

ENBRIDGE GAS INC. 2019 RATE APPLICATION

RATE SETTING MECHANISM

On November 2, 2017, Enbridge Gas Distribution Inc. (“EGD”) and Union Gas Limited (“Union”) filed an application with the Ontario Energy Board (the “Board” or “OEB”) under section 43(1) of the Ontario Energy Board Act for approval to amalgamate (the “MAADs” proceeding).¹ On November 23, 2017, EGD and Union filed an application with the Board under section 36 of the Act for approval of a rate setting mechanism (the “Rate Setting” proceeding) during the deferred rebasing period.² On August 30, 2018, the Board issued its Decision and Order for the MAADs and Rate Setting proceeding (the “MAADs Decision”) approving the amalgamation and establishing the rate-setting framework.³ The amalgamated company will be called Enbridge Gas Inc. (“Enbridge Gas”) and the amalgamation will be effective January 1, 2019. Therefore, Enbridge Gas is referred to as the Applicant for the purposes of the requested rate orders.

The MAADs Decision approved a deferred rebasing period of five years, 2019 to 2023 (“deferred rebasing period”), with an annual base rate change determined by a price cap index (“PCI”) formula, where PCI growth is driven by an inflation factor, less a productivity factor inclusive of a stretch factor. The purpose of this evidence is to describe proposed changes to Enbridge Gas’s base rates for regulated transportation, storage and distribution for each of its

¹ EB-2017-0306.

² EB-2017-0307.

³ The Decision and Order was later amended by the Board on September 17, 2018 with no material changes.

1 three rate zones (EGD, Union North and Union South⁴) effective January 1, 2019, determined in
2 accordance with the MAADs Decision.

3
4 For reference, Table 1 outlines changes to Enbridge Gas's 2019 revenue for the EGD and Union
5 rate zones.

Table 1
Proposed Changes in Revenue by Rate Zone
Effective January 1, 2019

| Line No. | Particulars | EGD Rate Zone (\$000's) | Union Rate Zones (\$000's) |
|----------|--|-------------------------|----------------------------|
| | <u>Summary Change in Revenue:</u> | | |
| 1 | 2019 Proposed in EB-2018-0305 | 1,236,509 | 1,287,938 |
| 2 | 2018 Approved ⁵ | <u>1,212,414</u> | <u>1,260,490</u> |
| 3 | Net Change (line 1 – line 2) | <u>24,095</u> | <u>27,448</u> |
| | <u>Detail Change in Revenue:</u> | | |
| 4 | 2019 Price Cap Index (1.07%) | 12,424 | 10,033 |
| 5 | 2019 DSM Budget Change | (1,129) | (4) |
| 6 | 2019 Capital Pass-through Change | - | (10,411) |
| 7 | 2019 Parkway Delivery Obligation Change | - | 627 |
| 8 | 2018 MAADs Base Rate Adjustments | <u>12,800</u> | <u>17,441</u> |
| 9 | Total Excluding Incremental Capital Module ("ICM") Funding (lines 4 through 8) | <u>24,095</u> | <u>17,686</u> |
| 10 | 2019 ICM Funding | <u>-</u> | <u>9,762</u> |
| 11 | Total (lines 4 through 8 + line 10) | <u>24,095</u> | <u>27,448</u> |

⁴ Collectively, Union North and Union South rate zones are referred to as "Union rate zones".

⁵ EGD rate zone Exhibit F1, Tab 1, Rate Order, Working Papers, Schedule 7; Union rate zones Exhibit F1, Tab 2, Rate Order, Working Papers, Schedule 9.

This section of evidence is organized as follows:

1. Price Cap Index Adjustment
2. Deferral and Variance Account Requests
3. Cost Allocation and Rate Design Proposals – EGD Rate Zone
4. Cost Allocation and Rate Design Proposals – Union Rate Zones
5. Base Rate Adjustments
6. Commitments and Directive
7. PDO Reporting
8. Bill Impacts
9. Implementation

1. PRICE CAP INDEX ADJUSTMENT

Enbridge Gas has applied the Price Cap incentive rate-setting (“IR”) mechanism using a PCI to adjust rates for 2019. PCI is calculated as $PCI = I - X \pm Y \pm Z$, where PCI rate changes are a function of:

- An inflation factor (“I factor”);
- A productivity and stretch factor (“X factor”);
- Certain predetermined pass-through adjustments (“Y factors”); and
- Certain non-routine adjustments (“Z factors”).

1 PCI growth is driven by an inflation factor using GDP IPI FDD, less a productivity factor of zero
2 and a stretch factor of 0.30%. For 2019, the inflation factor is 1.37% and the X factor is 0.30%
3 resulting in a PCI of 1.07%, as shown in Table 2.

Table 2
Calculation of Price Cap Index
Effective January 1, 2019

| Line No. | | 2019 Price Cap Index (a) |
|-------------|-------------------------------|--------------------------------|
| 1 | Inflation Factor | 1.37% |
| 2 | Less: Productivity Factor (1) | 0.00% |
| 3 | Less: Stretch Factor (2) | 0.30% |
| 4 | 2019 Price Cap Index | 1.07% |

Notes:

- (1) EB-2017-0306/EB-2017-0307, Decision and Order, p. 25.
(2) EB-2017-0306/EB-2017-0307, Decision and Order, p. 27.

4 Each of these components is discussed further below.

5

6 **1.1 INFLATION FACTOR**

7 The MAADs Decision approved an inflation factor calculated as the calendar year-over-year
8 percentage change in the annualized average of four quarters of Statistics Canada's Gross
9 Domestic Product Implicit Price Index Final Domestic Demand ("GDP IPI FDD").⁶ The
10 inflation factor is adjusted annually on this basis with no restatement for adjustments by

⁶ EB-2017-0306/EB-2017-0307, Decision and Order, August 30, 2018, pp. 24-25.

Statistics Canada. For 2019 rates, the inflation factor of 1.37% is based on the average annual change in the GDP IPI FDD for Q1 to Q4 in 2017. The calculation is provided in Table 3.

Table 3
Annual % Change in GDP IPI FDD
Effective January 1, 2019

| Line No. | Particulars | Annual % Change in GDP IPI FDD (1) (a) |
|-------------|-------------------------------------|--|
| 1 | January - March 2017 | 1.29% |
| 2 | April - June 2017 | 1.80% |
| 3 | July - September 2017 | 1.11% |
| 4 | October - December 2017 | 1.28% |
| 5 | Inflation Factor (Average % Change) | 1.37% |

Notes:

(1) Gross Domestic Product Implicit Price Index Final Domestic Demand, sourced from Statistics Canada CanSim Table 380-0066.

1.2 PRODUCTIVITY AND STRETCH FACTORS

The X factor is the sum of the productivity and stretch factors, which are determined based on the Board's expectations of efficiency and productivity gains. The MAADs Decision approved a productivity factor of 0% and a stretch factor of 0.30% for each year of the deferred rebasing period. The X factor is 0.30%, which is reflected in the PCI calculation in Table 2.

1 **1.3 Y FACTORS**

2 Y factors are costs associated with specific items that are subject to deferral account treatment
3 and passed through to customers without any price cap adjustment. The MAADs Decision
4 approved the following costs as Y factors:

- 5 • Cost of gas and upstream transportation;
- 6 • Demand Side Management (“DSM”) costs as determined in EB-2015-0029/EB-2015-
7 0049 and any subsequent proceeding;
- 8 • Lost Revenue Adjustment Mechanism (“LRAM”) for the contract market; and
- 9 • Average Use and Normalized Average Consumption.

10
11 Cost of Gas and Upstream Transportation

12 *EGD Rate Zone*

13 The EGD rate zone has an approved methodology where the gas supply portfolio is updated in
14 rates on an annual basis. Accordingly, gas cost rates have been adjusted for the EGD rate zone to
15 reflect changes to the 2019 gas supply portfolio relative to the 2018 gas supply portfolio (i.e.
16 impact of supply mix change, net of price changes that are otherwise captured through the
17 QRAM methodology), as well as changes in contracted storage and associated transportation
18 costs. Changes to these cost elements are not captured through the QRAM methodology for the
19 EGD rate zone. The approach of updating gas cost rates to reflect year-over-year changes in the
20 gas supply portfolio is consistent with the treatment that the Board approved for EGD under

1 prior incentive regulation mechanisms.⁷ The gas supply portfolio and associated costs of
2 commodity, upstream transportation, load balancing, and contracted storage are passed through
3 to customers at cost.

4
5 The proposed gas cost rates reflect the 2019 forecast cost of the Gas Supply Plan (at the EB-
6 2018-0249 October 1, 2018 QRAM reference price) in the amount of \$1,598 million.

7 The EGD rate zone's October 1, 2018 EB-2018-0249 rates have a Purchased Gas Variance
8 Account ("PGVA") reference price of \$163.524 10³m³. The PGVA reference price is comprised
9 of commodity, transportation and load balancing costs. In order for adjustments to gas cost rates
10 to only capture / reflect the impacts of the plan mix change in the 2019 gas supply portfolio
11 versus the 2018 portfolio, the cost of the 2019 portfolio is based on the October 1, 2018 QRAM
12 PGVA reference price of \$163.524 10³m³. This approach ensures that the proposed rate impacts
13 are a function of the year-over-year changes in gas supply portfolio only and net of price / cost
14 changes that are otherwise captured through the QRAM methodology.⁸

15
16 The development of the gas commodity, transportation and load balancing unit rates is based on
17 the allocation of these costs to each customer class as per the Board-approved allocation
18 methodology. The derivation of these unit rates is shown in working papers at Exhibit F1, Tab 1,

⁷ 2008-2012 Revenue Cap per Customer (EB-2007-0615), and 2014-2018 Custom IR (EB-2012-0459).

⁸ The OEB's Minimum Filing Requirements for Gas Distributors (EB-2005-0494, pages 3 and 4) state with respect to gas costs: The Board's minimum filing requirements have been designed in a manner to try to isolate the delivery related sufficiency / deficiency separate and apart from the commodity related sufficiency / deficiency. In keeping with that, utilities should provide revenue sufficiency or deficiency calculations net of gas commodity price changes captured in the QRAM. When filing, the commodity cost will be that available from the most recent Board approved QRAM, at the time of filing.

1 Rate Order, Working Papers, Schedule 9, pp. 1 - 5.

2
3 Note that for customer billing purposes the unit rates developed to recover the cost of contracted
4 storage and unaccounted for gas (i.e. distribution commodity) costs are added to the delivery
5 rates and recovered through the delivery charges on customers' bills.

6
7 Similarly, the distribution costs are recovered in rates primarily from the delivery rates, however,
8 some distribution related unit rates / costs are recovered from the Company's commodity,
9 transportation, and load balancing charges.

10
11 The heat content reference in rate schedules has been modified to reflect an updated heat content
12 of 38.53 MJ/m³. This is a change from the 2018 existing heat content of 38.42 MJ/m³. The
13 annual update to the heat content was prescribed / agreed to in the 2017 Rate Adjustment
14 Settlement Agreement (EB-2015-0215).

15
16 *Union Rate Zones*

17 For the Union rate zones the cost of gas supply, upstream transportation and gas supply
18 balancing are passed through to customers through the Quarterly Rate Adjustment Mechanism
19 ("QRAM"), including the prospective disposition of gas supply related deferral accounts.

1 Union North storage and transportation rates are set based on the gas supply plan for the 2018
2 calendar year as agreed to in the Dawn Reference Price Settlement Proposal (EB-2015-0181),
3 and approved by the Board on January 7, 2016. Storage and transportation rates are updated
4 quarterly for changes in upstream transportation tolls and upstream transportation fuel costs
5 through the QRAM process. Any variance between the gas supply costs included in rates and the
6 actual gas costs is trued-up in the Union North gas cost deferral accounts as part of the QRAM
7 process. Exhibit F1, Tab 2, Rate Order, Working Papers, Schedule 12 provides the upstream
8 transportation costs by rate class.

9
10 The gas commodity rate for Union South customers is set based on the Dawn Reference Price,
11 which represents the landed cost of gas at Dawn. Any variance from the Dawn Reference Price
12 and actual gas commodity and upstream transportation costs is trued-up in the Union South gas
13 cost deferral accounts as part of the QRAM process.

14
15 Demand Side Management and Lost Revenue Adjustment Mechanism

16 On February 24, 2016 the Board issued its revised Decision and Order for the 2015-2020 DSM
17 Plan proceeding (EB-2015-0029/EB-2015-0049). In 2019 Rates Enbridge Gas has included the
18 approved 2019 DSM budget of \$66.4 million for the EGD rate zone and \$63.3 million for the
19 Union rate zones. The difference between the budget and actual 2019 DSM costs by rate zone
20 will be captured in the respective Demand Side Management Variance Accounts (“DSMVA”).
21 The allocation of the 2019 DSM budget to rate classes for the EGD rate zone can be found at

Exhibit F1, Tab 1, Rate Order, Working Papers, Schedule 8. The allocation of the 2019 DSM budget to rate classes for the Union rate zones can be found at Exhibit F1, Tab 2, Rate Order, Working Papers, Schedule 10.

The LRAM exists for the contract rate classes in both the EGD and Union rate zones. As part of annual rate setting, Enbridge Gas adjusts volumes and calculates rates to capture the volume impacts of DSM programs. As discussed in the sections below, Enbridge Gas has calculated the rate impacts of the LRAM consistent with each rate zone's historical practice.

LRAM - EGD Rate Zone

The DSM volumetric adjustment for the EGD rate zone represents (1) the expected natural gas savings that are partially effective in the 2019 program year and will form the basis for LRAM calculations of 2019 DSM results, and (2) the balance of 2018 DSM volumes not captured in 2018 base rate volumes.

To account for fully effective DSM volumes from the 2018 program year to which 2019 DSM volumes will incrementally apply, volumes are adjusted by the difference between the partially effective volumes reflected in 2018 Base volumes and the fully effective 2018 DSM volumes, and the incremental 2019 partially effective DSM volumes. Mathematically, it is calculated as:

1 *2019 DSM Volumetric Adjustment = 2018 Fully-Effective DSM Volume – 2018 Partially-*
2 *Effective DSM Volume + 2019 Partially-Effective Volume*

3
4 The detailed DSM adjustment by contract rate classes is provided at Exhibit F1, Tab 1, Rate
5 Order, Working Papers, Schedule 11, p. 2. The 2019 LRAM will be measured against the 2019
6 Partially Effective DSM Volume, as shown in column (c). Consistent with previous years,
7 annual verification and audit of DSM program results will be conducted and any variance
8 between the forecasted and the audited actual volume saving will be trued up in the LRAM
9 variance account.

10
11 *LRAM - Union Rate Zones*

12 Using the 2015 and 2016 final audited LRAM results for the Union rate zones, Enbridge Gas has
13 incorporated in this application the difference between the 2015 and 2016 post-audit volumes
14 and the pre-audit volumes included in previous year's rates, as shown at Exhibit F1, Tab 2, Rate
15 Order, Working Papers, Schedule 14. As the audit process associated with the 2017 DSM
16 Program results is not yet complete, Enbridge Gas proposes not to adjust rates for 2017 LRAM
17 volumes as part of this application to reduce rate variances associated with pre-audit and post-
18 audit results. The LRAM Deferral Account records the difference between actual margin
19 reductions related to the Company's DSM plans and the margin reduction included in rates.

1 Average Use/Normalized Average Consumption Adjustment

2 The MAADs Decision accepted an annual adjustment to rates to reflect the declining trend in
3 use. Enbridge Gas has applied existing Board-approved methodologies for the EGD and Union
4 rate zones to adjust rates to account for changes in average use/normalized average consumption.

6 *Average Use Consumption Adjustment – EGD Rate Zone*

7 The EGD rate zone average use adjustment reflects the existing Board-Approved methodology to
8 forecast the year-over year change in 2019 average use consumption for Rate 1 and Rate 6
9 customers. The methodology relies on regression equations to estimate the underlying historical
10 trend of average use. Driver variables have remained unchanged and coefficients of existing
11 models are re-estimated to include the most recent year of actual data. Rate 1 and Rate 6 average
12 uses include the incremental impact of planned DSM for 2019, and have been normalized to the
13 2019 forecast degree days for each region as determined by Board-Approved degree day
14 methodologies. Exhibit F1, Tab 1, Rate Order, Working Papers, Schedule 10 show the 2019
15 forecast for Rate 1 and Rate 6, respectively.

17 *Normalized Average Consumption Adjustment – Union Rate Zones*

18 The Union rate zones general service storage and delivery rates have been adjusted to reflect the
19 2017 actual NAC, using the Board-approved weather normal methodology blend of 50:50 (30-
20 year average and 20-year declining trend). For 2019, the NAC adjustment is the variance

1 between 2016 actual NAC and 2017 actual NAC, as shown at Exhibit F1, Tab 2, Rate Order,
2 Working Papers, Schedule 13.

3
4 **1.4 Z FACTOR ADJUSTMENT**

5 Enbridge Gas does not have a Z factor proposal for 2019 Rates.

6
7 To address material changes in costs associated with unforeseen events outside of the control of
8 management the Board's Price Cap formula includes a Z factor mechanism. The Board approved
9 the inclusion of a Z factor mechanism in Enbridge Gas's rate-setting framework for costs that
10 meet the Z factor criteria.⁹

11
12 **2. DEFERRAL AND VARIANCE ACCOUNTS**

13 In accordance with the MAADs Decision and amalgamation, Enbridge Gas has deferral and
14 variance accounts that need to be opened, adjusted, or closed. The evidence below discusses this
15 in more detail.

16
17 The deferral and variance accounting orders for the EGD rate zone are provided in Appendix A,
18 and for the Union rate zones in Appendix B. The existing accounting orders have been updated
19 to reflect the applicability of the account to the EGD rate zone or Union rate zones, with
20 distinctions for the Union North rate zone and the Union South rate zone where applicable. The

⁹ EB-2017-0306/EB-2017-0307, Decision and Order, August 30, 2018, 2018, p. 37.

new draft accounting orders for Enbridge Gas are included in both Appendix A and Appendix B as they apply to the EGD rate zone and the Union rate zones.

The status of the deferral and variance accounts related to Cap-and-Trade will be addressed in a separate proceeding. To ensure completeness, the accounting orders are included with the rate zone distinction in Appendix A and Appendix B. Any requests respecting deferral and variance accounts related to the Federal Carbon Pricing Program will be addressed in a separate proceeding and are not included in Appendix A and Appendix B.

2.1 NEW DEFERRAL ACCOUNTS

There are five new draft accounting orders for which Enbridge Gas is requesting approval. The new deferral accounts are shown in Table 4, and discussed below.

Table 4
New Deferral Accounts

| <u>Account Number</u> | <u>Account Name</u> |
|-----------------------|--|
| Enbridge Gas | |
| 179-XXX | Accounting Policy Change Deferral Account (Enbridge Gas) |
| 179-XXX | Earnings Sharing Mechanism Deferral Account (Enbridge Gas) |
| 179-XXX | Tax Variance Deferral Account (Enbridge Gas) |
| 179-XXX | Incremental Capital Module Deferral Account – EGD Rate Zone |
| 179-XXX | Incremental Capital Module Deferral Account – Union Rate Zones |

1 2.1.1 Accounting Policy Changes – Enbridge Gas

2 In accordance with the MAADs Decision, Enbridge Gas has provided a draft accounting order
3 for any accounting policy changes as a result of the amalgamation. As per the MAADs Decision:

4
5 *“The OEB is establishing a deferral account to record the impact of any accounting changes*
6 *required as a result of the amalgamation that affect revenue requirement. The OEB is not*
7 *determining the approach to disposition of this account at this time. Amalco should propose an*
8 *approach to disposition of any balances in its application for 2020 rates.”¹⁰*
9

10 The draft accounting order for this deferral account is provided at Appendix A and Appendix B.

11
12 2.1.2 Earnings Sharing Mechanism – Enbridge Gas

13 In accordance with the MAADs Decision, Enbridge Gas has provided a draft accounting order to
14 record any ratepayer portion of excess utility earnings.¹¹ The draft accounting order for this
15 deferral account is provided in Appendix A and Appendix B.

¹⁰ EB-2017-0306/EB-2017-0307, Decision and Order, August 30, 2018, p. 47.

¹¹ EB-2017-0306/EB-2017-0307, Decision and Order, August 30, 2018, pp. 44-46.

1 2.1.3 Tax Variance Deferral Account – Enbridge Gas

2 In the MAADs Decision, the Board determined that the Tax Variance Deferral Account
3 (“TVDA”) should be used to record the impact of tax rate changes for all of Enbridge Gas.¹² As
4 such, Enbridge Gas has provided a new accounting order to extend the Union rate zone TVDA’s
5 applicability to the EGD rate zone, shown in Appendix A and Appendix B.

6
7 2.1.4 Incremental Capital Module – EGD and Union Rate Zones

8 The Board approved the use of ICM as a mechanism for the funding of incremental capital in the
9 MAADs Decision.¹³ As part of implementing ICM, Enbridge Gas requests the opening of two
10 new deferral accounts to capture any variances between the actual revenue requirement of the
11 ICM projects or programs and the actual ICM revenue collected through the approved ICM rate.
12 The ICM proposals for 2019 are discussed in Exhibit B1, Tab 2, Schedule 1. The draft
13 accounting orders for the deferral accounts are provided at Appendix A and Appendix B.

14
15 **2.2 ADJUSTMENT TO EXISTING DEFERRAL ACCOUNTS**

16 Based on the MAADs Decision, Enbridge Gas proposes to make changes to the wording of
17 certain existing deferral accounts, as shown in Table 5.

¹² In accordance with the EB-2017-0306/EB-2017-0307, Decision and Order, August 30, 2018, p. 45, the new deferral account will cease to record the impact of the introduction of HST.

¹³ EB-2017-0306/EB-2017-0307, Decision and Order, August 30, 2018, p. 30-34.

Table 5
Adjustment to Existing Deferral Accounts

| <u>Account Number</u> | <u>Account Name</u> |
|---|--|
| EGD Rate Zone | |
| 179.24_ | Post-Retirement True-up Variance Account |
| 179.48_ | Open Bill Revenue Variance Account |
| 179.08_ | Ex-Franchise Third Party Billing Services Deferral Account |
| 179.70_ | Purchased Gas Variance Account |
| 179.88_ | Storage and Transportation Deferral Account |
| 179.94_ | OEB Cost Assessment Variance Account |
| Union Rate Zones | |
| <i>Capital Pass-Through Deferral Accounts</i> | |
| 179-136 | Parkway West Project Costs |
| 179-137 | Brantford-Kirkwall/Parkway D Project Costs |
| 179-142 | Lobo C Compressor/Hamilton to Milton Project Costs |
| 179-144 | Dawn H/Lobo D/Bright C Compressor Project Costs |
| 179-149 | Burlington Oakville Project Costs |
| 179-156 | Panhandle Reinforcement Project Costs |

2.2.1 Post-Retirement True-up Variance Account (“PTUVA”) – EGD Rate Zone

In accordance with the MAADs Decision, beginning in 2019 the PTUVA will only be used to reflect any residual balance from 2018 that has not been cleared due to the smoothing mechanism related to the account. The draft accounting order for this variance account is provided at Appendix A.

2.2.2 Open Bill Revenue Variance Account (“OBRVA”) and Ex-Franchise Third Party Billing Services Deferral Account (“EFTPBSDA”) – EGD Rate Zone

Enbridge Gas adjusted wording of the existing EGD rate zone OBRVA and the EFTPBSDA such that net revenues will continue to be determined in accordance with the Board approved

1 EB-2013-0099 Open Bill Access Settlement Agreement, which allows for the ongoing operation
2 of the program on an indefinite basis within EGD rate zones, as possibly amended and approved
3 by the Board from time to time. The draft accounting orders for these deferral and variance
4 accounts are provided at Appendix A.

5
6 2.2.3 Purchase Gas Variance Account (“PGVA”) – EGD Rate Zone

7 As indicated during the MAADs proceeding, there are contracts between EGD and Union that
8 will cease to exist.¹⁴ As such, Enbridge Gas has removed the line “*The PGVA will also record*
9 *amounts related to the Limited Balancing Agreement with Union Gas*” from its accounting order
10 provided at Appendix A.

11
12 2.2.4 Storage and Transportation Deferral Account (“S&TDA”) – EGD Rate Zone

13 Enbridge Gas proposes to remove wording in its S&TDA which is no longer relevant, as shown
14 in the accounting order provided at Appendix A.

15
16 2.2.5 OEB Cost Assessment Variance Account – EGD Rate Zone

17 The Applicants propose to maintain two OEB Cost Assessment Variance Accounts, one for each
18 rate zone. However, the wording of the EGD rate zone’s OEB Cost Assessment Variance
19 Account has been updated to reflect the Board’s recent Decision and Rate Order in Union’s 2017

¹⁴ EB-2017-0306/EB-2017-0307, Exhibit C.STAFF.10, April 12, 2018.

1 Deferral and Variance Account proceeding.¹⁵ The draft accounting order for this variance
2 account is provided at Appendix A.

3
4 2.2.6 Capital Pass-Through Deferral Accounts – Union Rate Zones

5 The MAADs Decision directed Enbridge Gas to add rate base and depreciation associated with
6 Union's capital pass-through projects to the 2013 Board-approved rate base and depreciation in
7 determining the eligible incremental capital amount for the Union service territory.¹⁶ As a result,
8 Enbridge Gas proposes to fix the capital pass-through revenue requirement in rates (as described
9 in Section 4.2.1) and discontinue the use of the capital pass-through deferral accounts, except for
10 the purposes of capturing utility tax timing variances.

11
12 Enbridge Gas proposes to modify each of the Project's accounting orders to track the difference
13 between the impact of actual utility tax timing amounts and the impact of the utility tax timing
14 amounts included in rates. During Union's 2014-2018 IRM term, the benefit of the utility tax
15 timing differences of the capital pass-through projects was passed through to customers in rates,
16 which resulted in lower delivery rates during this time period. Table 6 provides the total benefit
17 of \$117.2 million that customers received from the utility tax timing differences from 2014 to
18 2018. Enbridge Gas proposes to continue to capture the utility tax timing variances in the
19 respective deferral accounts to recognize the reversal of the benefit customers received in rates
20 during the 2014-2018 time period. Over the 2019 to 2023 deferred rebasing period, Enbridge Gas

¹⁵ EB-2018-0105, Decision and Rate Order, December 6, 2018, Appendix C.

¹⁶ EB-2017-0306/EB-2017-0307, Decision and Order, August 30, 2018, pp. 32-34.

1 will receive a benefit of approximately \$124.1 million of utility tax timing differences based on
2 the current forecast. Without capturing the reversal of the benefit in the deferral account,
3 Enbridge Gas customers will receive a benefit of \$182.0 million¹⁷ in rates over the deferred
4 rebasing period, which is \$57.9 million greater than the forecast of the utility income tax benefit
5 over this time period and does not represent the actual tax benefit associated with the projects.
6 Table 7 provides the forecast of utility tax timing differences over the deferred rebasing period.

Table 6
Union's Capital Pass-through Projects
Actual Utility Tax Timing Differences
Union's 2014-2018 IRM

| Line | | | | | | | Forecast |
|------|------------------------------|---------|---------|----------|----------|----------|-----------|
| No. | Particulars (\$000's) | 2014 | 2015 | 2016 | 2017 | 2018 | Total |
| | | (a) | (b) | (c) | (d) | (e) | (f) |
| 1 | Parkway West | (2,191) | (4,521) | (5,843) | (4,994) | (4,070) | (21,619) |
| 2 | Brantford-Kirkwall/Parkway D | - | (3,668) | (5,462) | (4,744) | (3,938) | (17,811) |
| 3 | 2016 Dawn-Parkway Expansion | - | (673) | (6,131) | (8,477) | (7,456) | (22,736) |
| 4 | Burlington to Oakville | - | - | (1,539) | (2,116) | (1,828) | (5,482) |
| 5 | 2017 Dawn-Parkway Expansion | - | - | (3,690) | (15,476) | (21,476) | (40,643) |
| 6 | Panhandle Reinforcement | - | - | - | (3,385) | (5,479) | (8,864) |
| 7 | Total | (2,191) | (8,861) | (22,665) | (39,192) | (44,246) | (117,155) |

¹⁷ \$182.0 million calculated as the 2019 utility tax timing amount of \$36.4 million multiplied by five years.

Table 7
Union's Capital Pass-through Projects
Forecast of Utility Tax Timing Differences
2019-2023 Deferred Rebasing Period

| Line No. | Particulars (\$000's) | 2019 | 2020 | 2021 | 2022 | 2023 | Total |
|----------|------------------------------------|----------|----------|----------|----------|----------|-----------|
| | | (a) | (b) | (c) | (d) | (e) | (f) |
| 1 | Parkway West | (3,280) | (2,587) | (1,966) | (1,438) | (988) | (10,259) |
| 2 | Brantford-Kirkwall/Parkway D | (3,234) | (2,625) | (2,097) | (1,638) | (1,239) | (10,833) |
| 3 | 2016 Dawn-Parkway Expansion | (6,294) | (5,250) | (4,335) | (3,533) | (2,828) | (22,240) |
| 4 | Burlington to Oakville | (1,539) | (1,280) | (1,058) | (869) | (705) | (5,452) |
| 5 | 2017 Dawn-Parkway Expansion | (16,923) | (13,758) | (10,905) | (8,470) | (6,392) | (56,449) |
| 6 | Panhandle Reinforcement | (5,145) | (4,366) | (3,691) | (3,106) | (2,598) | (18,906) |
| 7 | Total | (36,415) | (29,865) | (24,051) | (19,054) | (14,752) | (124,138) |
| 8 | 2019 Utility Tax Timing Difference | (36,415) | (36,415) | (36,415) | (36,415) | (36,415) | (182,074) |
| 9 | Variance (line 7 – line 8) | - | 6,549 | 12,363 | 17,360 | 21,663 | 57,936 |

- 1
- 2 The accounting order proposals for the capital pass-through deferral accounts are provided at
- 3 Appendix B.
- 4
- 5 **2.3 DEFERRAL ACCOUNT CLOSURE REQUESTS**
- 6 Enbridge Gas requests leave of the Board to close the deferral accounts listed in Table 8.

Table 8
Deferral Account Closure Requests

| <u>Account Number</u> | <u>Account Name</u> |
|-----------------------|---|
| Union Rate Zones | |
| 179-100 | Union North Tolls and Fuel |
| 179-105 | Union North PGVA |
| 179-103 | Unbundled Services Unauthorized Storage Overrun Deferral Account |

2.3.1 Union North Tolls and Fuel and Union North PGVA

Enbridge Gas proposes to close the Union North Tolls and Fuel (Account No. 179-100) and Union North PGVA (Account No. 179-105) deferral accounts, effective January 1, 2019. Union introduced new Union North deferral accounts (Account No. 179-148 and Account No. 179-147) to replace the Union North PGVA and Union North Tolls and Fuel deferral accounts as part of the Dawn Reference Price Settlement Proposal (EB-2015-0181). Union transitioned the forecast and actual variances to the new Union North deferral accounts beginning January 1, 2017. To prepare to close the Union North PGVA and Union North Tolls and Fuel deferral accounts, Union also transferred the balance associated with recovery variances from these deferral accounts to the new Union North deferral accounts to account for the difference between what was actually recovered in previous rate riders and what Union forecast to recover. As part of the October 1, 2018 QRAM, Union transferred the last recovery variance (for activity up to and including December 31, 2016) to the new Union North deferral accounts. As the recovery variances are now zero and there are no further transfers required, Enbridge Gas proposes to close the Union North PGVA and Union North Tolls and Fuel deferral accounts as part of this proceeding.

2.3.2 Unbundled Services Unauthorized Storage Overrun Deferral Account

In conjunction with Enbridge Gas's proposal to eliminate the Rate U2 rate schedule in the Union rate zones, as per Section 4.3.2, Enbridge Gas proposes to eliminate the Unbundled Services Unauthorized Storage Overrun Deferral Account (Account No. 179-103) effective January 1, 2019. With the elimination of the last remaining unbundled storage service in the Union rate zones, Account No. 179-103 is no longer required.

2.3.3 Other Deferral Account Closures

In addition to the closure requests listed above, the Board approved the closure of the accounts listed in Table 9, effective January 1, 2019.¹⁸ The evidence and supporting documentation related to the closure were provided as part of the MAADs and Rate Setting proceeding, and are provided here for reference only. Any balances in the deferral accounts will be subject to the Board's review as part of the annual deferral disposition proceeding.

Table 9
Deferral Account Closures – Approved Requests

| <u>Account Number</u> | <u>Account Name</u> |
|-----------------------|--|
| EGD Rate Zone | |
| 179.16_ | Customer Care CIS Rate Smoothing Deferral Account |
| 179.34_ | Constant Dollar Net Salvage Adjustment Deferral Account |
| 179.96_ | Relocations Mains Variance Account |
| 179.98_ | Replacement Mains Variance Account |
| 179.58_ | Earnings Sharing Mechanism Deferral Account (replaced by new Enbridge Gas account) |

¹⁸ EB-2017-0306/EB-2017-0307, Decision and Order, August 30, 2018, pp. 44-46.

| <u>Account Number</u> | <u>Account Name</u> |
|-----------------------|---|
| Union Rate Zones | |
| 179-120 | CGAAP to IFRS Conversion Costs |
| 179-134 | Tax Variance Deferral Account (replaced by new Enbridge Gas account) |

1 **3. COST ALLOCATION AND RATE DESIGN – EGD RATE ZONE**

2 A description of the derivation of the 2018 base revenues and rates for the EGD rate zone is
3 provided at Appendix C. There are no proposed cost allocation or rate design changes in the
4 EGD rate zone. For Rate 325, Enbridge Gas proposes a minor wording change, as reflected in
5 the EGD rate zone Rate Handbook provided at Exhibit F1, Tab 1, Appendix B, to revise the
6 reference to the service agreements between EGD and Union to be historical. As explained in
7 the MAADs proceeding, these agreements will no longer exist upon amalgamation of EGD and
8 Union.

9
10 **4. COST ALLOCATION AND RATE DESIGN – UNION RATE ZONES**

11 The purpose of this section of evidence is to support Enbridge Gas's request for approval of rate
12 design and rate schedule changes for the Union rate zones, effective January 1, 2019. A
13 description of the derivation of the 2019 base revenues and rates for the Union rate zones is
14 provided at Appendix D.

15
16 This evidence is organized as follows:

17 4.1 Cost Allocation Directive

18 4.2 Rate Design Proposals

1 4.2.1 One-time Adjustment of Capital Pass-Through Projects

2 4.2.2 General Service Monthly Customer Charge

3 4.2.3 PDO Adjustment

4 4.2.4 DSM Budget Allocation

5 4.3 Rate Schedule Changes

6 4.3.1 System Expansion Surcharge Term Update

7 4.3.2 Elimination of Union South Rate U2

8 4.3.3 Elimination of Union South Supplemental Services

9 4.3.4 Elimination of Union South Multiple Delivery Points Service Option (“Fuel

10 Manager”)

11 4.3.5 Rate C1 Interruptible Transportation Within Dawn

12 4.3.6 Rate M13 GT&C Changes

13
14 **4.1 COST ALLOCATION DIRECTIVE**

15 The MAADs Decision requires Enbridge Gas to file a cost allocation study in 2019 for the Union
16 rate zones for consideration in the 2020 Rates proceeding. The cost allocation study and proposal
17 is to take into account the following projects and services:

- 18 • Panhandle Reinforcement Project;
- 19 • Dawn-Parkway Expansion Project including Parkway West Project;
- 20 • Brantford-Kirkwall/Parkway D Project;
- 21 • Hagar Liquefaction Plant; and

- TransCanada's C1 Dawn to Dawn-TCPL Service.

In accordance with the MAADs Decision, Enbridge Gas will defer cost allocation updates and proposals until its 2020 Rates application, to be filed in 2019.

4.2 RATE DESIGN PROPOSALS

4.2.1 One-time Adjustment of Capital Pass-Through Projects

Enbridge Gas proposes a one-time adjustment of (\$10.4) million associated with the capital pass-through projects ("Projects") that were included in rates as a Y factor during Union's 2014-2018 IRM term. The proposed adjustment represents the difference between the 2018 Project revenue requirement of \$127.6 million included in Union's Board-approved 2018 rates and the 2019 forecast Project revenue requirement of \$117.2 million. A summary of the proposed one-time adjustment is provided in Table 10 below. The detailed comparison of capital pass-through revenue requirement for 2018 and 2019 is provided at Exhibit F1, Tab 2, Rate Order, Working Papers, Schedule 16, pp. 4-5.

Table 10
Summary of One-Time Adjustment of Capital Pass-Through Projects

| Line No. | Particulars (\$000's) | 2018 Approved (1) (a) | 2019 Forecast (2) (b) | Proposed Adjustment (c) = (b-a) |
|-------------|------------------------------|--------------------------------|--------------------------------|---------------------------------------|
| 1 | Parkway West | 17,737 | 19,227 | 1,490 |
| 2 | Brantford-Kirkwall/Parkway D | 15,902 | 14,874 | (1,029) |
| 3 | 2016 Dawn-Parkway Expansion | 30,251 | 25,059 | (5,192) |
| 4 | Burlington to Oakville | 8,531 | 5,447 | (3,083) |
| 5 | 2017 Dawn-Parkway Expansion | 42,639 | 40,916 | (1,723) |
| 6 | Panhandle Reinforcement | <u>12,589</u> | <u>11,715</u> | <u>(874)</u> |
| 7 | Total | <u>127,649</u> | <u>117,238</u> | <u>(10,411)</u> |

Notes:

- (1) EB-2017-0087, Rate Order, Working Papers, Schedule 10, p.2.
- (2) Exhibit F1, Tab 2, Rate Order, Working Papers, Schedule 16, pp. 4-5.

1 Enbridge Gas proposes this one-time adjustment as a result of the MAADs Decision, which
2 directed Enbridge Gas to add the rate base and depreciation associated with the Projects to the
3 2013 Board-approved rate base and depreciation in determining the eligible incremental capital
4 amount of the Union service territory.¹⁹ The inclusion of the Projects' rate base and depreciation
5 expense, including applying the ICM growth factor to both, in determining the ICM materiality
6 threshold value implies that Union's rates can support an equivalent investment in capital, which
7 is not the case when the Projects' annual revenue requirement adjustments are passed through
8 directly to customers as a Y factor adjustment. If Enbridge Gas were to continue to pass through

¹⁹ EB-2017-0306/EB-2017-0307, Decision and Order, August 30, 2018, p. 33.

1 lower revenue requirement as a result of a declining rate base for the Projects, the amounts
2 included in rates to support incremental capital investments would be lower than the amounts
3 assumed to be available to fund incremental capital investments in the ICM materiality threshold
4 calculation. Accordingly, Enbridge Gas proposes a one-time adjustment in lieu of continuing to
5 make Y factor adjustments for the revenue requirement of the Projects during the 2019-2023
6 deferred rebasing period.

7
8 To calculate the 2019 revenue requirement of \$117.2 million, Union used the most current 2019
9 forecast revenue requirement for the Projects. This forecast of rate base and depreciation is the
10 amount that has been added to Enbridge Gas's ICM calculation for the Union rate zones.²⁰ As
11 the Projects are substantially complete by 2019, the revenue requirement represents the full cost
12 of the Projects. To determine the allocation of the 2019 revenue requirement to rate classes, the
13 Project revenue requirement was added to Union's 2013 approved cost allocation study, which is
14 the same methodology in which the Projects were included in 2018 rates.

15
16 Enbridge Gas also proposes to build into rates the surplus Dawn-Parkway capacity of 30,393
17 GJ/d resulting from the 2017 Dawn-Parkway Expansion project (EB-2015-0200). As part of the
18 2017 Dawn-Parkway proceeding, parties agreed Union would credit the Lobo D/Bright C/Dawn
19 H Compressor Project Deferral Account (Account No. 179-144) for revenue generated from the
20 30,393 GJ/d of surplus capacity. Enbridge Gas anticipates that this surplus capacity will be sold

²⁰ Exhibit B1, Tab 2, Schedule 1.

1 long-term beginning on November 1, 2018 and for the remainder of the deferred rebasing period.
2 To account for the incremental project demands and revenue, Enbridge Gas has added 30,393
3 GJ/d of project demands to the allocation of the 2019 project costs and to the derivation of the
4 2019 Rate M12/C1 Dawn-Parkway demand rate as part of this application. This adjustment for
5 the incremental project demands is consistent with the approved cost allocation and revenue
6 adjustment made in the 2017 Dawn Parkway Expansion project. As the revenue of the surplus
7 capacity will be built into 2019 rates, there is no longer a requirement to track the revenue
8 associated with the surplus capacity in the project deferral account.
9

10 4.2.2 General Service Monthly Customer Charge

11 In the MAADs proceeding, Union provided bill impacts for general service customers that
12 showed material impacts for certain Rate M1 and Rate 01 general service customers throughout
13 the proposed deferred rebasing period.²¹ As part of the MAADs Decision, the Board stated it
14 supported the approach to propose a rate design that addressed the bill impacts as part of the
15 2019 Rates proceeding. In response to the MAADs Decision, Enbridge Gas proposes to maintain
16 the current level of the general service monthly customer charge for the Union rate zone at
17 \$21/month for Rate M1 and Rate 01 and \$70/month for Rate M2 and Rate 10. To address the
18 significant bill impacts of certain Rate M1 and Rate 01 customers, Enbridge Gas proposes to
19 adjust the customer-related cost variance for the Union rate zones in proportion to the current
20 approved revenue, assuming the monthly customer charge revenue is recovered in the first

²¹ EB-2017-0306/EB-2017-0307, Undertaking Responses, May 23, 2018, Exhibit J5.1.

1 delivery block of the volumetric delivery charges. The proposed cost adjustment results in a
2 higher unit rate for the first volumetric delivery block as compared to the current approved cost
3 adjustment, which recovers the cost variance in proportion to current approved delivery
4 commodity revenue, excluding the monthly customer charge revenue. Appendix E shows the
5 calculation of the current and proposed cost adjustments for Rate M1 and Rate 01.

6
7 By adjusting the first delivery rate block to include the monthly customer charge revenue, the bill
8 impacts are more consistent for each customer within the rate class regardless of annual volumes
9 consumed. Table 11 shows a comparison of the delivery bill impacts for customers with annual
10 consumption of 2,200 m³ and 40,000 m³ based on the current approved as compared to the
11 proposed rate design for the monthly customer charge adjustment.

Table 11
Delivery Bill Impacts for Rate 01 and Rate M1
Monthly Customer Charge Adjustment

| Line No. | Particulars (\$) | Union South Rate M1 | | Union North Rate 01 | |
|----------|---|----------------------|-----------------------|----------------------|-----------------------|
| | | (a) | (b) | (c) | (d) |
| 1 | Annual Consumption | 2,200 m ³ | 40,000 m ³ | 2,200 m ³ | 40,000 m ³ |
| 2 | Current Approved Delivery Bill (1) | 374 | 2,222 | 455 | 3,570 |
| 3 | 2019 Rates - Current Approved Rate Design | 381 | 2,337 | 461 | 3,690 |
| 4 | Difference (line 3 - line 2) | 7 | 115 | 6 | 119 |
| 5 | Delivery Bill Impact (%) (line 4/line 2) | 1.9% | 5.2% | 1.4% | 3.3% |
| 6 | 2019 Rates - Proposed Rate Design | 384 | 2,251 | 463 | 3,635 |
| 7 | Difference (line 6 - line 2) | 10 | 29 | 8 | 65 |
| 8 | Delivery Bill Impact (%) (line 7/line 2) | 2.7% | 1.3% | 1.8% | 1.8% |

Note:

(1) October 2018 QRAM (EB-2018-0253).

- 1 4.2.3 PDO Adjustment
- 2 Enbridge Gas proposes to continue to make rate adjustments for the Parkway Delivery
- 3 Obligation (“PDO”) costs for the Union rate zones during the 2019-2023 deferred rebasing
- 4 period, consistent with the Settlement Framework for the Reduction of Parkway Delivery
- 5 Obligation (“PDO Settlement Framework”). The Board approved the PDO Settlement
- 6 Framework as part of Union’s 2014 Rates (EB-2013-0365) Decision and Order.

1 The PDO Settlement Framework was established to permanently shift the PDO of Union South
2 direct purchase (“DP”) customers to Dawn over time. The PDO Settlement Framework provided
3 for the inclusion of costs associated with the easterly Dawn-Parkway system required to facilitate
4 the shift of obligated deliveries from Parkway to Dawn and for the payment of a Parkway
5 Delivery Commitment Incentive (“PDCI”) beginning November 1, 2016 to direct purchase and
6 sales service customers for all remaining PDO volumes.

7
8 Enbridge Gas has updated the PDO and PDCI costs to reflect the 2019 Rate M12 Dawn-Parkway
9 toll and Dawn-Parkway compressor fuel, based on Union’s October 2018 QRAM (EB-2018-
10 0253) consistent with the PDO Settlement Framework.

11
12 The MAADs Decision requires Enbridge Gas to track actual costs and amounts recovered through
13 rates related to the PDO during the deferred rebasing period for review at the time of rebasing.²²
14 Enbridge Gas proposes to update the allocation of the PDO and PDCI demand-related costs
15 based on the 2019 Dawn-Parkway design day demands and the allocation of the in-franchise
16 compressor fuel costs based on 2019 forecast volumes. The allocation of PDO and PDCI costs
17 have been updated for the 2019 forecast to reduce any variance between the allocated costs
18 included in 2019 rates and the actual 2019 PDO and PDCI costs for each rate class.

²² EB-2017-0306/EB-2017-0307, Decision and Order, August 30, 2018, p. 49.

Effective November 1, 2018, Halton Hills Generating Station (“HHGS”) elected to convert to standard Rate T2 service and turn back its remaining M12 capacity of 70 TJ/day as provided for in the PDO Settlement Framework. Upon conversion to standard Rate T2 service, the PDO Settlement Framework also provided for an increase to the HHGS Billing Contract Demand (“BCD”) to equal its Contract Demand of 132 TJ/day (3,480,000 m³/day). Included in the calculation of the 2019 PDO costs is the additional Dawn-Parkway costs associated with 70 TJ/day of M12 turnback which is partially offset by the incremental revenue credit associated with the increased Rate T2 charges for HHGS. The calculation of total PDO costs is provided at Exhibit F1, Tab 2, Rate Order, Working Papers, Schedule 11.

4.2.4 DSM Budget Allocation

Enbridge Gas proposes to allocate the 2019 DSM budget costs in proportion to Union’s actual DSM program costs for 2017. The use of 2017 actual DSM program costs is intended to reduce any variance between the allocated costs included in 2019 rates and the actual 2019 DSM program costs for each rate class, which is trued-up in the DSM Variance Account (Account No. 179-111). As the DSM budget allocation to rate classes is based on 2017 actual DSM costs, the allocation reflects the rate class of customers in 2017. Since 2017, some customers transitioned from Rate M5 to Rate M4 primarily as a result of the Panhandle Replacement Project. To address this change between the 2017 and 2019 forecast, Enbridge Gas proposes to pool the Rate M4 and Rate M5 DSM costs and reallocate the pooled costs in proportion to 2019 approved volumes, which results in a common DSM budget unit rate for the two rate classes.

1 **4.3 RATE SCHEDULE CHANGES**

2 Enbridge Gas proposes changes to the applicable rate schedules effective January 1, 2019, as
3 described below. The changes are administrative and are intended to improve rate schedule
4 clarity, which includes the removal of services that are no longer utilized. Enbridge Gas has also
5 updated the ex-franchise General Terms and Conditions (“GT&C”) to incorporate the
6 amalgamated company name change, effective January 1, 2019. The black-lined schedules are
7 provided at Appendix F.

8
9 **4.3.1 System Expansion Surcharge Term Update**

10 Enbridge Gas proposes to extend the System Expansion Surcharge (“SES”) term expiry date on
11 the applicable general service rate schedules by one year for Delaware Nation of Moraviantown
12 First Nation and Prince Township communities to reflect the change to the in-service date of the
13 projects. As part of Union’s Community Expansion proceeding (EB-2015-0179), the Board
14 approved the SES rate and term expiry date for each project, which at the time was contingent on
15 the projects being constructed in 2017. As the construction of these projects was delayed until
16 2018, Enbridge Gas is requesting to update the SES term expiry date on the applicable general
17 service rate schedules to maintain the approved SES term²³ of the projects. Specifically,
18 Enbridge Gas is requesting to update the SES term expiry date from December 31, 2057 to
19 December 31, 2058 for Delaware Nation of Moraviantown First Nation on the Rate M1 and Rate

²³ The SES term begins when the Project goes into service and expires at the end of the calendar year required for the Project to meet a P.I. of 1.0.

1 M2 rate schedules and from December 31, 2039 to December 31, 2040 for Prince Township on
2 the Rate 01 and Rate 10 rate schedules.

3
4 4.3.2 Elimination of Union South Rate U2

5 Enbridge Gas proposes to eliminate the Union South general service unbundled storage Rate U2
6 rate schedule, effective January 1, 2019.

7
8 The Rate U2 rate schedule was first introduced in January 1, 2000 as part of the RP-1999-0017
9 Decision. The Rate U2 general service unbundled storage service has been available for over 15
10 years and Enbridge Gas has had one customer contract for the service since it was introduced.

11 The only customer previously taking service under Rate U2 terminated its contract on March 31,
12 2017. Union does not forecast any customer taking the unbundled storage service. Accordingly,
13 the elimination of the Rate U2 rate schedule will result in no customer impacts.

14
15 Rate U2 is Union's last remaining unbundled storage service, as the contract unbundled storage
16 service offerings were eliminated from the rate schedules as part of Union's 2013 Cost of
17 Service proceeding (EB-2011-2010) and the Union North general service unbundled storage
18 Rate S1 rate schedule was eliminated as part of Union's 2017 Rates proceeding (EB-2016-0245).

1 4.3.3 Elimination of Union South Supplemental Services

2 Enbridge Gas proposes to eliminate the supplemental services listed below from the Rate R1 and
3 Schedule “A” rate schedules, effective January 1, 2019.

- 4 • Firm Gas Supply Service
5 • Firm Backstop Gas
6 • Reasonable Efforts Backstop Gas
7 • Supplemental Gas Sales

8
9 The supplemental services were first introduced on January 10, 1986 as part of the original
10 Union South T-Service service offering (per EBRO-412 III). At the time, it was not known how
11 the direct purchase market would develop and these services were created to ensure that
12 customers in Union South had adequate options available to meet their gas supply needs. Since
13 these services were introduced, Union developed a number of additional balancing transaction
14 services to help customers manage their gas supply needs and obligations. There is no record of
15 any customer that has used these services to date. Accordingly, there are no customer impacts as
16 a result of this proposal.

17
18 4.3.4 Elimination of Union South Multiple Delivery Points Service Option (“Fuel Manager”)

19 Enbridge Gas proposes to eliminate the service option available under Union South Rate T1 and
20 Rate T2 for a common “fuel manager” to manage multiple redelivery points not under common
21 ownership, effective January 1, 2019.

1
2 As part of the NGEIR Settlement Agreement approved by the Board on November 7, 2006,
3 parties agreed that Union would permit multiple Rate T1 or Rate U7 redelivery points not under
4 common ownership, provided the deliveries would be managed by a common fuel manager and
5 each redelivery point individually met the minimum qualification for the respective rate class. As
6 part of Union's 2013 Cost of Service proceeding (EB-2011-0210), Union eliminated the Rate U7
7 rate schedule and introduced the Rate T2 rate schedule, which currently includes the fuel
8 manager service option. The service option was intended to provide gas-fired generators and
9 other end-users additional opportunities to manage imbalances, without impacting the calculation
10 of delivery charges applicable to each redelivery point. Enbridge Gas proposes to eliminate this
11 service option on the Rate T1 and Rate T2 rate schedule as there have been no customers that
12 have elected to take this service since it was introduced over 10 years ago. There are no customer
13 impacts as a result of this proposal.

14
15 4.3.5 Rate C1 Interruptible Transportation within Dawn

16 Enbridge Gas proposes to remove the pricing for interruptible transportation within the Dawn
17 yard from the C1 rate schedule for consistency with other Rate C1 interruptible transportation
18 services.

19
20 Currently, the rate schedule allows for interruptible and short-term (1 year or less) transportation
21 under Rate C1 for up to a maximum of \$75. The pricing for these services is provided under

1 Union's Schedule 2 Hub pricing, which includes interruptible transportation within Dawn for
2 service between Dawn (Facilities), Dawn (TCPL), Dawn (Vector), Dawn (Tecumseh) and Dawn
3 (TSLE).

4
5 The C1 rate schedule also currently provides a fuel ratio for interruptible transportation service
6 within Dawn. The fuel ratio is set to provide recovery of UFG in kind. The provision of this
7 service first appeared on Union's rate schedules 15 years ago, prior to the hub pricing which was
8 introduced August 1, 2008.

9
10 As the interruptible transportation within the Dawn yard is provided under Union's Schedule 2,
11 the separate pricing for this service on the rate schedule is not required. This proposed change
12 ensures the rate schedule is consistent for all Rate C1 interruptible services and results in no
13 impact to customers.

14
15 4.3.6 Rate M13 GT&C Changes

16 Enbridge Gas proposes to change the Aid to Construction language in Union's Rate M13 GT&C,
17 effective January 1, 2019. The GT&C outline the calculation of Aid to Construction payments
18 associated with the capital costs of building a local producer station on Enbridge Gas's system
19 rather than in the customer's contract or a separate precedent agreement. For consistency with
20 other rate classes, Enbridge Gas proposes to move the specific Aid to Construction payment
21 language from the GT&C to the customer's contract and replace it with the description used in

Union's Rate M16 GT&C. Specifically, this proposal includes the removal of Article IX, Section 6 and Article XXI, Section 1 g) from the M13 GT&C, replaced with Article IX, Section 6 and Article XXI, Section 1 e) from the Rate M16 GT&C, respectively. There is also a corresponding update to the referenced sections in Article XXI, Section 4 and the "Aid to Construction" definition in Article I.

Enbridge Gas also proposes to change the term "MOAP" to "MOP" in Article 1 to align with contract terminology. In addition, Enbridge Gas proposes to abbreviate the definition for "Producer Balancing Account" to reduce duplication with what is currently contained in Schedule 2 of the contract.

5. BASE RATE ADJUSTMENTS

In accordance with the MAADs Decision, the Board approved four adjustments to base rates, three for the EGD rate zone and one for the Union rate zones.²⁴

- \$17.4 million increase for Union deferred tax drawdown
- \$4.9 million decrease for EGD customer information system and customer care costs
- \$6.5 million increase for EGD pension and other post-employment benefits costs
- \$11.2 million increase for EGD tax deduction related to site restoration costs

²⁴ EB-2017-0306/EB-2017-0307, Decision and Order, August 30, 2018, pp. 38-40.

The allocation of the base rate adjustments is shown at Exhibit F1, Tab 1, Rate Order, Working Papers, Schedule 7, p. 2 for the EGD rate zone and Exhibit F1, Tab 2, Rate Order, Working Papers, Schedule 15 for the Union rate zones.

6. COMMITMENTS AND DIRECTIVES

The outstanding commitments and directives for Enbridge Gas, including the EGD and Union rate zones, are shown in Appendix G. The listing includes the commitments and directives from the MAADs proceeding.

EGD 2017 ESM Proceeding Commitment

Within the EB-2018-0131 EGD Earnings Sharing proceeding, EGD committed to filing evidence within its 2019 rate application about the refined feasibility analysis approach for residential infill customers, which is filed at Appendix H.

7. PDO REPORTING

As discussed in Section 4.2.3, Enbridge Gas will track the actual costs and the amounts recovered through rates related to PDO during the deferred rebasing for review at the time of rebasing. The purpose of this section of evidence is to continue to report on the PDO of Union South DP customers as agreed to in the PDO Settlement Framework approved by the Board on June 16, 2014. The PDO Settlement Framework proposed to permanently shift the PDO of its Union South DP customers from Parkway to Dawn over time.

Under the PDO Settlement Framework, Union is required to report annually on: capacity that could be made available in the two years commencing with the test year to further reduce the PDO at a lower cost than the cost of the Parkway Delivery Commitment Incentive (“PDCI”); forecasted PDO quantities for the two years commencing with the test year; measures used by Union to manage the initial Parkway shortfall; and, actual transmission compressor fuel on the Dawn to Parkway system in the prior year.

This evidence is organized to track those requirements similarly and as follows:

7.1 Capacity Available to Reduce PDO

7.2 Forecasted PDO Quantities

7.3 Management of the Initial Parkway Shortfall

7.4 Dawn to Parkway Transmission Compressor Fuel

7.1 CAPACITY AVAILABLE TO REDUCE PDO

In April 2014, Union offered Union South DP customers 146 TJ/day of temporarily available excess Dawn to Parkway capacity to shift a portion of their PDO volume to Dawn. This temporary capacity was no longer available as of October 31, 2015. However, Union agreed to manage the Parkway shortfall in-order to maintain the 146 TJ/day of PDO shift beyond October 31, 2015, until sufficient Dawn to Kirkwall capacity was turned back by other M12 shippers to facilitate a permanent PDO shift.

Effective November 1, 2017, Union received sufficient Dawn to Kirkwall M12 turnback to replace the temporarily available capacity noted above (146 TJ/day). Union forecasts that no additional PDO reductions will be available to Union South DP customers for November 1, 2019 or November 1, 2020. Please see Appendix I, for an updated table illustrating the capacity available for PDO shift, and the current and forecasted PDO reductions.

7.2 FORECASTED PDO QUANTITIES

As Union did not receive any M12 Dawn to Kirkwall turnback effective November 1, 2018 or November 1, 2019, there will not be any incremental PDO relief for DP customers in 2018 or 2019. However, as part of the PDO Settlement Framework, HHGS has the option to turn back all or any portion of its remaining M12 capacity and convert an equal amount of the PDO to non-obligated deliveries at Dawn as of November 1, 2018. HHGS has elected a PDO reduction of 70 TJ/day as of November 1, 2018 which represents a full turn back of its M12 capacity.

The forecasted PDO for sales service customers is shown at Appendix I.

7.3 MANAGEMENT OF THE INITIAL PARKWAY SHORTFALL

As of November 1, 2017 the initial Parkway shortfall has been fully eliminated as a result of Dawn to Kirkwall turnback, and therefore Union did not need to take action to manage the shortfall.

1 **7.4 DAWN TO PARKWAY TRANSMISSION COMPRESSOR FUEL**

2 Dawn to Parkway transmission compressor fuel will be included with the schedules filed in the
3 annual earnings sharing and deferral account disposition proceeding.

4
5 Please see Exhibit F1, Tab 2, Rate Order, Working Papers, Schedule 11 for details of the PDO
6 and PDCI costs included in rates by rate class. The PDCI is paid monthly to DP customers for
7 any continued obligated Daily Contract Quantity deliveries at Parkway.

8
9 **8. BILL IMPACTS**

10 For typical Rate 1 residential customers in EGD rate zone with annual consumption of 2,400 m³,
11 the bill impact is a net increase of \$5.74 per year for sales service customers and a net increase of
12 \$4.74 for bundled direct purchase customers.²⁵

13
14 For Rate M1 residential customers in Union South with annual consumption of 2,200 m³, the bill
15 impact is a net increase of \$9.98 per year for sales service customers and \$9.91 for bundled
16 direct purchase customers.

17
18 For Rate 01 residential customers in Union North West with annual consumption of 2,200 m³,
19 the bill impact is a net increase of \$6.81 per year for sales service customers and \$6.75 for

²⁵ 2,400 m³ used in accordance with the typical residential consumption in the EGD rate zone.

1 bundled direct purchase customers, inclusive of the ICM request.²⁶ For Rate 01 residential
2 customers in Union North East with annual consumption of 2,200 m³, the bill impact is a net
3 increase of \$4.88 per year for sales service customers and \$4.82 for bundled direct purchase
4 customers, inclusive of the ICM request.

5
6 **9. IMPLEMENTATION**

7 On November 23, 2018 Enbridge Gas filed an application for proposed interim rate changes to
8 rates for EGD, Union North and Union South rate zones effective January 1, 2019. In its
9 December 3, 2018 Interim Rate Order Decision the Board instead ordered that EGD's and
10 Union's current schedules of rates and charges be made interim as of January 1, 2019 until such
11 time as a final rate order is issued by the Board. Enbridge Gas proposes to address any changes
12 in rates ultimately approved by the Board's Order with effect from January 1, 2019.

²⁶ 2,200 m³ used in accordance with the typical residential consumption in the Union rate zones.

DRAFT

**ACCOUNTING TREATMENT FOR A
PURCHASED GAS VARIANCE ACCOUNT
("PGVA") – EGD RATE ZONE**

The purpose of the PGVA is to record the effect of price variances between actual gas purchase prices and the forecast prices that underpin the revenue for rates to be charged throughout the fiscal year. Without this deferral account, the ratepayers and the Company are exposed to the risk of purchased gas price variances, which could unduly penalize or benefit one party at the benefit or expense of the other. Lower than forecast gas purchase prices would result in an over recovery from the customers and higher prices would result in an under recovery to the Company. This deferral account ensures that such effects are eliminated.

Methodology

The actual unit cost is determined by dividing the total commodity and transportation costs (less the demand charges related to unutilized TransCanada firm service transportation capacity, if any) plus any other costs associated with emerging gas pricing mechanisms incurred in the month by the actual volumes purchased in the month. The rate differential between the PGVA reference price and the actual unit cost of the purchases, multiplied by the actual volumes purchased, is recorded in the PGVA monthly.

The fixed cost component of the TransCanada firm service transportation costs (i.e., Transportation Demand Charge) is included in the determination of the reference price. However, any demand charges relating to unutilized transportation capacity, either forecast or actual, are excluded. This treatment of forecast and actual Transportation Demand Charges for unutilized transportation capacity is consistent with the Board's concerns that these amounts be excluded from the PGVA.

Since all transportation costs on volumes purchased by the Company related to forecast utilized capacity are included in the determination of the PGVA reference price, any changes in the TransCanada tolls will be recorded in the PGVA. Any toll changes related to the cost of forecast unutilized capacity will not be recorded in the PGVA and therefore, requires separate adjustment. The inclusion of changes in TransCanada tolls in the PGVA is consistent with past practice.

Since the transportation tolls for other transportation services, such as for the Vector, Link, and NEXUS pipelines, that were used in the determination of the PGVA reference price were based upon an estimate, any variation between the actual transportation costs (including associated fuel costs) and the estimated transportation costs will be recorded in the PGVA.

Since transportation costs related to the transport of Western Canada Bundled T-service volumes are not included in the derivation of the PGVA reference price, changes in TransCanada tolls will be recorded in the PGVA as a separate adjustment.

Throughout the fiscal year expenditures related to TransCanada's Storage Transportation Services, including balancing fees related to TransCanada's Limited Balancing Agreement, will be recorded in the PGVA.

The PGVA will record adjustments related to transactional services activities which are designed to record the impact of direct and avoided costs between the PGVA and the TSDA. These adjustments are required to ensure appropriate allocation of costs and benefits to the underlying transactions and appropriate recording of amounts in the PGVA and TSDA for purposes of deferral account dispositions.

In addition, the PGVA will record the amounts related to unforecast penalty revenues received from interruptible customers who do not comply with the Company's curtailment requirements, unauthorized overrun gas revenues, the use of electronic bulletin boards, and the unforecast Unabsorbed Demand Charge ("UDC") that arises as a consequence of the Company voluntarily leaving transportation capacity unutilized in order to gain a net benefit for the customer by purchasing lower priced unforecast discretionary delivered supplies.

The PGVA will also record an inventory valuation adjustment every time a recalculated "Utility Price" or PGVA Reference Price comes into effect at the beginning of a quarter. The adjustment consists of the storage inventory valuation adjustment necessary to price actual opening inventory volumes at a rate equal to the Board approved quarterly PGVA reference price.

The PGVA will also record any refund/collection associated with Board approved Gas Cost Adjustment Riders.

The Company will record, at the time a Banked Gas Account Balance is purchased from a customer, the difference in the amount payable to the customer and the amount included in the PGVA (Transportation Service Rider A). This amount would be credited to a sub-account of the PGVA. In the event the Company incurs unforecast UDC costs as a result of having to purchase Banked Gas Account Balances then the amount in such sub-account will be used to offset corresponding UDC costs. All amounts remaining in this sub-account, after offsetting these UDC costs, will be rolled up into the PGVA.

The commodity sale price on the disposition of Banked Gas Account Balances, the incentive sale price, is set at 120% of an average Empress price over the 12 months of the contractual year. Any amount in excess of 100% of the gas supply charge stated in the applicable rate schedule, net of the commodity related bad debt, will be included in the PGVA for each fiscal year.

Simple interest is to be calculated on the opening monthly balance of the PGVA using the Board Approved EB-2006-0117 interest rate methodology. The balance of the PGVA, together with carrying charges, will be disposed of in a manner designated by the Board in a future rate hearing.

Accounting Entries

1. To record the monthly gas purchase variance:

| | | |
|---------|----------------|--------------------|
| Debit: | PGVA | (Account 179. 70_) |
| Credit: | Gas in Storage | (Account 152. 000) |
| | or | |
| Debit: | Gas in Storage | (Account 152. 000) |
| Credit: | PGVA | (Account 179.70_) |

To record the total rate variance on the current month's gas purchases.

2. TransCanada Toll changes related to forecast unutilized transportation capacity:

| | | |
|---------|------------------|--------------------|
| Debit: | PGVA | (Account 179. 70_) |
| Credit: | Accounts Payable | (Account 259. 000) |
| | or | |
| Debit: | Gas in Storage | (Account 152. 000) |
| Credit: | PGVA | (Account 179. 70_) |

To record the amounts related to TransCanada toll changes on forecast unutilized transportation capacity.

3. TransCanada Toll changes related to Western Canada Bundled T-Service transportation capacity:

| | | |
|---------|------------------|--------------------|
| Debit: | PGVA | (Account 179. 70_) |
| Credit: | Accounts Payable | (Account 259. 000) |
| | or | |
| Debit: | Gas in Storage | (Account 152. 000) |
| Credit: | PGVA | (Account 179. 70_) |

To record the amounts related to TransCanada toll changes on Western Canada Bundled T-Service transportation capacity.

4. Transactional services activities:

| | | |
|---------------|------------------|-----------------------|
| Debit/Credit: | TSDA | (Account 179. 80_) |
| Debit/Credit: | Various accounts | (Account _____. ____) |
| Credit/Debit: | PGVA | (Account 179. 70_) |

To record adjustments for direct and avoided costs related to Transactional Services activities between the PGVA and TSDA, and other accounts such as Gas Costs, Gas Stored Underground and Storage Demand Charges.

5. Electronic bulletin boards:

| | | |
|---------|------------------|--------------------|
| Debit: | PGVA | (Account 179. 70_) |
| Credit: | Accounts Payable | (Account 259. 000) |

To record the amounts related to the Company's use of electronic bulletin boards.

6. Unforecast penalty revenues:

| | | |
|---------|---------------------|--------------------|
| Debit: | Accounts Receivable | (Account 140. 010) |
| Credit: | PGVA | (Account 179. 70_) |

To record unforecast penalty revenues received from interruptible customers who do not comply with the Company's curtailment requirements.

7. Voluntary UDC:

| | | |
|---------|------------------|--------------------|
| Debit: | PGVA | (Account 179. 70_) |
| Credit: | Accounts Payable | (Account 259. 000) |

To record voluntary UDC as a result of purchasing lower priced unforecast discretionary delivered supplies.

8. Inventory valuation adjustment:

| | | |
|---------------|----------------|--------------------|
| Credit/Debit: | Gas In Storage | (Account 152. 000) |
| Debit/Credit: | PGVA | (Account 179. 70_) |

To record the adjustment necessary to value actual inventory volumes at a rate equal to the PGVA reference price.

9. Refund or collection of the Gas Cost Adjustment Rider:

| | | |
|---------------|---------------------|--------------------|
| Debit/Credit: | PGVA | (Account 179. 70_) |
| Credit/Debit: | Accounts Receivable | (Account 140. 010) |

To record the amounts refunded or collected from customers through the Gas Cost Adjustment Rider.

10. Purchase of banked gas account balance:

| | | |
|---------|----------------|--------------------|
| Debit: | Gas In Storage | (Account 152. 000) |
| Credit: | PGVA | (Account 179. 70_) |

To record the purchase of the Banked Gas Account Balance less the Transportation Service Rider A.

11. Unforecast UDC:

| | | |
|---------|------------------|--------------------|
| Debit: | PGVA | (Account 179. 70_) |
| Credit: | Accounts Payable | (Account 259. 000) |

To record unforecast UDC costs resulting from the purchase of Banked Gas Account Balances from T-Service customers.

12. Sales in excess of 100% of the applicable gas supply charge:

| | | |
|---------|--------------|--------------------|
| Debit: | Other Income | (Account 319. 010) |
| Credit: | PGVA | (Account 179. 70_) |

To record the amount of sales in excess of 100% of the gas supply charge stated in the applicable rate schedule, net of the commodity related bad debt amount.

13. Interest accrual:

| | | |
|---------|----------------------------|--------------------|
| Debit: | PGVA - Interest Receivable | (Account 179. 71_) |
| Credit: | Interest Expense | (Account 323. 000) |
| | or | |
| Debit: | Interest Expense | (Account 323. 000) |
| Credit: | PGVA - Interest Payable | (Account 179. 71_) |

To record simple interest on the opening monthly balance of the PGVA using the Board approved EB-2006-0117 interest rate methodology.

ACCOUNTING TREATMENT FOR A TRANSACTIONAL SERVICES DEFERRAL ACCOUNT ("TSDA") – EGD RATE ZONE

The purpose of the TSDA is to record the incremental ratepayer share of net revenue from transportation and storage related transactional services, to be shared 90/10 between EGD rate zone ratepayers and shareholders.

In the event that the ratepayer share of TS net revenues exceeds \$12 million, then such amounts over \$12 million will be credited to the TSDA. In the event that the ratepayer share of TS net revenues is less than \$12 million, then the Company will be credited with the difference between the actual ratepayer share of TS net revenues and \$12 million, which would be reflected as a debit in the TSDA.

Net revenue is defined as gross revenues for providing these services less any direct incremental costs incurred, plus, any avoided costs. Direct incremental costs represent those direct costs incurred as a result of a transactional service activity and avoided costs are those costs that have been avoided as a result of a transactional service activity. Typical direct incremental costs and avoided costs would include transportation costs, fuel costs, charges for name changes, re-direct charges, etc.

Simple interest is to be calculated on the opening monthly balance of the TSDA using the Board Approved EB-2006-0117 interest rate methodology. The balance of the TSDA, together with carrying charges, will be disposed of in a manner designated by the Board in a future rate hearing.

Accounting Entries

- To record incremental Transactional Services revenues and costs:

| | | |
|---------------|-------------------|--------------------|
| Debit: | Other Income | (Account 319. 010) |
| Credit: | Operating Revenue | (Account 300. 000) |
| Debit/Credit: | TSDA | (Account 179. 80_) |

To record either the incremental ratepayer portion of net revenues generated from transactional services activities in excess of the \$12 million included in rates or the recognition of amounts recoverable by the Company where net TS revenue is less than \$12 million.

2. Allocation of costs and benefits to Transactional Services activities:

| | | |
|---------------|------------------|-----------------------|
| Debit/Credit: | TSDA | (Account 179. 80_) |
| Debit/Credit: | Various accounts | (Account _____. ____) |
| Credit/Debit: | PGVA | (Account 179. 70_) |

To record adjustments for direct and avoided costs related to transactional services activities between the PGVA and TSDA, and other accounts such as Gas Costs, Gas Stored Underground and Storage Demand Charges.

3. Interest accrual:

| | | |
|---------------|-------------------------|--------------------|
| Debit/Credit: | Interest Expense | (Account 323. 000) |
| Credit/Debit: | TSDA - Interest Payable | (Account 179. 81_) |

To record simple interest on the opening monthly balance of the TSDA using the Board approved EB-2006-0117 interest rate methodology.

ACCOUNTING TREATMENT FOR AN UNACCOUNTED FOR GAS VARIANCE ACCOUNT ("UAFVA") – EGD RATE ZONE

The purpose of the UAFVA is to record the cost of gas that is associated with volumetric variances between the actual volume of unaccounted for gas ("UAF") and the Board approved UAF volumetric forecast.

The gas costs associated with the UAF variance account will be calculated at the end of the fiscal year based on the estimated volumetric variance between the Board approved level and the estimate of the actual UAF. An adjustment will be made to the UAFVA in the subsequent year to record any differences between the estimated UAF and actual UAF.

The UAF annual variance will be allocated on a monthly basis in proportion to actual sales and costed at the monthly PGVA reference price.

Where there are recoveries of gas loss amounts invoiced as part of third party damages, the gas loss amounts will be removed from the UAFVA balance.

Carrying costs for the UAFVA will be calculated using the Board approved EB-2006-0117 interest rate methodology. The balance of the UAFVA, together with the carrying charges, will be disposed of in a manner designated by the Board in a future rate hearing.

Accounting Entries

1. To record the estimated volumetric variance between the actual UAF and the Board approved level:

| | | |
|---------------|-----------|--------------------|
| Debit/Credit: | UAFVA | (Account 179. 86_) |
| Credit/Debit: | Gas Costs | (Account 623. 010) |

To record the costs associated with the volumetric variance related to unaccounted for gas.

2. To record the recovery of gas loss amounts:

| | | |
|---------|---------------------|--------------------|
| Debit: | Accounts Receivable | (Account 142. 010) |
| Credit: | UAFVA | (Account 179. 86_) |

To record the recovery of gas loss amounts invoiced as part of third party damages.

3. Interest accrual:

| | | |
|---------------|-------------------|--------------------|
| Debit/Credit: | Interest on UAFVA | (Account 179. 87_) |
| Credit/Debit: | Interest expense | (Account 323. 000) |

To record simple interest on the opening monthly balance of the UAFVA using the Board approved EB-2006-0117 interest rate methodology.

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**ACCOUNTING TREATMENT FOR A
STORAGE AND TRANSPORTATION DEFERRAL ACCOUNT
("S&TDA") – EGD RATE ZONE**

The purpose of the S&TDA is to record the difference between the forecast of Storage and Transportation rates (both cost of service and market based pricing) included in the Company's approved rates and the final Storage and Transportation rates (both cost of service and market based pricing) incurred by the Company. It will also be used to record variances between the forecast Storage and Transportation rebate programs and the final rebates received by the Company.

The S&TDA will also record the variance between the forecast Storage and Transportation demand levels and the actual Storage and Transportation demand levels. In addition, this account will be used to record amounts related to deferral account dispositions received or invoiced from Storage and Transportation suppliers.

The S&TDA will also record the variance between the forecasted commodity cost for fuel and the updated QRAM Reference Price.

Simple interest is to be calculated on the opening monthly balance of the S&TDA using the Board Approved EB-2006-0117 interest rate methodology. The balance of this account, together with carrying charges, will be disposed of in a manner designated by the Board in a future rate hearing.

Accounting Entries

1. Storage and Transportation rate variance:

[(Final Storage and Transportation rates) – (Storage and Transportation rates underpinning the Company's rates)] X Actual storage and/or transportation volumes

| | | |
|---------------|----------------|--------------------|
| Debit/Credit: | S&TDA | (Account 179. 88_) |
| Credit/Debit: | Gas in Storage | (Account 152. 000) |
| | or | |
| Credit/Debit: | Gas Costs | (Account 623. 010) |

To record the difference between the Storage and Transportation rates included in the Company's rates and the final Storage and Transportation rates.

2. To record variances in the Storage and Transportation rebate programs:

| | | |
|---------|----------------------------|--------------------|
| Debit: | Sundry Accounts Receivable | (Account 141. 030) |
| Credit: | S&TDA | (Account 179. 88_) |
| | or | |
| Debit: | S&TDA | (Account 179. 88_) |
| Credit: | Accounts Payable | (Account 259. 000) |

To record the difference between the Storage and Transportation rebate programs included in the Company's rates and the final rebates received by the Company.

3. To record Storage and Transportation deferral account dispositions:

| | | |
|---------|----------------------------|--------------------|
| Debit: | Sundry Accounts Receivable | (Account 141. 030) |
| Credit: | S&TDA | (Account 179. 88_) |
| | or | |
| Debit: | S&TDA | (Account 179. 88_) |
| Credit: | Accounts Payable | (Account 259. 000) |

To record amounts related to deferral account dispositions received or invoiced from Storage and Transportation.

4. Inventory valuation adjustment:

| | | |
|---------------|----------------|--------------------|
| Debit/Credit: | S&TDA | (Account 179. 88_) |
| Credit/Debit: | Gas In Storage | (Account 152. 000) |

To record adjustments to storage and transmission fuel costs associated with quarterly price changes.

5. Interest accrual:

| | | |
|---------------|-------------------|--------------------|
| Debit/Credit: | Interest on S&TDA | (Account 179. 89_) |
| Credit/Debit: | Interest Expense | (Account 323. 000) |

To record simple interest on the opening monthly balance of the S&TDA using the Board approved EB-2006-0117 interest rate methodology.

ACCOUNTING TREATMENT FOR A GREENHOUSE GAS EMISSIONS IMPACT DEFERRAL ACCOUNT ("GGEIDA") – EGD RATE ZONE

The purpose of the GGEIDA is to record the administrative costs associated with the impacts of provincial and federal regulations related to greenhouse gas emission requirements.

Simple interest is to be calculated on the opening monthly balance of this account using the Board approved EB-2006-0117 interest rate methodology. The balance of this account, together with carrying charges, will be disposed of in a manner designated by the Board in a future rate hearing.

Accounting Entries

1. To record the greenhouse gas emission administrative costs:

| | | |
|---------------|------------------|-----------------------|
| Debit/Credit: | GGEIDA | (Account 179. 32_) |
| Credit/Debit: | Various accounts | (Account _____. ____) |

To record the administrative costs/credits associated with the impact of provincial and federal regulations related to greenhouse gas emission requirements.

2. Interest accrual:

| | | |
|---------------|--------------------|--------------------|
| Debit/Credit: | Interest on GGEIDA | (Account 179. 33_) |
| Credit/Debit: | Interest expense | (Account 323. 000) |

To record simple interest on the opening monthly balance of the GGEIDA using the Board approved EB-2006-0117 interest rate methodology.

ACCOUNTING TREATMENT FOR A DEFERRED REBATE ACCOUNT ("DRA") – EGD RATE ZONE

The purpose of the DRA is to record any amounts payable to, or receivable from, customers of the EGD rate zone as a result of the clearing of deferral and variance accounts authorized by the Board which remain outstanding due to the Company's inability to locate such customers.

Simple interest is to be calculated on the opening monthly balance of this account using the Board approved EB-2006-0117 interest rate methodology. The balance of this account, together with carrying charges, will be disposed of in a manner designated by the Board in a future rate hearing.

Accounting Entries

1. Disposition of deferral and variance accounts:

| | | |
|---------------|-------------------------------|---------------------|
| Debit/Credit: | D/VA's approved for clearance | (Account 179. ____) |
| Debit/Credit: | Interest on D/VA's – various | (Account 179. ____) |
| Credit/Debit: | DRA | (Account 179. 00_) |

2. Refund or collection:

| | | |
|---------------|---------------------|--------------------|
| Debit/Credit: | DRA | (Account 179. 00_) |
| Credit/Debit: | Accounts Receivable | (Account 140. 010) |

To record the actual amounts refunded to / recovered from customers.

3. Interest accrual:

| | | |
|---------------|---------------------|--------------------|
| Debit/Credit: | Interest expense | (Account 323. 000) |
| Credit/Debit: | Interest on the DRA | (Account 179. 01_) |

To record simple interest on the opening monthly balance of the DRA using the Board approved EB-2006-0117 interest rate methodology.

ACCOUNTING TREATMENT FOR A GAS DISTRIBUTION ACCESS RULE IMPACT DEFERRAL ACCOUNT ("GDARIDA") – EGD RATE ZONE

The purpose of the GDARIDA is to record all incremental unbudgeted capital and operating impacts associated with the development, implementation and operation of the Gas Distribution Access Rule and any ongoing amendments to the rule. Such costs would include, but not be limited to, market restructuring oriented customer education and communication programs, legal or expert advice required, operating cost or revenue changes in relation to the establishment of contractual agreements, and developing revised business processes and related computer hardware and software required to meet the requirements of the GDAR.

Simple interest is to be calculated on the opening monthly balance of this account using the Board approved EB-2006-0117 interest rate methodology. The balance of this account, together with carrying charges, will be disposed of in a manner to be designated by the Board in a future rate hearing.

Accounting Entries

1. To record costs related to Gas Distribution Access Rule requirements:

| | | |
|---------|------------------|--------------------|
| Debit: | GDARIDA | (Account 179. 20_) |
| Credit: | Accounts payable | (Account 251. 010) |

To record the unbudgeted costs associated with GDAR development, implementation, and operation.

2. Interest accrual:

| | | |
|---------|---------------------|--------------------|
| Debit: | Interest on GDARIDA | (Account 179. 21_) |
| Credit: | Interest expense | (Account 323. 000) |

To record simple interest on the opening monthly balance of the GDARIDA using the Board approved EB-2006-0117 interest rate methodology.

ACCOUNTING TREATMENT FOR A
MANUFACTURED GAS PLANT DEFERRAL ACCOUNT
("MGPDA") – EGD RATE ZONE

The purpose of the MGPDA is to capture all costs incurred in managing and resolving issues related to the Company's manufactured gas plant ("MGP") legacy operations. Costs charged to the account could include, but are not limited to:

- Responding to all enquiries, demands and court actions relating to former MGP sites;
- All oral and written communications with existing and former third party liability and property insurers of the Company;
- Conducting all necessary historical research and reviews to facilitate the Company's responses to all enquiries, demands, court actions and communications with claimants, third parties and insurers;
- Engaging appropriate experts (for example, environmental, insurance archivists, engineers, etc.) for the purposes of evaluating any alleged contamination that may have resulted from former MGP operations and providing advice regarding the appropriate steps to remediate/contain/monitor such contamination, if any;
- Engaging legal counsel to respond to all demands and court actions by claimants, and to take appropriate steps in relation to the Company's existing and former third party liability and property insurers; and
- Undertaking appropriate research into the regulatory treatment of costs resulting from former MGP operations in the United States.

The MGPDA would also be used to record any amounts which are payable to any claimant following settlement or trial, including any damages, interest, costs and disbursements and any recoveries from insurers or third parties.

In the event that the Company does not request clearance of amounts recorded in the MGPDA in a particular year, at the same time as other accounts for that year are requested for clearance, then the un-cleared balance will remain in the account.

Simple interest is to be calculated on the opening monthly balance of this account using the Board approved EB-2006-0117 interest rate methodology. The balance of this account, together with carrying charges, will be disposed of in a manner to be designated by the Board in a future rate hearing.

Accounting Entries

1. To record costs:

| | | |
|---------|------------------|--------------------|
| Debit: | MGPDA | (Account 179. 30_) |
| Credit: | Accounts Payable | (Account 251. 010) |

To record the unbudgeted costs incurred in managing and resolving manufactured gas plant legal proceedings and litigation.

2. Interest accrual:

| | | |
|---------|-------------------|--------------------|
| Debit: | Interest on MGPDA | (Account 179. 31_) |
| Credit: | Interest expense | (Account 323. 000) |

To record simple interest on the opening monthly balance of the MGPDA using the Board approved EB-2006-0117 interest rate methodology.

ACCOUNTING TREATMENT FOR AN AVERAGE USE TRUE-UP VARIANCE ACCOUNT ("AUTUVA") – EGD RATE ZONE

The purpose of the AUTUVA is to record ("true-up") the revenue impact, exclusive of gas costs, of the difference between the forecast of average use per customer, for general service rate classes (Rate 1 and Rate 6), embedded in the volume forecast that underpins Rates 1 and 6 and the actual weather normalized average use experienced during the year. The calculation of the volume variance between forecast average use and actual normalized average use will exclude the volumetric impact of Demand Side Management programs in that year. The revenue impact will be calculated using a unit rate determined in the same manner as for the derivation of the Lost Revenue Adjustment Mechanism (LRAM), extended by the average use volume variance per customer and the number of customers.

Simple interest is to be calculated on the opening monthly balance of this account using the Board approved EB-2006-0117 interest rate methodology. The balance of this account, together with carrying charges, will be disposed of in a manner to be designated by the Board in a future rate hearing.

Accounting Entries

1. To record the revenue impact of forecast versus actual normalized average use:

| | | |
|---------------|-------------------|--------------------|
| Debit/Credit: | AUTUVA | (Account 179. 66_) |
| Credit/Debit: | Operating revenue | (Account 300. 000) |

To record the revenue impact associated with the variance in forecast average use per customer versus actual normalized average use per customer.

2. Interest accrual:

| | | |
|---------------|--------------------|--------------------|
| Debit/Credit: | Interest on AUTUVA | (Account 179. 67_) |
| Credit/Debit: | Interest expense | (Account 323. 000) |

To record simple interest on the opening monthly balance of the AUTUVA using the Board approved EB-2006-0117 interest rate methodology.

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**ACCOUNTING TREATMENT FOR A
POST-RETIREMENT TRUE-UP VARIANCE ACCOUNT
("PTUVA") – EGD RATE ZONE**

In accordance with the EB-2017-0086 Settlement Proposal, during 2018 the purpose of the Post-Retirement True-Up Variance Account (PTUVA) is to record any allowed revenue impact that results from actual pension and OPEB related amounts (accrual based expense amounts and cash based funding) which differ compared to what was forecast and included in rates. This would include any allowed revenue impacts arising as a result of changes to Ontario pension legislation and regulations which proceed. The PTUVA will be cleared subject to the condition that any allowed revenue variance in excess of \$5 million (credit or debit) will remain in the account, so that large variances can be cleared over time (smoothed). Under this approach, the maximum amount (debit or credit) that will be cleared from the PTUVA will be \$5 million with any balance to remain in the account for future clearance. In accordance with the EB-2017-0306/EB-2017-0307 Decision and Order, beginning in 2019 the PTUVA will only be utilized to reflect any residual balance from 2018 that has not been cleared due to the smoothing mechanism related to the account.

Simple interest is to be calculated on the opening monthly balance of this account using the Board approved EB-2006-0117 interest rate methodology. The balance of this account, together with carrying charges, will be disposed of in a manner designated by the Board in a future rate hearing.

Accounting Entries

1. To record the pension and post-employment benefit allowed revenue true-up amounts:

| | | |
|---------------|-------------------|--------------------|
| Debit: | PTUVA | (Account 179. 24_) |
| Credit: | Accounts payable | (Account 251. 010) |
| | Or | |
| Debit/Credit: | Operating revenue | (Account 300.000) |
| Credit/Debit: | PTUVA | (Account 179.24_) |

To record the allowed revenue impact resulting from variances between actual pension and post-employment benefits, versus amounts embedded in rates.

2. Interest accrual:

| | | |
|---------------|-------------------|--------------------|
| Debit/Credit: | Interest on PTUVA | (Account 179. 25_) |
| Credit/Debit: | Interest expense | (Account 323. 000) |

To record simple interest on the opening monthly balance of the PTUVA using the Board approved EB-2006-0117 interest rate methodology.

ACCOUNTING TREATMENT FOR A TRANSITION IMPACT OF ACCOUNTING CHANGE DEFERRAL ACCOUNT ("TIACDA") – EGD RATE ZONE

The purpose of the Transition Impact Accounting Change Deferral Account (TIACDA) is to track the un-cleared balance in the account which is remaining to be cleared. In EB-2011-0354, the Board approved the recovery of Other Post Employment Benefit (OPEB) costs, forecast to be \$90 million at the end of 2012, over a 20 year period, commencing in 2013. The OPEB costs needed to be recognized as a result of the Company having to account for post-employment expenses on an accrual basis, upon transition to USGAAP for corporate reporting purposes in 2012. The use of USGAAP for regulatory purposes was approved within the 2013 rate proceeding, EB-2011-0354. The final estimate of OPEB costs to be recovered over 20 years, which was recorded in the TIACDA at the end of 2012, was \$88.7 million. The balance in the account will be drawn down and cleared to ratepayers by \$4.4 million annually (1/20 of \$88.7 million) until clearance is complete.

Interest is not applicable to the balance of this account.

Accounting Entries

1. To track the balance and record the annual accounting change transition amounts approved for recovery:

| | | |
|---------|----------------------------|--------------------|
| Debit: | Sundry Accounts Receivable | (Account 141. 030) |
| Credit: | TIACDA | (Account 179. 02_) |

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**ACCOUNTING TREATMENT FOR AN
OPEN BILL REVENUE VARIANCE ACCOUNT
("OBRVA") – EGD RATE ZONE**

The purpose of the OBRVA is to track and record the ratepayer share of net revenue for Open Bill Services. The account allows for net annual revenue amounts in excess of \$7.389 million to be shared 50/50 with ratepayers, and allows for a credit to the Company in the event that net annual revenues are less than \$4.889 million, equal to the shortfall between actual net revenues and \$4.889 million. The net revenue amounts will be determined in accordance with the EB-2013-0099 Board approved Open Bill Access Settlement Proposal, as amended and approved by the Board from time to time.

Simple interest is to be calculated on the opening monthly balance of this account using the Board approved EB-2006-0117 interest rate methodology. The balance of this account, together with carrying charges, will be disposed of in a manner designated by the Board in a future rate hearing.

Accounting Entries

1. To track and record Open Bill services net revenue:

| | | |
|---------|-------------------|--------------------|
| Debit: | Other income | (Account 319. 010) |
| Credit: | OBRVA | (Account 179. 48_) |
| | Or | |
| Debit: | OBRVA | (Account 179. 48_) |
| Credit: | Operating revenue | (Account 300. 000) |

To record the variance in the ratepayer porting of net revenue associated with Open Bill Service programs in excess of \$7.389 million or below \$4.889 million.

2. Interest accrual:

| | | |
|---------------|-------------------|--------------------|
| Debit/Credit: | Interest on OBRVA | (Account 179. 49_) |
| Credit/Debit: | Interest expense | (Account 323. 000) |

To record simple interest on the opening monthly balance of the OBRVA using the Board approved EB-2006-0117 interest rate methodology.

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ACCOUNTING TREATMENT FOR AN EX-FRANCHISE THIRD PARTY BILLING SERVICES DEFERRAL ACCOUNT ("EFTPBSDA") – EGD RATE ZONE

The purpose of the EFTPBSDA is to record and track the ratepayer portion of revenues, net of incremental costs, generated from third party billing services provided to ex-franchise parties. The net revenue is to be shared on a 50/50 basis with ratepayers. The net revenue amounts will be determined in accordance with the EB-2013-0099 Board approved Open Bill Access Settlement Proposal, as amended and approved by the Board from time to time.

Simple interest is to be calculated on the opening monthly balance of this account using the Board approved EB-2006-0117 interest rate methodology. The balance of this account, together with carrying charges, will be disposed of in a manner designated by the Board in a future rate hearing.

Accounting Entries

1. To track and record the ratepayer portion of net revenue:

| | | |
|---------------|------------------|-----------------------|
| Debit/Credit: | EFTPBSDA | (Account 179. 08_) |
| Credit/Debit: | Various accounts | (Account _____. ____) |

To record net revenue associated with Ex-Franchise third party Billing Services.

2. Interest accrual:

| | | |
|---------------|----------------------|--------------------|
| Debit/Credit: | Interest on EFTPBSDA | (Account 179. 09_) |
| Credit/Debit: | Interest expense | (Account 323. 000) |

To record simple interest on the opening monthly balance of the EFTPBSDA using the Board approved EB-2006-0117 interest rate methodology.

ACCOUNTING TREATMENT FOR AN ELECTRIC PROGRAM EARNINGS SHARING DEFERRAL ACCOUNT ("EPESDA") – EGD RATE ZONE

The purpose of the EPESDA is to track and account for the ratepayer share of all net revenues generated by DSM services provided for electric CDM activities. The ratepayer share is 50% of net revenues, using fully allocated costs, as was determined in DSM guidelines proceeding EB-2008-0346.

Simple interest is to be calculated on the opening monthly balance of this account using the Board approved EB-2006-0117 interest rate methodology. The balance of this account, together with carrying charges, will be disposed of in a manner to be designated by the Board in a future rate hearing.

Accounting Entries

1. To record the ratepayer share of net revenues from electric DSM/CDM:

| | | |
|---------|-------------------------|--------------------|
| Debit: | Other income | (Account 319. 010) |
| Credit: | Operating & Maintenance | (Various accounts) |
| Credit: | EPESDA | (Account 179. 60_) |

To record the ratepayer share of net revenues generated by providing DSM/CDM services.

2. Interest accrual:

| | | |
|---------|--------------------|--------------------|
| Debit: | Interest expense | (Account 323. 000) |
| Credit: | Interest on EPESDA | (Account 179. 61_) |

To record simple interest on the opening monthly balance of the EPESDA using the Board approved EB-2006-0117 interest rate methodology.

ACCOUNTING TREATMENT FOR A DEMAND SIDE MANAGEMENT VARIANCE ACCOUNT ("DSMVA") – EGD RATE ZONE

The purpose of the DSMVA is to record the difference between the actual DSM spending for the fiscal year and the budgeted amount included within rates. Amounts determined to be over or under the budget included within Allowed Revenue will be recorded in the DSMVA, subject to the DSMCEIDA. In addition, any further variance in DSM spending and results, beyond the budget included within rates, which occurs as a result of Board decisions in ongoing or upcoming DSM proceedings, will be included within the DSMVA.

Simple interest is to be calculated on the opening monthly balance of this account using the Board approved EB-2006-0117 interest rate methodology. The balance of this account, together with carrying charges, will be disposed of in a manner to be designated by the Board in a future rate hearing.

Accounting Entries

1. To record variances in relation to appropriate DSM program costs only:

| | | |
|---------------|-------------------------|--------------------|
| Debit/Credit: | DSMVA | (Account 179. 06_) |
| Credit/Debit: | Operating & Maintenance | (Various accounts) |

To record the difference between actual and approved Demand Side Management operating expenditures.

2. Interest accrual:

| | | |
|---------------|-------------------|--------------------|
| Debit/Credit: | Interest on DSMVA | (Account 179. 07_) |
| Credit/Debit: | Interest expense | (Account 323. 000) |

To record simple interest on the opening monthly balance of the DSMVA using the Board approved EB-2006-0117 interest rate methodology.

ACCOUNTING TREATMENT FOR A LOST REVENUE ADJUSTMENT MECHANISM ("LRAM") – EGD RATE ZONE

The purpose of the LRAM is to record the amount of distribution margin gained or lost when the Company's DSM programs are less or more successful than budgeted in the fiscal year.

When the utility's DSM programs are less successful in the fiscal year than budgeted, the utility gains distribution margin. Similarly, the utility loses distribution margin in the fiscal year when its DSM programs are more successful than budgeted.

Simple interest is to be calculated on the opening monthly balance of this account using the Board approved EB-2006-0117 interest rate methodology. The balance of this account, together with carrying charges, will be disposed of in a manner to be designated by the Board in a future rate hearing.

Accounting Entries

1. To record LRAM amounts:

| | | |
|---------------|-------------------|--------------------|
| Debit/Credit: | Operating revenue | (Account 623. 010) |
| Credit/Debit: | LRAM | (Account 179. 10_) |

To record in the LRAM, the distribution margin impact of differences between actual and budgeted gas savings forecast in the Company's DSM programs.

2. Interest accrual:

| | | |
|---------------|------------------|--------------------|
| Debit/Credit: | Interest expense | (Account 323. 000) |
| Credit/Debit: | Interest on LRAM | (Account 179. 11_) |

To record simple interest on the opening monthly balance of the LRAM using the Board approved EB-2006-0117 interest rate methodology.

ACCOUNTING TREATMENT FOR A
DEMAND SIDE MANAGEMENT INCENTIVE DEFERRAL ACCOUNT
("DSMIDA") – EGD RATE ZONE

The purpose of the DSMIDA is to record the actual amount of the shareholder incentive earned by the Company as a result of its DSM programs. The criteria and formula used to determine the amount of any shareholder incentive, to be recorded in the DSMIDA, will be in accordance with the methodology established in the DSM Framework and Guidelines proceeding, EB-2014-0134, and EGD's 2015-2020 DSM Plan proceeding, EB-2015-0049.

Simple interest is to be calculated on the opening monthly balance of this account using the Board approved EB-2006-0117 interest rate methodology. The balance of this account, together with carrying charges, will be disposed of in a manner to be designated by the Board in a future rate hearing.

Accounting Entries

1. Shareholder incentive earned by the Company related to DSM programs:

| | | |
|---------|--------------|--------------------|
| Debit: | DSMIDA | (Account 179. 26_) |
| Credit: | Other income | (Account 319. 010) |

To record the shareholder incentive earned by the Company related to its DSM programs.

2. Interest accrual:

| | | |
|---------|--------------------|--------------------|
| Debit: | Interest on DSMIDA | (Account 179. 27_) |
| Credit: | Interest expense | (Account 323. 000) |

To record simple interest on the opening monthly balance of the DSMIDA using the Board approved EB-2006-0117 interest rate methodology.

ACCOUNTING TREATMENT FOR A DAWN ACCESS COSTS DEFERRAL ACCOUNT ("DACDA") – EGD RATE ZONE

The purpose of the DACDA, as established in the EB-2014-0323 Settlement Agreement, is to record for recovery the revenue requirement impact of the incremental costs incurred to implement the Dawn Transportation Service ("DTS"), including the costs for required system changes. In addition, in accordance with the 2017 Rate Application Settlement Proposal, EB-2016-0215, the revenue requirement related to additional costs incurred to accommodate the heat value conversion modification, being implemented in conjunction with the Dawn Transportation Service system development process, will also be recorded within this account. Under the terms of the EB-2014-0323 Settlement Agreement, recovery of amounts recorded in the DACDA will be from all bundled customers, regardless of whether they are system or direct purchase and regardless of the service to which they currently subscribe, because all have the option of taking DTS if they so choose. Further details explaining the DACDA, including the recovery method, are included within Section 2.7 of the Settlement Agreement filed at Exhibit B, Tab 2, Schedule 1 of the EB-2014-0323 proceeding.

Simple interest is to be calculated on the opening monthly balance of this account using the Board approved EB-2006-0117 interest rate methodology. The balance of this account, together with carrying charges, will be disposed of in a manner to be designated by the Board in a future rate hearing.

Accounting Entries

1. Dawn Access Costs Deferral Account:

| | | |
|---------|-------------------|--------------------|
| Debit: | DACDA | (Account 179. 40_) |
| Credit: | Operating revenue | (Account 300. 000) |

To record the revenue requirement impact of costs associated with the implementation of the DTS, inclusive of heat value conversion modifications.

2. Interest accrual:

| | | |
|---------|-------------------|--------------------|
| Debit: | Interest on DACDA | (Account 179. 41_) |
| Credit: | Interest expense | (Account 323. 000) |

To record simple interest on the opening monthly balance of the DACDA using the Board approved EB-2006-0117 interest rate methodology.

ACCOUNTING TREATMENT FOR A
DEMAND SIDE MANAGEMENT COST-EFFICIENCY INCENTIVE DEFERRAL
ACCOUNT
("DSMCEIDA") – EGD RATE ZONE

The purpose of the DSMCEIDA is to record as a credit, any difference between EGD's approved DSM budget for the fiscal year, and the actual amount spent to achieve the fiscal year's total aggregate annual lifetime savings (cumulative cubic metres of natural gas, or CCM) target, made up of all 100% CCM targets across all programs, in accordance with the program evaluation results. Any OEB-approved DSMCEIDA amounts will be available to use in meeting the Company's targets in a subsequent year over the 2015 - 2020 DSM term.

Simple interest is to be calculated on the opening monthly balance of this account using the Board Approved EB-2006-0117 interest rate methodology. The balance in this account, together with carrying charges, will be disposed of in a manner designated by the Board in a future rate hearing.

Accounting Entries

1. To record amounts in the DSMCEIDA:

| | | |
|---------|-------------------------|--------------------|
| Debit: | Operating & Maintenance | (Various accounts) |
| Credit: | DSMCEIDA | (Account 179. 04_) |

To record any remaining unused portion of the approved DSM budget, for use in a subsequent year, where the Company achieved its total aggregate annual lifetime savings targets, made up of all 100% CCM targets across all programs.

2. Interest accrual:

| | | |
|---------|----------------------|--------------------|
| Debit: | Interest expense | (Account 323. 000) |
| Credit: | Interest on DSMCEIDA | (Account 179. 05_) |

To record simple interest on the opening monthly balance of the DSMCEIDA using the Board approved EB-2006-0117 interest rate methodology.

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**ACCOUNTING TREATMENT FOR AN
OEB COST ASSESSMENT VARIANCE ACCOUNT
("OEBCAVA") – EGD RATE ZONE**

As authorized in the OEB's letter to all regulated entities, dated February 9, 2016, titled "*Revisions to the Ontario Energy Board Cost Assessment Model*", the purpose of the OEBCAVA will be to record any variance between the OEB costs assessed to Enbridge under the prior cost assessment model (prior to April 1, 2016), which are included in rates, and the OEB costs assessed to Enbridge under the new OEB cost assessment model (effective April 1, 2016). Entries into the variance account will be made on a quarterly basis when the OEB's cost assessment invoice is received. The account is subject to a \$1 million materiality threshold.

Simple interest is to be calculated on the opening monthly balance of this account using the Board approved EB-2006-0117 interest rate methodology. The balance in this account, together with carrying charges, will be disposed of in a manner designated by the Board in a future rate hearing.

Accounting Entries

1. To record the variance in OEB costs:

| | | |
|---------|------------------|--------------------|
| Debit: | OEBCAVA | (Account 179. 94_) |
| Credit: | Accounts Payable | (Account 251. 010) |

To record the variance in OEB costs assessed under the updated cost assessment model and the costs assessed under the prior cost assessment model.

2. Interest accrual:

| | | |
|---------|---------------------|--------------------|
| Debit: | Interest on OEBCAVA | (Account 179. 95_) |
| Credit: | Interest expense | (Account 323. 000) |

To record simple interest on the opening monthly balance of the OEBCAVA using the Board approved EB-2006-0117 interest rate methodology.

ACCOUNTING TREATMENT FOR A
PENSION AND OPEB FORECAST ACCRUAL VERSUS ACTUAL CASH PAYMENT
DIFFERENTIAL VARIANCE ACCOUNT
("P&OPEBFAVACPDVA") – EGD RATE ZONE

As detailed in the OEB's EB-2015-0040 report to all regulated entities, dated September 14, 2017, titled "Regulatory Treatment of Pension and Other Post-employment Benefits (OPEBs) Costs", the purpose of the P&OPEBFAVACPDVA will be to track the differences between the Company's forecast accrual pension and OPEB amounts recovered in EGD rate zone rates, and the actual cash payments made during the fiscal year.

The forecast accrual reference amount that will be used to calculate the entries recorded in this account assumes that the total gross accrual cost as determined by an actuarial valuation is what is recorded in a utility's total OM&A expense. The actual cash payments would include all cash payments a utility makes for its pension and OPEB obligations. The approved accrual amount embedded in rates is not to change or escalate during an IRM or Custom IR term except in cases where in a Custom IR term, updated forecasts for subsequent years of the term were approved.

A primary sub-account and a second contra sub-account enable book-keeping with offsetting entries to be established. When the cumulative accrual amount exceeds the cumulative cash payments, the primary account will hold a credit balance. When the cumulative cash payments exceed the cumulative accrual amount, the primary account will hold a debit balance. The primary account will accrue carrying charges asymmetrically, to be returned to ratepayers, when the cumulative opening monthly balance of the account is in a credit position. The contra account will not accrue carrying charges.

When applicable, in accordance with the OEB's EB-2015-0040 report, carrying charges calculated on the primary sub-account will be calculated using simple interest applied to the monthly opening balance. The interest rate shall be the CWIP rate prescribed by the OEB. As the primary sub-account and second contra sub-account are offsetting, only the carrying charges will be disposed of in a manner designated by the Board in a future rate hearing.

Accounting Entries

1. To record amounts in the P&OPEBFAVACPDVA:

| | | |
|---------------|------------------------|--------------------|
| Debit/Credit: | P&OPEBFAVACPDVA-Contra | (Account 179. 36_) |
| Credit/Debit: | P&OPEBFAVACPDVA | (Account 179. 36_) |

To record the difference between the forecast pension and OPEB accrual amounts approved in rates and the actual cash amounts paid.

2. Interest accrual:

| | | |
|---------|-----------------------------|--------------------|
| Debit: | Interest expense | (Account 323. 000) |
| Credit: | Interest on P&OPEBFAVACPDVA | (Account 179. 37_) |

When applicable, to record simple interest on the opening monthly cumulative credit balance of the P&OPEBFAVACPDVA using the Board's prescribed CWIP rate.

ACCOUNTING TREATMENT FOR A
GREENHOUSE GAS EMISSIONS COMPLIANCE OBLIGATION – CUSTOMER-
RELATED VARIANCE ACCOUNT
("GHG-Customer VA") – EGD RATE ZONE

The purpose of the GHG-Customer VA is to record the variance between actual customer-related obligation costs and actual customer-related obligation costs recovered in rates as approved by the Board.

Simple interest is to be calculated on the opening monthly balance of this account using the Board approved EB-2006-0117 interest rate methodology. The balance of this account, together with carrying charges, will be disposed of in a manner designated by the Board in a future rate hearing.

Accounting Entries

1. To record the variance in customer-related obligation costs:

| | | |
|---------------|---------------------------------|--------------------|
| Debit/Credit: | GHG-Customer VA | (Account 179. 82_) |
| Credit/Debit: | Miscellaneous Operating Revenue | (Account 579. 000) |

To record the variance between actual customer-related obligation costs and the actual customer-related obligation costs recovered in rates.

2. Interest accrual:

| | | |
|---------------|-----------------------------|--------------------|
| Debit/Credit: | Interest on GHG-Customer VA | (Account 179. 83_) |
| Credit/Debit: | Interest expense | (Account 323. 000) |

To record simple interest on the opening monthly balance of the GHG-Customer VA using the Board approved EB-2006-0117 interest rate methodology.

ACCOUNTING TREATMENT FOR A
GREENHOUSE GAS EMISSIONS COMPLIANCE OBLIGATION – FACILITY-
RELATED VARIANCE ACCOUNT
("GHG-Facility VA") – EGD RATE ZONE

The purpose of the GHG-Facility VA is to record the variance between actual facility-related obligation costs and actual facility-related obligation costs recovered in rates as approved by the Board.

Simple interest is to be calculated on the opening monthly balance of this account using the Board approved EB-2006-0117 interest rate methodology. The balance of this account, together with carrying charges, will be disposed of in a manner designated by the Board in a future rate hearing.

Accounting Entries

1. To record the variance in facility-related obligation costs:

| | | |
|---------------|---------------------------------|--------------------|
| Debit/Credit: | GHG-Facility VA | (Account 179. 84_) |
| Credit/Debit: | Miscellaneous Operating Revenue | (Account 579. 000) |

To record the variance between actual facility-related obligation costs and the actual facility-related obligation costs recovered in rates.

2. Interest accrual:

| | | |
|---------------|-----------------------------|--------------------|
| Debit/Credit: | Interest on GHG-Facility VA | (Account 179. 85_) |
| Credit/Debit: | Interest expense | (Account 323. 000) |

To record simple interest on the opening monthly balance of the GHG-Facility VA using the Board approved EB-2006-0117 interest rate methodology.

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EGD RATE ZONE

**Accounting Entries for
Incremental Capital Module (ICM) Deferral Account
Deferral Account No. 179-XXX**

Account numbers are from the Uniform System of Accounts for Gas Utilities, Class A prescribed under the Ontario Energy Board Act.

Debit - Account No.179- XXX
 Other Deferred Charges – EGD Rate Zone – ICM Deferral Account

Credit - Account No. 579
 Miscellaneous Operating Revenue

To record, as a debit (credit) in Deferral Account No. 179-XXX, the difference between the actual revenue requirement for approved ICM Projects and the actual revenues collected through ICM rates approved by the Board.

Debit - Account No.179-XXX
 Other Deferred Charges – EGD Rate Zone – ICM Deferral Account

Credit - Account No. 323
 Other Interest Expense

To record, as a debit (credit) in Deferral Account No. 179-XXX, interest on the balance in Deferral Account No. 179-XXX. Simple interest will be computed monthly on the opening balance in the said account in accordance with the methodology approved by the Board in EB-2006-0117.

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ENBRIDGE GAS INC.

**Accounting Entries for
Accounting Policy Changes
Deferral Account No. 179-XXX**

Account numbers are from the Uniform System of Accounts for Gas Utilities, Class A prescribed under the Ontario Energy Board Act.

Debit - Account No. 179-XXX
 Accounting Policy Changes

Credit - Account No. 300
 Operating Revenues

To record as a debit (credit) in Deferral Account No. 179-XXX the impact of any accounting changes required as a result of the amalgamation that affect revenue requirement.

Debit - Account No. 179-XXX
 Accounting Policy Changes

Credit - Account No. 323
 Other Interest Expense

To record, as a debit (credit) in Deferral Account No. 179-XXX, interest on the balance in Deferral Account No. 179-XXX. Simple interest will be computed monthly on the opening balance in the said account in accordance with the methodology approved by the Board in EB-2006-0117.

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ENBRIDGE GAS INC.

**Accounting Entries for
Earnings Sharing Mechanism Deferral Account
Deferral Account No. 179-XXX**

Account numbers are from the Uniform System of Accounts for Gas Utilities, Class A prescribed under the Ontario Energy Board Act.

| | | |
|--------|---|--|
| Debit | - | Account No. 300 Operating Revenue |
| Credit | - | Account No. 179-XXX Earnings Sharing Mechanism Deferral Account |

To record as a debit (credit) in Deferral Account No. 179-XXX ratepayers' 50% share of utility earnings when actual utility ROE exceeds the Board-approved ROE by 150 basis points in accordance with the Board's Decision in EB-2017-0306/EB-2017-0307.

| | | |
|--------|---|--|
| Debit | - | Account No. 323 Other Interest Expense |
| Credit | - | Account No. 179-XXX Earnings Sharing Mechanism Deferral Account |

To record, as a debit (credit) in Deferral Account No. 179-XXX, interest on the balance in Deferral Account No. 179-XXX. Simple interest will be computed monthly on the opening balance in the said account in accordance with the methodology approved by the Board in EB-2006-0117.

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ENBRIDGE GAS INC.

**Accounting Entries for
Tax Variance Deferral Account
Deferral Account No. 179-XXX**

Account numbers are from the Uniform System of Accounts for Gas Utilities, Class A prescribed under the Ontario Energy Board Act.

| | | |
|--------|---|--|
| Debit | - | Account No. 179-XXX Tax Variance Deferral Account |
| Credit | - | Account No. 300 Operating Revenues |

To record as a debit (credit) in Deferral Account No. 179-XXX 50% of the variance in costs resulting from the difference between the actual tax rates and the approved tax rates included in rates as approved by the Board.

| | | |
|--------|---|--|
| Debit | - | Account No. 179-XXX Tax Variance Deferral Account |
| Credit | - | Account No. 323 Other Interest Expense |

To record, as a debit (credit) in Deferral Account No. 179-XXX, interest on the balance in Deferral Account No. 179-XXX. Simple interest will be computed monthly on the opening balance in the said account in accordance with the methodology approved by the Board in EB-2006-0117.

UNION RATE ZONES

**Accounting Entries for
Short-term Storage and Other Balancing Services
Deferral Account No. 179-70**

Account numbers are from the Uniform System of Accounts for Gas Utilities, Class A prescribed under the Ontario Energy Board Act.

Debit - Account No. 571
Storage Revenue

Credit - Account No. 179-70
Other Deferred Charges - Short-term Storage and Other Balancing Services

To record, as a debit (credit) in Deferral Account No. 179-70 the utility portion of actual net revenues for Short-term Storage and Other Balancing Services, less the 10% shareholder incentive to provide these services and less the net revenue forecast for these services as approved by the Board for ratemaking purposes. The utility portion of actual net revenues for Short-term Storage and Other Balancing Services is determined by allocating total margins received from the sale of these services based on the utility share of the total quantity of the services sold each calendar year. The utility share reflects the transactions supported by utility storage space (up to the 100 PJ cap – both planned and excess over planned).

Debit - Account No. 571
Storage Revenue

Credit - Account No. 179-70
Other Deferred Charges – Short-term Storage and Other Balancing Services

To record, as a credit in Deferral Account No. 179-70 payments by the Company's non-utility business to its utility business for storage encroachment.

Debit - Account No.179-70
Other Deferred Charges - Short-term Storage and Other Balancing Services

Credit - Account No. 323
Other Interest Expense

To record, as a debit (credit) in Deferral Account No. 179-70, interest on the balance in Deferral Account No. 179- 70. Simple interest will be computed monthly upon finalization of the year-end balance in the said account in accordance with the methodology approved by the Board in EB-2006-0117.

UNION RATE ZONES

**Accounting Entries for
Lost Revenue Adjustment Mechanism
Deferral Account No. 179-75**

Account numbers are from the Uniform System of Accounts for Gas Utilities, Class A prescribed under the Ontario Energy Board Act.

| | | |
|--------|---|---|
| Debit | - | Account No.179-75 Other Deferred Charges - Lost Revenue Adjustment Mechanism |
| Credit | - | Account No. 529 Other Sales |

To record, as a debit (credit) in Deferral Account No. 179-75, the difference between actual margin reductions related to the Company's DSM plans and the margin reduction included in gas delivery rates as approved by the Board.

| | | |
|--------|---|---|
| Debit | - | Income Account No. 179-75 Other Deferred Charges - Lost Revenue Adjustment Mechanism |
| Credit | - | Account No. 323 Other Interest Expense |

To record, as a debit (credit) in Deferral Account No. 179-75, interest expense on the balance in Deferral Account No. 179-75. Simple interest will be computed monthly upon finalization of the year-end balance in the said account in accordance with the methodology approved by the Board in EB-2006-0117.

UNION RATE ZONES

**Accounting Entries for
South Purchase Gas Variance Account
Deferral Account No. 179-106**

This account is applicable to the Union South rate zone of the Company. Account numbers are from the Uniform System of Accounts for Gas Utilities, Class A prescribed under the Ontario Energy Board Act.

| | | |
|--------|---|---|
| Debit | - | Account No. 179-106 Other Deferred Charges – South Purchase Gas Variance Account |
| Credit | - | Account No. 623 Cost of Gas |

To record, as a debit (credit) in Deferral Account No. 179-106, the difference between the unit cost of gas purchased each month for the Union South rate zone and the unit cost of gas included in the gas sales rates as approved by the Board, including the difference between the actual heat content of the gas purchased and the forecast heat content included in gas sales rates.

| | | |
|--------|---|---|
| Debit | - | Account No. 179-106 Other Deferred Charges - South Purchase Gas Variance Account |
| Credit | - | Account No. 323 Other Interest Expense |

To record, as a debit (credit) in Deferral Account No. 179-106, interest expense on the balance in Deferral Account No. 179-106. Simple interest will be computed monthly on the opening balance in the said account in accordance with the methodology approved by the Board in EB-2006-0117.

UNION RATE ZONES

Accounting Entries for
Spot Gas Variance Account
Deferral Account No. 179-107

Account numbers are from the Uniform System of Accounts for Gas Utilities, Class A prescribed under the Ontario Energy Board Act.

| | | |
|--------|---|--|
| Debit | - | Account No. 179-107 Other Deferred Charges –Spot Gas Variance Account |
| Credit | - | Account No. 623 Cost of Gas |

To record, as a debit (credit) in Deferral Account No. 179-107, the difference between the unit cost of spot gas purchased each month and the unit cost of gas included in the gas sales rates as approved by the Board on the spot volumes purchased in excess of planned purchases.

| | | |
|--------|---|--|
| Debit | - | Account No. 623 Cost of Gas |
| Credit | - | Account No. 179-107 Other Deferred Charges –Spot Gas Variance Account |

To record, as a credit (debit) in Deferral Account No. 179-107, the approved gas supply charges recovered through the delivery component of rates.

| | | |
|--------|---|---|
| Debit | - | Account No. 179-107 Other Deferred Charges – Spot Gas Variance Account |
| Credit | - | Account No. 323 Other Interest Expense |

To record, as a debit (credit) in Deferral Account No. 179-107, interest expense on the balance in Deferral Account No. 179-107. Simple interest will be computed monthly on the opening balance in the said account in accordance with the methodology approved by the Board in EB-2006-0117.

UNION RATE ZONES

**Accounting Entries for
Unabsorbed Demand Cost (UDC) Variance Account
Deferral Account No. 179-108**

Account numbers are from the Uniform System of Accounts for Gas Utilities, Class A prescribed under the Ontario Energy Board Act.

| | | |
|--------|---|---|
| Debit | - | Account No. 179-108 Other Deferred Charges – Unabsorbed Demand Cost Variance Account |
| Credit | - | Account No. 663 Transportation of Gas by Others |

To record, as a debit (credit) in Deferral Account No. 179-108, the difference between the actual unabsorbed demand costs incurred by the Company and the amount of unabsorbed demand charges included in rates as approved by the Board.

| | | |
|--------|---|---|
| Debit | - | Account No. 663 Transportation of Gas by Others |
| Credit | - | Account No. 179-108 Other Deferred Charges – Unabsorbed Demand Cost Variance Account |

To record, as a credit (debit) in Deferral Account No. 179-108, the benefit from the temporary assignment of unutilized capacity under the Company's transportation contracts to the Union North rate zone. The benefit will be equal to the recovery of pipeline demand charges and other charges resulting from the temporary assignment of unutilized capacity that have been included in gas sales rates.

| | | |
|--------|---|---|
| Debit | - | Account No. 179-108 Other Deferred Charges – Unabsorbed Demand Cost Variance Account |
| Credit | - | Account No. 323 Other Interest Expense |

To record, as a debit (credit) in Deferral Account No. 179-108, interest expense on the balance in Deferral Account No. 179-108. Simple interest will be computed monthly on the opening balance in the said account in accordance with the methodology approved by the Board in EB-2006-0117.

UNION RATE ZONES

**Accounting Entries for
Inventory Revaluation Account
Deferral Account No. 179-109**

Account numbers are from the Uniform System of Accounts for Gas Utilities, Class A, prescribed under the Ontario Energy Board Act.

Debit - Account No. 179-109
 Other Deferred Charges – Inventory Revaluation

Credit - Account No. 152
 Gas in Storage - Available for Sale

To record, as a debit (credit) in Deferral Account No. 179-109, the decrease (increase) in the value of gas inventory available for sale to sales service customers due to changes in the Company's weighted average cost of gas approved by the Board for rate making purposes.

Debit - Account No. 179-109
 Other Deferred Charges – Inventory Revaluation Account

Credit - Account No. 323
 Other Interest Expense

To record, as a debit (credit) in Deferral Account No. 179-109, interest expense on the balance in Deferral Account No. 179-109. Simple interest will be computed monthly on the opening balance in the said account in accordance with the methodology approved by the Board in EB-2006-0117.

UNION RATE ZONES

**Accounting Entries for
Demand Side Management Variance Account
Deferral Account No. 179-111**

Account numbers are from the Uniform System of Accounts for Gas Utilities, Class A prescribed under the Ontario Energy Board Act.

Debit - Account No.179-111
 Demand Side Management Variance Account

Credit - Account No. 728
 General Expense

To record as a debit (credit) in Deferral Account No. 179-111, the difference between actual and the approved direct DSM expenditure budget currently approved for recovery in rates, provided that any excess over the approved direct DSM expenditure budget does not exceed 15% of the direct DSM expenditure budget. Any excess over the approved direct DSM expenditure budget for the year must be for incremental DSM volume savings that are cost effective as determined by the Total Resource Cost Test.

Debit - Account No.179-111
 Other Deferred Charges – Demand Side Management Variance Account

Credit - Account No. 323
 Other Interest Expense

To record, as a debit (credit) in Deferral Account No. 179-111, interest expense on the balance in Deferral Account No. 179-111. Simple interest will be computed monthly upon finalization of the year-end balance in the said account in accordance with the methodology approved by the Board in EB-2006-0117.

UNION RATE ZONES

**Accounting Entries for
Gas Distribution Access Rule (GDAR) Costs
Deferral Account No. 179-112**

Account numbers are from the Uniform System of Accounts for Gas Utilities, Class A prescribed under the Ontario Energy Board Act.

| | | |
|--------|---|--|
| Debit | - | Account No. 179-112 Other Deferred Charges - Deferred Gas Distribution Access Rule (GDAR) Costs |
| Credit | - | Account No. 728 General Expense |

To record, as a debit (credit) in Deferral Account No. 179-112 the difference between the actual costs required to implement the appropriate process and system changes to achieve compliance with GDAR and the costs included in rates as approved by the Board.

| | | |
|--------|---|---|
| Debit | - | Account No.179-112 Other Deferred Charges - Deferred Gas Distribution Access Rule (GDAR) Costs |
| Credit | - | Account No. 323 Other Interest Expense |

To record, as a debit (credit) in Deferral Account No. 179-112, interest on the balance in Deferral Account No. 179-112. Simple interest will be computed monthly on the opening balance in the said account in accordance with the methodology approved by the Board in EB-2006-0117.

UNION RATE ZONES

**Accounting Entries for
Conservation Demand Management
Deferral Account No. 179-123**

Account numbers are from the Uniform System of Accounts for Gas Utilities, Class A prescribed under the Ontario Energy Board Act.

Debit - Account No. 312
 Non-Gas Operating Revenue

Credit - Account No.179-123
 Other Deferred Charges – Conservation Demand Management

To record, as a credit in Deferral Account No. 179-123, 50% of the actual revenues generated from the Conservation Demand Management (CDM) program that will be paid to customers upon approval by the Board for rate making purposes.

Debit - Account No.179-123
 Other Deferred Charges – Conservation Demand Management

Credit - Account No. 323
 Other Interest Expense

To record, as a debit (credit) in Deferral Account No. 179-123, interest expense on the balance in Deferral Account No. 179-123. Simple interest will be computed monthly on the opening balance in the said account at the short term debt rate as approved by the Board in EB-2006-0117.

UNION RATE ZONES

**Accounting Entries for
Demand Side Management Incentive
Deferral Account No. 179-126**

Account numbers are from the Uniform System of Accounts for Gas Utilities, Class A prescribed under the Ontario Energy Board Act.

| | | |
|--------|---|--|
| Debit | - | Account No. 179-126 Other Deferred Charges – Demand Side Management Incentive |
| Credit | - | Account No. 319 Other Income |

To record, as a debit in Deferral Account No. 179-126, the shareholder incentive earned by the Company in relation to its Demand Side Management (DSM) Programs.

| | | |
|--------|---|--|
| Debit | - | Account No. 179-126 Other Deferred Charges – Demand Side Management Incentive |
| Credit | - | Account No. 323 Other Interest Expense |

To record, as a debit (credit) in Deferral Account No. 179-126, interest on the balance in Deferral Account No. 179-126. Simple interest will be computed monthly on the opening balance in the said account at the short term debt rate as approved by the Board in EB-2006-0117.

UNION RATE ZONES

**Accounting Entries for
Upstream Transportation Optimization
Deferral Account No. 179-131**

Account numbers are from the Uniform System of Accounts for Gas Utilities, Class A prescribed under the Ontario Energy Board Act.

| | | |
|--------|---|--|
| Debit | - | Account No. 179-131 Other Deferred Charges – Upstream Transportation Optimization |
| Credit | - | Account No. 626 Exchange Gas |

To record as a debit in Deferral Account No. 179-131 a receivable from customers and a reduction in cost of gas for the unit rate of optimization revenues refunded to in-franchise customers multiplied by the actual distribution transportation volumes.

| | | |
|--------|---|--|
| Debit | - | Account No. 579 Miscellaneous Operating Revenue |
| Credit | - | Account No. 179-131 Other Deferred Charges – Upstream Transportation Optimization |

To record as a credit in Deferral Account No. 179-131 a payable to customers and a reduction in transportation revenue equal to the ratepayer portion (90%) of the actual net revenue from gas supply optimization activities.

| | | |
|--------|---|--|
| Debit | - | Account No. 323 Other Interest Expense |
| Credit | - | Account No. 179-131 Other Deferred Charges – Upstream Transportation Optimization |

To record, as a debit (credit) in Deferral Account No. 179-131, interest on the balance in Deferral Account No. 179-131. Simple interest will be computed monthly upon finalization of the year-end balance in the said account in accordance with the methodology approved by the Board in EB-2006-0117.

UNION RATE ZONES

**Accounting Entries for
Deferral Clearing Variance Account
Deferral Account No. 179-132**

Account numbers are from the Uniform System of Accounts for Gas Utilities, Class A prescribed under the Ontario Energy Board Act.

| | | |
|--------|---|--|
| Debit | - | Account No. 179-132 Other Deferred Charges – Deferral Clearing Variance Account |
| Credit | - | Account No. 179 Other Deferred Charges |

To record as a debit (credit) in Deferral Account No. 179-132 a receivable from (payable to) ratepayers for the amount arising from differences between actual and forecast volumes used for the purposes of clearing non-gas commodity deferral account, earnings sharing and other balances.

| | | |
|--------|---|--|
| Debit | - | Account No. 179-132 Other Deferred Charges – Deferral Clearing Variance Account |
| Credit | - | Account No. 323 Other Interest Expense |

To record, as a debit (credit) in Deferral Account No. 179-132, interest on the balance in Deferral Account No. 179-132. Simple interest will be computed monthly on the opening balance in the said account in accordance with the methodology approved by the Board in EB-2006-0117.

UNION RATE ZONES

**Accounting Entries for
Normalized Average Consumption (NAC) Account
Deferral Account No. 179-133**

Account numbers are from the Uniform System of Accounts for Gas Utilities, Class A prescribed under the Ontario Energy Board Act.

Debit - Account No. 179-133
 Normalized Average Consumption Account

Credit - Account No. 500
 Sales Revenue

To record as a debit (credit) in Deferral Account No. 179-133 the variance in revenue resulting from the difference between forecast normalized average consumption (NAC) included in rates as approved by the Board and actual NAC for general service rate classes Rate M1, Rate M2, Rate 01, and Rate 10.

Debit - Account No. 179-133
 Normalized Average Consumption Account

Credit - Account No. 323
 Other Interest Expense

To record, as a debit (credit) in Deferral Account No. 179-133, interest on the balance in Deferral Account No. 179-133. Simple interest will be computed monthly on the opening balance in the said account in accordance with the methodology approved by the Board in EB-2006-0117.

UNION RATE ZONES

**Accounting Entries for
Unaccounted for Gas (UFG) Volume Variance Account
Deferral Account No. 179-135**

Account numbers are from the Uniform System of Accounts for Gas Utilities, Class A prescribed under the Ontario Energy Board Act.

| | | |
|--------|---|--|
| Debit | - | Account No. 179-135 UFG Volume Variance Account |
| Credit | - | Account No. 654 Gas Losses |

To record as a debit (credit) in Deferral Account No. 179-135 the difference between the UFG recovered in revenue at rates approved by the Board and the actual cost of UFG expensed, in excess of \$5 million.

| | | |
|--------|---|--|
| Debit | - | Account No. 179-135 UFG Volume Variance Account |
| Credit | - | Account No. 323 Other Interest Expense |

To record, as a debit (credit) in Deferral Account No. 179-135, interest on the balance in Deferral Account No. 179-135. Simple interest will be computed monthly on the opening balance in the said account in accordance with the methodology approved by the Board in EB-2006-0117.

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UNION RATE ZONES

**Accounting Entries for
Parkway West Project Costs
Deferral Account No. 179-136**

Account numbers are from the Uniform System of Accounts for Gas Utilities, Class A prescribed under the Ontario Energy Board Act.

Debit - Account No.179-136
 Other Deferred Charges – Parkway West Project Costs

Credit - Account No. 579
 Miscellaneous Operating Revenue

To record, as a debit (credit) in Deferral Account No. 179-136, the utility tax timing amounts for the Parkway West Project as compared to the utility tax timing amounts included in rates as approved by the Board.

Debit - Account No.179-136
 Other Deferred Charges – Parkway West Project Costs

Credit - Account No. 323
 Other Interest Expense

To record, as a debit (credit) in Deferral Account No. 179-136, interest on the balance in Deferral Account No. 179-136. Simple interest will be computed monthly on the opening balance in the said account in accordance with the methodology approved by the Board in EB-2006-0117.

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UNION RATE ZONES

**Accounting Entries for
Brantford-Kirkwall/Parkway D Project Costs
Deferral Account No. 179-137**

Account numbers are from the Uniform System of Accounts for Gas Utilities, Class A prescribed under the Ontario Energy Board Act.

Debit - Account No.179-137
 Other Deferred Charges – Brantford-Kirkwall/Parkway D Project Costs

Credit - Account No. 579
 Miscellaneous Operating Revenue

To record, as a debit (credit) in Deferral Account No. 179-137, the utility tax timing amounts for the Brantford-Kirkwall/Parkway D Project as compared to the utility tax timing amounts included in rates as approved by the Board.

Debit - Account No.179-137
 Other Deferred Charges – Brantford-Kirkwall/Parkway D Project Costs

Credit - Account No. 323
 Other Interest Expense

To record, as a debit (credit) in Deferral Account No. 179-137, interest on the balance in Deferral Account No. 179-137. Simple interest will be computed monthly on the opening balance in the said account in accordance with the methodology approved by the Board in EB-2006-0117.

UNION RATE ZONES

**Accounting Entries for
Parkway Obligation Rate Variance
Deferral Account No. 179-138**

Account numbers are from the Uniform System of Accounts for Gas Utilities, Class A prescribed under the Ontario Energy Board Act.

Debit - Account No.179-138
 Other Deferred Charges – Parkway Obligation Rate Variance

Credit - Account No. 300
 Operating Revenue

To record, as a debit (credit) in Deferral Account No. 179-138, the rate variances associated with the timing differences between the effective date of the Parkway delivery obligation changes and the temporary capacity and the inclusion of the cost impacts in approved rates (January 1 of the following year).

Debit - Account No.179-138
 Other Deferred Charges – Parkway Obligation Rate Variance

Credit - Account No. 323
 Other Interest Expense

To record, as a debit (credit) in Deferral Account No. 179-138, interest on the balance in Deferral Account No. 179-138. Simple interest will be computed monthly on the opening balance in the said account in accordance with the methodology approved by the Board in EB-2006-0117.

UNION RATE ZONES

**Accounting Entries for
Unaccounted for Gas (UFG) Price Variance Account
Deferral Account No. 179-141**

Account numbers are from the Uniform System of Accounts for Gas Utilities, Class A prescribed under the Ontario Energy Board Act.

| | | |
|--------|---|--|
| Debit | - | Account No. 179-141 Other Deferred Charges - UFG Price Variance Account |
| Credit | - | Account No. 179-106/105 Other Deferred Charges – South/North Purchase Gas Variance Accounts |

To record as a debit (credit) in Deferral Account No. 179-141, the variance between the actual price of the Company's purchases and the applicable Board-approved reference price, applied to the Company's actual experienced UFG volumes.

| | | |
|--------|---|--|
| Debit | - | Account No. 179-141 Other Deferred Charges - UFG Price Variance Account |
| Credit | - | Account No. 323 Other Interest Expense |

To record, as a debit (credit) in Deferral Account No. 179-141, interest on the balance in Deferral Account No. 179-141. Simple interest will be computed monthly on the opening balance in the said account in accordance with the methodology approved by the Board in EB-2006-0117.

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UNION RATE ZONES

**Accounting Entries for
Lobo C Compressor/Hamilton-Milton Pipeline Project Costs
Deferral Account No. 179-142**

Account numbers are from the Uniform System of Accounts for Gas Utilities, Class A prescribed under the Ontario Energy Board Act.

Debit - Account No.179-142
Other Deferred Charges – Lobo C Compressor/Hamilton-Milton Pipeline Project Costs

Credit - Account No. 579
Miscellaneous Operating Revenue

To record, as a debit (credit) in Deferral Account No. 179-142, the utility tax timing amounts for the Lobo C Compressor/Hamilton Milton Pipeline Project as compared to the utility tax timing amounts included in rates as approved by the Board.

Debit - Account No.179-142
Other Deferred Charges – Lobo C Compressor/Hamilton-Milton Pipeline Project Costs

Credit - Account No. 323
Other Interest Expense

To record, as a debit (credit) in Deferral Account No. 179-142, interest on the balance in Deferral Account No. 179-142. Simple interest will be computed monthly on the opening balance in the said account in accordance with the methodology approved by the Board in EB-2006-0117.

UNION RATE ZONES

**Accounting Entries for
Unauthorized Overrun Non-Compliance Account
Deferral Account No. 179-143**

Account numbers are from the Uniform System of Accounts for Gas Utilities, Class A prescribed under the Ontario Energy Board Act.

| | | |
|--------|---|---|
| Debit | - | Account No. 500 Sales Revenue |
| Credit | - | Account No. 179-143 Other Deferred Charges – Unauthorized Overrun Non-Compliance Account |

To record as a credit (debit) in Deferral Account No. 179-143 any unauthorized overrun non-compliance charges incurred by interruptible distribution customers for not complying with a distribution interruption.

| | | |
|--------|---|---|
| Debit | - | Account No. 323 Other Interest Expense |
| Credit | - | Account No. 179-143 Other Deferred Charges – Unauthorized Overrun Non-Compliance Account |

To record, as a credit (debit) in Deferral Account No. 179-143, interest on the balance in Deferral Account No. 179-143. Simple interest will be computed monthly on the opening balance in the said account in accordance with the methodology approved by the Board in EB-2006-0117.

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UNION RATE ZONES

Accounting Entries for Lobo D/Bright C/Dawn H Compressor Project Costs Deferral Account No. 179-144

Account numbers are from the Uniform System of Accounts for Gas Utilities, Class A prescribed under the Ontario Energy Board Act.

| | | |
|-------|---|--|
| Debit | - | Account No.179-144 Other Deferred Charges – Lobo D/Bright C/Dawn H Compressor Project Costs |
|-------|---|--|

| | | |
|--------|---|--|
| Credit | - | Account No. 579 Miscellaneous Operating Revenue |
|--------|---|--|

To record, as a debit (credit) in Deferral Account No. 179-144, the utility tax timing amounts for the Lobo D/Bright C/Dawn H Compressor Project as compared to the utility tax timing amounts included in rates as approved by the Board.

| | | |
|-------|---|--|
| Debit | - | Account No.179-144 Other Deferred Charges – Lobo D/Bright C/Dawn H Compressor Project Costs |
|-------|---|--|

| | | |
|--------|---|---|
| Credit | - | Account No. 323 Other Interest Expense |
|--------|---|---|

To record, as a debit (credit) in Deferral Account No. 179-144, interest on the balance in Deferral Account No. 179-144. Simple interest will be computed monthly on the opening balance in the said account in accordance with the methodology approved by the Board in EB-2006-0117.

UNION RATE ZONES

**Accounting Entries for
Transportation Tolls and Fuel – Union North West Operations Area
Deferral Account No. 179-145**

This account is applicable to the North West Operations of the Company. Account numbers are from the Uniform System of Accounts for Gas Utilities, Class A prescribed under the Ontario Energy Board Act.

| | | |
|--------|---|---|
| Debit | - | Account No.179-145 Other Deferred Charges – Transportation Tolls and Fuel – Union North West Operations Area |
| Credit | - | Account No. 623 Cost of Gas |

To record, as a debit (credit) in Deferral Account No. 179-145, the difference in the costs between the actual cost of the transportation portfolio to serve Union North West delivery areas including associated fuel costs and the forecast cost of the transportation portfolio to serve these areas including associated forecast fuel costs as approved by the Board.

| | | |
|--------|---|--|
| Debit | - | Account No. 179-145 Other Deferred Charges - Transportation Tolls and Fuel – Union North West Operations Area |
| Credit | - | Account No. 623 Cost of Gas |

To record, as a debit (credit) in Deferral Account No. 179-145 charges that result from the Limited Balancing Agreement.

| | | |
|--------|---|--|
| Debit | - | Account No. 500 Sales Revenue |
| Credit | - | Account No. 179-145 Other Deferred Charges - Transportation Tolls and Fuel – Union North West Operations Area |

To record, as a credit (debit) in Deferral Account No. 179-145 revenue from T-Service customers for load balancing service resulting from the Limited Balancing Agreement.

| | | |
|--------|---|--|
| Debit | - | Account No. 179-145 Other Deferred Charges - Transportation Tolls and Fuel – Union North West Operations Area |
| Credit | - | Account No. 323 Other Interest Expense |

To record, as a debit (credit) in Deferral Account No. 179-145 interest expense on the balance in Deferral Account No. 179-145. Simple interest will be computed monthly on the opening balance in the said account in accordance with the methodology approved by the Board in EB-2006-0117.

UNION RATE ZONES

**Accounting Entries for
Transportation Tolls and Fuel – Union North East Operations Area
Deferral Account No. 179-146**

This account is applicable to the North East Operations of the Company. Account numbers are from the Uniform System of Accounts for Gas Utilities, Class A prescribed under the Ontario Energy Board Act.

| | | |
|--------|---|---|
| Debit | - | Account No.179-146 Other Deferred Charges – Transportation Tolls and Fuel – Union North East Operations Area |
| Credit | - | Account No. 623 Cost of Gas |

To record, as a debit (credit) in Deferral Account No. 179-146, the difference in the costs between the actual cost of the transportation portfolio to serve Union North East delivery areas including associated fuel costs and the forecast cost of the transportation portfolio to serve these areas including associated forecast fuel costs as approved by the Board.

| | | |
|--------|---|--|
| Debit | - | Account No. 179-146 Other Deferred Charges - Transportation Tolls and Fuel – Union North East Operations Area |
| Credit | - | Account No. 623 Cost of Gas |

To record, as a debit (credit) in Deferral Account No. 179-146 charges that result from the Limited Balancing Agreement.

| | | |
|--------|---|--|
| Debit | - | Account No. 500 Sales Revenue |
| Credit | - | Account No. 179-146 Other Deferred Charges - Transportation Tolls and Fuel – Union North East Operations Area |

To record, as a credit (debit) in Deferral Account No. 179-146 revenue from T-Service customers for load balancing service resulting from the Limited Balancing Agreement.

| | | |
|--------|---|--|
| Debit | - | Account No. 179-146 Other Deferred Charges - Transportation Tolls and Fuel – Union North East Operations Area |
| Credit | - | Account No. 323 Other Interest Expense |

To record, as a debit (credit) in Deferral Account No. 179-146 interest expense on the balance in Deferral Account No. 179-146. Simple interest will be computed monthly on the opening balance in the said account in accordance with the methodology approved by the Board in EB-2006-0117.

UNION RATE ZONES

**Accounting Entries for
Union North West Purchase Gas Variance Account
Deferral Account No. 179-147**

This account is applicable to the North West delivery areas of the Company. Account numbers are from the Uniform System of Accounts for Gas Utilities, Class A prescribed under the Ontario Energy Board Act.

| | | |
|--------|---|--|
| Debit | - | Account No. 179-147 Other Deferred Charges – Union North West Purchase Gas Variance Account |
| Credit | - | Account No. 623 Cost of Gas |

To record, as a debit (credit) in Deferral Account No. 179-147, the difference between the unit cost of gas purchased each month for the Union North West delivery areas and the unit cost of gas included in the gas sales rates as approved by the Board, including the difference between the actual heat content of the gas purchased and the forecast heat content included in gas sales rates.

| | | |
|--------|---|--|
| Debit | - | Account No. 179-147 Other Deferred Charges - Union North West Purchase Gas Variance Account |
| Credit | - | Account No. 323 Other Interest Expense |

To record, as a debit (credit) in Deferral Account No. 179-147, interest expense on the balance in Deferral Account No. 179-147. Simple interest will be computed monthly on the opening balance in the said account in accordance with the methodology approved by the Board in EB-2006-0117.

UNION RATE ZONES

**Accounting Entries for
Union North East Purchase Gas Variance Account
Deferral Account No. 179-148**

This account is applicable to the North East delivery areas of the Company. Account numbers are from the Uniform System of Accounts for Gas Utilities, Class A prescribed under the Ontario Energy Board Act.

| | | |
|--------|---|--|
| Debit | - | Account No. 179-148 Other Deferred Charges – Union North East Purchase Gas Variance Account |
| Credit | - | Account No. 623 Cost of Gas |

To record, as a debit (credit) in Deferral Account No. 179-148, the difference between the unit cost of gas purchased each month for the Union North East delivery areas and the unit cost of gas included in the gas sales rates as approved by the Board, including the difference between the actual heat content of the gas purchased and the forecast heat content included in gas sales rates.

| | | |
|--------|---|--|
| Debit | - | Account No. 179-148 Other Deferred Charges - Union North East Purchase Gas Variance Account |
| Credit | - | Account No. 323 Other Interest Expense |

To record, as a debit (credit) in Deferral Account No. 179-148, interest expense on the balance in Deferral Account No. 179-148. Simple interest will be computed monthly on the opening balance in the said account in accordance with the methodology approved by the Board in EB-2006-0117.

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UNION RATE ZONES

**Accounting Entries for
Burlington-Oakville Project Costs
Deferral Account No. 179-149**

Account numbers are from the Uniform System of Accounts for Gas Utilities, Class A prescribed under the Ontario Energy Board Act.

Debit - Account No.179-149
 Other Deferred Charges – Burlington-Oakville Project Costs

Credit - Account No. 579
 Miscellaneous Operating Revenue

To record, as a debit (credit) in Deferral Account No. 179-149, the utility tax timing amounts for the Burlington-Oakville Project as compared to the utility tax timing amounts included in rates as approved by the Board.

Debit - Account No.179-149
 Other Deferred Charges – Burlington-Oakville Project Costs

Credit - Account No. 323
 Other Interest Expense

To record, as a debit (credit) in Deferral Account No. 179-149, interest on the balance in Deferral Account No. 179-149. Simple interest will be computed monthly on the opening balance in the said account in accordance with the methodology approved by the Board in EB-2006-0117.

UNION RATE ZONES

**Accounting Entries for
Demand Side Management Cost-Efficiency Incentive Deferral Account (DSMCEIDA)
Deferral Account No. 179-150**

Account numbers are from the Uniform System of Accounts for Gas Utilities, Class A prescribed under the Ontario Energy Board Act.

Debit - Account No. 728
 General Expense

Credit - Account No. 179-150
 Other Deferred Charges – DSMCEIDA

The purpose of the DSMCEIDA is to record, as a credit in Deferral Account No. 179-150, the differences between the Company's annual approved DSM budget and the actual amounts spent to achieve the total aggregate annual lifetime savings (cumulative cubic metres of natural gas, or CCM) targets made up of all 100% CCM targets across all programs, in accordance with program evaluation results. Any OEB- approved DSMCEIDA amounts will be available to use in meeting the Company's targets in a subsequent year over the 2015-2020 DSM term.

UNION RATE ZONES

**Accounting Entries for
OEB Cost Assessment Variance Account
Deferral Account No. 179-151**

Account numbers are from the Uniform System of Accounts for Gas Utilities, Class A prescribed under the Ontario Energy Board Act.

| | | |
|--------|---|--|
| Debit | - | Account No. 179-151 Other Deferred Charges – OEB Cost Assessment Variance Account |
| Credit | - | Account No. 728 General Expense |

To record as a debit (credit) in Deferral Account No. 179-151 any differences between OEB cost assessments currently built into rates, and cost assessments that will result from the application of the new cost assessment model effective April 1, 2016. The account is subject to a \$1 million materiality threshold.

| | | |
|--------|---|--|
| Debit | - | Account No. 179-151 Other Deferred Charges – OEB Cost Assessment Variance Account |
| Credit | - | Account No. 323 Other Interest Expense |

To record, as a debit (credit) in Deferral Account No. 179-151, interest on the balance in Deferral Account No. 179-151. Simple interest will be computed monthly on the opening balance in the said account in accordance with the methodology approved by the Board in EB-2006-0117.

UNION RATE ZONES

**Accounting Entries for
Greenhouse Gas Emissions Impact Deferral Account
Deferral Account No. 179-152**

Account numbers are from the Uniform System of Accounts for Gas Utilities, Class A prescribed under the Ontario Energy Board Act.

Debit - Account No.179-152
Other Deferred Charges – Greenhouse Gas Emissions Impact Deferral Account

Credit - Account No. 728
General Expense

To record, as a debit (credit) in Deferral Account No. 179-152, the administrative costs associated with the impacts of provincial and federal regulations related to greenhouse gas emission requirements.

Debit - Account No.179-152
Other Deferred Charges – Greenhouse Gas Emissions Impact Deferral Account

Credit - Account No. 323
Other Interest Expense

To record, as a debit (credit) in Deferral Account No. 179-152, interest on the balance in Deferral Account No. 179-152. Simple interest will be computed monthly on the opening balance in the said account in accordance with the methodology approved by the Board in EB-2006-0117.

UNION RATE ZONES

**Accounting Entries for
Base Service North T-Service TransCanada Capacity Deferral Account
Deferral Account No. 179-153**

Account numbers are from the Uniform System of Accounts for Gas Utilities, Class A prescribed under the Ontario Energy Board Act.

| | | |
|--------|---|---|
| Debit | - | Account No.179-153 Other Deferred Charges – Base Service North T-Service TransCanada Capacity Deferral Account |
| Credit | - | Account No. 140 Accounts Receivable - Customers |

To record, as a debit (credit) in Deferral Account No. 179-153, the differences between revenues and costs for the excess capacity from Parkway to the Company's Point of Receipt as part of the Base Service offering of the North T- Service Transportation from Dawn.

| | | |
|--------|---|--|
| Debit | - | Account No. 179-153 Other Deferred Charges - Base Service North T-Service TransCanada Capacity Deferral Account |
| Credit | - | Account No. 323 Other Interest Expense |

To record, as a debit (credit) in Deferral Account No. 179-153 interest expense on the balance in Deferral Account No. 179-153. Simple interest will be computed monthly on the opening balance in the said account in accordance with the methodology approved by the Board in EB-2006-0117.

UNION RATE ZONES

**Accounting Entries for
Greenhouse Gas Emissions Compliance Obligation – Customer-Related
Deferral Account No. 179-154**

Account numbers are from the Uniform System of Accounts for Gas Utilities, Class A prescribed under the Ontario Energy Board Act.

| | | |
|--------|---|---|
| Debit | - | Account No.179-154 Other Deferred Charges - Greenhouse Gas Emissions Compliance Obligation - Customer-Related |
| Credit | - | Account No. 579 Miscellaneous Operating Revenue |

To record, as a debit (credit) in Deferral Account No. 179-154, the variance between actual customer-related obligation costs and customer-related obligation costs recovered in rates as approved by the Board.

| | | |
|--------|---|---|
| Debit | - | Account No.179-154 Other Deferred Charges - Greenhouse Gas Emissions Compliance Obligation - Customer-Related |
| Credit | - | Account No. 323 Other Interest Expense |

To record, as a debit (credit) in Deferral Account No. 179-154, interest on the balance in Deferral Account No. 179-154. Simple interest will be computed monthly on the opening balance in the said account in accordance with the methodology approved by the Board in EB-2006-0117.

UNION RATE ZONES

**Accounting Entries for
Greenhouse Gas Emissions Compliance Obligation – Facility-Related
Deferral Account No. 179-155**

Account numbers are from the Uniform System of Accounts for Gas Utilities, Class A prescribed under the Ontario Energy Board Act.

| | | |
|--------|---|--|
| Debit | - | Account No.179-155 Other Deferred Charges - Greenhouse Gas Emissions Compliance Obligation - Facility-Related |
| Credit | - | Account No. 579 Miscellaneous Operating Revenue |

To record, as a debit (credit) in Deferral Account No. 179-155, the variance between actual facility-related obligation costs and facility-related obligation costs recovered in rates as approved by the Board.

| | | |
|--------|---|--|
| Debit | - | Account No.179-155 Other Deferred Charges - Greenhouse Gas Emissions Compliance Obligation - Facility-Related |
| Credit | - | Account No. 323 Other Interest Expense |

To record, as a debit (credit) in Deferral Account No. 179-155, interest on the balance in Deferral Account No. 179-155. Simple interest will be computed monthly on the opening balance in the said account in accordance with the methodology approved by the Board in EB-2006-0117.

DRAFT

UNION RATE ZONES

**Accounting Entries for
Panhandle Reinforcement Project Costs
Deferral Account No. 179-156**

Account numbers are from the Uniform System of Accounts for Gas Utilities, Class A prescribed under the Ontario Energy Board Act.

| | | |
|--------|---|--|
| Debit | - | Account No.179-156 Other Deferred Charges – Panhandle Reinforcement Project Costs |
| Credit | - | Account No. 579 Miscellaneous Operating Revenue |

To record, as a debit (credit) in Deferral Account No. 179-156, the utility tax timing amounts for the Panhandle Reinforcement Project as compared to the utility tax timing amounts included in rates as approved by the Board.

| | | |
|--------|---|--|
| Debit | - | Account No.179-156 Other Deferred Charges – Panhandle Reinforcement Project Costs |
| Credit | - | Account No. 323 Other Interest Expense |

To record, as a debit (credit) in Deferral Account No. 179-156, interest on the balance in Deferral Account No. 179-156. Simple interest will be computed monthly on the opening balance in the said account in accordance with the methodology approved by the Board in EB-2006-0117.

DRAFT

UNION RATE ZONES

**Accounting Entries for
Incremental Capital Module (ICM) Deferral Account
Deferral Account No. 179-XXX**

Account numbers are from the Uniform System of Accounts for Gas Utilities, Class A prescribed under the Ontario Energy Board Act.

Debit - Account No.179- XXX
 Other Deferred Charges – Union Rate Zones – ICM Deferral Account

Credit - Account No. 579
 Miscellaneous Operating Revenue

To record, as a debit (credit) in Deferral Account No. 179-XXX, the difference between the actual revenue requirement for approved ICM Projects and the actual revenues collected through ICM rates approved by the Board.

Debit - Account No.179-XXX
 Other Deferred Charges – Union Rate Zones – ICM Deferral Account

Credit - Account No. 323
 Other Interest Expense

To record, as a debit (credit) in Deferral Account No. 179-XXX, interest on the balance in Deferral Account No. 179-XXX. Simple interest will be computed monthly on the opening balance in the said account in accordance with the methodology approved by the Board in EB-2006-0117.

DRAFT

ENBRIDGE GAS INC.

**Accounting Entries for
Accounting Policy Changes
Deferral Account No. 179-XXX**

Account numbers are from the Uniform System of Accounts for Gas Utilities, Class A prescribed under the Ontario Energy Board Act.

Debit - Account No. 179-XXX
 Accounting Policy Changes

Credit - Account No. 300
 Operating Revenues

To record as a debit (credit) in Deferral Account No. 179-XXX the impact of any accounting changes required as a result of the amalgamation that affect revenue requirement.

Debit - Account No. 179-XXX
 Accounting Policy Changes

Credit - Account No. 323
 Other Interest Expense

To record, as a debit (credit) in Deferral Account No. 179-XXX, interest on the balance in Deferral Account No. 179-XXX. Simple interest will be computed monthly on the opening balance in the said account in accordance with the methodology approved by the Board in EB-2006-0117.

DRAFT

ENBRIDGE GAS INC.

**Accounting Entries for
Earnings Sharing Mechanism Deferral Account
Deferral Account No. 179-XXX**

Account numbers are from the Uniform System of Accounts for Gas Utilities, Class A prescribed under the Ontario Energy Board Act.

| | | |
|--------|---|--|
| Debit | - | Account No. 300 Operating Revenue |
| Credit | - | Account No. 179-XXX Earnings Sharing Mechanism Deferral Account |

To record as a debit (credit) in Deferral Account No. 179-XXX ratepayers' 50% share of utility earnings when actual utility ROE exceeds the Board-approved ROE by 150 basis points in accordance with the Board's Decision in EB-2017-0306/EB-2017-0307.

| | | |
|--------|---|--|
| Debit | - | Account No. 323 Other Interest Expense |
| Credit | - | Account No. 179-XXX Earnings Sharing Mechanism Deferral Account |

To record, as a debit (credit) in Deferral Account No. 179-XXX, interest on the balance in Deferral Account No. 179-XXX. Simple interest will be computed monthly on the opening balance in the said account in accordance with the methodology approved by the Board in EB-2006-0117.

DRAFT

ENBRIDGE GAS INC.

**Accounting Entries for
Tax Variance Deferral Account
Deferral Account No. 179-XXX**

Account numbers are from the Uniform System of Accounts for Gas Utilities, Class A prescribed under the Ontario Energy Board Act.

| | | |
|--------|---|--|
| Debit | - | Account No. 179-XXX Tax Variance Deferral Account |
| Credit | - | Account No. 300 Operating Revenues |

To record as a debit (credit) in Deferral Account No. 179-XXX 50% of the variance in costs resulting from the difference between the actual tax rates and the approved tax rates included in rates as approved by the Board.

| | | |
|--------|---|--|
| Debit | - | Account No. 179-XXX Tax Variance Deferral Account |
| Credit | - | Account No. 323 Other Interest Expense |

To record, as a debit (credit) in Deferral Account No. 179-XXX, interest on the balance in Deferral Account No. 179-XXX. Simple interest will be computed monthly on the opening balance in the said account in accordance with the methodology approved by the Board in EB-2006-0117.

DERIVATION OF 2018 BASE DELIVERY REVENUES AND RATES

Transition from Custom IR (2014 – 2018) to Price Cap IR (2019 – 2023)

1. The EGD rate zone has operated under the Custom Incentive Rate (“IR”) rate setting framework that the Board approved under EB-2013-0202 for the 2014 to 2018 period.
2. Under the Custom IR framework the Board approved the cost elements for the derivation of the Allowed Revenue for each year of the IR term. The Allowed Revenue reflected forecast distribution costs (where most of these costs were set at the outset of the Custom IR term and some, such as DSM, were updated annually) and forecast gas costs (where all of the costs were updated annually).
3. The Company used the fully allocated cost study (“FACS”) to allocate the Allowed Revenue to the customer classes and developed rates to recover the Allowed Revenue based on the results of the FACS. The FACS was updated annually to reflect forecast costs and forecast cost drivers with the results being used as the starting point for rate design.
4. In order to set rates for the test year, total revenues at existing rates were compared to the Allowed Revenue for the test year and the resulting revenue deficiency/sufficiency was used to adjust (increase / decrease) rates annually (except for gas cost changes that are part of the Company’s QRAM methodology).
5. Using this process the Company designed rates for each service provided to customers and recovered the forecast Allowed Revenue for the test year.

6. The rates designed based on the results of the FACS (i.e. based on cost causality) have most of the distribution costs recovered through the Company's delivery rates, however, some distribution related costs are recovered from the commodity, transportation and load balancing rates (given that such distribution costs (i.e. system gas administration, bad debt commodity, or return on gas in inventory) support provisions of these services to customers). Similarly, some gas costs, storage and unaccounted for gas (i.e., distribution commodity) costs are recovered through the Company's delivery rates.
7. The EGD rate zone will adopt Price Cap IR rate setting framework for the 2019 to 2023 period. Under Price Cap IR distribution related revenues and rates are derived based on a Price Cap formula with the exception of pass through (Y-factor) costs, such as Demand Side Management ("DSM") and gas costs.
8. A Price Cap IR rate setting mechanism adjusts distribution related revenues and rates on an annual basis using a Price Cap Index ("PCI"), which is comprised off an inflation factor, a productivity factor and a stretch factor. Pass through (Y-factor) costs, such as DSM and gas costs, reflect forecast of costs for these elements for the test year. Pass through costs are subject to a deferral or variance account treatment and are passed through to customers at cost.
9. As mentioned above, the EGD rate zone 2018 existing rates recover the majority of distribution related costs through the delivery rates, however, the delivery rates also recover the costs of third party storage and lost and unaccounted for gas.
10. Likewise, some distribution related costs are recovered through the gas supply, transportation, and load balancing rates given that such distribution costs support the provision of these

services (and that only customers who are using gas supply, transportation or load balancing services should pay for these costs).

11. In order to properly apply the PCI to distribution revenues only, adjustments must be first made to each component of EGD's rates to remove those costs / revenues that are not escalated by the PCI, specifically gas costs and DSM costs.
12. For that reason, the EGD rate zone has prepared Exhibit F1, Tab 1, Rate Order, Working Papers, Schedule 4 exhibits which isolate the base delivery / distribution only revenue and rates in each component of its Board-approved October 1, 2018 QRAM rates.
13. To derive 2018 base delivery revenues and rates for each customer class, gas cost revenues need to be removed first from each customer class at October 1, 2018 QRAM revenues and rates. This derivation can be seen at Schedule 4 as follows:
 - Col. (b) and (c) reflect Board-approved October 1, 2018 QRAM revenues and rates for each rate class;
 - Col. (d) and (e) reflect the removal of October 1, 2018 QRAM gas cost revenues and rates (also please refer to Schedule 4, Appendix A, Attachment 1 for October 1, 2018 QRAM gas costs by rate class);
 - Col. (f) reflects the 2018 delivery revenue net of gas costs for the EGD rate zone (also please refer to Schedule 4, Appendix A, Attachment 2 for reconciliation of 2018 delivery revenue net of gas costs to Schedule 2, Col. (a) and Schedule 7, Page 1, Col. (f)).

14. Next, 2018 DSM costs are removed for each customer class (i.e. Y-factor costs are not escalated by the PCI):
 - Col. (g) reflects the removal of 2018 DSM costs
15. And lastly, the Board-approved adjustments to 2018 rates from the Board's MAADs' Decision and Order (EB-2017-0306 and EB-2017-0307) are added in (i.e. base year adjustments are escalated by the PCI):
 - Col. (h) reflects the adjustment for Pension and OPEB Costs
 - Col. (i) reflects the adjustment for CIS and Customer Care Costs
 - Col. (j) reflects the adjustment for Tax Deduction Related to SRC Refund.
16. These steps have established the 2018 base delivery / distribution revenues and rates that can properly be subject to the PCI escalation for 2019:
 - Col. (k) reflects the base 2018 delivery revenues
 - Col. (l) reflects the base 2018 delivery rates.
17. The 2018 base delivery revenues and rates in Col (k) and (l) are carried forward to Schedule 5 in Col. (b) and (c) and become starting revenues and rates subject to the PCI escalation for the derivation of 2019 base delivery revenues and rates.
18. In Schedule 6 the 2019 base delivery rates, 2019 DSM unit rates, and 2019 gas cost rates are combined to derive the proposed 2019 rates for all EGD rate zone services.
19. The rates for pass through (Y-factor) costs are derived based on Board-approved cost allocation and rate design methodologies and are passed through to customers at cost.

UNION TRANSITIONAL DOCUMENT
2014-2018 Price Cap to 2019-2023 Price Cap

This document is used to support the transition of the Union rate zones from the former Price Cap IR (2014-2018) to the deferred rebasing Price Cap IR (2019-2023) for base rates as calculated at Exhibit F1, Tab 2, Rate Order, Working Papers, Schedule 5.

1. The Union rate zones have operated under the Price Cap Incentive Regulation mechanism (“Price Cap IR”) rate setting framework that the Board approved under EB-2013-0202 for the 2014 to 2018 period.
2. During the deferred rebasing period from 2019 to 2023, the Union rate zones will continue to operate under a Price Cap IR, as approved by the Board in the MAADs Decision. Under the Price Cap IR, in-franchise distribution and ex-franchise transportation revenues and rates are derived based on a Price Cap formula with the exception of pass through (Y factor) costs, such as Demand Side Management (“DSM”) and upstream transportation (“gas”) costs. Enbridge Gas has also proposed to continue to make rate adjustments for the Parkway Delivery Obligation costs during the deferred rebasing period, which is described at Exhibit B1, Tab 1, Schedule 1, Section 4.2.3.
3. A Price Cap IR rate setting mechanism adjusts distribution / transportation related revenues and rates on an annual basis using a Price Cap Index (“PCI”), which is comprised of an inflation factor, a productivity factor and a stretch factor. Pass through (Y factor) costs, such as DSM and gas costs, reflect the forecast of costs for these elements for the test year. Pass through costs are subject to a deferral or variance account treatment and are passed through to customers at cost.

4. The calculation of base rates is provided at Exhibit F1, Tab 2, Rate Order, Working Papers, Schedule 5. In order to properly apply the PCI to the revenues that are subject to PCI escalation, adjustments are first made to the 2018 base revenue in Col. (b) to each component of the Union North and Union South rates to remove those costs / revenues that are not escalated by the PCI, specifically DSM, PDO, gas costs and capital pass-through.
 - a. Col. (d) reflects the removal of 2018 DSM costs
 - b. Col. (e) reflects the removal of 2018 PDO costs
 - c. Col. (f) reflects the removal of gas costs
 - d. Col. (h) reflects the removal of 2018 capital pass-through costs
5. Next, the 2018 base revenue was adjusted for the base rate adjustment to remove the deferred tax drawdown credit from 2018 rates, as approved by the Board in the MAADs Decision (ie. base rate adjustments are escalated by the PCI).
 - a. Col. (g) reflects the base rate deferred tax drawdown adjustment
6. The 2018 base revenues and rates in Col (i) are subject to the PCI escalation for the derivation of 2019 base revenues and rates.
 - a. Col. (j) reflects the annual adjustment for PCI
 - b. Col. (k) reflects the annual PCI percent
7. To derive the base rates for the test year, gas costs are added back to base rates without PCI escalation. In the Union rate zones, the gas costs are applicable to the Union North storage and transportation rates that are set based on the gas supply plan for the 2018 calendar year. As there is no change to the total gas costs included in rates in 2019, the net gas cost adjustment is zero. Any variance between the gas costs included in rates and the actual gas costs is trued-up in the Union North gas cost deferral accounts as part of the QRAM process.

- a. Col. (l) reflects the addition of gas costs
8. Union has proposed a one-time adjustment to rates for the 2019 capital pass-through project costs, as described at Exhibit B1, Tab 1, Schedule 1, Section 4.2.1.
- a. Col. (m) reflects the addition of 2019 capital pass-through costs
9. Prior to deriving 2019 base rates, there is an adjustment made at Col. (n) to the monthly customer charge related to the customer-related cost variance, which is required to maintain the current levels of customer charges for general service customers. Proposed changes to the monthly customer charge adjustment are described at Exhibit B1, Tab 1, Schedule 1, Section 4.2.2.
10. To derive the 2019 base rates in Col. (r), the proposed revenue in Col. (o) is divided by the proposed base rates forecast, which is adjusted for changes in NAC for general service customers and LRAM for contract rate customers, as described at Exhibit B1, Tab 1, Schedule 1, Section 1.3.
- a. Col. (p) reflects the NAC / LRAM forecast adjustments
 - b. Col. (q) reflects the proposed base rates forecast usage
11. The 2019 base rates derived in Schedule 5 are carried forward to Schedule 6 where the 2019 base delivery rates, 2019 DSM unit rates, 2019 PDO unit rates and 2019 ICM unit rates are combined to derive the proposed 2019 rates.
12. The unit rates for pass through (Y factor) costs are derived based on Board-approved cost allocation and rate design methodologies, subject to the Enbridge Gas DSM budget proposal

described at Exhibit B1, Tab 1, Schedule 1, Section 4.2.4, and are passed through to customers at cost.

13. The unit rates for ICM are derived based on Board-approved cost allocation and rate design methodologies and are described in detail at Exhibit B1, Tab 2, Schedule 1, Section 5 and Section 6, and are passed through to customers at cost.

Union Rate Zones
Current and Proposed Monthly Customer Charge Cost Adjustments
General Service Rate 01 and Rate M1 Base Delivery Rates

| Line No. | Particulars | Billing Units | Current Approved Revenue (1) (\$000's) | Proposed Base Rate Forecast Usage (1) (m ³) | Prior to Cost Adjustment | | Current Cost Adjustment | | | | Proposed Cost Adjustment | | | |
|-----------------------------|-----------------------------|--------------------------------|---|--|----------------------------|---|-------------------------------|-------------------------|----------------------------|---|-------------------------------|-------------------------|----------------------------|---|
| | | | | | Proposed Revenue (\$000's) | Proposed Base Rates (cents / m ³) | Cost (2) Adjustment (\$000's) | Cost (2) Adjustment (%) | Proposed Revenue (\$000's) | Proposed Base Rates (cents / m ³) | Cost (3) Adjustment (\$000's) | Cost (3) Adjustment (%) | Proposed Revenue (\$000's) | Proposed (4) Base Rates (cents / m ³) |
| | | | (a) | (b) | (b) | (c) = (b / a) | (c) | (d) | (e) | (f) = (e / b x 100) | (g) | (h) | (i) | (j) = (i / b x 100) |
| <u>Union North</u> | | | | | | | | | | | | | | |
| Rate 01 General Service (5) | | | | | | | | | | | | | | |
| 1 | Monthly Charge | bills | 80,634 | 3,839,732 | 83,630 | \$21.78 | (2,995) | -100% | 80,634 | \$21.00 | (2,995) | -100% | 80,634 | \$21.00 |
| Monthly Delivery Charge | | | | | | | | | | | | | | |
| 2 | First 100 m ³ | 10 ³ m ³ | 24,503 | 269,091 | 22,164 | 8.2367 | 925 | 31% | 23,089 | 8.5805 | 1,968 | 66% | 24,133 | 8.9683 |
| 3 | Next 200 m ³ | 10 ³ m ³ | 27,111 | 305,546 | 24,523 | 8.0261 | 1,023 | 34% | 25,547 | 8.3610 | 508 | 17% | 25,031 | 8.1922 |
| 4 | Next 200 m ³ | 10 ³ m ³ | 11,336 | 133,292 | 10,254 | 7.6928 | 428 | 14% | 10,682 | 8.0138 | 212 | 7% | 10,466 | 7.8520 |
| 5 | Next 500 m ³ | 10 ³ m ³ | 7,435 | 91,039 | 6,725 | 7.3868 | 281 | 9% | 7,006 | 7.6951 | 139 | 5% | 6,864 | 7.5397 |
| 6 | Over 1,000 m ³ | 10 ³ m ³ | 8,960 | 113,601 | 8,104 | 7.1340 | 338 | 11% | 8,443 | 7.4318 | 168 | 6% | 8,272 | 7.2817 |
| 7 | Delivery Commodity charge | | 79,345 | 912,568 | 71,771 | 7.8647 | 2,995 | 100% | 74,766 | 8.1929 | 2,995 | 100% | 74,766 | 8.1929 |
| 8 | Total | | 159,979 | 912,568 | 155,400 | 17.0289 | - | | 155,400 | 17.0289 | - | | 155,400 | 17.0289 |
| <u>Union South</u> | | | | | | | | | | | | | | |
| Rate M1 General Service (5) | | | | | | | | | | | | | | |
| 9 | Monthly Charge | bills | 266,843 | 12,706,802 | 278,415 | \$21.91 | (11,572) | -100% | 266,843 | \$21.00 | (11,572) | -100% | 266,843 | \$21.00 |
| Monthly Delivery Charge | | | | | | | | | | | | | | |
| 10 | First 100 m ³ | 10 ³ m ³ | 42,948 | 881,835 | 31,383 | 3.5588 | 3,848 | 33% | 35,230 | 3.9951 | 9,053 | 78% | 40,435 | 4.5854 |
| 11 | Next 150 m ³ | 10 ³ m ³ | 36,156 | 783,045 | 26,416 | 3.3736 | 3,239 | 28% | 29,656 | 3.7872 | 1,057 | 9% | 27,473 | 3.5085 |
| 12 | All over 250 m ³ | 10 ³ m ³ | 50,063 | 1,262,985 | 36,562 | 2.8949 | 4,485 | 39% | 41,047 | 3.2500 | 1,463 | 13% | 38,025 | 3.0107 |
| 13 | Delivery Commodity charge | | 129,167 | 2,927,865 | 94,361 | 3.2229 | 11,572 | 100% | 105,933 | 3.6181 | 11,572 | 100% | 105,933 | 3.6181 |
| 14 | Total | | 396,010 | 2,927,865 | 372,776 | 12.7320 | - | | 372,776 | 12.7320 | - | | 372,776 | 12.7320 |

Notes:

- (1) Exhibit F1, Tab 2, Rate Order, Working Papers, Schedule 5, column (b) and column (q).
- (2) Customer-related cost adjustment from the monthly charge to the monthly delivery charges in proportion to column (a) excluding the monthly charge revenue.
- (3) Customer-related cost adjustment from the monthly charge to the monthly delivery charges in proportion to column (a) including the monthly charge revenue allocated to the first delivery block.
- (4) Exhibit F1, Tab 2, Rate Order, Working Papers, Schedule 5, column (r).
- (5) Rate 01 and Rate M1 base delivery rates, excluding PDO, DSM and ICM unit rates.

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ENBRIDGE GAS INC.
UNION NORTH
RATE 01 - SMALL VOLUME GENERAL FIRM SERVICE

ELIGIBILITY

Any customer in Union's North West and North East Zones who is an end user whose total gas requirements at that location are equal to or less than 50,000 m³ per year.

SERVICES AVAILABLE

The following services are available under this rate schedule:

(a) **Sales Service**

For continuous supply of natural gas by Union and associated transportation and storage services necessary to ensure deliverability in accordance with the customer's needs. For this service, the Monthly, Delivery and Gas Supply Charges shall apply.

(b) **Transportation Service**

For continuous delivery on Union's distribution system from the Point of Receipt on TransCanada's system to the Point of Consumption on the customer's premises of natural gas owned by the customer and transported by TransCanada under a firm transportation service tariff or equivalent National Energy Board Order. For this service, the Monthly and Delivery Charges shall apply. Unless otherwise authorized by Union, customers who initiate a movement to Transportation Service from a Sales Service or Bundled Transportation Service must accept an assignment from Union of transportation capacity on upstream pipeline systems.

Transportation Service customers in the Union North East Zone may contract with Union for transportation service from Dawn to the customer's delivery area. The charges for the transportation service will consist of the Rate C1 Dawn-Parkway firm transportation rate and applicable fuel charges, in accordance with Union's Rate C1 rate schedule, and all applicable third party (i.e. TransCanada) transportation charges on upstream pipelines from Parkway to the customer's delivery area.

(c) **Bundled Transportation Service**

For continuous delivery by Union of gas owned by the customer and for the associated transportation and storage services necessary to ensure deliverability in accordance with the customer's needs. For this service the Monthly, and Delivery Charges, as well as the Storage and Transportation Charges of the Gas Supply Charge shall apply.

MONTHLY RATES AND CHARGES

| <u>APPLICABLE TO ALL SERVICES</u> | <u>Union North West</u> | <u>Union North East</u> |
|---|-----------------------------|-----------------------------|
| <u>MONTHLY CHARGE</u> | \$21.00 | \$21.00 |
| <u>DELIVERY CHARGE</u> | <u>¢ per m³</u> | <u>¢ per m³</u> |
| First 100 m ³ per month @ | 10.0484 | 10.0484 |
| Next 200 m ³ per month @ | 9.2549 | 9.2549 |
| Next 200 m ³ per month @ | 8.8872 | 8.8872 |
| Next 500 m ³ per month @ | 8.5496 | 8.5496 |
| Over 1,000 m ³ per month @ | 8.2708 | 8.2708 |
| Delivery-Price Adjustment (All Volumes) (1) | 0.5323 | 0.5323 |
| Cap-and-Trade Customer-Related - Price Adjustment (if applicable) (2) | (0.0358) | (0.0358) |
| Cap-and-Trade Facility-Related - Price Adjustment (3) | (0.1122) | (0.1122) |

Notes:

- (1) Includes a temporary credit of (0.0391) cents/m³ expiring March 31, 2019, a temporary charge of 0.0644 cents/m³ for the period February 1, 2018 to December 31, 2018, and a temporary charge of 0.5070 cents/m³ expiring December 31, 2018.
- (2) Includes a temporary credit of (0.0358) cents/m³ expiring December 31, 2018.
- (3) Includes a temporary credit of (0.1122) cents/m³ expiring December 31, 2018.

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2019-01-01
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ADDITIONAL CHARGES FOR SALES SERVICE

GAS SUPPLY CHARGES

Gas Supply Charge (if applicable)

The gas supply charge is comprised of charges for transportation and for commodity and fuel.
The applicable rates are provided in Schedule “A”.

SYSTEM EXPANSION SURCHARGE ("SES") (if applicable)

The system expansion surcharge is applied to all volumes consumed for a defined term and is applicable to customers within the following approved community expansion project areas:

| <u>Community Expansion Project</u> | <u>SES Rate (¢ per m³)</u> | <u>SES Term Expiry</u> |
|------------------------------------|---------------------------------------|------------------------|
| Prince Township | 23.0000 | December 31, 2040 |

MONTHLY BILL

The monthly bill will equal the sum of the monthly charges plus the rates multiplied by the applicable gas quantities delivered plus all applicable taxes. If the customer transports its own gas, the Gas Supply Charge under Sales Service will not apply.

MINIMUM MONTHLY BILL

The Minimum Monthly Bill shall be the Monthly Charge.

DELAYED PAYMENT

The monthly late payment charge equal to 1.5% per month or 18% per annum (for an approximate effective rate of 19.56% per annum) multiplied by the total of all unpaid charges will be added to the bill if full payment is not received by the late payment effective date, which is 20 days after the bill has been issued.

SERVICE AGREEMENT

Customers providing their own gas supply in whole or in part, for transportation by Union, must enter into a Service Agreement with Union.

TERMS AND CONDITIONS OF SERVICE

1. If multiple end-users are receiving service from a customer under this rate, for billing purposes, the Monthly Charge, the Delivery Charge and any other charge that is specific to the location of each end-user shall be used to develop a monthly bill for each end-user at each location. Upon request, possibly for a fee, Union will combine the individual bills on a single invoice or statement for administrative convenience. However, Union will not combine the quantities or demands of several end-use locations so that eligibility to a different rate class will result. Further, Union will not combine the monthly billing data of individual end-users to generate a single bill which is less than the sum of the monthly bills of the individual end-users involved at each location.
2. Customers must enter into a Service Agreement with Union prior to the commencement of service.
3. The identified rates (excluding gas supply charges, if applicable) represent maximum prices for service. These rates may change periodically. Multi-year prices may also be negotiated, which may be higher than the identified rates.

Effective January 1, 2019
Implemented January 1, 2019
O.E.B. Order # EB-2018-0305

Supersedes EB-2018-0253 Rate Schedule effective October 1, 2018.

Effective
2019-01-01
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ENBRIDGE GAS INC.
UNION NORTH
RATE 10 - LARGE VOLUME GENERAL FIRM SERVICE

ELIGIBILITY

Any customer in Union's North West and North East Zones who is an end-user whose total firm gas requirements at one or more Company-owned meters at one location exceed 50,000 m³ per year.

SERVICES AVAILABLE

The following services are available under this rate schedule:

(a) **Sales Service**

For continuous supply of natural gas by Union and associated transportation and storage services necessary to ensure deliverability in accordance with the customer's needs. For this service, the Monthly, Delivery and Gas Supply Charges shall apply.

(b) **Transportation Service**

For continuous delivery on Union's distribution system from the Point of Receipt on TransCanada's system to the Point of Consumption on the customer's premises of natural gas owned by the customer and transported by TransCanada under a firm transportation service tariff or equivalent National Energy Board Order. For this service, the Monthly, and Delivery Charges shall apply. Unless otherwise authorized by Union, customers who initiate a movement to Transportation Service from a Sales Service or Bundled Transportation Service must accept an assignment from Union of transportation capacity on upstream pipeline systems. Customers may reduce their assignment of transportation capacity in compliance with Union's Turnback Policy.

Transportation Service customers in the Union North East Zone may contract with Union for transportation service from Dawn to the customer's delivery area. The charges for the transportation service will consist of the Rate C1 Dawn-Parkway firm transportation rate and applicable fuel charges, in accordance with Union's Rate C1 rate schedule, and all applicable third party (i.e. TransCanada) transportation charges on upstream pipelines from Parkway to the customer's delivery area.

(c) **Bundled Transportation Service**

For continuous delivery by Union of gas owned by the customer and for the associated transportation and storage services necessary to ensure deliverability in accordance with the customer's needs. For this service the Monthly, and Delivery Charges, as well as the Storage and Transportation Charges of the Gas Supply Charge shall apply.

MONTHLY RATES AND CHARGES

| <u>APPLICABLE TO ALL SERVICES</u> | <u>Union North West</u> | <u>Union North East</u> |
|---|-----------------------------|-----------------------------|
| <u>MONTHLY CHARGE</u> | \$70.00 | \$70.00 |
| <u>DELIVERY CHARGE</u> | <u>¢ per m³</u> | <u>¢ per m³</u> |
| First 1,000 m ³ per month @ | 8.2572 | 8.2572 |
| Next 9,000 m ³ per month @ | 6.7388 | 6.7388 |
| Next 20,000 m ³ per month @ | 6.0762 | 6.0762 |
| Next 70,000 m ³ per month @ | 5.5209 | 5.5209 |
| Over 100,000 m ³ per month @ | 3.4170 | 3.4170 |
| Delivery-Price Adjustment (All Volumes) (1) | 0.0494 | 0.0494 |
| Cap-and-Trade Customer-Related - Price Adjustment (if applicable) (2) | (0.6064) | (0.6064) |
| Cap-and-Trade Facility-Related - Price Adjustment (3) | (0.0754) | (0.0754) |

Notes:

- (1) Includes a temporary credit of (0.1115) cents/m³ expiring March 31, 2019, a temporary charge of 0.0404 cents/m³ for the period February 1, 2018 to December 31, 2018, and a temporary charge of 0.1205 cents/m³ expiring December 31, 2018.
- (2) Includes a temporary credit of (0.6064) cents/m³ expiring December 31, 2018.
- (3) Includes a temporary credit of (0.0754) cents/m³ expiring December 31, 2018.

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ADDITIONAL CHARGES FOR SALES SERVICE

GAS SUPPLY CHARGES

Gas Supply Charge (if applicable)

The gas supply charge is comprised of charges for transportation and for commodity and fuel.
The applicable rates are provided in Schedule "A".

SYSTEM EXPANSION SURCHARGE ("SES") (if applicable)

The system expansion surcharge is applied to all volumes consumed for a defined term and is applicable to customers within the following approved community expansion project areas:

| <u>Community Expansion Project</u> | <u>SES Rate (¢ per m³)</u> | <u>SES Term Expiry</u> |
|------------------------------------|---------------------------------------|------------------------|
| Prince Township | 23.0000 | December 31, 2040 |

MONTHLY BILL

The monthly bill will equal the sum of the monthly charges plus the rates multiplied by the applicable gas quantities delivered plus all applicable taxes. If the customer transports its own gas, the Gas Supply Charge under Sales Service will not apply.

MINIMUM MONTHLY BILL

The Minimum Monthly Bill shall be the Monthly Charge.

DELAYED PAYMENT

The monthly late payment charge equal to 1.5% per month or 18% per annum (for an approximate effective rate of 19.56% per annum) multiplied by the total of all unpaid charges will be added to the bill if full payment is not received by the late payment effective date, which is 20 days after the bill has been issued.

SERVICE AGREEMENT

Customers providing their own gas supply in whole or in part, for transportation by Union and customers purchasing gas from Union with maximum daily requirements in excess of 3,000 m³ per day must enter into a Service Agreement with Union.

TERMS AND CONDITIONS OF SERVICE

1. Service shall be for a minimum term of one year.
2. If multiple end-users are receiving service from a customer under this rate, for billing purposes, the Monthly Charge, the Delivery Charge and any other charge that is specific to the location of each end-user shall be used to develop a monthly bill for each end-user at each location. Upon request, possibly for a fee, Union will combine the individual bills on a single invoice or statement for administrative convenience. However, Union will not combine the quantities or demands of several end-use locations so that eligibility to a different rate class will result. Further, Union will not combine the monthly billing data of individual end-users to generate a single bill which is less than the sum of the monthly bills of the individual end-users involved at each location.
3. Customers must enter into a Service Agreement with Union prior to the commencement of service.
4. For the purposes of qualifying for a rate class, the total quantities of gas consumed or expected to be consumed on the customer's contiguous property will be used, irrespective of the number of meters installed.
5. The identified rates (excluding gas supply charges, if applicable) represent maximum prices for service. These rates may change periodically. Multi-year prices may also be negotiated, which may be higher than the identified rates.

Effective January 1, 2019
Implemented January 1, 2019
O.E.B. Order # EB-2018-0305

Supersedes EB-2018-0253 Rate Schedule effective October 1, 2018.

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ENBRIDGE GAS INC.
UNION SOUTH
SMALL VOLUME GENERAL SERVICE RATE

(A) Availability

Available to customers in Union's Southern Delivery Zone.

(B) Applicability

To general service customers whose total consumption is equal to or less than 50,000 m³ per year.

(C) Rates

The identified rates (excluding gas supply charges, if applicable) represent maximum prices for service. These rates may change periodically. Multi-year prices may also be negotiated which may be higher than the identified rates.

| | | | |
|---|--------------------|----------|----------------------|
| a) Monthly Charge | | | \$21.00 |
| b) Delivery Charge | | | |
| First | 100 m ³ | 5.9775 | ¢ per m ³ |
| Next | 150 m ³ | 4.8283 | ¢ per m ³ |
| All Over | 250 m ³ | 4.1436 | ¢ per m ³ |
| Delivery - Price Adjustment (All Volumes) (1) | | 0.7823 | ¢ per m ³ |
| Cap-and-Trade Customer-Related - Price Adjustment (if applicable) (2) | | (0.2101) | ¢ per m ³ |
| Cap-and-Trade Facility-Related - Price Adjustment (3) | | (0.0476) | ¢ per m ³ |
| c) Storage Charge (if applicable) | | 0.7653 | ¢ per m ³ |
| Storage - Price Adjustment (All Volumes) (4) | | 0.0039 | ¢ per m ³ |

Applicable to all bundled customers (sales and bundled transportation service).

d) Gas Supply Charge (if applicable)

The gas supply charge is comprised of charges for transportation and for commodity and fuel.
The applicable rates are provided in Schedule "A".

e) System Expansion Surcharge ("SES") (if applicable)

The system expansion surcharge is applied to all volumes consumed for a defined term and is applicable to customers within the following approved community expansion project areas:

| <u>Community Expansion Project</u> | <u>SES Rate (¢ per m³)</u> | <u>SES Term Expiry</u> |
|--|---------------------------------------|------------------------|
| Kettle and Stony Point First Nation and Lambton Shores | 23.0000 | December 31, 2029 |
| Milverton, Rostock and Wartburg | 23.0000 | December 31, 2032 |
| Delaware Nation of Moraviantown First Nation | 23.0000 | December 31, 2058 |

During any month in which a customer terminates service or begins service, the fixed charge for the month will be prorated to such customer.

Notes:

- (1) Includes a temporary charge of 0.2716 cents/m³ expiring March 31, 2019, and a temporary charge of 0.0825 cents/m³ for the period February 1, 2018 to December 31, 2018, and a temporary charge of 0.4282 cents/m³ expiring December 31, 2018.
- (2) Includes a temporary credit of (0.2101) cents/m³ expiring December 31, 2018.
- (3) Includes a temporary credit of (0.0476) cents/m³ expiring December 31, 2018.
- (4) Includes a temporary charge of 0.0039 cents/m³ for the period February 1, 2018 to December 31, 2018.

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(D) Supplemental Service to Commercial and Industrial Customers Under Group Meters

Combination of readings from several meters may be authorized by the Company and the Company will not reasonably withhold authorization in cases where meters are located on contiguous pieces of property of the same owner not divided by a public right-of-way.

(E) Delayed Payment

The monthly late payment charge equal to 1.5% per month or 18% per annum (for an approximate effective rate of 19.56% per annum) multiplied by the total of all unpaid charges will be added to the bill if full payment is not received by the late payment effective date, which is 20 days after the bill has been issued.

(F) Direct Purchase

Unless otherwise authorized by Union, customers who are delivering gas to Union under direct purchase arrangements must obligate to deliver at a point(s) specified by Union, and must acquire and maintain firm transportation on all upstream pipeline systems. Customers initiating direct purchase arrangements, who previously received Gas Supply service, must also accept, unless otherwise authorized by Union, an assignment from Union of transportation capacity on upstream pipeline systems.

(G) Overrun Charge

In the event that a direct purchase customer fails to deliver its contracted volumes to Union, and Union has the capability to continue to supply the customer, Union will do so. The customer may pay for the identified delivery charge and the total gas supply charge for utility sales provided in Schedule "A" per m³, plus 7¢ per m³.

| | | |
|---|----------|----------------------|
| Overrun Delivery Charge | 6.7428 | ¢ per m ³ |
| Cap-and-Trade Customer-Related - Price Adjustment (if applicable) (2) | (0.2101) | ¢ per m ³ |
| Cap-and-Trade Facility-Related - Price Adjustment (3) | (0.0476) | ¢ per m ³ |

Notes:

- (1) Includes a temporary credit of (0.2101) cents/m³ expiring December 31, 2018.
(2) Includes a temporary credit of (0.0476) cents/m³ expiring December 31, 2018.

(H) Bundled Direct Purchase Delivery

Where a customer elects transportation service under this rate schedule, the customer must enter into a Bundled T Gas Contract with Union for delivery of gas to Union. Bundled T Gas Contract Rates and Gas Purchase Contract Rates are described in rate schedule R1.

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(I) Company Policy Relating to Terms of Service

- a. Customers who temporarily discontinue service during any twelve consecutive months without payment of the monthly fixed charge for the months in which the gas is temporarily disconnected shall pay for disconnection and reconnection.
- b. When gas is delivered at an absolute pressure in excess of 101.325 kilopascals, then for purposes of measurement, hereunder, such volume of gas shall be corrected to an absolute pressure of 101.325 kilopascals. Atmospheric pressure is assumed to be the levels shown below in kilopascals (absolute) regardless of the actual atmospheric pressure at which the gas is measured and delivered.

| <u>Zone</u> | Assumed Atmospheric Pressure <u>kPa</u> | | Assumed Atmospheric Pressure <u>kPa</u> |
|-------------|--|----|--|
| 1 | 100.148 | 7 | 97.582 |
| 2 | 99.494 | 8 | 97.065 |
| 3 | 98.874 | 9 | 96.721 |
| 4 | 98.564 | 10 | 100.561 |
| 5 | 98.185 | 11 | 99.321 |
| 6 | 97.754 | 12 | 98.883 |

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Supersedes EB-2018-0253 Rate Schedule effective October 1, 2018.

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2019-01-01
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ENBRIDGE GAS INC.
UNION SOUTH
LARGE VOLUME GENERAL SERVICE RATE

(A) Availability

Available to customers in Union's Southern Delivery Zone.

(B) Applicability

To general service customers whose total consumption is greater than 50,000 m³ per year.

(C) Rates

The identified rates (excluding gas supply charges, if applicable) represent maximum prices for service. These rates may change periodically. Multi-year prices may also be negotiated which may be higher than the identified rates.

a) Monthly Charge \$70.00

b) Delivery Charge

| | | | |
|----------|-----------------------|--------|----------------------|
| First | 1 000 m ³ | 4.9042 | ¢ per m ³ |
| Next | 6 000 m ³ | 4.7581 | ¢ per m ³ |
| Next | 13 000 m ³ | 4.5915 | ¢ per m ³ |
| All Over | 20 000 m ³ | 4.2540 | ¢ per m ³ |

Delivery – Price Adjustment (All Volumes) (1) 0.2924 ¢ per m³

Cap-and-Trade Customer-Related - Price Adjustment (if applicable) (2) (0.4772) ¢ per m³

Cap-and-Trade Facility-Related - Price Adjustment (3) (0.0197) ¢ per m³

c) Storage Charge (if applicable) 0.6730 ¢ per m³

Storage - Price Adjustment (All Volumes) (4) 0.0049 ¢ per m³

Applicable to all bundled customers (sales and bundled transportation service).

d) Gas Supply Charge (if applicable)

The gas supply charge is comprised of charges for transportation and for commodity and fuel.
The applicable rates are provided in Schedule "A".

e) System Expansion Surcharge ("SES") (if applicable)

The system expansion surcharge is applied to all volumes consumed for a defined term and is applicable to customers within the following approved community expansion project areas:

| <u>Community Expansion Project</u> | <u>SES Rate (¢ per m³)</u> | <u>SES Term Expiry</u> |
|--|---------------------------------------|------------------------|
| Kettle and Stony Point First Nation and Lambton Shores | 23.0000 | December 31, 2029 |
| Milverton, Rostock and Wartburg | 23.0000 | December 31, 2032 |
| Delaware Nation of Moraviantown First Nation | 23.0000 | December 31, 2058 |

During any month in which a customer terminates service or begins service, the fixed charge for the month will be prorated to such customer.

Notes:

- (1) Includes a temporary charge of 0.1127 cents/m³ expiring March 31, 2019, and a temporary charge of 0.0854 cents/m³ for the period February 1, 2018 to December 31, 2018, and a temporary charge of 0.0943 cents/m³ expiring December 31, 2018.
- (2) Includes a temporary credit of (0.4772) cents/m³ expiring December 31, 2018.
- (3) Includes a temporary credit of (0.0197) cents/m³ expiring December 31, 2018.
- (4) Includes a temporary charge of 0.0049 cents/m³ for the period February 1, 2018 to December 31, 2018.

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(D) Supplemental Service to Commercial and Industrial Customers Under Group Meters

Combination of readings from several meters may be authorized by the Company and the Company will not reasonably withhold authorization in cases where meters are located on contiguous pieces of property of the same owner not divided by a public right-of-way.

(E) Delayed Payment

The monthly late payment charge equal to 1.5% per month or 18% per annum (for an approximate effective rate of 19.56% per annum) multiplied by the total of all unpaid charges will be added to the bill if full payment is not received by the late payment effective date, which is 20 days after the bill has been issued.

(F) Direct Purchase

Unless otherwise authorized by Union, customers who are delivering gas to Union under direct purchase arrangements must obligate to deliver at a point(s) specified by Union, and must acquire and maintain firm transportation on all upstream pipeline systems. Customers initiating direct purchase arrangements, who previously received Gas Supply service, must also accept, unless otherwise authorized by Union, an assignment from Union of transportation capacity on upstream pipeline systems.

(G) Overrun Charge

In the event that a direct purchase customer fails to deliver its contracted volumes to Union, and Union has the capability to continue to supply the customer, Union will do so. The customer may pay for the identified delivery charge and the total gas supply charge for utility sales provided in Schedule "A" per m³, plus 7¢ per m³.

| | | |
|---|----------|----------|
| Overrun Delivery Charge | 5.5772 | ¢ per m³ |
| Cap-and-Trade Customer-Related - Price Adjustment (if applicable) (2) | (0.4772) | ¢ per m³ |
| Cap-and-Trade Facility-Related - Price Adjustment (3) | (0.0197) | ¢ per m³ |

Notes:

- (1) Includes a temporary credit of (0.4772) cents/m³ expiring December 31, 2018.
- (2) Includes a temporary credit of (0.0197) cents/m³ expiring December 31, 2018.

(H) Bundled Direct Purchase Delivery

Where a customer elects transportation service under this rate schedule, the customer must enter into a Bundled T Gas Contract with Union for delivery of gas to Union. Bundled T Gas Contract Rates and Gas Purchase Contract Rates are described in rate schedule R1.

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(I) Company Policy Relating to Terms of Service

- a. Customers who temporarily discontinue service during any twelve consecutive months without payment of the monthly fixed charge for the months in which the gas is temporarily disconnected shall pay for disconnection and reconnection.
- b. When gas is delivered at an absolute pressure in excess of 101.325 kilopascals, then for purposes of measurement, hereunder, such volume of gas shall be corrected to an absolute pressure of 101.325 kilopascals. Atmospheric pressure is assumed to be the levels shown below in kilopascals (absolute) regardless of the actual atmospheric pressure at which the gas is measured and delivered.

| <u>Zone</u> | Assumed Atmospheric Pressure <u>kPa</u> | | Assumed Atmospheric Pressure <u>kPa</u> |
|-------------|--|----|--|
| 1 | 100.148 | 7 | 97.582 |
| 2 | 99.494 | 8 | 97.065 |
| 3 | 98.874 | 9 | 96.721 |
| 4 | 98.564 | 10 | 100.561 |
| 5 | 98.185 | 11 | 99.321 |
| 6 | 97.754 | 12 | 98.883 |

Effective January 1, 2019
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O.E.B. Order # EB-2018-0305

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ENBRIDGE GAS INC.
UNION SOUTH
BUNDLED DIRECT PURCHASE CONTRACT RATE

(A) Availability

Available to customers in Union's Southern Delivery Zone.

(B) Applicability

To a customer who enters into a Receipt Contract or Gas Purchase Contract for delivery and/or sale of gas to Union.

(C) Rates

Commodity
Charges/Credits
Rate/GJ

- a) Transportation by Union
For gas delivered to Union at any point other than the Ontario Point(s)
of Receipt, Union will charge a customer all approved tolls and
charges, incurred by Union to transport the gas to the Ontario Point(s)
of Receipt

- b) ~~Firm Backstop Gas~~
~~Applied to the contracted Firm Backstop~~
~~Gas Supply Service~~ \$1.491

~~Backstop Gas Commodity Charge~~
~~On all quantities supplied by Union to~~
~~the Ontario Point(s) of Receipt~~ \$3.858

- e) ~~Reasonable Efforts Backstop Gas~~
~~Paid on all quantities of gas supplied by Union~~
~~to the customer's Point(s) of Consumption~~ \$4.885

- b) Banked Gas Purchase Note (1)

- c) Failure to Deliver
Applied to all quantities not delivered to Union
in the event the customer's supply fails \$3.063

- d) Short Term Storage / Balancing Service (2)

Maximum \$6.000

- e) Discretionary Gas Supply Service ("DGSS") Note (3)

- f) Parkway Delivery Commitment Incentive ("PDCI") \$(0.145)

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Notes:

- (1) The charge for banked gas purchases shall be the higher of the daily spot cost at Dawn in the month of or the month following the month in which gas is sold under this rate and shall not be less than Union's approved weighted average cost of gas.
- (2) Short Term Storage / Balancing Service is:
- i) a combined space and interruptible deliverability service for short-term or off-peak storage in Union's storage facilities, OR
 - ii) short-term firm deliverability, OR
 - iii) a component of an operational balancing service offered.

In negotiating the rate to be charged for short term storage services, the matters that are to be considered include:

- i) The minimum amount of storage service to which a customer is willing to commit,
 - ii) Whether the customer is contracting for firm or interruptible service during Union's peak or non-peak periods,
 - iii) Utilization of facilities, and
 - iv) Competition.
- (3) Discretionary Gas Supply Service price reflects the "back-to-back" price plus gas supply administration charge.

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Supersedes EB-2018-0253 Rate Schedule effective October 1, 2018.

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ENBRIDGE GAS INC.
UNION SOUTH
STORAGE AND TRANSPORTATION RATES FOR CONTRACT CARRIAGE CUSTOMERS

(A) Availability

Available to customers in Union's Southern Delivery Zone.

(B) Applicability

To a customer:

- a) whose qualifying annual transportation volume for combined firm and interruptible service is at least 2 500 000 m³ or greater and has a daily firm contracted demand up to 140,870 m³; and
- b) who enters into a Carriage Service Contract with Union for the transportation or the storage and transportation of Gas for use at facilities located within Union's gas franchise area; and
- c) who has meters with electronic recording at each Point of Consumption; and
- d) who has site specific energy measuring equipment that will be used in determining energy balances; and
- e) for whom Union has determined transportation and/or storage capacity is available.

For the purposes of qualifying for a rate class, the total quantities of gas consumed or expected to be consumed on the customer's contiguous property will be used, irrespective of the number of meters installed.

(C) Rates

The following rates shall be charged for all quantities contracted or handled as appropriate. The identified rates represent maximum prices for service. These rates may change periodically. Multi-year prices may also be negotiated, which may be higher than the identified rates.

STORAGE SERVICE:

| | Demand Charge <u>Rate/GJ/mo</u> | Commodity Charge <u>Rate/GJ</u> | For Customers Providing <u>Their Own Compressor Fuel</u> Fuel <u>Ratio</u> | Commodity Charge <u>Rate/GJ</u> |
|--|---------------------------------------|---------------------------------------|---|---------------------------------------|
| a) Annual Firm Storage Space Applied to contracted Maximum Annual Storage Space | \$0.011 | | | |
| b) Annual Firm Injection/Withdrawal Right: Applied to the contracted Maximum Annual Firm Injection/Withdrawal Right Union provides deliverability Inventory | \$1.591 | | | |
| Customer provides deliverability Inventory (4) | \$1.329 | | | |
| c) Incremental Firm Injection Right: Applied to the contracted Maximum Incremental Firm Injection Right | \$1.329 | | | |
| d) Annual Interruptible Withdrawal Right: Applied to the contracted Maximum Annual Interruptible Withdrawal Right | \$1.329 | | | |

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| | | | For Customers Providing Their Own Compressor Fuel | |
|---|---|---|--|---|
| | <u>Demand Charge Rate/GJ/mo</u> | <u>Commodity Charge Rate/GJ</u> | <u>Fuel Ratio</u> | <u>Commodity Charge Rate/GJ</u> |
| e) Withdrawal Commodity Paid on all quantities withdrawn from storage up to the Maximum | | | | |
| Daily Storage Withdrawal Quantity | | \$0.028 | 0.412% | \$0.014 |
| f) Injection Commodity Paid on all quantities injected into storage up to the Maximum Daily Storage Injection Quantity | | \$0.028 | 0.412% | \$0.014 |
| g) Short Term Storage / Balancing Service Maximum | | \$6.000 | | |

Notes:

1. Demand charges for Annual Services are paid monthly during the term of the contract for not less than one year unless Union, in its sole discretion, accepts a term of less than one year. Demand charges apply whether Union or the customer provides the fuel.
2. Annual Firm Injection Rights are equal to 100% of their respective Annual Firm Withdrawal Rights. Injection Rights in excess of the Annual Firm Injection Rights will be charged at the Incremental Firm Injection Right.
3. Annual Firm Storage Space

The maximum storage space available to a customer at the rates specified herein is determined by one of the following storage allocation methodologies:

3.1 Aggregate Excess

Aggregate excess is the difference between the customer's total 151-day winter consumption (November 1 through March 31) and the customer's average daily consumption (Daily Contract Quantity) for the contract year multiplied by 151 days of winter. This calculation will be done using two years of historical data (with 25% weighting for each year) and one year of forecast data (with 50% weighting). If a customer is new, or an existing customer is undergoing a significant change in operations, the allocation will be based on forecast consumption only, as negotiated between Union and the customer. Once sufficient historical information is available for the customer, the standard calculation will be done. At each contract renewal, the aggregate excess calculation will be performed to set the new space allocation.

3.2 Obligated daily contract quantity multiple of 15

Obligated daily contract quantity is the firm daily quantity of gas which the customer must deliver to Union. The 15 x obligated daily contract quantity calculation will be done using the daily contract quantity for the upcoming contract year. At each contract renewal, the 15 x obligated daily contract quantity calculation will be performed to set the new space allocation.

Customers may contract for less than their maximum entitlement of firm storage space.

4. Annual Injection/Withdrawal Right

The maximum level of deliverability available to a customer at the rates specified herein is determined by one of the following methodologies:

4.1 The greater of obligated daily contract quantity or firm daily contract demand less obligated daily contract quantity.

Customers may contract for less than their maximum entitlement of deliverability. A customer may contract up to this maximum entitlement with a combination of firm and interruptible deliverability as specified in Section (C) Storage Service.

5. Additional storage space or deliverability, in excess of the allocated entitlements per Notes 3 and 4, may be available at market prices.
6. Storage Space and Withdrawal Rights are not assignable to any other party without the prior written consent of Union.

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7. Deliverability Inventory being defined as 20% of annual storage space.
8. Short Term Storage / Balancing Service is:
 - i) a combined space and interruptible deliverability service for short-term or off-peak storage in Union's storage facilities, or
 - ii) short-term firm deliverability, or
 - iii) a component of an operational balancing service offered.

In negotiating the rate to be charged for service, the matters that are to be considered include:

- i) The minimum amount of storage service to which a customer is willing to commit,
- ii) Whether the customer is contracting for firm or interruptible service during Union's peak or non-peak periods,
- iii) Utilization of facilities, and
- iv) Competition.

TRANSPORTATION CHARGES:

| | Demand Charge | Union Providing Compressor Fuel Commodity Charge | For Customers Providing Their Own Compressor Fuel Fuel Ratio (5) | Commodity Charge |
|--|------------------------------|---|---|---------------------------|
| | <u>Rate/m³/mo</u> | <u>Rate/m³</u> | | <u>Rate/m³</u> |
| a) Annual Firm Transportation I Applied to the Firm Daily Contract Demand | | | | |
| First 28,150 m ³ per month | 40.4434 ¢ | | | |
| Next 112,720 m ³ per month | 27.9418 ¢ | | | |
| b) Firm Transportation Commodity Paid on all firm quantities redelivered to the customer's Point(s) of Consumption | | | | |
| Commodity Charge (All volumes) | | 0.1451 ¢ | 0.326% | 0.1018 ¢ |
| c) Interruptible Transportation Commodity Paid on all interruptible quantities redelivered to the customer's Point(s) of Consumption | | | | |
| Maximum | | 6.2561 ¢ | 0.326% | 6.2128 ¢ |

Notes:

1. All demand charges are paid monthly during the term of the contract for not less than one year unless Union, at its sole discretion, accepts a term of less than one year. Demand charges apply whether Union or the customer provides the fuel.
2. In negotiating the rate to be charged for the transportation of gas under Interruptible Transportation, the matters that are to be considered include:
 - a) The amount of the interruptible transportation for which customer is willing to contract,
 - b) The anticipated load factor for the interruptible transportation quantities,
 - c) Interruptible or curtailment provisions, and
 - d) Competition.
3. In each contract year, the customer shall pay for a Minimum Interruptible Transportation Activity level as specified in the Contract. Overrun activity will not contribute to the minimum activity level.
4. Transportation fuel ratios do not apply to customers served from dedicated facilities directly connected to third party transmission systems with custody transfer metering at the interconnect.
5. Either Union or a customer, or potential customer, may apply to the Ontario Energy Board to fix rates and other charges different from the rates and other charges specified herein if the changed rates and other charges are considered by either party to be necessary, desirable and in the public interest.

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SUPPLEMENTAL CHARGES:

Rates for supplemental services are provided in Schedule "A".

Notes:

1. All demand charges are paid monthly during the term of the contract for not less than one year unless Union, in its sole discretion, accepts a term of less than one year.

OVERRUN SERVICE:

1. Annual Storage Space

Authorized

Authorized Overrun is provided as Storage/Balancing Service. It is payable on all quantities on any Day in excess of the customer's contracted Maximum Storage Space. Overrun will be authorized by Union at its sole discretion. Storage Space Overrun equal to the customer's firm deliveries from TCPL: less the customer's Firm Daily Contract Demand, all multiplied by the Days of Interruption called during the period of November 1 to March 31, will be automatically authorized until the following July 1.

Unauthorized

If in any month, the customer has gas in storage in excess of the contracted Maximum Storage Space, and which has not been authorized by Union or provided for under a short term supplemental storage service, such an event will constitute an occurrence of Unauthorized Overrun. The Unauthorized Overrun rate will be \$6.000 per GJ applied to the greatest excess for each occurrence.

If on any Day the gas storage balance for the account of the customer is less than zero, the Unauthorized Overrun charge will apply for each GJ of gas below a zero inventory level and this amount of gas shall be deemed not to have been withdrawn from storage. The gas shall be deemed to have been sold to the customer at the highest spot price at Dawn in the month of occurrence and the month following occurrence as identified in the Canadian Gas Price Reporter and shall not be less than Union's approved weighted average cost of gas. If the customer has contracted to provide its own deliverability inventory, the zero inventory level shall be deemed to mean twenty percent (20%) of the Annual Firm Storage Space.

2. Injection, Withdrawals and Transportation

Authorized

The following Overrun rates are applied to any quantities transported, injected or withdrawn in excess of 103% of the Contract parameters. Overrun will be authorized by Union at its sole discretion.

Automatic authorization of Injection Overrun will be given during all Days a customer has been interrupted.

| | <u>Firm or Interruptible Service</u> | | |
|---------------------|---|---|-----------------------------|
| | <u>Union Providing Compressor Fuel Commodity Charge</u> | <u>For Customers Providing Their Own Compressor Fuel Fuel Ratio</u> | <u>Commodity Charge</u> |
| Storage Injections | \$0.097/GJ | 0.891% | \$0.066/GJ |
| Storage Withdrawals | \$0.097/GJ | 0.891% | \$0.066/GJ |
| Transportation | 1.4747 ¢/m ³ | 0.326% | 1.4314 ¢/m ³ |

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Unauthorized

For all quantities on any Day in excess of 103% of the customer's contractual rights, for which authorization has not been received, the customer will be charged the identified unauthorized overrun charge, as appropriate.

| | | |
|--|---------|----------------------|
| Unauthorized Overrun Storage Injections and Withdrawals Charge | \$1.734 | per GJ |
| Unauthorized Overrun Transportation Charge | 6.7428 | ¢ per m ³ |

Unauthorized Overrun Non-Compliance Rate:

Unauthorized overrun gas taken any month during a period when a notice of interruption is in effect shall be paid for at the rate of 233.3400 ¢ per m³ (\$60 per GJ) for the delivery.

3. Storage / Balancing Service

Authorized

The following Overrun rates are applied to any quantities stored in excess of the Contract parameters. Overrun will be authorized by Union Gas at its sole discretion.

| | |
|-----------------------------------|-------------------------|
| | Firm Service Rate/GJ |
| Space | \$6.000 |
| Injection / Withdrawal Maximum | \$6.000 |

OTHER SERVICES & CHARGES:

1. Monthly Charge

In addition to the rates and charges described previously for each Point of Consumption, a Monthly Charge shall be applied as follows:

| | |
|----------------|------------|
| Monthly Charge | \$1,964.91 |
|----------------|------------|

2. Diversion of Gas

The availability of the right to divert gas will be based on Union's ability to accommodate the diversion. The price to be charged for the right to divert shall be determined through negotiation.

3. Delivery Obligations

Unless otherwise authorized by Union, all other customers who are delivering gas to Union under direct purchase arrangements must obligate to deliver at a point(s) specified by Union and must acquire and maintain firm transportation on all upstream pipeline systems. Customers initiating direct purchase arrangements, who previously received Gas Supply service, must also accept, unless otherwise authorized by Union, an assignment from Union of transportation capacity on upstream pipeline systems.

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4. Additional Service Information

Additional information on Union's T1 service offering can be found at:
www.uniongas.com/business/account-services/unionline/contracts-rates/T1-service-features

- The additional information consists of, but is not limited to, the following:
- i. Storage space and deliverability entitlement;
 - ii. The determination of gas supply receipt points and delivery obligations;
 - iii. The nomination schedule; and
 - iv. ~~The management of multiple redelivery points by a common fuel manager; and~~
 - iv. The availability of supplemental transactional services including title transfers.

5. Parkway Delivery Commitment Incentive ("PDCI")

| | |
|---|----------------|
| For all Parkway Delivery Obligation ("PDO") volumes delivered to Union. | <u>Rate/GJ</u> |
| PDCI | \$(0.145) |

(D) Delayed Payment

The monthly late payment charge equal to 1.5% per month or 18% per annum (for an approximate effective rate of 19.56% per annum) multiplied by the total of all unpaid charges will be added to the bill if full payment is not received by the late payment effective date, which is 20 days after the bill has been issued.

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Implemented January 1, 2019
O.E.B. Order # EB-2018-0305

Supersedes EB-2018-0253 Rate Schedule effective October 1, 2018.

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ENBRIDGE GAS INC.
UNION SOUTH
STORAGE AND TRANSPORTATION RATES FOR CONTRACT CARRIAGE CUSTOMERS

(A) Availability

Available to customers in Union's Southern Delivery Zone.

(B) Applicability

To a customer:

- a) who has a daily firm contracted demand of at least 140 870 m³. Firm and/or interruptible daily contracted demand of less than 140,870 m³ cannot be combined for the purposes of qualifying for this rate class; and
- b) who enters into a Carriage Service Contract with Union for the transportation or the storage and transportation of Gas for use at facilities located within Union's gas franchise area; and
- c) who has meters with electronic recording at each Point of Consumption; and
- d) who has site specific energy measuring equipment that will be used in determining energy balances; and
- e) for whom Union has determined transportation and/or storage capacity is available.

For the purposes of qualifying for a rate class, the total quantities of gas consumed or expected to be consumed on the customer's contiguous property will be used, irrespective of the number of meters installed.

(C) Rates

The following rates shall be charged for all quantities contracted or handled as appropriate. The identified rates represent maximum prices for service. These rates may change periodically. Multi-year prices may also be negotiated, which may be higher than the identified rates.

STORAGE SERVICE:

| | Demand Charge <u>Rate/GJ/mo</u> | Commodity Charge <u>Rate/GJ</u> | <u>For Customers Providing Their Own Compressor Fuel</u> | |
|--|---------------------------------------|---------------------------------------|--|---|
| | | | <u>Fuel Ratio</u> | <u>Commodity Charge Rate/GJ</u> |
| a) Annual Firm Storage Space Applied to contracted Maximum Annual Storage Space | \$0.011 | | | |
| b) Annual Firm Injection/Withdrawal Right: Applied to the contracted Maximum Annual Firm Injection/Withdrawal Right Union provides deliverability Inventory | \$1.591 | | | |
| Customer provides deliverability Inventory (4) | \$1.329 | | | |
| c) Incremental Firm Injection Right: Applied to the contracted Maximum Incremental Firm Injection Right | \$1.329 | | | |
| d) Annual Interruptible Withdrawal Right: Applied to the contracted Maximum Annual Interruptible Withdrawal Right | \$1.329 | | | |

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| | Demand Charge <u>Rate/GJ/mo</u> | Commodity Charge <u>Rate/GJ</u> | For Customers Providing Their Own Compressor Fuel Fuel <u>Ratio</u> | Commodity Charge <u>Rate/GJ</u> |
|---|---------------------------------------|---------------------------------------|--|---------------------------------------|
| e) Withdrawal Commodity Paid on all quantities withdrawn from storage up to the Maximum Daily Storage Withdrawal Quantity | | \$0.028 | 0.412% | \$0.014 |
| f) Injection Commodity Paid on all quantities injected into storage up to the Maximum Daily Storage Injection Quantity | | \$0.028 | 0.412% | \$0.014 |
| g) Short Term Storage / Balancing Service Maximum | | \$6.000 | | |
| h) Daily Variance Account Interruptible Injections/Withdrawals Paid on all quantities withdrawn from and injected into the Daily Variance Account up to the Maximum Injection/Withdrawal Quantity | | \$0.097 | 0.891% | \$0.066 |

Notes:

1. Demand charges for Annual Services are paid monthly during the term of the contract for not less than one year unless Union, in its sole discretion, accepts a term of less than one year. Demand charges apply whether Union or the customer provides the fuel.
2. Annual Firm Injection Rights are equal to 100% of their respective Annual Firm Withdrawal Rights. Injection Rights in excess of the Annual Firm Injection Rights will be charged at the Incremental Firm Injection Right.
3. Annual Firm Storage Space

The maximum storage space available to a customer at the rates specified herein is determined by one of the following storage allocation methodologies:

3.1 Aggregate Excess

Aggregate excess is the difference between the customer's total 151-day winter consumption (November 1 through March 31) and the customer's average daily consumption (Daily Contract Quantity) for the contract year multiplied by 151 days of winter. This calculation will be done using two years of historical data (with 25% weighting for each year) and one year of forecast data (with 50% weighting). If a customer is new, or an existing customer is undergoing a significant change in operations, the allocation will be based on forecast consumption only, as negotiated between Union and the customer. Once sufficient historical information is available for the customer, the standard calculation will be done. At each contract renewal, the aggregate excess calculation will be performed to set the new space allocation.

3.2 Obligated daily contract quantity multiple of 15

Obligated daily contract quantity is the firm daily quantity of gas which the customer must deliver to Union. The 15 x obligated daily contract quantity calculation will be done using the daily contract quantity for the upcoming contract year. At each contract renewal, the 15 x obligated daily contract quantity calculation will be performed to set the new space allocation.

3.3 For new, large (daily firm transportation demand requirements in excess of 1,200,000 m³/day) gas fired power generation customers, storage space is determined by peak hourly consumption x 24 x 4 days. Should the customer elect firm deliverability less than their maximum entitlement (see Note 4.2), the maximum storage space available at the rates specified herein is 10 x firm storage deliverability contracted, not to exceed peak hourly consumption x 24 x 4 days.

3.4 Contract Demand multiple of 10

For customers with non-obligated supply and who are not eligible for Section 3.3 above, the maximum storage space is determined as 9 x firm daily Contract Demand and the Daily Variance Account maximum storage space is determined as 1 x firm daily Contract Demand.

Customers may contract for less than their maximum entitlement of firm storage space.

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4. Annual Injection/Withdrawal Right

The maximum level of deliverability available to a customer at the rates specified herein is determined by one of the following methodologies:

4.1 The greater of obligated daily contract quantity or firm daily contract demand less obligated daily contract quantity.

4.2 For new, large (daily firm transportation demand requirements in excess of 1,200,000 m³/day) gas fired power generation customers, the maximum entitlement of firm storage deliverability is 24 times the customer's peak hourly consumption, with 1.2% firm deliverability available at the rates specified herein.

4.3 For customers with non-obligated supply and are not eligible for Section 4.2 above, the firm storage deliverability is determined as 1.2% of firm storage space, excluding the firm storage space associated with the Daily Variance Account. For the Daily Variance Account, the storage deliverability is available on an interruptible basis up to the customer's firm contracted demand.

Customers may contract for less than their maximum entitlement of deliverability. A customer may contract up to this maximum entitlement with a combination of firm and interruptible deliverability as specified in Section (C) Storage Service.

5. Additional storage space or deliverability, in excess of the allocated entitlements per Notes 3 and 4, may be available at market prices.

6. Storage Space and Withdrawal Rights are not assignable to any other party without the prior written consent of Union.

7. Deliverability Inventory being defined as 20% of annual storage space.

8. Short Term Storage / Balancing Service is:

- i) a combined space and interruptible deliverability service for short-term or off-peak storage in Union's storage facilities, or
- ii) short-term firm deliverability, or
- iii) a component of an operational balancing service offered.

In negotiating the rate to be charged for service, the matters that are to be considered include:

- i) The minimum amount of storage service to which a customer is willing to commit,
- ii) Whether the customer is contracting for firm or interruptible service during Union's peak or non-peak periods,
- iii) Utilization of facilities, and
- iv) Competition.

TRANSPORTATION CHARGES:

| | Demand Charge | Union Providing Compressor Fuel Commodity Charge | For Customers Providing Their Own Compressor Fuel Fuel Ratio (5) | Commodity Charge |
|--|------------------------------|---|---|---------------------------|
| | <u>Rate/m³/mo</u> | <u>Rate/m³</u> | | <u>Rate/m³</u> |
| a) Annual Firm Transportation Demand Applied to the Firm Daily Contract Demand First 140,870 m ³ per month All over 140,870 m ³ per month | 31.0965 ¢ 16.4485 ¢ | | | |
| b) Firm Transportation Commodity Paid on all firm quantities redelivered to the customer's Point(s) of Consumption Commodity Charge (All volumes) | | 0.0578 ¢ | 0.291% | 0.0192 ¢ |
| c) Interruptible Transportation Commodity Paid on all interruptible quantities redelivered to the customer's Point(s) of Consumption Maximum | | 6.2561 ¢ | 0.291% | 6.2175 ¢ |

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Notes:

1. All demand charges are paid monthly during the term of the contract for not less than one year unless Union, at its sole discretion, accepts a term of less than one year. Demand charges apply whether Union or the customer provides the fuel.
2. Effective January 1, 2007, new customers and existing customers with incremental daily firm demand requirements in excess of 1,200,000 m³/day and who are directly connected to i) the Dawn-Trafalgar transmission system in close proximity to Parkway or ii) a third party pipeline, have the option to pay for service using a Billing Contract Demand. The Billing Contract Demand shall be determined by Union such that the annual revenues over the term of the contract will recover the invested capital, return on capital and operating and maintenance costs associated with the dedicated service in accordance with Union's system expansion policy. The firm transportation demand charge will be applied to the Billing Contract Demand. For customers choosing the Billing Contract Demand option, the authorized transportation overrun rate will apply to all volumes in excess of the Billing Contract Demand but less than the daily firm demand requirement.
3. In negotiating the rate to be charged for the transportation of gas under Interruptible Transportation, the matters that are to be considered include:
 - a) The amount of the interruptible transportation for which customer is willing to contract,
 - b) The anticipated load factor for the interruptible transportation quantities,
 - c) Interruptible or curtailment provisions, and
 - d) Competition.
4. In each contract year, the customer shall pay for a Minimum Interruptible Transportation Activity level as specified in the Contract. Overrun activity will not contribute to the minimum activity level.
5. Transportation fuel ratios do not apply to customers served from dedicated facilities directly connected to third party transmission systems with custody transfer metering at the interconnect.
6. Firm transportation fuel ratio does not apply to new customers or existing customers with incremental daily firm demand requirements in excess of 1,200,000 m³/day that contract for M12 Dawn to Parkway transportation service equivalent to 100% of their daily firm demand requirement. If a customer with a daily firm demand requirement in excess of 1,200,000 m³/day contracts for M12 Dawn to Parkway transportation service at less than 100% of their firm daily demand requirement, the firm transportation fuel ratio will be applicable to daily volumes not transported under the M12 transportation contract.
7. Either Union or a customer, or potential customer, may apply to the Ontario Energy Board to fix rates and other charges different from the rates and other charges specified herein if the changed rates and other charges are considered by either party to be necessary, desirable and in the public interest.

SUPPLEMENTAL CHARGES:

Rates for supplemental services are provided in Schedule "A".

Notes:

1. All demand charges are paid monthly during the term of the contract for not less than one year unless Union, in its sole discretion, accepts a term of less than one year.

OVERRUN SERVICE:

1. Annual Storage Space

Authorized

Authorized Overrun is provided as Storage/Balancing Service. It is payable on all quantities on any Day in excess of the customer's contracted Maximum Storage Space. Overrun will be authorized by Union at its sole discretion. Storage Space Overrun equal to the customer's firm deliveries from TCPL: less the customer's Firm Daily Contract Demand, all multiplied by the Days of Interruption called during the period of November 1 to March 31, will be automatically authorized until the following July 1. Authorized Overrun is not applicable to the Daily Variance Account.

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Unauthorized

If in any month, the customer has gas in storage in excess of the contracted Maximum Storage Space, and which has not been authorized by Union or provided for under a short term supplemental storage service, such an event will constitute an occurrence of Unauthorized Overrun. The Unauthorized Overrun rate will be \$6.000 per GJ applied to the greatest excess for each occurrence.

If on any Day the gas storage balance for the account of the customer is less than zero, the Unauthorized Overrun charge will apply for each GJ of gas below a zero inventory level and this amount of gas shall be deemed not to have been withdrawn from storage. The gas shall be deemed to have been sold to the customer at the highest spot price at Dawn in the month of occurrence and the month following occurrence as identified in the Canadian Gas Price Reporter and shall not be less than Union's approved weighted average cost of gas. If the customer has contracted to provide its own deliverability inventory, the zero inventory level shall be deemed to mean twenty percent (20%) of the Annual Firm Storage Space.

2. Injection, Withdrawals and Transportation

Authorized

The following Overrun rates are applied to any quantities transported, injected or withdrawn in excess of 103% of the Contract parameters. Overrun will be authorized by Union at its sole discretion. The Authorized Overrun rates are not applicable to the Daily Variance Account.

Automatic authorization of Injection Overrun will be given during all Days a customer has been interrupted.

| | Union Providing Compressor Fuel Commodity Charge | For Customers Providing Their Own Compressor Fuel Fuel Ratio | Commodity Charge |
|---------------------|---|---|---------------------|
| Storage Injections | \$0.097/GJ | 0.891% | \$0.066/GJ |
| Storage Withdrawals | \$0.097/GJ | 0.891% | \$0.066/GJ |
| Transportation | 1.0802 ¢/m³ | 0.291% | 1.0416 ¢/m³ |

Unauthorized

For all quantities on any Day in excess of 103% of the customer's contractual rights, for which authorization has not been received, the customer will be charged the identified unauthorized overrun charge, as appropriate. For the Daily Variance Account, this unauthorized storage overrun rate will be charged on all quantities in excess of the Daily Variance Account maximum injection/withdrawal quantity.

| | | |
|--|---------|----------|
| Unauthorized Overrun Storage Injections and Withdrawals Charge | \$1.734 | per GJ |
| Unauthorized Overrun Transportation Charge | 6.7428 | ¢ per m³ |

Unauthorized Overrun Non-Compliance Rate:

Unauthorized overrun gas taken any month during a period when a notice of interruption is in effect shall be paid for at the rate of 233.3400 ¢ per m³ (\$60 per GJ) for the delivery.

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3. Storage / Balancing Service

Authorized

The following Overrun rates are applied to any quantities stored in excess of the Contract parameters. Overrun will be authorized by Union Gas at its sole discretion.

| | |
|-----------------------------------|--------------------------------|
| | Firm Service <u>Rate/GJ</u> |
| Space | \$6.000 |
| Injection / Withdrawal Maximum | \$6.000 |

OTHER SERVICES & CHARGES:

1. Monthly Charge

In addition to the rates and charges described previously for each Point of Consumption, a Monthly Charge shall be applied as follows:

| | |
|----------------|------------|
| Monthly Charge | \$5,987.98 |
|----------------|------------|

2. Diversion of Gas

The availability of the right to divert gas will be based on Union's ability to accommodate the diversion. The price to be charged for the right to divert shall be determined through negotiation.

3. Delivery Obligations

The delivery options available to customers are detailed at:
www.uniongas.com/business/account-services/unionline/contracts-rates/T1-service-features

Unless otherwise authorized by Union, all other customers who are delivering gas to Union under direct purchase arrangements must obligate to deliver at a point(s) specified by Union and must acquire and maintain firm transportation on all upstream pipeline systems. Customers initiating direct purchase arrangements, who previously received Gas Supply service, must also accept, unless otherwise authorized by Union, an assignment from Union of transportation capacity on upstream pipeline systems.

4. Nominations

Effective January 1, 2007, new customers and existing customers with incremental daily firm demand requirements in excess of 1,200,000 m³/day who have non obligated deliveries may contract to use Union's 5 additional nomination windows (13 in total) for the purposes of delivering gas to Union. These windows are in addition to the standard NAESB and TCPL STS nomination windows. Customers taking the additional nomination window service will pay an additional monthly demand charge of \$0.071/GJ/day/month multiplied by the non-obligated daily contract quantity.

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5. Additional Service Information

Additional information on Union’s T2 service offering can be found at:
www.uniongas.com/business/account-services/unionline/contracts-rates/T1-service-features

The additional information consists of, but is not limited to, the following:

- i. Storage space and deliverability entitlement;
- ii. The determination of gas supply receipt points and delivery obligations;
- iii. The nomination schedule; and
- iv. The management of multiple redelivery points by a common fuel manager; and
- iv. The availability of supplemental transactional services including title transfers.

6. Parkway Delivery Commitment Incentive ("PDCI")

For all Parkway Delivery Obligation ("PDO") volumes delivered to Union.

Rate/GJ

PDCI

\$(0.145)

(D) Delayed Payment

The monthly late payment charge equal to 1.5% per month or 18% per annum (for an approximate effective rate of 19.56% per annum) multiplied by the total of all unpaid charges will be added to the bill if full payment is not received by the late payment effective date, which is 20 days after the bill has been issued.

Effective January 1, 2019
Implemented January 1, 2019
O.E.B. Order # EB-2018-0305

Supersedes EB-2018-0253 Rate Schedule effective October 1, 2018.

Effective
2019-01-01
Schedule "A"

ENBRIDGE GAS INC.
UNION SOUTH
GAS SUPPLY CHARGES

(A) Availability:

Available to customers in Union's Southern Delivery Zone.

(B) Applicability:

To all sales customers served under Rate M1, Rate M2, Rate M4, Rate M5A, Rate M7, Rate M9, Rate M10 and storage and transportation customers taking supplemental services under Rate T1, Rate T2 and Rate T3.

(C) Rates:

cents / m³

Utility Sales

| | |
|---------------------------------------|----------------|
| Commodity and Fuel | 13.1908 (1) |
| Commodity and Fuel - Price Adjustment | 1.9543 (2) |
| Transportation | - |
| Total Gas Supply Commodity Charge | <u>15.1451</u> |

Minimum Annual Gas Supply Commodity Charge

| | |
|--|--------|
| Rate M4 Firm and Rate M5A Interruptible Contract | 0.1923 |
|--|--------|

Storage and Transportation Supplemental Services - Rate T1, Rate T2 & Rate T3

\$/GJ

| | | |
|---|----------|--|
| Monthly demand charges: | | |
| Firm gas supply service | 57.598 | |
| Firm backstop gas | 1.491 | |
| Commodity charges: | | |
| Gas supply | 3.415 | |
| Backstop gas | 3.858 | |
| Reasonable Efforts Backstop Gas | 4.885 | |
| Supplemental Inventory | Note (3) | |
| Supplemental Gas Sales Service (cents / m ³) | 16.23 | |
| Failure to Deliver: Applied to quantities not delivered to Union in the event the customer's supply fails | 3.063 | |
| Discretionary Gas Supply Service (DGSS) | Note (4) | |

Notes:

- (1) The Commodity and Fuel rate includes a gas supply administration charge of 0.1923 cents/m³.
- (2) Prospective Recovery of gas supply deferral accounts, and a temporary credit of (0.0002) cents/m³ for the period February 1, 2018 to December 31, 2018.
- (3) The charge for banked gas purchases shall be the higher of the daily spot gas cost at Dawn in the month of or the month following the month in which gas is sold under this rate and shall not be less than Union's approved weighted average cost of gas.
- (4) Reflects the "back to back" price plus a gas supply administration charge.

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Implemented January 1, 2019
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Supersedes EB-2018-0253 Rate Schedule effective October 1, 2018.

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Rate C1
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ENBRIDGE GAS INC.
UNION SOUTH
CROSS FRANCHISE TRANSPORTATION RATES

(A) **Applicability**

To a Shipper who enters into a Contract with Union for delivery by Shipper of gas to Union at one of Union's points listed below for redelivery by Union to Shipper at one of Union's points.

| <u>Applicable Points</u> | (1) | (2) |
|--------------------------|-----------|-------|
| | Ojibway | WDA |
| | St. Clair | NDA |
| | Dawn* | SSMDA |
| | Parkway | SWDA |
| | Kirkwall | CDA |
| | Bluewater | EDA |

*Dawn as a receipt point: Dawn (TCPL), Dawn (Facilities), Dawn (Tecumseh), Dawn (Vector) and Dawn (TSLE).

*Dawn as a delivery point: Dawn (Facilities).

(B) **Services**

Transportation Service under this rate schedule is transportation on Union's pipeline facilities between any two Points as specified in Section (A), column 1.

(C) **Rates**

The identified rates (excluding gas supply charges, if applicable) represent maximum prices for service. These rates may change periodically. Multi-year prices may also be negotiated, which may be higher than the identified rates.

Transportation Service (1):

| | Monthly Demand Charges (applied to daily contract demand) <u>Rate/GJ</u> | <u>Fuel and Commodity Charges</u> | | | | | |
|---|--|-----------------------------------|---------------------------------|------------------------------|---------------------------|------------|---|
| | | <u>Union Supplied Fuel</u> | | <u>Shipper Supplied Fuel</u> | | | |
| | | <u>Fuel and Commodity Charge</u> | | <u>Fuel Ratio</u> | | <u>AND</u> | <u>Commodity Charge Rate/GJ</u> |
| | | <u>Apr.1-Oct.31 Rate/GJ</u> | <u>Nov.1-Mar.31 Rate/GJ</u> | <u>Apr.1-Oct.31 %</u> | <u>Nov.1-Mar.31 %</u> | | |
| a) Firm Transportation | | | | | | | |
| Between: | | | | | | | |
| St.Clair & Dawn | \$2.791 | \$0.007 | \$0.009 | 0.210% | 0.270% | | |
| Ojibway & Dawn | \$2.791 | \$0.016 | \$0.011 | 0.454% | 0.308% | | |
| Bluewater & Dawn | \$2.791 | \$0.007 | \$0.009 | 0.210% | 0.270% | | |
| From: | | | | | | | |
| Parkway to Kirkwall | \$0.844 | \$0.010 | \$0.005 | 0.304% | 0.160% | | |
| Parkway to Dawn | \$0.844 | \$0.010 | \$0.005 | 0.304% | 0.160% | | |
| Kirkwall to Dawn | \$1.489 | \$0.005 | \$0.005 | 0.160% | 0.160% | | |
| Dawn to Kirkwall | \$3.043 | \$0.011 | \$0.026 | 0.323% | 0.772% | | |
| Dawn to Parkway | \$3.586 | \$0.020 | \$0.036 | 0.591% | 1.053% | | |
| Kirkwall to Parkway | \$0.542 | \$0.015 | \$0.015 | 0.427% | 0.441% | | |
| b) Firm Transportation between two points within Dawn | | | | | | | |
| Dawn to Dawn-Vector | \$0.030 | n/a | n/a | 0.345% | 0.160% | | |
| Dawn to Dawn-TCPL | \$0.140 | n/a | n/a | 0.160% | 0.357% | | |
| c) Interruptible Transportation between two points within Dawn* | | | | | | | |
| *includes Dawn (TCPL), Dawn Facilities, Dawn (Tecumseh), Dawn (Vector) and Dawn (TSLE) | | | | 0.160% | 0.160% | | |
| c) Interruptible and Short Term (1 year or less) Firm Transportation: | | \$75.00 | | | | | |

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2019-01-01
Rate C1
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Authorized Overrun:

The following Overrun rates are applied to any quantities transported in excess of the Contract parameters. Overrun will be authorized at Union's sole discretion. Authorized overrun for short-term firm transportation is available at negotiated rates.

| | Union Supplied Fuel | | Shipper Supplied Fuel | | |
|---|---------------------------|----------------|-----------------------|--------------|---------------------------|
| | Fuel and Commodity Charge | | Fuel Ratio | | Commodity |
| | Apr.1-Oct.31 | Nov.1-Mar.31 | Apr.1-Oct.31 | Nov.1-Mar.31 | Charge |
| | <u>Rate/GJ</u> | <u>Rate/GJ</u> | <u>%</u> | <u>%</u> | <u>AND</u> <u>Rate/GJ</u> |
| a) Firm Transportation | | | | | |
| Between: | | | | | |
| St.Clair & Dawn | \$0.099 | \$0.101 | 0.210% | 0.270% | \$0.092 |
| Ojibway & Dawn | \$0.107 | \$0.102 | 0.454% | 0.308% | \$0.092 |
| Bluewater & Dawn | \$0.099 | \$0.101 | 0.210% | 0.270% | \$0.092 |
| From: | | | | | |
| Parkway to Kirkwall | \$0.150 | \$0.145 | 0.930% | 0.786% | \$0.118 |
| Parkway to Dawn | \$0.150 | \$0.145 | 0.930% | 0.786% | \$0.118 |
| Kirkwall to Dawn | \$0.076 | \$0.076 | 0.786% | 0.786% | \$0.049 |
| Dawn to Kirkwall | \$0.132 | \$0.148 | 0.949% | 1.399% | \$0.100 |
| Dawn to Parkway | \$0.159 | \$0.175 | 1.217% | 1.680% | \$0.118 |
| Kirkwall to Parkway | \$0.054 | \$0.054 | 1.054% | 1.067% | \$0.018 |
| b) Firm Transportation between two points within Dawn | | | | | |
| Dawn to Dawn-Vector | n/a | n/a | 0.345% | 0.160% | \$0.001 |
| Dawn to Dawn-TCPL | n/a | n/a | 0.160% | 0.357% | \$0.005 |

Unauthorized Overrun:

The Unauthorized Overrun rate shall be the higher of the reported daily spot price of gas at either, Dawn, Parkway, Niagara, Iroquois or Chicago in the month of or the month following the month in which the overrun occurred plus 25% for all usage on any day in excess of 102% of Union's contractual obligation.

Notes for Section (C) Rates:

- (1) A demand charge of \$0.071/GJ/day/month will be applicable to customers contracting for firm all day transportation service in addition to the demand charges appearing on this schedule for all firm transportation service paths.

(D) Terms of Service

The General Terms & Conditions applicable to this rate schedule shall be in accordance with the attached Schedule "A" for contracts in effect before October 1, 2010. The General Terms & Conditions applicable to this rate schedule shall be in accordance with the attached Schedule "A 2010" for contracts in effect on or after October 1, 2010.

(E) Nominations

Nominations under this rate schedule shall be in accordance with the attached Schedule "B" for contracts in effect before October 1, 2010. Nominations under this rate schedule shall be in accordance with the attached Schedule "B 2010" for contracts in effect on or after October 1, 2010.

(F) Receipt and Delivery Points and Pressures

Receipt and Delivery Points and Pressures under this rate schedule shall be in accordance with Schedule "C 2010" for contracts in effect on or after October 1, 2010.

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Supersedes EB-2018-0253 Rate Schedule effective October 1, 2018.

**UNION SOUTH - RATE M13
GENERAL TERMS & CONDITIONS**

I. DEFINITIONS

Except where the context expressly requires or states another meaning, the following terms, when used in these General Terms & Conditions and in any contract into which these General Terms & Conditions are incorporated, shall be construed to have the following meanings:

"Aid to Construction" shall include any and all costs, expenses, amounts, damages, obligations, or other liabilities (whether of a capital or operating nature, and whether incurred before or after the date of the Contract) actually paid by Union (including amounts paid to affiliates for services rendered in accordance with the Affiliate Relationships Code as established by the OEB) in connection with or in respect of satisfying the conditions precedent set out in Article XXI herein (including without limitation the ~~cost of~~ construction, installation and connection of any required meter station, ~~as described in Article IX, Section 6,~~ the obtaining of all governmental, regulatory and other third party approvals, and the obtaining of rights of way) whether resulting from Union's negligence or not, except for any costs that have arisen from the gross negligence, fraud, or wilful misconduct of Union;

"Average Local Producer Heat" ("ALPH") shall mean the heat content value as set by Union, and shall be determined by volumetrically averaging the gross heat content of all produced gas delivered to the Union system by Ontario Local Producers. The ALPH shall be expressed in GJ/10³m³ and may be adjusted from time to time by Union;

"Business Day" shall mean any day, other than Saturday, Sunday or any days on which national banks in the Province of Ontario are authorized to close;

"Contract" shall refer to the Contract to which these General Terms & Conditions shall apply, and into which they are incorporated;

"Contract Year" shall mean a period of three hundred and sixty-five (365) consecutive days; provided however, that any such period which contains a date of February 29 shall consist of three hundred and sixty-six (366) consecutive days, commencing on November 1 of each year; except for the first Contract Year which shall commence on the Commencement Date and end on the first October 31 that follows such date;

"cricondentherm hydrocarbon dewpoint" shall mean the highest hydrocarbon dewpoint temperature on the phase envelope;

"cubic metre" shall mean the volume of gas which occupies one cubic metre when such gas is at a temperature of 15 degrees Celsius, and at a pressure of 101.325 kilopascals absolute;

"Dawn Quantity" shall mean the total daily quantity of gas in GJ delivered at Dawn (Facilities), which is equal to the total energy of all gas supplied daily to Union at the Receipt Point(s). The Dawn Quantity shall be calculated utilizing the following factor equation: Dawn Quantity = Produced Volume x ALPH;

"Day" shall mean a period of twenty-four (24) consecutive hours beginning at 10:00 a.m. Eastern Clock Time. The reference date for any Day shall be the calendar date upon which the twenty-four (24) hour period shall commence;

"Delivery Point" shall mean the point where Union shall deliver the Dawn Quantity and/or Market Quantity to Shipper and as further defined in Schedule 1 of the Contract;

"Distribution Demand" shall mean the varying demand for the supply of gas, as determined by Union, on Union's pipeline and distribution system for users of gas who are supplied or delivered gas by Union's pipeline and distribution system;

"Eastern Clock Time" shall mean the local clock time in the Eastern Time Zone on any Day;

"firm" shall mean service not subject to curtailment or interruption except under Articles XI, XII and XVIII herein;

"Firm Daily Variability Demand" shall mean the established quantity set forth in Schedule 2 of the Contract, which is the

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permitted difference between the Dawn Quantity and the Market Quantity;

"gas" shall mean gas as defined in the Ontario Energy Board Act, 1998, S.O. 1998, c.15, Sch. B, as amended, supplemented or re-enacted from time to time;

"gross heating value" shall mean the total heat expressed in megajoules per cubic metre (MJ/m³) produced by the complete combustion at constant pressure of one (1) cubic metre of gas with air, with the gas free of water vapour and the temperature of the gas, air and products of combustion at standard temperature and all water formed by the combustion reaction condensed to the liquid state;

"hydrocarbon dewpoint" shall mean temperature at a specific pressure where hydrocarbon vapour condensation begins;

"Interruptible Service HUB Contract" shall mean a contract between Shipper and Union under which Union provides interruptible HUB service;

"Interconnecting Pipeline" shall mean a pipeline that directly connects to the Union pipeline and distribution system;

"joule" (J) shall mean the work done when the point of application of a force of one (1) newton is displaced a distance of one (1) metre in the direction of the force. The term "megajoule" (MJ) shall mean 1,000,000 joules. The term "gigajoule" (GJ) shall mean 1,000,000,000 joules;

"m³" shall mean cubic metre of gas and "10³m³" shall mean 1,000 cubic metres of gas;

~~"MAOP" shall mean the maximum allowable operating pressure of Union's pipeline and distribution system and as further defined in Schedule 1 of the Contract;~~

"Market Quantity" shall mean the daily quantity in GJ nominated for Name Change Service that Day by Shipper at Dawn (Facilities);

"Maximum Daily Quantity" shall mean the maximum quantity of gas Shipper may deliver to Union at a Receipt Point on any Day, as further defined in Schedule 1;

"Month" shall mean the period beginning at 10:00 a.m. Eastern Clock Time on the first day of a calendar month and ending at 10:00 a.m. Eastern Clock Time on the first day of the following calendar month;

~~"MOP" shall mean the maximum allowable operating pressure of Union's pipeline and distribution system and as further defined in Schedule 1 of the Contract;~~

"Name Change Service" shall mean an interruptible administrative service whereby Union acknowledges for Shipper a change in title of a gas quantity from Shipper to a third party at the Delivery Point;

"OEB" means the Ontario Energy Board;

"pascal" "(Pa)" shall mean the pressure produced when a force of one (1) newton is applied to an area of one (1) square metre. The term "kilopascal" "(kPa)" shall mean 1,000 pascals;

"Produced Volume" shall mean the aggregate of all actual volumes of gas in 10³m³, delivered by Shipper to Union at all Receipt Points on any Day;

"Producer Balancing Account" shall mean the gas balance held by Union for Shipper, or owed by Shipper to Union, at the Delivery Point. Where the Producer Balancing Account is zero or a positive number, the account is in a credit position, and where the Producer Balancing Account is less than zero, the account is in a debit position;

"Producer Balancing Service" shall mean a Service whereby Union either calculates a credit or debit to the Producer Balancing Account by subtracting the Market Quantity from the Dawn Quantity as stipulated in Schedule 2 of the contract; ~~Where such amount is greater than zero, Union will credit the Producer Balancing Account, or where such amount is less than zero, Union will debit the Producer Balancing Account. This Service shall be performed on a retroactive basis on the terms and conditions contained in Schedule 2 of the Contract, as may be revised from time to time by~~

Union;

"Receipt Point" shall mean the point(s) where Union shall receive gas from Shipper;

"Sales Agreement" shall mean the Ontario Gas Purchase Agreement(s) entered into between Shipper and Union;

"Shipper" shall have the meaning as defined in the Contract, and shall also include Shipper's agent(s);

"specific gravity" shall mean density of the gas divided by density of air, with both at a temperature of 15 degrees Celsius, and at a pressure of 101.325 kilopascals absolute;

"System Capacity" shall mean the volumetric capacity that exists from time to time within Union's pipeline and distribution system which determines Union's ability to accept volumes of gas into Union's pipeline and distribution system hereunder. System Capacity shall be determined by Union and such determination, in addition to the physical characteristics of Union's pipeline and distribution system Distribution Demand, shall also include consideration of Union's local Distribution Demand, Union's total system Distribution Demand, availability of Union's gas storage capacity, and other gas being purchased and/or delivered into Union's pipeline and distribution system;

"Taxes" shall mean any tax (other than tax on income or tax on property), duty, royalty, levy, license, fee or charge not included in the charges and rates as per the applicable rate schedule (including but not limited to charges under any form of cap and trade, carbon tax, or similar system) and that is levied, assessed or made by any governmental authority on the gas itself, or the act, right, or privilege of producing, severing, gathering, storing, transporting, handling, selling or delivering gas under the Contract;

"Union" shall mean Enbridge Gas Inc. operating as Union Gas;

"Wobbe Number" shall mean gross heating value of the gas divided by the square root of its specific gravity.

II. GAS QUALITY

1. Natural Gas: The minimum gross heating value of the gas delivered to/by Union hereunder, shall be thirty-six (36) megajoules per cubic metre. The maximum gross heating value of the gas delivered to/by Union hereunder shall be forty point two (40.2) megajoules per cubic metre. The gas to be delivered hereunder to Union may be a commingled supply from Shipper's gas sources of supply. The gas to be delivered by Union may be a commingled supply from Union's sources of gas supply; provided, however, that helium, natural gasoline, butane, propane and other hydrocarbons, except methane, may be removed prior to delivery to Shipper. Further, Union may subject, or permit the subjection of, the gas to compression, dehydration, cooling, cleaning and other processes.
2. Freedom from objectionable matter: The gas to be delivered to Union at the Receipt Point(s) hereunder,
 - a. shall be commercially free from bacteria, sand, dust, gums, crude oils, lubricating oils, liquids, chemicals or compounds used in the production, treatment, compression or dehydration of the gas or any other objectionable substance in sufficient quantity so as to render the gas toxic, unmerchantable or cause injury to, or interference with, the proper operation of the lines, regulators, meters or other appliances through which it flows,
 - b. shall not contain more than seven (7) milligrams of hydrogen sulphide per cubic metre of gas, nor more than one hundred (100) milligrams of total sulphur per cubic metre of gas,
 - c. shall not contain more than five (5) milligrams of mercaptan sulphur per cubic metre of gas,
 - d. shall not contain more than two point zero (2.0) moleaf percent by volume of carbon dioxide in the gas,
 - e. shall not contain more than zero point four (0.4) moleaf percent by volume of oxygen in the gas,
 - f. shall not contain more than zero point five (0.5) moleaf percent by volume of carbon monoxide in the gas,
 - g. shall not contain more than four point zero (4.0) moleaf percent by volume of hydrogen in the gas,
 - h. shall not contain more than sixty-five (65) milligrams of water vapour per cubic metre of gas,

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- i. shall not have a cricondenthm hydrocarbon dewpoint exceeding minus eight (-8) degrees Celsius,
 - j. shall have Wobbe Number from forty seven point fifty (47.50) megajoules per cubic metre of gas to fifty one point forty six (51.46) megajoules per cubic metre of gas, maximum of one point five (1.5) mole percent by volume of butane plus (C4+) in the gas, and maximum of four point zero (4.0) mole percent by volume of total inerts in the gas in order to be interchangeable with other Interconnecting Pipeline gas,
 - k. shall not exceed forty-three degrees Celsius (43°C), and,
 - l. shall not be odourized by Shipper.
3. Non-conforming Gas:
- a. In the event that the quality of the gas does not conform or if Union, acting reasonably, suspects the quality of the gas may not conform to the specifications herein, then Shipper shall, if so directed by Union acting reasonably, forthwith carry out, at Shipper's cost, whatever field testing of the gas quality as may be required to ensure that the quality requirements set out herein are met, and to provide Union with a certified copy of such tests. If Shipper does not carry out such tests forthwith, Union may conduct such test and Shipper shall reimburse Union for all costs incurred by Union for such testing.
 - b. If Shipper's gas fails at any time to conform to the requirements of this Article II, Union, in addition to its other remedies, may refuse to accept delivery of gas at the Receipt Points hereunder until such deficiency has been remedied by Shipper. Each Party agrees to notify the other verbally, followed by written notification, of any such deficiency of quality.
4. Quality of Gas Received: The quality of the gas to be received by Union at the Receipt Point(s) hereunder is to be of a merchantable quality and in accordance with the quality standards as set out by Union in this Article II, but, Union will use reasonable efforts to accept gas of a quality that may deviate from the quality standards set out therein.
5. Quality of Gas at Dawn: The quality of the gas to be delivered to Union at Dawn (Facilities) or the gas to be delivered by Union to Shipper at Dawn (Facilities) hereunder is to be of a merchantable quality and in accordance with the quality standards and measurement standards as set out by Union in this Article II, except that total sulphur limit shall be not more than four hundred and sixty (460) milligrams per cubic metre of gas. In addition to any other right or remedy of a party, each party shall be entitled to refuse to accept delivery of any gas which does not conform to any of the specifications set out in this Article II.

III. MEASUREMENTS

- 1. Service Unit: The unit of the gas delivered to Union shall be a quantity of 10³m³. The unit of gas delivered by Union shall be a megajoule, a gigajoule, a cubic metre (m³) or one thousand cubic metres (10³m³) at Union's discretion.
- 2. Determination of Volume and Energy:
 - a. The volume and energy amounts determined under the Contract shall be determined in accordance with the Electricity and Gas Inspection Act (Canada), RSC 1985, c E-4- (the "Act") and the Electricity and Gas Inspection Regulations, SOR 86/131 (the "Regulations"), and any documents issued under the authority of the Act and Regulations and any amendments thereto.
 - b. The supercompressibility factor shall be determined in accordance with either the "**Manual for Determination of Supercompressibility Factors for Natural Gas**" (PAR Project NX-19) published in 1962 or with American Gas Association Transmission Measurement Committee Report No. 8, Nov. 1992, at Union's discretion, all as amended from time to time.
 - c. The volume and/or energy of the gas delivered to/by Union hereunder shall be determined by the measurement equipment designated in Article VII herein.

IV. RECEIPT POINT AND DELIVERY POINT

The point(s) of receipt and point of delivery for all gas to be covered hereunder shall be on the outlet side of the measuring stations located at or near the point or points of connection specified in Schedule 1 of the Contract, where possession of the gas changes from one party to the other.

V. POSSESSION OF AND RESPONSIBILITY FOR GAS

1. Possession of Gas: Union accepts no responsibility for any gas prior to such gas being delivered to Union at the Receipt Point or after its delivery by Union at the Delivery Point. As between the parties hereto, Union shall be deemed to be in control and possession of and responsible for all such gas from the time that such gas enters Union's system until such gas is delivered to Shipper.
2. Liability: Shipper agrees that Union is not a common carrier and is not an insurer of Shipper's gas, and that Union shall not be liable to Shipper or any third party for loss of gas in Union's possession, except to the extent such loss is caused entirely by Union's negligence or wilful misconduct.

VI. FACILITIES ON SHIPPER'S PROPERTY

1. Meter Station: Union shall provide, at the Receipt Point(s), according to the terms hereunder, the meter station required to receive and measure the Produced Volume of gas received by Union from Shipper. Shipper agrees, if requested by Union, to provide Union with sufficient detailed information regarding Shipper's current and expected operations in order to aid Union in Union's design of the meter station.
2. Union Obligations: Pursuant to Article VI. Section 1 herein, Union shall purchase, install and maintain, at the Receipt Point(s):
 - a. a meter and any associated recording gauges as are necessary; and,
 - b. a suitable gas odourizing injection facility where Union deems such facility to be necessary.
3. Union Equipment: All equipment installed by Union at the Receipt Point(s) shall remain the property of Union at all times, notwithstanding the fact that it may be affixed to Shipper's property. Union shall be entitled to remove said equipment at any time within a period of sixty (60) days from any termination or expiry of the Contract. Shipper shall take all necessary steps to ensure Union may enter onto the Receipt Point(s) to remove such equipment for a period of sixty (60) days after termination or expiry of the Contract or the Sales Agreement.
4. Shipper Obligations: Upon Union's request Shipper shall, at Shipper's own cost and expense:
 - a. obtain a registered lease or freehold ownership at the Receipt Point(s) sufficient to provide Union with free uninterrupted access to, from, under and above the Receipt Point(s), for a term (and extended terms) identical to the Contract, plus sixty (60) days, and shall provide Union with a bona fide copy of such lease agreement prior to Union commencing the construction of the meter station;
 - b. furnish, install, set, and maintain suitable pressure and volume control equipment and such additional equipment as required on Shipper's delivery system, to protect against the overpressuring of Union's facilities, and to limit the daily flow of gas to the corresponding Maximum Daily Quantity applicable to the Receipt Point(s);
 - c. supply, install and maintain a gravel or cut stone covering on each Receipt Point and shall maintain such Receipt Point(s) in a safe and workmanlike manner; and,
 - d. install and maintain a fence satisfactory to Union around the perimeter of each Receipt Point which will adequately secure and protect Union's equipment therein.
5. Maintenance Costs: Shipper shall within thirty (30) days of the delivery of an invoice by Union, reimburse Union for any actual costs reasonably incurred by Union for any repair, replacement, relocation, or upgrading of any meter station

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requested by Shipper, or as required by law, or by duly constituted regulatory body, or through good engineering practice. Union shall be responsible for any costs incurred by Union to correct an error made by Union.

VII. MEASURING EQUIPMENT

1. Metering by Union: Union will install and operate meters and related equipment as required and in accordance with the Act and Regulations referenced in Article III herein.
2. Metering by Others: In the event that all or any gas received or delivered hereunder is measured by a meter that is owned and operated by an upstream or downstream transporter (the "Transporter") whose facilities may or may not interconnect with Union's, then Union and Shipper agree to accept that metering for the purpose of determining the volume and energy of gas received or delivered on behalf of the Shipper. The standard of measurement and tests for the gas delivered to/by Union pursuant to this Article VII, Section 2 shall be in accordance with the general terms and conditions as incorporated in that Transporter's gas tariff as approved by Transporter's regulatory body.
3. Check Measuring Equipment: Shipper may install, maintain and operate, at the Receipt Point, at its own expense, such check measuring equipment as desired, provided that such equipment shall be so installed as not to interfere with the operation of Union's measuring equipment at or near the Receipt Point, and shall be installed, maintained and operated in conformity with the same standards and specifications applicable to Union's metering facilities.
4. Calibration and Test of Measuring Equipment: The accuracy of Union's measuring equipment shall be verified by Union at reasonable intervals, and if requested, in the presence of representatives of Shipper, but Union shall not be required to verify the accuracy of such equipment more frequently than once in any thirty (30) day period. In the event either party notifies the other that it desires a special test of any measuring equipment, the parties shall co-operate to secure a prompt verification of the accuracy of such equipment. The expense of any such special test, if called for by Shipper, shall be borne by Shipper if the measuring equipment tested is found to be in error by not more than two per cent (2%). If, upon test, any measuring equipment is found to be in error by not more than two per cent (2%), previous recordings of such equipment shall be considered accurate in computing receipts of gas, but such equipment shall be adjusted at once to record as near to absolute accuracy as possible. If the test conducted shows a percentage of inaccuracy greater than two percent (2%), the financial adjustment, if any, shall be calculated in accordance with the Act and Regulations, as may be amended from time to time and in accordance with any successor statutes and regulations.
5. Preservation of Metering Records: Union and Shipper shall each preserve for a period of at least six (6) years all test data, and other relevant records.

VIII. BILLING

1. Monthly Billing Date: Union shall render bills on or before the tenth (10th) day of each month for all Services furnished during the preceding Month. Such charges may be based on estimated quantities, if actual quantities are unavailable in time to prepare the billing. Union shall provide, in a succeeding Month's billing, an adjustment based on any difference between actual quantities and estimated quantities, without any interest charge. If presentation of a bill to Shipper is delayed after the tenth (10th) day of the month, then the time of payment shall be extended accordingly, unless Shipper is responsible for such delay.
2. Right of Examination: Both Union and Shipper shall have the right to examine at any reasonable time the books, records and charts of the other to the extent necessary to verify the accuracy of any statement, chart or computation made under or pursuant to the provisions of the Contract.
3. Amendment of Statements: For the purpose of completing a final determination of the actual quantities of gas handled in any of the Services to Shipper, the parties shall have the right to amend their statement for a period equal to the time during which the companies, that transport the gas contemplated herein for Union and Shipper, retain the right to amend their statements, which period shall not exceed three (3) years from the date of termination of the Contract.

IX. PAYMENTS

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1. Monthly Payments: Shipper shall pay the invoiced amount directly into Union's bank account as directed on the invoice on or before the twentieth (20th) day of each month. If the payment date is not a Business Day, then payment must be received in Union's account on the first Business Day preceding the twentieth (20th) day of the month.
2. Remedies for Non-payment: Should Shipper fail to pay all of the amount of any bill as herein provided when such amount is due,
 - a. Shipper shall pay to Union interest on the unpaid portion of the bill accruing at a rate per annum equal to the minimum commercial lending rate of Union's principal banker in effect from time to time from the due date until the date of payment; and,
 - b. If such failure to pay continues for thirty (30) days after payment is due, Union, in addition to any other remedy it may have under the Contract, may suspend Services until such amount is paid. Notwithstanding such suspension, all demand charges shall continue to accrue hereunder as if such suspension were not in place.

If Shipper in good faith disputes the amount of any such bill or part thereof Shipper shall pay to Union such amounts as it concedes to be correct. At any time thereafter, within twenty (20) days of a demand made by Union, Shipper shall furnish financial assurances satisfactory to Union, guaranteeing payment to Union of the amount ultimately found due upon such bill after a final determination. Such a final determination may be reached either by agreement, arbitration decision or judgement of the courts, as may be the case. Union shall not be entitled to suspend Services because of such non-payment unless and until default occurs in the conditions of such financial assurances or default occurs in payment of any other amount due to Union hereunder.

Notwithstanding the foregoing, Shipper is not relieved from the obligation to continue its deliveries of gas to Union under the terms of any agreement, where Shipper has contracted to deliver specified quantities of gas to Union.

3. Billing Adjustments: If it shall be found that at any time or times Shipper has been overcharged or undercharged in any form whatsoever under the provisions of the Contract and Shipper shall have actually paid the bills containing such overcharge or undercharge, Union shall refund the amount of any such overcharge and interest shall accrue from and including the first day of such overcharge as paid to the date of refund and shall be calculated but not compounded at a rate per annum determined each day during the calculation period to be equal to the minimum commercial lending rate of Union's principal banker, and the Shipper shall pay the amount of any such undercharge, but without interest. In the event Union renders a bill to Shipper based upon measurement estimates, the required adjustment to reflect actual measurement shall be made on the bill next following the determination of such actual measurement, without any charge of interest. In the event an error is discovered in the amount billed in any statement rendered by Union, such error shall be adjusted by Union. Such overcharge, undercharge or error shall be adjusted by Union on the bill next following its determination (where the term "**bill next following**" shall mean a bill rendered at least fourteen (14) days after the day of its determination), provided that claim therefore shall have been made within three (3) years from the date of the incorrect billing. In the event any refund is issued with Shipper's bill, the aforesaid date of refund shall be deemed to be the date of the issue of bill.
4. Taxes: In addition to the charges and rates as per the applicable rate schedules and price schedules, Shipper shall pay all Taxes which are imposed currently or subsequent to the execution of the Contract by any legal authority having jurisdiction and any amount in lieu of such Taxes paid or payable by Union.
5. Set Off: If either party shall, at any time, be in arrears under any of its payment obligations to the other party under the Contract, then the party not in arrears shall be entitled to reduce the amount payable by it to the other party in arrears under the Contract, or any other contract, by an amount equal to the amount of such arrears or other indebtedness to the other party. In addition to the foregoing remedy, Union may, upon forty-eight (48) hours verbal notice, to be followed by written notice, take possession of any or all of Shipper's gas under the Contract, which shall be deemed to have been assigned to Union, to reduce such arrears or other indebtedness to Union.
6. ~~Station and Connection Costs: In the event that a meter station must be constructed and/or installed in order to give effect to the Contract, Shipper agrees to pay Union for a portion, as determined by Union, of Union's actual cost, as hereinafter defined, for constructing and installing such station. Shipper also agrees to pay the actual costs to connect such station to Union's pipeline and distribution system. Union shall advise Shipper as to the need for a meter station and shall provide Shipper with an estimate of the Aid to Construction. Such Aid to Construction shall include the costs of all pipe, fittings and materials, third party labour costs and Union's direct labour, labour saving devices, vehicles and mobile equipment, but shall exclude the purchase costs of gas pressure control equipment and gas meters installed by~~

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Union.

6. Aid to Construction: Shipper agrees to reimburse Union for the Aid to Construction. In the event Union has incurred costs, as set out herein, relative to the construction, installation or connection of the gas metering station prior to being notified by Shipper of Shipper's intention to terminate the Contract, Shipper shall promptly remit to Union such actual costs on presentation to Shipper of an invoice for same from Union. All applicable Taxes will be applied to all amounts to be paid under this Section. Shipper warrants and represents that no payment to be made by Shipper under the Contract is subject to any withholding tax.

X. ARBITRATION

If and when any dispute, difference or question shall arise between the parties hereto touching the Contract or anything herein contained, or the construction hereof, or the rights, duties or liabilities of the parties in relation to any matter hereunder, the matter in dispute shall be submitted and referred to arbitration within ten (10) days after written request of either party. Upon such request each party shall appoint an arbitrator, and the two so appointed shall appoint a third. A majority decision of the arbitrators shall be final and binding upon both parties. In all other respects the provisions of the Arbitration Act, 1991, or any act passed in amendment thereof or substitution therefore, shall apply to each such submission. Operations under the Contract shall continue, without prejudice, during any such arbitration and the costs attributable to such arbitration shall be shared equally by the parties hereto.

XI. FORCE MAJEURE

1. Definition: The term "**force majeure**" as used herein shall mean acts of God, strikes, lockouts or any other industrial disturbance, acts of the public enemy, sabotage, wars, blockades, insurrections, riots, epidemics, landslides, lightning, earthquakes, fires, storms, floods, washouts, arrests and restraints of governments and people, civil disturbances, explosions, breakage or accident to machinery or lines of pipe, freezing of wells or lines of pipe, inability to obtain materials, supplies, permits or labour, any laws, orders, rules, regulations, acts or restraints of any governmental body or authority (civil or military), any act or omission that is excused by any event or occurrence of the character herein defined as constituting force majeure, any act or omission by parties not controlled by the party having the difficulty and any other similar cases not within the control of the party claiming suspension and which by the exercise of due diligence such party is unable to prevent or overcome.
2. Notice: In the event that either the Shipper or Union is rendered unable, in whole or in part, by force majeure, to perform or comply with any obligation or condition of the Contract, such party shall give notice and full particulars of such force majeure in writing delivered by hand, fax or other direct written electronic means to the other party as soon as possible after the occurrence of the cause relied on and subject to the provision of this Article.
3. Exclusions: Neither party shall be entitled to the benefit of the provisions of force majeure hereunder if any or all of the following circumstances prevail: the failure resulting in a condition of force majeure was caused by the negligence of the party claiming suspension; the failure was caused by the party claiming suspension where such party failed to remedy the condition by making all reasonable efforts (short of litigation, if such remedy would require litigation); the party claiming suspension failed to resume the performance of such condition obligations with reasonable dispatch; the failure was caused by lack of funds; the party claiming suspension did not, as soon as possible after determining, or within a period within which it should acting reasonably have determined, that the occurrence was in the nature of force majeure and would affect its ability to observe or perform any of its conditions or obligations under the Contract, give to the other party the notice required hereunder.
4. Notice of Remedy: The party claiming suspension shall likewise give notice as soon as possible after the force majeure condition is remedied, to the extent that the same has been remedied, and that such party has resumed or is then in a position to resume the performance of the obligations and conditions of the Contract.
5. Obligation to Perform: An event of force majeure on Union's system will excuse the failure to deliver gas by Union or the failure to accept gas by Union hereunder, and both parties shall be excused from performance of their obligations hereunder, except for payment obligations, to the extent of and for the duration of the force majeure.
6. Upstream or Downstream Force Majeure: An event of force majeure upstream or downstream of Union's system shall not relieve Shipper of any payment obligations.

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7. **Delay of Services:** Despite Article XI herein, if Union is prevented, by reason of an event of force majeure on Union's system from delivering gas on the Day or Days upon which Union has accepted gas from Shipper, Union shall thereafter make all reasonable efforts to deliver such quantities as soon as practicable and on such Day or Days as are agreed to by Shipper and Union. If Union accepts such gas on this basis, Shipper shall not receive any demand charge relief as contemplated under Article XI herein.
8. **Firm Daily Variability Demand Charge Relief:** Despite Article XI herein, if on any Day Union fails to accept gas from Shipper by reason of an event of force majeure on Union's system and fails to deliver the quantity of gas nominated hereunder by Shipper up to the Firm Daily Variability Demand for that Contract, then for that Day the Monthly charge shall be reduced by an amount equal to the applicable Firm Daily Variability Demand Rate, as defined in this paragraph, multiplied by the difference between the quantity of gas actually delivered by Union during such Day and the quantity of gas which Shipper in good faith nominated on such Day. The term "**Firm Daily Variability Demand Rate**" shall mean the monthly Firm Daily Variability Demand charge as provided in Schedule 2 of the Contract, divided by the number of days in the month for which such rate is being calculated.

XII. DEFAULT AND TERMINATION

In case of the breach or non-observance or non-performance on the part of either party hereto of any covenant, proviso, condition, restriction or stipulation contained in the Contract (but not including herein failure to take or make delivery in whole or in part of the gas delivered to/by Union hereunder occasioned by any of the reasons provided for in Article XI herein) which has not been waived by the other party, then and in every such case and as often as the same may happen, the non-defaulting party may give written notice to the defaulting party requiring it to remedy such default and in the event of the defaulting party failing to remedy the same within a period of thirty (30) days from receipt of such notice, the non-defaulting party may at its sole option declare the Contract to be terminated and thereupon the Contract shall be terminated and be null and void for all purposes other than and except as to any liability of the parties under the same incurred before and subsisting as of termination. The right hereby conferred upon each party shall be in addition to, and not in derogation of or in substitution for, any other right or remedy which the parties respectively at law or in equity shall or may possess.

In the event that the Contract is terminated pursuant to this Article XII, the parties hereto agree that they shall continue to be bound only by the terms and conditions set forth in the Contract but only for the purpose of determining the actual quantities in Shipper's Producer Balancing Account with such determination being subject to Article X. Such extended period of time shall not exceed one (1) year from the date of termination of the Contract.

XIII. AMENDMENT

Subject to Article XV herein and the ability of Union to amend the applicable rate schedules and price schedules, with the approval of the OEB (if required), no amendment or modification of the Contract shall be effective unless the same shall be in writing and signed by each of the Shipper and Union.

XIV. NON-WAIVER AND FUTURE DEFAULT

No waiver of any provision of the Contract shall be effective unless the same shall be in writing and signed by the party entitled to the benefit of such provision and then such waiver shall be effective only in the specific instance and for the specified purpose for which it was given. No failure on the part of Shipper or Union to exercise, and no course of dealing with respect to, and no delay in exercising, any right, power or remedy under the Contract shall operate as a waiver thereof.

XV. LAWS, REGULATIONS AND ORDERS

The Contract and the respective rights and obligations of the parties hereto are subject to all present and future valid laws, orders, rules and regulations of any competent legislative body, or duly constituted authority now or hereafter having jurisdiction and the Contract shall be varied and amended to comply with or conform to any valid order or direction of any board, tribunal or administrative agency which affects any of the provisions of the Contract.

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XVI. RESERVED FOR FUTURE USE

N/A

XVII. RENEWALS

The Contract will continue in full force and effect beyond the Initial Term, automatically renewing for a period of one (1) year, and every one (1) year thereafter, subject to notice in writing by either party of termination at least three (3) months prior to the expiration thereof.

XVIII. SERVICE CURTAILMENT

1. Verbal Notice: Excepting instances of emergency, Shipper and Union agree to give at least twenty-four (24) hours verbal notice before a planned curtailment of receipt or delivery, shut-down or start-up.
2. Emergency: Shipper shall complete and maintain a plan which depicts all of the Shipper's gas production facilities including all emergency shut off valves and emergency equipment and provide a copy to Union upon Union's request. Shipper shall provide to Union the names and telephone numbers of those persons whom Union may contact in the event of an emergency situation arising within the Shipper's facilities.
3. Emergency Notice: In the event that Union is notified by a third party or if Union becomes aware of an emergency situation in which Shipper's gas production site, pipeline or associated equipment is involved, Union shall immediately notify Shipper or Shipper's representative of such emergency condition.
4. Right to Modify: Union shall have the right, at all times, to reconstruct or modify Union's pipeline and distribution system and the pressure carried therein, notwithstanding that such reconstruction or modification may reduce the System Capacity available to receive Shipper's gas, or Shipper's ability to deliver gas to Union. Should Union expect any such reconstruction or modification to reduce the delivery or receipt of gas by either party, Union will, where able, provide Shipper with six (6) months' notice or as much notice as is reasonably practical in the circumstances. Union shall use reasonable efforts to assist the Shipper in meeting its Market Quantity in these circumstances.

XIX. SHIPPER'S REPRESENTATIONS AND WARRANTIES

1. Shipper's Warranty: Shipper warrants that it will, if required, maintain, or have maintained on its behalf, all external approvals including the governmental, regulatory, import/export permits and other approvals or authorizations that are required from any federal, state or provincial authorities for the gas quantities to be handled under the Contract. Shipper further warrants that it shall maintain in effect the Facilitating Agreements.
2. Financial Representations: Shipper represents and warrants that the financial assurances (including the Initial Financial Assurances and Security), if any, shall remain in place throughout the term hereof unless Shipper and Union agree otherwise. Shipper shall notify Union in the event of any change to the financial assurances (including the Initial Financial Assurances and Security), if any, throughout the term hereof. Should Union have reasonable grounds to believe that Shipper will not be able to perform or continue to perform any of its obligations under the Contract for any reason (a "Material Event"), then Shipper shall within fourteen (14) days of receipt of written notice by Union, obtain and provide to Union a letter of credit or other security in the form and amount reasonably required by Union (the "Security"). In the event that Shipper does not provide to Union such Security, Union may deem a default in accordance with the provisions of Article XII herein.

In the event that Shipper in good faith, reasonably believes that it should be entitled to reduce the amount of or value of the Security previously provided, it may request such a reduction from Union and to the extent that the Material Event has been mitigated or eliminated, Union shall return all or a portion of the Security to Shipper within fourteen (14) Business Days after receipt of the request.

3. Licence: Shipper represents and warrants to Union that Shipper possesses a licence to produce gas in the Province of Ontario.

XX. MISCELLANEOUS PROVISIONS

1. Assignment: Shipper may assign the Contract to a third party ("**Assignee**"), up to the Maximum Daily Quantity, (the "**Capacity Assigned**"). Such assignment shall require the prior written consent of Union and release of obligations by Union for the Capacity Assigned from the date of assignment. Such consent and release shall not be unreasonably withheld and shall be conditional upon the Assignee providing, amongst other things, financial assurances as per Article XXI herein. Any such assignment will be for the full rights, obligations and remaining term of the Contract as relates to the Capacity Assigned.
2. Title to Gas: Shipper represents and warrants to Union that Shipper shall have good and marketable title to, or legal authority to deliver to Union, all gas delivered to Union hereunder. Furthermore, Shipper hereby agrees to indemnify and save Union harmless from all suits, actions, debts, accounts, damages, costs, losses and expenses arising from or out of claims of any or all third parties to such gas or on account of Taxes, or other charges thereon.

XXI. PRECONDITIONS TO SERVICES

1. Union Conditions: The obligations of Union to provide Services hereunder are subject to the following conditions precedent, which are for the sole benefit of Union and which may be waived or extended in whole or in part in the manner provided in the Contract:
 - a. Union shall have obtained, in form and substance satisfactory to Union, and all conditions shall have been satisfied under, all governmental, regulatory and other third party approvals, consents, orders and authorizations, that are required to provide the Services; and,
 - b. Union shall have obtained all internal approvals that are necessary or appropriate to provide the Services; and,
 - c. Union shall have received from Shipper the requisite financial assurances reasonably necessary to ensure Shipper's ability to honour the provisions of the Contract (the "**Initial Financial Assurances**"). The Initial Financial Assurances, if required, will be as determined solely by Union; and,
 - d. Shipper and Union shall have entered into the Interruptible Service HUB Contract or equivalent (the "**Facilitating Agreement**") with Union; and,
 - e. Union shall, where applicable, have obtained all internal and external approvals including the governmental, regulatory and other approvals or authorizations required to construct any facilities necessary to provide the Services hereunder, which approvals and authorizations, if granted upon conditions, shall be conditions satisfactory to Union; and,
 - f. Union shall, where applicable, have completed and placed into service those facilities necessary to provide the Services hereunder; and,
 - ~~g. Further to Article IX Section 6 herein, Shipper shall pay to Union a payment ("**First Prepayment**") towards the Aid to Construction at the time of the execution of this Agreement. Shipper shall pay a payment prior to installation of the meter station ("**Second Prepayment**"). The foregoing payments are specified in the attached Schedule 1 for the first meter station ("**Receipt Point #1**") to be installed under the Contract. Payments for additional meter stations will be handled by written mutual agreement between the parties. Shipper shall pay Union the difference if the actual Aid to Construction is more than the Prepayments, within thirty (30) days of the delivery of an invoice from Union on which the actual costs for construction and installation of facilities are stated. Union shall pay Shipper the difference if the actual Aid to Construction is less than the Prepayments. In the event Shipper terminates this Agreement prior to Union incurring any costs related to the construction, installation or connection of the meter station, Shipper's Prepayments shall be returned to Seller, without interest, within fifteen (15) days notice to Union of such termination by Shipper. In the event Union has incurred costs, as set out herein, relative to the construction, installation or connection of the meter station prior to being notified by Shipper of Shipper's intention to terminate the Agreement, Union shall deduct such actual costs from Union's return of Shipper's Prepayments. "**Prepayments**" shall mean the sum of the First Prepayment and the Second Prepayment.~~

SCHEDULE "A 2013"

g. Shipper shall have paid any amounts owing pursuant to Schedule 1 Aid to Construction.

2. Shipper Conditions: The obligations of Shipper hereunder are subject to the following conditions precedent, which are for the sole benefit of Shipper and which may be waived or extended in whole or in part in the manner provided in the Contract:
 - a. Shipper shall, as required, have entered into the necessary contracts with Union and/or others to facilitate the Services contemplated herein, including contracts for upstream and downstream transportation, and shall specifically have an executed and valid Facilitating Agreement; and,
 - b. Shipper shall have obtained, in form and substance satisfactory to Shipper, and all conditions shall have been satisfied under, all governmental, regulatory and other third party approvals, consents, orders and authorizations, that are required from federal, state, or provincial authorities for the gas quantities handled under the Contract; and,
 - c. Shipper shall have obtained all internal approvals that are necessary or appropriate for the Shipper to execute the Contract; and,
 - d. Shipper shall have cancelled or renegotiated its Sales Agreement, on terms satisfactory to Union, as applicable.
3. Satisfaction of Conditions: Union and Shipper shall each use due diligence and reasonable efforts to satisfy and fulfil the conditions precedent specified in this Article XXI Section 1 a, c, d, e, f, g, and Section 2 a, b, and d. Each party shall notify the other forthwith in writing of the satisfaction or waiver of each condition precedent for such party's benefit. If a party concludes that it will not be able to satisfy a condition precedent that is for its benefit, such party may, upon written notice to the other party, terminate the Contract and upon the giving of such notice, the Contract shall be of no further force and effect and each of the parties shall be released from all further obligations thereunder.
4. Non-Satisfaction of Conditions: If any of the conditions precedent in this Article XXI Section 1 c or Section 2 are not satisfied or waived by the party entitled to the benefit of that condition by the Conditions Date as such term is defined in the Contract, ~~or if any of the Shipper payments required under the condition precedent in this Article XXI Section 1 g have not been paid as required in such section,~~ then either party may, upon written notice to the other party, terminate the Contract and upon the giving of such notice, the Contract shall be of no further force and effect and each of the parties shall be released from all further obligations hereunder, provided that any rights or remedies that a party may have for breaches of the Contract prior to such termination and any liability a party may have incurred before such termination shall not thereby be released.

**UNION SOUTH - RATE M12
GENERAL TERMS & CONDITIONS**

I. DEFINITIONS

Except where the context expressly requires or states another meaning, the following terms, when used in these General Terms & Conditions and in any contract into which these General Terms & Conditions are incorporated, shall be construed to have the following meanings:

1. "Contract" shall refer to the Contract to which these General Terms & Conditions shall apply, and into which they are incorporated;
2. "cubic metre" shall mean the volume of gas which occupies one cubic metre when such gas is at a temperature of 15 degrees Celsius, and at a pressure of 101.325 kilopascals absolute;
3. "day" shall mean a period of twenty-four (24) consecutive hours beginning at 9:00 a.m. Central Standard time. The reference date for any day shall be the calendar date upon which the twenty-four (24) hour period shall commence;
4. "delivery" shall mean any gas that is delivered by Union into Shipper's possession, or to the possession of Shipper's agent;
5. "firm" shall mean service not subject to curtailment or interruption except under Articles XI and XII of this Schedule "A";
6. "gas" shall mean gas as defined in the Ontario Energy Board Act, 1998, S.O. 1998, c.15, Sch. B, as amended, supplemented or re-enacted from time to time;
7. "gross heating value" shall mean the total heat expressed in megajoules per cubic metre (MJ/m³) produced by the complete combustion at constant pressure of one (1) cubic metre of gas with air, with the gas free of water vapour and the temperature of the gas, air and products of combustion at standard temperature and all water formed by the combustion reaction condensed to the liquid state;
8. "interruptible service" shall mean service subject to curtailment or interruption, after notice, at any time;
9. "Interconnecting Pipeline" shall mean a pipeline that directly connects to the Union pipeline system;
10. "joule" (J) shall mean the work done when the point of application of a force of one (1) newton is displaced a distance of one (1) metre in the direction of the force. The term "megajoule" (MJ) shall mean 1,000,000 joules. The term "gigajoule" (GJ) shall mean 1,000,000,000 joules;
11. "limited interruptible service" shall mean gas service subject to interruption or curtailment on a limited number of days as specified in the Contract;
12. "m³" shall mean cubic metre of gas and "10³m³" shall mean 1,000 cubic metres of gas;
13. "month" shall mean the period beginning at 9:00 a.m. Central Standard time on the first day of a calendar month and ending at 9:00 a.m. Central Standard time on the first day of the following calendar month;
14. "OEB" means the Ontario Energy Board;
15. "pascal" (Pa) shall mean the pressure produced when a force of one (1) newton is applied to an area of one (1) square metre. The term "kilopascal" (kPa) shall mean 1,000 pascals;
16. "receipt" shall mean any gas that is delivered into Union's possession, or the possession of Union's agent;
17. "Shipper" shall have the meaning as defined in the Contract and shall also include Shipper's agent(s);

18. "TCPL" means TransCanada PipeLines Limited;
19. "cricondenthm hydrocarbon dewpoint" shall mean the highest hydrocarbon dewpoint temperature on the phase envelope;
20. "hydrocarbon dewpoint" shall mean temperature at a specific pressure where hydrocarbon vapour condensation begins;
21. "specific gravity" shall mean density of the gas divided by density of air, with both at a temperature of 15 degrees Celsius, and at a pressure of 101.325 kilopascals absolute;
22. "Wobbe Number" shall mean gross heating value of the gas divided by the square root of its specific gravity;
23. "Union" shall mean Enbridge Gas Inc. operating as Union Gas.

II. GAS QUALITY

1. Natural Gas: The minimum gross heating value of the gas delivered to/by Union hereunder, shall be thirty-six (36) megajoules per cubic metre. The maximum gross heating value of the gas delivered to/by Union hereunder shall be forty point two (40.2) megajoules per cubic metre. The gas to be delivered hereunder to Union may be a commingled supply from Shipper's gas sources of supply. The gas to be delivered by Union may be a commingled supply from Union's sources of gas supply; provided, however, that helium, natural gasoline, butane, propane and other hydrocarbons, except methane, may be removed prior to delivery to Shipper. Further, Union may subject, or permit the subjection of, the gas to compression, dehydration, cooling, cleaning and other processes.
2. Freedom from objectionable matter: The gas to be delivered to/by Union hereunder,
 - a. shall be commercially free from bacteria, sand, dust, gums, crude oils, lubricating oils, liquids, chemicals or compounds used in the production, treatment, compression or dehydration of the gas or any other objectionable substance in sufficient quantity so as to render the gas toxic, unmerchantable or cause injury to or interference with the proper operation of the lines, regulators, meters or other appliances through which it flows,
 - b. shall not contain more than seven (7) milligrams of hydrogen sulphide per cubic metre of gas nor more than four hundred and sixty (460) milligrams of total sulphur per cubic metre of gas,
 - c. shall not contain more than five (5) milligrams of mercaptan sulphur per cubic metre of gas,
 - d. shall not contain more than two point zero (2.0) molar percent by volume of carbon dioxide in the gas,
 - e. shall not contain more than zero point four (0.4) molar percent by volume of oxygen in the gas,
 - f. shall not contain more than zero point five (0.5) molar percent by volume of carbon monoxide in the gas,
 - g. shall not contain more than four point zero (4.0) molar percent by volume of hydrogen in the gas,
 - h. shall not contain more than sixty-five (65) milligrams of water vapour per cubic metre of gas,
 - i. shall not have a cricondenthm hydrocarbon dewpoint exceeding minus eight (-8) degrees Celsius,
 - j. shall have Wobbe Number from forty seven point fifty (47.50) megajoules per cubic metre of gas to fifty one point forty six (51.46) megajoules per cubic metre of gas, maximum of one point five (1.5) mole percent by volume of butane plus (C4+) in the gas, and maximum of four point zero (4.0) mole percent by volume of total inerts in the gas in order to be interchangeable with other Interconnecting Pipeline gas.

3. Non-conforming Gas: In addition to any other right or remedy of a party, each party shall be entitled to refuse to accept delivery of any gas which does not conform to any of the specifications set out in this Article II.
4. Quality of Gas Received: The quality of the gas to be received by Union hereunder is to be of a merchantable quality and in accordance with the quality standards as set out by Union in this Article II, but, Union will also accept gas of a quality as set out in any other Interconnecting Pipeline's general terms and conditions, provided that all Interconnecting Pipelines accept such quality of gas. In addition to any other right or remedy of a party, each party shall be entitled to refuse to accept delivery of any gas which does not conform to any of the specifications set out in Union's M12 Rate Schedule.

III. MEASUREMENTS

1. Storage, Transportation, and/or Sales Unit: The unit of the gas delivered to Union shall be a megajoule or a gigajoule. The unit of gas transported or stored by Union shall be a megajoule or a gigajoule. The unit of gas delivered by Union shall be a megajoule, a gigajoule, a cubic metre (m³) or one thousand cubic metres (10³m³) at Union's discretion.
2. Determination of Volume and Energy:
 - a. The volume and energy amounts determined under the Contract shall be determined in accordance with the Electricity and Gas Inspection Act (Canada), RSC 1985, c E-4- (the "**Act**") and the Electricity and Gas Inspection Regulations, SOR 86/131 (the "**Regulations**"), and any documents issued under the authority of the Act and Regulations and any amendments thereto.
 - b. The supercompressibility factor shall be determined in accordance with either the "Manual for Determination of Supercompressibility Factors for Natural Gas" (PAR Project NX-19) published in 1962 or with American Gas Association Transmission Measurement Committee Report No. 8, Nov. 1992, at Union's discretion, all as amended from time to time.
 - c. The volume and/or energy of the gas delivered to/by Union hereunder shall be determined by the measurement equipment designated in Article VII herein.
 - d. Upon request by Union, Shipper shall obtain measurement of the total quantity of gas received by Union hereunder from the Interconnecting Pipeline. Such measurement shall be done in accordance with established practices between Union and the Interconnecting Pipeline.

IV. RECEIPT POINT AND DELIVERY POINT

1. Unless otherwise specified in the Contract, the point or points of receipt for all gas to be covered hereunder shall be on the outlet side of the measuring stations located at or near the point or points of connection specified in the Contract, where Union takes possession of the gas.
2. Unless otherwise specified in the Contract, the point or points of delivery for all gas to be covered hereunder shall be on the outlet side of the measuring stations located at or near the point or points of connection as specified in the Contract where Shipper takes possession of the gas.

V. POSSESSION OF AND RESPONSIBILITY FOR GAS

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VI. FACILITIES ON SHIPPER'S PROPERTY

Except under those conditions where Union is delivering to TCPL for TCPL or Shipper at Union's Parkway Point of Delivery, or to an Interconnecting Pipeline, or where otherwise specified in the Contract, the following will apply:

1. Construction and Maintenance: Union, at its own expense may construct, maintain and operate on Shipper's property at the delivery point a measuring station properly equipped with a meter or meters and any other necessary measuring equipment for properly measuring the gas redelivered under the Contract. Shipper will grant to Union a lease and/or rights-of-way over property of Shipper as required by Union to install such facilities and to connect same to Union's pipeline.
2. Entry: Union, its servants, agents and each of them may at any reasonable time on notice (except in cases of emergency) to Shipper or his duly authorized representative enter Shipper's property for the purpose of constructing, maintaining, removing, operating and/or repairing station equipment.
3. Property: The said station and equipment will be and remain the property of Union notwithstanding it is constructed on and attached to the realty of Shipper, and Union may at its own expense remove it upon termination of the Contract and will do so if so requested by Shipper.

VII. MEASURING EQUIPMENT

1. Metering by Union: Union will install and operate meters and related equipment as required and in accordance with the Act and Regulations referenced in Article III herein.
2. Metering by Others: In the event that all or any gas delivered to/by Union hereunder is measured by a meter that is owned and operated by an Interconnecting Pipeline, then Union and Shipper agree to accept that metering for the purpose of determining the volume and energy of gas delivered to/by Union on behalf of the Shipper. The standard of measurement and tests for the gas delivered to/by Union hereunder shall be in accordance with the general terms and conditions as incorporated in that Interconnecting Pipeline company's gas tariff as approved by their regulatory body.
3. Check Measuring Equipment: Shipper may install, maintain and operate, at the redelivery point, at its own expense, such check measuring equipment as desired, provided that such equipment shall be so installed as not to interfere with the operation of Union's measuring equipment at or near the delivery point, and shall be installed, maintained and operated in conformity with the same standards and specifications applicable to Union's metering facilities.
4. Rights of Parties: The measuring equipment installed by either party, together with any building erected by it for such equipment, shall be and remain its property. However, Union and Shipper shall have the right to have representatives present at the time of any installing, reading, cleaning, changing, repairing, inspecting, testing, calibrating, or adjusting done in connection with the other's measuring equipment used in measuring or checking the measurement of deliveries of gas to/by Union under the Contract. Either party will give the other party reasonable notice of its intention to carry out the acts herein specified. The records from such measuring equipment shall remain the property of their owner, but upon request each will submit to the other its records and charts, together with calculations therefrom, for inspection and verification, subject to return within ten (10) days after receipt thereof.
5. Calibration and Test of Measuring Equipment: The accuracy of Union's measuring equipment shall be verified by Union at reasonable intervals, and if requested, in the presence of representatives of Shipper, but Union shall not be required to verify the accuracy of such equipment more frequently than once in any thirty (30) day period. In the event either party notifies the other that it desires a special test of any measuring equipment, the parties shall co-operate to secure a prompt verification of the accuracy of such equipment. The expense of any such special test, if called for by Shipper, shall be borne by Shipper if the measuring equipment tested is found to be in error by not more than two per cent (2%). If, upon test, any measuring equipment is found to be in error by not more than two per cent (2%), previous recordings of such equipment shall be considered accurate in computing redeliveries of gas, but such equipment shall be adjusted at once to record as near to absolute accuracy as possible. If the test conducted shows a percentage of inaccuracy greater than two percent (2%), the financial adjustment, if any, shall be calculated in accordance with the Act and Regulations, as may be amended from time to time and in accordance with any successor statutes and regulations.

6. Preservation of Metering Records: Union and Shipper shall each preserve for a period of at least six (6) years all test data, and other relevant records.
7. Error in Metering or Meter Failure: In the event of an error in metering or a meter failure, (such error or failure being determined through check measurement by Union or any other available method), then Shipper shall enforce its rights as Shipper with the Interconnecting Pipeline(s) to remedy such error or failure including enforcing any inspection and/or verification rights and procedures.

VIII. BILLING

1. Monthly Billing Date: Union shall render bills on or before the 10th day of each month for all services furnished during the preceding month. Such charges may be based on estimated quantities, if actual quantities are unavailable in time to prepare the billing. Union shall provide, in a succeeding month's billing, an adjustment based on any difference between actual quantities and estimated quantities, without any interest charge. If presentation of a bill to Shipper is delayed after the 10th day of the month, then the time of payment shall be extended accordingly, unless Shipper is responsible for such delay.
2. Right of Examination: Both Union and Shipper shall have the right to examine at any reasonable time the books, records and charts of the other to the extent necessary to verify the accuracy of any statement, chart or computation made under or pursuant to the provisions of the Contract.

IX. PAYMENTS

1. Monthly Payments: Shipper shall pay the invoiced amount directly into Union's bank account as directed on the invoice on or before the twentieth (20th) day of each month. If the payment date is not a business day, then payment must be received in Union's account on the first business day preceding the twentieth (20th) day of the month.
2. Remedies for Non-payment: Should Shipper fail to pay all of the amount of any bill as herein provided when such amount is due,
 - a. Shipper shall pay to Union interest on the unpaid portion of the bill accruing at a rate per annum equal to the minimum commercial lending rate of Union's principal banker in effect from time to time from the due date until the date of payment.
 - b. If such failure to pay continues for thirty (30) days after payment is due, Union, in addition to any other remedy it may have under the Contract, may suspend service(s) until such amount is paid. Notwithstanding such suspension, all demand charges shall continue to accrue hereunder as if such suspension were not in place.

If Shipper in good faith disputes the amount of any such bill or part thereof Shipper shall pay to Union such amounts as it concedes to be correct. At any time thereafter, within twenty (20) days of a demand made by Union, Shipper shall furnish financial assurances satisfactory to Union, guaranteeing payment to Union of the amount ultimately found due upon such bill after a final determination. Such a final determination may be reached either by agreement, arbitration decision or judgement of the courts, as may be the case. Union shall not be entitled to suspend service(s) because of such non-payment unless and until default occurs in the conditions of such financial assurances or default occurs in payment of any other amount due to Union hereunder.

Notwithstanding the foregoing paragraph(s), Shipper is not relieved from the obligation to continue its deliveries of gas to Union under the terms of any agreement, where Shipper has contracted to deliver specified quantities of gas to Union.

3. Billing Adjustments: If it shall be found that at any time or times Shipper has been overcharged or undercharged in any form whatsoever under the provisions of the Contract and Shipper shall have actually paid the bills containing such

overcharge or undercharge, Union shall refund the amount of any such overcharge and interest shall accrue from and including the first day of such overcharge as paid to the date of refund and shall be calculated but not compounded at a rate per annum determined each day during the calculation period to be equal to the minimum commercial lending rate of Union's principal banker, and the Shipper shall pay the amount of any such undercharge, but without interest. In the event Union renders a bill to Shipper based upon measurement estimates, the required adjustment to reflect actual measurement shall be made on the bill next following the determination of such actual measurement, without any charge of interest. In the event an error is discovered in the amount billed in any statement rendered by Union, such error shall be adjusted by Union. Such overcharge, undercharge or error shall be adjusted by Union on the bill next following its determination (where the term "bill" next following shall mean a bill rendered at least fourteen (14) days after the day of its determination), provided that claim therefore shall have been made within six (6) years from the date of the incorrect billing. In the event any refund is issued with Shipper's gas bill, the aforesaid date of refund shall be deemed to be the date of the issue of bill.

X. **ARBITRATION**

If and when any dispute, difference or question shall arise between the parties hereto touching the Contract or anything herein contained, or the construction hereof, or the rights, duties or liabilities of the parties in relation to any matter hereunder, the matter in dispute shall be submitted and referred to arbitration within ten (10) days after written request of either party. Upon such request each party shall appoint an arbitrator, and the two so appointed shall appoint a third. A majority decision of the arbitrators shall be final and binding upon both parties. In all other respects the provisions of the Arbitration Act of the Province of Ontario, or any act passed in amendment thereof or substitution thereof, shall apply to each such submission. Operations under the Contract shall continue, without prejudice, during any such arbitration and the costs attributable to such arbitration shall be shared equally by the parties hereto.

XI. **FORCE MAJEURE**

1. The term "**force majeure**" as used herein shall mean acts of God, strikes, lockouts or any other industrial disturbance, acts of the public enemy, sabotage, wars, blockades, insurrections, riots, epidemics, landslides, lightning, earthquakes, fires, storms, floods, washouts, arrests and restraints of governments and people, civil disturbances, explosions, breakage or accident to machinery or lines of pipe, freezing of wells or lines of pipe, inability to obtain materials, supplies, permits or labour, any laws, orders, rules, regulations, acts or restraints of any governmental body or authority (civil or military), any act or omission that is excused by any event or occurrence of the character herein defined as constituting force majeure, any act or omission by parties not controlled by the party having the difficulty and any other similar cases not within the control of the party claiming suspension and which by the exercise of due diligence such party is unable to prevent or overcome.
2. In the event that either the Shipper or Union is rendered unable, in whole or in part, by force majeure, to perform or comply with any obligation or condition of the Contract, such party shall give notice and full particulars of such force majeure in writing delivered by hand, fax or other direct written electronic means to the other party as soon as possible after the occurrence of the cause relied on and subject to the provision of this Article.
3. Neither party shall be entitled to the benefit of the provisions of force majeure hereunder if any or all of the following circumstances prevail: the failure resulting in a condition of force majeure was caused by the negligence of the party claiming suspension; the failure was caused by the party claiming suspension where such party failed to remedy the condition by making all reasonable efforts (short of litigation, if such remedy would require litigation); the party claiming suspension failed to resume the performance of such condition obligations with reasonable dispatch; the failure was caused by lack of funds; the party claiming suspension did not, as soon as possible after determining, or within a period within which it should acting reasonably have determined, that the occurrence was in the nature of force majeure and would affect its ability to observe or perform any of its conditions or obligations under the Contract, give to the other party the notice required hereunder.
4. The party claiming suspension shall likewise give notice as soon as possible after the force majeure condition is remedied, to the extent that the same has been remedied, and that such party has resumed or is then in a position to resume the performance of the obligations and conditions of the Contract.

5. An event of force majeure on Union's system will excuse the failure to deliver gas by Union or the failure to accept gas by Union hereunder, and both parties shall be excused from performance of their obligations hereunder, except for payment obligations, to the extent of and for the duration of the force majeure.
6. Upstream or Downstream Force Majeure: An event of force majeure upstream or downstream of Union's system shall not relieve Shipper of any payment obligations.
7. Delay of Firm Transportation Services: Despite Article XI herein, if Union is prevented, by reason of an event of force majeure on Union's system from delivering gas on the Day or Days upon which Union has accepted gas from Shipper, Union shall thereafter make all reasonable efforts to deliver such quantities as soon as practicable and on such Day or Days as are agreed to by Shipper and Union. If Union accepts such gas on this basis, Shipper shall not receive any demand charge relief as contemplated under Article XI herein.
8. Demand Charge Relief for Firm Transportation Services: Despite Article XI herein, if on any Day Union fails to accept gas from Shipper by reason of an event of force majeure on Union's system and fails to deliver the quantity of gas nominated hereunder by Shipper up to the firm Contract Demand for that Contract, then for that Day the Monthly demand charge shall be reduced by an amount equal to the applicable Daily Demand Rate, as defined in this paragraph, multiplied by the difference between the quantity of gas actually delivered by Union during such Day and the quantity of gas which Shipper in good faith nominated on such Day. The term "**Daily Demand Rate**" shall mean the Monthly demand charge or equivalent pursuant to the M12 Rate Schedule divided by the number of days in the month for which such rate is being calculated.
9. If, due to the occurrence of an event of force majeure as outlined above, the capacity for gas deliveries by Union is impaired, it will be necessary for Union to curtail Shipper's gas receipts to Union hereunder, via proration based on utilization of such facilities for the Day. This prorating shall be determined by multiplying the capability of such facilities as available downstream of the impairment on the Day, by a fraction where the numerator is Shipper's nominated firm quantity and the denominator is the total of all such nominated firm quantities for nominated services and planned consumption for in-franchise customers on the Day. For the purposes of this Article XI, firm services shall mean all firm services provided by Union to in-franchise customers and ex-franchise shippers.

XII. DEFAULT AND TERMINATION

In case of the breach or non-observance or non-performance on the part of either party hereto of any covenant, proviso, condition, restriction or stipulation contained in the Contract (but not including herein failure to take or make delivery in whole or in part of the gas delivered to/by Union hereunder occasioned by any of the reasons provided for in Article XI hereof) which has not been waived by the other party, then and in every such case and as often as the same may happen, the Non-defaulting party may give written notice to the Defaulting party requiring it to remedy such default and in the event of the Defaulting party failing to remedy the same within a period of thirty (30) days from receipt of such notice, the Non-defaulting party may at its sole option declare the Contract to be terminated and thereupon the Contract shall be terminated and be null and void for all purposes other than and except as to any liability of the parties under the same incurred before and subsisting as of termination. The right hereby conferred upon each party shall be in addition to, and not in derogation of or in substitution for, any other right or remedy which the parties respectively at law or in equity shall or may possess.

XIII. MODIFICATION

Subject to Union's M12 Rate Schedule, Schedule A, Article XV and the ability of Union to amend the M12 Rate Schedule with the approval of the OEB, no amendment or modification of the Contract shall be effective unless the same shall be in writing and signed by each of the Shipper and Union.

XIV. NON-WAIVER AND FUTURE DEFAULT

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XV. **LAWS, REGULATIONS AND ORDERS**

The Contract and the respective rights and obligations of the parties hereto are subject to all present and future valid laws, orders, rules and regulations of any competent legislative body, or duly constituted authority now or hereafter having jurisdiction and the Contract shall be varied and amended to comply with or conform to any valid order or direction of any board, tribunal or administrative agency which affects any of the provisions of the Contract.

UNION SOUTH - RATE M12
GENERAL TERMS & CONDITIONS

I. **DEFINITIONS**

Except where the context expressly requires or states another meaning, the following terms, when used in these General Terms & Conditions and in any contract into which these General Terms & Conditions are incorporated, shall be construed to have the following meanings:

"Authorized Overrun" shall mean the amount by which Shipper's Authorized Quantity exceeds the Contract Demand;

"Available Capacity" shall mean at any time, Union's remaining available capacity to provide Transportation Services;

"Business Day" shall mean any day, other than Saturday, Sunday or any days on which national banks in the Province of Ontario are authorized to close;

"Contract" shall refer to the Contract to which these General Terms & Conditions shall apply, and into which they are incorporated;

"Contract Year" shall mean a period of three hundred and sixty-five (365) consecutive days; provided however, that any such period which contains a date of February 29 shall consist of three hundred and sixty-six (366) consecutive days, commencing on November 1 of each year; except for the first Contract Year which shall commence on the Commencement Date and end on the first October 31 that follows such date;

"cricondenthem hydrocarbon dewpoint" shall mean the highest hydrocarbon dewpoint temperature on the phase envelope;

"cubic metre" shall mean the volume of gas which occupies one cubic metre when such gas is at a temperature of 15 degrees Celsius, and at a pressure of 101.325 kilopascals absolute;

"Day" shall mean a period of twenty-four (24) consecutive hours beginning at 10:00 a.m. Eastern Clock Time. The reference date for any Day shall be the calendar date upon which the twenty-four (24) hour period shall commence;

"delivery" shall mean any gas that is delivered by Union into Shipper's possession, or to the possession of Shipper's agent;

"Eastern Clock Time" shall mean the local clock time in the Eastern Time Zone on any Day;

"Expansion Facilities" shall mean any new facilities to be constructed by Union in order to provide Transportation Services;

"firm" shall mean service not subject to curtailment or interruption except under Articles XI, XII and XVIII herein;

"gas" shall mean gas as defined in the Ontario Energy Board Act, 1998, S.O. 1998, c.15, Sch. B, as amended, supplemented or re-enacted from time to time;

"gross heating value" shall mean the total heat expressed in megajoules per cubic metre (MJ/m³) produced by the complete combustion at constant pressure of one (1) cubic metre of gas with air, with the gas free of water vapour and the temperature of the gas, air and products of combustion at standard temperature and all water formed by the combustion reaction condensed to the liquid state;

"hydrocarbon dewpoint" shall mean temperature at a specific pressure where hydrocarbon vapour condensation begins;

"Interruptible Service HUB Contract" shall mean a contract between Shipper and Union under which Union provides interruptible HUB service;

"interruptible service" or **"Interruptible"** shall mean service subject to curtailment or interruption, after notice, at any time;

"**Interconnecting Pipeline**" shall mean a pipeline that directly connects to the Union pipeline system;

"**joule**" (J) shall mean the work done when the point of application of a force of one (1) newton is displaced a distance of one (1) metre in the direction of the force. The term "**megajoule**" (MJ) shall mean 1,000,000 joules. The term "**gigajoule**" (GJ) shall mean 1,000,000,000 joules;

"**Loaned Quantities**" shall mean those quantities of gas loaned to Shipper under the Facilitating Agreement;

"**m³**" shall mean cubic metre of gas and "**10³m³**" shall mean 1,000 cubic metres of gas;

"**Month**" shall mean the period beginning at 10:00 a.m. Eastern Clock Time on the first day of a calendar month and ending at 10:00 a.m. Eastern Clock Time on the first day of the following calendar month;

"**NAESB**" shall mean North American Energy Standards Board;

"**OEB**" means the Ontario Energy Board;

"**Open Season**" or "**open season**" shall mean an open access auction or bidding process held by Union as a method of allocating capacity;

"**pascal**" (Pa) shall mean the pressure produced when a force of one (1) newton is applied to an area of one (1) square metre. The term "**kilopascal**" (kPa) shall mean 1,000 pascals;

"**receipt**" shall mean any gas that is delivered into Union's possession, or the possession of Union's agent;

"**Shipper**" shall have the meaning as defined in the Contract, and shall also include Shipper's agent(s);

"**specific gravity**" shall mean density of the gas divided by density of air, with both at a temperature of 15 degrees Celsius, and at a pressure of 101.325 kilopascals absolute;

"**Taxes**" shall mean any tax (other than tax on income or tax on property), duty, royalty, levy, license, fee or charge not included in the charges and rates as per the applicable rate schedule (including but not limited to charges under any form of cap and trade, carbon tax, or similar system) and that is levied, assessed or made by any governmental authority on the gas itself, or the act, right, or privilege of producing, severing, gathering, storing, transporting, handling, selling or delivering gas under the Contract;

"**TCPL**" means TransCanada PipeLines Limited;

"**Union**" shall mean Enbridge Gas Inc. operating as Union Gas;

"**Wobbe Number**" shall mean gross heating value of the gas divided by the square root of its specific gravity.

II. **GAS QUALITY**

1. **Natural Gas:** The minimum gross heating value of the gas delivered to/by Union hereunder, shall be thirty-six (36) megajoules per cubic metre. The maximum gross heating value of the gas delivered to/by Union hereunder shall be forty point two (40.2) megajoules per cubic metre. The gas to be delivered hereunder to Union may be a commingled supply from Shipper's gas sources of supply. The gas to be delivered by Union may be a commingled supply from Union's sources of gas supply; provided, however, that helium, natural gasoline, butane, propane and other hydrocarbons, except methane, may be removed prior to delivery to Shipper. Further, Union may subject, or permit the subjection of, the gas to compression, dehydration, cooling, cleaning and other processes.
2. **Freedom from objectionable matter:** The gas to be delivered to/by Union hereunder,
 - a. shall be commercially free from bacteria, sand, dust, gums, crude oils, lubricating oils, liquids, chemicals or compounds used in the production, treatment, compression or dehydration of the gas or any other objectionable substance in sufficient quantity so as to render the gas toxic, unmerchantable or cause injury to, or interference with, the proper operation of the lines, regulators, meters or other appliances through which it flows,

- b. shall not contain more than seven (7) milligrams of hydrogen sulphide per cubic metre of gas, nor more than four hundred and sixty (460) milligrams of total sulphur per cubic metre of gas,
 - c. shall not contain more than five (5) milligrams of mercaptan sulphur per cubic metre of gas,
 - d. shall not contain more than two point zero (2.0) molar percent by volume of carbon dioxide in the gas,
 - e. shall not contain more than zero point four (0.4) molar percent by volume of oxygen in the gas,
 - f. shall not contain more than zero point five (0.5) molar percent by volume of carbon monoxide in the gas,
 - g. shall not contain more than four point zero (4.0) molar percent by volume of hydrogen in the gas,
 - h. shall not contain more than sixty-five (65) milligrams of water vapour per cubic metre of gas,
 - i. shall not have a cricondenthem hydrocarbon dewpoint exceeding minus eight (-8) degrees Celsius,
 - j. shall have Wobbe Number from forty seven point fifty (47.50) megajoules per cubic metre of gas to fifty one point forty six (51.46) megajoules per cubic metre of gas, maximum of one point five (1.5) mole percent by volume of butane plus (C4+) in the gas, and maximum of four point zero (4.0) mole percent by volume of total inerts in the gas in order to be interchangeable with other Interconnecting Pipeline gas.
3. Non-conforming Gas: In addition to any other right or remedy of a party, each party shall be entitled to refuse to accept delivery of any gas which does not conform to any of the specifications set out in this Article II.
4. Quality of Gas Received: The quality of the gas to be received by Union hereunder is to be of a merchantable quality and in accordance with the quality standards as set out by Union in this Article II, but, Union will also accept gas of a quality as set out in any other Interconnecting Pipeline's general terms and conditions, provided that all Interconnecting Pipelines accept such quality of gas. In addition to any other right or remedy of a party, each party shall be entitled to refuse to accept delivery of any gas which does not conform to any of the specifications set out in Union's M12 Rate Schedule.

III. MEASUREMENTS

1. Storage, Transportation, and/or Sales Unit: The unit of the gas delivered to Union shall be a megajoule or a gigajoule. The unit of gas transported or stored by Union shall be a megajoule or a gigajoule. The unit of gas delivered by Union shall be a megajoule, a gigajoule, a cubic metre (m³) or one thousand cubic metres (10³m³) at Union's discretion.
2. Determination of Volume and Energy:
- a. The volume and energy amounts determined under the Contract shall be determined in accordance with the Electricity and Gas Inspection Act (Canada), RSC 1985, c E-4- (the "**Act**") and the Electricity and Gas Inspection Regulations, SOR 86/131 (the "**Regulations**"), and any documents issued under the authority of the Act and Regulations and any amendments thereto.
 - b. The supercompressibility factor shall be determined in accordance with either the "Manual for Determination of Supercompressibility Factors for Natural Gas" (PAR Project NX-19) published in 1962 or with American Gas Association Transmission Measurement Committee Report No. 8, Nov. 1992, at Union's discretion, all as amended from time to time.
 - c. The volume and/or energy of the gas delivered to/by Union hereunder shall be determined by the measurement equipment designated in Article VII herein.
 - d. Upon request by Union, Shipper shall obtain measurement of the total quantity of gas received by Union hereunder from the Interconnecting Pipeline. Such measurement shall be done in accordance with established practices between Union and the Interconnecting Pipeline.

IV. RECEIPT POINT AND DELIVERY POINT

1. Unless otherwise specified in the Contract, the point or points of receipt and point or points of delivery for all gas to be covered hereunder shall be on the outlet side of the measuring stations located at or near the point or points of connection specified in the Contract, where possession of the gas changes from one party to the other, and as per Schedule "D 2010".

V. POSSESSION OF AND RESPONSIBILITY FOR GAS

1. Possession of Gas: Union accepts no responsibility for any gas prior to such gas being delivered to Union at the Receipt Point or after its delivery by Union at the Delivery Point. As between the parties hereto, Union shall be deemed to be in control and possession of and responsible for all such gas from the time that such gas enters Union's system until such gas is delivered to Shipper.
2. Liability: Shipper agrees that Union is not a common carrier and is not an insurer of Shipper's gas, and that Union shall not be liable to Shipper or any third party for loss of gas in Union's possession, except to the extent such loss is caused entirely by Union's negligence or wilful misconduct.

VI. FACILITIES ON SHIPPER'S PROPERTY

Except under those conditions where Union is delivering to TCPL for TCPL or Shipper at Parkway (TCPL), or to an Interconnecting Pipeline, or where otherwise specified in the Contract, the following will apply:

1. Construction and Maintenance: Union, at its own expense may construct, maintain and operate on Shipper's property at the delivery point a measuring station properly equipped with a meter or meters and any other necessary measuring equipment for properly measuring the gas redelivered under the Contract. Shipper will grant to Union a lease and/or rights-of-way over property of Shipper as required by Union to install such facilities and to connect same to Union's pipeline.
2. Entry: Union, its servants, agents and each of them may at any reasonable time on notice (except in cases of emergency) to Shipper or his duly authorized representative enter Shipper's property for the purpose of constructing, maintaining, removing, operating and/or repairing station equipment.
3. Property: The said station and equipment will be and remain the property of Union notwithstanding it is constructed on and attached to the realty of Shipper, and Union may at its own expense remove it upon termination of the Contract and will do so if so requested by Shipper.

VII. MEASURING EQUIPMENT

1. Metering by Union: Union will install and operate meters and related equipment as required and in accordance with the Act and Regulations referenced in Article III herein.
2. Metering by Others: In the event that all or any gas delivered to/by Union hereunder is measured by a meter that is owned and operated by an Interconnecting Pipeline, then Union and Shipper agree to accept that metering for the purpose of determining the volume and energy of gas delivered to/by Union on behalf of the Shipper. The standard of measurement and tests for the gas delivered to/by Union hereunder shall be in accordance with the general terms and conditions as incorporated in that Interconnecting Pipeline company's gas tariff as approved by its regulatory body.
3. Check Measuring Equipment: Shipper may install, maintain and operate, at the redelivery point, at its own expense, such check measuring equipment as desired, provided that such equipment shall be so installed as not to interfere with the operation of Union's measuring equipment at or near the delivery point, and shall be installed, maintained and operated in conformity with the same standards and specifications applicable to Union's metering facilities.

4. Rights of Parties: The measuring equipment installed by either party, together with any building erected by it for such equipment, shall be and remain its property. However, Union and Shipper shall have the right to have representatives present at the time of any installing, reading, cleaning, changing, repairing, inspecting, testing, calibrating, or adjusting done in connection with the other's measuring equipment used in measuring or checking the measurement of deliveries of gas to/by Union under the Contract. Either party will give the other party reasonable notice of its intention to carry out the acts herein specified. The records from such measuring equipment shall remain the property of their owner, but upon request each will submit to the other its records and charts, together with calculations therefrom, for inspection and verification, subject to return within ten (10) days after receipt thereof.
5. Calibration and Test of Measuring Equipment: The accuracy of Union's measuring equipment shall be verified by Union at reasonable intervals, and if requested, in the presence of representatives of Shipper, but Union shall not be required to verify the accuracy of such equipment more frequently than once in any thirty (30) day period. In the event either party notifies the other that it desires a special test of any measuring equipment, the parties shall co-operate to secure a prompt verification of the accuracy of such equipment. The expense of any such special test, if called for by Shipper, shall be borne by Shipper if the measuring equipment tested is found to be in error by not more than two per cent (2%). If, upon test, any measuring equipment is found to be in error by not more than two per cent (2%), previous recordings of such equipment shall be considered accurate in computing receipts and deliveries of gas, but such equipment shall be adjusted at once to record as near to absolute accuracy as possible. If the test conducted shows a percentage of inaccuracy greater than two percent (2%), the financial adjustment, if any, shall be calculated in accordance with the Act and Regulations, as may be amended from time to time and in accordance with any successor statutes and regulations.
6. Preservation of Metering Records: Union and Shipper shall each preserve for a period of at least six (6) years all test data, and other relevant records.
7. Error in Metering or Meter Failure: In the event of an error in metering or a meter failure, (such error or failure being determined through check measurement by Union or any other available method), then Shipper shall enforce its rights as Shipper with the Interconnecting Pipeline(s) to remedy such error or failure including enforcing any inspection and/or verification rights and procedures.

VIII. BILLING

1. Monthly Billing Date: Union shall render bills on or before the tenth (10th) day of each month for all Transportation Services furnished during the preceding Month. Such charges may be based on estimated quantities, if actual quantities are unavailable in time to prepare the billing. Union shall provide, in a succeeding Month's billing, an adjustment based on any difference between actual quantities and estimated quantities, without any interest charge. If presentation of a bill to Shipper is delayed after the tenth (10th) day of the month, then the time of payment shall be extended accordingly, unless Shipper is responsible for such delay.
2. Right of Examination: Both Union and Shipper shall have the right to examine at any reasonable time the books, records and charts of the other to the extent necessary to verify the accuracy of any statement, chart or computation made under or pursuant to the provisions of the Contract.
3. Amendment of Statements: For the purpose of completing a final determination of the actual quantities of gas handled in any of the Transportation Services to Shipper, the parties shall have the right to amend their statement for a period equal to the time during which the Interconnecting Pipeline retains the right to amend their statements, which period shall not exceed three (3) years from the date of termination of the Contract.

IX. PAYMENTS

1. Monthly Payments: Shipper shall pay the invoiced amount directly into Union's bank account as directed on the invoice on or before the twentieth (20th) day of each month. If the payment date is not a Business Day, then payment must be received in Union's account on the first Business Day preceding the twentieth (20th) day of the month.
2. Remedies for Non-payment: Should Shipper fail to pay all of the amount of any bill as herein provided when such amount is due,

- a. Shipper shall pay to Union interest on the unpaid portion of the bill accruing at a rate per annum equal to the minimum commercial lending rate of Union's principal banker in effect from time to time from the due date until the date of payment; and,
- b. If such failure to pay continues for thirty (30) days after payment is due, Union, in addition to any other remedy it may have under the Contract, may suspend Services until such amount is paid. Notwithstanding such suspension, all demand charges shall continue to accrue hereunder as if such suspension were not in place.

If Shipper in good faith disputes the amount of any such bill or part thereof Shipper shall pay to Union such amounts as it concedes to be correct. At any time thereafter, within twenty (20) days of a demand made by Union, Shipper shall furnish financial assurances satisfactory to Union, guaranteeing payment to Union of the amount ultimately found due upon such bill after a final determination. Such a final determination may be reached either by agreement, arbitration decision or judgement of the courts, as may be the case. Union shall not be entitled to suspend Services because of such non-payment unless and until default occurs in the conditions of such financial assurances or default occurs in payment of any other amount due to Union hereunder.

Notwithstanding the foregoing, Shipper is not relieved from the obligation to continue its deliveries of gas to Union under the terms of any agreement, where Shipper has contracted to deliver specified quantities of gas to Union.

3. Billing Adjustments: If it shall be found that at any time or times Shipper has been overcharged or undercharged in any form whatsoever under the provisions of the Contract and Shipper shall have actually paid the bills containing such overcharge or undercharge, Union shall refund the amount of any such overcharge and interest shall accrue from and including the first day of such overcharge as paid to the date of refund and shall be calculated but not compounded at a rate per annum determined each day during the calculation period to be equal to the minimum commercial lending rate of Union's principal banker, and the Shipper shall pay the amount of any such undercharge, but without interest. In the event Union renders a bill to Shipper based upon measurement estimates, the required adjustment to reflect actual measurement shall be made on the bill next following the determination of such actual measurement, without any charge of interest. In the event an error is discovered in the amount billed in any statement rendered by Union, such error shall be adjusted by Union. Such overcharge, undercharge or error shall be adjusted by Union on the bill next following its determination (where the term "**bill next following**" shall mean a bill rendered at least fourteen (14) days after the day of its determination), provided that claim therefore shall have been made within three (3) years from the date of the incorrect billing. In the event any refund is issued with Shipper's bill, the aforesaid date of refund shall be deemed to be the date of the issue of bill.
4. Taxes: In addition to the charges and rates as per the applicable rate schedules and price schedules, Shipper shall pay all Taxes which are imposed currently or subsequent to the execution of the Contract by any legal authority having jurisdiction and any amount in lieu of such Taxes paid or payable by Union.
5. Set Off: If either party shall, at any time, be in arrears under any of its payment obligations to the other party under the Contract, then the party not in arrears shall be entitled to reduce the amount payable by it to the other party in arrears under the Contract, or any other contract, by an amount equal to the amount of such arrears or other indebtedness to the other party. In addition to the foregoing remedy, Union may, upon forty-eight (48) hours verbal notice, to be followed by written notice, take possession of any or all of Shipper's gas under the Contract or any enhancement to the Contract, which shall be deemed to have been assigned to Union, to reduce such arrears or other indebtedness to Union.

X. ARBITRATION

If and when any dispute, difference or question shall arise between the parties hereto touching the Contract or anything herein contained, or the construction hereof, or the rights, duties or liabilities of the parties in relation to any matter hereunder, the matter in dispute shall be submitted and referred to arbitration within ten (10) days after written request of either party. Upon such request each party shall appoint an arbitrator, and the two so appointed shall appoint a third. A majority decision of the arbitrators shall be final and binding upon both parties. In all other respects the provisions of the Arbitration Act, 1991, or any act passed in amendment thereof or substitution therefore, shall apply to each such submission. Operations under the Contract shall continue, without prejudice, during any such arbitration and the costs attributable to such arbitration shall be shared equally by the parties hereto.

XI. FORCE MAJEURE

1. Definition: The term "**force majeure**" as used herein shall mean acts of God, strikes, lockouts or any other industrial disturbance, acts of the public enemy, sabotage, wars, blockades, insurrections, riots, epidemics, landslides, lightning, earthquakes, fires, storms, floods, washouts, arrests and restraints of governments and people, civil disturbances, explosions, breakage or accident to machinery or lines of pipe, freezing of wells or lines of pipe, inability to obtain materials, supplies, permits or labour, any laws, orders, rules, regulations, acts or restraints of any governmental body or authority (civil or military), any act or omission that is excused by any event or occurrence of the character herein defined as constituting force majeure, any act or omission by parties not controlled by the party having the difficulty and any other similar cases not within the control of the party claiming suspension and which by the exercise of due diligence such party is unable to prevent or overcome.
2. Notice: In the event that either the Shipper or Union is rendered unable, in whole or in part, by force majeure, to perform or comply with any obligation or condition of the Contract, such party shall give notice and full particulars of such force majeure in writing delivered by hand, fax or other direct written electronic means to the other party as soon as possible after the occurrence of the cause relied on and subject to the provision of this Article.
3. Exclusions: Neither party shall be entitled to the benefit of the provisions of force majeure hereunder if any or all of the following circumstances prevail: the failure resulting in a condition of force majeure was caused by the negligence of the party claiming suspension; the failure was caused by the party claiming suspension where such party failed to remedy the condition by making all reasonable efforts (short of litigation, if such remedy would require litigation); the party claiming suspension failed to resume the performance of such condition obligations with reasonable dispatch; the failure was caused by lack of funds; the party claiming suspension did not, as soon as possible after determining, or within a period within which it should acting reasonably have determined, that the occurrence was in the nature of force majeure and would affect its ability to observe or perform any of its conditions or obligations under the Contract, give to the other party the notice required hereunder.
4. Notice of Remedy: The party claiming suspension shall likewise give notice as soon as possible after the force majeure condition is remedied, to the extent that the same has been remedied, and that such party has resumed or is then in a position to resume the performance of the obligations and conditions of the Contract.
5. Obligation to Perform: An event of force majeure on Union's system will excuse the failure to deliver gas by Union or the failure to accept gas by Union hereunder, and both parties shall be excused from performance of their obligations hereunder, except for payment obligations, to the extent of and for the duration of the force majeure.
6. Upstream or Downstream Force Majeure: An event of force majeure upstream or downstream of Union's system shall not relieve Shipper of any payment obligations.
7. Delay of Firm Transportation Services: Despite Article XI herein, if Union is prevented, by reason of an event of force majeure on Union's system from delivering gas on the Day or Days upon which Union has accepted gas from Shipper, Union shall thereafter make all reasonable efforts to deliver such quantities as soon as practicable and on such Day or Days as are agreed to by Shipper and Union. If Union accepts such gas on this basis, Shipper shall not receive any demand charge relief as contemplated under Article XI herein.
8. Demand Charge Relief for Firm Transportation Services: Despite Article XI herein, if on any Day Union fails to accept gas from Shipper by reason of an event of force majeure on Union's system and fails to deliver the quantity of gas nominated hereunder by Shipper up to the firm Contract Demand for that Contract, then for that Day the Monthly demand charge shall be reduced by an amount equal to the applicable Daily Demand Rate, as defined in this paragraph, multiplied by the difference between the quantity of gas actually delivered by Union during such Day and the quantity of gas which Shipper in good faith nominated on such Day. The term "**Daily Demand Rate**" shall mean the Monthly demand charge or equivalent pursuant to the M12 Rate Schedule divided by the number of days in the month for which such rate is being calculated.
9. Proration of Firm Transportation Service: If, due to the occurrence of an event of force majeure as outlined above, the capacity for gas deliveries by Union is impaired, it will be necessary for Union to curtail Shipper's gas receipts to Union hereunder, via proration based on utilization of such facilities for the Day. This prorating shall be determined by

multiplying the capability of such facilities as available downstream of the impairment on the Day, by a fraction where the numerator is Shipper's nominated firm quantity and the denominator is the total of all such nominated firm quantities for nominated services and planned consumption for in-franchise customers on the Day. For the purposes of this Article XI, firm services shall mean all firm services provided by Union to in-franchise customers and ex-franchise shippers.

XII. DEFAULT AND TERMINATION

In case of the breach or non-observance or non-performance on the part of either party hereto of any covenant, proviso, condition, restriction or stipulation contained in the Contract (but not including herein failure to take or make delivery in whole or in part of the gas delivered to/by Union hereunder occasioned by any of the reasons provided for in Article XI herein) which has not been waived by the other party, then and in every such case and as often as the same may happen, the non-defaulting party may give written notice to the defaulting party requiring it to remedy such default and in the event of the defaulting party failing to remedy the same within a period of thirty (30) days from receipt of such notice, the non-defaulting party may at its sole option declare the Contract to be terminated and thereupon the Contract shall be terminated and be null and void for all purposes other than and except as to any liability of the parties under the same incurred before and subsisting as of termination. The right hereby conferred upon each party shall be in addition to, and not in derogation of or in substitution for, any other right or remedy which the parties respectively at law or in equity shall or may possess.

XIII. AMENDMENT

Subject to Article XV herein and the ability of Union to amend the applicable rate schedules and price schedules, with the approval of the OEB (if required), no amendment or modification of the Contract shall be effective unless the same shall be in writing and signed by each of the Shipper and Union.

XIV. NON-WAIVER AND FUTURE DEFAULT

No waiver of any provision of the Contract shall be effective unless the same shall be in writing and signed by the party entitled to the benefit of such provision and then such waiver shall be effective only in the specific instance and for the specified purpose for which it was given. No failure on the part of Shipper or Union to exercise, and no course of dealing with respect to, and no delay in exercising, any right, power or remedy under the Contract shall operate as a waiver thereof.

XV. LAWS, REGULATIONS AND ORDERS

The Contract and the respective rights and obligations of the parties hereto are subject to all present and future valid laws, orders, rules and regulations of any competent legislative body, or duly constituted authority now or hereafter having jurisdiction and the Contract shall be varied and amended to comply with or conform to any valid order or direction of any board, tribunal or administrative agency which affects any of the provisions of the Contract.

XVI. ALLOCATION OF CAPACITY

1. Requests for Transportation Service: A potential shipper may request firm transportation service on Union's system at any time. Any request for firm M12 transportation service must include: potential shipper's legal name, Receipt Point(s), Delivery Point(s), Commencement Date, Initial Term, Contract Demand and proposed payment. This is applicable for M12 service requests for firm transportation service with minimum terms of ten (10) years where Expansion Facilities are required or a minimum term of five (5) years for use of existing capacity.
2. Expansion Facilities: If requests for firm transportation services cannot be met through existing capacity such that the only way to satisfy the requests for transportation service would require the construction of Expansion Facilities which create new capacity, Union shall allocate any such new capacity by open season, subject to the terms of the open season, and these General Terms and Conditions.

3. Open Seasons: If requests for long-term firm transportation service can be met through existing facilities upon which long-term capacity is becoming available, Union shall allocate such long-term capacity by open season, subject to the terms of the open season, and these General Terms and Conditions. "Long-term", for the purposes of this Article XVI, means, in the case of a transportation service, a service that has a term of one year or greater.
4. Awarding Open Season Capacity: Capacity requests received during an open season shall be awarded starting with those bids with the highest economic value. If the economic values of two or more independent bids are equal, then service shall be allocated on a pro-rata basis. The economic value shall be based on the net present value which shall be calculated based on the proposed per-unit rate and the proposed term of the contract and without regard to the proposed Contract Demand ("NPV").
5. Available Capacity Previously Offered in Open Season: Union may at any time allocate capacity to respond to any M12 transportation service request through an open season. If a potential shipper requests M12 transportation service that can be provided through Available Capacity that was previously offered by Union in an open season but was not awarded, then:
 - a. Any such request must conform to the requirements of Section 1 of this Article XVI;
 - b. Union shall allocate capacity to serve such request pursuant to this Section 5, and subject to these General Terms and Conditions and Union's standard form M12 transportation contract;
 - c. Union may reject a request for M12 transportation service for any of the following reasons:
 - i) if there is insufficient Available Capacity to fully meet the request, but if that is the only reason for rejecting the request for service, Union must offer to supply the Available Capacity to the potential shipper;
 - ii) if the proposed monthly payment is less than Union's Monthly demand charge plus fuel requirements for the applicable service;
 - iii) if prior to Union accepting the request for transportation service Union receives a request for transportation service from one or more other potential shippers and there is, as a result, insufficient Available Capacity to service all the requests for service, in which case Union shall follow the procedure in Section 5 d hereof; -
 - iv) if Union does not provide the type of transportation service requested; or
 - v) if all of the conditions precedent specified in Article XXI Sections 1 and 2 herein have not been satisfied or waived.
 - d. Union will advise the potential shipper in writing whether Union accepts or rejects the request for service, subject to Article XVI 5 c, within 5 calendar days of receiving a request for M12 transportation service. If Union rejects a request for service, Union shall inform the potential shipper of the reasons why its request is being rejected; and
 - e. If Union has insufficient Available Capacity to service all pending requests for transportation service Union may:
 - i) Reject all the pending requests for transportation service and conduct an open season; or
 - ii) Union shall inform all the potential shippers who have submitted a pending request for transportation service that it does not have sufficient capacity to service all pending requests for service, and Union shall provide all such potential shippers with an equal opportunity to submit a revised request for service. Union shall then allocate the Available Capacity to the request for transportation service with the highest economic value to Union. If the economic values of two or more requests are equal, then service shall be allocated on a pro-rata basis. The economic value of any request shall be based on the NPV.

XVII. RENEWALS

Contracts with an Initial Term of five (5) years or greater will continue in full force and effect beyond the Initial Term, automatically renewing for a period of one (1) year, and every one (1) year thereafter. Shipper may reduce the Contract Demand or terminate the Contract with notice in writing by Shipper at least two (2) years prior to the expiration thereof.

XVIII. SERVICE CURTAILMENT

1. Right to Curtail: Union shall have the right to curtail or not to schedule part or all of Transportation Services, in whole or in part, on all or a portion of its pipeline system at any time for reasons of Force Majeure or when, in Union sole discretion, acting reasonably, capacity or operating conditions so require or it is desirable or necessary to make modifications, repairs or operating changes to its pipeline system. Union shall provide Shipper such notice of such curtailment as is reasonable under the circumstances. If due to any cause whatsoever Union is unable to receive or deliver the quantities of Gas which Shipper has requested, then Union shall order curtailment by all Shippers affected and to the extent necessary to remove the effect of the disability. Union has a priority of service policy to determine the order of service curtailment. In order to place services on the priority of service list, Union considers the following business principles: appropriate level of access to core services, customer commitment, encouraging appropriate contracting, materiality, price and term, and promoting and enabling in-franchise consumption.

The Priority ranking for all services utilizing Union Gas' storage, transmission and distribution system as applied to both in-franchise and ex-franchise services are as follows; with number 1 having the highest priority and the last interrupted.

1. Firm In-franchise Transportation and Distribution services and firm Ex-franchise services (Note 1)
2. In-franchise Interruptible Distribution services
3. C1/M12 IT Transport and IT Exchanges with Take or Pay rates
4. Balancing (Hub Activity) ≤ 100 GJ/d; Balancing (Direct Purchase) ≤ 500 GJ/d; In-franchise distribution authorized overrun (Note 3)
5. C1/M12 IT Transport and IT Exchanges at premium rates
6. C1/M12 Overrun $\leq 20\%$ of CD (Note 4)
7. Balancing (Direct Purchase) > 500 GJ/d
8. Balancing (Hub Activity) > 100 GJ/d; C1/M12 IT Transport and IT Exchanges
9. C1/M12 Overrun $> 20\%$ of CD
10. C1/M12 IT Transport and IT Exchanges at a discount
11. Late Nominations

Notes:

1. Nominated services must be nominated on the NAESB Timely Nomination Cycle otherwise they are considered to be late nomination and are therefore interruptible.
 2. Higher value or more reliable IT is contemplated in the service and contract, when purchase at market competitive prices.
 3. Captures the majority of customers that use Direct Purchase balancing transactions.
 4. Captures the majority of customers that use overrun.
2. Capacity Procedures: Union reserves the right to change its procedures for sharing interruptible capacity and will provide Shipper with two (2) months prior notice of any such change.
 3. Maintenance: Union's facilities from time to time may require maintenance or construction. If such maintenance or construction is required, and in Union's sole opinion, acting reasonably, such maintenance or construction may impact Union's ability to meet Shipper's requirements, Union shall provide at least ten (10) days notice to Shipper, except in the case of an emergency. In the event the maintenance impacts Union's ability to meet Shipper's requirements, Union shall not be liable for any damages and shall not be deemed in breach of the Contract. To the extent that Union's ability to accept and/or deliver Shipper's gas is impaired, the Monthly demand charge shall be reduced in accordance with Article XI Section 8 and available capacity allocated in accordance with Article XI Section 9 herein.

Union shall use reasonable efforts to determine a mutually acceptable period during which such maintenance or construction will occur and also to limit the extent and duration of any impairments. Union will endeavour to schedule and complete the maintenance and construction, which would normally be expected to impact on Union's ability to meet Shipper's requirements, during the period from April 1 through to November 1.

XIX. SHIPPER'S REPRESENTATIONS AND WARRANTIES

1. Shipper's Warranty: Shipper warrants that it will, if required, maintain, or have maintained on its behalf, all external approvals including the governmental, regulatory, import/export permits and other approvals or authorizations that are required from any federal, state or provincial authorities for the gas quantities to be handled under the Contract. Shipper further warrants that it shall maintain in effect the Facilitating Agreements.
2. Financial Representations: Shipper represents and warrants that the financial assurances (including the Initial Financial Assurances and Security) (if any) shall remain in place throughout the term hereof, unless Shipper and Union agree otherwise. Shipper shall notify Union in the event of any change to the financial assurances throughout the term hereof. Should Union have reasonable grounds to believe that Shipper will not be able to perform or continue to perform any of its obligations under the Contract as a result of one of the following events ("**Material Event**");
 - a. Shipper is in default, which default has not been remedied, of the Contract or is in default of any other material contract with Union or another party; or,
 - b. Shipper's corporate or debt rating falls below investment grade according to at least one nationally recognized rating agency; or,
 - c. Shipper ceases to be rated by a nationally recognized agency; or,
 - d. Shipper has exceeded credit available as determined by Union from time to time,

then Shipper shall within fourteen (14) days of receipt of written notice by Union, obtain and provide to Union a letter of credit or other security in the form and amount reasonably required by Union (the "**Security**"). The Security plus the Initial Financial Assurances shall not exceed twelve (12) months of Monthly demand charges (in accordance with Article IX herein) multiplied by Contract Demand. In the event that Shipper does not provide to Union such Security within such fourteen (14) day period, Union may deem a default under the Default and Termination provisions of Article XII herein.

In the event that Shipper in good faith, reasonably believes that it should be entitled to reduce the amount of or value of the Security previously provided, it may request such a reduction from Union and to the extent that the Material Event has been mitigated or eliminated, Union shall return all or a portion of the Security to Shipper within fourteen (14) Business Days after receipt of the request.

XX. MISCELLANEOUS PROVISIONS

1. Permanent Assignment: Shipper may assign the Contract to a third party ("Assignee"), up to the Contract Demand, (the "Capacity Assigned"). Such assignment shall require the prior written consent of Union and release of obligations by Union for the Capacity Assigned from the date of assignment. Such consent and release shall not be unreasonably withheld and shall be conditional upon the Assignee providing, amongst other things, financial assurances as per Article XXI herein. Any such assignment will be for the full rights, obligations and remaining term of the Contract as relates to the Capacity Assigned.
2. Temporary Assignment: Shipper may, upon notice to Union, assign all or a part of its service entitlement under the Contract (the "Assigned Quantity") and the corresponding rights and obligations to an Assignee on a temporary basis for not less than one calendar month. Such assignment shall not be unreasonably withheld and shall be conditional upon the Assignee executing the Facilitating Agreement as per Article XXI herein. Notwithstanding such assignment, Shipper shall remain obligated to Union to perform and observe the covenants and obligations contained herein in regard to the Assigned Quantity to the extent that Assignee fails to do so.
3. Title to Gas: Shipper represents and warrants to Union that Shipper shall have good and marketable title to, or legal authority to deliver to Union, all gas delivered to Union hereunder. Furthermore, Shipper hereby agrees to indemnify and save Union harmless from all suits, actions, debts, accounts, damages, costs, losses and expenses arising from or out of claims of any or all third parties to such gas or on account of Taxes, or other charges thereon.

XXI. PRECONDITIONS TO TRANSPORTATION SERVICES

1. Union Conditions: The obligations of Union to provide Transportation Services hereunder are subject to the following conditions precedent, which are for the sole benefit of Union and which may be waived or extended in whole or in part in the manner provided in the Contract:
 - a. Union shall have obtained, in form and substance satisfactory to Union, and all conditions shall have been satisfied under, all governmental, regulatory and other third party approvals, consents, orders and authorizations, that are required to provide the Transportation Services; and,
 - b. Union shall have obtained all internal approvals that are necessary or appropriate to provide the transportation Services; and,
 - c. Union shall have received from Shipper the requisite financial assurances reasonably necessary to ensure Shipper's ability to honour the provisions of the Contract (the "**Initial Financial Assurances**"). The Initial Financial Assurances, if required, will be as determined solely by Union; and,
 - d. Shipper and Union shall have entered into the Interruptible Service HUB Contract or equivalent (the "**Facilitating Agreement**") with Union.
2. Shipper Conditions: The obligations of Shipper hereunder are subject to the following conditions precedent, which are for the sole benefit of Shipper and which may be waived or extended in whole or in part in the manner provided in the Contract:
 - a. Shipper shall, as required, have entered into the necessary contracts with Union and/or others to facilitate the Transportation Services contemplated herein, including contracts for upstream and downstream transportation, and shall specifically have an executed and valid Facilitating Agreement; and shall, as required, have entered into the necessary contracts to purchase the gas quantities handled under the Contract; and,
 - b. Shipper shall have obtained, in form and substance satisfactory to Shipper, and all conditions shall have been satisfied under, all governmental, regulatory and other third party approvals, consents, orders and authorizations, that are required from federal, state, or provincial authorities for the gas quantities handled under the Contract; and,
 - c. Shipper shall have obtained all internal approvals that are necessary or appropriate for the Shipper to execute the Contract.
3. Satisfaction of Conditions: Union and Shipper shall each use due diligence and reasonable efforts to satisfy and fulfil the conditions precedent specified in this Article XXI Section 1 a, c, and d and Section 2 a and b. Each party shall notify the other forthwith in writing of the satisfaction or waiver of each condition precedent for such party's benefit. If a party concludes that it will not be able to satisfy a condition precedent that is for its benefit, such party may, upon written notice to the other party, terminate the Contract and upon the giving of such notice, the Contract shall be of no further force and effect and each of the parties shall be released from all further obligations thereunder.
4. Non-Satisfaction of Conditions: If any of the conditions precedent in this Article XXI Section 1 c or Section 2 are not satisfied or waived by the party entitled to the benefit of that condition by the Conditions Date as such term is defined in the Contract, then either party may, upon written notice to the other party, terminate the Contract and upon the giving of such notice, the Contract shall be of no further force and effect and each of the parties shall be released from all further obligations hereunder, provided that any rights or remedies that a party may have for breaches of the Contract prior to such termination and any liability a party may have incurred before such termination shall not thereby be released.

**UNION SOUTH - RATE M12
RECEIPT AND DELIVERY POINTS AND PRESSURES**

1. Receipt and Delivery Points:

The following defines each Receipt Point and/or Delivery Point, as indicated (R= Receipt Point; D= Delivery Point)

| | | |
|-----|------------------------------------|--|
| R,D | <u>DAWN (FACILITIES):</u> | Union's Compressor Station site situated in the northwest corner of Lot Twenty-Five (25), Concession II, in the Township of Dawn-Euphemia, in the County of Lambton. This point is applicable for quantities of gas that have been previously transported or stored under other contracts that Shipper may have in place with Union. |
| R | <u>DAWN (TCPL):</u> | At the junction of Union's and TCPL's facilities, at or adjacent to Dawn (Facilities). |
| R | <u>DAWN (TECUMSEH):</u> | At the junction of Union's and Enbridge Gas Distribution Inc.'s (Enbridge) Tecumseh Gas Storage's facilities, at or adjacent to Dawn (Facilities). |
| R | <u>DAWN (TSLE):</u> | At the junction of Union's and Enbridge s Gas Distribution Inc.'s ("Enbridge") NPS 16 Tecumseh Sombra Line Extension facilities; at or adjacent to Dawn (Facilities). |
| R | <u>DAWN (VECTOR):</u> | At the junction of Union's and Vector Pipeline Limited Partnership ("Vector") facilities, at or adjacent to Dawn (Facilities). |
| R,D | <u>PARKWAY (TCPL):</u> | At the junction of Union's and TCPL's facilities, at or adjacent to Union's facilities situated in the Part Lot 9 and Part Lot 10, Concession IX, New Survey, Town of Milton, Regional Municipality of Halton (now part of City of Mississauga). |
| R,D | <u>KIRKWALL:</u> | At the junction of Union's and TCPL's facilities at or adjacent to Union's facilities situated in Part Lot Twenty-Five (25), Concession 7, Town of Flamborough. |
| D | <u>PARKWAY (CONSUMERS):</u> | At the junction of Union's and Enbridge's facilities, at or adjacent to Union's facilities situated in Part Lot 9 and Part Lot 10, Concession IX, New Survey, Town of Milton, Regional Municipality of Halton (now part of City of Mississauga). |
| D | <u>PARKWAY (EGT):</u> | At the junction of Union's and Enbridge's facilities, at or adjacent to Union's facilities situated in Part Lot 9 and Part Lot 10, Concession IX, New Survey, Town of Milton, Regional Municipality of Halton (now part of City of Mississauga). |
| D | <u>LISGAR:</u> | At the junction of the facilities of Union and Enbridge situated at 6620 Winston Churchill Boulevard, City of Mississauga. |

2. Receipt and Delivery Pressures:

(a) All Gas tendered by or on behalf of Shipper to Union shall be tendered at the Receipt Point(s) at Union's prevailing pressure at that Receipt Point, or at such pressure as per operating agreements between Union and the applicable Interconnecting Pipeline as amended or restated from time to time.

(b) All Gas tendered by or on behalf of Union to Shipper shall be tendered at the Delivery Point(s) at Union's prevailing pressure at that Delivery Point or at such pressure as per agreements between Union and the applicable Interconnecting Pipeline as amended or restated from time to time.

(c) Under no circumstances shall Union be obligated to receive or deliver gas hereunder at pressures exceeding the maximum allowable operating pressures prescribed under any applicable governmental regulations; nor shall Union be required to make any physical deliveries or to accept any physical receipts which its existing facilities cannot accommodate.

SCHEDULE "A"

**GENERAL TERMS & CONDITIONS
UNION SOUTH - M16 TRANSPORTATION AGREEMENT**

I. DEFINITIONS

Except where the context expressly requires or states another meaning, the following terms, when used in these General Terms & Conditions and in any contract into which these General Terms & Conditions are incorporated, shall be construed to have the following meanings:

1. "Banking Day" shall mean a day on which the general offices of the Canadian Imperial Bank of Commerce, 99 King St. W., Chatham, Ontario are open for business;
2. "business day" shall mean a day on which the general offices of Union in Chatham, Ontario are open for business;
3. "Contract" shall refer to the Contract to which these General Terms & Conditions shall apply, and into which they are incorporated;
4. "contract year" shall mean a period of three hundred and sixty-five (365) consecutive days, beginning on the day agreed upon by Union and Shipper as set forth in the Contract, or on any anniversary of such date; provided, however, that any such period which contains a date of February 29 shall consist of three hundred and sixty-six (366) consecutive days;
5. "day" shall mean a period of twenty-four (24) consecutive hours beginning at 9:00 a.m. Central Standard time. The reference date for any day shall be the calendar date upon which the twenty-four (24) hour period shall commence;
6. "month" shall mean the period beginning at 9:00 a.m. Central Standard time on the first day of a calendar month and ending at 9:00 a.m. Central Standard time on the first day of the following calendar month;
7. "firm" shall mean service not subject to curtailment or interruption except under Articles XI and XII of this Schedule "B";
8. "interruptible service" shall mean service subject to curtailment or interruption, after notice, at any time;
9. "gas" shall mean gas as defined in the Ontario Energy Board Act, R.S.O. 1980, c. 332, as amended, supplemented or reenacted from time to time;
10. "cubic metre" shall mean the volume of gas which occupies one cubic metre when such gas is at a temperature of 15 degrees Celsius, and at a pressure of 101.325 kilopascals absolute;
11. "m³" shall mean cubic metre of gas and "10³m³" shall mean 1,000 cubic metres of gas;
12. "pascal" (Pa) shall mean the pressure produced when a force of one (1) newton is applied to an area of one (1) square metre. The term "kilopascal" (kPa) shall mean 1,000 pascals;
13. "joule" (J) shall mean the work done when the point of application of a force of one (1) newton is displaced a distance of one (1) metre in the direction of the force. The term "megajoule" (MJ) shall mean 1,000,000 joules. The term "gigajoule" (GJ) shall mean 1,000,000,000 joules;
14. "gross heating value" shall mean the total heat expressed in megajoules per cubic metre (MJ/m³) produced by the complete combustion at constant pressure of one (1) cubic metre of gas with air, with the gas free of water vapour and the temperature of the gas, air and products of combustion at standard temperature and all water formed by the combustion reaction condensed to the liquid state;
15. "Shipper" shall have the meaning as defined in the Contract, and shall also include Shipper's agent(s);
16. "subsidiary" means a company in which more than fifty (50) per cent of the issued share capital (having full voting

rights under all circumstances) is owned or controlled directly or indirectly by another company, by one or more subsidiaries of such other company, or by such other company and one or more of its subsidiaries;

17. "TCPL" means TransCanada PipeLines Limited;
18. "NOVA" means Gas Transmission Ltd.;
19. "Panhandle" means CMS Panhandle Eastern Pipeline Company;
20. "MichCon" means Michigan Consolidated Gas Company;
21. "SCPL" means St. Clair Pipelines (1996) Ltd.;
22. "OEB" means the Ontario Energy Board;
23. "NEB" means the National Energy Board (Canada);
24. "GLGT" means Great Lakes Gas Transmission Company;
25. "CMS" means CMS Gas Transmission and Storage Company;
26. "Consumers" means The Consumers' Gas Company, Limited;
27. "cricondenthm hydrocarbon dewpoint" shall mean the highest hydrocarbon dewpoint temperature on the phase envelope;
28. "hydrocarbon dewpoint" shall mean temperature at a specific pressure where hydrocarbon vapour condensation begins;
29. "specific gravity" shall mean density of the gas divided by density of air, with both at a temperature of 15 degrees Celsius, and at a pressure of 101.325 kilopascals absolute;
30. "Wobbe Number" shall mean gross heating value of the gas divided by the square root of its specific gravity; and,
31. "Union" shall mean Enbridge Gas Inc. operating as Union Gas.

II. GAS QUALITY

1. Natural Gas: The minimum gross heating value of the gas delivered to/by Union hereunder, shall be thirty-six (36) megajoules per cubic metre. The maximum gross heating value of the gas delivered to/by Union hereunder shall be forty point two (40.2) megajoules per cubic metre. The gas to be delivered hereunder to Union may be a commingled supply from Shipper's gas sources of supply. The gas to be delivered by Union may be a commingled supply from Union's sources of gas supply; provided, however, that helium, natural gasoline, butane, propane and other hydrocarbons, except methane, may be removed prior to delivery to Shipper. Further, Union may subject, or permit the subjection of, the gas to compression, dehydration, cooling, cleaning and other processes.
2. Freedom from objectionable matter: The gas to be delivered to Union at the Receipt Point(s) hereunder,
 - a. shall be commercially free from bacteria, sand, dust, gums, crude oils, lubricating oils, liquids, chemicals or compounds used in the production, treatment, compression or dehydration of the gas or any other objectionable substance in sufficient quantity so as to render the gas toxic, unmerchantable or cause injury to, or interference with, the proper operation of the lines, regulators, meters or other appliances through which it flows,
 - b. shall not contain more than seven (7) milligrams of hydrogen sulphide per cubic metre of gas, nor more than one hundred (100) milligrams of total sulphur per cubic metre of gas,
 - c. shall not contain more than five (5) milligrams of mercaptan sulphur per cubic metre of gas,

- d. shall not contain more than two point zero (2.0) molar percent by volume of carbon dioxide in the gas,
- e. shall not contain more than zero point four (0.4) molar percent by volume of oxygen in the gas,
- f. shall not contain more than zero point five (0.5) molar percent by volume of carbon monoxide in the gas,
- g. shall not contain more than four point zero (4.0) molar percent by volume of hydrogen in the gas,
- h. shall not contain more than sixty-five (65) milligrams of water vapour per cubic metre of gas,
- i. shall not have a cricondenthem hydrocarbon dewpoint exceeding minus eight (-8) degrees Celsius,
- j. shall have Wobbe Number from forty seven point fifty (47.50) megajoules per cubic metre of gas to fifty one point forty six (51.46) megajoules per cubic metre of gas, maximum of one point five (1.5) mole percent by volume of butane plus (C4+) in the gas, and maximum of four point zero (4.0) mole percent by volume of total inerts in the gas in order to be interchangeable with other Interconnecting Pipeline gas,
- k. shall not exceed forty-three degrees Celsius (43°C), and,
- l. shall not be odourized by Shipper.

3. Non-conforming Gas:

- a. In the event that the quality of the gas does not conform or if Union, acting reasonably, suspects the quality of the gas may not conform to the specifications herein, then Shipper shall, if so directed by Union acting reasonably, forthwith carry out, at Shipper's cost, whatever field testing of the gas quality as may be required to ensure that the quality requirements set out herein are met, and to provide Union with a certified copy of such tests. If Shipper does not carry out such tests forthwith, Union may conduct such test and Shipper shall reimburse Union for all costs incurred by Union for such testing.
- b. If Shipper's gas fails at any time to conform to the requirements of this Article II, Union, in addition to its other remedies, may refuse to accept delivery of gas at the Receipt Points hereunder until such deficiency has been remedied by Shipper. Each Party agrees to notify the other verbally, followed by written notification, of any such deficiency of quality.
- c. With respect to Article II 2. h. herein, Union may accept the gas subject to Shipper's obligations under the Dehydration Contract, if applicable.

4. Quality of Gas Received: The quality of the gas to be received by Union at the Receipt Point(s) hereunder is to be of a merchantable quality and in accordance with the quality standards as set out by Union in this Article II.

5. Quality of Gas at Dawn: The quality of the gas to be delivered to Union at Dawn (Facilities) or the gas to be delivered by Union to Shipper at Dawn (Facilities) hereunder is to be of a merchantable quality and in accordance with the quality standards and measurement standards as set out by Union in this Article II, except that total sulphur limit shall be not more than four hundred and sixty (460) milligrams per cubic metre of gas. In addition to any other right or remedy of a party, each party shall be entitled to refuse to accept delivery of any gas which does not conform to any of the specifications set out in this Article II.

6. Odourization of Gas:

- a. Union may odourize or deliver odourized gas under the Contract,
- b. Shipper shall if requested by Union monitor the mercaptan sulphur content of the gas delivered to Union under the Contract and shall provide at no cost to Union a continuous signal quantifying the mercaptan sulphur content in milligrams per cubic metre.

III. MEASUREMENTS

1. Storage, Transportation, and/or Sales Unit: The unit of the gas delivered to Union shall be a megajoule or a gigajoule. The unit of gas transported or stored by Union shall be a megajoule or a gigajoule. The unit of gas delivered by Union shall be a megajoule, a gigajoule, a cubic metre (m³) or one thousand cubic metres (10³m³) at Union's discretion.
2. Determination of Volume and Energy:
 - a. The volume and energy amounts determined under the Contract shall be determined in accordance with the Electricity and Gas Inspection Act (Canada), RSC 1985, c E-4- (the "**Act**") and the Electricity and Gas Inspection Regulations, SOR 86/131 (the "**Regulations**"), and any documents issued under the authority of the Act and Regulations and any amendments thereto.
 - b. The supercompressibility factor shall be determined in accordance with either the "Manual for Determination of Supercompressibility Factors for Natural Gas" (PAR Project NX-19) published in 1962 or with American Gas Association Transmission Measurement Committee Report No. 8, Nov. 1992, at Union's discretion, all as amended from time to time.
 - c. The volume and/or energy of the gas delivered to/by Union hereunder shall be determined by the measurement equipment designated in Article VII herein.
 - d. Upon request by Union, Shipper shall obtain measurement of the total quantity of gas received by Union hereunder from the Interconnecting Pipeline. Such measurement shall be done in accordance with established practices between Union and the Interconnecting Pipeline.

IV. POINT OF RECEIPT AND POINT OF DELIVERY

1. Unless otherwise specified in the Contract, the point or points of receipt for all gas to be covered thereunder shall be on the outlet side of the measuring stations located at or near the point or points of connection specified in the Contract, where Union takes possession of the gas. Whenever the phrase "receipt point" appears herein, it shall mean Point of Receipt as defined in this Article IV.
2. Unless otherwise specified in the Contract, the point or points of delivery for all gas to be covered hereunder shall be on the outlet side of the measuring stations located at or near the point or points of connection as specified in the Contract, where Shipper takes possession of the gas. Whenever the phrase "delivery point" shall appear hereon, it shall mean Point of Delivery as defined in this Article IV.

V. POSSESSION OF AND RESPONSIBILITY FOR GAS

N/A

VI. FACILITIES ON SHIPPER'S PROPERTY

N/A

VII. MEASURING EQUIPMENT

1. Metering by Union: Union will install and operate meters and related equipment as required and in accordance with the Act and Regulations referenced in Article III herein.
2. Metering by Others: In the event that all or any gas delivered to/by Union hereunder is measured by a meter that is owned and operated by an Interconnecting Pipeline, then Union and Shipper agree to accept that metering for the purpose of determining the volume and energy of gas delivered to/by Union on behalf of the Shipper. The standard of

measurement and tests for the gas delivered to/by Union hereunder shall be in accordance with the general terms and conditions as incorporated in that Interconnecting Pipeline company's gas tariff as approved by its regulatory body.

3. Check Measuring Equipment: Shipper may install, maintain and operate, at the Custody Transfer Point, at its own expense, such check measuring equipment as desired, provided that such equipment shall be so installed as not to interfere with the operation of Union's measuring equipment at or near the Custody Transfer Point, and shall be installed, maintained and operated in conformity with the same standards and specifications applicable to Union's metering facilities.
4. Rights of Parties: The measuring equipment installed by either party, together with any building erected by it for such equipment, shall be and remain its property. However, Union and Shipper shall have the right to have representatives present at the time of any installing, reading, cleaning, changing, repairing, inspecting, testing, calibrating, or adjusting done in connection with the other's measuring equipment used in measuring or checking the measurement of deliveries of gas to/by Union under the Contract. Either party will give the other party reasonable notice of its intention to carry out the acts herein specified. The records from such measuring equipment shall remain the property of their owner, but upon request each will submit to the other its records and charts, together with calculations therefrom, for inspection and verification, subject to return within ten (10) days after receipt thereof.
5. Calibration and Test of Measuring Equipment: The accuracy of Union's measuring equipment shall be verified by Union at reasonable intervals, and if requested, in the presence of representatives of Shipper, but Union shall not be required to verify the accuracy of such equipment more frequently than once in any thirty (30) day period. In the event either party notifies the other that it desires a special test of any measuring equipment, the parties shall co-operate to secure a prompt verification of the accuracy of such equipment. The expense of any such special test, if called for by Shipper, shall be borne by Shipper if the measuring equipment tested is found to be in error by not more than two per cent (2%). If, upon test, any measuring equipment is found to be in error by not more than two per cent (2%), previous recordings of such equipment shall be considered accurate in computing receipts and deliveries of gas, but such equipment shall be adjusted at once to record as near to absolute accuracy as possible. If the test conducted shows a percentage of inaccuracy greater than two percent (2%), the financial adjustment, if any, shall be calculated in accordance with the Act and Regulations, as may be amended from time to time and in accordance with any successor statutes and regulations.
6. Preservation of Metering Records: Union and Shipper shall each preserve for a period of at least six (6) years all test data, and other relevant records.
7. Error in Metering or Meter Failure: In the event of an error in metering or a meter failure (such error or failure being determined through check measurement by Union or any other available method), then Shipper shall enforce its rights as Shipper with the Interconnecting Pipeline(s) to remedy such error or failure including enforcing any inspection and/or verification rights and procedures.

VIII. BILLING

1. Monthly Billing Date: Union shall render bills on or before the 10th day of each month for all services furnished during the preceding month. Such charges may be based on estimated quantities, if actual quantities are unavailable in time to prepare the billing. Union shall provide, in a succeeding month's billing, an adjustment based on any difference between actual quantities and estimated quantities. If presentation of a bill to Shipper is delayed after the 10th day of the month, then the time of payment shall be extended accordingly, unless Shipper is responsible for such delay.
2. Right of Examination: Both Union and Shipper shall have the right to examine at any reasonable time the books, records and charts of the other to the extent necessary to verify the accuracy of any statement, chart or computation made under or pursuant to the provisions of the Contract.

IX. PAYMENTS

1. Monthly Payments: Shipper shall pay the invoiced amount directly into Union's bank account as directed on the invoice on or before the twentieth (20th) day of each month. If the payment date is not a business day, then payment must be received in Union's account on the first business day preceding the twentieth (20th) day of the month.
2. Remedies for Non-payment: Should Shipper fail to pay all of the amount of any bill as herein provided when such amount is due, Shipper shall pay to Union interest on the unpaid portion of the bill accruing at a rate per annum equal to the minimum commercial lending rate of Union's principal banker in effect from time to time from the due date until the date of payment. If such failure to pay continues for thirty (30) days after payment is due, Union, in addition to any other remedy it may have under the Contract may suspend service(s) until such amount is paid, provided however, that if Shipper, in good faith shall dispute the amount of any such bill or part thereof and shall pay to Union such amounts as it concedes to be correct and at any time thereafter within twenty (20) days of a demand made by Union shall furnish good and sufficient surety bond satisfactory to Union, guaranteeing payment to Union of the amount ultimately found due upon such bill after a final determination which may be reached either by agreement, arbitration decision or judgement of the courts, as may be the case, then Union shall not be entitled to suspend service(s) because of such non-payment unless and until default be made in the conditions of such bond or in payment for any further service(s) to Shipper hereunder.

Notwithstanding the foregoing paragraph, this does not relieve Shipper from the obligation to continue its deliveries of gas under the terms of any agreement, where Shipper has contracted to deliver specified quantities of gas to Union.

3. Billing Adjustments: If it shall be found that at any time or times Shipper has been overcharged or undercharged in any form whatsoever under the provisions of the Contract and Shipper shall have actually paid the bills containing such overcharge or undercharge, Union shall refund the amount of any such overcharge and interest shall accrue from and including the first day of such overcharge as paid to the date of refund and shall be calculated but not compounded at a rate per annum determined each day during the calculation period to be equal to the minimum commercial lending rate of Union's principal banker, and the Shipper shall pay the amount of any such undercharge, but without interest. In the event Union renders a bill to Shipper based upon measurement estimates, the required adjustment to reflect actual measurement shall be made on the bill next following the determination of such actual measurement, without any charge of interest. In the event an error is discovered in the amount billed in any statement rendered by Union, such error shall be adjusted by Union. Such overcharge, undercharge or error shall be adjusted by Union on the bill next following its determination (where the term "bill" next following shall mean a bill rendered at least fourteen (14) days after the day of its determination), provided that claim therefore shall have been made within six (6) years from the date of the incorrect billing. In the event any refund is issued with Shipper's bill, the aforesaid date of refund shall be deemed to be the date of the issue of invoice.

X. ARBITRATION

If and when any dispute, difference or question shall arise between the parties hereto touching the Contract or anything herein contained, or the construction hereof, or the rights, duties or liabilities of the parties in relation to any matter hereunder, the matter in dispute shall be submitted and referred to arbitration within ten (10) days after written request of either party. Upon such request each party shall appoint an arbitrator, and the two so appointed shall appoint a third. A majority decision of the arbitrators shall be final and binding upon both parties. In all other respects the provisions of the Arbitration Act of the Province of Ontario, or any act passed in amendment thereof or substitution therefore, shall apply to each such submission. Operations under the Contract shall continue, without prejudice, during any such arbitration and the costs attributable to such arbitration shall be shared equally by the parties hereto.

XI. FORCE MAJEURE

N/A

XII. DEFAULT AND TERMINATION

N/A

XIII. MODIFICATION

N/A

XIV. NONWAIVER AND FUTURE DEFAULT

N/A

XV. LAWS, REGULATIONS AND ORDERS

The Contract and the respective rights and obligations of the parties hereto are subject to all present and future valid laws, orders, rules and regulations of any competent legislative body, or duly constituted authority now or hereafter having jurisdiction and the Contract shall be varied and amended to comply with or conform to any valid order or direction of any board, tribunal or administrative agency which affects any of the provisions of the Contract.

**UNION SOUTH - RATE M16
GENERAL TERMS & CONDITIONS**

I. DEFINITIONS

Except where the context expressly requires or states another meaning, the following terms, when used in these General Terms & Conditions and in any contract into which these General Terms & Conditions are incorporated, shall be construed to have the following meanings:

"Aid to Construction" shall include any and all costs, expenses, amounts, damages, obligations, or other liabilities (whether of a capital or operating nature, and whether incurred before or after the date of the Contract) actually paid by Union (including amounts paid to affiliates for services rendered in accordance with the Affiliate Relationships Code as established by the OEB) in connection with or in respect of satisfying the conditions precedent set out in Article XXI herein (including without limitation the construction and placing into service of the Union Expansion Facilities, the obtaining of all governmental, regulatory and other third party approvals, and the obtaining of rights of way) whether resulting from Union's negligence or not, except for any costs that have arisen from the gross negligence, fraud, or wilful misconduct of Union;

"Authorized Overrun" shall mean the amount by which Shipper's Authorized Quantity exceeds the firm and interruptible contract demands;

"Authorized Quantity" shall have the meaning given thereto in Schedule "B 2010" of the C1 Rate Schedule;

"Business Day" shall mean any day, other than Saturday, Sunday or any days on which national banks in the Province of Ontario are authorized to close;

"Contract" shall refer to the Contract to which these General Terms & Conditions shall apply, and into which they are incorporated;

"Contract Year" shall mean a period of three hundred and sixty-five (365) consecutive days, beginning on the Commencement Date or on any anniversary of such date; provided, however, that any such period which contains a date of February 29 shall consist of three hundred and sixty-six (366) consecutive days;

"cricondentherm hydrocarbon dewpoint" shall mean the highest hydrocarbon dewpoint temperature on the phase envelope;

"cubic metre" shall mean the volume of gas which occupies one cubic metre when such gas is at a temperature of 15 degrees Celsius, and at a pressure of 101.325 kilopascals absolute;

"Custody Transfer Point" That point on the piping system at the Pool Station which is at the Shipper side of the insulating flange on the Union Expansion Facilities, and which point shall serve as the point of custody transfer;

"Day" shall mean a period of twenty-four (24) consecutive hours beginning at 10:00 a.m. Eastern Clock Time. The reference date for any Day shall be the calendar date upon which the twenty-four (24) hour period shall commence;

"Dehydration Contract" shall mean the contract for Dehydration Service between Union and the Shipper as detailed in Schedule 1 of the Contract;

"Delivery Point" shall mean the point(s) where Union shall deliver gas to Shipper as defined in Schedule 1 of the Contract;

"Eastern Clock Time" shall mean the local clock time in the Eastern Time Zone on any Day;

"firm" shall mean service not subject to curtailment or interruption except under Articles XI, XII and XVIII herein;

"**gas**" shall mean gas as defined in the Ontario Energy Board Act, 1998, S.O. 1998, c. 15, Sch. B, as amended, supplemented or re-enacted from time to time;

"**gross heating value**" shall mean the total heat expressed in megajoules per cubic metre (MJ/m³) produced by the complete combustion at constant pressure of one (1) cubic metre of gas with air, with the gas free of water vapour and the temperature of the gas, air and products of combustion at standard temperature and all water formed by the combustion reaction condensed to the liquid state;

"**hydrocarbon dewpoint**" shall mean temperature at a specific pressure where hydrocarbon vapour condensation begins;

"**Interconnecting Pipeline**" shall mean a pipeline that directly connects to the Union pipeline system;

"**Interruptible Service HUB Contract**" shall mean a contract between Shipper and Union under which Union provides interruptible HUB service;

"**interruptible**" shall mean service subject to curtailment or interruption, after notice, at any time;

"**joule**" (J) shall mean the work done when the point of application of a force of one (1) newton is displaced a distance of one (1) metre in the direction of the force. The term "**megajoule**" (MJ) shall mean 1,000,000 joules. The term "**gigajoule**" (GJ) shall mean 1,000,000,000 joules;

"**m³**" shall mean cubic metre of gas and "**10³m³**" shall mean 1,000 cubic metres of gas;

"**Month**" shall mean the period beginning at 10:00 a.m. Eastern Clock Time on the first day of a calendar month and ending at 10:00 a.m. Eastern Clock Time on the first day of the following calendar month;

"**OEB**" means the Ontario Energy Board;

"**pascal**" "**(Pa)**" shall mean the pressure produced when a force of one (1) newton is applied to an area of one (1) square metre. The term "**kilopascal**" "**(kPa)**" shall mean 1,000 pascals;

"**Pool Quantity**" shall mean the actual daily quantity of gas delivered to or received from Shipper at the Custody Transfer Point;

"**Pool Station**" shall mean the physical location of Union's measurement and control facilities to the pool; the pool name as detailed in Schedule 1 of the Contract;

"**Receipt Point**" shall mean any one of the points where Union shall receive gas from Shipper as detailed in Schedule 1 of the Contract;

"**Shipper**" shall have the meaning as defined in the Contract, and shall also include Shipper's agent(s);

"**Shipper Quantity**" shall, on any Day, be equal to the greater of: (i) the Authorized Quantity for that Day; and (ii) the nomination duly made by Shipper in good faith prior to the nomination deadline for the first nomination window applicable for that Day; provided that in no event shall the Shipper Quantity exceed the firm contract demand;

"**specific gravity**" shall mean density of the gas divided by density of air, with both at a temperature of 15 degrees Celsius, and at a pressure of 101.325 kilopascals absolute;

"**Taxes**" shall mean any tax (other than tax on income or tax on property), duty, royalty, levy, license, fee or charge not included in the charges and rates as per the applicable rate schedule (including but not limited to charges under any form of cap and trade, carbon tax, or similar system) and that is levied, assessed or made by any governmental authority on the gas itself, or the act, right, or privilege of producing, severing, gathering, storing, transporting, handling, selling or delivering gas under the Contract;

"TCPL" means TransCanada PipeLines Limited;

"Union" shall mean Enbridge Gas Inc. operating as Union Gas;

"Union Expansion Facilities" shall mean any facilities necessary for Union to provide the Services, including without limiting the generality of the foregoing:

- a. a meter and any associated recording gauges as are necessary;
- b. pressure and/or flow control devices, over pressure protection and telemetry equipment as are necessary;
- c. a suitable gas odourizing injection facility if Union deems such a facility to be necessary
- d. piping, fittings, material, filtration facilities, cathodic protection and insulating flanges;
- e. gas chromatograph, moisture analyzer, piping, fittings, material, filtration facilities, cathodic protection and insulating flanges;

"Wobbe Number" shall mean gross heating value of the gas divided by the square root of its specific gravity.

II. GAS QUALITY

1. Natural Gas: The minimum gross heating value of the gas delivered to/by Union hereunder, shall be thirty-six (36) megajoules per cubic metre. The maximum gross heating value of the gas delivered to/by Union hereunder shall be forty point two (40.2) megajoules per cubic metre. The gas to be delivered hereunder to Union may be a commingled supply from Shipper's gas sources of supply. The gas to be delivered by Union may be a commingled supply from Union's sources of gas supply; provided, however, that helium, natural gasoline, butane, propane and other hydrocarbons, except methane, may be removed prior to delivery to Shipper. Further, Union may subject, or permit the subjection of, the gas to compression, dehydration, cooling, cleaning and other processes.
2. Freedom from objectionable matter: The gas to be delivered to Union at the Receipt Point(s) hereunder,
 - a. shall be commercially free from bacteria, sand, dust, gums, crude oils, lubricating oils, liquids, chemicals or compounds used in the production, treatment, compression or dehydration of the gas or any other objectionable substance in sufficient quantity so as to render the gas toxic, unmerchantable or cause injury to, or interference with, the proper operation of the lines, regulators, meters or other appliances through which it flows,
 - b. shall not contain more than seven (7) milligrams of hydrogen sulphide per cubic metre of gas, nor more than one hundred (100) milligrams of total sulphur per cubic metre of gas,
 - c. shall not contain more than five (5) milligrams of mercaptan sulphur per cubic metre of gas,
 - d. shall not contain more than two point zero (2.0) molar percent by volume of carbon dioxide in the gas,
 - e. shall not contain more than zero point four (0.4) molar percent by volume of oxygen in the gas,
 - f. shall not contain more than zero point five (0.5) molar percent by volume of carbon monoxide in the gas,
 - g. shall not contain more than four point zero (4.0) molar percent by volume of hydrogen in the gas,
 - h. shall not contain more than sixty-five (65) milligrams of water vapour per cubic metre of gas,
 - i. shall not have a cricondenthem hydrocarbon dewpoint exceeding minus eight (-8) degrees Celsius,
 - j. shall have Wobbe Number from forty seven point fifty (47.50) megajoules per cubic metre of gas to fifty one

point forty six (51.46) megajoules per cubic metre of gas, maximum of one point five (1.5) mole percent by volume of butane plus (C4+) in the gas, and maximum of four point zero (4.0) mole percent by volume of total inerts in the gas in order to be interchangeable with other Interconnecting Pipeline gas,

- k. shall not exceed forty-three degrees Celsius (43°C), and,
- l. shall not be odourized by Shipper.

3. Non-conforming Gas:

- a. In the event that the quality of the gas does not conform or if Union, acting reasonably, suspects the quality of the gas may not conform to the specifications herein, then Shipper shall, if so directed by Union acting reasonably, forthwith carry out, at Shipper's cost, whatever field testing of the gas quality as may be required to ensure that the quality requirements set out herein are met, and to provide Union with a certified copy of such tests. If Shipper does not carry out such tests forthwith, Union may conduct such test and Shipper shall reimburse Union for all costs incurred by Union for such testing.
- b. If Shipper's gas fails at any time to conform to the requirements of this Article II, Union, in addition to its other remedies, may refuse to accept delivery of gas at the Receipt Points hereunder until such deficiency has been remedied by Shipper. Each Party agrees to notify the other verbally, followed by written notification, of any such deficiency of quality.
- c. With respect to Article II 2. h. herein, Union may accept the gas subject to Shipper's obligations under the Dehydration Contract, if applicable.

4. Quality of Gas Received: The quality of the gas to be received by Union at the Receipt Point(s) hereunder is to be of a merchantable quality and in accordance with the quality standards as set out by Union in this Article II.

5. Quality of Gas at Dawn: The quality of the gas to be delivered to Union at Dawn (Facilities) or the gas to be delivered by Union to Shipper at Dawn (Facilities) hereunder is to be of a merchantable quality and in accordance with the quality standards and measurement standards as set out by Union in this Article II, except that total sulphur limit shall be not more than four hundred and sixty (460) milligrams per cubic metre of gas. In addition to any other right or remedy of a party, each party shall be entitled to refuse to accept delivery of any gas which does not conform to any of the specifications set out in this Article II.

6. Odourization of Gas:

- a. Union may odourize or deliver odourized gas under the Contract,
- b. Shipper shall if requested by Union monitor the mercaptan sulphur content of the gas delivered to Union under the Contract and shall provide at no cost to Union a continuous signal quantifying the mercaptan sulphur content in milligrams per cubic metre.

III. MEASUREMENTS

1. Storage, Transportation, and/or Sales Unit: The unit of the gas delivered to Union shall be a megajoule or a gigajoule. The unit of gas transported or stored by Union shall be a megajoule or a gigajoule. The unit of gas delivered by Union shall be a megajoule, a gigajoule, a cubic metre (m³) or one thousand cubic metres (10³m³) at Union's discretion.

2. Determination of Volume and Energy:

- a. The volume and energy amounts determined under the Contract shall be determined in accordance with the Electricity and Gas Inspection Act (Canada), RSC 1985, c E-4- (the "**Act**") and the Electricity and Gas Inspection Regulations, SOR 86/131 (the "**Regulations**"), and any documents issued under the authority of the Act and Regulations and any amendments thereto.

- b. The supercompressibility factor shall be determined in accordance with either the "Manual for Determination of Supercompressibility Factors for Natural Gas" (PAR Project NX-19) published in 1962 or with American Gas Association Transmission Measurement Committee Report No. 8, Nov. 1992, at Union's discretion, all as amended from time to time.
- c. The volume and/or energy of the gas delivered to/by Union hereunder shall be determined by the measurement equipment designated in Article VII herein.
- d. Upon request by Union, Shipper shall obtain measurement of the total quantity of gas received by Union hereunder from the Interconnecting Pipeline. Such measurement shall be done in accordance with established practices between Union and the Interconnecting Pipeline.

IV. RECEIPT POINT AND DELIVERY POINT

The point or points of receipt and point or points of delivery for all gas to be covered hereunder shall be on the outlet side of the measuring stations located at or near the point or points of connection specified in Schedule 1 of the Contract, where possession of the gas changes from one party to the other.

V. POSSESSION OF AND RESPONSIBILITY FOR GAS

- 1. Possession of Gas: Union accepts no responsibility for any gas prior to such gas being delivered to Union at the Receipt Point or after its delivery by Union at the Delivery Point. As between the parties hereto, Union shall be deemed to be in control and possession of and responsible for all such gas from the time that such gas enters Union's system until such gas is delivered to Shipper.
- 2. Liability: Shipper agrees that Union is not a common carrier and is not an insurer of Shipper's gas, and that Union shall not be liable to Shipper or any third party for loss of gas in Union's possession, except to the extent such loss is caused entirely by Union's negligence or wilful misconduct.

VI. FACILITIES ON SHIPPER'S PROPERTY

- 1. Union Equipment: All of the Union Expansion Facilities shall remain the property of Union. Union shall be entitled to remove said equipment at any time within a period of sixty (60) days from any termination or expiry of the Contract. Shipper shall take all necessary steps to ensure Union may enter the Pool Station to remove such equipment for a period of sixty (60) days after termination or expiry of the Contract.
- 2. Shipper Obligations: Shipper shall, at Shipper's own cost and expense:
 - a. obtain the Pool Station Land Rights; and
 - b. furnish, install, set, and maintain suitable pressure and quantity control equipment and such additional equipment as required on Shipper's delivery system, to protect against the over pressuring of Union's facilities as set out in Article VI of the Contract and Schedule 1 of the Contract, protect Union from receiving gas not meeting the quality specification as set out in Article II herein, and to limit the daily flow of gas to the corresponding parameters as set out in the Article II of the Contract.
- 3. Maintenance Costs: Shipper shall within thirty (30) days of the delivery of an invoice by Union, reimburse Union for any actual costs reasonably incurred by Union for any repair, replacement, relocation, or upgrading of any meter station or any Union Expansion Facilities requested by Shipper, or as required by law or by duly constituted regulatory body, or through good engineering practice. Union shall be responsible for any costs incurred by Union to correct an error made by Union.

4. Operation and Maintenance: Subject to this Article VI Section 3, each party shall be fully responsible for the continued operation, maintenance, repair and replacement of its respective facilities. Both parties agree to maintain cathodic protection on their respective facilities.
5. Inspection: Each party shall inspect its facilities as required by industry standards or by the appropriate regulatory body.
6. Repair or Replacement: Each party shall decide, in its sole discretion, whether its facilities need to be repaired or replaced. In the event that repair or replacement is needed, the party undertaking such work will, to the extent possible, give the other party sixty (60) days' notice and will ensure that the work be done in a manner so as to minimize the amount of time the pipeline has restricted flows.

VII. MEASURING EQUIPMENT

1. Metering by Union: Union will install and operate meters and related equipment as required and in accordance with the Act and Regulations referenced in Article III herein.
2. Metering by Others: In the event that all or any gas delivered to/by Union hereunder is measured by a meter that is owned and operated by an Interconnecting Pipeline, then Union and Shipper agree to accept that metering for the purpose of determining the volume and energy of gas delivered to/by Union on behalf of the Shipper. The standard of measurement and tests for the gas delivered to/by Union hereunder shall be in accordance with the general terms and conditions as incorporated in that Interconnecting Pipeline company's gas tariff as approved by its regulatory body.
3. Check Measuring Equipment: Shipper may install, maintain and operate, at the Custody Transfer Point, at its own expense, such check measuring equipment as desired, provided that such equipment shall be so installed as not to interfere with the operation of Union's measuring equipment at or near the Custody Transfer Point, and shall be installed, maintained and operated in conformity with the same standards and specifications applicable to Union's metering facilities.
4. Rights of Parties: The measuring equipment installed by either party, together with any building erected by it for such equipment, shall be and remain its property. However, Union and Shipper shall have the right to have representatives present at the time of any installing, reading, cleaning, changing, repairing, inspecting, testing, calibrating, or adjusting done in connection with the other's measuring equipment used in measuring or checking the measurement of deliveries of gas to/by Union under the Contract. Either party will give the other party reasonable notice of its intention to carry out the acts herein specified. The records from such measuring equipment shall remain the property of their owner, but upon request each will submit to the other its records and charts, together with calculations therefrom, for inspection and verification, subject to return within ten (10) days after receipt thereof.
5. Calibration and Test of Measuring Equipment: The accuracy of Union's measuring equipment shall be verified by Union at reasonable intervals, and if requested, in the presence of representatives of Shipper, but Union shall not be required to verify the accuracy of such equipment more frequently than once in any thirty (30) day period. In the event either party notifies the other that it desires a special test of any measuring equipment, the parties shall co-operate to secure a prompt verification of the accuracy of such equipment. The expense of any such special test, if called for by Shipper, shall be borne by Shipper if the measuring equipment tested is found to be in error by not more than two per cent (2%). If, upon test, any measuring equipment is found to be in error by not more than two per cent (2%), previous recordings of such equipment shall be considered accurate in computing receipts and deliveries of gas, but such equipment shall be adjusted at once to record as near to absolute accuracy as possible. If the test conducted shows a percentage of inaccuracy greater than two percent (2%), the financial adjustment, if any, shall be calculated in accordance with the Act and Regulations, as may be amended from time to time and in accordance with any successor statutes and regulations.
6. Preservation of Metering Records: Union and Shipper shall each preserve for a period of at least six (6) years all test data, and other relevant records.

7. Error in Metering or Meter Failure: In the event of an error in metering or a meter failure, (such error or failure being determined through check measurement by Union or any other available method), then Shipper shall enforce its rights as Shipper with the Interconnecting Pipeline(s) to remedy such error or failure including enforcing any inspection and/or verification rights and procedures.

VIII. BILLING

1. Monthly Billing Date: Union shall render bills on or before the tenth (10th) day of each month for all Services furnished during the preceding Month. Such charges may be based on estimated quantities, if actual quantities are unavailable in time to prepare the billing. Union shall provide, in a succeeding Month's billing, an adjustment based on any difference between actual quantities and estimated quantities, without any interest charge. If presentation of a bill to Shipper is delayed after the tenth (10th) day of the month, then the time of payment shall be extended accordingly, unless Shipper is responsible for such delay.
2. Right of Examination: Both Union and Shipper shall have the right to examine at any reasonable time the books, records and charts of the other to the extent necessary to verify the accuracy of any statement, chart or computation made under or pursuant to the provisions of the Contract.
3. Amendment of Statements: For the purpose of completing a final determination of the actual quantities of gas handled under the Contract, Union shall have the right to amend its statements for a period equal to the time during which the Interconnecting Pipeline retains the right to amend their statements, which period shall not exceed three (3) years from the date of termination of the Contract.

IX. PAYMENTS

1. Monthly Payments: Shipper shall pay the invoiced amount directly into Union's bank account as directed on the invoice on or before the twentieth (20th) day of each month. If the payment date is not a Business Day, then payment must be received in Union's account on the first Business Day preceding the twentieth (20th) day of the month.
2. Remedies for Non-payment: Should Shipper fail to pay all of the amount of any bill as herein provided when such amount is due,
 - a. Shipper shall pay to Union interest on the unpaid portion of the bill accruing at a rate per annum equal to the minimum commercial lending rate of Union's principal banker in effect from time to time from the due date until the date of payment; and,
 - b. If such failure to pay continues for thirty (30) days after payment is due, Union, in addition to any other remedy it may have under the Contract, may suspend Services until such amount is paid. Notwithstanding such suspension, all demand charges shall continue to accrue hereunder as if such suspension were not in place.

If Shipper in good faith disputes the amount of any such bill or part thereof Shipper shall pay to Union such amounts as it concedes to be correct. At any time thereafter, within twenty (20) days of a demand made by Union, Shipper shall furnish financial assurances satisfactory to Union, guaranteeing payment to Union of the amount ultimately found due upon such bill after a final determination. Such a final determination may be reached either by agreement, arbitration decision or judgement of the courts, as may be the case. Union shall not be entitled to suspend Services because of such non-payment unless and until default occurs in the conditions of such financial assurances or default occurs in payment of any other amount due to Union hereunder.

Notwithstanding the foregoing, Shipper is not relieved from the obligation to continue its deliveries of gas to Union under the terms of any agreement, where Shipper has contracted to deliver specified quantities of gas to Union.

3. Billing Adjustments: If it shall be found that at any time or times Shipper has been overcharged or undercharged in any form whatsoever under the provisions of the Contract and Shipper shall have actually paid the bills containing such

overcharge or undercharge, Union shall refund the amount of any such overcharge and interest shall accrue from and including the first day of such overcharge as paid to the date of refund and shall be calculated but not compounded at a rate per annum determined each day during the calculation period to be equal to the minimum commercial lending rate of Union's principal banker, and the Shipper shall pay the amount of any such undercharge, but without interest. In the event Union renders a bill to Shipper based upon measurement estimates, the required adjustment to reflect actual measurement shall be made on the bill next following the determination of such actual measurement, without any charge of interest. In the event an error is discovered in the amount billed in any statement rendered by Union, such error shall be adjusted by Union. Such overcharge, undercharge or error shall be adjusted by Union on the bill next following its determination (where the term "**bill next following**" shall mean a bill rendered at least fourteen (14) days after the day of its determination), provided that claim therefore shall have been made within three (3) years from the date of the incorrect billing. In the event any refund is issued with Shipper's bill, the aforesaid date of refund shall be deemed to be the date of the issue of bill.

4. Taxes: In addition to the charges and rates as per the applicable rate schedules and price schedules, Shipper shall pay all Taxes which are imposed currently or subsequent to the execution of the Contract by any legal authority having jurisdiction and any amount in lieu of such Taxes paid or payable by Union.
5. Set Off: If Shipper shall, at any time, be in arrears under any of its payment obligations to Union under the Contract, then Union shall be entitled to reduce the amount payable by Union to Shipper under the Contract or any other contract by an amount equal to the amount of such arrears or other indebtedness to Union. In addition to the foregoing remedy, Union may, upon forty-eight (48) hours verbal notice, to be followed by written notice, take possession of any or all of Shipper's gas under the Contract, which shall be deemed to have been assigned to Union, to reduce such arrears or other indebtedness to Union.
6. Aid to Construction: Shipper agrees to reimburse Union for the Aid to Construction.

In the event Union has incurred costs, as set out herein, relative to the construction, installation or connection of the gas metering station prior to being notified by Shipper of Shipper's intention to terminate the Contract, Shipper shall promptly remit to Union such actual costs on presentation to Shipper of an invoice for same from Union.

All applicable Taxes will be applied to all amounts to be paid under this Section. Shipper warrants and represents that no payment to be made by Shipper under the Contract is subject to any withholding tax.

X. ARBITRATION

If and when any dispute, difference or question shall arise between the parties hereto touching the Contract or anything herein contained, or the construction hereof, or the rights, duties or liabilities of the parties in relation to any matter hereunder, the matter in dispute shall be submitted and referred to arbitration within ten (10) days after written request of either party. Upon such request each party shall appoint an arbitrator, and the two so appointed shall appoint a third. A majority decision of the arbitrators shall be final and binding upon both parties. In all other respects the provisions of the Arbitration Act, 1991, or any act passed in amendment thereof or substitution therefore, shall apply to each such submission. Operations under the Contract shall continue, without prejudice, during any such arbitration and the costs attributable to such arbitration shall be shared equally by the parties hereto.

XI. FORCE MAJEURE

1. Definition: The term "**force majeure**" as used herein shall mean acts of God, strikes, lockouts or any other industrial disturbance, acts of the public enemy, sabotage, wars, blockades, insurrections, riots, epidemics, landslides, lightning, earthquakes, fires, storms, floods, washouts, arrests and restraints of governments and people, civil disturbances, explosions, breakage or accident to machinery or lines of pipe, freezing of wells or lines of pipe, inability to obtain materials, supplies, permits or labour, any laws, orders, rules, regulations, acts or restraints of any governmental body or authority (civil or military), any act or omission that is excused by any event or occurrence of the character herein defined as constituting force majeure, any act or omission by parties not controlled by the party having the difficulty and

any other similar cases not within the control of the party claiming suspension and which by the exercise of due diligence such party is unable to prevent or overcome.

2. Notice: In the event that either the Shipper or Union is rendered unable, in whole or in part, by force majeure, to perform or comply with any obligation or condition of the Contract, such party shall give notice and full particulars of such force majeure in writing delivered by hand, fax or other direct written electronic means to the other party as soon as possible after the occurrence of the cause relied on and subject to the provision of this Article.
3. Exclusions: Neither party shall be entitled to the benefit of the provisions of force majeure hereunder if any or all of the following circumstances prevail: the failure resulting in a condition of force majeure was caused by the negligence of the party claiming suspension; the failure was caused by the party claiming suspension where such party failed to remedy the condition by making all reasonable efforts (short of litigation, if such remedy would require litigation); the party claiming suspension failed to resume the performance of such condition obligations with reasonable dispatch; the failure was caused by lack of funds; the party claiming suspension did not, as soon as possible after determining, or within a period within which it should acting reasonably have determined, that the occurrence was in the nature of force majeure and would affect its ability to observe or perform any of its conditions or obligations under the Contract, give to the other party the notice required hereunder.
4. Notice of Remedy: The party claiming suspension shall likewise give notice as soon as possible after the force majeure condition is remedied, to the extent that the same has been remedied, and that such party has resumed or is then in a position to resume the performance of the obligations and conditions of the Contract.
5. Obligation to Perform: An event of force majeure on Union's system will excuse the failure to deliver gas by Union or the failure to accept gas by Union hereunder, and both parties shall be excused from performance of their obligations hereunder, except for payment obligations, to the extent of and for the duration of the force majeure.
6. Upstream or Downstream Force Majeure: An event of force majeure upstream or downstream of Union's system shall not relieve Shipper of any payment obligations.
7. Delay of Firm Transportation Services: Despite Article XI herein, if Union is prevented, by reason of an event of force majeure on Union's system from delivering gas on the Day or Days upon which Union has accepted gas from Shipper, Union shall thereafter make all reasonable efforts to deliver such quantities as soon as practicable and on such Day or Days as are agreed to by Shipper and Union. If Union accepts such gas on this basis, Shipper shall not receive any demand charge relief as contemplated under Article XI herein.
8. Demand Charge Relief for Firm Transportation Services: Despite Article XI herein, if on any Day Union fails to accept gas from Shipper by reason of an event of force majeure on Union's system and fails to deliver the quantity of gas nominated hereunder by Shipper up to the firm contract demand for the Contract, then for that Day the Monthly demand charge shall be reduced by an amount equal to the applicable Daily Demand Rate, as defined in this paragraph, multiplied by the difference between the quantity of gas actually delivered by Union during such Day and the quantity of gas which Shipper in good faith nominated on such Day. The term "**Daily Demand Rate**" shall mean the Monthly demand charge or equivalent pursuant to the C1 Rate Schedule divided by the number of days in the month for which such rate is being calculated.
9. Unforeseen Reduction: In addition to the definition of force majeure in Article XI, Section 1 herein, for the purposes of the Contract, it shall also include the unforeseen reduction in natural gas usage and/or capacity of the local transmission system as described in Schedule 1 of the Contract, regardless of the duration of such unforeseen reduction, or any other cause, whether of the kind herein enumerated or otherwise, not within the reasonable control of the party claiming relief hereunder and which, by the exercise of due diligence, such party is unable to prevent or overcome.

XII. DEFAULT AND TERMINATION

In case of the breach or non-observance or non-performance on the part of either party hereto of any covenant, proviso, condition, restriction or stipulation contained in the Contract (but not including herein failure to take or make

delivery in whole or in part of the gas delivered to/by Union hereunder occasioned by any of the reasons provided for in Article XI herein) which has not been waived by the other party, then and in every such case and as often as the same may happen, the non-defaulting party may give written notice to the defaulting party requiring it to remedy such default and in the event of the defaulting party failing to remedy the same within a period of thirty (30) days from receipt of such notice, the non-defaulting party may at its sole option declare the Contract to be terminated and thereupon the Contract shall be terminated and be null and void for all purposes other than and except as to any liability of the parties under the same incurred before and subsisting as of termination. The right hereby conferred upon each party shall be in addition to, and not in derogation of or in substitution for, any other right or remedy which the parties respectively at law or in equity shall or may possess.

XIII. AMENDMENT

Subject to Article XV herein and the ability of Union to amend the applicable rate schedules and price schedules, with the approval of the OEB (if required), no amendment or modification of the Contract shall be effective unless the same shall be in writing and signed by each of the Shipper and Union.

XIV. NON-WAIVER AND FUTURE DEFAULT

No waiver of any provision of the Contract shall be effective unless the same shall be in writing and signed by the party entitled to the benefit of such provision and then such waiver shall be effective only in the specific instance and for the specified purpose for which it was given. No failure on the part of Shipper or Union to exercise, and no course of dealing with respect to, and no delay in exercising, any right, power or remedy under the Contract shall operate as a waiver thereof.

XV. LAWS, REGULATIONS AND ORDERS

The Contract and the respective rights and obligations of the parties hereto are subject to all present and future valid laws, orders, rules and regulations of any competent legislative body, or duly constituted authority now or hereafter having jurisdiction and the Contract shall be varied and amended to comply with or conform to any valid order or direction of any board, tribunal or administrative agency which affects any of the provisions of the Contract.

XVI. RESERVED FOR FUTURE USE

N/A

XVII. RENEWALS

The Contract will continue in full force and effect beyond the Initial Term, automatically renewing for a period of one (1) year, and every one (1) year thereafter. Shipper or Union may reduce the contract demands or terminate the Contract, with notice in writing to the other party, at least two (2) years prior to the expiration thereof.

XVIII. SERVICE CURTAILMENT

1. Capacity Sharing: Where requests for interruptible service hereunder exceed the capacity available for such Service, Union will authorize nominations from shippers and allocate capacity as per Union's procedures and policies and shippers shall be so advised. Any interruptible service provided herein are subordinate to any and all firm service supplied by Union, and subordinate to Union's own operational or system requirements.
2. Capacity Procedures: Union reserves the right to change its procedures and policies for sharing interruptible capacity and will provide Shipper with two (2) months' notice of any such change.

3. Maintenance: Union's facilities from time to time may require maintenance or construction. In the event that such event occurs and in Union's sole opinion, acting reasonably, may impact its ability to meet Shipper's requirements, Union shall provide at least ten (10) days' notice to the Shipper, except in the case of emergencies. In the event the maintenance impacts Union's ability to meet Shipper's requirements, Union shall not be liable for any damages and shall not be deemed to be in breach of the Contract. To the extent that Union's ability to receive or deliver gas is impaired, Demand Charge Relief shall be calculated and credited to Shipper's invoice in accordance with Article XI, Section 8 herein. Union shall use reasonable efforts to determine a mutually acceptable period during which such maintenance or construction will occur and also to limit the extent and duration of any impairments. Union will endeavour to schedule and complete the maintenance and construction, that can be scheduled and completed, and which would normally be expected to impact on Union's ability to meet its obligations of any Contract Year, during the period from April 1 through to October 31.
4. Shipper's Facilities: Shipper shall complete and maintain a plan which depicts all of Shipper's production storage facilities including all emergency shut off valves and emergency equipment and provide a copy to Union upon Union's request. Shipper shall provide to Union the names and telephone numbers of those persons whom Union may contact in the event of an emergency situation arising within the Shipper's facilities.

XIX. SHIPPER'S REPRESENTATIONS AND WARRANTIES

1. Shipper's Warranty: Shipper warrants that it will, if required, maintain, or have maintained on its behalf, all external approvals including the governmental, regulatory, import/export permits and other approvals or authorizations that are required from any federal, state or provincial authorities for the gas quantities to be handled under the Contract. Shipper further warrants that it shall maintain in effect the Facilitating Agreements.
2. Financial Representations: Shipper represents and warrants that the financial assurances (including the Initial Financial Assurances and Security), if any, shall remain in place throughout the term hereof unless Shipper and Union agree otherwise. Shipper shall notify Union in the event of any change to the financial assurances (including the Initial Financial Assurances and Security), if any, throughout the term hereof. Should Union have reasonable grounds to believe that Shipper will not be able to perform or continue to perform any of its obligations under the Contract for any reason (a "**Material Event**"), then Shipper shall within fourteen (14) days of receipt of written notice by Union, obtain and provide to Union a letter of credit or other security in the form and amount reasonably required by Union (the "**Security**"). In the event that Shipper does not provide to Union such Security, Union may deem a default in accordance with the provisions of Article XII herein.

In the event that Shipper in good faith, reasonably believes that it should be entitled to reduce the amount of or value of the Security previously provided, it may request such a reduction from Union and to the extent that the Material Event has been mitigated or eliminated, Union shall return all or a portion of the Security to Shipper within fourteen (14) Business Days after receipt of the request.

3. License: Shipper represents and warrants to Union that Shipper possesses all licenses and permits needed to inject gas into, store gas in, and remove gas from the pool.

XX. MISCELLANEOUS PROVISIONS

1. Assignment: Shipper may not assign the Contract without the written consent of Union and, if required, the approval of the OEB. Should Union consent to the assignment, and if OEB approval is needed, Union will apply for OEB approval with all costs of the application to be paid by Shipper.
2. Title to Gas: Shipper represents and warrants to Union that Shipper shall have good and marketable title to, or legal authority to deliver to Union, all gas delivered to Union hereunder. Furthermore, Shipper hereby agrees to indemnify and save Union harmless from all suits, actions, debts, accounts, damages, costs, losses and expenses arising from or out of claims of any or all third parties to such gas or on account of Taxes, or other charges thereon.

XXI. PRECONDITIONS TO TRANSPORTATION SERVICES

1. Union Conditions: The obligations of Union to provide Services hereunder are subject to the following conditions precedent, which are for the sole benefit of Union and which may be waived or extended in whole or in part in the manner provided in the Contract:
 - a. Union shall have obtained, in form and substance satisfactory to Union, and all conditions shall have been satisfied under, all governmental, regulatory and other third party approvals, consents, orders and authorizations, that are required to provide the Services; and,
 - b. Union shall have obtained all internal approvals that are necessary or appropriate to provide the Services; and,
 - c. Union shall have received from Shipper the requisite financial assurances reasonably necessary to ensure Shipper's ability to honour the provisions of the Contract (the "**Initial Financial Assurances**"). The Initial Financial Assurances, if required, will be as determined solely by Union; and,
 - d. Shipper and Union shall have entered into the Interruptible Service HUB Contract or equivalent (the "**Facilitating Agreement**") with Union; and,
 - e. Shipper shall have paid any amounts owing pursuant to Schedule 1 Aid to Construction; and,
 - f. With regard to the Union Expansion Facilities:
 - i. Union shall have obtained, in form and substance satisfactory to Union, and all conditions shall have been satisfied under, all governmental, regulatory and other third party approvals, consents, orders and authorizations required to construct the Union Expansion Facilities;
 - ii. Union shall have obtained all internal approvals that are necessary or appropriate to construct the Union Expansion Facilities;
 - iii. Union shall have completed and placed into service the Union Expansion Facilities; and,
 - g. Shipper shall, at Shipper's own cost and expense, have obtained a registered lease or freehold ownership in Union's favour for the Union Expansion Facilities located at the Pool Station satisfactory to Union and sufficient to provide Union with free uninterrupted access to, from, under and above the Pool Station for a term (and extended terms) identical to the Contract, plus sixty (60) days (such land rights being referred to as the "**Pool Station Land Rights**"), and shall provide Union with a bona fide copy of such agreements prior to Union commencing the construction of the Union Expansion Facilities.
2. Shipper Conditions: The obligations of Shipper hereunder are subject to the following conditions precedent, which are for the sole benefit of Shipper and which may be waived or extended in whole or in part in the manner provided in the Contract:
 - a. Shipper shall, as required, have entered into the necessary contracts with Union and/or others to facilitate the Services contemplated herein, including contracts for upstream and downstream transportation, and shall specifically have an executed and valid Facilitating Agreement; and shall, as required, have entered into the necessary contracts to purchase the gas quantities handled under the Contract; and,
 - b. Shipper shall have obtained, in form and substance satisfactory to Shipper, and all conditions shall have been satisfied under, all governmental, regulatory and other third party approvals, consents, orders and authorizations, that are required from federal, state, or provincial authorities for the gas quantities handled under the Contract; and,

- c. Shipper shall have obtained all internal approvals that are necessary or appropriate for the Shipper to execute the Contract.
3. Satisfaction of Conditions: Union and Shipper shall each use due diligence and reasonable efforts to satisfy and fulfil the conditions precedent specified in this Article XXI Section 1 a, c, d, e, f i., f iii., and g and Section 2 a and b. Each party shall notify the other forthwith in writing of the satisfaction or waiver of each condition precedent for such party's benefit. If a party concludes that it will not be able to satisfy a condition precedent that is for its benefit, such party may, upon written notice to the other party, terminate the Contract and upon the giving of such notice, the Contract shall be of no further force and effect and each of the parties shall be released from all further obligations thereunder.
4. Non-Satisfaction of Conditions: If any of the conditions precedent in this Article XXI Section 1 c or Section 2 are not satisfied or waived by the party entitled to the benefit of that condition by the Conditions Date as such term is defined in the Contract, then either party may, upon written notice to the other party, terminate the Contract and upon the giving of such notice, the Contract shall be of no further force and effect and each of the parties shall be released from all further obligations hereunder, provided that any rights or remedies that a party may have for breaches of the Contract prior to such termination and any liability a party may have incurred before such termination shall not thereby be released.

**UNION SOUTH - RATE C1
GENERAL TERMS & CONDITIONS**

I. DEFINITIONS

Except where the context expressly requires or states another meaning, the following terms, when used in these General Terms & Conditions and in any contract into which these General Terms & Conditions are incorporated, shall be construed to have the following meanings:

1. "Contract" shall refer to the Contract to which these General Terms & Conditions shall apply, and into which they are incorporated;
2. "cubic metre" shall mean the volume of gas which occupies one cubic metre when such gas is at a temperature of 15 degrees Celsius, and at a pressure of 101.325 kilopascals absolute;
3. "day" shall mean a period of twenty-four (24) consecutive hours beginning at 9:00 a.m. Central Standard time. The reference date for any day shall be the calendar date upon which the twenty-four (24) hour period shall commence;
4. "delivery" shall mean any gas that is delivered by Union into Shipper's possession, or to the possession of Shipper's agent;
5. "firm" shall mean service not subject to curtailment or interruption except under Articles XI and XII of this Schedule "A";
6. "gas" shall mean gas as defined in the Ontario Energy Board Act, 1998, S.O. 1998, c.15, Sch. B, as amended, supplemented or re-enacted from time to time;
7. "gross heating value" shall mean the total heat expressed in megajoules per cubic metre (MJ/m³) produced by the complete combustion at constant pressure of one (1) cubic metre of gas with air, with the gas free of water vapour and the temperature of the gas, air and products of combustion at standard temperature and all water formed by the combustion reaction condensed to the liquid state;
8. "interruptible service" shall mean service subject to curtailment or interruption, after notice, at any time;
9. "Interconnecting Pipeline" shall mean a pipeline that directly connects to the Union pipeline system;
10. "joule" (J) shall mean the work done when the point of application of a force of one (1) newton is displaced a distance of one (1) metre in the direction of the force. The term "megajoule" (MJ) shall mean 1,000,000 joules. The term "gigajoule" (GJ) shall mean 1,000,000,000 joules;
11. "limited interruptible service" shall mean gas service subject to interruption or curtailment on a limited number of days as specified in the Contract;
12. "m³" shall mean cubic metre of gas and "10³m³" shall mean 1,000 cubic metres of gas;
13. "month" shall mean the period beginning at 9:00 a.m. Central Standard time on the first day of a calendar month and ending at 9:00 a.m. Central Standard time on the first day of the following calendar month;
14. "OEB" means the Ontario Energy Board;
15. "pascal" (Pa) shall mean the pressure produced when a force of one (1) newton is applied to an area of one (1) square metre. The term "kilopascal" (kPa) shall mean 1,000 pascals;
16. "receipt" shall mean any gas that is delivered into Union's possession, or the possession of Union's agent;
17. "Shipper" shall have the meaning as defined in the Contract and shall also include Shipper's agent(s);

18. "TCPL" means TransCanada PipeLines Limited;
19. "cricondenthm hydrocarbon dewpoint" shall mean the highest hydrocarbon dewpoint temperature on the phase envelope;
20. "hydrocarbon dewpoint" shall mean temperature at a specific pressure where hydrocarbon vapour condensation begins;
21. "specific gravity" shall mean density of the gas divided by density of air, with both at a temperature of 15 degrees Celsius, and at a pressure of 101.325 kilopascals absolute;
22. "Wobbe Number" shall mean gross heating value of the gas divided by the square root of its specific gravity;
23. "Union" shall mean Enbridge Gas Inc. operating as Union Gas.

II. GAS QUALITY

1. Natural Gas: The minimum gross heating value of the gas delivered to/by Union hereunder, shall be thirty-six (36) megajoules per cubic metre. The maximum gross heating value of the gas delivered to/by Union hereunder shall be forty point two (40.2) megajoules per cubic metre. The gas to be delivered hereunder to Union may be a commingled supply from Shipper's gas sources of supply. The gas to be delivered by Union may be a commingled supply from Union's sources of gas supply; provided, however, that helium, natural gasoline, butane, propane and other hydrocarbons, except methane, may be removed prior to delivery to Shipper. Further, Union may subject, or permit the subjection of, the gas to compression, dehydration, cooling, cleaning and other processes.
2. Freedom from objectionable matter: The gas to be delivered to/by Union hereunder,
 - a. shall be commercially free from bacteria, sand, dust, gums, crude oils, lubricating oils, liquids, chemicals or compounds used in the production, treatment, compression or dehydration of the gas or any other objectionable substance in sufficient quantity so as to render the gas toxic, unmerchantable or cause injury to, or interference with, the proper operation of the lines, regulators, meters or other appliances through which it flows,
 - b. shall not contain more than seven (7) milligrams of hydrogen sulphide per cubic metre of gas, nor more than four hundred and sixty (460) milligrams of total sulphur per cubic metre of gas,
 - c. shall not contain more than five (5) milligrams of mercaptan sulphur per cubic metre of gas,
 - d. shall not contain more than two point zero (2.0) molar percent by volume of carbon dioxide in the gas,
 - e. shall not contain more than zero point four (0.4) molar percent by volume of oxygen in the gas,
 - f. shall not contain more than zero point five (0.5) molar percent by volume of carbon monoxide in the gas,
 - g. shall not contain more than four point zero (4.0) molar percent by volume of hydrogen in the gas,
 - h. shall not contain more than sixty-five (65) milligrams of water vapour per cubic metre of gas,
 - i. shall not have a cricondenthm hydrocarbon dewpoint exceeding minus eight (-8) degrees Celsius,
 - j. shall have Wobbe Number from forty seven point fifty (47.50) megajoules per cubic metre of gas to fifty one point forty six (51.46) megajoules per cubic metre of gas, maximum of one point five (1.5) mole percent by volume of butane plus (C4+) in the gas, and maximum of four point zero (4.0) mole percent by volume of total inerts in the gas in order to be interchangeable with other Interconnecting Pipeline gas.

3. Non-conforming Gas: In addition to any other right or remedy of a party, each party shall be entitled to refuse to accept delivery of any gas which does not conform to any of the specifications set out in this Article II.
4. Quality of Gas Received: The quality of the gas to be received by Union hereunder is to be of a merchantable quality and in accordance with the quality standards as set out by Union in this Article II, but, Union will also accept gas of a quality as set out in any other Interconnecting Pipeline's general terms and conditions, provided that all Interconnecting Pipelines accept such quality of gas. In addition to any other right or remedy of a party, each party shall be entitled to refuse to accept delivery of any gas which does not conform to any of the specifications set out in Union's C1 Rate Schedule.

III. MEASUREMENTS

1. Storage, Transportation, and/or Sales Unit: The unit of the gas delivered to Union shall be a megajoule or a gigajoule. The unit of gas transported or stored by Union shall be a megajoule or a gigajoule. The unit of gas delivered by Union shall be a megajoule, a gigajoule, a cubic metre (m³) or one thousand cubic metres (10³m³) at Union's discretion.
2. Determination of Volume and Energy:
 - a. The volume and energy amounts determined under the Contract shall be determined in accordance with the Electricity and Gas Inspection Act (Canada), RSC 1985, c E-4- (the "**Act**") and the Electricity and Gas Inspection Regulations, SOR 86/131 (the "**Regulations**"), and any documents issued under the authority of the Act and Regulations and any amendments thereto.
 - b. The supercompressibility factor shall be determined in accordance with either the "Manual for Determination of Supercompressibility Factors for Natural Gas" (PAR Project NX-19) published in 1962 or with American Gas Association Transmission Measurement Committee Report No. 8, Nov. 1992, at Union's discretion, all as amended from time to time.
 - c. The volume and/or energy of the gas delivered to/by Union hereunder shall be determined by the measurement equipment designated in Article VII herein.
 - d. Upon request by Union, Shipper shall obtain measurement of the total quantity of gas received by Union hereunder from the Interconnecting Pipeline. Such measurement shall be done in accordance with established practices between Union and the Interconnecting Pipeline.

IV. RECEIPT POINT AND DELIVERY POINT

1. Unless otherwise specified in the Contract, the point or points of receipt for all gas to be covered hereunder shall be on the outlet side of the measuring stations located at or near the point or points of connection specified in the Contract, where Union takes possession of the gas.
2. Unless otherwise specified in the Contract, the point or points of delivery for all gas to be covered hereunder shall be on the outlet side of the measuring stations located at or near the point or points of connection as specified in the Contract where Shipper takes possession of the gas.

V. POSSESSION OF AND RESPONSIBILITY FOR GAS

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VI. FACILITIES ON SHIPPER'S PROPERTY

Except under those conditions where Union is delivering to TCPL for TCPL or Shipper at Union's Parkway Point of Delivery, or to an Interconnecting Pipeline, or where otherwise specified in the Contract, the following will apply:

1. Construction and Maintenance: Union, at its own expense may construct, maintain and operate on Shipper's property at the delivery point a measuring station properly equipped with a meter or meters and any other necessary measuring equipment for properly measuring the gas redelivered under the Contract. Shipper will grant to Union a lease and/or rights-of-way over property of Shipper as required by Union to install such facilities and to connect same to Union's pipeline.
2. Entry: Union, its servants, agents and each of them may at any reasonable time on notice (except in cases of emergency) to Shipper or his duly authorized representative enter Shipper's property for the purpose of constructing, maintaining, removing, operating and/or repairing station equipment.
3. Property: The said station and equipment will be and remain the property of Union notwithstanding it is constructed on and attached to the realty of Shipper, and Union may at its own expense remove it upon termination of the Contract and will do so if so requested by Shipper.

VII. MEASURING EQUIPMENT

1. Metering by Union: Union will install and operate meters and related equipment as required and in accordance with the Act and Regulations referenced in Article III herein.
2. Metering by Others: In the event that all or any gas delivered to/by Union hereunder is measured by a meter that is owned and operated by an Interconnecting Pipeline, then Union and Shipper agree to accept that metering for the purpose of determining the volume and energy of gas delivered to/by Union on behalf of the Shipper. The standard of measurement and tests for the gas delivered to/by Union hereunder shall be in accordance with the general terms and conditions as incorporated in that Interconnecting Pipeline company's gas tariff as approved by their regulatory body.
3. Check Measuring Equipment: Shipper may install, maintain and operate, at the redelivery point, at its own expense, such check measuring equipment as desired, provided that such equipment shall be so installed as not to interfere with the operation of Union's measuring equipment at or near the delivery point, and shall be installed, maintained and operated in conformity with the same standards and specifications applicable to Union's metering facilities.
4. Rights of Parties: The measuring equipment installed by either party, together with any building erected by it for such equipment, shall be and remain its property. However, Union and Shipper shall have the right to have representatives present at the time of any installing, reading, cleaning, changing, repairing, inspecting, testing, calibrating, or adjusting done in connection with the other's measuring equipment used in measuring or checking the measurement of deliveries of gas to/by Union under the Contract. Either party will give the other party reasonable notice of its intention to carry out the acts herein specified. The records from such measuring equipment shall remain the property of their owner, but upon request each will submit to the other its records and charts, together with calculations therefrom, for inspection and verification, subject to return within ten (10) days after receipt thereof.
5. Calibration and Test of Measuring Equipment: The accuracy of Union's measuring equipment shall be verified by Union at reasonable intervals, and if requested, in the presence of representatives of Shipper, but Union shall not be required to verify the accuracy of such equipment more frequently than once in any thirty (30) day period. In the event either party notifies the other that it desires a special test of any measuring equipment, the parties shall co-operate to secure a prompt verification of the accuracy of such equipment. The expense of any such special test, if called for by Shipper, shall be borne by Shipper if the measuring equipment tested is found to be in error by not more than two per cent (2%). If, upon test, any measuring equipment is found to be in error by not more than two per cent (2%), previous recordings of such equipment shall be considered accurate in computing receipts and deliveries of gas, but such equipment shall be adjusted at once to record as near to absolute accuracy as possible. If the test conducted shows a percentage of inaccuracy greater than two per cent (2%), the financial adjustment, if any, shall be calculated in accordance with the Act and Regulations, as may be amended from time to time and in accordance with any successor statutes and regulations.

6. Preservation of Metering Records: Union and Shipper shall each preserve for a period of at least six (6) years all test data, and other relevant records.
7. Error in Metering or Meter Failure: In the event of an error in metering or a meter failure, (such error or failure being determined through check measurement by Union or any other available method), then Shipper shall enforce its rights as Shipper with the Interconnecting Pipeline(s) to remedy such error or failure including enforcing any inspection and/or verification rights and procedures.

VIII. BILLING

1. Monthly Billing Date: Union shall render bills on or before the 10th day of each month for all services furnished during the preceding month. Such charges may be based on estimated quantities, if actual quantities are unavailable in time to prepare the billing. Union shall provide, in a succeeding month's billing, an adjustment based on any difference between actual quantities and estimated quantities, without any interest charge. If presentation of a bill to Shipper is delayed after the 10th day of the month, then the time of payment shall be extended accordingly, unless Shipper is responsible for such delay.
2. Right of Examination: Both Union and Shipper shall have the right to examine at any reasonable time the books, records and charts of the other to the extent necessary to verify the accuracy of any statement, chart or computation made under or pursuant to the provisions of the Contract.

IX. PAYMENTS

1. Monthly Payments: Shipper shall pay the invoiced amount directly into Union's bank account as directed on the invoice on or before the twentieth (20th) day of each month. If the payment date is not a business day, then payment must be received in Union's account on the first business day preceding the twentieth (20th) day of the month.
2. Remedies for Non-payment: Should Shipper fail to pay all of the amount of any bill as herein provided when such amount is due,
 - a. Shipper shall pay to Union interest on the unpaid portion of the bill accruing at a rate per annum equal to the minimum commercial lending rate of Union's principal banker in effect from time to time from the due date until the date of payment.
 - b. If such failure to pay continues for thirty (30) days after payment is due, Union, in addition to any other remedy it may have under the Contract, may suspend service(s) until such amount is paid. Notwithstanding such suspension, all demand charges shall continue to accrue hereunder as if such suspension were not in place.

If Shipper in good faith disputes the amount of any such bill or part thereof Shipper shall pay to Union such amounts as it concedes to be correct. At any time thereafter, within twenty (20) days of a demand made by Union, Shipper shall furnish financial assurances satisfactory to Union, guaranteeing payment to Union of the amount ultimately found due upon such bill after a final determination. Such a final determination may be reached either by agreement, arbitration decision or judgement of the courts, as may be the case. Union shall not be entitled to suspend service(s) because of such non-payment unless and until default occurs in the conditions of such financial assurances or default occurs in payment of any other amount due to Union hereunder.

Notwithstanding the foregoing paragraph(s), Shipper is not relieved from the obligation to continue its deliveries of gas to Union under the terms of any agreement, where Shipper has contracted to deliver specified quantities of gas to Union.

3. Billing Adjustments: If it shall be found that at any time or times Shipper has been overcharged or undercharged in any form whatsoever under the provisions of the Contract and Shipper shall have actually paid the bills containing such

overcharge or undercharge, Union shall refund the amount of any such overcharge and interest shall accrue from and including the first day of such overcharge as paid to the date of refund and shall be calculated but not compounded at a rate per annum determined each day during the calculation period to be equal to the minimum commercial lending rate of Union's principal banker, and the Shipper shall pay the amount of any such undercharge, but without interest. In the event Union renders a bill to Shipper based upon measurement estimates, the required adjustment to reflect actual measurement shall be made on the bill next following the determination of such actual measurement, without any charge of interest. In the event an error is discovered in the amount billed in any statement rendered by Union, such error shall be adjusted by Union. Such overcharge, undercharge or error shall be adjusted by Union on the bill next following its determination (where the term "bill" next following shall mean a bill rendered at least fourteen (14) days after the day of its determination), provided that claim therefore shall have been made within six (6) years from the date of the incorrect billing. In the event any refund is issued with Shipper's gas bill, the aforesaid date of refund shall be deemed to be the date of the issue of bill.

X. ARBITRATION

If and when any dispute, difference or question shall arise between the parties hereto touching the Contract or anything herein contained, or the construction hereof, or the rights, duties or liabilities of the parties in relation to any matter hereunder, the matter in dispute shall be submitted and referred to arbitration within ten (10) days after written request of either party. Upon such request each party shall appoint an arbitrator, and the two so appointed shall appoint a third. A majority decision of the arbitrators shall be final and binding upon both parties. In all other respects the provisions of the Arbitration Act of the Province of Ontario, or any act passed in amendment thereof or substitution thereof, shall apply to each such submission. Operations under the Contract shall continue, without prejudice, during any such arbitration and the costs attributable to such arbitration shall be shared equally by the parties hereto.

XI. FORCE MAJEURE

1. The term "**force majeure**" as used herein shall mean acts of God, strikes, lockouts or any other industrial disturbance, acts of the public enemy, sabotage, wars, blockades, insurrections, riots, epidemics, landslides, lightning, earthquakes, fires, storms, floods, washouts, arrests and restraints of governments and people, civil disturbances, explosions, breakage or accident to machinery or lines of pipe, freezing of wells or lines of pipe, inability to obtain materials, supplies, permits or labour, any laws, orders, rules, regulations, acts or restraints of any governmental body or authority (civil or military), any act or omission that is excused by any event or occurrence of the character herein defined as constituting force majeure, any act or omission by parties not controlled by the party having the difficulty and any other similar cases not within the control of the party claiming suspension and which by the exercise of due diligence such party is unable to prevent or overcome.
2. In the event that either the Shipper or Union is rendered unable, in whole or in part, by force majeure, to perform or comply with any obligation or condition of the Contract, such party shall give notice and full particulars of such force majeure in writing delivered by hand, fax or other direct written electronic means to the other party as soon as possible after the occurrence of the cause relied on and subject to the provision of this Article.
3. Neither party shall be entitled to the benefit of the provisions of force majeure hereunder if any or all of the following circumstances prevail: the failure resulting in a condition of force majeure was caused by the negligence of the party claiming suspension; the failure was caused by the party claiming suspension where such party failed to remedy the condition by making all reasonable efforts (short of litigation, if such remedy would require litigation); the party claiming suspension failed to resume the performance of such condition obligations with reasonable dispatch; the failure was caused by lack of funds; the party claiming suspension did not, as soon as possible after determining, or within a period within which it should acting reasonably have determined, that the occurrence was in the nature of force majeure and would affect its ability to observe or perform any of its conditions or obligations under the Contract, give to the other party the notice required hereunder.
4. The party claiming suspension shall likewise give notice as soon as possible after the force majeure condition is remedied, to the extent that the same has been remedied, and that such party has resumed or is then in a position to resume the performance of the obligations and conditions of the Contract.

5. An event of force majeure on Union's system will excuse the failure to deliver gas by Union or the failure to accept gas by Union hereunder, and both parties shall be excused from performance of their obligations hereunder, except for payment obligations, to the extent of and for the duration of the force majeure.
6. Upstream or Downstream Force Majeure: An event of force majeure upstream or downstream of Union's system shall not relieve Shipper of any payment obligations.
7. Delay of Firm Transportation Services: Despite Article XI herein, if Union is prevented, by reason of an event of force majeure on Union's system from delivering gas on the Day or Days upon which Union has accepted gas from Shipper, Union shall thereafter make all reasonable efforts to deliver such quantities as soon as practicable and on such Day or Days as are agreed to by Shipper and Union. If Union accepts such gas on this basis, Shipper shall not receive any demand charge relief as contemplated under Article XI herein.
8. Demand Charge Relief for Firm Transportation Services: Despite Article XI herein, if on any Day Union fails to accept gas from Shipper by reason of an event of force majeure on Union's system and fails to deliver the quantity of gas nominated hereunder by Shipper up to the firm Contract Demand for that Contract, then for that Day the Monthly demand charge shall be reduced by an amount equal to the applicable Daily Demand Rate, as defined in this paragraph, multiplied by the difference between the quantity of gas actually delivered by Union during such Day and the quantity of gas which Shipper in good faith nominated on such Day. The term "**Daily Demand Rate**" shall mean the Monthly demand charge or equivalent pursuant to the C1 Rate Schedule divided by the number of days in the month for which such rate is being calculated.
9. If, due to the occurrence of an event of force majeure as outlined above, the capacity for gas deliveries by Union is impaired, it will be necessary for Union to curtail Shipper's gas receipts to Union hereunder, via proration based on utilization of such facilities for the Day. This prorating shall be determined by multiplying the capability of such facilities as available downstream of the impairment on the Day, by a fraction where the numerator is Shipper's nominated firm quantity and the denominator is the total of all such nominated firm quantities for nominated services and planned consumption for in-franchise customers on the Day. For the purposes of this Article XI, firm services shall mean all firm services provided by Union to in-franchise customers and ex-franchise shippers.

XII. DEFAULT AND TERMINATION

In case of the breach or non-observance or non-performance on the part of either party hereto of any covenant, proviso, condition, restriction or stipulation contained in the Contract (but not including herein failure to take or make delivery in whole or in part of the gas delivered to/by Union hereunder occasioned by any of the reasons provided for in Article XI hereof) which has not been waived by the other party, then and in every such case and as often as the same may happen, the Non-defaulting party may give written notice to the Defaulting party requiring it to remedy such default and in the event of the Defaulting party failing to remedy the same within a period of thirty (30) days from receipt of such notice, the Non-defaulting party may at its sole option declare the Contract to be terminated and thereupon the Contract shall be terminated and be null and void for all purposes other than and except as to any liability of the parties under the same incurred before and subsisting as of termination. The right hereby conferred upon each party shall be in addition to, and not in derogation of or in substitution for, any other right or remedy which the parties respectively at law or in equity shall or may possess.

XIII. MODIFICATION

Subject to Union's C1 Rate Schedule, Schedule A, Article XV and the ability of Union to amend the C1 Rate Schedule with the approval of the OEB, no amendment or modification of the Contract shall be effective unless the same shall be in writing and signed by each of the Shipper and Union.

XIV. NON-WAIVER AND FUTURE DEFAULT

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XV. **LAWS, REGULATIONS AND ORDERS**

The Contract and the respective rights and obligations of the parties hereto are subject to all present and future valid laws, orders, rules and regulations of any competent legislative body, or duly constituted authority now or hereafter having jurisdiction and the Contract shall be varied and amended to comply with or conform to any valid order or direction of any board, tribunal or administrative agency which affects any of the provisions of the Contract.

**UNION SOUTH - RATE C1
GENERAL TERMS & CONDITIONS**

I. DEFINITIONS

Except where the context expressly requires or states another meaning, the following terms, when used in these General Terms & Conditions and in any contract into which these General Terms & Conditions are incorporated, shall be construed to have the following meanings:

"Authorized Overrun" shall mean the amount by which Shipper's Authorized Quantity exceeds the Contract Demand;

"Available Capacity" shall mean at any time, Union's remaining available capacity to provide Transportation Services;

"Business Day" shall mean any day, other than Saturday, Sunday or any days on which national banks in the Province of Ontario are authorized to close;

"Contract" shall refer to the Contract to which these General Terms & Conditions shall apply, and into which they are incorporated;

"Contract Year" shall mean a period of three hundred and sixty-five (365) consecutive days; provided however, that any such period which contains a date of February 29 shall consist of three hundred and sixty-six (366) consecutive days, commencing on November 1 of each year; except for the first Contract Year which shall commence on the Commencement Date and end on the first October 31 that follows such date;

"cricondenthem hydrocarbon dewpoint" shall mean the highest hydrocarbon dewpoint temperature on the phase envelope;

"cubic metre" shall mean the volume of gas which occupies one cubic metre when such gas is at a temperature of 15 degrees Celsius, and at a pressure of 101.325 kilopascals absolute;

"Day" shall mean a period of twenty-four (24) consecutive hours beginning at 10:00 a.m. Eastern Clock Time. The reference date for any Day shall be the calendar date upon which the twenty-four (24) hour period shall commence;

"delivery" shall mean any gas that is delivered by Union into Shipper's possession, or to the possession of Shipper's agent;

"Eastern Clock Time" shall mean the local clock time in the Eastern Time Zone on any Day;

"Expansion Facilities" shall mean any new facilities to be constructed by Union in order to provide Transportation Services;

"firm" shall mean service not subject to curtailment or interruption except under Articles XI, XII and XVIII herein;

"gas" shall mean gas as defined in the Ontario Energy Board Act, 1998, S.O. 1998, c.15, Sch. B, as amended, supplemented or re-enacted from time to time;

"gross heating value" shall mean the total heat expressed in megajoules per cubic metre (MJ/m³) produced by the complete combustion at constant pressure of one (1) cubic metre of gas with air, with the gas free of water vapour and the temperature of the gas, air and products of combustion at standard temperature and all water formed by the combustion reaction condensed to the liquid state;

"hydrocarbon dewpoint" shall mean temperature at a specific pressure where hydrocarbon vapour condensation begins;

"Interruptible Service HUB Contract" shall mean a contract between Shipper and Union under which Union provides interruptible HUB service;

"interruptible service" or "Interruptible" shall mean service subject to curtailment or interruption, after notice, at any time;

"Interconnecting Pipeline" shall mean a pipeline that directly connects to the Union pipeline system;

"joule" (J) shall mean the work done when the point of application of a force of one (1) newton is displaced a distance of one (1) metre in the direction of the force. The term "megajoule" (MJ) shall mean 1,000,000 joules. The term "gigajoule" (GJ) shall mean 1,000,000,000 joules;

"Limited Firm" shall mean gas service subject to interruption or curtailment on a limited number of Days as specified in the Contract;

"Loaned Quantities" shall mean those quantities of gas loaned to Shipper under the Facilitating Agreement;

"m³" shall mean cubic metre of gas and "10³m³" shall mean 1,000 cubic metres of gas;

"Month" shall mean the period beginning at 10:00 a.m. Eastern Clock Time on the first day of a calendar month and ending at 10:00 a.m. Eastern Clock Time on the first day of the following calendar month;

"NAESB" shall mean North American Energy Standards Board;

"OEB" means the Ontario Energy Board;

"Open Season" or "open season" shall mean an open access auction or bidding process held by Union as a method of allocating capacity;

"pascal" "(Pa)" shall mean the pressure produced when a force of one (1) newton is applied to an area of one (1) square metre. The term "kilopascal" "(kPa)" shall mean 1,000 pascals;

"receipt" shall mean any gas that is delivered into Union's possession, or the possession of Union's agent;

"Shipper" shall have the meaning as defined in the Contract, and shall also include Shipper's agent(s);

"specific gravity" shall mean density of the gas divided by density of air, with both at a temperature of 15 degrees Celsius, and at a pressure of 101.325 kilopascals absolute;

"Taxes" shall mean any tax (other than tax on income or tax on property), duty, royalty, levy, license, fee or charge not included in the charges and rates as per the applicable rate schedule (including but not limited to charges under any form of cap and trade, carbon tax, or similar system) and that is levied, assessed or made by any governmental authority on the gas itself, or the act, right, or privilege of producing, severing, gathering, storing, transporting, handling, selling or delivering gas under the Contract;

"TCPL" means TransCanada PipeLines Limited;

"Union" shall mean Enbridge Gas Inc. operating as Union Gas;

"Wobbe Number" shall mean gross heating value of the gas divided by the square root of its specific gravity.

II. GAS QUALITY

1. Natural Gas: The minimum gross heating value of the gas delivered to/by Union hereunder, shall be thirty-six (36) megajoules per cubic metre. The maximum gross heating value of the gas delivered to/by Union hereunder shall be forty point two (40.2) megajoules per cubic metre. The gas to be delivered hereunder to Union may be a commingled supply from Shipper's gas sources of supply. The gas to be delivered by Union may be a commingled supply from Union's sources of gas supply; provided, however, that helium, natural gasoline, butane, propane and other hydrocarbons, except methane, may be removed prior to delivery to Shipper. Further, Union may subject, or permit the subjection of, the gas to

compression, dehydration, cooling, cleaning and other processes.

2. Freedom from objectionable matter: The gas to be delivered to/by Union hereunder,
 - a. shall be commercially free from bacteria, sand, dust, gums, crude oils, lubricating oils, liquids, chemicals or compounds used in the production, treatment, compression or dehydration of the gas or any other objectionable substance in sufficient quantity so as to render the gas toxic, unmerchantable or cause injury to, or interference with, the proper operation of the lines, regulators, meters or other appliances through which it flows,
 - b. shall not contain more than seven (7) milligrams of hydrogen sulphide per cubic metre of gas, nor more than four hundred and sixty (460) milligrams of total sulphur per cubic metre of gas,
 - c. shall not contain more than five (5) milligrams of mercaptan sulphur per cubic metre of gas,
 - d. shall not contain more than two point zero (2.0) molar percent by volume of carbon dioxide in the gas,
 - e. shall not contain more than zero point four (0.4) molar percent by volume of oxygen in the gas,
 - f. shall not contain more than zero point five (0.5) molar percent by volume of carbon monoxide in the gas,
 - g. shall not contain more than four point zero (4.0) molar percent by volume of hydrogen in the gas,
 - h. shall not contain more than sixty-five (65) milligrams of water vapour per cubic metre of gas,
 - i. shall not have a cricondenthem hydrocarbon dewpoint exceeding minus eight (-8) degrees Celsius,
 - j. shall have Wobbe Number from forty seven point fifty (47.50) megajoules per cubic metre of gas to fifty one point forty six (51.46) megajoules per cubic metre of gas, maximum of one point five (1.5) mole percent by volume of butane plus (C4+) in the gas, and maximum of four point zero (4.0) mole percent by volume of total inerts in the gas in order to be interchangeable with other Interconnecting Pipeline gas.
3. Non-conforming Gas: In addition to any other right or remedy of a party, each party shall be entitled to refuse to accept delivery of any gas which does not conform to any of the specifications set out in this Article II.
4. Quality of Gas Received: The quality of the gas to be received by Union hereunder is to be of a merchantable quality and in accordance with the quality standards as set out by Union in this Article II, but, Union will also accept gas of a quality as set out in any other Interconnecting Pipeline's general terms and conditions, provided that all Interconnecting Pipelines accept such quality of gas. In addition to any other right or remedy of a party, each party shall be entitled to refuse to accept delivery of any gas which does not conform to any of the specifications set out in Union's C1 Rate Schedule.

III. MEASUREMENTS

1. Storage, Transportation, and/or Sales Unit: The unit of the gas delivered to Union shall be a megajoule or a gigajoule. The unit of gas transported or stored by Union shall be a megajoule or a gigajoule. The unit of gas delivered by Union shall be a megajoule, a gigajoule, a cubic metre (m³) or one thousand cubic metres (10³m³) at Union's discretion.
2. Determination of Volume and Energy:
 - a. The volume and energy amounts determined under the Contract shall be determined in accordance with the Electricity and Gas Inspection Act (Canada), RSC 1985, c E-4- (the "Act") and the Electricity and Gas Inspection Regulations, SOR 86/131 (the "Regulations"), and any documents issued under the authority of the Act and Regulations and any amendments thereto.
 - b. The supercompressibility factor shall be determined in accordance with either the "Manual for Determination of Supercompressibility Factors for Natural Gas" (PAR Project NX-19) published in 1962 or with American Gas

Association Transmission Measurement Committee Report No. 8, Nov. 1992, at Union's discretion, all as amended from time to time.

- c. The volume and/or energy of the gas delivered to/by Union hereunder shall be determined by the measurement equipment designated in Article VII herein.
- d. Upon request by Union, Shipper shall obtain measurement of the total quantity of gas received by Union hereunder from the Interconnecting Pipeline. Such measurement shall be done in accordance with established practices between Union and the Interconnecting Pipeline.

IV. RECEIPT POINT AND DELIVERY POINT

1. Unless otherwise specified in the Contract, the point or points of receipt and point or points of delivery for all gas to be covered hereunder shall be on the outlet side of the measuring stations located at or near the point or points of connection specified in the Contract, where possession of the gas changes from one party to the other, and as per Schedule "C 2010".

V. POSSESSION OF AND RESPONSIBILITY FOR GAS

1. Possession of Gas: Union accepts no responsibility for any gas prior to such gas being delivered to Union at the Receipt Point or after its delivery by Union at the Delivery Point. As between the parties hereto, Union shall be deemed to be in control and possession of and responsible for all such gas from the time that such gas enters Union's system until such gas is delivered to Shipper.
2. Liability: Shipper agrees that Union is not a common carrier and is not an insurer of Shipper's gas, and that Union shall not be liable to Shipper or any third party for loss of gas in Union's possession, except to the extent such loss is caused entirely by Union's negligence or wilful misconduct.

VI. FACILITIES ON SHIPPER'S PROPERTY

Except under those conditions where Union is delivering to TCPL for TCPL or Shipper at Parkway (TCPL), or to an Interconnecting Pipeline, or where otherwise specified in the Contract, the following will apply:

1. Construction and Maintenance: Union, at its own expense may construct, maintain and operate on Shipper's property at the delivery point a measuring station properly equipped with a meter or meters and any other necessary measuring equipment for properly measuring the gas redelivered under the Contract. Shipper will grant to Union a lease and/or rights-of-way over property of Shipper as required by Union to install such facilities and to connect same to Union's pipeline.
2. Entry: Union, its servants, agents and each of them may at any reasonable time on notice (except in cases of emergency) to Shipper or his duly authorized representative enter Shipper's property for the purpose of constructing, maintaining, removing, operating and/or repairing station equipment.
3. Property: The said station and equipment will be and remain the property of Union notwithstanding it is constructed on and attached to the realty of Shipper, and Union may at its own expense remove it upon termination of the Contract and will do so if so requested by Shipper.

VII. MEASURING EQUIPMENT

1. Metering by Union: Union will install and operate meters and related equipment as required and in accordance with the Act and Regulations referenced in Article III herein.

2. Metering by Others: In the event that all or any gas delivered to/by Union hereunder is measured by a meter that is owned and operated by an Interconnecting Pipeline, then Union and Shipper agree to accept that metering for the purpose of determining the volume and energy of gas delivered to/by Union on behalf of the Shipper. The standard of measurement and tests for the gas delivered to/by Union hereunder shall be in accordance with the general terms and conditions as incorporated in that Interconnecting Pipeline company's gas tariff as approved by its regulatory body.
3. Check Measuring Equipment: Shipper may install, maintain and operate, at the redelivery point, at its own expense, such check measuring equipment as desired, provided that such equipment shall be so installed as not to interfere with the operation of Union's measuring equipment at or near the delivery point, and shall be installed, maintained and operated in conformity with the same standards and specifications applicable to Union's metering facilities.
4. Rights of Parties: The measuring equipment installed by either party, together with any building erected by it for such equipment, shall be and remain its property. However, Union and Shipper shall have the right to have representatives present at the time of any installing, reading, cleaning, changing, repairing, inspecting, testing, calibrating, or adjusting done in connection with the other's measuring equipment used in measuring or checking the measurement of deliveries of gas to/by Union under the Contract. Either party will give the other party reasonable notice of its intention to carry out the acts herein specified. The records from such measuring equipment shall remain the property of their owner, but upon request each will submit to the other its records and charts, together with calculations therefrom, for inspection and verification, subject to return within ten (10) days after receipt thereof.
5. Calibration and Test of Measuring Equipment: The accuracy of Union's measuring equipment shall be verified by Union at reasonable intervals, and if requested, in the presence of representatives of Shipper, but Union shall not be required to verify the accuracy of such equipment more frequently than once in any thirty (30) day period. In the event either party notifies the other that it desires a special test of any measuring equipment, the parties shall co-operate to secure a prompt verification of the accuracy of such equipment. The expense of any such special test, if called for by Shipper, shall be borne by Shipper if the measuring equipment tested is found to be in error by not more than two per cent (2%). If, upon test, any measuring equipment is found to be in error by not more than two per cent (2%), previous recordings of such equipment shall be considered accurate in computing receipts and deliveries of gas, but such equipment shall be adjusted at once to record as near to absolute accuracy as possible. If the test conducted shows a percentage of inaccuracy greater than two percent (2%), the financial adjustment, if any, shall be calculated in accordance with the Act and Regulations, as may be amended from time to time and in accordance with any successor statutes and regulations.
6. Preservation of Metering Records: Union and Shipper shall each preserve for a period of at least six (6) years all test data, and other relevant records.
7. Error in Metering or Meter Failure: In the event of an error in metering or a meter failure, (such error or failure being determined through check measurement by Union or any other available method), then Shipper shall enforce its rights as Shipper with the Interconnecting Pipeline(s) to remedy such error or failure including enforcing any inspection and/or verification rights and procedures.

VIII. BILLING

1. Monthly Billing Date: Union shall render bills on or before the tenth (10th) day of each month for all Transportation Services furnished during the preceding Month. Such charges may be based on estimated quantities, if actual quantities are unavailable in time to prepare the billing. Union shall provide, in a succeeding Month's billing, an adjustment based on any difference between actual quantities and estimated quantities, without any interest charge. If presentation of a bill to Shipper is delayed after the tenth (10th) day of the month, then the time of payment shall be extended accordingly, unless Shipper is responsible for such delay.
2. Right of Examination: Both Union and Shipper shall have the right to examine at any reasonable time the books, records and charts of the other to the extent necessary to verify the accuracy of any statement, chart or computation made under or pursuant to the provisions of the Contract.
3. Amendment of Statements: For the purpose of completing a final determination of the actual quantities of gas handled in any of the Transportation Services to Shipper, the parties shall have the right to amend their statement for a period equal to

the time during which the Interconnecting Pipeline retains the right to amend their statements, which period shall not exceed three (3) years from the date of termination of the Contract.

IX. PAYMENTS

1. Monthly Payments: Shipper shall pay the invoiced amount directly into Union's bank account as directed on the invoice on or before the twentieth (20th) day of each month. If the payment date is not a Business Day, then payment must be received in Union's account on the first Business Day preceding the twentieth (20th) day of the month.
2. Remedies for Non-payment: Should Shipper fail to pay all of the amount of any bill as herein provided when such amount is due,
 - a. Shipper shall pay to Union interest on the unpaid portion of the bill accruing at a rate per annum equal to the minimum commercial lending rate of Union's principal banker in effect from time to time from the due date until the date of payment; and,
 - b. If such failure to pay continues for thirty (30) days after payment is due, Union, in addition to any other remedy it may have under the Contract, may suspend Services until such amount is paid. Notwithstanding such suspension, all demand charges shall continue to accrue hereunder as if such suspension were not in place.

If Shipper in good faith disputes the amount of any such bill or part thereof Shipper shall pay to Union such amounts as it concedes to be correct. At any time thereafter, within twenty (20) days of a demand made by Union, Shipper shall furnish financial assurances satisfactory to Union, guaranteeing payment to Union of the amount ultimately found due upon such bill after a final determination. Such a final determination may be reached either by agreement, arbitration decision or judgement of the courts, as may be the case. Union shall not be entitled to suspend Services because of such non-payment unless and until default occurs in the conditions of such financial assurances or default occurs in payment of any other amount due to Union hereunder.

Notwithstanding the foregoing, Shipper is not relieved from the obligation to continue its deliveries of gas to Union under the terms of any agreement, where Shipper has contracted to deliver specified quantities of gas to Union.

3. Billing Adjustments: If it shall be found that at any time or times Shipper has been overcharged or undercharged in any form whatsoever under the provisions of the Contract and Shipper shall have actually paid the bills containing such overcharge or undercharge, Union shall refund the amount of any such overcharge and interest shall accrue from and including the first day of such overcharge as paid to the date of refund and shall be calculated but not compounded at a rate per annum determined each day during the calculation period to be equal to the minimum commercial lending rate of Union's principal banker, and the Shipper shall pay the amount of any such undercharge, but without interest. In the event Union renders a bill to Shipper based upon measurement estimates, the required adjustment to reflect actual measurement shall be made on the bill next following the determination of such actual measurement, without any charge of interest. In the event an error is discovered in the amount billed in any statement rendered by Union, such error shall be adjusted by Union. Such overcharge, undercharge or error shall be adjusted by Union on the bill next following its determination (where the term "**bill next following**" shall mean a bill rendered at least fourteen (14) days after the day of its determination), provided that claim therefore shall have been made within three (3) years from the date of the incorrect billing. In the event any refund is issued with Shipper's bill, the aforesaid date of refund shall be deemed to be the date of the issue of bill.
4. Taxes: In addition to the charges and rates as per the applicable rate schedules and price schedules, Shipper shall pay all Taxes which are imposed currently or subsequent to the execution of the Contract by any legal authority having jurisdiction and any amount in lieu of such Taxes paid or payable by Union.

Shipper shall make reasonable efforts to eliminate/minimize the withholding tax related to the fees/payments paid to Union, including but not limited to requesting from Union the relevant documentation necessary to determine the appropriate withholding, if any, for tax purposes. In the event taxes are withheld from the fees/payment paid by Shipper, Shipper shall remit such withheld taxes to the applicable taxing authority and Shipper will provide Union, after the calendar year end, Union's Federal Form 1042-S and a comparable state/international form, if applicable, within the applicable statutory time frame.

5. Set Off: If either party shall, at any time, be in arrears under any of its payment obligations to the other party under the Contract, then the party not in arrears shall be entitled to reduce the amount payable by it to the other party in arrears under the Contract, or any other contract, by an amount equal to the amount of such arrears or other indebtedness to the other party. In addition to the foregoing remedy, Union may, upon forty-eight (48) hours verbal notice, to be followed by written notice, take possession of any or all of Shipper's gas under the Contract or any enhancement to the Contract, which shall be deemed to have been assigned to Union, to reduce such arrears or other indebtedness to Union.

X. ARBITRATION

If and when any dispute, difference or question shall arise between the parties hereto touching the Contract or anything herein contained, or the construction hereof, or the rights, duties or liabilities of the parties in relation to any matter hereunder, the matter in dispute shall be submitted and referred to arbitration within ten (10) days after written request of either party. Upon such request each party shall appoint an arbitrator, and the two so appointed shall appoint a third. A majority decision of the arbitrators shall be final and binding upon both parties. In all other respects the provisions of the Arbitration Act, 1991, or any act passed in amendment thereof or substitution therefore, shall apply to each such submission. Operations under the Contract shall continue, without prejudice, during any such arbitration and the costs attributable to such arbitration shall be shared equally by the parties hereto.

XI. FORCE MAJEURE

1. Definition: The term "**force majeure**" as used herein shall mean acts of God, strikes, lockouts or any other industrial disturbance, acts of the public enemy, sabotage, wars, blockades, insurrections, riots, epidemics, landslides, lightning, earthquakes, fires, storms, floods, washouts, arrests and restraints of governments and people, civil disturbances, explosions, breakage or accident to machinery or lines of pipe, freezing of wells or lines of pipe, inability to obtain materials, supplies, permits or labour, any laws, orders, rules, regulations, acts or restraints of any governmental body or authority (civil or military), any act or omission that is excused by any event or occurrence of the character herein defined as constituting force majeure, any act or omission by parties not controlled by the party having the difficulty and any other similar cases not within the control of the party claiming suspension and which by the exercise of due diligence such party is unable to prevent or overcome.
2. Notice: In the event that either the Shipper or Union is rendered unable, in whole or in part, by force majeure, to perform or comply with any obligation or condition of the Contract, such party shall give notice and full particulars of such force majeure in writing delivered by hand, fax or other direct written electronic means to the other party as soon as possible after the occurrence of the cause relied on and subject to the provision of this Article.
3. Exclusions: Neither party shall be entitled to the benefit of the provisions of force majeure hereunder if any or all of the following circumstances prevail: the failure resulting in a condition of force majeure was caused by the negligence of the party claiming suspension; the failure was caused by the party claiming suspension where such party failed to remedy the condition by making all reasonable efforts (short of litigation, if such remedy would require litigation); the party claiming suspension failed to resume the performance of such condition obligations with reasonable dispatch; the failure was caused by lack of funds; the party claiming suspension did not, as soon as possible after determining, or within a period within which it should acting reasonably have determined, that the occurrence was in the nature of force majeure and would affect its ability to observe or perform any of its conditions or obligations under the Contract, give to the other party the notice required hereunder.
4. Notice of Remedy: The party claiming suspension shall likewise give notice as soon as possible after the force majeure condition is remedied, to the extent that the same has been remedied, and that such party has resumed or is then in a position to resume the performance of the obligations and conditions of the Contract.
5. Obligation to Perform: An event of force majeure on Union's system will excuse the failure to deliver gas by Union or the failure to accept gas by Union hereunder, and both parties shall be excused from performance of their obligations hereunder, except for payment obligations, to the extent of and for the duration of the force majeure.

6. Upstream or Downstream Force Majeure: An event of force majeure upstream or downstream of Union's system shall not relieve Shipper of any payment obligations.
7. Delay of Firm Transportation Services: Despite Article XI herein, if Union is prevented, by reason of an event of force majeure on Union's system from delivering gas on the Day or Days upon which Union has accepted gas from Shipper, Union shall thereafter make all reasonable efforts to deliver such quantities as soon as practicable and on such Day or Days as are agreed to by Shipper and Union. If Union accepts such gas on this basis, Shipper shall not receive any demand charge relief as contemplated under Article XI herein.
8. Demand Charge Relief for Firm Transportation Services: Despite Article XI herein, if on any Day Union fails to accept gas from Shipper by reason of an event of force majeure on Union's system and fails to deliver the quantity of gas nominated hereunder by Shipper up to the firm Contract Demand for that Contract, then for that Day the Monthly demand charge shall be reduced by an amount equal to the applicable Daily Demand Rate, as defined in this paragraph, multiplied by the difference between the quantity of gas actually delivered by Union during such Day and the quantity of gas which Shipper in good faith nominated on such Day. The term "**Daily Demand Rate**" shall mean the Monthly demand charge or equivalent pursuant to the C1 Rate Schedule divided by the number of days in the month for which such rate is being calculated.
9. Proration of Firm Transportation Service: If, due to the occurrence of an event of force majeure as outlined above, the capacity for gas deliveries by Union is impaired, it will be necessary for Union to curtail Shipper's gas receipts to Union hereunder, via proration based on utilization of such facilities for the Day. This prorating shall be determined by multiplying the capability of such facilities as available downstream of the impairment on the Day, by a fraction where the numerator is Shipper's nominated firm quantity and the denominator is the total of all such nominated firm quantities for nominated services and planned consumption for in-franchise customers on the Day. For the purposes of this Article XI, firm services shall mean all firm services provided by Union to in-franchise customers and ex-franchise shippers.

XII. DEFAULT AND TERMINATION

In case of the breach or non-observance or non-performance on the part of either party hereto of any covenant, proviso, condition, restriction or stipulation contained in the Contract (but not including herein failure to take or make delivery in whole or in part of the gas delivered to/by Union hereunder occasioned by any of the reasons provided for in Article XI herein) which has not been waived by the other party, then and in every such case and as often as the same may happen, the non-defaulting party may give written notice to the defaulting party requiring it to remedy such default and in the event of the defaulting party failing to remedy the same within a period of thirty (30) days from receipt of such notice, the non-defaulting party may at its sole option declare the Contract to be terminated and thereupon the Contract shall be terminated and be null and void for all purposes other than and except as to any liability of the parties under the same incurred before and subsisting as of termination. The right hereby conferred upon each party shall be in addition to, and not in derogation of or in substitution for, any other right or remedy which the parties respectively at law or in equity shall or may possess.

XIII. AMENDMENT

Subject to Article XV herein and the ability of Union to amend the applicable rate schedules and price schedules, with the approval of the OEB (if required), no amendment or modification of the Contract shall be effective unless the same shall be in writing and signed by each of the Shipper and Union.

XIV. NON-WAIVER AND FUTURE DEFAULT

No waiver of any provision of the Contract shall be effective unless the same shall be in writing and signed by the party entitled to the benefit of such provision and then such waiver shall be effective only in the specific instance and for the specified purpose for which it was given. No failure on the part of Shipper or Union to exercise, and no course of dealing with respect to, and no delay in exercising, any right, power or remedy under the Contract shall operate as a waiver thereof.

XV. LAWS, REGULATIONS AND ORDERS

The Contract and the respective rights and obligations of the parties hereto are subject to all present and future valid laws, orders, rules and regulations of any competent legislative body, or duly constituted authority now or hereafter having jurisdiction and the Contract shall be varied and amended to comply with or conform to any valid order or direction of any board, tribunal or administrative agency which affects any of the provisions of the Contract.

XVI. ALLOCATION OF CAPACITY

1. Requests for Transportation Service: A potential shipper may request transportation service on Union's system at any time. Any request for C1 transportation service must include: potential shipper's legal name, Receipt Point(s), Delivery Point(s), Commencement Date, Initial Term, Contract Demand, proposed payment, and type of transportation service requested.
2. Expansion Facilities: If requests for firm transportation services cannot be met through existing capacity such that the only way to satisfy the requests for transportation service would require the construction of Expansion Facilities which create new capacity, Union shall allocate any such new capacity by open season, subject to the terms of the open season, and these General Terms and Conditions.
3. Open Seasons: If requests for long-term transportation service can be met through existing facilities upon which long-term capacity is becoming available, Union shall allocate such long-term capacity by open season, subject to the terms of the open season, and these General Terms and Conditions. "Long-term", for the purposes of this Article XVI, means, in the case of a transportation service, a service that has a term of one year or greater.
4. Awarding Open Season Capacity: Capacity requests received during an open season shall be awarded starting with those bids with the highest economic value. If the economic values of two or more independent bids are equal, then service shall be allocated on a pro-rata basis. The economic value shall be based on the net present value which shall be calculated based on the proposed per-unit rate and the proposed term of the contract and without regard to the proposed Contract Demand ("NPV").
5. Available Capacity Previously Offered in Open Season: Union may at any time allocate capacity to respond to any C1 transportation service request through an open season. If a potential shipper requests C1 transportation service that can be provided through Available Capacity that was previously offered by Union in an open season but was not awarded, then:
 - a. Any such request must conform to the requirements of Section 1 of this Article XVI;
 - b. Union shall allocate capacity to serve such request pursuant to this Section 5, and subject to these General Terms and Conditions and Union's standard form C1 transportation contract;
 - c. Union may reject a request for C1 transportation service for any of the following reasons:
 - i) if there is insufficient Available Capacity to fully meet the request, but if that is the only reason for rejecting the request for service, Union must offer to supply the Available Capacity to the potential shipper;
 - ii) if the proposed monthly payment is less than Union's Monthly demand charge plus fuel requirements for the applicable service;
 - iii) if prior to Union accepting the request for transportation service Union receives a request for transportation service from one or more other potential shippers and there is, as a result, insufficient Available Capacity to service all the requests for service, in which case Union shall follow the procedure in Section 5 d hereof;
 - iv) if Union does not provide the type of transportation service requested; or
 - v) if all of the conditions precedent specified in Article XXI Sections 1 and 2 herein have not been satisfied or waived.

- d. Union will advise the potential shipper in writing whether Union accepts or rejects the request for service, subject to Article XVI 5(c) within 5 calendar days of receiving a request for C1 transportation service. If Union rejects a request for service, Union shall inform the potential shipper of the reasons why its request is being rejected; and
- e. If Union has insufficient Available Capacity to service all pending requests for transportation service Union may:
 - i) Reject all the pending requests for transportation service and conduct an open season; or
 - ii) Union shall inform all the potential shippers who have submitted a pending request for transportation service that it does not have sufficient capacity to service all pending requests for service, and Union shall provide all such potential shippers with an equal opportunity to submit a revised request for service. Union shall then allocate the Available Capacity to the request for transportation service with the highest economic value to Union. If the economic values of two or more requests are equal, then service shall be allocated on a pro-rata basis. The economic value of any request shall be based on the NPV.

XVII. RENEWALS

- 1. Contracts with an Initial Term of five (5) years or greater, with Receipt Points and Delivery Points of Parkway or Kirkwall or Dawn (Facilities), will continue in full force and effect beyond the Initial Term, automatically renewing for a period of one (1) year, and every one (1) year thereafter. Shipper may reduce the Contract Demand or terminate the Contract with notice in writing by Shipper at least two (2) years prior to the expiration thereof.

For all other contracts, the Contract will continue in full force and effect until the end of the Initial Term, but shall not renew.

XVIII. SERVICE CURTAILMENT

- 1. Right to Curtail: Union shall have the right to curtail or not to schedule part or all of Transportation Services, in whole or in part, on all or a portion of its pipeline system at any time for reasons of Force Majeure or when, in Union sole discretion, acting reasonably, capacity or operating conditions so require or it is desirable or necessary to make modifications, repairs or operating changes to its pipeline system. Union shall provide Shipper such notice of such curtailment as is reasonable under the circumstances. If due to any cause whatsoever Union is unable to receive or deliver the quantities of Gas which Shipper has requested, then Union shall order curtailment by all Shippers affected and to the extent necessary to remove the effect of the disability. Union has a priority of service policy to determine the order of service curtailment. In order to place services on the priority of service list, Union considers the following business principles: appropriate level of access to core services, customer commitment, encouraging appropriate contracting, materiality, price and term, and promoting and enabling in-franchise consumption.

The Priority ranking for all services utilizing Union Gas' storage, transmission and distribution system as applied to both in-franchise and ex-franchise services are as follows; with number 1 having the highest priority and the last interrupted.

- 1. Firm In-franchise Transportation and Distribution services and firm Ex-franchise services (Note 1)
- 2. In-franchise Interruptible Distribution services
- 3. C1/M12 IT Transport and IT Exchanges with Take or Pay rates
- 4. Balancing (Hub Activity) ≤ 100 GJ/d; Balancing (Direct Purchase) ≤ 500 GJ/d; In-franchise distribution authorized overrun (Note 3)
- 5. C1/M12 IT Transport and IT Exchanges at premium rates
- 6. C1/M12 Overrun $\leq 20\%$ of CD (Note 4)
- 7. Balancing (Direct Purchase) > 500 GJ/d
- 8. Balancing (Hub Activity) > 100 GJ/d; C1/M12 IT Transport and IT Exchanges
- 9. C1/M12 Overrun $> 20\%$ of CD
- 10. C1/M12 IT Transport and IT Exchanges at a discount
- 11. Late Nominations

Notes:

1. Nominated services must be nominated on the NAESB Timely Nomination Cycle otherwise they are considered to be late nomination and are therefore interruptible.
 2. Higher value or more reliable IT is contemplated in the service and contract, when purchase at market competitive prices.
 3. Captures the majority of customers that use Direct Purchase balancing transactions.
 4. Captures the majority of customers that use overrun.
2. Capacity Procedures: Union reserves the right to change its procedures for sharing interruptible capacity and will provide Shipper with two (2) months prior notice of any such change.
3. Maintenance: Union's facilities from time to time may require maintenance or construction. If such maintenance or construction is required, and in Union's sole opinion, acting reasonably, such maintenance or construction may impact Union's ability to meet Shipper's requirements, Union shall provide at least ten (10) days notice to Shipper, except in the case of an emergency. In the event the maintenance impacts Union's ability to meet Shipper's requirements, Union shall not be liable for any damages and shall not be deemed in breach of the Contract. To the extent that Union's ability to accept and/or deliver Shipper's gas is impaired, the Monthly demand charge shall be reduced in accordance with Article XI Section 8 and available capacity allocated in accordance with Article XI Section 9 herein.

Union shall use reasonable efforts to determine a mutually acceptable period during which such maintenance or construction will occur and also to limit the extent and duration of any impairments. Union will endeavour to schedule and complete the maintenance and construction, which would normally be expected to impact on Union's ability to meet Shipper's requirements, during the period from April 1 through to November 1.

XIX. SHIPPER'S REPRESENTATIONS AND WARRANTIES

1. Shipper's Warranty: Shipper warrants that it will, if required, maintain, or have maintained on its behalf, all external approvals including the governmental, regulatory, import/export permits and other approvals or authorizations that are required from any federal, state or provincial authorities for the gas quantities to be handled under the Contract. Shipper further warrants that it shall maintain in effect the Facilitating Agreements.
2. Financial Representations: Shipper represents and warrants that the financial assurances (including the Initial Financial Assurances and Security) (if any) shall remain in place throughout the term hereof, unless Shipper and Union agree otherwise. Shipper shall notify Union in the event of any change to the financial assurances throughout the term hereof. Should Union have reasonable grounds to believe that Shipper will not be able to perform or continue to perform any of its obligations under the Contract as a result of one of the following events ("**Material Event**");
 - a. Shipper is in default, which default has not been remedied, of the Contract or is in default of any other material contract with Union or another party; or,
 - b. Shipper's corporate or debt rating falls below investment grade according to at least one nationally recognized rating agency; or,
 - c. Shipper ceases to be rated by a nationally recognized agency; or,
 - d. Shipper has exceeded credit available as determined by Union from time to time,

then Shipper shall within fourteen (14) days of receipt of written notice by Union, obtain and provide to Union a letter of credit or other security in the form and amount reasonably required by Union (the "**Security**"). The Security plus the Initial Financial Assurances shall not exceed twelve (12) months of Monthly demand charges (in accordance with Article IX herein) multiplied by Contract Demand. In the event that Shipper does not provide to Union such Security within such fourteen (14) day period, Union may deem a default under the Default and Termination provisions of Article XII herein.

In the event that Shipper in good faith, reasonably believes that it should be entitled to reduce the amount of or value of the Security previously provided, it may request such a reduction from Union and to the extent that the Material Event has been mitigated or eliminated, Union shall return all or a portion of the Security to Shipper within fourteen (14) Business Days after

receipt of the request.

XX. MISCELLANEOUS PROVISIONS

1. Permanent Assignment: Shipper may assign the Contract to a third party ("Assignee"), up to the Contract Demand, (the "Capacity Assigned"). Such assignment shall require the prior written consent of Union and release of obligations by Union for the Capacity Assigned from the date of assignment. Such consent and release shall not be unreasonably withheld and shall be conditional upon the Assignee providing, amongst other things, financial assurances as per Article XXI herein. Any such assignment will be for the full rights, obligations and remaining term of the Contract as relates to the Capacity Assigned.
2. Temporary Assignment: Shipper may, upon notice to Union, assign all or a part of its service entitlement under the Contract (the "Assigned Quantity") and the corresponding rights and obligations to an Assignee on a temporary basis for not less than one calendar month. Such assignment shall not be unreasonably withheld and shall be conditional upon the Assignee executing the Facilitating Agreement as per Article XXI herein. Notwithstanding such assignment, Shipper shall remain obligated to Union to perform and observe the covenants and obligations contained herein in regard to the Assigned Quantity to the extent that Assignee fails to do so.
3. Title to Gas: Shipper represents and warrants to Union that Shipper shall have good and marketable title to, or legal authority to deliver to Union, all gas delivered to Union hereunder. Furthermore, Shipper hereby agrees to indemnify and save Union harmless from all suits, actions, debts, accounts, damages, costs, losses and expenses arising from or out of claims of any or all third parties to such gas or on account of Taxes, or other charges thereon.

XXI. PRECONDITIONS TO TRANSPORTATION SERVICES

1. Union Conditions: The obligations of Union to provide Transportation Services hereunder are subject to the following conditions precedent, which are for the sole benefit of Union and which may be waived or extended in whole or in part in the manner provided in the Contract:
 - a. Union shall have obtained, in form and substance satisfactory to Union, and all conditions shall have been satisfied under, all governmental, regulatory and other third party approvals, consents, orders and authorizations, that are required to provide the Transportation Services; and,
 - b. Union shall have obtained all internal approvals that are necessary or appropriate to provide the Transportation Services; and,
 - c. Union shall have received from Shipper the requisite financial assurances reasonably necessary to ensure Shipper's ability to honour the provisions of the Contract (the "**Initial Financial Assurances**"). The Initial Financial Assurances, if required, will be as determined solely by Union; and,
 - d. Shipper and Union shall have entered into the Interruptible Service HUB Contract or equivalent (the "**Facilitating Agreement**") with Union.
2. Shipper Conditions: The obligations of Shipper hereunder are subject to the following conditions precedent, which are for the sole benefit of Shipper and which may be waived or extended in whole or in part in the manner provided in the Contract:
 - a. Shipper shall, as required, have entered into the necessary contracts with Union and/or others to facilitate the Transportation Services contemplated herein, including contracts for upstream and downstream transportation, and shall specifically have an executed and valid Facilitating Agreement; and shall, as required, have entered into the necessary contracts to purchase the gas quantities handled under the Contract; and,

- b. Shipper shall have obtained, in form and substance satisfactory to Shipper, and all conditions shall have been satisfied under, all governmental, regulatory and other third party approvals, consents, orders and authorizations, that are required from federal, state, or provincial authorities for the gas quantities handled under the Contract; and,
 - c. Shipper shall have obtained all internal approvals that are necessary or appropriate for the Shipper to execute the Contract.
3. Satisfaction of Conditions: Union and Shipper shall each use due diligence and reasonable efforts to satisfy and fulfil the conditions precedent specified in this Article XXI Section 1 a, c, and d and Section 2 a and b. Each party shall notify the other forthwith in writing of the satisfaction or waiver of each condition precedent for such party's benefit. If a party concludes that it will not be able to satisfy a condition precedent that is for its benefit, such party may, upon written notice to the other party, terminate the Contract and upon the giving of such notice, the Contract shall be of no further force and effect and each of the parties shall be released from all further obligations thereunder.
4. Non-Satisfaction of Conditions: If any of the conditions precedent in this Article XXI Section 1 c or Section 2 are not satisfied or waived by the party entitled to the benefit of that condition by the Conditions Date as such term is defined in the Contract, then either party may, upon written notice to the other party, terminate the Contract and upon the giving of such notice, the Contract shall be of no further force and effect and each of the parties shall be released from all further obligations hereunder, provided that any rights or remedies that a party may have for breaches of the Contract prior to such termination and any liability a party may have incurred before such termination shall not thereby be released.

SCHEDULE "C 2010"

**UNION SOUTH - RATE C1
RECEIPT AND DELIVERY POINTS AND PRESSURES**

1. Receipt and Delivery Points:

The following defines each Receipt Point and/or Delivery Point, as indicated (R= Receipt Point; D= Delivery Point)

| | | |
|------|-----------------------------|--|
| R, D | <u>DAWN (FACILITIES):</u> | Union's Compressor Station site situated in the northwest corner of Lot Twenty-Five (25), Concession II, in the Township of Dawn-Euphemia, in the County of Lambton. This point is applicable for quantities of gas that have been previously transported or stored under other contracts that Shipper may have in place with Union. |
| R, D | <u>DAWN (TCPL):</u> | At the junction of Union's and TCPL's facilities, at or adjacent to Dawn (Facilities). |
| R, D | <u>DAWN (TECUMSEH):</u> | At the junction of Union's and Enbridge Gas Distribution Inc.'s (Enbridge) Tecumseh Gas Storage's facilities, at or adjacent to Dawn (Facilities). |
| R, D | <u>DAWN (TSLE):</u> | At the junction of Union's and Enbridge s Gas Distributions Inc.'s ("Enbridge") NPS 16 Tecumseh Sombra Line Extension facilities; at or adjacent to Dawn (Facilities) |
| R, D | <u>DAWN (VECTOR):</u> | At the junction of Union's and Vector Pipeline Limited Partnership ("Vector") facilities, at or adjacent to Dawn (Facilities). |
| R, D | <u>PARKWAY (TCPL):</u> | At the junction of Union's and TCPL's facilities, at or adjacent to Union's facilities situated in the Part Lot 9 and Part Lot 10, Concession IX, New Survey, Town of Milton, Regional Municipality of Halton (now part of City of Mississauga) |
| R, D | <u>KIRKWALL:</u> | At the junction of Union's and TCPL's facilities at or adjacent to Union's facilities situated in Part Lot Twenty-Five (25), Concession 7, Town of Flamborough. |
| D | <u>PARKWAY (CONSUMERS):</u> | At the junction of Union's and Enbridge's facilities, at or adjacent to Union's facilities situated in Part Lot 9 and Part Lot 10, Concession IX, New Survey, Town of Milton, Regional Municipality of Halton (now part of City of Mississauga) |
| D | <u>LISGAR:</u> | At the junction of the facilities of Union and Enbridge situated at 6620 Winston Churchill Boulevard, City of Mississauga. |
| R, D | <u>OJIBWAY:</u> | At the junction of Union's and Panhandle Eastern Pipe Line Company, LP's ("Panhandle") facilities, located at the International Border between Canada and the United States in the St. Clair River. |
| R, D | <u>ST.CLAIR (MICHCON):</u> | At the junction of Michigan Consolidated Gas Company's ("MichCon") and St. Clair Pipelines L.P.'s facilities, located at the International Border between Canada and the United States in the St. Clair River. |

R, D **BLUEWATER:** At the junction of Bluewater Gas Storage, LLC ("**Bluewater**") and St. Clair Pipelines L.P.'s facilities, located at the International Border between Canada and the United States in the St. Clair River.

2. Receipt and Delivery Pressures:

(a) All Gas tendered by or on behalf of Shipper to Union shall be tendered at the Receipt Point(s) at Union's prevailing pressure at that Receipt Point, or at such pressure as per operating agreements between Union and the applicable Interconnecting Pipeline as amended or restated from time to time.

(b) All Gas tendered by or on behalf of Union to Shipper shall be tendered at the Delivery Point(s) at Union's prevailing pressure at that Delivery Point or at such pressure as per agreements between Union and the applicable Interconnecting Pipeline as amended or restated from time to time.

(c) Under no circumstances shall Union be obligated to receive or deliver gas hereunder at pressures exceeding the maximum allowable operating pressures prescribed under any applicable governmental regulations; nor shall Union be required to make any physical deliveries or to accept any physical receipts which its existing facilities cannot accommodate.

ENBRIDGE GAS COMMITMENTS AND DIRECTIVES

Enbridge Gas Commitments and Directives

| | | | | |
|---|--|--|-------------------------|--|
| 1 | MAADs and Rate Setting Mechanism Proceeding EB-2017-0306/EB-2017-0307 | <u>Rate Harmonization:</u> File a proposal for rate harmonization in the next rebasing application, including a proposal with respect to the use of excess utility storage from the Union rate zones. | At rebasing | |
| 2 | | <u>Unaccounted for Gas:</u> File a report on the issue of Unaccounted for Gas (UAF) covering both the EGD and Union rate zones. | By the end of 2019 | |
| 3 | | <u>Cost Allocation Study:</u> File a cost allocation study in 2019 for consideration in the proceeding for 2020 rates that proposes an update to the cost allocation to take into account the following projects: Panhandle Reinforcement, Dawn-Parkway expansion including Parkway West, Brantford-Kirkwall/Parkway D and the Hagar Liquefaction Plant. This should also include a proposal for addressing TransCanada's C1 Dawn to Dawn TCPL service. | In 2019, for 2020 Rates | |
| 4 | | <u>Normalized Average Consumption, Average Use and Lost Revenue Adjustment Mechanism:</u> File a proposal addressing Average Use/Normalized Average Consumption at the next rebasing application with supporting evidence for the approach. This proposal should address an LRAM mechanism that includes general service customers. | At rebasing | |
| 5 | | <u>Consolidated Utility System Plan ("USP") and Asset Management Plan ("AMP"):</u> The OEB expects that a consolidated USP will be filed for any ICM request for 2021 rates and beyond. | 2021 Rates and beyond | |
| 6 | | <u>Parkway Delivery Obligation:</u> Track actual costs and amounts recovered through rates related to the PDO during the deferred rebasing period and report on these amounts at the time of rebasing. | At rebasing | |
| 7 | | <u>Accounting Policy Changes:</u> Propose an approach to disposition of any balances in the accounting changes deferral account in the application for 2020 rates. | In 2019, for 2020 Rates | |
| 8 | | Commitment to post the design day Dawn-Parkway system capacity required for Union North, Union South and Enbridge Gas zones on an aggregated basis online as part of the Index of Transportation Customers. | Ongoing | |

ENBRIDGE GAS COMMITMENTS AND DIRECTIVES

Previous EGD Commitments and Directives:

| Line | Item | Reporting Information | Status | Addressed |
|------|--|--|-------------|---|
| 1 | 2018 Rate Proceeding Commitments EB-2017-0086 - Appendix A | Gas Supply: <u>Unaccounted for Gas ("UAF") Report:</u> Continue to review and report on certain investigations as to its unaccounted-for-gas. | Replaced | To be addressed as part of the MAADs directive of a report of UAF for all rate zones by end of 2019 |
| 2 | 2016 ESM Proceeding Commitments EB-2017-0102 | Company Information: <u>Additional evidence related to Average Use True Up Variance Account ("AUTUVA"):</u> - Baseload, Heatload, Customer Counts. - Outline changes to Rebasing: methodology, parameters and/or assumptions, if applicable. - Explanations to the AUTUVA balances since rebasing, if any changes made to calculation. - Monthly forecast volumes and customer meters, including baseload and heatload. | Replaced | To be addressed as part of the MAADs directive for normalized average consumption / average use |
| 3 | | Gas Supply: <u>Unaccounted for Gas ("UAF") Report:</u> - Continue to review and report on certain investigations as to its unaccounted-for-gas. - Evidence outlining steps taken to address any reduction in UAF. | Replaced | To be addressed as part of the MAADs directive of a report of UAF for all rate zones by end of 2019 |
| 4 | Other Non-Reporting Obligations | Site Restoration Costs: Enbridge to look at discount rate to be used and examine issue of establishment of segregated fund of site restoration collections. | At rebasing | |

ENBRIDGE GAS COMMITMENTS AND DIRECTIVES

Previous Union Commitments:

| Line | Item | Reporting Information | Status | Addressed |
|-------------|--|---|---------------|---|
| 1 | Bright to Owen Sound Dawn-Trafalgar Facilities Expansion Program EBLO 251 | Union is directed to report in each rates case for the next 30 years, an update to the peak day volume forecast shown for 1996/1997 in Appendix A to its supplementary evidence. (see Exhibit B1, Tab 5 of EB-2011-0210). | At rebasing | |
| 2 | 2013 COS EB-2011-0210 | File evidence to support the allocation of Union North and Union South Distribution Maintenance - Equipment on Customer Premises costs to rate classes in proportion to the allocation of customer station gross plant, including a definition for this maintenance category and a delineation of what has changed since EB-2005-0520. | At rebasing | |
| 4 | Rate for interruptible LNG service at Hagar EB-2014-0012 | Union was directed to file in the 2019 rebasing application a more robust and comprehensive cost allocation study that appropriately allocates costs for the new service. | At rebasing | |
| 5 | 2014 Deferrals EB-2015-0010 | Union filed its 2014-2015 Gas Supply Plan Memorandum (the Gas Supply Plan) as part of the evidence in the proceeding. Union agreed to provide an annual update to the gas supply plan as part of the settlement agreement in EB-2013-0202 (Union 2014-18 IRM Framework Application). Although Union did not seek any relief regarding the Plan, the proposed settlement agreement stated that there was no agreement on how or whether the OEB should deal with the Plan in this proceeding. (page 3) | Replaced | Refer to Gas Supply Plan Framework |
| 6 | 2015 Deferrals and 2015 Earnings Sharing EB-2016-0118 | Agreed as part of settlement to file a study assessing the continued appropriateness of its methodology for determining the Normalized Average Consumption ("NAC"). Changes to NAC if appropriate will be considered as part of Union's 2019 rate proceeding. | Replaced | To be addressed as part of the MAADs directive for normalized average consumption / average use |
| 7 | Union's 2017 Rates EB-2016-0245 | Union agreed as part of settlement to report on the revenue neutrality of the new Customer Managed Service (CMS) and revisit the appropriateness of the service design at the time of its rebasing proceeding. | At rebasing | |
| 8 | 2016 Dawn-Parkway Expansion Project EB-2014-0261 | Parties agreed as part of settlement that the issue of Dawn Parkway capacity turnback post-2018 and how turnback risk should be dealt with in the context of the proposed facilities. | At rebasing | |

EGD RATE ZONE - ECONOMIC FEASIBILITY PROCEDURE AND POLICY

Introduction

1. The purpose of this evidence is to present the current procedures and policies for determining the feasibility of the Company's system expansion and community expansion projects. These procedures and policies are adopted to comply with the Ontario Energy Board's (the "Board") "*Guidelines for Assessing and Reporting on Natural Gas System Expansion in Ontario*", reported under EBO 188 dated January 30, 1998.
2. This evidence includes an overview of the Company's Customer Connection Policy, Customer Contribution and Refund Policy, Method for Economic Feasibility Assessment, and Procedure for Capital Expenditure Approval. It has been expanded to include key elements of the Company policy under the Community Expansion framework as approved by the Board in EB-2016-0004 dated November 17, 2016. The new framework applies to all qualifying Community Expansion ("CE") Projects and Small Main Extension ("SME") projects.
3. The evidence also provides more detail on the cost estimation refinement utilized for residential infill customers to address observed variability in costs. The refined approach improves the accuracy of economic feasibility assessment and fulfills the commitment made as part of the Settlement for the disposition of 2017 deferral and variance accounts (ESM Application, EB-2018-0131, page 8).

Customer Connection Policy

4. The Company uses a portfolio approach to manage its system expansion activities and ensures that the required profitability standards are achieved at both the individual project and the portfolio level. Investment Portfolio and Rolling Project Portfolio are two Board-

prescribed portfolio approaches and are discussed on page 4 of this evidence.

5. The Company manages both its portfolio approaches to achieve a Profitability Index (“PI”) of greater than 1.0 as required by the Board under EBO 188.
6. The minimum PI required for individual projects is 0.80. For projects with a PI less than 0.80, the customer shall be required to pay a Contribution-in-Aid-of-Construction (“CIAC”) to bring the project up to the required PI level.
7. During construction and operation of each project, the Company will comply with the “*OEB Environment Guidelines for HydroCarbon Pipelines and Facilities in Ontario*”.

Customer Contribution and Refund Policy

8. CIAC may be obtained for projects having a negative Net Present Value (“NPV”) or a PI less than 1.0. The contribution should be sufficient to bring the project PI up to a required level. Harmonized Sales Tax (“HST”) is added to contribution payments.
9. The feasibility of residential customers connecting to existing mains is based on customers’ “Revenue Allowance¹” and “Service costs²”, which are individually estimated for these services. The amount of Service Cost in excess of the Revenue Allowance is the CIAC amount which is recovered from customers before service installation. This approach has replaced the previous 20 metre rule, whereby standard residential services were deemed feasible to a certain threshold of length (i.e., 20 metres) or customers would pay a CIAC

¹ “Revenue Allowance” is driven by customers’ consumption and represents the amount of capital Enbridge can invest to achieve the required feasibility threshold (i.e. PI of 1.0). The revenue allowance is determined by taking the present value of a customer’s future revenue over 40 years.

² “Service Cost” is the estimated capital cost for each infill service connection. Methods of estimation are described at paragraph 18.

amount at a rate of \$32 for each additional metre beyond this threshold. The previous approach relied on the assumption of consistent or like circumstances for standard residential service connections, which is no longer appropriate.

10. Where the use of a proposed facility is dominated by a single large volume customer, it is considered a dedicated facility for CIAC purposes. The dominant customer may be required to pay a contribution to result in a project NPV of zero or a PI of 1.0. Contribution amounts are subject to added HST.
11. Refunds of CIAC may be requested by customers when the actual customer count on the system expansion exceeds the original forecast. For general service customers, these refunds are processed at the end of five years from the date of construction. The system expansion project is then re-evaluated with the actual customer count to determine a revised contribution that is required to bring the NPV to the original targeted level. The difference between the revised contribution amount and the actual contribution paid by customers is the total amount to be refunded to original customers. Refunds are made based on the proportionate contribution of customers.
12. Furthermore, these refunds are made only for the specific piece of main put into service; no refunds are payable for customers added downstream of the specific piece of main. No interest is payable, and only customers who made a contribution are eligible for a refund. In order to be eligible for a refund, the customer must be consuming natural gas at the address for which refund is being claimed. If the customer moves, he or she is responsible for notifying the Company of the new address.
13. Refunds for large volume customers will be determined based on a re-evaluation of the system expansion project, taking into consideration extra investment and additional load

brought on within five years to the specific piece of main constructed to serve the initial customer(s). Similar to system expansions, refunds for large volume customers will be evaluated subject to customer request.

System Expansion Portfolios – Accountability

14. Investment Portfolio: The Company evaluates all system expansion projects in a test year and ensures they are designed to achieve a portfolio PI of at least 1.1. All new customers attaching to new and existing mains are included in this portfolio.
15. Rolling Project Portfolio (“RPP”): The Company also maintains a rolling 12-month distribution expansion portfolio including the cumulative result of project-specific Discounted Cash Flow (“DCF”) analyses. The RPP does not include customer attachments from existing mains constructed in prior years. The Company maintains RPP at a PI level greater than 1.0.

Estimating Inputs for Economic Feasibility Assessment

16. This section provides the method used to determine the parameters that make up the economic feasibility assessment. It includes capital cost, O&M expenses, and distribution revenues associated with a system expansion project. These inputs are discounted at the Utility’s Weighted Average Cost of Capital (“WACC”) to carry out the DCF analysis which measures Economic Feasibility of a project based on NPV and PI.

Capital Cost Estimation

17. The Company uses various approaches for estimating capital cost for different types of projects. The objective is to derive estimates that are closely aligned to costs that are reflective of the unique parameters of each project, and those cost differences are typically delineated by geographic area.

18. The following is a summary of various estimation techniques and the project types to which they are applied:

- For new subdivisions where Joint Utility Trenching (“JUT”) is often used to construct natural gas infrastructure, unit rates prescribed in the underlying contracts are used for estimating capital cost for mains and services.
- For subdivisions where JUT is not an option, or for commercial and industrial connections, field estimates are used for capital costing.
- For residential infill services, capital cost is based on a regionally-specific estimate that relies on historical actual data of similar services installed. It can also be a specific field estimate where no historical data are available that is representative of the geographic area. In instances where known geographical/geological factors (e.g. rock, depth of main) have influenced capital costs, Enbridge will utilize pricing for those factors to inform the estimate.
- For large volume connections (i.e., above 340 000 m³ annual consumption), field estimates are used to estimate mains and service cost.

19. If a main is oversized to meet future growth potential, it may be re-priced at the size required to meet customers’ load requirements for feasibility calculations. The actual cost of the main must be shown on the Authorization for Expenditure (“AFE”).

20. An incremental overhead allowance is added to the cost of mains and services and is incorporated in the feasibility analysis of all projects.

Consumption and Revenue

21. For subdivision and residential connections, consumption is estimated based on building type (single, semi-detached, townhouse) and configuration (bungalow, split or two-story).

The Capital Project Feasibility (“CAPF”) program calculates customer revenue based on consumption levels input by the Customer Connections Representative (“CCR”).

22. A load sheet is used to estimate consumption of commercial and industrial connections. The load sheet information is provided by the customer and contains consumption of various appliances installed at the premises.
23. For large volume connections, consumption information should include monthly volumes and the customer’s contract daily demand.
24. The Investment Review group calculates revenue, based on the input consumption profiles and the most recent Board Approved revenue rates.
25. In its Community Expansion framework, the Board accepted the following new definitions which would enable projects to qualify for additional distribution revenue:
 - Community Expansion Project: A natural gas system expansion project which will provide first time natural gas system access where a minimum of 50 potential customers already exist, for which economic feasibility guidelines derive a Profitability Index (“PI”) of less than 1.0
 - Short Main Extension Projects: All other forms of distribution system expansion which provide first time natural gas system access to customers where fewer than 50 potential customers in homes and business already exist and where the PI for the project is less than 1.0.
26. Qualifying Community Expansion (“CE”) projects are assessed for feasibility by including a System Expansion Surcharge (“SES”) of \$0.23 per m³ in addition to the distribution revenue

and an Incremental Tax Equivalent³ (“ITE”).

27. The SES would be paid by all customers located in areas served by designated CE projects for up to 40 years or until the projects achieves a PI of 1.0. The ITE mechanism will remain applicable for 10 years.

Customer Attachment and Revenue Horizon

28. The maximum customer attachment horizon for residential, commercial and industrial connections with annual consumption below 340 000 m³ is 10 years. The revenue horizon is 40 years from the in-service date of the initial mainline.
29. For large volume customers, the maximum customer attachment horizon is 10 years. The maximum revenue horizon is 20 years from the customers' initial service date.
30. A project specific revenue horizon is used when the project life cycle is deemed shorter than 20 years.

Marginal Operating and Maintenance (“O&M”) Expenses

31. The Company’s incremental operating and maintenance (“O&M”) cost is based on an annual study that is aligned with cost allocation principles and is included in assessing project feasibility.

³ Incremental Tax Equivalent (“ITE”) is a mechanism to collect municipal contributions to assist with project feasibility.

Procedure for Capital Expenditure Approval

32. Enbridge's procedure for obtaining management approval to make a capital expenditure for distribution system expansion is known as the Authorization for Expenditure ("AFE"), and is outlined in the AFE manual. A system expansion project is typically initiated by a Customer Connections Representative ("CCR"), who identifies potential new customers. The CCR will assess the required amount of plant additions to provide service and will initiate an AFE for approval.
33. A feasibility assessment is required to be attached to an AFE as part of the approval process. Feasibility assessment is done based on the estimated revenue and benefits of connecting new customers against the total cost of attaching and serving them. The Capital Project Feasibility ("CAPF") program is an online IT tool used for evaluating all projects except for residential infills connections and Large Volume projects. Residential infill services are assessed using a Non-Gas Payment ("NGP") tool by the customer connection group. All Large-volume projects are separately evaluated by the Investment Review group using Excel based feasibility tools.
34. CCRs provide inputs for the CAPF tool, which include estimates of capital cost, customer additions and timing, and annual consumptions of new customers. The Investment Review group uses Excel based feasibility tools for assessing large-volume and more complex projects with inputs from the Special Projects and Key Accounts groups.
35. All AFEs are approved by the appropriate level of authority including managers, directors, VPs and President as set out in the workflows based on capital approval authority. The Capital Management group in Finance provides overall governance over the AFE approval process. This group also ensures compliance with the Company's Connection Policies.

Parkway Delivery Obligation (PDO) for 2017 - 2019
(TJ/day)

| Line No. | Particulars | 2017 Rates | | | 2018 Rates | | | 2019 Rates | | |
|---|--|-------------------------|--------|--------|-------------------------|--------|--------|-------------------------|--------|--------|
| | | As Filed (EB-2016-0245) | | | As Filed (EB-2017-0087) | | | As Filed (EB-2018-0305) | | |
| | | Nov-16 | Nov-17 | Nov-18 | Nov-17 | Nov-18 | Nov-19 | Nov-18 | Nov-19 | Nov-20 |
| | | (a) | (b) | (c) | (d) | (e) | (f) | (g) | (h) | (i) |
| CAPACITY AVAILABLE FOR PDO SHIFT | | | | | | | | | | |
| 1 | Ex-Franchise M12 Dawn to Kirkwall Turnback | -10 | -67 | 0 | -67 | 0 | 0 | 0 | 0 | 0 |
| | Allocation of Capacity Available (turnback): | | | | | | | | | |
| 2 | Opening Balance | -23 | -13 | 0 | -13 | 0 | 0 | 0 | 0 | 0 |
| 3 | Temporary Capacity Provided | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 4 | Replacement of Temporary Capacity | 10 | 13 | 0 | 13 | 0 | 0 | 0 | 0 | 0 |
| 5 | Closing Balance | -13 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 6 | Available for PDO Shift | 0 | -54 | 0 | -54 | 0 | 0 | 0 | 0 | 0 |
| TOTAL DIRECT PURCHASE PDO | | | | | | | | | | |
| 7 | Beginning PDO | 376 | 376 | 303 | 366 | 298 | 228 | 298 | 228 | 228 |
| 8 | Annual PDO Shift <i>line 11 + line 17 + line 21</i> | 0 | -73 | -70 | -68 | -70 | 0 | -70 | 0 | 0 |
| 9 | Remaining PDO | 376 | 303 | 233 | 298 | 228 | 228 | 228 | 228 | 228 |
| DIRECT PURCHASE PDO DETAIL BY CUSTOMER GROUP | | | | | | | | | | |
| PDO for Customers without M12 Service: | | | | | | | | | | |
| 10 | Beginning PDO | 261 | 261 | 207 | 251 | 197 | 197 | 207 | 207 | 207 |
| 11 | PDO Shift | 0 | -54 | 0 | -54 | 0 | 0 | 0 | 0 | 0 |
| 12 | Surplus Required | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 12 | Remaining PDO | 261 | 207 | 207 | 197 | 197 | 197 | 207 | 207 | 207 |
| 13 | Annual PDO Shift | 0 | 54 | 0 | 54 | 0 | 0 | 0 | 0 | 0 |
| 14 | Allocation to those with PO < 100 GJ/day (1) | 0 | 12 | 0 | 14 | 0 | 0 | 0 | 0 | 0 |
| 15 | Percentage Reduction for those with PO > 99 GJ/day (1) | 0% | 17% | 0% | 17% | 0% | 0% | 0% | 0% | 0% |
| PDO for Customers with M12 Service (except TCE): | | | | | | | | | | |
| 16 | Beginning PDO | 31 | 31 | 26 | 31 | 31 | 31 | 21 | 21 | 21 |
| 17 | In-Franchise M12 Dawn to Parkway Turnback <i>line 15 * line 16</i> | 0 | -5 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 18 | Remaining PDO | 31 | 26 | 26 | 31 | 31 | 31 | 21 | 21 | 21 |
| 19 | Annual PDO Shift | 0 | 5 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| PDO for TCE Halton Hills: | | | | | | | | | | |
| 20 | Beginning PDO | 84 | 84 | 70 | 84 | 70 | 0 | 70 | 0 | 0 |
| 21 | In-Franchise M12 Dawn to Parkway turnback <i>line 15 * line 20</i> | 0 | -14 | -70 | -14 | -70 | 0 | -70 | 0 | 0 |
| 22 | Remaining PDO | 84 | 70 | 0 | 70 | 0 | 0 | 0 | 0 | 0 |
| 23 | Annual PDO Shift | 0 | 14 | 70 | 14 | 70 | 0 | 70 | 0 | 0 |
| 24 | PDO for Sales Service (2) | 19 | 11 | 11 | 11 | 11 | 11 | 11 | 11 | 11 |

Notes:

- (1) For November, 2017 customers with PO < 40 GJs/day will be allocated to shift 100% of their obligation to Dawn.
(2) The actual contract amount for November 1, 2016 is higher, but Union has turnback rights which are effective January, 2017.

ENBRIDGE GAS INC. 2019 RATE APPLICATION

INCREMENTAL CAPITAL MODULE

This evidence discusses Enbridge Gas's request for incremental capital module ("ICM") funding in support of capital investment needs that are not funded through existing rates. The Board approved the use of an ICM to fund incremental capital during Enbridge Gas's 2019-2023 deferred rebasing period as part of the MAADs Decision¹.

The ICM evidence is organized as follows:

1. Capital Planning Overview
2. Eligibility for Incremental Capital
 - 2.1 Materiality
 - 2.2 Need
 - 2.3 Prudence
3. Customer Consultation
4. Calculation of Revenue Requirement
5. Cost Allocation
6. ICM Unit Rates
7. ICM Bill Impacts

¹ EB-2017-0306/EB-2017-0307, Decision and Order, August 30, 2018. The Decision and Order was later amended by the Board on September 17, 2018 with no material changes.

1 **1. CAPITAL PLANNING OVERVIEW**

2 In support of the 2019 ICM request, Enbridge Gas is filing a Utility System Plan² (“USP”) which
3 includes an Asset Management Plan (“AMP”) for each of the EGD and Union rate zones. Each
4 AMP identifies how Enbridge Gas plans, manages and develops the distribution, transmission,
5 and storage systems for each of the EGD and Union rate zones, and determines the capital
6 investment requirement while balancing risk, performance and cost.³ The USP includes
7 information about the addition of assets to meet customer needs and maintenance requirements to
8 ensure the ongoing safety and security of supply for Enbridge Gas’s customers, while satisfying
9 applicable regulatory requirements and compliance obligations. The identification of the need for
10 a capital expenditure can either be to satisfy a growth requirement or to resolve degraded
11 condition or performance of an existing asset. In either case, the process to create a new asset is
12 the same.

13
14 Through the budgeting process, the risks that each project is mitigating are re-evaluated and
15 endorsed.

16
17 As there are finite resources to complete capital projects, projects are selected for the AMP on the
18 basis of their relative priority. All projects are evaluated and prioritized/optimized to ensure that
19 capital resources are employed to address the highest priority items across all asset categories.

² The USP for Enbridge Gas is filed at Exhibit C1, Tab 1, Schedule 1.

³ The AMPs for Enbridge Gas are filed at Exhibit C1, Tab 2, Schedule 1 and Exhibit C1, Tab 3, Schedule 1.

1 Enbridge Gas's methodology for project prioritization/optimization considers risk, customer input
2 and preferences, resource availability and asset portfolio strategies. More details on the project
3 prioritization/optimization can be found in each of the EGD and Union AMPs.

4
5 The historical and forecast capital investments⁴ by category for the 2014 to 2023 period are
6 shown in Table 1 for the EGD rate zone and Table 2 for the Union rate zones. These capital
7 investments will allow Enbridge Gas to continue to meet customer needs and ensure safe and
8 reliable delivery of natural gas to customers.

⁴ In-service capital for the year.

Table 1
Capital Expenditures by category (2014-2023) – EGD Rate Zone (\$ Millions)

| Line No. | Category | (a) 2014 Actual | (b) 2015 Actual | (c) 2016 Actual | (d) 2017 Actual | (e) 2018 Forecast |
|----------|------------------------------|-----------------------|-----------------------|-----------------------|-----------------------|-------------------------|
| 1 | General Plant | 69.0 | 91.9 | 82.6 | 48.1 | 42.9 |
| 2 | System Access ⁵ | 112.8 | 105.2 | 118.3 | 109.3 | 118.5 |
| 3 | System Renewal | 96.5 | 102.7 | 109.1 | 102.2 | 112.0 |
| 4 | System Service | 190.5 | 569.6 | 127.1 | 20.2 | 17.9 |
| 5 | Total Overhead | 141.3 | 145.9 | 156.4 | 148.1 | 146.5 |
| 6 | Total - EGD Rate Zone | 610.1 | 1,015.3 | 593.5 | 427.8 | 437.9 |

| Line No. | Category | (f) 2019 Budget | (g) 2020 Budget | (h) 2021 Budget | (i) 2022 Budget | (j) 2023 Budget |
|----------|------------------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| 1 | General Plant | 52.4 | 48.8 | 59.2 | 53.3 | 39.4 |
| 2 | System Access ⁵ | 111.3 | 119.4 | 124.3 | 122.4 | 122.5 |
| 3 | System Renewal | 152.3 | 198.1 | 146.4 | 191.5 | 147.7 |
| 4 | System Service | 23.5 | 17.1 | 8.5 | 8.5 | 14.3 |
| 5 | Total Overhead | 142.1 | 163.2 | 152.2 | 161.7 | 164.8 |
| 6 | Total - EGD Rate Zone | 481.7 | 546.6 | 490.6 | 537.5 | 488.8 |

⁵ System Access capital presented here does not reflect Community Expansion.

Table 2
Capital Expenditures by category (2014-2023) – Union Rate Zones (\$ Millions)

| Line No. | Category | (a) 2014 Actual | (b) 2015 Actual | (c) 2016 Actual | (d) 2017 Actual | (e) 2018 Forecast |
|----------|---------------------------------|-----------------------|-----------------------|-----------------------|-----------------------|-------------------------|
| 1 | General Plant | 56.5 | 51.4 | 44.8 | 42.8 | 47.8 |
| 2 | System Access ⁶ | 83.9 | 107.8 | 105.6 | 96.2 | 100.8 |
| 3 | System Renewal | 83.8 | 73.0 | 76.3 | 87.6 | 107.5 |
| 4 | System Service | 190.4 | 391.5 | 734.3 | 412.2 | 215.3 |
| 5 | Total Overhead | 68.2 | 71.5 | 77.2 | 78.6 | 77.2 |
| 6 | Total - Union Rate Zones | 482.9 | 695.2 | 1,038.2 | 717.5 | 548.6 |

| Line No. | Category | (f) 2019 Budget | (g) 2020 Budget | (h) 2021 Budget | (i) 2022 Budget | (j) 2023 Budget |
|----------|---------------------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| 1 | General Plant | 55.2 | 60.1 | 65.8 | 61.4 | 63.5 |
| 2 | System Access ⁶ | 107.9 | 96.3 | 91.5 | 92.9 | 97.3 |
| 3 | System Renewal | 97.5 | 202.7 | 245.1 | 115.4 | 209.2 |
| 4 | System Service | 184.6 | 156.8 | 47.5 | 72.3 | 89.6 |
| 5 | Total Overhead | 82.5 | 80.4 | 80.0 | 78.2 | 82.9 |
| 6 | Total - Union Rate Zones | 527.5 | 596.3 | 529.9 | 420.3 | 542.4 |

⁶ System Access capital presented here does not reflect Community Expansion.

1 General Plant

2 General plant investments are modifications, replacements or additions to Enbridge Gas's assets
3 that are not part of its commodity-carrying system including land and buildings, tools and
4 equipment, fleet vehicles and electronic devices and software used to support day to day business
5 and operations activities.

6
7 The historical and forecast general plant capital expenditures are presented in Appendix A, Table
8 A for EGD rate zone and Table B for Union rate zones.

9
10 System Access

11 System access investments are additions and modifications (including asset relocation) to
12 Enbridge Gas's distribution system that the utility is obligated to perform in order to provide a
13 customer or group of customers with access to natural gas services via the distribution and
14 transmission systems.

15
16 EGD rate zone system access capital expenditures are mainly driven by Customer Growth,
17 Natural Gas for Vehicles (NGV) and third party driven rebillable relocation projects. Similarly,
18 Union rate zones system access capital expenditures are driven by Customer Growth, Compressed
19 Natural Gas and Municipal Replacement.

20

1 The historical and forecast system access capital expenditures are presented in Appendix A, Table
2 C for EGD rate zone and Table D for Union rate zones.

3
4 System Renewal

5 System renewal investments involve replacing and/or refurbishing system assets to extend the
6 original service life of the assets and thereby maintain the ability of Enbridge Gas's system to
7 provide customers with natural gas services.

8
9 EGD rate zone system renewal capital expenditures are mainly driven by Main Replacements,
10 Meter Exchanges/Replacements, Compressor Equipment, Regulator Refits and Service Relays.
11 Union rate zones system renewal capital expenditures are mainly driven by Stations
12 Replacements, Vintage Pipeline Replacement, the Integrity Management Program, Compression
13 Equipment, and the Meter Exchange Program.

14
15 The historical and forecast system renewal capital expenditures are presented in Appendix A,
16 Table E for EGD rate zone and Table F for Union rate zones.

17
18 System Service

19 System service investments are modifications to Enbridge Gas's distribution system to ensure the
20 system continues to meet distributor operational objectives.

EGD rate zone system service capital expenditures are mainly driven by reinforcement projects and integrity initiatives. Union rate zones system service capital expenditures are mainly driven by transmission and distribution system growth, reinforcements, and class location initiatives. The historical and forecast system service capital expenditures are presented in Appendix A, Table G for EGD rate zone and Table H for Union rate zones.

2. ELIGIBILITY FOR ICM CAPITAL

In the MAADs Decision, the Board confirmed the availability of ICM funding for Enbridge Gas.⁷ As set out in section 4.1.5 of the “Report of the Board – New Policy Options for the Funding of Capital Investments: The Advanced Capital Module, EB-2014-0219”, to be eligible for recovery, capital projects must meet the following criteria: materiality, need and prudence. Each of these criteria is described below in relation to Enbridge Gas’s ICM funding request for 2019.

2.1 MATERIALITY

Materiality Threshold Test

As defined by the Board, “a capital budget will be deemed to be material, and as such reflect eligible projects, if it exceeds the Board-defined materiality threshold. Any incremental capital amounts approved for recovery must fit within the total eligible incremental capital amount (as

⁷ EB-2017-0306/EB-2017-0307, Decision and Order, August 30, 2018, pp.30-34.

defined in this ACM Report) and must clearly have a significant influence on the operation of the distributor; otherwise they should be dealt with at rebasing.”⁸

The Board determined the formula to be used to calculate the materiality threshold as follows:

$$\text{Threshold Value} = 1 + [(RB/d) * (g + PCI * (1 + g))] * ((1 + g) * (1 + PCI))^{n-1} + 10\%$$

Where:

RB = Rate base included in base rates (\$)

d = Depreciation expense included in base rates (\$)

g = Growth factor (%)

PCI = Price cap index (%)

n = Number of years since rebasing

The Board’s ICM materiality threshold calculation results in a 2019 threshold value of \$468.5 million for the EGD rate zone and \$375.2 million for the combined Union rate zones. The materiality threshold establishes the minimum capital expenditures a utility must fund through base rates. The maximum incremental capital investment eligible for ICM funding is the amount of capital expenditures in the year in excess of the threshold value. The calculation of the ICM materiality threshold value for EGD and Union rate zones is provided in Table 3 below.

⁸ EB-2014-0219 Report of the OEB – New Policy Options for the Funding of Capital Investments: The Advanced Capital Module, September 18, 2014, p.17.

Table 3
ICM Threshold Capital Expenditure Calculation by Rate Zone

| Line No. | Particulars (\$ millions) | EGD (a) | Union (b) |
|----------|------------------------------------|------------|--------------------|
| 1 | Year | 2019 | 2019 |
| 2 | Base Year | 2018 | 2013 |
| 3 | Number of Years since rebasing (n) | 1 | 6 |
| 4 | Price Cap Index (PCI) (%) | 1.07% | 0.72% |
| 5 | Growth Factor (g) (%) | 1.04% | 1.19% |
| 6 | Dead Band (%) | 10% | 10% |
| 7 | Rate Base (RB) | 6,246 | 5,331 ⁹ |
| 8 | Depreciation (d) | 305 | 239 ¹⁰ |
| 9 | Threshold Value (%) | 153% | 157% |
| 10 | Threshold Value | 468.5 | 375.2 |

1
2 A description of the Price Cap Index, growth factor, and rate base and depreciation amounts used
3 in the threshold calculation are provided below.

4
5 Price Cap Index

6 The Board's threshold value calculation uses PCI to recognize the increase in revenue generated
7 through annual rate increases in a price cap plan that could be used toward capital investment.

8 The Board's calculation uses a current year PCI, which does not recognize the actual change in
9 rates experienced over a multi-year price cap IR term and can result in a threshold value that does

⁹ As per the MAADs Decision, the rate base and depreciation associated with projects that were found eligible for capital pass-through treatment during Union's 2014-2018 IRM term are added to the 2013 Board approved rate base and depreciation.

¹⁰ *Ibid.*

1 not represent the actual revenue increase during that period. To reflect the rate increases during
2 the price cap IR term, Enbridge Gas proposes to use a simple average of the actual annual PCI
3 that has been used to increase rates during the price cap IR term since its last rebasing. The
4 average PCI more accurately reflects the impact PCI has had on rates and revenue since the base
5 year (2013 rates for Union and 2018 rates for EGD) than the use of the current year PCI. The use
6 of the average PCI also reduces the year-to-year fluctuations in the threshold value that would
7 occur by using the current year PCI and helps the utility plan and prioritize capital investments
8 through a more stable threshold value. This also aligns with customer preferences of a steady rate
9 of investment, over a less predictable pace.

10
11 Accordingly, the PCI used for the EGD rate zone threshold calculation of 1.07% is the 2019 value
12 since 2019 is the first year of its price cap plan. The PCI used for the Union rate zones threshold
13 calculation of 0.72% is the average of the actual annual PCI used to increase rates during its price
14 cap plan which began in 2014. The calculation of the PCI by rate zone is provided in Table 4
15 below.

Table 4
Price Cap Index by Rate Zone

| <u>Line No.</u> | <u>Year</u> | <u>EGD (a)</u> | <u>Union (b)</u> |
|---------------------|-------------|--------------------|----------------------|
| 1 | 2014 | N/A | 0.51% |
| 2 | 2015 | N/A | 0.66% |
| 3 | 2016 | N/A | 0.71% |
| 4 | 2017 | N/A | 0.70% |
| 5 | 2018 | N/A | 0.66% |
| 6 | 2019 | <u>1.07%</u> | <u>1.07%</u> |
| 7 | Average (1) | 1.07% | 0.72% |

Note:

(1) 2019 for the EGD rate zone and 2014-2019 six-year average for the Union rate zones.

Growth Factor

The 2019 growth factor has been calculated by comparing the percentage difference in annual revenues between 2017 (the most recent complete year) and the approved base year¹¹ for each rate zone. The revenue amounts are calculated at the approved base year's rates.

To determine the 2017 revenue from general service rate classes, Enbridge Gas used the actual customer count and held the normalized average consumption/average use ("NAC/AU") per customer constant with the NAC/AU in base rates. If the NAC/AU is not held constant, then any

¹¹ 2018 for the EGD rate zone and 2013 for the Union rate zones.

1 change in NAC/AU would have to be offset by a proportionally similar rate adjustment to keep
2 the revenue per customer constant. Both the EGD and Union rate zones have deferral accounts
3 that record the revenue impact associated with the difference between the forecast normalized
4 average use per customer embedded in rates and the actual normalized average use experienced
5 during the year. By using the NAC/AU per customer and the rate that is in base rates to calculate
6 2017 revenue, the growth factor will account for both the actual general service revenue and the
7 revenue amounts collected/refunded in the NAC/AU deferral account.

8
9 The use of the NAC/AU in base rates also normalizes the general service revenue for variability
10 in weather during the year. Enbridge Gas assumes normal weather when developing all forward
11 looking plans, including the gas supply plan, the AMP, and the annual budget and long range
12 plan. Using a growth factor that compares revenues on a weather-normalized basis is therefore
13 consistent with the development of the USP and corresponding AMP. Enbridge Gas recognizes
14 the Board considered and did not change the approach of comparing weather-normalized revenues
15 to weather-actual revenues in the EB-2014-0219 Supplemental Report.¹² The Board's explanation
16 for not changing the approach was due to the high proportion of electric revenues from fixed
17 charges that are non-weather sensitive. Enbridge Gas has a considerably higher proportion of
18 volumetric charges that are weather sensitive for general service customers and calculating the

¹² EB-2014-0219 Report of the OEB – New Policy Options for the Funding of Capital Investments: Supplemental Report, January 22, 2016, p.14-15.

growth factor on weather-normalized general service revenues reduces the year-to-year fluctuations in the threshold value that would occur if it were to use weather-actual results.

Enbridge Gas calculated the 2017 revenue from contract rate class using weather-actual data, as contract-rate customers are generally less weather sensitive and have a higher proportion of fixed cost recovery as compared to general service customers. Table 5 below shows the calculation of the growth factor.

Table 5
Growth Factor by Rate Zone

| Line No. | Particulars | (\$ millions) (a) |
|----------|---|----------------------|
| | <u>EGD</u> | |
| 1 | 2018 Board-approved Distribution Revenues | 1,225.1 |
| 2 | 2017 Distribution Revenues | <u>1,212.5</u> |
| 3 | Growth Factor | 1.04% |
| | <u>Union</u> | |
| 4 | 2017 Distribution Revenues ¹³ | 968.1 |
| 5 | 2013 Board-approved Distribution Revenues ¹⁴ | <u>924.0</u> |
| 6 | Growth Factor (Annualized) | 1.19% |

A detailed calculation of the revenues underpinning the growth factor for each rate zone is filed as Appendix B.

¹³ Includes regulated distribution and transmission revenues.

¹⁴ *Ibid.*

1 Rate Base and Depreciation

2 The threshold calculation uses the rate base and depreciation expense last approved by the
3 Board. Accordingly, the threshold value for the EGD rate zone is based on EGD's 2018
4 Board-approved rate base and depreciation.

5
6 Pursuant to the MAADs Decision, the threshold value for the Union rate zones is based on
7 Union's 2013 Board-approved rate base and depreciation plus the 2019 forecast amount of
8 rate base and depreciation associated with projects that were eligible for capital pass-through
9 treatment and included in Union's base rates during Union's 2014-2018 IRM term.¹⁵ The
10 capital pass-through forecast revenue requirement for 2019 is provided at Exhibit F1, Tab 2,
11 Rate Order, Working Papers, Schedule 16, pp.4-5. The details of the rate base and
12 depreciation amounts by rate zone are provided in Table 6 below.

¹⁵ EB-2017-0306/EB-2017-0307, Decision and Order, September 17, 2018, p. 33.

Table 6
ICM Threshold Rate Base and Depreciation Expense by Rate Zone

| Line No. | Particulars (\$ millions) | Rate Base (a) | Depreciation (b) |
|----------|-----------------------------------|------------------|---------------------|
| | <u>EGD</u> | | |
| 1 | 2013 Board-Approved | 6,246 | 305 |
| | <u>Union</u> | | |
| 2 | 2013 Board-Approved | 3,734 | 196 |
| 3 | 2019 Capital Pass-Through Amounts | 1,597 | 43 |
| 4 | Total | 5,331 | 239 |

Eligible Capital Amount

Table 7 below compares the 2019 in-service capital forecast to the ICM materiality threshold by rate zone to calculate the maximum eligible incremental capital.

Table 7
Maximum Eligible Incremental Capital by Rate Zone

| Line No. | Particulars (\$ millions) | EGD (a) | Union (b) |
|----------|--------------------------------------|------------|---------------------|
| 1 | 2019 In-Service Capital Forecast | 481.7 | 518.5 ¹⁶ |
| 2 | Less: Materiality Threshold Value | 468.5 | 375.2 |
| 3 | Maximum Eligible Incremental Capital | 13.1 | 143.3 |

¹⁶ The 2019 In-Service Capital Forecast excludes \$9.0 million related to the 2019 capital spend on Union's capital pass-through projects from its 2014-2018 IRM term. The 2019 spend on the capital pass-through projects is included in the AMP and Enbridge Gas Capital Expenditure Plan (shown in Table 2) but excluded from ICM eligibility. The 2019 capital spend on capital pass-through projects has another rate recovery mechanism.

1 The maximum eligible incremental capital for the EGD rate zone and Union rate zones is \$13.1
2 million and \$143.3 million, respectively. Enbridge Gas is seeking incremental ICM funding for
3 specific discrete projects that fit within the maximum eligible incremental capital amount
4 planned for each of the EGD and Union rate zones.

5

6 Table 8 below identifies the eligible capital projects and total capital in-service amounts for the
7 ICM funding request of the Union rate zones. Only projects that are discrete and material have
8 been included.

Table 8
2019 Incremental Capital Funding Request by Rate Zone

| Line No. | Particulars (\$ millions) | Total Project In-service Amount (a) | Total Project ICM Funding Request (b) | Difference (c) = (b-a) |
|---|---|--|--|---------------------------|
| <i>2019 In-service Capital Forecast</i> | | | | |
| <u>EGD Rate Zone</u> | | | | |
| 1 | Don River Replacement (1) | 34.2 | 13.1 | (21.1) |
| <u>Union South Rate Zone</u> | | | | |
| 2 | Kingsville Reinforcement | 118.2 | 118.2 | - |
| 3 | Stratford Reinforcement (1) | 27.9 | 25.1 | (2.8) |
| 4 | Total Union South Rate Zone | 146.1 | 143.3 | (2.8) |
| <i>2018 In-service Capital Forecast</i> | | | | |
| <u>Union North Rate Zone</u> | | | | |
| 5 | Sudbury Replacement ¹⁷ | 91.9 | 91.9 | - |
| 6 | Total Incremental Capital Funding Request | 272.2 | 248.3 | (23.9) |

Notes:

- (1) The total project in-service amounts of the Don River Replacement and Stratford Reinforcement project were reduced to recognize the total capital spend on the eligible projects exceeds the maximum eligible incremental capital from Table 7. In Union rate zone, there is no impact to customers of reflecting the reduction in only one project because the Kingsville and Stratford Reinforcement projects will be allocated to rate classes using a common allocator.

Enbridge Gas is requesting incremental capital funding during the current deferred rebasing period for the Sudbury Replacement project as part of this proceeding. Due to the October 2018 in-service date, the project falls between qualifying for incremental rate treatment under Union's

¹⁷ The 2019 spend for the Sudbury Replacement Project will be managed under the ICM Threshold.

1 2014-2018 capital pass-through mechanism and qualifying for incremental rate treatment under
2 the ICM. The project meets Union's 2014-2018 IRM capital pass-through criteria, including a full
3 year revenue requirement¹⁸ of approximately \$9 million, but was not in-service for a full year
4 during the 2014-2018 term of Union's last IRM. However, there was a significant need to replace
5 the pipeline in order to continue to maintain safe and reliable service to the Sudbury market.
6 Delaying the leave to construct application and construction in order to confirm the funding
7 mechanism for the project was simply not an option. If the project was delayed, integrity concerns
8 could have become more serious, with the risk of a potential failure increasing over time.

9
10 Given the magnitude of the \$95.3 million investment in the Sudbury Replacement project,
11 incremental funding of the project is required. The cumulative revenue requirement of the project
12 from 2018 through 2023 is over \$47 million. Union was not able to reprioritize 2018 Capital
13 investment in order to fund this investment using existing rates. The purpose of the capital pass-
14 through mechanism was to provide a means for Union to make significant investments under its
15 price cap plan. Given that the timing of the investment in the Sudbury Replacement project
16 occurred in late 2018, Enbridge Gas will be impacted by the first full year revenue requirement in
17 2019, during which time the Incremental Capital Module will apply. Enbridge Gas is seeking
18 recovery of the prudently incurred Sudbury Replacement project costs beginning in 2019 under

¹⁸ The annual revenue requirement criteria of Union's 2014-2018 IRM capital pass-through mechanism was 'a minimum increase, or a minimum decrease, of \$5 million in net delivery revenue requirement for a single new project (the "Rate Impact Threshold")'.

the ICM mechanism because of the transition to ICM from the capital pass-through funding mechanism for the deferred rebasing period.

2.2 NEED

Means Test

A distributor must also pass the Means Test in order to be eligible for ICM funding. As defined by the Board, if a distributor's regulated return in its most recent calculation exceeds 300 basis points above the deemed return on equity embedded in the distributor's rates, the funding for any incremental capital project will not be allowed.¹⁹

EGD filed its 2017 Earnings Sharing and Deferral and Variance Account Clearances Application on June 27, 2018.²⁰ EGD's actual 2017 ROE was calculated to be 10.27% which was 149 bps above the 2017 Board-approved ROE of 8.78%. EGD's 2017 ROE calculations are provided at Appendix C.

¹⁹ EB-2014-0219 Report of the OEB – New Policy Options for the Funding of Capital Investments: The Advanced Capital Module, September 18, 2014, p.15.

²⁰ EB-2018-0131, Exhibit B, Tab 1, Schedule 1.

Union filed its 2017 Disposition of Deferral Account Balances and 2017 Utility Earnings on June 6, 2018.²¹ Union's actual 2017 ROE was calculated to be 9.16% which was 23 bps above the 2013 Board approved ROE of 8.93%. Union's 2017 ROE calculations are provided at Appendix D.

Discrete and Material Projects

ICM funding requests must be based on discrete, material projects. As defined in the Board ACM report, "amounts must be based on discrete projects, and should be directly related to the claimed driver. The amount must be clearly outside of the base upon which the rates were derived".²²

Also, as per the MAADs Decision, any individual project for which ICM funding is sought must have an in-service capital addition of at least \$10 million.²³

Each eligible capital project as identified for the EGD rate zone and Union rate zones are discrete projects that exceed the materiality level of \$10 million. These projects have been evaluated as part of the capital planning process, described in the AMPs, which can be found at Exhibit C1, Tab 2, Schedule 1 and Tab 3, Schedule 1. Each project is distinct, with significant influence on Enbridge Gas's operations as described in Table 9.

²¹ EB-2018-0105, Exhibit A, Tab 2.

²² EB-2014-0219 Report of the OEB – New Policy Options for the Funding of Capital Investments: The Advanced Capital Module, September 18, 2014, p.17.

²³ EB-2017-0306/EB-2017-0307, Decision and Order, August 30, 2018, pp.32-33

2.3 PRUDENCE

The capital expenditures of the projects for which Enbridge Gas is seeking ICM funding approval for the EGD rate zone and Union rate zones are prudent and represent the most cost effective option for ratepayers.

The business case summaries in Table 9 below provide a description of each of the projects' need and prudence, with an overview of options considered.

Table 9
Business Case Summaries for ICM Projects by Rate Zone

EGD Rate Zone

| NPS 30 Don River Replacement | |
|---|---|
| Budget: \$35.4 million | <u>Category of Investment:</u> System Renewal |
| In-Service Date: December, 2019 | <u>Project Description and Drivers:</u> <ul style="list-style-type: none"> Replacement of approximately 0.25 km of NPS 30 XHP on the Don River Bridge crossing with a new NPS 30 XHP under the Don River through the use of trenchless technology (microtunnel), and abandonment of the existing pipeline. Removal of the bridge and the abandoned pipeline to follow. Studies have identified structural issues with the Bridge that can become further impaired during flood events which could cause the Bridge to fail resulting in catastrophic failure of the pipeline. The pipeline is a critical feed to the densely populated urban Toronto area. Damage to this crossing at peak design temperature would result in the loss of ~ 92,500 customers, and may take days or weeks to restore service, once the pipeline issue has been addressed. |
| In-Service Capital Spend: \$34.2 million 2019 in-service; \$1.1 million 2020 in-service | |
| | |
| | <u>Other Options Considered:</u> <ul style="list-style-type: none"> <i>Bridge Remediation:</i> This option would not require the NPS 30 pipeline to be replaced. Rather, the Bridge itself would be remediated to ensure structural stability against |

| | |
|--|--|
| | <p>future flood events. Preliminary discussions identified the need for the use of some kind of sheet pile structures as a permanent remediation for the erosion around the bridge abutments. Based on the sensitivity of the adjacent 1911 (107 year old) twin bell and spigot 30” cast iron sanitary sewer mains (on wood piles), this option was deemed not viable. Due to the associated risk with working in the vicinity of these twin sanitary sewers, the option to remediate the bridge was not considered to be an acceptable alternative and therefore an estimated cost and timeline were not completed.</p> <ul style="list-style-type: none"> • <i>Bridge Rebuild & Pipe Replacement:</i> Through the consultation process, TRCA provided Enbridge with options to consider for the replacement of the NPS 30 Don River Bridge crossing. One of these options included the possibility of using another above ground crossing. Enbridge explains how City of Toronto Bridges and Structures does not allow pipelines to be installed on bridges. The installation of structural supports to install the pipeline adjacent to existing bridges and create a new bridge to cross over the river would require very large supports. These supports would require footings in the river or on the river bank and there are already a number of structures in this area that would conflict with this approach. In addition, from an Enbridge construction and maintenance perspective, the installation of a pipeline on a bridge is deemed to be a last resort. As a result of all the above, this was not considered a viable alternative and therefore, an estimated cost and timeline was not completed. • <i>Direct Pipe Construction Method:</i> Under this alternative, the bridge would not be utilized and it would eventually be removed. The difference with this alternative relative to the proposed Project is the utilization of a different construction method for replacing the NPS 30 pipeline below ground under the river. During consultation the Direct Pipe method of construction and route considered for that methodology did not satisfy stakeholder concerns and conditions related to possible impacts to the TRCA’s existing West Flood Protection Landform (FPL) and/or their proposed East FPL. As such a cost estimate, timelines and environmental impacts were not completed for this option as it was not a viable option. <p>The Don River Replacement project was subject to a leave to construct application in EB-2018-0108. In its Decision and Order dated November 29, 2018, the OEB found that this project is needed to ensure the safe operation and reliability of the Don Valley Pipeline, as failure to address the risk associated with potential damage to the 89-year old bridge and existing pipeline could have a significant adverse impact on the gas supply to a large</p> |
|--|--|

| | |
|--|---|
| | <p>number of residential, commercial and industrial customers. The OEB also found that EGD adequately addressed environmental issues, land matters, design and safety requirements and adequately discharged the duty to consult with impacted Indigenous communities.²⁴</p> <p>The budget is updated from the EB-2018-0108 filing budget of \$25.6 million. It covers all costs related to material, construction and labour, land costs, contingencies, overheads, and interest during construction.</p> |
|--|---|

1

2 Union Rate Zones

| Sudbury Replacement Project | |
|--|--|
| <p>Budget: \$95.3 million</p> <p>In-Service Date: October, 2018</p> <p>In-Service Capital Spend: \$91.9 million 2018 in-service; \$3.4 million 2019 in-service</p> | <p><u>Category of Investment:</u> System Service</p> <p><u>Project Description and Drivers:</u></p> <ul style="list-style-type: none"> • Build 20 km of NPS 12 pipeline in the Sudbury area to replace two sections of NPS 10 pipeline in the City of Greater Sudbury, predominately constructed in 1958 • Union's Integrity Management Program identified multiple integrity issues through inspections and investigative digs • Increasing the size of the pipeline to NPS 12 provides capacity for future growth on the Sudbury system <p><u>Options Considered:</u></p> <ul style="list-style-type: none"> • Union considered replacing the existing pipeline with another pipeline of the same size (NPS 10), or only replacing those segments of the pipeline identified as having integrity concerns • In addition to not serving the forecasted growth in the Sudbury area, replacing the NPS 10 pipeline with NPS 10 pipeline would not solve the pigging issues of having dual diameter pipelines • Replacing only those segments identified as having integrity concerns would result in inefficiencies related to the individual replacements and future integrity concerns that may require replacement • This alternative would also not meet future growth in the Sudbury area • Increasing the pipeline size from NPS 10 to NPS 12 is consistent with Union's practice to provide capacity for anticipated demand growth |

²⁴ EB-2018-0108, Decision and Order, November 29, 2018, pp.1-9.

| | |
|---|--|
| | <ul style="list-style-type: none"> • The incremental cost of the NPS 12 pipeline over the NPS 10 is forecast to be \$1.5M (a 2% increase in the cost of project) resulting in an expected capacity increase of the Sudbury Lateral System of 5% • Installing NPS 12 pipeline is the lowest cost option to meet the capacity requirement in the Sudbury area <p>The Sudbury Replacement project was subject to a leave to construct application in EB-2017-0180. In its Decision and Order dated September 28, 2017, the OEB found that the proposed pipeline was in the public interest. In reaching this decision, the OEB accepted Union’s evidence that the project “is needed to maintain a safe and secure supply of gas in the Sudbury area”²⁵ and found the cost estimates “acceptable to address potential safety and security issues from the existing pipeline”.²⁶ The OEB also found that Union adequately addressed environmental issues, land matters, design and safety requirements and adequately discharged the duty to consult with impacted Indigenous communities.²⁷</p> <p>The budget is updated from the approved EB-2017-0180 filing budget of \$74.1 million. It covers all costs related to material, construction and labour, environmental protection measures, land acquisitions, contingencies, overheads, and interest during construction.</p> |
| Kingsville Reinforcement Project | |
| <p>Budget: \$121.4 million</p> <p>Projected In-Service Date: November, 2019</p> <p>In-Service Capital Spend: \$118.2 million 2019 in-service; \$3.2 million 2020 in-service</p> | <p><u>Category of Investment:</u> System Service</p> <p><u>Project Description and Drivers:</u></p> <ul style="list-style-type: none"> • Approximately 19 kilometers of transmission pipeline in the Town of Lakeshore and the Town of Kingsville in the County of Essex • The Project is needed to respond to increasing natural gas demand in the Kingsville-Leamington market as well as increasing demand on the overall Panhandle Transmission System. • The Panhandle Transmission System is the primary pipeline to transport gas from Dawn to the Ojibway Valve Site in Windsor and feeds high pressure distribution pipelines servicing residential, commercial and industrial customers. • The Project reinforces the high-pressure Panhandle Transmission System to serve customers in the Kingsville-Leamington market area and to serve |

²⁵ EB-2017-0180, Decision and Order, September 28, 2017, p.6.

²⁶ *Ibid*, p.7.

²⁷ *Ibid*, pp.8-11.

| | |
|--|---|
| | <p>future development in the market served by the Panhandle Transmission System.</p> <p><u>Options Considered:</u></p> <ul style="list-style-type: none"> • Union considered alternatives including: different diameter pipeline, increased deliveries from Ojibway, looping the Panhandle system with NPS 36 pipeline, and distribution reinforcement with delayed construction of the NPS 12 pipeline to 2020 • A NPS 16 pipeline would be more costly in the longer term in relation to the upfront cost for the NPS 20 pipeline due to future facility requirements • Increased deliveries at Ojibway would be more costly over both the near and longer term with higher distribution reinforcement requirements, which could become underutilized in the long term • Looping the Panhandle system with NPS 36 requires the Kingsville lateral within the 20 year timeline and could result in underutilization of distribution reinforcement • Delaying the NPS 20 constructed in 2020 would result in the distribution facilities constructed in 2019 becoming underutilized • The Project is the preferred alternative to address the need in both the five-year and longer-term horizon. <p>The Kingsville Transmission Reinforcement project was subject to a leave to construct application in EB-2018-0013. In its Decision and Order dated September 20, 2018 the OEB found that the proposed pipeline was in the public interest. In reaching this decision, the OEB found that Union “demonstrated the need for this Project - a transmission line with broad benefits to the Panhandle Transmission System”²⁸ and found that Union “appropriately followed the OEB’s E.B.O. 134 test for transmission projects”.²⁹ In finding that the project is the preferred alternative, the OEB noted the Project, “has the highest net present value, addresses incremental demand in the Kingsville-Leamington area in 2019 and is consistent with other, longer-term considerations for the Panhandle Transmission System.”³⁰ The OEB also found that Union adequately addressed environmental issues and land matters, and adequately discharged the duty to consult with impacted Indigenous communities.³¹</p> |
|--|---|

²⁸ EB-2018-0013, Decision and Order, September 20, 2018, p.4.

²⁹ *Ibid*, p.5.

³⁰ *Ibid*, p.6.

³¹ *Ibid*, pp.7-8.

| | |
|---|---|
| | <p>The budget is updated from the EB-2018-0013 filing budget of \$105.7 million. It covers all costs related to material, construction and labour, environmental protection measures, land acquisitions, contingencies, overheads, and interest during construction.</p> |
| Stratford Reinforcement Project | |
| <p>Budget: \$28.5 million</p> <p>Projected In-Service Date: November, 2019</p> <p>In-Service Capital Spend: \$27.9 million 2019 in-service; \$0.6 million 2020 in-service</p> | <p><u>Category of Investment:</u> System Service</p> <p><u>Project Description and Drivers:</u></p> <ul style="list-style-type: none"> • Approximately 10.8 kms of NPS 12 pipeline and ancillary facilities in order to increase the capacity of Forest, Hensall and Goderich Transmission System serving the Northern portions of the Counties of Middlesex and Lambton and the Counties of Perth and Huron (“FHG Transmission System”) • The Proposed Facilities are required to meet the increasing demands for natural gas starting in winter 2019 as the FHG Transmission System is forecasted to be fully utilized with no excess capacity available as of winter 2019 • In absence of the Project to increase capacity, Union will not be able to service additional customers • The budget covers all costs related to material, construction and labour, environmental protection measures, land acquisitions, contingencies, overheads, and interest during construction <p><u>Options Considered:</u></p> <ul style="list-style-type: none"> • Union considered many alternatives including: a different diameter pipeline, a different length of pipeline and upgrading the maximum operating pressure (“MOP”) of a portion of the FHG Transmission System • A NPS 10 pipe provides seven years of growth but significantly reduces the future capacity of the Stratford Line when compared to the NPS 12 option, it also does not adequately alleviate the constraint along the Stratford Line • The growth does not justify a NPS 16 reinforcement, and this size pipe would also require easement as it is too large to construct within the road allowance • There is insufficient growth to justify installing 15 km of NPS 12 pipeline, with potential for underutilization and different requirements for future reinforcement • Installing 7.6 km of pipeline does not provide the minimum of five years of growth and cannot accommodate any contract or large commercial |

| | |
|--|--|
| | <p>growth, this alternative also has a significantly higher cost per-meter when compared to the proposed project</p> <ul style="list-style-type: none">• Upgrading the MOP of a portion of the FHG Transmission System does not provide the minimum of five years of growth and cannot accommodate any contract or large commercial growth until a Stratford Line reinforcement is completed• The Proposed Project is the most efficient project to provide the market with higher pressures and more robust gas supplies in order to meet the growing demand across the market region <p>Union filed a leave to construct application with the OEB for the Stratford Reinforcement Project on November 2, 2018 under docket number EB-2018-0306.</p> |
|--|--|

1
2 **3. CUSTOMER CONSULTATION**
3 Enbridge Gas's customers believe investments should be made in maintaining existing reliability
4 and in safety. Customers want a plan that will keep the system healthy and reliable in the long
5 run, while also ensuring a demonstration of prudence in spending decisions. This feedback is
6 considered in how Enbridge Gas plans, manages and develops assets within each of the rate
7 zones. The projects for which Enbridge Gas is seeking ICM funding address integrity issues,
8 provide for more robust supplies to the system and allow additional customer load to access the
9 system.

10

11 **4. CALCULATION OF REVENUE REQUIREMENT**

12 Table 10 provides the incremental revenue requirement Enbridge Gas is seeking as ICM funding
13 for 2019. The total 2019 impact of the ICM projects is \$248.3 million with an associated
14 incremental revenue requirement of \$6.5 million in 2019. The incremental revenue requirement

includes costs associated with the capital investment (return on rate base, depreciation expense and associated income taxes) as well as material incremental operating expenses (O&M and property taxes), if applicable.

Table 10
Total 2019 Incremental Revenue Requirement by Rate Zone

| Line No. | Particulars (\$000's) | Return on Rate Base (a) | Operating Expenses (b) | Income Taxes (c) | 2019 Total (d) |
|----------|---------------------------------------|----------------------------|---------------------------|---------------------|-------------------|
| | <u>EGD Rate Zone</u> | | | | |
| 1 | Don River Replacement | 34 | 2 | (406) | (370) |
| | <u>Union North Rate Zone</u> | | | | |
| 2 | Sudbury Replacement | 6,504 | 2,973 | 285 | 9,762 |
| | <u>Union South Rate Zone</u> | | | | |
| 3 | Kingsville Reinforcement | 1,037 | 1,195 | (4,326) | (2,095) |
| 4 | Stratford Reinforcement | 212 | 54 | (1,032) | (766) |
| 5 | Total Union South Rate Zone | 1,249 | 1,249 | (5,358) | (2,860) |
| 6 | Total Incremental Revenue Requirement | 7,787 | 4,224 | (5,479) | 6,532 |

The return on rate base is calculated using the cost of capital parameters approved by the Board in EGD's 2018 Rate Adjustment Application (EB 2017-0086) for the EGD rate zone and in Union's 2013 Cost of Service application (EB 2011-0210) for the Union rate zones. Where applicable, rate base has been reduced by contributions in aid of construction received for the project.

1 Operating expenses include O&M, depreciation expense and property taxes associated with the
2 project, if material. Because there is no material incremental O&M associated with the 2019 ICM
3 eligible projects, O&M has not been included in the incremental revenue requirement calculation.
4 Depreciation expense is calculated using Board-approved depreciation rates beginning the month
5 following the in-service date of the project in accordance with the accounting policies of Enbridge
6 Gas in 2019. Incremental property taxes associated with the project facilities has been included in
7 the incremental revenue requirement.

8
9 Incremental income taxes as a result of the projects are calculated using the current tax rate.
10 Income taxes include taxes on the equity and preference share return on rate base as well as the
11 utility timing differences associated with the difference between utility income and taxable
12 income. Income taxes are grossed up to account for the impact the additional revenue will have on
13 income tax expense.

14
15 The revenue requirement for the 2019 ICM eligible projects has not been offset by incremental
16 revenue as a result of customer growth associated with the projects. The projects are required to
17 meet the increasing demands for natural gas in the area covered by the project. The revenue
18 impact of the growth of the projects has been captured in the growth factor of the ICM Materiality
19 Threshold value.

The total revenue requirement for each year of the deferred rebasing period is provided in Table 11.

Table 11
Total Incremental Revenue Requirement by Rate Zone

| Line No. | Particulars (\$000's) | 2019 | 2020 | 2021 | 2022 | 2023 |
|----------|---------------------------------------|---------|--------|--------|--------|--------|
| | | (a) | (b) | (c) | (d) | (e) |
| | <u>EGD Rate Zone</u> | | | | | |
| 1 | Don River Replacement | (370) | 1,137 | 1,227 | 1,218 | 1,207 |
| | <u>Union North Rate Zone</u> | | | | | |
| 2 | Sudbury Replacement | 9,762 | 9,633 | 9,499 | 9,358 | 9,212 |
| | <u>Union South Rate Zone</u> | | | | | |
| 3 | Kingsville Reinforcement | (2,095) | 10,187 | 10,517 | 10,600 | 10,650 |
| 4 | Stratford Reinforcement | (766) | 2,146 | 2,221 | 2,249 | 2,267 |
| 5 | Total Union South Rate Zone | (2,861) | 12,333 | 12,738 | 12,849 | 12,917 |
| 6 | Total Incremental Revenue Requirement | 6,531 | 23,103 | 23,464 | 23,425 | 23,336 |

The Don River Replacement, Kingsville and Stratford Reinforcement projects have a 2020 in-service capital forecast of approximately \$1.1 million, \$3.2 million and \$0.6 million respectively that have been included in the calculation of the incremental revenue requirement for the deferred rebasing period. Enbridge Gas proposes to reduce the maximum eligible incremental capital in 2020 by the actual in-service amounts in that year related to the 2019 ICM approved projects. The detailed incremental revenue requirement detailed for each of the 2019 ICM projects for the deferred rebasing period is filed as Appendix E.

1
2 In the first calendar year of a project's in-service date, the revenue requirement may be a credit
3 balance due to utility timing differences associated with the difference between utility income and
4 taxable income. To reduce volatility in the impact to customers resulting from credit balances in
5 the revenue requirement, Enbridge Gas proposes to net the credit balance in the in-service year
6 with the balance in the second year and defer the ICM refund until the second year of the project.
7 This proposal ensures the credit balance of the first year accrues to the benefit of customers, while
8 maintaining stable predictable rate impacts during the deferred rebasing term. As shown in Table
9 11, column (a), the Don River Replacement, Kingsville and Stratford Reinforcement projects
10 have credit balances in 2019 which will be netted with the balances in 2020 for recovery in the
11 2020 Rates application. Accordingly, Enbridge Gas is only seeking recovery of the Sudbury
12 Replacement project revenue requirement in 2019.
13

14 **5. COST ALLOCATION**

15 Enbridge Gas is proposing to allocate the ICM Project revenue requirement to rate classes based
16 on the most recently approved cost allocation methodology updated for the current year forecast.
17

18 For the Sudbury Replacement project in the Union North rate zone, Enbridge Gas proposes to
19 allocate the associated revenue requirement to Union North rate classes based on a peak and
20 average demand factor. This proposed cost allocation methodology is consistent with the
21 allocation of Union North joint-use distribution mains costs approved by the Board in Union's

1 2013 approved cost allocation study (EB-2011-0210). The assets installed with the Sudbury
2 Replacement project are categorized as joint-use distribution mains because they are used to
3 provide service from the TransCanada interconnect location to the Sudbury-Espanola distribution
4 system and do not exclusively serve a single identifiable customer. The allocation of joint-use
5 distribution mains costs to Union North in-franchise rate classes is determined by taking a 50
6 percent weighting of a rate class' peak or maximum day demand requirements and a 50 percent
7 weighting of a rate class' annual volume requirements.

8
9 As described in Section 4, Enbridge Gas proposes to recover the 2019 revenue requirement credit
10 balance associated with the Don River Replacement project in the EGD rate zone, and Kingsville
11 and Stratford Reinforcement projects in the Union South rate zone in 2020.

12
13 Enbridge Gas proposes to allocate the associated 2020 net revenue requirements with respect to
14 the Don River Replacement project among different rate classes in EGD rate zone according to
15 the most recent Board approved cost allocation methodology (EB-2017-0086) for the extra high
16 pressure mains greater than 4 inch diameter. The allocator can be found at EB-2017-0086,
17 Exhibit G2, Tab 6, Schedule 3, Page 2, Item 2.1 (Delivery Demand TP > 4 inch allocator).

18
19 Enbridge Gas proposes to allocate the associated 2020 net revenue requirement with respect to the
20 Kingsville and Stratford Replacement projects to Union South rate classes in proportion to the
21 forecast Union South in-franchise design day demands. This proposed cost allocation

1 methodology is consistent with the allocation of Other Transmission Demand costs approved by
2 the Board in Union's 2013 approved cost allocation study. The assets installed with the Kingsville
3 and Stratford Reinforcement projects will be categorized as Other Transmission assets. The
4 allocation of Other Transmission costs recognizes other transmission lines are designed to meet
5 Union South in-franchise demands on design day. The current Board-approved methodology for
6 allocating Other Transmission costs was most recently approved by the Board in EB-2014-0182
7 (Union's Burlington Oakville Pipeline Project).

8
9 Enbridge Gas proposes to update the 2020-2023 cost allocation factors for the 2019 ICM Projects
10 as part of each of the respective annual rate proceedings to reflect the most current forecast
11 allocation.

12
13 The 2019 cost allocation factors for each of the ICM projects and the allocation of project revenue
14 requirement to the rate classes related to the Sudbury Replacement project is filed as Appendix F.

1 **6. ICM UNIT RATES**

2 Enbridge Gas is seeking approval of ICM unit rates for 2019 to recover the 2019 revenue
3 requirement of the Sudbury Replacement project as part of this proceeding. To calculate the ICM
4 unit rates for 2019, Enbridge Gas used the allocated 2019 revenue requirement and the forecast
5 2019 billing units for each respective rate class. Enbridge Gas proposes to embed the ICM unit
6 rates in the delivery and transportation charges on the applicable rate schedule and customer bill.
7 The derivation of the ICM unit rates to be included in 2019 rates is filed as Appendix G.

8
9 To reduce recovery variances over the deferred rebasing term, Enbridge Gas proposes to calculate
10 the 2020-2023 ICM unit rates for the 2019 ICM Projects as part of each of the respective annual
11 rate proceedings based on the annual revenue requirements provided in Table 11 and updated
12 annual forecast billing units. Any variance from the revenue requirement amounts collected
13 through the ICM rate riders and the actual revenue requirement incurred, will be tracked through
14 the respective deferral account, as described in Exhibit B1, Tab 1, Schedule 1, Section 2.

1 **7. ICM BILL IMPACTS**

2 The bill impact associated with the ICM funding request for a typical Rate 01 residential customer
3 consuming 2,200 m³ annually in the Union North rate zone is an increase of \$8.80 in 2019.

4
5 There is no bill impact in 2019 associated with the ICM funding request for a typical Rate 1
6 residential customer in the EGD rate zone as Enbridge Gas has proposed to include the credit
7 balance of the 2019 revenue requirement for the Don River Replacement project with the 2020
8 revenue requirement.

9
10 There is no bill impact in 2019 associated with the ICM funding request for a typical Rate M1
11 residential customer in the Union South rate zone as Enbridge Gas has proposed to include the
12 credit balances of the 2019 revenue requirement for the Kingsville and Stratford Reinforcement
13 projects with the 2020 revenue requirement.

14
15 The ICM bill impacts by rate class are filed as Appendix H. The bill impacts do not reflect other
16 proposed changes, effective January 1, 2019, as provided at Exhibit B1, Tab 1, Schedule 1,
17 Section 8.

Table A

General Plant Capital Expenditures by category (2014-2023) – EGD Rate Zone (\$ Millions)

| Line No. | Category | 2014 Actual | 2015 Actual | 2016 Actual | 2017 Actual | 2018 Forecast | 2019 Budget | 2020 Budget | 2021 Budget | 2022 Budget | 2023 Budget |
|----------|--------------------------------------|-------------|-------------|-------------|-------------|---------------|-------------|-------------|-------------|-------------|-------------|
| 1 | Equipment & Materials | 0.4 | 1.3 | - | 2.4 | 0.5 | 0.5 | 0.5 | 0.5 | 0.5 | 0.5 |
| 2 | Furniture/Structures & Improvements | 9.4 | 30.3 | 22.1 | 9.4 | 5.1 | 5.8 | 19.7 | 30.9 | 22.3 | 10.5 |
| 3 | IT Implementation | 20.0 | 20.8 | 18.6 | 27.7 | 31.1 | 39.9 | 22.5 | 21.5 | 24.4 | 22.1 |
| 4 | Land - Storage | 1.3 | - | - | - | - | - | - | - | - | - |
| 5 | Leasehold Improvements | 0.8 | - | - | - | 1.8 | - | - | - | - | - |
| 6 | Structures and Improvement - Storage | 0.3 | 0.5 | 3.9 | - | - | - | - | - | - | - |
| 7 | Tools | 11.6 | 3.3 | 0.7 | - | 0.8 | 0.8 | 0.8 | 0.8 | 1.0 | 1.0 |
| 8 | Vehicles | 5.8 | 8.1 | 1.7 | 6.6 | 3.7 | 5.5 | 5.3 | 5.5 | 5.1 | 5.3 |
| 9 | WAMS | 19.3 | 27.5 | 35.7 | 2.0 | - | - | - | - | - | - |
| 10 | General Plant - EGD Rate Zone | 69.0 | 91.9 | 82.6 | 48.1 | 42.9 | 52.4 | 48.8 | 59.2 | 53.3 | 39.4 |

Table B

General Plant Capital Expenditures by category (2014-2023) – Union Rate Zones (\$ Millions)

| Line No. | Category | 2014 Actual | 2015 Actual | 2016 Actual | 2017 Actual | 2018 Forecast | 2019 Budget | 2020 Budget | 2021 Budget | 2022 Budget | 2023 Budget |
|----------|---|-------------|-------------|-------------|-------------|---------------|-------------|-------------|-------------|-------------|-------------|
| 1 | Tools | 3.5 | 2.7 | 2.4 | 2.7 | 2.0 | 1.9 | 1.7 | 1.7 | 1.7 | 1.7 |
| 2 | LNG Capital Maintenance | - | - | 0.1 | 0.2 | - | - | - | - | - | - |
| 3 | Measurement Electronics Upgrades | - | - | - | 0.1 | 0.3 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 |
| 4 | Compressor and Dehy Capital Maintenance | 0.1 | - | - | - | - | - | 0.1 | - | - | - |
| 5 | Fleet | 9.1 | 4.2 | 3.1 | 6.2 | 7.0 | 10.0 | 12.0 | 12.0 | 8.0 | 8.0 |
| 6 | Land Rights | 0.4 | 0.3 | 0.2 | 0.3 | 0.1 | 0.1 | | | | |
| 7 | Service Facilities | 14.5 | 14.9 | 8.7 | 9.1 | 11.1 | 15.0 | 15.0 | 15.0 | 15.0 | 15.0 |
| 8 | Other - Indirect Materials | 0.5 | (0.8) | 0.2 | 0.3 | - | 0.3 | - | - | - | - |
| 9 | Service Facilities - Dawn | - | 4.1 | 6.1 | 1.5 | - | - | - | - | - | - |
| 10 | IT Implementation | 28.5 | 26.0 | 23.9 | 22.4 | 27.3 | 27.8 | 31.3 | 37.1 | 36.7 | 38.7 |
| 11 | General Plant - Union Rate Zones | 56.5 | 51.4 | 44.8 | 42.8 | 47.8 | 55.2 | 60.1 | 65.8 | 61.4 | 63.5 |

Table C

System Access Capital Expenditures by category (2014-2023) – EGD Rate Zone (\$ Millions)

| Line No. | Category | 2014 Actual | 2015 Actual | 2016 Actual | 2017 Actual | 2018 Forecast | 2019 Budget | 2020 Budget | 2021 Budget | 2022 Budget | 2023 Budget |
|----------|--|--------------|--------------|--------------|--------------|---------------|--------------|--------------|--------------|--------------|--------------|
| 1 | Commercial | 19.5 | 20.3 | 26.0 | 19.5 | 24.9 | 22.9 | 23.8 | 24.3 | 24.0 | 24.0 |
| 2 | Industrial | 0.2 | (0.1) | 3.7 | 3.9 | 0.1 | 3.8 | 3.9 | 4.0 | 3.9 | 3.9 |
| 3 | Meters - Capital Purchase Program (Growth) | 5.7 | 7.5 | 3.4 | 6.7 | 7.2 | 6.3 | 6.9 | 6.4 | 7.1 | 7.5 |
| 4 | NGV | 0.7 | 1.5 | 6.4 | 2.1 | 4.2 | 4.7 | 6.9 | 5.5 | 4.0 | 3.9 |
| 5 | Rebillable Relocations | 2.7 | 1.2 | 9.8 | 3.5 | 10.2 | 1.5 | 3.0 | 7.7 | 7.7 | 7.7 |
| 6 | Residential | 85.6 | 71.6 | 66.2 | 70.8 | 72.0 | 72.1 | 74.8 | 76.4 | 75.6 | 75.5 |
| 7 | Sales Stations - New | (1.5) | 3.2 | 2.8 | 2.8 | - | - | - | - | - | - |
| 8 | System Access - EGD Rate Zone | 112.8 | 105.2 | 118.3 | 109.3 | 118.5 | 111.3 | 119.4 | 124.3 | 122.4 | 122.5 |

Table D

System Access Capital Expenditures by category (2014-2023) – Union Rate Zones (\$ Millions)

| Line No. | Category | 2014 Actual | 2015 Actual | 2016 Actual | 2017 Actual | 2018 Forecast | 2019 Budget | 2020 Budget | 2021 Budget | 2022 Budget | 2023 Budget |
|----------|---|-------------|--------------|--------------|-------------|---------------|--------------|-------------|-------------|-------------|-------------|
| 1 | CNG | - | - | - | - | 5.7 | 1.0 | 2.3 | 1.9 | 1.9 | - |
| 2 | General Customer Growth | 64.3 | 75.7 | 85.4 | 70.0 | 80.5 | 85.1 | 70.0 | 65.7 | 67.0 | 73.3 |
| 3 | Municipal Replacement | 19.6 | 32.1 | 20.2 | 26.2 | 14.5 | 21.8 | 24.0 | 24.0 | 24.0 | 24.0 |
| 4 | System Access - Union Rate Zones | 83.9 | 107.8 | 105.6 | 96.2 | 100.8 | 107.9 | 96.3 | 91.5 | 92.9 | 97.3 |

Table E

System Renewal Capital Expenditures by category (2014-2023) – EGD Rate Zone (\$ Millions)

| Line No. | Category | 2014 Actual | 2015 Actual | 2016 Actual | 2017 Actual | 2018 Forecast | 2019 Budget | 2020 Budget | 2021 Budget | 2022 Budget | 2023 Budget |
|----------|---|-------------|--------------|--------------|--------------|---------------|--------------|--------------|--------------|--------------|--------------|
| 1 | Compressor Equipment - Storage | 4.5 | 4.7 | 5.6 | 9.7 | 5.9 | 13.1 | 38.7 | 27.8 | 10.5 | 11.0 |
| 2 | Corrosion Prevention | 0.5 | 1.3 | 0.5 | 1.3 | 1.5 | 1.2 | 1.2 | 1.2 | 1.3 | 1.3 |
| 3 | Field Lines - Storage | 0.1 | 0.7 | 1.5 | 0.5 | 0.8 | 2.1 | 1.3 | 0.5 | 1.0 | 1.5 |
| 4 | Gate & Feeder Stations | 7.4 | 10.8 | 7.6 | 5.2 | 10.7 | 9.1 | 14.6 | 9.3 | 13.1 | 10.3 |
| 5 | Inside Regulator Program | 0.1 | 6.4 | 6.6 | 3.1 | 0.5 | 0.5 | 0.5 | 0.5 | 0.5 | 0.5 |
| 6 | Integrity Digs | 9.1 | 3.9 | 2.2 | 1.9 | 2.3 | - | - | - | - | - |
| 7 | Integrity Retrofit | 0.4 | 0.1 | 5.1 | 0.9 | - | 3.9 | - | - | - | - |
| 8 | Main Replacement | 26.5 | 12.8 | 18.9 | 16.1 | 20.8 | 48.1 | 28.5 | 28.9 | 82.1 | 38.3 |
| 9 | Measurement and Regulating Equipment - Storage | 0.5 | - | - | - | - | - | - | - | 0.7 | 0.2 |
| 10 | Meters - Capital Purchase Program (Maintenance) | 13.3 | 17.4 | 7.9 | 15.7 | 16.7 | 14.6 | 16.1 | 15.0 | 16.6 | 17.5 |
| 11 | Non-Rebillable Relocations | - | - | - | - | 0.7 | 1.5 | 37.0 | 2.9 | 2.0 | 2.0 |
| 12 | Regulator Refit | 15.2 | 17.9 | 17.5 | 12.3 | 16.3 | 17.3 | 17.7 | 17.9 | 18.3 | 18.6 |
| 13 | Remediation - Customer Assets | - | - | - | 1.0 | 1.2 | 2.9 | 2.9 | 1.0 | 0.7 | 0.7 |
| 14 | Service Relay | 10.9 | 12.8 | 20.7 | 21.6 | 18.0 | 22.1 | 24.8 | 28.0 | 31.5 | 34.0 |
| 15 | Station Rebuilds | 4.8 | 8.1 | 11.9 | 9.9 | 8.3 | 8.7 | 10.8 | 10.1 | 11.2 | 10.7 |
| 16 | Wells and Well Equipment - Storage | 3.3 | 5.8 | 3.1 | 3.0 | 8.3 | 7.2 | 4.0 | 3.3 | 2.1 | 1.2 |
| 17 | System Renewal - EGD Rate Zone | 96.5 | 102.7 | 109.1 | 102.2 | 112.0 | 152.3 | 198.1 | 146.4 | 191.5 | 147.7 |

Table F

System Renewal Capital Expenditures by category (2014-2023) – Union Rate Zones (\$ Millions)

| Line No. | Category | 2014 Actual | 2015 Actual | 2016 Actual | 2017 Actual | 2018 Forecast | 2019 Budget | 2020 Budget | 2021 Budget | 2022 Budget | 2023 Budget |
|----------|--|-------------|-------------|-------------|-------------|---------------|-------------|--------------|--------------|--------------|--------------|
| 1 | Bare and Unprotected steel | - | - | - | - | - | 9.1 | 9.2 | 10.7 | 12.9 | 9.1 |
| 2 | Cathodic Protection | 5.3 | 5.5 | 6.2 | 7.2 | 6.2 | 8.1 | 7.1 | 10.0 | 10.0 | 6.7 |
| 3 | Compression Equipment | 2.9 | 3.2 | 0.9 | 0.9 | - | 1.1 | 2.3 | 19.6 | 0.5 | 102.7 |
| 4 | Compressor Overhauls | 2.2 | 0.4 | 4.7 | 0.6 | - | - | 1.9 | - | 0.4 | 8.9 |
| 5 | Excess Flow Valves | - | - | - | 0.2 | - | - | - | - | - | - |
| 6 | General Mains | 3.5 | 2.3 | 3.9 | 4.9 | 31.8 | 4.9 | 3.4 | 3.4 | 3.4 | 3.4 |
| 7 | Integrity Management Program | 12.4 | 12.3 | 11.7 | 20.0 | 22.8 | 24.1 | 14.1 | 13.9 | 12.9 | 12.4 |
| 8 | Leakage | 0.1 | - | - | - | - | 2.2 | 4.3 | 4.3 | 4.3 | 4.3 |
| 9 | LNG Capital Maintenance | 2.1 | 0.2 | 1.0 | 1.9 | 0.1 | - | - | - | 6.2 | - |
| 10 | Measurement Electronics Upgrades | 1.4 | 1.5 | 1.6 | 2.0 | 0.1 | 1.4 | 3.2 | 3.3 | 2.7 | 2.2 |
| 11 | Measurement Upgrade | 6.2 | 0.3 | - | - | - | - | - | - | - | - |
| 12 | Meter Exchange Program | 25.8 | 29.2 | 30.8 | 29.4 | 31.3 | 34.8 | 30.2 | 30.6 | 30.8 | 31.8 |
| 13 | Replacement of Vaulted Stations | 0.1 | - | - | - | - | - | 1.6 | 3.5 | 1.6 | 1.5 |
| 14 | Service Replacement | 2.8 | 4.0 | 4.7 | 4.6 | 4.5 | 4.3 | 4.4 | 4.5 | 4.6 | 4.7 |
| 15 | Station Painting | 0.3 | 0.4 | - | 0.2 | 2.2 | 2.2 | 2.7 | 2.7 | 2.7 | 2.7 |
| 16 | Stations Capital Maintenance | 11.1 | 7.5 | 4.5 | 10.9 | 8.4 | 3.0 | 20.6 | 17.1 | 12.6 | 13.1 |
| 17 | Storage Integrity | 0.5 | 1.1 | 1.1 | 0.8 | - | - | - | - | - | - |
| 18 | Vintage Pipeline Replacement | - | - | - | - | - | - | 86.6 | 113.0 | 3.0 | - |
| 19 | General Pipeline Maintenance | 7.1 | 5.1 | 5.2 | 3.8 | - | 2.3 | 11.3 | 8.7 | 6.9 | 5.6 |
| 20 | General Pipeline Maintenance – Dawn | - | - | - | 0.1 | - | - | - | - | - | - |
| 21 | System Renewal - Union Rate Zones | 83.8 | 73.0 | 76.3 | 87.6 | 107.5 | 97.5 | 202.7 | 245.1 | 115.4 | 209.2 |

Table G

System Service Capital Expenditures by category (2014-2023) – EGD Rate Zone (\$ Millions)

| Line No. | Category | 2014 Actual | 2015 Actual | 2016 Actual | 2017 Actual | 2018 Forecast | 2019 Budget | 2020 Budget | 2021 Budget | 2022 Budget | 2023 Budget |
|----------|---------------------------------------|--------------|--------------|--------------|-------------|---------------|-------------|-------------|-------------|-------------|-------------|
| 1 | Carbon Capture | - | - | - | - | - | - | - | - | - | - |
| 2 | Integrity Initiatives | 3.2 | 8.8 | 1.8 | 4.7 | 3.8 | 3.1 | 3.9 | 3.3 | 3.6 | 2.7 |
| 3 | MOP | 0.9 | 1.0 | 0.8 | 1.4 | 1.8 | - | - | - | - | - |
| 4 | Records Integrity | 3.1 | 1.9 | 1.8 | 4.6 | 4.4 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 |
| 5 | System Reinforcement | 10.8 | 6.8 | 7.9 | 4.7 | 7.7 | 20.3 | 13.2 | 5.2 | 4.9 | 11.6 |
| 6 | GTA | 172.4 | 551.1 | 114.8 | 4.8 | 0.2 | - | - | - | - | - |
| 7 | System Service - EGD Rate Zone | 190.5 | 569.6 | 127.1 | 20.2 | 17.9 | 23.5 | 17.1 | 8.5 | 8.5 | 14.3 |

Table H

System Service Capital Expenditures by category (2014-2023) – Union Rate Zones (\$ Millions)

| Line No. | Category | 2014 Actual | 2015 Actual | 2016 Actual | 2017 Actual | 2018 Forecast | 2019 Budget | 2020 Budget | 2021 Budget | 2022 Budget | 2023 Budget |
|----------|--|--------------|--------------|--------------|--------------|---------------|--------------|--------------|-------------|-------------|-------------|
| 1 | Excess Flow Valves | 4.3 | 3.8 | 1.3 | 0.7 | - | - | - | - | - | - |
| 2 | General Mains | 0.1 | 0.1 | 0.1 | - | - | - | - | - | - | - |
| 3 | LNG Capital Maintenance | 0.1 | - | - | 0.1 | - | - | - | - | - | - |
| 4 | Measurement Electronics Upgrades | - | - | - | - | - | - | - | - | - | - |
| 5 | Measurement Upgrade | 0.1 | - | 0.1 | - | - | - | - | - | - | - |
| 6 | Storage Integrity | - | 0.6 | 1.7 | 2.5 | - | 0.3 | 0.3 | 0.3 | 0.3 | 0.3 |
| 7 | Class Location | 16.5 | 14.4 | 26.7 | 27.2 | 20.0 | 20.4 | 20.0 | 20.0 | 15.0 | 15.0 |
| 8 | Compressor and Dehy Capital Maintenance | 0.1 | - | - | - | - | 0.8 | 0.2 | 0.4 | - | - |
| 9 | Depth of Cover <30% SMYS | - | 0.1 | - | - | - | - | 0.6 | 0.1 | 0.5 | - |
| 10 | Depth of Cover >30% SMYS | - | - | - | - | - | - | - | - | - | - |
| 11 | Distribution Reinforcement | 5.6 | 5.9 | 16.1 | 9.3 | 99.0 | 36.1 | 61.8 | 19.1 | 52.3 | 52.6 |
| 12 | Emissions Action Plan | - | 0.6 | 2.3 | 4.1 | - | 0.2 | 0.2 | 0.2 | 0.1 | 0.1 |
| 13 | In Franchise Growth | 0.5 | (0.1) | - | - | - | - | - | - | - | - |
| 14 | MOP Verification | - | - | - | - | - | - | - | - | - | 5.0 |
| 15 | Odourant Upgrades | 1.1 | 0.8 | 0.8 | 0.7 | 0.6 | 1.0 | 1.4 | 1.0 | 1.0 | 1.0 |
| 16 | Station Reinforcement | 3.1 | 1.0 | 0.7 | - | 0.1 | 1.4 | 3.9 | 3.8 | 1.4 | 4.6 |
| 17 | Storage Improvements | - | - | 0.6 | 1.1 | 1.6 | 0.4 | 1.9 | 1.2 | 1.2 | 1.3 |
| 18 | System Growth | 157.5 | 364.0 | 683.5 | 366.4 | 44.8 | 120.6 | 66.2 | 1.3 | - | - |
| 19 | Transmission Reinforcement | 0.8 | 0.1 | 0.4 | - | 49.3 | 3.4 | - | - | 0.6 | 9.7 |
| 20 | General Safety | 0.4 | 0.1 | - | - | - | 0.1 | 0.3 | 0.1 | 0.1 | 0.1 |
| 21 | Integrated Resource Planning | - | - | - | 0.1 | - | - | - | - | - | - |
| 22 | System Service - Union Rate Zones | 190.4 | 391.5 | 734.3 | 412.2 | 215.3 | 184.6 | 156.8 | 47.5 | 72.3 | 89.6 |

EGD RATE ZONE
Calculation of 2017 and 2018 Revenue at 2018 Approved Rates

| Line No. | Particulars | Billing Units (a) | Rates (cents / m ³) (b) | 2017 | | 2018 | |
|----------|--------------------------------|--------------------------------|---|---------------------|--------------------------|-----------------------|--------------------------|
| | | | | Actual Usage (c) | Revenue (\$000's) (d) | Approved Usage (e) | Revenue (\$000's) (f) |
| | | | | | | | |
| | <u>Rate 1 General Service</u> | | | | | | |
| 1 | Customer Charge | bills | \$ 20.00 | 23,880,384 | 477,608 | 24,180,918 | 483,618 |
| 2 | Delivery Charge | | 6.7333 | 4,692,453 | 315,955 | 4,751,509 | 319,931 |
| 3 | Load Balancing | 10 ³ m ³ | 0.3411 | 4,739,187 | 16,165 | 4,750,232 | 16,203 |
| 4 | Transportation | 10 ³ m ³ | 0.0235 | 4,642,794 | 1,091 | 4,634,556 | 1,089 |
| 5 | Transportation Dawn | 10 ³ m ³ | 0.0078 | 6,350 | 0 | 82,881 | 6 |
| 6 | Gas Supply Commodity - System | 10 ³ m ³ | 0.0780 | 4,526,670 | 3,531 | 4,583,611 | 3,575 |
| 7 | Total Rate 1 | | | | <u>814,350</u> | | <u>824,423</u> |
| | <u>Rate 6 General Service</u> | | | | | | |
| 8 | Monthly Charge | bills | \$ 70.00 | 1,994,688 | 139,628 | 2,010,770 | 140,754 |
| 9 | Delivery Charge | | 3.7157 | 4,763,339 | 176,989 | 4,801,738 | 178,416 |
| 10 | Load Balancing | 10 ³ m ³ | 0.3202 | 4,700,649 | 15,051 | 4,829,758 | 15,465 |
| 11 | Transportation | 10 ³ m ³ | 0.0235 | 3,728,115 | 876 | 3,620,680 | 851 |
| 12 | Transportation Dawn | 10 ³ m ³ | 0.0078 | 120,041 | 9 | 895,132 | 70 |
| 13 | Gas Supply Commodity - System | 10 ³ m ³ | 0.0993 | 2,758,937 | 2,740 | 3,121,315 | 3,099 |
| 14 | Total Rate 6 | | | | <u>335,294</u> | | <u>338,655</u> |
| | <u>Rate 9 Contract Service</u> | | | | | | |
| 15 | Monthly Charge | bills | \$ 235.95 | - | - | - | - |
| | Delivery Charge | | | | | | |
| 16 | First 20,000 m ³ | 10 ³ m ³ | 11.2489 | - | - | - | - |
| 17 | Over 20,000 m ³ | 10 ³ m ³ | 10.5292 | - | - | - | - |
| 18 | Load Balancing | 10 ³ m ³ | 0.0196 | - | - | - | - |
| 19 | Transportation | 10 ³ m ³ | 0.0235 | - | - | - | - |
| 20 | Transportation Dawn | 10 ³ m ³ | 0.0078 | | | | |
| 21 | Gas Supply Commodity - System | 10 ³ m ³ | 0.0431 | - | - | - | - |
| 22 | Total Rate 9 | | | | <u>-</u> | | <u>-</u> |

EGD RATE ZONE
Calculation of 2017 and 2018 Revenue at 2018 Approved Rates

| Line No. | Particulars | Billing Units (a) | Rates (cents / m³) (b) | 2017 | | 2018 | |
|----------|----------------------------------|----------------------|------------------------------|---------------------|--------------------------|-----------------------|--------------------------|
| | | | | Actual Usage (c) | Revenue (\$000's) (d) | Approved Usage (e) | Revenue (\$000's) (f) |
| | | | | | | | |
| | <u>Rate 100 Contract Service</u> | | | | | | |
| 1 | Monthly Charge | bills | \$ 122.01 | 36 | 4 | - | - |
| 2 | Contract Demand | 10³ m³ | 36.00 | 403 | 145 | - | - |
| 3 | Load Balancing | 10³ m³ | 0.3202 | 1,184 | 4 | - | - |
| 4 | Transportation | 10³ m³ | 0.0236 | 1,135 | 0 | - | - |
| 5 | Transportation Dawn | 10³ m³ | 0.0078 | - | - | - | - |
| 6 | Gas Supply Commodity - System | 10³ m³ | 0.0993 | 925 | 1 | - | - |
| 7 | Total Rate 100 | | | | <u>155</u> | | <u>-</u> |
| | <u>Rate 110 Contract Service</u> | | | | | | |
| 8 | Monthly Charge | bills | \$ 587.37 | 3156 | 1,854 | 3,180 | 1,868 |
| 9 | Contract Demand | 10³ m³ | 22.91 | 49,690 | 11,384 | 48,218 | 11,047 |
| | Delivery Charge | | - | | | | |
| 10 | First 1,000,000 m³ | 10³ m³ | 0.5671 | 636,539 | 3,610 | 639,885 | 3,629 |
| 11 | Over 1,000,000 m³ | 10³ m³ | 0.4171 | 161,628 | 674 | 149,151 | 622 |
| 12 | Load Balancing | 10³ m³ | 0.0713 | 798,167 | 569 | 789,036 | 563 |
| 13 | Transportation | 10³ m³ | 0.0235 | 332,540 | 78 | 216,486 | 51 |
| 14 | Transportation Dawn | 10³ m³ | 0.0078 | 61,070 | 5 | 474,890 | 37 |
| 15 | Gas Supply Commodity - System | 10³ m³ | 0.0433 | 53,769 | 23 | 56,322 | 24 |
| 16 | Total Rate 110 | | | | <u>18,197</u> | | <u>17,840</u> |
| | <u>Rate 115 Contract Service</u> | | | | | | |
| 17 | Monthly Charge | bills | \$ 622.62 | 324 | 202 | 324 | 202 |
| 18 | Contract Demand | 10³ m³ | 24.36 | 19,026 | 4,635 | 20,166 | 4,912 |
| | Delivery Charge | | | | | | |
| 19 | First 1,000,000 m³ | 10³ m³ | 0.2227 | 172,248 | 384 | 170,833 | 380 |
| 20 | Over 1,000,000 m³ | 10³ m³ | 0.1228 | 336,395 | 413 | 371,998 | 457 |
| 21 | Load Balancing | 10³ m³ | 0.0253 | 508,643 | 129 | 542,831 | 137 |
| 22 | Transportation | 10³ m³ | 0.0236 | 52,097 | 12 | 11,292 | 3 |
| 23 | Transportation Dawn | 10³ m³ | 0.0078 | 33,170 | 3 | 362,012 | 28 |
| 24 | Gas Supply Commodity - System | 10³ m³ | 0.0433 | 95 | 0 | - | - |
| 25 | Total Rate 115 | | | | <u>5,777</u> | | <u>6,120</u> |
| | <u>Rate 125 Contract Service</u> | | | | | | |
| 26 | Monthly Charge | bills | \$ 500.00 | 48 | 24 | 48 | 24 |
| 27 | Contract Demand | 10³ m³ | 10.0427 | 113,305 | 11,379 | 111,124 | 11,160 |
| 28 | Total Rate 125 | | | | <u>11,403</u> | | <u>11,184</u> |

EGD RATE ZONE
Calculation of 2017 and 2018 Revenue at 2018 Approved Rates

| Line No. | Particulars | Billing Units (a) | Rates (cents / m³) (b) | 2017 | | 2018 | |
|----------|----------------------------------|----------------------|------------------------------|---------------------|--------------------------|-----------------------|--------------------------|
| | | | | Actual Usage (c) | Revenue (\$000's) (d) | Approved Usage (e) | Revenue (\$000's) (f) |
| | | | | | | | |
| | <u>Rate 135 Contract Service</u> | | | | | | |
| | Winter (December to March) | | | | | | |
| 1 | Monthly Charge | bills | \$ 115.08 | 180 | 21 | 172 | 19.79 |
| | Delivery Charge | | | | | | |
| 2 | First 14,000 m³ | 10³ m³ | 7.0437 | 715 | 50 | 664 | 46.79 |
| 3 | Next 28,000 m³ | 10³ m³ | 5.8445 | 1,236 | 72 | 1,026 | 59.98 |
| 4 | Over 42,000 m³ | 10³ m³ | 5.4446 | 5,061 | 276 | 2,010 | 109.44 |
| | <u>Rate 135 Contract Service</u> | | | | | | |
| | Summer (April to November) | | | | | | |
| | Monthly Charge | bills | \$ 115.08 | 360 | 41 | 344 | 40 |
| | Delivery Charge | | | | | | |
| 5 | First 14,000 m³ | 10³ m³ | 2.3073 | 4,564 | 105 | 4,514 | 104.15 |
| 6 | Next 28,000 m³ | 10³ m³ | 1.6073 | 8,419 | 135 | 8,724 | 140.23 |
| 7 | Over 42,000 m³ | 10³ m³ | 1.4074 | 45,994 | 647 | 47,562 | 669.39 |
| 8 | Load Balancing | 10³ m³ | - | 65,989 | - | 64,501 | - |
| 9 | Transportation | 10³ m³ | 0.0235 | 40,972 | 10 | 18,862 | 4.43 |
| 10 | Transportation Dawn | 10³ m³ | 0.0078 | 474 | 0 | 39,641 | 3.09 |
| 11 | Gas Supply Commodity - System | 10³ m³ | 0.0503 | 2,918 | 1 | 4,473 | 2.25 |
| 12 | Total Rate 135 | | | | 1,359 | | 1,199 |
| | <u>Rate 145 Contract Service</u> | | | | | | |
| 13 | Monthly Charge | bills | \$ 123.34 | 444 | 55 | 432 | 53 |
| 14 | Contract Demand | 10³ m³ | 8.23 | 9,846 | 810 | 9,242 | 761 |
| | Delivery Charge | | | | | | |
| 15 | First 14,000 m³ | 10³ m³ | 2.6095 | 4,853 | 127 | 5,143 | 134 |
| 16 | Next 28,000 m³ | 10³ m³ | 1.2507 | 8,413 | 105 | 9,200 | 115 |
| 17 | Over 42,000 m³ | 10³ m³ | 0.6916 | 32,839 | 227 | 35,793 | 248 |
| 18 | Load Balancing | 10³ m³ | 0.1599 | 46,105 | 74 | 50,136 | 80 |
| 19 | Transportation | 10³ m³ | 0.0236 | 12,854 | 3 | 10,692 | 3 |
| 20 | Transportation Dawn | 10³ m³ | 0.0078 | 4,367 | 0 | 25,167 | 2 |
| 21 | Gas Supply Commodity - System | 10³ m³ | 0.0469 | 6,897 | 3 | 8,575 | 4 |
| 22 | Total Rate 145 | | | | 1,404 | | 1,399 |

EGD RATE ZONE
Calculation of 2017 and 2018 Revenue at 2018 Approved Rates

| Line No. | Particulars | Billing Units | Rates (cents / m ³) | 2017 | | 2018 | |
|----------|--|--------------------------------|------------------------------------|--------------|-------------------|----------------|-------------------|
| | | | | Actual Usage | Revenue (\$000's) | Approved Usage | Revenue (\$000's) |
| | | | | (c) | (d) | (e) | (f) |
| | <u>Rate 170 Contract Service</u> | | | | | | |
| 1 | Monthly Charge | bills | \$ 279.31 | 312 | 87 | 300 | 84 |
| 2 | Contract Demand | 10 ³ m ³ | 4.0900 | 35,822 | 1,465 | 32,846 | 1,343 |
| | Delivery Charge | | | | | | |
| 3 | First 1,000,000 m ³ | 10 ³ m ³ | 0.2793 | 212,358 | 593 | 193,825 | 541 |
| 4 | Over 1,000,000 m ³ | 10 ³ m ³ | 0.0793 | 100,350 | 80 | 97,328 | 77 |
| 5 | Load Balancing | 10 ³ m ³ | 0.0699 | 312,709 | 219 | 291,152 | 204 |
| 6 | Transportation | 10 ³ m ³ | 0.0235 | 85,930 | 20 | 42,446 | 10 |
| 7 | Transportation Dawn | 10 ³ m ³ | 0.0078 | 11,000 | 1 | 171,438 | 13 |
| 8 | Gas Supply Commodity - System | 10 ³ m ³ | 0.0432 | 32,576 | 14 | 34,475 | 15 |
| 9 | Total Rate 170 | | | | <u>2,479</u> | | <u>2,287</u> |
| | <u>Rate 200 Contract Service</u> | | | | | | |
| 10 | Monthly Charge | bills | | 12 | - | 12 | - |
| 11 | Contract Demand | 10 ³ m ³ | 14.7000 | 14,957 | 2,199 | 14,801 | 2,176 |
| | Delivery Charge | | | | | | |
| 12 | Per cubic metre of gas delivered | 10 ³ m ³ | - 0.0208 | 173,932 | (36) | 169,764 | (35) |
| 13 | Load Balancing | 10 ³ m ³ | 0.3097 | 173,932 | 539 | 169,764 | 526 |
| 14 | Transportation | 10 ³ m ³ | 0.0235 | 167,854 | 39 | 129,627 | 30 |
| 15 | Transportation Dawn | 10 ³ m ³ | 0.0078 | - | - | 40,137 | 3 |
| 16 | Gas Supply Commodity - System | 10 ³ m ³ | 0.0432 | 133,678 | 58 | 129,627 | 56 |
| 17 | Gas Supply Commodity - Buy/Sell | 10 ³ m ³ | 0.0237 | - | - | - | - |
| 18 | Total Rate 200 | | | | <u>2,798</u> | | <u>2,756</u> |
| | <u>Rate 300 Contract Service</u> | | | | | | |
| 19 | Monthly Charge | bills | \$ 500.00 | 24 | 12 | 12 | 6 |
| 20 | Contract Demand | 10 ³ m ³ | 27.4365 | 187 | 51 | 187 | 51 |
| 21 | Total Rate 300 | | | | <u>63</u> | | <u>57</u> |
| | <u>Rate 332 Transportation Service</u> | | | | | | |
| 22 | Monthly Contract Demand | \$/GJ | 1.2075 | 1,200,000 | 17,388 | 1,200,000 | 17,388 |
| 23 | Total Rate 332 | | | | <u>17,388</u> | | <u>17,388</u> |
| | <u>Rate 325 Storage and Transmission</u> | | | | | | |
| 24 | Monthly Charge | bills | \$ 1.00 | 150 | 1,800 | 1 | 1,800 |
| 25 | Total Rate 325 | | | | <u>1,800</u> | | <u>1,800</u> |
| 26 | Grand Total | | | | <u>1,212,467</u> | | <u>1,225,109</u> |

UNION RATE ZONES
Calculation of 2013 and 2017 Revenue at 2013 Approved Rates

| Line No. | Particulars | Billing Units | Rates (cents / m ³) | 2013 | | 2017 | |
|----------|---------------------------------|-----------------------------------|------------------------------------|----------------|-------------------|--------------|-------------------|
| | | | | Approved Usage | Revenue (\$000's) | Actual Usage | Revenue (\$000's) |
| | | | | (c) | (d) | (e) | (f) |
| | <u>Rate 01</u> | | | | | | |
| 1 | Monthly Charge | bills | \$ 21.00 | 3,839,732 | 80,634 | 4,133,494 | 86,803 |
| 2 | Delivery Charge | 10 ³ m ³ | 8.9074 | 884,421 | 78,779 | 952,085 | 84,806 |
| 3 | Transportation | 10 ³ m ³ | 0.0117 | 884,421 | 103 | 952,085 | 111 |
| 4 | Storage | 10 ³ m ³ | 1.7032 | 884,421 | 15,063 | 952,085 | 16,216 |
| 5 | Total Rate 01 | | | | <u>174,580</u> | | <u>187,937</u> |
| | <u>Rate 10</u> | | | | | | |
| 6 | Monthly Charge | bills | \$ 70.00 | 24,629 | 1,724 | 26,304 | 1,841 |
| 7 | Delivery Charge | 10 ³ m ³ | 5.5035 | 322,887 | 17,770 | 344,846 | 18,979 |
| 8 | Transportation | 10 ³ m ³ | 0.0048 | 322,887 | 15 | 344,846 | 16 |
| 9 | Storage | 10 ³ m ³ | 1.2478 | 322,887 | 4,029 | 344,846 | 4,303 |
| 10 | Total Rate 10 | | | | <u>23,539</u> | | <u>25,139</u> |
| | <u>Rate 20</u> | | | | | | |
| 11 | Monthly Charge | bills | \$ 1,000.00 | 748 | 748 | 632 | 632.00 |
| | Monthly Demand Charge | | | | | | |
| 12 | First 70,000 m ³ | 10 ³ m ³ /d | 27.8179 | 23,260 | 6,470 | 20,571 | 5,722 |
| 13 | All over 70,000 m ³ | 10 ³ m ³ /d | 16.3583 | 19,701 | 3,223 | 20,319 | 3,324 |
| | Commodity Charge | | | | | | |
| 14 | First 852,000 m ³ | 10 ³ m ³ | 0.5135 | 331,197 | 1,701 | 286,891 | 1,473 |
| 15 | All over 852,000 m ³ | 10 ³ m ³ | 0.3757 | 298,605 | 1,122 | 214,608 | 806 |
| 16 | Transportation Account Charge | 10 ³ m ³ | \$ 219.43 | 460 | 101 | 404 | 89 |
| 17 | Gas Supply Demand Charge | 10 ³ m ³ | 1.6293 | 6,873 | 112 | 5,909 | 108 |
| | Storage (GJ's) | | | | | | |
| 18 | Demand | GJ/d | 9.6425 | 99,288 | 957 | 141,504 | 1,364 |
| 19 | Commodity | GJ | 0.1558 | 639,477 | 100 | 686,251 | 107 |
| 20 | Total Rate 20 | | | | <u>14,534</u> | | <u>13,626</u> |
| | <u>Rate 25</u> | | | | | | |
| 21 | Monthly Charge | bills | \$ 375.00 | 842 | 316 | 790 | 296 |
| 22 | Delivery Charge | 10 ³ m ³ | 2.6004 | 159,555 | 4,149 | 106,997 | 2,782 |
| 23 | Transportation Account Charge | bills | \$ 219.43 | 36 | 8 | 149 | 33 |
| 24 | Gas Supply Transportation | 10 ³ m ³ | 0.0516 | 42,913 | 22 | 36,671 | 19 |
| 25 | Total Rate 25 | | | | <u>4,495</u> | | <u>3,130</u> |
| | <u>Rate 100</u> | | | | | | |
| 26 | Monthly Charge | bills | \$ 1,500.00 | 226 | 339 | 153 | 230 |
| 27 | Demand | 10 ³ m ³ /d | 15.3415 | 71,975 | 11,042 | 51,101 | 7,840 |
| 28 | Commodity | 10 ³ m ³ | 0.2132 | 1,895,488 | 4,042 | 1,029,145 | 2,194 |
| 29 | Transportation Account Charge | bills | \$ 219.43 | 226 | 50 | 153 | 34 |
| | Storage (GJ's) | | | | | | |
| 30 | Demand | GJ/d | 5.5595 | 15,600 | 87 | 14,400 | 80 |
| 31 | Commodity | GJ | 0.1558 | 100,000 | 16 | 72,000 | 11 |
| 32 | Total Rate 100 | | | | <u>15,575</u> | | <u>10,388</u> |
| 33 | Total Union North In-franchise | | | | <u>232,722</u> | | <u>240,221</u> |

UNION RATE ZONES
Calculation of 2013 and 2017 Revenue at 2013 Approved Rates

| Line No. | Particulars | Billing Units (a) | Rates (cents / m ³) (b) | 2013 | | 2017 | |
|----------|---|-----------------------------------|---|-----------------------|--------------------------|---------------------|--------------------------|
| | | | | Approved Usage (c) | Revenue (\$000's) (d) | Actual Usage (e) | Revenue (\$000's) (f) |
| | | | | | | | |
| | <u>Rate M1</u> | | | | | | |
| 1 | Monthly Charge | bills | \$ 21.00 | 12,706,802 | 266,843 | 13,338,530 | 280,109 |
| 2 | Delivery Commodity Charge (avg rate) | 10 ³ m ³ | 3.4245 | 2,939,543 | 100,664 | 3,085,685 | 105,668 |
| 3 | Storage | 10 ³ m ³ | 0.7368 | 2,939,543 | 21,660 | 3,085,685 | 22,737 |
| 4 | Total Rate M1 | | | | <u>389,166</u> | | <u>408,514</u> |
| | <u>Rate M2</u> | | | | | | |
| 5 | Monthly Charge | bills | \$ 70.00 | 81,451 | 5,702 | 90,634 | 6,344 |
| 6 | Delivery Commodity Charge (avg rate) | 10 ³ m ³ | 3.8103 | 975,571 | 37,173 | 1,085,559 | 41,364 |
| 7 | Storage | | 0.7550 | 975,571 | 7,366 | 1,085,559 | 8,196 |
| 8 | Total Rate M2 | | | | <u>50,240</u> | | <u>55,904</u> |
| | <u>Rate M4</u> | | | | | | |
| | Monthly Demand Charge | | | | | | |
| 9 | First 8 450 m ³ | 10 ³ m ³ /d | 46.6239 | 12,905 | 6,017 | 17,643 | 8,226 |
| 10 | Next 19 700 m ³ | 10 ³ m ³ /d | 20.9050 | 7,864 | 1,644 | 12,370 | 2,586 |
| 11 | All over 28 150 m ³ | 10 ³ m ³ /d | 17.5631 | 4,507 | 792 | 2,085 | 366 |
| | Delivery Commodity Charge | | | | | | |
| 12 | First Block | 10 ³ m ³ | 0.9621 | 396,153 | 3,811 | 545,895 | 5,252 |
| 13 | All remaining use | 10 ³ m ³ | 0.4243 | 8,525 | 36 | 89,703 | 381 |
| | Interruptible | | | | | | |
| 14 | Monthly Charge | bills | \$ 690.00 | - | - | 154 | 106 |
| 15 | Delivery Commodity Charge (Avg Price) | 10 ³ m ³ | 2.2413 | - | - | 3,775 | 85 |
| 16 | Interruptible Delivery Charge - Days Use Discount | | | | | | (78) |
| 17 | Total Rate M4 | | | | <u>12,300</u> | | <u>16,923</u> |
| | <u>Rate M5A</u> | | | | | | |
| | Firm Contracts | | | | | | |
| 18 | Monthly Demand Charge | 10 ³ m ³ /d | 28.6252 | 626 | 179 | 3,021 | 865 |
| 19 | Delivery Commodity Charge | 10 ³ m ³ | 1.9377 | 17,385 | 337 | 41,743 | 809 |
| | Interruptible Contracts | | | | | | |
| 20 | Monthly Charge | bills | \$ 690.00 | 1,692 | 1,167 | 801 | 553 |
| 21 | Delivery Commodity Charge (Avg Price) | 10 ³ m ³ | 2.2413 | 517,747 | 11,604 | 98,905 | 2,217 |
| 22 | Total Rate M5A | | | | <u>13,288</u> | | <u>4,443</u> |
| | <u>Rate M7</u> | | | | | | |
| | Firm Contracts | | | | | | |
| 23 | Monthly Demand Charge | 10 ³ m ³ /d | 25.3924 | 14,220 | 3,611 | 23,457 | 5,956 |
| 24 | Delivery Commodity Charge | 10 ³ m ³ | 0.3206 | 142,488 | 457 | 383,091 | 1,228 |
| | Interruptible / Seasonal Contracts | | | | | | |
| 25 | Delivery Commodity Charge | 10 ³ m ³ | 1.2747 | 4,655 | 59 | 124,601 | 1,588 |
| 26 | Total Rate M7 | | | | <u>4,127</u> | | <u>8,773</u> |
| | <u>Rate M9</u> | | | | | | |
| 27 | Monthly Demand Charge | 10 ³ m ³ /d | 15.1688 | 3,993 | 606 | 4,571 | 693 |
| 28 | Delivery Commodity Charge | 10 ³ m ³ | 0.1990 | 60,750 | 121 | 69,174 | 138 |
| 29 | Total Rate M9 | | | | <u>727</u> | | <u>831</u> |
| | <u>Rate M10</u> | | | | | | |
| 30 | Delivery Commodity Charge | 10 ³ m ³ | 5.1734 | 189 | 10 | 274 | 14 |
| 31 | Total Rate M10 | | | | <u>10</u> | | <u>14</u> |

UNION RATE ZONES
Calculation of 2013 and 2017 Revenue at 2013 Approved Rates

| Line No. | Particulars | Billing Units | Rates (cents / m ³) | 2013 | | 2017 | |
|----------|--|-----------------------------------|------------------------------------|----------------|-------------------|--------------|-------------------|
| | | | | Approved Usage | Revenue (\$000's) | Actual Usage | Revenue (\$000's) |
| | | | | (c) | (d) | (e) | (f) |
| | <u>Rate T1</u> | | | | | | |
| | Storage (\$/GJ's) | | | | | | |
| | Demand | | | | | | |
| | Firm injection / withdrawal | | | | | | |
| 1 | Union provides deliverability inventory | GJ/d | 1.624 | 492,360 | 800 | 595,162 | 967 |
| 2 | Customer provides deliverability inventory | GJ/d | 1.197 | 166,800 | 200 | - | - |
| 3 | Incremental firm injection right | GJ/d | 1.197 | - | - | - | - |
| 4 | Interruptible | GJ/d | 1.197 | 62,244 | 75 | - | - |
| 5 | Space | GJ/d | 0.011 | 22,396,680 | 253 | 16,306,058 | 184 |
| 6 | Commodity (Customer Provides) | GJ | 0.008 | 2,750,300 | 21 | 5,349,497 | 41 |
| 7 | Commodity (Union Provides) | GJ | 0.030 | - | - | - | - |
| | Transportation (cents/m ³) | | | | | | |
| | Demand | | | | | | |
| 8 | First 28 150 m ³ | 10 ³ m ³ /d | 31.9554 | 12,448 | 3,978 | 13,182 | 4,212 |
| 9 | Next 112 720 m ³ | 10 ³ m ³ /d | 22.0775 | 13,002 | 2,871 | 9,623 | 2,125 |
| | Commodity | | | | | | |
| 10 | Firm | 10 ³ m ³ | 0.0712 | 485,700 | 346 | 419,013 | 298 |
| 11 | Interruptible | 10 ³ m ³ | 1.2341 | 63,286 | 781 | 39,230 | 484 |
| 12 | Monthly Charges | | \$ 1,936.13 | 528 | 1,022 | 520 | 1,007 |
| 13 | Total Rate T1 | | | | 10,345 | | 9,317 |
| | <u>Rate T2</u> | | | | | | |
| | Storage (\$/GJ's) | | | | | | |
| | Demand | | | | | | |
| | Firm injection / withdrawal | | | | | | |
| 14 | Union provides deliverability inventory | GJ/d | 1.624 | 1,516,920 | 2,463 | 1,939,769 | 3,150 |
| 15 | Customer provides deliverability inventory | GJ/d | 1.197 | 1,336,556 | 1,600 | 849,000 | 1,016 |
| 16 | Incremental firm injection right | GJ/d | 1.197 | - | - | 22,800 | 27 |
| 17 | Interruptible | GJ/d | 1.197 | 415,704 | 498 | 376,420 | 451 |
| 18 | Space | GJ/d | 0.011 | 106,645,056 | 1,204 | 107,789,173 | 1,217 |
| 19 | Commodity (Customer Provides) | GJ | 0.008 | 7,869,782 | 60 | 30,244,687 | 230 |
| 20 | Commodity (Union Provides) | GJ | 0.030 | - | - | - | - |
| | Transportation (cents/m ³) | | | | | | |
| | Demand | | | | | | |
| 21 | First 140 870 m ³ | 10 ³ m ³ /d | 20.191 | 49,971 | 10,090 | 55,946 | 11,296 |
| 22 | All Over 140 870 m ³ | 10 ³ m ³ /d | 10.680 | 167,088 | 17,845 | 200,844 | 21,451 |
| | Commodity | | | | | | |
| 23 | Firm | 10 ³ m ³ | 0.008 | 4,521,813 | 353 | 3,646,513 | 285 |
| 24 | Interruptible | 10 ³ m ³ | 0.945 | 358,485 | 3,387 | 115,985 | 1,096 |
| 25 | Monthly Charges | Meter/mo. | \$ 6,000.00 | 444 | 2,664 | 456 | 2,736 |
| 26 | Total Rate T2 | | | | 40,164 | | 42,927 |
| | <u>Rate T3</u> | | | | | | |
| | Storage (\$/GJ's) | | | | | | |
| | Demand | | | | | | |
| | Firm injection / withdrawal | | | | | | |
| 27 | Union provides deliverability inventory | GJ/d | 1.624 | - | - | - | - |
| 28 | Customer provides deliverability inventory | GJ/d | 1.197 | 679,320 | 813 | 657,081 | 786 |
| 29 | Incremental firm injection right | GJ/d | 1.197 | - | - | - | - |
| 30 | Interruptible | GJ/d | 1.197 | - | - | - | - |
| 31 | Space | GJ/d | 0.011 | 36,614,256 | 414 | 38,007,753 | 429 |
| 32 | Commodity (Customer Provides) | GJ | 0.008 | 4,459,672 | 34 | 4,822,676 | 37 |
| 33 | Commodity (Union Provides) | GJ | 0.030 | - | - | - | - |
| | Transportation (cents/ m ³) | | | | | | |
| 34 | Demand | 10 ³ m ³ /d | 9.358 | 28,200 | 2,639 | 28,200 | 2,639 |
| 35 | Commodity | 10 ³ m ³ | 0.011 | 272,712 | 29 | 257,343 | 28 |
| 36 | Monthly Charges | Meter/mo. | \$ 20,371.35 | 12 | 244 | 12 | 244 |
| 37 | Total Rate T3 | | | | 4,173 | | 4,163 |
| 38 | Total Union South In-franchise | | | | 524,540 | | 551,811 |

UNION RATE ZONES
Calculation of 2013 and 2017 Revenue at 2013 Approved Rates

| Line No. | Particulars | Billing Units (a) | Rates (\$/GJ) (b) | 2013 | | 2017 | |
|----------|---|----------------------|-------------------------|-----------------------|-----------------------------|---------------------|-----------------------------|
| | | | | Approved Usage (c) | Revenue (\$000's) (d) | Actual Usage (e) | Revenue (\$000's) (f) |
| | <u>Rate M12</u> | | | | | | |
| | Demand | | | | | | |
| 1 | Dawn to Kirkwall | GJ/d | 2.011 | 8,708,176 | 17,509 | 2,324,388 | 4,674 |
| 2 | Dawn to Kirkwall F24-T | GJ/d | 0.068 | 594,000 | 40 | 594,000 | 40 |
| 3 | Dawn to Parkway | GJ/d | 2.382 | 43,052,600 | 102,570 | 52,198,770 | 124,360 |
| 4 | Dawn to Parkway F24-T | GJ/d | 0.068 | 4,711,848 | 319 | 4,711,848 | 319 |
| 5 | Kirkwall to Parkway | GJ/d | 0.372 | 1,411,468 | 525 | 4,205,320 | 1,563 |
| 6 | M12-X Easterly & Westerly | GJ/d | 2.961 | 4,692,132 | 13,896 | 4,752,132 | 14,073 |
| 7 | Total Rate M12 | | | | <u>134,859</u> | | <u>145,029</u> |
| | <u>Rate M13</u> | | | | | | |
| 8 | Monthly Fixed Charge | monthly | \$ 926.60 | 15 | 167 | 16 | 181 |
| 9 | Transmission Commodity Charge | GJ | 0.034 | 5,934,507 | 200 | 3,223,313 | 109 |
| 10 | Total Rate M13 | | | | <u>367</u> | | <u>290</u> |
| | <u>Rate M16</u> | | | | | | |
| 11 | Monthly Fixed Charge | monthly | \$ 1,474.12 | 4 | 71 | 3 | 53 |
| 12 | Transmission Commodity Charge | GJ | 0.034 | 6,236,394 | 211 | 4,251,150 | 144 |
| 13 | Monthly Demand Charge - West of Dawn | GJ/d | 1.059 | 214,154 | 227 | 214,154 | 227 |
| 14 | Monthly Demand Charge - East of Dawn | GJ/d | 0.741 | 108,800 | 81 | - | - |
| 15 | Total Rate M16 | | | | <u>589</u> | | <u>423</u> |
| | <u>Rate C1</u> | | | | | | |
| | Storage Services | | | | | | |
| 16 | Peak Storage (Short-term) | GJ | | | 7,883 | | 4,626 |
| 17 | Balancing | GJ | | | 2,000 | | 1,263 |
| 18 | Loans | GJ | | | | | 15 |
| 19 | Off Peak Storage | GJ | | | 500 | | 709 |
| | Short-term Storage and Other Balancing Services | | | | | | |
| 20 | Deferral Account Balance | | | | | | 1,183 |
| | Transportation Services | | | | | | |
| | Demand | | | | | | |
| 21 | Ojibway to Dawn | GJ/d | 1.059 | 1,025,520 | 1,197 | 410,450 | 435 |
| 22 | St. Clair to Dawn | GJ/d | 1.059 | | 2,000 | - | - |
| 23 | Parkway to Dawn | GJ/d | 0.579 | 4,331,523 | 2,508 | 5,708,450 | 3,305 |
| 24 | Kirkwall to Dawn | GJ/d | 1.021 | - | - | 6,590,092 | 6,869 |
| 25 | Bluewater to Dawn | GJ/d | 1.059 | - | - | 615,000 | 651 |
| 26 | Dawn to Parkway | GJ/d | 2.382 | 84,780 | 413 | 485,538 | 1,157 |
| 27 | Dawn to Dawn-Vector | GJ/d | 0.029 | 1,114,140 | 32 | 1,114,140 | 32 |
| 28 | Dawn to Dawn (TCPL) | GJ/d | 0.134 | 6,000,000 | 805 | 6,000,000 | 805 |
| 29 | Short-term Transportation | GJ | | | 11,067 | | 7,950 |
| 30 | Exchanges | | | | 14,918 | | 5,015 |
| 31 | Ratepayer portion Exchange Revenue | | | | (13,426) | | (4,513) |
| 32 | Other Transactional | | | | 1,067 | | 861 |
| 33 | Total Rate C1 | | | | <u>30,963</u> | | <u>30,362</u> |
| 34 | Total Ex-Franchise | | | | <u>166,778</u> | | <u>176,105</u> |
| 35 | Grand Total | | | | <u>924,039</u> | | <u>968,137</u> |

SUMMARY
RETURN ON EQUITY & EARNINGS SHARING DETERMINATION
ENBRIDGE GAS DISTRIBUTION

ONTARIO UTILITY
FOR THE YEAR ENDED DECEMBER 31, 2017

| Line No. | Col. 1 Description | Col. 2 Reference | Col. 3 Actual Normalized (\$millions) & (%'s) |
|----------|---|-------------------------------|--|
| 1. | Part A) Return on Rate Base & Revenue (Deficiency) / Sufficiency | | |
| 2. | Gas Sales | (Ex.B,T5,S2,P1,Col.1,line 1) | 2,503.4 |
| 3. | Transportation Revenue | (Ex.B,T5,S2,P1,Col.1,line 2) | 308.2 |
| 4. | Transmission, Compr. and Storage Revenue | (Ex.B,T5,S2,P1,Col.1,line 3) | 19.0 |
| 5. | Less Cost of Gas | (Ex.B,T5,S2,P1,Col.1,line 8) | 1,668.0 |
| 6. | Gas Distribution Margin | | 1,162.6 |
| 7. | Other Revenue | (Ex.B,T5,S2,P1,Col.1,line 4) | 42.1 |
| 8. | Other Income | (Ex.B,T5,S2,P1,Col.1,line 6) | 0.3 |
| 9. | Total - Other Revenue & Income | | 42.4 |
| 10. | Operations & Maintenance (incl. CC/CIS rate smoothing adj.) | (Ex.B,T5,S2,P1,Col.1,line 9) | 431.5 |
| 11. | Depreciation & amortization | (Ex.B,T5,S2,P1,Col.1,line 10) | 301.3 |
| 12. | Fixed financing costs | (Ex.B,T5,S2,P1,Col.1,line 11) | 2.8 |
| 13. | Municipal & capital taxes | (Ex.B,T5,S2,P1,Col.1,line 12) | 44.6 |
| 14. | Total O&M, Depr., & other | | 780.2 |
| 15. | Utility Income before Income Tax | (line 5 + line 9 - line 14) | 424.8 |
| 16. | Less: Income Taxes | (Ex.B,T5,S2,P1,Col.1,line 17) | 1.0 |
| 17. | Utility Income | | 423.8 |
| 18. | Gross plant | (Ex.B,T2,S1,P1,Col.1,line 1) | 9,228.8 |
| 19. | Accumulated depreciation | (Ex.B,T2,S1,P1,Col.1,line 2) | (3,126.5) |
| 20. | Net plant | | 6,102.3 |
| 21. | Working capital | (Ex.B,T2,S1,P1,Col.1,line 11) | 362.9 |
| 22. | Utility Rate Base | | 6,465.2 |
| 23. | Indicated Return on Rate Base % | (line 17 / line 22) | 6.555% |
| 24. | Less: Required Rate of Return % | (Ex.B,T5,S1,P1,Col.4,line 6) | 6.019% |
| 25. | (Deficiency) / Sufficiency % | | 0.536% |
| 26. | Net Earnings (Deficiency) / Sufficiency | (line 25 x line 22) | 34.65 |
| 27. | Provision for Income Taxes | | 12.49 |
| 28. | Gross Earnings (Deficiency) / Sufficiency | (line 26 divide by 73.5%) | 47.14 |
| 29. | 50% Earnings sharing to ratepayers | (line 28 x 50%) | 23.57 |
| 30. | Part B) Return on Equity & Revenue (Deficiency) / Sufficiency | | |
| 31. | Utility Income before Income Tax | (Ex.B,T5,S2,P1,Col.1,line 16) | 424.8 |
| 32. | Less: Long Term Debt Costs | (Ex.B,T5,S1,P1,Col.5,line 1) | 178.7 |
| 33. | Less: Short Term Debt Costs | (Ex.B,T5,S1,P1,Col.5,line 2) | 3.8 |
| 34. | Less: Cost of Preferred Capital | (Ex.B,T5,S1,P1,Col.5,line 4) | 2.3 |
| 35. | Net Income before Income Taxes | | 240.0 |
| 36. | Less: Income Taxes | (Ex.B,T5,S2,P1,Col.1,line 17) | 1.0 |
| 37. | Net Income Applicable to Common Equity | (line 35 - line 36) | 239.0 |
| 38. | Common Equity | (Ex.B,T5,S1,P1,Col.1,line 5) | 2,327.5 |
| 39. | Approved ROE % | | 8.780% |
| 40. | Achieved Rate of Return on Equity % | (line 37 divide by line 38) | 10.269% |
| 41. | Resulting (Deficiency) / Sufficiency in Return on Equity % | | 1.489% |
| 42. | Net Earnings (Deficiency) / Sufficiency | (line 38 x line 41) | 34.64 |
| 43. | Provision for Income Taxes | | 12.48 |
| 44. | Gross Earnings (Deficiency) / Sufficiency | (line 42 divide by 73.5%) | 47.13 |
| 45. | 50% Earnings sharing to ratepayers | (line 44 x 50%) | 23.56 |

UNION GAS LIMITED
Earnings Sharing Calculation
Calendar Year Ending December 31, 2017

| Line No. | Particulars (\$000s) | 2017 (a) | Non-Utility Storage (b) | Adjustments (c) | 2017 Utility (d)=(a)-(b)+(c) |
|----------|--|------------------|----------------------------|--------------------|---------------------------------|
| | Operating Revenues | | | | |
| 1 | Gas Sales | 1,872,522 | | (15,570) i | 1,856,952 |
| 2 | Transportation | 236,498 | (439) | - | 236,937 |
| 3 | Storage | 126,928 | 119,133 | - | 7,796 |
| 4 | Other | 24,252 | | (6,947) ii | 17,304 |
| 5 | | <u>2,260,200</u> | <u>118,694</u> | <u>(22,517)</u> | <u>2,118,989</u> |
| | Operating Expenses | | | | |
| 6 | Cost of gas | 1,070,458 | 23,924 | (15,570) i | 1,030,965 |
| 7 | Operating and maintenance expenses | 427,708 | 13,450 | (831) iii | 413,427 |
| 8 | Depreciation | 265,117 | 10,236 | | 254,881 |
| 9 | Other financing | | | 1,013 iv | 1,013 |
| 10 | Property and other taxes | 73,690 | 1,369 | | 72,321 |
| 11 | | <u>1,836,973</u> | <u>48,979</u> | <u>(15,387)</u> | <u>1,772,606</u> |
| | Other | | | | |
| 12 | Gain / (Loss) on sale of assets | (214) | (210) | | (3) |
| 13 | Other / Huron Tipperary | | - | | - |
| 14 | Gain / (Loss) on foreign exchange | (873) | (47) | (612) v | (1,438) |
| 15 | | <u>(1,087)</u> | <u>(257)</u> | <u>(612)</u> | <u>(1,441)</u> |
| 16 | Earnings before interest and taxes | <u>422,140</u> | <u>69,457</u> | <u>(7,742)</u> | 344,941 |
| 17 | Income taxes | | | | <u>(5,047)</u> |
| 18 | Total utility income subject to earnings sharing | | | | <u>349,988</u> |
| | Less debt and preference share return components | | | | |
| 19 | Long-term debt | | | | 165,315 |
| 20 | Unfunded short-term debt | | | | 818 |
| 21 | Preferred dividend requirements | | | | <u>2,769</u> |
| 22 | | | | | <u>168,902</u> |
| | Less shareholder portions of: | | | | |
| 23 | Net short-term storage revenue (after tax) | | | | 275 |
| 24 | Net optimization activity (after tax) | | | | <u>369</u> |
| 25 | | | | | <u>643</u> |
| 26 | Earnings subject to sharing | | | | <u>180,443</u> |
| 27 | Common equity | | | | 1,970,608 |
| 28 | Return on equity (line 26 / line 27) | | | | 9.16% |
| 29 | Benchmark return on equity | | | | 9.93% |
| 30 | 50% earnings sharing % (line 28 - line 29, maximum 1%) | | | | 0.00% |
| 31 | 90% earnings sharing % (if line 30=1%, then line 28 - line 29 - line 30) | | | | 0.00% |
| 32 | 50% earnings sharing \$ (line 27 x line 30 x 50%) | | | | - |
| 33 | 90% earnings sharing \$ (line 27 x line 31 x 90%) | | | | <u>-</u> |
| 34 | Total earnings sharing \$ (line 32 + line 33) | | | | <u>-</u> |
| 35 | Pre-tax earnings sharing (line 34 / (1 minus tax rate)) | | | | <u>-</u> |

Notes:

i Reclassification of optimization revenue as cost of gas

ii Demand-side management incentive

iii Donations 896
CDM program (245)
MAAD application legal costs 180
831

iv Facility fees and customer deposit interest

v Foreign exchange gain on bank balances

EGD RATE ZONE
Don River Replacement - ICM Project Revenue Requirement

| Line No. | Particulars (\$000's) | 2019 (a) | 2020 (b) | 2021 (c) | 2022 (d) | 2023 (e) |
|----------|---|-------------|-------------|-------------|-------------|-------------|
| | <u>Incremental Rate Base Investment</u> | | | | | |
| 1 | Capital Expenditures | 13,124 | 1,114 | - | - | - |
| 2 | Average Rate Base | 547 | 13,288 | 13,737 | 13,390 | 13,044 |
| | <u>Incremental Revenue Requirement Calculation:</u> | | | | | |
| | <u>Return on Incremental Rate Base: (1)</u> | | | | | |
| 3 | Long-term Debt Interest | 16 | 386 | 399 | 389 | 379 |
| 4 | Short-term Debt Interest | 0 | 1 | 1 | 1 | 1 |
| 5 | Preference Shares | 0 | 6 | 6 | 6 | 6 |
| 6 | Equity | 18 | 431 | 445 | 434 | 423 |
| 7 | Total Return on Incremental Rate Base | 34 | 824 | 852 | 830 | 809 |
| | <u>Incremental Operating Expenses:</u> | | | | | |
| 8 | Operating and Maintenance Expenses | - | - | - | - | - |
| 9 | Depreciation Expense (2) | - | 327 | 347 | 347 | 347 |
| 10 | Property Taxes (3) | 2 | 7 | 7 | 7 | 7 |
| 11 | Total Incremental Operating Expenses | 2 | 334 | 354 | 354 | 354 |
| | <u>Incremental Income Taxes:</u> | | | | | |
| 12 | Return on Equity and Preference Shares (line 5 + line 6) | 18 | 436 | 451 | 440 | 428 |
| | Utility Timing Differences | | | | | |
| 13 | Add: Depreciation Expense (line 9) | - | 327 | 347 | 347 | 347 |
| 14 | Less: Current Year Tax Deductions | (1,145) | (820) | (736) | (692) | (651) |
| 15 | Taxable Income (line 12 + line 13 + line 14) | (1,127) | (56) | 62 | 94 | 124 |
| 16 | Income Taxes Before Gross Up (line 15 x 26.5%) (4) | (299) | (15) | 16 | 25 | 33 |
| 17 | Total Incremental Income Taxes After Gross Up (line 16 / (1-26.5%) (4) (5)) | (406) | (20) | 22 | 34 | 45 |
| 18 | Total Incremental Revenue Requirement (line 7 + line 11 + line 17) | (370) | 1,137 | 1,227 | 1,218 | 1,207 |

Notes:

(1) The return on rate base is calculated based on EGD's 2018 Board-approved capital structure:

| Capital Structure | Component % | Cost Rate | Return Component |
|-------------------|-------------|-----------|---------------------|
| Long-term Debt | 61.84% | 4.70% | 2.91% |
| Short-term Debt | 0.56% | 1.60% | 0.01% |
| Preference Shares | 1.60% | 2.72% | 0.04% |
| Equity | 36.00% | 9.00% | 3.24% |
| Total | 100.00% | | 6.20% |

(2) Depreciation expense at EGD's 2018 Board-approved depreciation rates.

(3) Incremental property tax costs as a result of the project facilities.

(4) EGD's current provincial and federal tax rate is equal to 26.5%.

(5) Incremental taxes related to utility timing differences are negative as the capital cost allowance deduction in arriving at taxable income exceeds the provision of book depreciation in the year.

UNION NORTH RATE ZONE
Sudbury Replacement - ICM Project Revenue Requirement

| Line No. | Particulars (\$000's) | 2018 (a) | 2019 (b) | 2020 (c) | 2021 (d) | 2022 (e) | 2023 (f) |
|----------|--|-------------|-------------|-------------|-------------|-------------|-------------|
| | <u>Incremental Rate Base Investment</u> | | | | | | |
| 1 | Capital Expenditures | 91,889 | - | - | - | - | - |
| 2 | Average Rate Base | 17,477 | 89,089 | 86,290 | 83,491 | 80,692 | 77,893 |
| | <u>Incremental Revenue Requirement Calculation:</u> | | | | | | |
| | <u>Return on Incremental Rate Base: (1)</u> | | | | | | |
| 3 | Long-term Debt Interest | 700 | 3,566 | 3,454 | 3,342 | 3,230 | 3,118 |
| 4 | Short-term Debt Interest | (0) | (0) | (0) | (0) | (0) | (0) |
| 5 | Preference Shares | 15 | 74 | 72 | 70 | 67 | 65 |
| 6 | Equity | 562 | 2,864 | 2,774 | 2,684 | 2,594 | 2,504 |
| 7 | Total Return on Incremental Rate Base | 1,276 | 6,504 | 6,300 | 6,095 | 5,891 | 5,687 |
| | <u>Incremental Operating Expenses:</u> | | | | | | |
| 8 | Operating and Maintenance Expenses | - | - | - | - | - | - |
| 9 | Depreciation Expense (2) | 1,400 | 2,799 | 2,799 | 2,799 | 2,799 | 2,799 |
| 10 | Property Taxes (3) | 43 | 174 | 176 | 179 | 182 | 184 |
| 11 | Total Incremental Operating Expenses | 1,443 | 2,973 | 2,975 | 2,978 | 2,981 | 2,983 |
| | <u>Incremental Income Taxes:</u> | | | | | | |
| 12 | Return on Equity and Preference Shares (line 5 + line 6) | 576 | 2,939 | 2,846 | 2,754 | 2,662 | 2,569 |
| | Utility Timing Differences | | | | | | |
| 13 | Add: Depreciation Expense (line 9) | 1,400 | 2,799 | 2,799 | 2,799 | 2,799 | 2,799 |
| 14 | Less: Current Year Tax Deductions | (9,238) | (4,948) | (4,651) | (4,373) | (4,111) | (3,865) |
| 15 | Taxable Income (line 12 + line 13 + line 14) | (7,262) | 790 | 994 | 1,180 | 1,350 | 1,504 |
| 16 | Income Taxes Before Gross Up (line 15 x 26.5%) (4) | (1,924) | 209 | 263 | 313 | 358 | 398 |
| 17 | Total Incremental Income Taxes After Gross Up (line 16 / (1-26.5%) (4) | (2,618) (5) | 285 | 358 | 425 | 487 | 542 |
| 18 | Total Incremental Revenue Requirement (line 7 + line 11 + line 17) | 101 | 9,762 | 9,633 | 9,499 | 9,358 | 9,212 |

Notes:

(1) The return on rate base is calculated based on Union's 2013 Board-approved capital structure:

| Capital Structure | Component % | Cost Rate | Return Component |
|-------------------|-------------|-----------|---------------------|
| Long-term Debt | 61.30% | 6.53% | 4.00% |
| Short-term Debt | -0.03% | 1.31% | 0.00% |
| Preference Shares | 2.74% | 3.05% | 0.08% |
| Equity | 36.00% | 8.93% | 3.21% |
| Total | 100.00% | | 7.30% |

(2) Depreciation expense at Union's 2013 Board-approved depreciation rates.

(3) Incremental property tax costs as a result of the project facilities.

(4) Union's current provincial and federal tax rate is equal to 26.5%.

(5) Incremental taxes related to utility timing differences are negative as the capital cost allowance deduction in arriving at taxable income exceeds the provision of book depreciation in the year.

UNION SOUTH RATE ZONE
Kingsville Transmission Reinforcement - ICM Project Revenue Requirement

| Line No. | Particulars (\$000's) | 2019 (a) | 2020 (b) | 2021 (c) | 2022 (d) | 2023 (e) |
|----------|--|-----------------------|----------------------|----------------------|----------------------|----------------------|
| | <u>Incremental Rate Base Investment</u> | | | | | |
| 1 | Capital Expenditures | 118,183 | 3,171 | - | - | - |
| 2 | Average Rate Base | 14,198 | 117,453 | 116,692 | 114,329 | 111,966 |
| | <u>Incremental Revenue Requirement Calculation:</u> | | | | | |
| | <u>Return on Incremental Rate Base: (1)</u> | | | | | |
| 3 | Long-term Debt Interest | 568 | 4,702 | 4,671 | 4,576 | 4,482 |
| 4 | Short-term Debt Interest | (0) | (1) | (1) | (1) | (1) |
| 5 | Preference Shares | 12 | 98 | 98 | 96 | 94 |
| 6 | Equity | 456 | 3,776 | 3,751 | 3,675 | 3,599 |
| 7 | Total Return on Incremental Rate Base | <u>1,037</u> | <u>8,575</u> | <u>8,519</u> | <u>8,347</u> | <u>8,174</u> |
| | <u>Incremental Operating Expenses:</u> | | | | | |
| 8 | Operating and Maintenance Expenses | - | - | - | - | - |
| 9 | Depreciation Expense (2) | 1,150 | 2,331 | 2,363 | 2,363 | 2,363 |
| 10 | Property Taxes (3) | 45 | 270 | 274 | 278 | 282 |
| 11 | Total Incremental Operating Expenses | <u>1,195</u> | <u>2,601</u> | <u>2,637</u> | <u>2,641</u> | <u>2,645</u> |
| | <u>Incremental Income Taxes:</u> | | | | | |
| 12 | Return on Equity and Preference Shares (line 5 + line 6) | 468 | 3,874 | 3,849 | 3,771 | 3,693 |
| | Utility Timing Differences | | | | | |
| 13 | Add: Depreciation Expense (line 9) | 1,150 | 2,331 | 2,363 | 2,363 | 2,363 |
| 14 | Less: Current Year Tax Deductions | <u>(13,617)</u> | <u>(8,948)</u> | <u>(7,985)</u> | <u>(7,209)</u> | <u>(6,527)</u> |
| 15 | Taxable Income (line 12 + line 13 + line 14) | <u>(11,999)</u> | <u>(2,743)</u> | <u>(1,773)</u> | <u>(1,075)</u> | <u>(471)</u> |
| 16 | Income Taxes Before Gross Up (line 15 x 26.5%) (4) | (3,180) | (727) | (470) | (285) | (125) |
| 17 | Total Incremental Income Taxes After Gross Up (line 16 / (1-26.5%) (4) (5) | <u>(4,326)</u> | <u>(989)</u> | <u>(639)</u> | <u>(388)</u> | <u>(170)</u> |
| 18 | Total Incremental Revenue Requirement (line 7 + line 11 + line 17) | <u><u>(2,095)</u></u> | <u><u>10,187</u></u> | <u><u>10,517</u></u> | <u><u>10,600</u></u> | <u><u>10,650</u></u> |

Notes:

(1) The return on rate base is calculated based on Union's 2013 Board-approved capital structure:

| Capital Structure | Component % | Cost Rate | Return Component |
|-------------------|-------------|-----------|---------------------|
| Long-term Debt | 61.30% | 6.53% | 4.00% |
| Short-term Debt | -0.03% | 1.31% | 0.00% |
| Preference Shares | 2.74% | 3.05% | 0.08% |
| Equity | 36.00% | 8.93% | 3.21% |
| Total | 100.00% | | 7.30% |

(2) Depreciation expense at Union's 2013 Board-approved depreciation rates.

(3) Incremental property tax costs as a result of the project facilities.

(4) Union's current provincial and federal tax rate is equal to 26.5%.

(5) Incremental taxes related to utility timing differences are negative as the capital cost allowance deduction in arriving at taxable income exceeds the provision of book depreciation in the year.

UNION SOUTH RATE ZONE
Stratford Reinforcement - ICM Project Revenue Requirement

| Line No. | Particulars (\$000's) | 2019 (a) | 2020 (b) | 2021 (c) | 2022 (d) | 2023 (e) |
|----------|--|---------------------|---------------------|---------------------|---------------------|---------------------|
| | <u>Incremental Rate Base Investment</u> | | | | | |
| 1 | Capital Expenditures | 25,100 | 607 | - | - | - |
| 2 | Average Rate Base | 2,903 | 25,131 | 24,885 | 24,361 | 23,837 |
| | <u>Incremental Revenue Requirement Calculation:</u> | | | | | |
| | <u>Return on Incremental Rate Base: (1)</u> | | | | | |
| 3 | Long-term Debt Interest | 116 | 1,006 | 996 | 975 | 954 |
| 4 | Short-term Debt Interest | (0) | (0) | (0) | (0) | (0) |
| 5 | Preference Shares | 2 | 21 | 21 | 20 | 20 |
| 6 | Equity | 93 | 808 | 800 | 783 | 766 |
| 7 | Total Return on Incremental Rate Base | <u>212</u> | <u>1,835</u> | <u>1,817</u> | <u>1,779</u> | <u>1,740</u> |
| | <u>Incremental Operating Expenses:</u> | | | | | |
| 8 | Operating and Maintenance Expenses | - | - | - | - | - |
| 9 | Depreciation Expense (2) | 43 | 518 | 524 | 524 | 524 |
| 10 | Property Taxes (3) | 12 | 69 | 70 | 71 | 72 |
| 11 | Total Incremental Operating Expenses | <u>54</u> | <u>587</u> | <u>594</u> | <u>595</u> | <u>596</u> |
| | <u>Incremental Income Taxes:</u> | | | | | |
| 12 | Return on Equity and Preference Shares (line 5 + line 6) | 96 | 829 | 821 | 804 | 786 |
| | Utility Timing Differences | | | | | |
| 13 | Add: Depreciation Expense (line 9) | 43 | 518 | 524 | 524 | 524 |
| 14 | Less: Current Year Tax Deductions | <u>(3,002)</u> | <u>(2,112)</u> | <u>(1,870)</u> | <u>(1,674)</u> | <u>(1,502)</u> |
| 15 | Taxable Income (line 12 + line 13 + line 14) | <u>(2,864)</u> | <u>(765)</u> | <u>(526)</u> | <u>(346)</u> | <u>(192)</u> |
| 16 | Income Taxes Before Gross Up (line 15 x 26.5%) (4) | (759) | (203) | (139) | (92) | (51) |
| 17 | Total Incremental Income Taxes After Gross Up (line 16 / (1-26.5%) (4) (5) | <u>(1,032)</u> | <u>(276)</u> | <u>(190)</u> | <u>(125)</u> | <u>(69)</u> |
| 18 | Total Incremental Revenue Requirement (line 7 + line 11 + line 17) | <u><u>(766)</u></u> | <u><u>2,146</u></u> | <u><u>2,221</u></u> | <u><u>2,249</u></u> | <u><u>2,267</u></u> |

Notes:

(1) The return on rate base is calculated based on Union's 2013 Board-approved capital structure:

| Capital Structure | Component % | Cost Rate | Return Component |
|-------------------|-------------|-----------|---------------------|
| Long-term Debt | 61.30% | 6.53% | 4.00% |
| Short-term Debt | -0.03% | 1.31% | 0.00% |
| Preference Shares | 2.74% | 3.05% | 0.08% |
| Equity | 36.00% | 8.93% | 3.21% |
| Total | 100.00% | | 7.30% |

(2) Depreciation expense at Union's 2013 Board-approved depreciation rates.

(3) Incremental property tax costs as a result of the project facilities.

(4) Union's current provincial and federal tax rate is equal to 26.5%.

(5) Incremental taxes related to utility timing differences are negative as the capital cost allowance deduction in arriving at taxable income exceeds the provision of book depreciation in the year.

EGD RATE ZONE
Allocation of 2019 ICM Project Revenue Requirement

| Line No. | Particulars | Delivery Demand TP > 4" Allocator (1) % | Don River Replacement Project (2) (000's) |
|----------|-------------|--|--|
| | | (a) | (b) |
| | <u>EGD</u> | | |
| 1 | Rate 1 | 46% | - |
| 2 | Rate 6 | 41% | - |
| 3 | Rate 9 | 0% | - |
| 4 | Rate 100 | 0% | - |
| 5 | Rate 110 | 2% | - |
| 6 | Rate 115 | 1% | - |
| 7 | Rate 125 | 8% | - |
| 8 | Rate 135 | 0% | - |
| 9 | Rate 145 | 0% | - |
| 10 | Rate 170 | 0% | - |
| 11 | Rate 200 | 1% | - |
| 12 | Rate 300 | 0% | - |
| 13 | Total | 100% | - |

Notes:

- (1) EGD extra high pressure mains greater than 4 inch diameter are allocated according to the Board approved cost allocation methodology (EB-2017-0086), Delivery Demand TP > 4 inch allocator, reflecting 2019 forecast peak demand by rate class.
- (2) 2019 ICM revenue requirement credit balance associated with the Don River Replacement project in the EGD rate zone will be recovered in 2020.

UNION RATE ZONES
Allocation of 2019 ICM Project Revenue Requirement

| Line No. | Particulars | Union North | | Union South | | | Total ICM Allocation (\$000's) (f) = (b+d+e) |
|----------|--------------------------------|---|---|--|--|---|---|
| | | Distribution Demand Allocator (1) (%) (a) | Sudbury Replacement Project (2) (\$000's) (b) | Other Transmission Allocator (3) (10 ³ m ³ /d) (c) | Kingsville Reinforcement Project (4) (\$000's) (d) | Stratford Reinforcement Project (4) (\$000's) (e) | |
| | <u>Union North</u> | | | | | | |
| 1 | Rate 01 | 40 | 3,907 | - | - | - | 3,907 |
| 2 | Rate 10 | 13 | 1,276 | - | - | - | 1,276 |
| 3 | Rate 20 | 27 | 2,605 | - | - | - | 2,605 |
| 4 | Rate 25 | 2 | 235 | - | - | - | 235 |
| 5 | Rate 100 | 18 | 1,738 | - | - | - | 1,738 |
| 6 | Total Union North | 100 | 9,762 | - | - | - | 9,762 |
| | <u>Union South</u> | | | | | | |
| 7 | Rate M1 | - | - | 31,974 | - | - | - |
| 8 | Rate M2 | - | - | 10,986 | - | - | - |
| 9 | Rate M4 (F) | - | - | 5,860 | - | - | - |
| 10 | Rate M4 (I) | - | - | - | - | - | - |
| 11 | Rate M5 (F) | - | - | 87 | - | - | - |
| 12 | Rate M5 (I) | - | - | - | - | - | - |
| 13 | Rate M7 (F) | - | - | 2,496 | - | - | - |
| 14 | Rate M7 (I) | - | - | - | - | - | - |
| 15 | Rate M9 | - | - | 546 | - | - | - |
| 16 | Rate M10 | - | - | 4 | - | - | - |
| 17 | Rate T1 (F) | - | - | 2,572 | - | - | - |
| 18 | Rate T1 (I) | - | - | - | - | - | - |
| 19 | Rate T2 (F) | - | - | 23,429 | - | - | - |
| 20 | Rate T2 (I) | - | - | - | - | - | - |
| 21 | Rate T3 | - | - | 2,501 | - | - | - |
| 22 | Total Union South In-franchise | - | - | 80,456 | - | - | - |
| 23 | Excess Utility Storage | - | - | - | - | - | - |
| 24 | Rate C1 (F) | - | - | - | - | - | - |
| 25 | Rate C1 (I) | - | - | - | - | - | - |
| 26 | Rate M12 | - | - | - | - | - | - |
| 27 | Rate M13 | - | - | - | - | - | - |
| 28 | Rate M16 | - | - | - | - | - | - |
| 29 | Total Union South Ex-Franchise | - | - | - | - | - | - |
| 30 | Total Union | 100 | 9,762 | 80,456 | - | - | 9,762 |

Notes:

- (1) Union North distribution demand allocation for joint-use mains in proportion to 2019 forecast peak day and average day demands.
- (2) Allocated in proportion to column (a).
- (3) Union South other transmission demand allocation in proportion to forecast 2019 Union South in-franchise design day demands.
- (4) The 2019 revenue requirement credit for the Kingsville and Stratford Reinforcement projects to be included with the 2020 revenue requirement in the allocation to rate classes in 2020.

UNION RATE ZONES
Derivation of 2019 Incremental Capital Module ("ICM") Rates by Rate Class

| Line No. | Particulars | ICM Revenue Requirement (1) (\$000s) (a) | 2019 Forecast Usage (b) | Billing Units (c) | ICM Rate (2) (cents / m ³) (d) = (a / b * 100) |
|----------|--|--|----------------------------|-----------------------------------|--|
| | <u>Union North</u> | | | | |
| | Rate 01 General Service | | | | |
| 1 | Monthly Delivery Charge | 3,907 | 975,438 | 10 ³ m ³ | 0.4006 |
| | Rate 10 General Service | | | | |
| 2 | Monthly Delivery Charge | 1,276 | 342,801 | 10 ³ m ³ | 0.3724 |
| | Rate 20 Medium Volume Firm Service | | | | |
| 3 | Delivery Demand Charge | 2,605 | 83,934 | 10 ³ m ³ /d | 3.1037 |
| | Rate 25 Large Volume Interruptible Service | | | | |
| 4 | Monthly Delivery Charge | 235 | 71,503 | 10 ³ m ³ | 0.3280 |
| | Rate 100 Large Volume Firm Service | | | | |
| 5 | Delivery Demand Charge | 1,738 | 41,307 | 10 ³ m ³ /d | 4.2082 |
| 6 | Total Union North In-Franchise | <u>9,762</u> | | | |

Notes:

- (1) Exhibit B1, Tab 2, Schedule 1, Appendix F, p. 2, column (f).
- (2) Included in delivery and transportation rates. See Exhibit F1, Tab 2, Rate Order, Schedule 6, column (d).

UNION RATE ZONES
Calculation of 2019 ICM Bill Impacts
Sales Service and Direct Purchase Bill Impacts for Typical Small and Large Customers

| Line No. | Particulars | Proposed - EB-2018-0305 (1) | | Proposed - EB-2018-0305 | | Total Bill Change (\$) (e) = (c - a) | Total Bill Impact (%) (f) = (e / a) |
|----------|------------------------------------|-----------------------------|--|-------------------------|--|---|--|
| | | Total Bill (\$) (a) | Unit Rate (cents/m ³) (b) | Total Bill (\$) (c) | Unit Rate (cents/m ³) (d) | | |
| | <u>Union North</u> | | | | | | |
| | <u>Small Rate 01</u> | | | | | | |
| 1 | Delivery Charges | 454 | 20.6355 | 463 | 21.0355 | 8.80 | 1.9% |
| 2 | Gas Supply Charges (2) | 494 | 22.4750 | 494 | 22.4750 | - | 0.0% |
| 3 | Total Bill | 948 | 43.1105 | 957 | 43.5105 | 8.80 | 0.9% |
| 4 | Sales Service Impact | | | | | 8.80 | 0.9% |
| 5 | Bundled-T (Direct Purchase) Impact | | | | | 8.80 | 1.3% |
| | <u>Small Rate 10</u> | | | | | | |
| 6 | Delivery Charges | 4,842 | 8.0701 | 5,065 | 8.4425 | 223 | 4.6% |
| 7 | Gas Supply Charges (2) | 12,259 | 20.4311 | 12,259 | 20.4311 | - | 0.0% |
| 8 | Total Bill | 17,101 | 28.5012 | 17,324 | 28.8736 | 223 | 1.3% |
| 9 | Sales Service Impact | | | | | 223 | 1.3% |
| 10 | Bundled-T (Direct Purchase) Impact | | | | | 223 | 2.5% |
| | <u>Large Rate 10</u> | | | | | | |
| 11 | Delivery Charges | 15,952 | 6.3809 | 16,883 | 6.7533 | 931 | 5.8% |
| 12 | Gas Supply Charges (2) | 51,078 | 20.4311 | 51,078 | 20.4311 | - | 0.0% |
| 13 | Total Bill | 67,030 | 26.8120 | 67,961 | 27.1844 | 931 | 1.4% |
| 14 | Sales Service Impact | | | | | 931 | 1.4% |
| 15 | Bundled-T (Direct Purchase) Impact | | | | | 931 | 2.8% |
| | <u>Small Rate 20</u> | | | | | | |
| 16 | Delivery Charges | 74,519 | 2.4840 | 79,733 | 2.6578 | 5,214 | 7.0% |
| 17 | Gas Supply Charges (2) | 516,541 | 17.2180 | 516,541 | 17.2180 | - | 0.0% |
| 18 | Total Bill | 591,059 | 19.7020 | 596,273 | 19.8758 | 5,214 | 0.9% |
| 19 | Sales Service Impact | | | | | 5,214 | 0.9% |
| 20 | Bundled-T (Direct Purchase) Impact | | | | | 5,214 | 2.6% |
| | <u>Large Rate 20</u> | | | | | | |
| 21 | Delivery Charges | 287,415 | 1.9161 | 309,761 | 2.0651 | 22,347 | 7.8% |
| 22 | Gas Supply Charges (2) | 2,495,139 | 16.6343 | 2,495,139 | 16.6343 | - | 0.0% |
| 23 | Total Bill | 2,782,554 | 18.5504 | 2,804,900 | 18.6993 | 22,347 | 0.8% |
| 24 | Sales Service Impact | | | | | 22,347 | 0.8% |
| 25 | Bundled-T (Direct Purchase) Impact | | | | | 22,347 | 2.7% |
| | <u>Average Rate 25</u> | | | | | | |
| 26 | Delivery Charges | 63,522 | 2.7922 | 70,984 | 3.1202 | 7,462 | 11.7% |
| 27 | Gas Supply Charges (2) | 331,495 | 14.5712 | 331,495 | 14.5712 | - | 0.0% |
| 28 | Total Bill | 395,016 | 17.3634 | 402,478 | 17.6914 | 7,462 | 1.9% |
| 29 | Sales Service Impact | | | | | 7,462 | 1.9% |
| 30 | T-Service (Direct Purchase) Impact | | | | | 7,462 | 11.7% |
| | <u>Small Rate 100</u> | | | | | | |
| 31 | Delivery Charges | 264,426 | 0.9794 | 314,925 | 1.1664 | 50,498 | 19.1% |
| 32 | Gas Supply Charges (2) | 6,374,349 | 23.6087 | 6,374,349 | 23.6087 | - | 0.0% |
| 33 | Total Bill | 6,638,776 | 24.5881 | 6,689,274 | 24.7751 | 50,498 | 0.8% |
| 34 | Sales Service Impact | | | | | 50,498 | 0.8% |
| 35 | T-Service (Direct Purchase) Impact | | | | | 50,498 | 19.1% |
| | <u>Large Rate 100</u> | | | | | | |
| 36 | Delivery Charges | 2,144,490 | 0.8935 | 2,573,727 | 1.0724 | 429,236 | 20.0% |
| 37 | Gas Supply Charges (2) | 55,560,797 | 23.1503 | 55,560,797 | 23.1503 | - | 0.0% |
| 38 | Total Bill | 57,705,287 | 24.0439 | 58,134,523 | 24.2227 | 429,236 | 0.7% |
| 39 | Sales Service Impact | | | | | 429,236 | 0.7% |
| 40 | T-Service (Direct Purchase) Impact | | | | | 429,236 | 20.0% |

Notes:

- (1) Excluding ICM rates per Exhibit B1, Tab 2, Schedule 1, Appendix G.
(2) Gas Supply charges based on Union North East Zone.