepared to facilitate settlement discussions are strictly confidential and without prejudice, and are inadmissible unless relevant to the resolution of any ambiguity that subsequently arises with respect to the interpretation of any provision of this Settlement Proposal.

It is fundamental to the agreement of the parties that none of the provisions of this Settlement Proposal are severable. If the Board does not accept the provisions of the Settlement Proposal in their entirety prior to the commencement of the hearing of the application, there is no Settlement Proposal (unless the parties agree that any portion of the Settlement Proposal that the Board does accept may continue as a valid Settlement Proposal). In the event that the Board does not accept the proposed settlement of any issue, then subject to the agreement of the parties on non-severability, further evidence may be required on the issue for the Board to consider it fully.

The parties agree that, on or before the date scheduled for the presentation of this Settlement Proposal to the Board for approval (which is anticipated to be March 24<sup>th</sup> or some later date set by the Board for the oral hearing of the Unsettled Issue), Enbridge will provide schedules showing the final rates stemming from this Settlement Proposal and their impacts. The approval of the intervenors to this Settlement Proposal is conditional on the final rates for their constituents being consistent with the average rate impacts set out in Attachment C.

## SETTLEMENT PROPOSAL OVERVIEW

### **(a) Custom IR Approvals Requested by Enbridge**

In its EB-2012-0459 Decision with Reasons dated July 17, 2014 (the “July 2014 Decision”) the Board approved a five-year Custom Incentive Regulation (“IR”) plan for Enbridge to begin on January 1, 2014.<sup>1</sup> In the July 2014 Decision, together with the subsequent Decision and Rate Order dated August 22, 2014 (the “August 2014 Order”), the Board approved the Custom IR elements and forecast costs to be used for the purposes of determining Enbridge’s 2014 Allowed Revenue and associated 2014 final rates.

Enbridge’s Custom IR proposal contemplated an annual adjustment process for the years 2015 to 2018. The Board accepted this proposal in the July 2014 Decision: as stated by the Board, while most elements of Allowed Revenue were determined in the EB-2012-0459 proceeding, placeholder amounts were set for certain specific elements and these placeholder amounts are to be updated at the start of each rate year from 2015 to 2018.<sup>2</sup>

The Board directed Enbridge to provide a complete list of the elements of the Custom IR plan that will be updated annually from 2015 to 2018, for inclusion as part of the Draft Rate Order in EB-2012-0459. In the August 2014 Order, the Board ordered that the “Annual Update Elements” for the Custom IR plan shall be as set out in Appendix E thereto. A copy of Appendix E from the August 2014 Order was filed in this proceeding at Exhibit A1, Tab 3, Schedule 1, Appendix A. The list of Annual Update Elements set out in Appendix E to the 2014 Order is reproduced below:

#### **Elements to be updated within 2015 through 2018 Custom Incentive Rate Processes and Applications**

<u>Line</u>	<u>Element</u>
-------------	----------------

- |   |  |
|---|--|
| 1 | Volumes will be re-forecast annually through following the established processes of updating forecasts of; customer additions, probability weighted large volume customer forecasts, customer meter unlocks, economic outlook and gas prices, average use and approved heating degree days using the approved degree day methodologies.          |
| 2 | Resulting from the annual volumes re-forecast, revenues will be re-forecast using approved rates.  |
| 3 | Resulting from the annual volumes re-forecast, the annual gas supply plan will be re-determined, and annual projected gas costs as well as annual gas in storage volume requirements and related rate base gas in storage values and any gas cost related working cash allowance impacts will be re-forecast within annual revenue requirements. |

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<sup>1</sup> July 2014 Decision, at page 4.

<sup>2</sup> July 2014 Decision, at page 83.

- 4 O&M related Customer Care/CIS costs will be updated annually in accordance with the Board Approved EB-2011-0226 Settlement Agreement.
- 5 O&M related DSM costs will be updated annually to reflect where available, updated Board Approved DSM costs resulting within the DSM Policy Consultation, EB-2014-0134 proceeding or subsequent proceedings. Any related rate base working cash allowance impacts will be re-forecast within annual revenue requirements.
- 6 O&M related Pension and OPEB expense amounts will be updated annually through the use of re-forecasts performed by Enbridge's external pension Consultant, Mercer Canada Limited. Any related rate base working cash allowance impacts will be re-forecast within annual revenue requirements.
- 7 Utility income taxes will be re-forecast annually to reflect impacts to taxable income stemming from the updating of revenues, gas costs, O&M and the re-determined approved overall rate of return on rate base.
- 8 Return on Equity will be re-set each year within the results included in the Board Final Rate Order to reflect the Board Policy produced ROE%.
- 9 The cost of debt will be updated each year of the IR plan, using the most current information available, including information on the actual amounts and rates associated with any debt issued in the prior year.

In this proceeding, Enbridge requested approval of 2015 Allowed Revenue and associated 2015 final rates. At Appendix B of Exhibit A1, Tab 3, Schedule 1, Enbridge provided a table showing the derivation of the 2015 Allowed Revenue amount and associated sufficiency/deficiency proposed for approval by the Board. An updated version of this 2015 Test Year Allowed Revenue and Sufficiency/Deficiency table is included at Attachment A to this Settlement Proposal. The updated version of the table is the same as previously filed, except that it also includes two columns setting out the Allowed Revenue (and Sufficiency/Deficiency) impacts of this Settlement Proposal.

In connection with the approval of final 2015 Rates, Enbridge requested that the Board approve the establishment of 2015 Deferral and Variance Accounts, as set out in the evidence at Exhibit D2, Tab 1, Schedules 1 and 2. With two exceptions, all of the Deferral and Variance accounts proposed for 2015 were previously approved in the July 2014 Decision. One of the two proposed accounts that were not approved in the July 2014 Decision is the Dawn Access Costs Deferral Account; this account was approved in the Board's EB-2014-0323 Accounting Order issued on December 4, 2014. The second of the two proposed accounts that were not approved in the July 2014 Decision is the 2015 Credit Final Bill Deferral Account ("2015 CFBDA"); the evidence in support of the establishment of this account is found at Exhibit D2, Tab 1, Schedule 2.

In addition, Enbridge requested approval of one change to its Rider G service charges; the evidence in support of the proposed change to rider G service charges is found at Exhibit A1, Tab 5, Schedule 1.

**(b) Settlement of Requested Custom IR Approvals**

The parties have accepted and agreed upon Enbridge's requested approvals, as set out in the prefiled evidence, subject to: (i) one requested approval that is not accepted, but is unopposed<sup>3</sup>; (ii) three adjustments to be made in respect of Enbridge's requested approvals; and (iii) one unsettled issue.

The table at Attachment A provides references to the pre-filed evidence that supports the settlement of Enbridge's requested approvals. More generally, the evidence with regard to updated rate base is found in the "B" series of exhibits, the evidence regarding 2015 gas volumes and 2015 revenues is found in the "C" series of exhibits, the evidence regarding updates to certain operating cost elements is found in the "D" series of exhibits, the evidence regarding updates to cost of capital is found in the "E" series of exhibits, the evidence regarding the 2015 revenue deficiency is found in the "F" series of exhibits and the evidence regarding proposed final 2015 rates is found in the "H" series of exhibits.

The issue relating to Enbridge's requested approvals that remains unsettled is addressed below under the heading *Unsettled Issue*.

The three adjustments to Enbridge's requested approvals resulting from the settlement reached by all parties are as follows:

**Adjustment 1**

- (i) an adjustment to increase the 2015 forecast number of general service customers (active customer meters or "unlocks") that was used in the derivation of 2015 gas volumes; and
- (ii) an adjustment to increase the 2015 budget for contract market gas volumes that was used in the derivation of 2015 gas volumes.

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<sup>3</sup> The parties have specified that the updated amount for Enbridge's 2015 DSM costs to be included in Allowed Revenues indicated at Exhibit D1, Tab 4, Schedule 1 is unopposed, rather than accepted. Any variance between the DSM amount approved within 2015 Allowed Revenues in this proceeding and the actual DSM amounts spent will be recorded in the 2015 DSM Variance Account, with any clearance of the balance in that account to be informed by the Board's decision within the EB-2015-0049 proceeding about Enbridge's final 2015 DSM budget.



Adjustment 2

- (i) an adjustment to re-categorize Enbridge's \$300 million debt issuance in April of 2014 from long term debt to short term debt; and
- (ii) an adjustment to update Enbridge's forecast of long term debt, short term debt and preference share cost rates based on forecasts as of February of 2015.

Adjustment 3

- (i) the recording of a credit in the 2015 CFBDA for additional interest on credit balances; this adjustment does not affect Allowed Revenue, the 2015 revenue deficiency or any of the items in the list of Annual Update Elements.

The agreement reached on each of the adjustments to Enbridge's requested approvals is described below, under the heading *Adjustments to Enbridge's Requested Approvals*. Best efforts have been made in that section of the Settlement Proposal to identify all of the evidence that relates to each of the agreed-upon adjustments to Enbridge's requested approvals. The supporting evidence for each adjustment to the requested approvals 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 adjustment is provided to assist the Board.

Accordingly, this Settlement Proposal provides a direct link between each adjustment to the requested approvals and the evidence in support of that adjustment. The parties are of the view that the evidence supports the agreement embodied in this Settlement Proposal and, moreover, that the quality and detail of the supporting evidence, together with the corresponding rationale, will allow the Board to make findings leading to the acceptance by the Board of the Settlement Proposal.

**(c) Impact of Agreed-Upon Adjustments to Requested Custom IR Approvals**

The changes to Enbridge's 2015 Allowed Revenue (and associated revenue deficiency) that result from the Settlement Proposal are set out within the updated 2015 Allowed Revenue and Sufficiency/Deficiency table that is found at Attachment A. Adjustment 3 will be reflected in the 2015 CFBDA and has no effect on the derivation of Allowed Revenue or on the revenue deficiency. The overall result of the implementation of the Settlement Proposal is a reduction in the revenue deficiency associated with Enbridge's requested approvals from \$47.9 million to \$42.4 million.

Details of the impact of the agreed-upon adjustments to Enbridge's requested approvals, and the associated rate impacts, are set out in the Settlement Proposal Financial Statements included as Attachment B to this Settlement Proposal.

The estimated average rate impacts that will result from the implementation of the Settlement Proposal are set out in the tables included at Attachment C to this Settlement Proposal. These impacts are estimates that the Company has prepared, using the information known at this time. It is not expected that there will be significant differences between the estimated impacts shown at Attachment C, and the final rate impacts.

As explained above, the rate schedules showing the final rates stemming from this Settlement Proposal will be provided (as Attachment D, to be filed) on or before the date scheduled for the presentation of this Settlement Proposal to the Board for approval. The approval of the intervenors to this Settlement Proposal is conditional on the final rates for their constituents being consistent with the average rate impacts set out in Attachment C.

**(d) Gas Supply Plan Approvals Requested by Enbridge**

Enbridge seeks approval of two modifications which it has already made to its 2015 Gas Supply Planning process, namely, an alteration to its planned storage targets, and changes to the timing of its gas supply procurement practices to take medium term weather forecasts into consideration when executing the gas supply plan during the winter season. There is one unsettled issue that is related to the gas supply plan approvals, which is described in detail under the "Unsettled Issue" heading below. This unsettled issue relates to the appropriateness of the methodology Enbridge currently follows in its month-to-month management of the unutilized upstream transportation held at some times of the year under upstream transportation contracts in an effort to mitigate Unabsorbed Demand Charges ("UDC"). The 2015 UDC charges are forecast to be about \$166.4 million, up from the 2014 forecast amount of about \$105 million.

## ADJUSTMENTS TO ENBRIDGE'S REQUESTED CUSTOM IR APPROVALS

### Adjustment 1

(i) Enbridge's evidence in support of its 2015 update of gas volumes included a 2015 forecast of 2,096,458 for the total average number of general service customers (active customer meters or "unlocks"). The evidence indicates that the 2014 actual total average number of general service customers has exceeded the Board-approved budget number for 2014 by 4,226. All parties have agreed that it is reasonable and appropriate to increase the forecast of 2015 general service customers by one-half of this amount (2,113), based on the evidence in this proceeding regarding Enbridge's forecast. As a result of the increase in the forecast of the number of general service customers, Enbridge's 2015 budget for general service volumes increases from  $9,336.4 \times 10^6 \text{m}^3$  to  $9,371.4 \times 10^6 \text{m}^3$ .

(ii) Enbridge's evidence in support of its 2015 update of gas volumes included a budget of  $1,842.1 \times 10^6 \text{m}^3$  for contract market volumes. Based on the evidence regarding contract market volumes for the previous five years, all parties have agreed that the 2015 budget for contract market volumes should be increased by an amount that reflects a comparison of actual volumes to budget over the five-year period. Accordingly, the 2015 budget for contract market volumes will be increased to  $1,916.2 \times 10^6 \text{m}^3$ .

The combined effect of Adjustments 1(i) and (ii) is to increase the 2015 budget for total volumes, gas sales and transportation from  $11,178.5 \times 10^6 \text{m}^3$  to  $11,287.6 \times 10^6 \text{m}^3$ . This increase in the 2015 total volumes, gas sales and transportation budget results in a reduction of \$2.7 million in the as-filed revenue deficiency that was shown at Column 3, Line 28 of Attachment A hereto. The increase in the 2015 budget number of general service customers leads to additional Customer Care/CIS costs that increase the revenue deficiency by \$0.1 million. The net combined effect of Adjustments 1(i) and (ii) is to decrease the revenue deficiency shown in Attachment A by \$2.6 million.

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

C1-2-1	Gas Volume Budget
D1-3-1	2015 Customer Care/CIS Update
I.C1.EGDI.APPrO.1	APPPrO Interrogatory #1
I.C1.EGDI.APPrO.2	APPPrO Interrogatory #2
I.C1-C3.EGDI.CME.7	CME Interrogatory #7
I.C1.EGDI.STAFF.2	Board Staff Interrogatory #2
I.D1.EGDI.CCC.7	CCC Interrogatory #7
TCU1.4	Undertaking TCU1.4

### Adjustment 2

(i) In April of 2014, Enbridge issued a \$300 million three-year note at an effective interest cost rate that was generally in line with Enbridge's overall short term debt rate and that was very different from the average cost of long term debt. The primary reason for this debt issuance was actual and forecasted elevated working capital requirements. While working capital requirements are typically funded through Enbridge's short term credit facility, Enbridge determined, at the time of the issuance of the three-year note, that the existing short term credit facility would be placed under pressure to provide Enbridge with an adequate level of liquidity. In the evidence filed in support of the application, the \$300 million note was categorized as long term debt. All parties have agreed that this debt issuance should be re-categorized from long term debt to short term debt.

(ii) In its response to an undertaking given at the Technical Conference, Enbridge updated its forecast of long term debt cost rates based on forecasts from October of 2014. All parties have agreed that it is appropriate for Enbridge to update its forecast of long term debt, short term debt and preference share cost rates by using the most currently available forecast information available as at the time of the settlement reflected in this Settlement Proposal. The long term debt cost forecast rates therefore will be updated on the basis of forecasts from February of 2015.

The combined effect of Adjustments 2(i) and (ii) is to decrease the 2015 revenue deficiency shown in Attachment A by \$2.9 million.

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

E1-1-1	Cost of Capital Summary
E1-3-1	2015 Cost of Debt
I.E1.EGDI.EP.11	Energy Probe Interrogatory #11
I.E1.EGDI.EP.12	Energy Probe Interrogatory #12
I.E1.EGDI.VECC.14	VECC Interrogatory #14
TCU1.5	Undertaking TCU1.5
TCU1.7	Technical Conference Undertaking TCU1.7

### Adjustment 3

Enbridge proposed that the 2015 CFBDA be established to track credit amounts that have not been refunded to customers whose accounts have been finalized. The 2015 CFBDA is intended to capture final bill credit balances aged two years or more. The parties have agreed with the establishment of the 2015 CFBDA (with clearance to be requested within the 2014 Earnings Sharing Application) and have further agreed that Enbridge will request the approval of a 2016 CFBDA within its 2016 Rate Adjustment Application.

Enbridge has not credited any interest amounts to the credit final bill balances that have been accruing from 2009 to 2014. However, Enbridge has been paying interest to customers where final bill credit refunds are made. Further, to the extent that Enbridge

lowered its costs by not reflecting interest on the final bill credit refund balances being held, then the associated benefit was shared with ratepayers through earnings sharing in 2009-2012 and 2014. Based upon this information, the parties have agreed that Enbridge will credit to the 2015 CFBDA an amount of \$319,000 for additional interest on credit amounts recorded in that account. This amount is derived as follows:

Total estimated interest savings 2009-2012 and 2014	\$851,000
Total estimated interest savings 2013	\$281,000
Total	\$1,132,000
Less	
a) Assumed 50% of impact available for ESM sharing	(\$426,000)
b) Interest amounts returned to specific customers	(\$387,000)
Total	\$319,000

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

D2-1-2	Credit Final Bill Deferral Account
I.D2.EGDI.CME.15	CME Interrogatory #15
I.D2.EGDI.CME.18	CME Interrogatory #18
I.D2.EGDI.VECC.13	VECC Interrogatory #13
TCU1.6	Technical Conference Undertaking TCU1.6

## UNSETTLED ISSUE

No settlement was reached with regard to Enbridge's 2015 gas supply plan because there is an outstanding issue about the appropriateness of the methodology Enbridge follows in the month-to-month management of the unutilized upstream transportation capacity it holds some times of the year under upstream transportation contracts. Intervenor are concerned that Enbridge is failing to follow an appropriate methodology to manage this excess upstream transportation capacity so as to prudently mitigate 2015 UDC which is forecast in the amount of \$166.4 million.

Intervenor propose that a framework be established to set the parameters for a disciplined approach to the month-to month disposition of portions of this excess upstream transportation. They also propose that Enbridge's monthly UDC gas reports (referred to in the evidence at Exhibit D1, Tab 2, Schedule 1, paragraph 14) be expanded to include the amount of excess transportation capacity disposed of by Enbridge in each month and the price realized by Enbridge in each transaction for the disposition of excess transportation capacity.

In connection with this issue regarding the disposition of excess transportation capacity by Enbridge, intervenor have requested that Enbridge provide further information and Enbridge has agreed to provide the requested information by March 13, 2015. The information that Enbridge has agreed to provide is as follows:

- (a) consumption (*i.e.*, sendout) by month for four years up to and including 2014;
- (b) storage balances by month for four years up to and including 2014 for Enbridge's own utility storage and Enbridge's contracted storage in aggregate;
- (c) required deliverability by month for four years up to and including 2014 for Enbridge's own utility storage and Enbridge's contracted storage, including
  - ~ percentage of required deliverability from storage according to the gas supply plan in effect at the time; and
  - ~ amount, in gigajoules, of required deliverability from storage according to the gas supply plan in place at the time;
- (d) transactional services transportation optimization by month for 2014, including total volume optimized and the dollar value of the monthly total volume optimized on a per unit basis; and

(e) UDC mitigation transactions by month for 2014, including the total volume of UDC mitigation transactions and the dollar value of the total volume on a per unit basis, broken out by monthly UDC mitigation transactions and daily UDC mitigation transactions.

In response to item 9 from Procedural Order No. 1, the parties propose that this Unsettled Issue should be addressed in an oral hearing.

## **IMPLEMENTATION**

All parties agree that Enbridge is entitled to recover the full year impact of the 2015 changes in Allowed Revenue. All parties agree that the Allowed Revenue and rate impact of this Settlement Proposal should be implemented into rates, in conjunction with Enbridge's July 1, 2015 QRAM Application. The parties do not expect that there will be any impact on Allowed Revenue or rates arising from the determination of the Unsettled Issue. Therefore, the rates to be implemented on July 1, 2015 will be final rates.

All parties agree that Enbridge will file a draft rate order for final rates effective as of January 1, 2015 by April 30, 2015. Interested parties would file any comments on the draft Rate Order by May 8, 2015. This will allow for the rates to be approved by the Board in time for implementation in conjunction with Enbridge's July 1, 2015 QRAM Application.



**ATTACHMENT A : 2015 TEST YEAR ALLOWED REVENUE AND  
SUFFICIENCY/DEFICIENCY**

ALLOWED REVENUE AND SUFFICIENCY/(DEFICIENCY)							
2015 TEST YEAR							
Line No.	Col. 1	Col. 2	Col. 3	Col. 4	Col. 5	Col. 6	Col. 7
	EB-2012-0459 Total 2015 Allowed Revenue Placeholder (\$Millions)	2015 Required Updates (\$Millions)	Pre-filed Total Final 2015 Test Year Allowed Revenue (\$Millions)	2015 Settlement Proposal Adjustments	Adjusted Total Final 2015 Test Year Allowed Revenue (\$Millions)	Explanation See Page 2	Pre-filed Evidence Exhibit Reference
<b>Cost of capital</b>							
1. Rate base	4,847.0	109.5	4,956.5	-	4,956.5	a)	B Series of Exhibits
2. Required rate of return	6.89	(0.31)	6.58	(0.06)	6.52	b)	E Series of Exhibits
3.	333.8	(7.7)	326.1	(2.7)	323.4		
<b>Cost of service</b>							
4. Gas costs	1,606.8	80.3	1,687.1	7.1	1,694.2	c)	D1-1-1 and D1-2-1 to D1-2-8
5. Operation and maintenance	427.3	5.0	432.3	0.1	432.4	d)	D1-1-1 and D1-3-1 to D1-5-1
6. Depreciation and amortization	261.7	-	261.7	-	261.7		
7. Fixed financing costs	1.9	-	1.9	-	1.9		
8. Municipal and other taxes	43.1	-	43.1	-	43.1		
9.	2,340.8	85.3	2,426.1	7.2	2,433.3		
<b>Misc. operating and non-operating revenue</b>							
10. Other operating revenue	(42.7)	-	(42.7)	-	(42.7)		
11. Interest and property rental	-	-	-	-	-		
12. Other income	(0.1)	-	(0.1)	-	(0.1)		
13.	(42.8)	-	(42.8)	-	(42.8)		
<b>Income taxes on earnings</b>							
14. Excluding tax shield	48.9	(3.0)	45.9	0.7	46.6	e)	D1-1-1 and D1-6-1 to D1-6-2
15. Tax shield provided by interest expense	(42.8)	0.8	(42.0)	0.6	(41.4)	e)	D1-1-1 and D1-6-1 to D1-6-2
16.	6.1	(2.2)	3.9	1.3	5.2		
<b>Taxes on sufficiency / (deficiency)</b>							
17. Gross sufficiency / (deficiency)	10.2	(54.2)	(44.0)	5.7	(38.4)		
18. Net sufficiency / (deficiency)	7.5	(39.9)	(32.4)	4.2	(28.2)		
19.	(2.7)	14.4	11.7	(1.5)	10.2	e)	D1-1-1 and D1-6-1 to D1-6-2
20. Sub-total revenue requirement	2,635.2	89.8	2,725.0	4.3	2,729.3		
21. Customer Care Rate Smoothing V/A Adjustment	(1.1)	-	(1.1)	-	(1.1)		
22. Allowed revenue	2,634.1	89.8	2,723.9	4.3	2,728.2		
<b>Revenue at existing Rates</b>							
23. Gas sales	2,404.3	10.7	2,415.0	9.7	2,424.7	f)	C Series of Exhibits
24. Transportation service	229.6	29.6	259.2	0.1	259.3	f)	C Series of Exhibits
25. Transmission, compression and storage	1.8	-	1.8	-	1.8		
26. Rounding adjustment	0.1	(0.1)	-	-	-		
27. Revenue at existing rates	2,635.8	40.2	2,676.0	9.8	2,685.8		
28. Gross revenue sufficiency / (deficiency)	1.7	(49.6)	(47.9)	5.5	(42.4)		F Series of Exhibits

[illegible]

**ATTACHMENT B : SETTLEMENT PROPOSAL FINANCIAL  
STATEMENTS**

ALLOWED REVENUE AND SUFFICIENCY/(DEFICIENCY) 2015 FISCAL YEAR								
Line No.	Col. 1	Col. 2	Col. 3	Col. 4	Col. 5	Col. 6	Col. 7	Col. 8
	As Filed Excl. CIS 2015 Allowed Revenue (\$Millions)	As Filed CIS 2015 Allowed Revenue (\$Millions)	As Filed Total 2015 Allowed Revenue (\$Millions)	Excl. CIS Settlement Proposal Adjustments (\$Millions)	CIS Settlement Proposal Adjustments (\$Millions)	Adjusted 2015 Allowed Revenue Excl. CIS (\$Millions)	Adjusted 2015 CIS Allowed Revenue (\$Millions)	Total Adjusted 2015 Allowed Revenue (\$Millions)
<b>Cost of capital</b>								
1. Rate base	4,911.4	45.1	4,956.5	-	-	4,911.4	45.1	4,956.5
2. Required rate of return	6.58	6.44	6.58	(0.05)	-	6.53	6.44	6.52
3.	323.2	2.9	326.1	(2.7)	-	320.5	2.9	323.4
<b>Cost of service</b>								
4. Gas costs	1,687.1	-	1,687.1	7.1	-	1,694.2	-	1,694.2
5. Operation and maintenance	336.5	95.8	432.3	-	0.1	336.5	95.9	432.4
6. Depreciation and amortization	249.0	12.7	261.7	-	-	249.0	12.7	261.7
7. Fixed financing costs	1.9	-	1.9	-	-	1.9	-	1.9
8. Municipal and other taxes	43.1	-	43.1	-	-	43.1	-	43.1
9.	2,317.6	108.5	2,426.1	7.1	0.1	2,324.7	108.6	2,433.3
<b>Miscellaneous operating and non-operating revenue</b>								
10. Other operating revenue	(42.7)	-	(42.7)	-	-	(42.7)	-	(42.7)
11. Interest and property rental	-	-	-	-	-	-	-	-
12. Other income	(0.1)	-	(0.1)	-	-	(0.1)	-	(0.1)
13.	(42.8)	-	(42.8)	-	-	(42.8)	-	(42.8)
<b>Income taxes on earnings</b>								
14. Excluding tax shield	37.6	8.3	45.9	0.7	-	38.3	8.3	46.6
15. Tax shield provided by interest expense	(41.4)	(0.6)	(42.0)	0.6	-	(40.8)	(0.6)	(41.4)
16.	(3.8)	7.7	3.9	1.3	-	(2.5)	7.7	5.2
<b>Taxes on sufficiency / (deficiency)</b>								
17. Gross sufficiency / (deficiency)	(44.0)	-	(44.0)	5.7	-	(38.4)	-	(38.4)
18. Net sufficiency / (deficiency)	(32.4)	-	(32.4)	4.2	-	(28.2)	-	(28.2)
19.	11.7	-	11.7	(1.5)	-	10.2	-	10.2
20. Sub-total revenue requirement	2,605.9	119.1	2,725.0	4.2	0.1	2,610.1	119.2	2,729.3
21. Customer Care Rate Smoothing V/A Adjustment	-	(1.1)	(1.1)	-	-	-	(1.1)	(1.1)
22. Allowed revenue	2,605.9	118.0	2,723.9	4.2	0.1	2,610.1	118.1	2,728.2
<b>Revenue at existing Rates</b>								
23. Gas sales	2,315.2	99.8	2,415.0	9.7	-	2,324.9	99.8	2,424.7
24. Transportation service	244.9	14.3	259.2	0.1	-	245.0	14.3	259.3
25. Transmission, compression and storage	1.8	-	1.8	-	-	1.8	-	1.8
26. Rounding adjustment	-	-	-	-	-	-	-	-
27. Revenue at existing rates	2,561.9	114.1	2,676.0	9.8	-	2,571.7	114.1	2,685.8
28. Gross revenue sufficiency / (deficiency)	(44.0)	(3.9)	(47.9)	5.6	(0.1)	(38.4)	(4.0)	(42.4)

Line No.	Adj'd Adjustment: (\$Millions)	Explanation
3.	(2.7)	<p>Cost of capital</p> <p>The column 4 decrease results from re-categorizing Enbridge's \$300 million, April 2014 debt issuance, from long term debt to short term debt, and from updating the short term debt, preference share, and forecast long term debt issuance cost rates to utilize February 2015 forecasts, as described in Adjustment 2 of the Settlement Proposal.</p>
4.	7.1	<p>Gas costs</p> <p>The column 4 increase results from higher volumes related to the increase in the forecast number of general service customers, as described in Adjustment 1 of the Settlement Proposal.</p>
5.	0.1	<p>Operation and maintenance</p> <p>The column 5 increase in Customer Care and CIS costs results from the increase in the forecast number of general service customers, as described in Adjustment 1 of the Settlement Proposal.</p>
16.	1.3	<p>Income taxes on earnings</p> <p>The column 4 increase is due to higher taxable income resulting from the volumetric increases, as described in Adjustment 1 of the Settlement Agreement, and a lower interest tax shield resulting from capital structure adjustments, as described in Adjustment 2 of the Settlement Proposal.</p>
23.	9.7	<p>Gas sales</p> <p>The column 4 increase results from higher volumes related to the increase in the forecast number of general service customers, as described in Adjustment 1 of the Settlement Proposal.</p>
24.	0.1	<p>Transportation service</p> <p>The column 4 increase results from the increase in contract market volumes as described in Adjustment 1 of the Settlement Proposal.</p>

**Filed: March 13, 2015**  
**EB-2014-0276**  
**Exhibit N1**  
**Tab 1**  
**Schedule 1**  
**Attachment B**  
**Page 4 of 9**

Line No.	As Filed Excl. CIS Rate Base (\$Millions)	As Filed CIS Rate Base (\$Millions)	As Filed Total 2015 Rate Base (\$Millions)	Excl. CIS Settlement Proposal Adjustments (\$Millions)	CIS Settlement Proposal Adjustments (\$Millions)	Adjusted 2015 Rate Base Excl. CIS (\$Millions)	Adjusted 2015 CIS Rate Base (\$Millions)	Total Adjusted 2015 Rate Base (\$Millions)
<u>Property, Plant, and Equipment</u>								
1. Cost or redetermined value	7,462.9	127.1	7,590.0	-	-	7,462.9	127.1	7,590.0
2. Accumulated depreciation	(2,934.2)	(82.0)	(3,016.2)	-	-	(2,934.2)	(82.0)	(3,016.2)
3.	4,528.7	45.1	4,573.8	-	-	4,528.7	45.1	4,573.8
<u>Allowance for Working Capital</u>								
4. Accounts receivable rebillable projects	1.3	-	1.3	-	-	1.3	-	1.3
5. Materials and supplies	33.7	-	33.7	-	-	33.7	-	33.7
6. Mortgages receivable	0.1	-	0.1	-	-	0.1	-	0.1
7. Customer security deposits	(65.1)	-	(65.1)	-	-	(65.1)	-	(65.1)
8. Prepaid expenses	0.9	-	0.9	-	-	0.9	-	0.9
9. Gas in storage	403.6	-	403.6	-	-	403.6	-	403.6
10. Working cash allowance	8.2	-	8.2	-	-	8.2	-	8.2
11. Total Working Capital	382.7	-	382.7	-	-	382.7	-	382.7
12. Utility Rate Base	4,911.4	45.1	4,956.5	-	-	4,911.4	45.1	4,956.5

WORKING CAPITAL COMPONENTS - WORKING CASH ALLOWANCE  
2015 FISCAL YEAR

Line No.	Col. 1 Reference	Col. 2 Disburse- ments (\$Millions)	Col. 3 Net Lag-Days (Days)	Col. 4 Allowance (\$Millions)
1.	Gas purchase and storage and transportation charges	1,697.7	2.1	9.8
2.	Items not subject to working cash allowance (Note 1)	<u>(3.5)</u>		
3.	Gas costs charged to operations	<u>1,694.2</u>		
4.	Operation and Maintenance	336.5		
5.	Less: Storage costs	<u>(8.0)</u>		
6.	Operation and maintenance costs subject to working cash	328.5		
7.	Ancillary customer services	<u>-</u>		
8.		<u>328.5</u>	(11.1)	<u>(10.0)</u>
9.	Sub-total			<u>(0.2)</u>
10.	Storage costs	8.0	60.4	1.3
11.	Storage municipal and capital taxes	1.3	23.1	<u>0.1</u>
12.	Sub-total			<u>1.4</u>
13.	Harmonized sales tax			7.0
14.	Total working cash allowance			<u>8.2</u>

Note 1: Represents non cash items such as amortization of deferred charges,  
 accounting adjustments and the T-service capacity credit.



UTILITY INCOME  
2015 FISCAL YEAR

Line No.	Col. 1	Col. 2	Col. 3	Col. 4	Col. 5	Col. 6	Col. 7	Col. 8
	As Filed Excl. CIS 2015 Utility Income (\$Millions)	As Filed CIS 2015 Utility Income (\$Millions)	As Filed Total 2015 Utility Income (\$Millions)	Excl. CIS Settlement Proposal Adjustments (\$Millions)	CIS Settlement Proposal Adjustments (\$Millions)	Adjusted 2015 Utility Income Excl. CIS (\$Millions)	Adjusted 2015 CIS Utility Income (\$Millions)	Total Adjusted 2015 Utility Income (\$Millions)
1. Gas sales	2,315.2	99.8	2,415.0	9.7	-	2,324.9	99.8	2,424.7
2. Transportation of gas	244.9	14.3	259.2	0.1	-	245.0	14.3	259.3
3. Transmission, compression and storage revenue	1.8	-	1.8	-	-	1.8	-	1.8
4. Other operating revenue	42.7	-	42.7	-	-	42.7	-	42.7
5. Interest and property rental	-	-	-	-	-	-	-	-
6. Other income	0.1	-	0.1	-	-	0.1	-	0.1
7. Total operating revenue	2,604.7	114.1	2,718.8	9.8	-	2,614.5	114.1	2,728.6
8. Gas costs	1,687.1	-	1,687.1	7.1	-	1,694.2	-	1,694.2
9. Operation and maintenance	336.5	95.8	432.3	-	0.1	336.5	95.9	432.4
10. Depreciation and amortization expense	249.0	12.7	261.7	-	-	249.0	12.7	261.7
11. Fixed financing costs	1.9	-	1.9	-	-	1.9	-	1.9
12. Municipal and other taxes	43.1	-	43.1	-	-	43.1	-	43.1
13. Interest and financing amortization expense	-	-	-	-	-	-	-	-
14. Other interest expense	-	-	-	-	-	-	-	-
15. Total costs and expenses	2,317.6	108.5	2,426.1	7.1	0.1	2,324.7	108.6	2,433.3
16. Ontario utility income before income taxes	287.1	5.6	292.7	2.7	(0.1)	289.8	5.5	295.3
17. Income tax expense	(3.8)	7.7	3.9	1.3	-	(2.5)	7.7	5.2
18. Utility net income	290.9	(2.1)	288.8	1.4	(0.1)	292.3	(2.2)	290.1

CALCULATION OF UTILITY TAXABLE INCOME AND INCOME TAX EXPENSE  
2015 FISCAL YEAR

	Col. 1	Col. 2	Col. 3
Line No.	As Filed Excl. CIS 2015 Utility Tax (\$Millions)	Excl. CIS Settlement Proposal Adjustments (\$Millions)	Adjusted 2015 Excl. CIS Utility Tax (\$Millions)
1. Utility income before income taxes	287.1	2.7	289.8
Add			
2. Depreciation and amortization	249.0	-	249.0
3. Accrual based pension and OPEB costs	37.3	-	37.3
4. Other non-deductible items	1.1	-	1.1
5. Total Add Back	287.4	-	287.4
6. Sub total	574.5	2.7	577.2
Deduct			
7. Capital cost allowance - Federal	282.2	-	282.2
8. Capital cost allowance - Provincial	282.2	-	282.2
9. Items capitalized for regulatory purposes	46.8	-	46.8
10. Deduction for "grossed up" Part VI.1 tax	3.6	-	3.6
11. Amortization of share/debenture issue expense	1.0	-	1.0
12. Amortization of cumulative eligible capital	5.6	-	5.6
13. Amortization of C.D.E. and C.O.G.P.E	0.4	-	0.4
14. Site restoration cost adjustment	90.4	-	90.4
15. Cash based pension and OPEB costs	6.6	-	6.6
16. Total Deduction - Federal	436.6	-	436.6
17. Total Deduction - Provincial	436.6	-	436.6
18. Taxable income - Federal	137.9	2.7	140.6
19. Taxable income - Provincial	137.9	2.7	140.6
20. Income tax rate - Federal	15.00%	0.00%	15.00%
21. Income tax rate - Provincial	11.50%	0.00%	11.50%
22. Income tax provision - Federal	20.7	0.4	21.1
23. Income tax provision - Provincial	15.9	0.3	16.2
24. Income tax provision - combined	36.6	0.7	37.3
25. Part VI.1 tax	1.0	-	1.0
26. Total taxes excluding tax shield on interest expense	37.6	0.7	38.3
Tax shield on interest expense			
27. Rate base	4,911.4	-	4,911.4
28. Return component of debt	3.18%	-0.05%	3.13%
29. Interest expense	156.2	(2.4)	153.8
30. Combined tax rate	26.50%	0.00%	26.50%
31. Income tax credit	(41.4)	0.6	(40.8)
32. Total income taxes	(3.8)	1.3	(2.5)

UTILITY CAPITAL STRUCTURE  
2015 FISCAL YEAR

Line No.	Col. 1 Principal Excl. CC/CIS (\$Millions)	Col. 2 Component %	Col. 3 Indicated Cost Rate %	Col. 4 Return Component %
1. Long term debt	2,973.3	60.54	5.14	3.111
2. Short term debt	<u>70.0</u>	<u>1.42</u>	1.45	<u>0.021</u>
3.	3,043.3	61.96		3.132
4. Preference shares	100.0	2.04	2.20	0.045
5. Common equity	<u>1,768.1</u>	<u>36.00</u>	9.30	<u>3.348</u>
6.	<u>4,911.4</u>	<u>100.00</u>		<u>6.525</u>
7. Utility income	(\$Millions)			292.3
8. Rate base	(\$Millions)			4,911.4
9. Indicated rate of return				5.951%
10. (Deficiency) in rate of return				(0.574)%
11. Net (deficiency)	(\$Millions)			(28.2)
12. Gross (deficiency)	(\$Millions)			(38.4)
13. Customer Care/CIS deficiency	(\$Millions)			(4.0)
14. Total gross (deficiency)	(\$Millions)			(42.4)
15. Revenue at existing rates	(\$Millions)			2,685.8
16. Allowed revenue	(\$Millions)			2,728.2
17. Total gross revenue (deficiency)	(\$Millions)			(42.4)

2015 FORECAST DEBT ISSUANCES

Item No.	Amount (\$MM)	Issue Date	Term (Yrs)	Canada Yield	Corporate Spread	Coupon	Amortized Issue Costs	Effective Cost
1.	300	15-Sep-15	10	2.12%	1.20%	3.32%	0.05%	3.37%
2.	300	15-Sep-15	30	2.39%	1.55%	3.94%	0.02%	3.96%

**ATTACHMENT C: ESTIMATED AVERAGE RATE IMPACTS OF THE  
SETTLEMENT PROPOSAL**

2015 Average Rate Impacts					
		<u>As Filed</u>		<u>Settlement Proposal</u>	
Rate Class		<u>T-Service Rate Impact</u>		<u>T-Service Rate Impact</u>	
1		2.1%		1.9%	
6		2.0%		1.8%	
9		1.4%		1.3%	
100		1.0%		0.9%	
110		1.4%		1.3%	
115		1.0%		0.9%	
135		1.1%		1.0%	
145		1.1%		1.0%	
170		1.0%		0.9%	
200		1.1%		1.0%	
		<u>As Filed</u>		<u>Settlement Proposal</u>	
		<u>Delivery Rate Impact</u>		<u>Delivery Rate Impact</u>	
125		2.0%		1.9%	
300		2.0%		1.9%	

For the average residential customer, the impact based on the Settlement Proposal translates in an increase of approximately \$10 annually (versus \$11 based on pre-filed evidence).

**ATTACHMENT D: SCHEDULES SHOWING THE FINAL RATES  
STEMMING FROM THIS SETTLEMENT PROPOSAL**

[TO BE FILED]