

October 3, 2018

VIA RESS, EMAIL and COURIER

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

Dear Ms. Walli:

Re: Enbridge Gas Distribution Inc. ("Enbridge")
2017 Earnings Sharing and Deferral and Variance Account Clearances
Application ("Application")
Ontario Energy Board ("Board") File Number EB-2018-0131
Settlement Proposal - Correction

Further to Enbridge Gas Distribution's filing dated October 3, 2018, attached please find the corrected Settlement Proposal (Exhibit N, Tab 1, Schedule 1).

The following chart outlines the corrections to the Settlement Proposal:

| Exhibit | Correction |
|----------------------------------|---|
| Cover Letter Re: Line | 2018 Earnings Sharing and Deferral and Variance Account Clearances has been corrected to read 2017 Earnings Sharing and Deferral and Variance Account Clearances |
| Page 9, Section F, title line | (2018 DACDA) has been corrected to read (2017 DACDA) |

This submission been filed through the Board's Regulatory Electronic Submission System (RESS) and will be available on the Enbridge website at www.enbridgegas.com/regulatory-proceedings.

Please contact the undersigned if you have any questions.

Yours truly,

[original signed]

Rakesh Torul
Regulatory Policy & Strategy

cc: Mr. D. Stevens, Aird & Berlis LLP (via email)
All Interested Parties EB-2018-0131 (via email)

SETTLEMENT PROPOSAL

Enbridge Gas Distribution Inc.

2017 Earnings Sharing and Deferral and Variance Account Clearances

October 3, 2018

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PREAMBLE

This Settlement Proposal is filed with the Ontario Energy Board (the "OEB" or the "Board") in connection with the application of Enbridge Gas Distribution Inc. ("Enbridge" or the "Company"), for an order or orders approving the clearance or disposition of amounts recorded in certain Deferral or Variance Accounts.

On July 25, 2018, the OEB issued its Notice of Application in this proceeding. The Notice of Application indicated that the OEB would only consider cost awards in relation to certain issues in the proceeding.

In Procedural Order No. 1, dated August 10, 2018, the Board established the process to address the application, up to and including a Settlement Conference.

A Settlement Conference was held on September 20 and 21, 2018, and discussions continued after that time. Karen Wianecki acted as facilitator for the Settlement Conference. This Settlement Proposal arises from the Settlement Conference.

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

- Association of Power Producers of Ontario (APPrO)
- Building Owners and Managers Association – Greater Toronto (BOMA)
- Consumers Council of Canada (CCC)
- Energy Probe Research Foundation (Energy Probe)
- Federation of Rental-Housing Providers of Ontario (FRPO)
- Industrial Gas Users Association (IGUA)
- School Energy Coalition (SEC)
- Vulnerable Energy Consumers Coalition (VECC)

The following items from Enbridge's Application and pre-filed evidence were addressed by the parties during the Settlement Conference:

- i) The proposed balances for recovery/refund in each of the following deferral and variance accounts:
 - Deferred Rebate Account (2017 DRA)
 - Electric Program Earnings Sharing Deferral Account (2017 EPESDA)
 - Average Use True-Up Variance Account (2017 AUTUVA)
 - Earnings Sharing Mechanism Deferral Account (2017 ESMDA)
 - Constant Dollar Net Salvage Adjustment Deferral Account (2018 CDNSADA)
 - Dawn Access Costs Deferral Account (2017 DACDA)
 - Transactional Services Deferral Account (2017 TSDA)
 - Storage and Transportation Deferral Account (2017 S&TDA)

- Unaccounted for Gas Variance Account (2017 UAFVA)

ii) The proposed method for allocating and disposing of the proposed balances.

The parties have reached complete agreement on all these items (the “Settled Items”). No other issues or proposals were addressed by the parties during the Settlement Conference or are addressed in this Settlement Proposal.

All intervenors listed above participated in the Settlement Conference and subsequent discussions. OEB Staff is not a party to the Settlement Proposal. Although it is not a party to the Settlement Proposal, once the Settlement Proposal is filed, OEB Staff will file a submission commenting on two aspects of the settlement: whether the settlement represents an acceptable outcome from a public interest perspective, and whether the accompanying explanation and rationale is adequate to support the settlement. Also, as noted in the Practice Direction on Settlement Conferences, OEB Staff who participated in the Settlement Conference are bound by the same confidentiality and privilege rules that apply to the parties to the proceeding.

This document is called a “Settlement Proposal” because it is a proposal by the parties to the Board to settle the issues in this proceeding. It is termed a proposal as between the parties and the Board. However, as between the parties, and subject only to the Board’s approval of this Settlement Proposal, this document is intended to be a legal agreement, creating mutual obligations, and is binding and enforceable in accordance with its terms. As set forth below, this Settlement Proposal is subject to a condition subsequent, that if it is not accepted by the Board in its entirety, then unless amended by the parties it is null and void and of no further effect. In entering into this agreement, the parties understand and agree that, pursuant to the *Ontario Energy Board Act, 1998*, the Board has exclusive jurisdiction with respect to the interpretation or enforcement of the terms hereof.

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

Best efforts have been made to identify all of the evidence that relates to each Settled Item. The supporting evidence for each settled issue is identified individually by reference to its exhibit number in an abbreviated format; for example, Exhibit B, Tab 3, Schedule 1 is referred to as B-3-1. The identification and listing of the evidence that relates to each settled issue is provided to assist the Board.

The Settlement Proposal describes the agreements reached on the Settled Items. The Settlement Proposal provides a direct link between each Settled Item and the supporting evidence in the record to date and/or the additional evidence attached to hereto. In this

regard, the parties are of the view that the evidence provided is sufficient to support the Settlement Proposal in relation to the Settled Items and, moreover, that the quality and detail of the supporting evidence, together with the corresponding rationale, will allow the Board to make findings agreeing with the proposed resolution of the Settled Items.

None of the parties can withdraw from the Settlement Proposal except in accordance with Rule 30 of the *Ontario Energy Board Rules of Practice and Procedure*. Further, unless stated otherwise, a settlement of any particular issue in this proceeding is without prejudice to the positions parties might take with respect to the same issue in future proceedings, whether during the term of Enbridge's 2014 to 2018 Custom Incentive Regulation plan, or thereafter.

The parties acknowledge that all data, documents or information provided and any discussions, including negotiations, admissions, concessions, offers and counter-offers occurring during the course of the Settlement Conference (settlement information), including subsequent related discussions, are privileged and confidential and without prejudice in accordance with (and subject to the exceptions set out in) the Board's *Practice Direction on Settlement Conferences* (see pages 5-6 of the OEB's *Practice Direction on Settlement Conferences*, as revised October 28, 2016).

It is fundamental to the agreement of the parties that none of the provisions of this Settlement Proposal are severable. If the Board does not accept the provisions of the Settlement Proposal in their entirety, there is no Settlement Proposal (unless the parties agree that any portion of the Settlement Proposal that the Board does accept may continue as a valid Settlement Proposal).

OVERVIEW

Enbridge's prefiled evidence details its 2017 Earnings Sharing Mechanism calculation, and the amount recorded in the 2017 ESMDA. The prefiled evidence also sets out and explains the other Deferral and Variance Account balances that Enbridge seeks to have cleared, along with several Deferral and Variance Account balances to be carried forward for review and approval in a future proceeding. The list of Deferral and Variance Accounts for which Enbridge has requested clearance was attached to the Application, and is reproduced at Appendix A to this Settlement Proposal (with one change, as noted below).

Through the Settlement Conference process, all parties have agreed that it is appropriate for Enbridge to clear the as-filed balances from the nine Deferral and Variance Accounts listed in the Preamble to this Settlement Proposal, subject to one change: the balance to be recovered in the 2017 S&TDA will be reduced by \$0.8 million, to remove an entry for Dawn T-Service transportation costs that was mistakenly included in the account. The Deferral and Variance Accounts that the parties have discussed and agreed upon are

highlighted in Appendix A. As noted, the parties did not discuss any other accounts during the Settlement Conference.

All parties have agreed that it is appropriate that the balances in the relevant accounts addressed in this Settlement Proposal be cleared over one month, in conjunction with Enbridge's January 1, 2019 QRAM proceeding.

Details of the settlement on the Settled Items are set out in the Issues section that follows.

THE ISSUES

1. Are the proposed balances for recovery / refund recorded in the following Deferral and Variance Accounts appropriate?

The Deferral and Variance accounts for which Enbridge seeks clearance are set out in Exhibit A, Tab 2, Schedule 1, Appendix A, from Enbridge's prefiled evidence. A copy of that document (with the updates to reflect the one change noted in the Overview above) is attached as Appendix A to this Settlement Proposal.

The parties have agreed to the clearance of certain of the Deferral and Variance Account balances, and interest amounts (which reflect the OEB's latest prescribed interest rates), listed in Columns 3 and 4 of Appendix A. These accounts are listed below, and highlighted at Appendix A.

- (a) Deferred Rebate Account (2017 DRA)
- (b) Electric Program Earnings Sharing Deferral Account (2017 EPESDA)
- (c) Average Use True-Up Variance Account (2017 AUTUVA)
- (d) Earnings Sharing Mechanism Deferral Account (2017 ESM DA)
- (e) Constant Dollar Net Salvage Adjustment Deferral Account (2018 CDNSADA)
- (f) Dawn Access Costs Deferral Account (2017 DACDA)
- (g) Transactional Services Deferral Account (2017 TSDA)
- (h) Storage and Transportation Deferral Account (2017 S&TDA)
- (i) Unaccounted for Gas Variance Account (2017 UAFVA)

Details of the agreements in relation to each of the relevant accounts are set out in the following sub-issues.

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

| | |
|------------------|--|
| C-1-1 | Deferral and Variance Accounts Requested for Clearance January 1, 2019 |
| C-2-1 | Clearance of Deferral and Variance Account Balances |
| C-2-2 | Derivation of Proposed Unit Rates |
| I.A.EGDI.STAFF.1 | Staff Interrogatory #1 |
| I.A.EGDI.EP.1 | Energy Probe Interrogatory #1 |

(a) 2017 Deferred Rebate Account (2017 DRA)

There are no unsettled issues with respect to this account. All parties agree that the principal balance in the 2017 DRA, which is shown in Appendix A, along with applicable interest, will be cleared as set out under Issue 2, below.

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

| | |
|-------|--|
| C-1-1 | Deferral and Variance Accounts Requested for Clearance January 1, 2019 |
| C-1-7 | 2017 Deferred Rebate Account Requested for Clearance January 1, 2019 |
| C-2-1 | Clearance of 2017 Deferral and Variance Account Balances |
| C-2-2 | Derivation of Proposed Unit Rates |

(b) 2017 Electric Program Earnings Sharing Deferral Account (2017 EPESDA)

There are no unsettled issues with respect to this account. All parties agree that the principal balance in the 2017 EPESDA, which is shown in Appendix A, along with applicable interest, will be cleared as set out under Issue 2, below.

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

| | |
|------------------|---|
| C-1-1 | Deferral and Variance Accounts Requested for Clearance January 1, 2019 |
| C-1-10 | 2017 Electric Program Earnings Sharing Deferral Account Requested for Clearance January 1, 2019 |
| C-2-1 | Clearance of 2017 Deferral and Variance Account Balances |
| C-2-2 | Derivation of Proposed Unit Rates |
| I.C.EGDI.STAFF.9 | Staff Interrogatory #9 |
| I.C.EGDI.BOMA.8 | BOMA Interrogatory #8 |

(c) 2017 Average Use True-Up Variance Account (2017 AUTUVA)

All parties agree that the principal balance in the 2017 AUTUVA, which is shown in Appendix A, along with applicable interest, will be cleared as set out under Issue 2, below.

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

| | |
|------------------|--|
| C-1-1 | Deferral and Variance Accounts Requested for Clearance January 1, 2019 |
| C-1-4 | 2017 Actual Average Use True-Up Variance Account |
| C-2-1 | Clearance of 2017 Deferral and Variance Account Balances |
| C-2-2 | Derivation of Proposed Unit Rates |
| I.C.EGDI.STAFF.8 | Staff Interrogatory #8 |
| I.C.EGDI.BOMA.9 | BOMA Interrogatory #9 |
| I.C.EGDI.CCC.5 | CCC Interrogatory #5 |
| I.C.EGDI.EP.6 | Energy Probe Interrogatory #6 |
| I.C.EGDI.FRPO.9 | FRPO Interrogatory #9 |

(d) 2017 Earnings Sharing Mechanism Deferral Account (2017 ESMDA)

There are no unsettled issues with respect to this account. All parties agree that the principal balance in the 2017 ESMDA, which is shown in Appendix A, along with applicable interest, will be cleared as set out under Issue 2, below.

In response to Staff Interrogatory #3, Enbridge explained its refined approach to determining feasibility for new residential infill customers. The agreement to the clearance of the 2017 ESMDA balance is without prejudice to the right of any parties to take any position they consider appropriate if Enbridge's refined feasibility analysis approach for residential infill customers is considered in any future proceeding. In this regard, Enbridge agrees that it will pre-file evidence as part of its 2019 rate application providing details and explanation for its refined feasibility analysis approach for residential infill customers.

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

| | |
|----------------------------|---|
| B-1-1 | 2017 ESM Amount and Determination Process |
| B-1-2 | ESM Calculations and Required Rate of Return 2017 Actuals |
| B-1-3 | 2017 Utility Earnings - Contributors to Utility Earnings and Earnings Sharing Amounts |
| B-1-4 | Utility Earnings - Reconciliation of 2017 Utility Income to Audited EGDI Consolidated Income |
| B-2-1 | Ontario Utility Rate Base – Comparison of 2017 Actuals to 2017 EB-2016-0215 Board Approved |
| B-2-2 | Property, Plant and Equipment Summary Statement – Average of Monthly Averages 2017 Actuals |
| B-2-3 | Working Capital – 2017 Actuals |
| B-2-4 | Comparison of Utility Capital Expenditures 2017 Actuals and 2017 EB-2016-0215 Board Approved |
| B-3-1 | Utility Operating Revenue 2017 Actuals |
| B-3-2 | Comparison of Gas Sales and Transportation Volume by Rate Class 2017 Actuals to 2017 EB-2016-0215 Board Approved |
| B-3-3 | Comparison of Gas Sales and Transportation Revenue by Rate Class 2017 Actuals to 2017 EB-2016-0215 Board Approved |
| B-3-4 | Customer Meters, Volumes and Revenues by Rate Class 2017 Actuals |
| B-3-5 | 2017 Other Operating Revenue |
| B-4-1 | Operating Cost 2017 Actuals |
| B-4-2 | Operating and Maintenance Expense by Department Year Ending December 2017 |
| B-5-1 | Required Rate of Return 2017 Actuals |
| B-5-2 | Utility Income 2017 Actuals |
| B-5-3 | Cost of Capital 2017 Actuals |
| C-1-1 | Deferral and Variance Accounts Requested for Clearance January 1, 2019 |
| C-2-1 | Clearance of 2017 Deferral and Variance Account Balances |
| C-2-2 | Derivation of Proposed Unit Rates |
| D-5-1 | Enbridge Gas Distribution Inc. Consolidated Financial Statements December 31, 2017 |
| D-5-2 | Enbridge Gas Distribution Inc. Management's Discussion and Analysis – December 31, 2017 |
| I.B.EGDI.STAFF.2 and 3 | Staff Interrogatories #2 and 3 |
| I.B.EGDI.BOMA.1 to 7 | BOMA Interrogatories #1 to 7 |
| I.B.EGDI.CCC.1 to 2 | CCC Interrogatories #1 to 2 |
| I.B.EGDI.EP.2 to 3 | Energy Probe Interrogatories #2 to 3 |
| I.B.EGDI.FRPO.1 to 5 | FRPO Interrogatories #1 to 5 |
| I.B.EGDI.VECC.1 to 4 and 8 | VECC Interrogatories #1 to 4 and 8 |

(e) 2018 Constant Net Dollar Salvage Adjustment Deferral Account (2018 CDNSADA)

There are no unsettled issues with respect to this account. All parties agree that the principal balance in the 2018 CDNSADA, which is shown in Appendix A, will be cleared as set out under Issue 2, below.

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

| | |
|---------------------|--|
| C-1-1 | Deferral and Variance Accounts Requested for Clearance January 1, 2019 |
| C-1-12 | 2018 Constant Net Dollar Salvage Adjustment Deferral Account Requested for Clearance January 1, 2019 |
| C-2-1 | Clearance of 2017 Deferral and Variance Account Balances |
| C-2-2 | Derivation of Proposed Unit Rates |
| I.C.EGDI.STAFF.11 | Staff Interrogatory #11 |
| I.C.EGDI.BOMA.10 | BOMA Interrogatory #10 |
| I.C.EGDI.CCC.4 | CCC Interrogatory #4 |
| I.C.EGDI.EP.7 and 8 | Energy Probe Interrogatories #7 and 8 |
| I.C.EGDI.VECC.6 | VECC Interrogatory #6 |

(f) 2017 Dawn Access Costs Deferral Account (2017 DACDA) /c

There are no unsettled issues with respect to this account. All parties agree that the principal balance in the 2017 DACDA, which is shown in Appendix A, along with applicable interest, will be cleared as set out under Issue 2, below.

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

| | |
|-------------------|--|
| C-1-1 | Deferral and Variance Accounts Requested for Clearance January 1, 2019 |
| C-1-13 | 2017 Dawn Access Costs Deferral Account |
| C-2-1 | Clearance of 2017 Deferral and Variance Account Balances |
| C-2-2 | Derivation of Proposed Unit Rates |
| I.C.EGDI.STAFF.12 | Staff Interrogatory #12 |
| I.C.EGDI.BOMA.14 | BOMA Interrogatory #14 |

(g) 2017 Transactional Services Deferral Account (2017 TSDA)

There are no unsettled issues with respect to this account. All parties agree that the principal balance in the 2017 TSDA, which is shown in Appendix A, along with applicable interest, will be cleared as set out under Issue 2, below.

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

| | |
|-----------------------|---|
| C-1-1 | Deferral and Variance Accounts Requested for Clearance January 1, 2019 |
| C-1-2 | 2017 Storage & Transportation Deferral Account, 2017 Transactional Services Deferral Account, Requested for Clearance January 1, 2019 |
| C-2-1 | Clearance of 2017 Deferral and Variance Account Balances |
| C-2-2 | Derivation of Proposed Unit Rates |
| I.C.EGDI.STAFF.6 | Staff Interrogatory #6 |
| I.C.EGDI.BOMA.13 | BOMA Interrogatory #13 |
| I.C.EGDI.FRPO.7 and 8 | FRPO Interrogatories #7 and 8 |

(h) 2017 Storage and Transportation Deferral Account (2017 S&TDA)

There are no unsettled issues with respect to this account.

All parties have agreed that the principal balance in the 2017 S&TDA should be reduced by \$0.8 million, which reflects the removal of costs recorded related to Dawn Transportation Service that have already been recovered in rates and should not have been included in the account. The effect of this adjustment is to reduce the amount to be recovered in the 2017 S&TDA from \$22.654 million to \$21.854 million.

All parties agree that the updated principal balance in the 2017 S&TDA, which is shown in Appendix A, along with applicable interest, will be cleared as set out under Issue 2, below.

One of the items recorded in the 2017 S&TDA are variances related to Enbridge's cost for market-based storage. As in past years, Enbridge conducted an RFP process in 2016 to replace expiring market-based storage capacity. Through the RFP process, Enbridge decided to contract with Union Gas for some of its market-based storage requirements. While Enbridge had contracted previously with Union Gas for market-based storage, it was not until February 2017 that Enbridge and Union Gas became affiliates (the proposed Enbridge/Spectra transaction had been announced in September 2016). During the Settlement Conference, parties asked a number of questions about Enbridge's market-based storage RFP process to confirm that the decision to contract with Union Gas (which would be an affiliate during the term of the contract) was prudent. Enbridge provided information explaining its process and decision-making. Following review of that information, parties confirmed that the information is sufficient to address their questions about the "affiliate" contract.

In order to provide the OEB with a complete record of relevant information, Enbridge is filing the information shared at the Settlement Conference about its RFP process with this Settlement Proposal. Below is a description of the filed information.

- Appendix B to this Settlement Proposal is the written explanation of the market-based storage procurement process for 2017 that was circulated at the Settlement Conference.
- Appendix C to this Settlement Proposal is Enbridge's internal memorandum prepared in November 2016 to evaluate the RFP responses and choose the successful bidders. In the version of the memorandum shared with parties at the Settlement Conference, the names of all counterparties other than Union Gas were redacted, as their identities are confidential and commercially sensitive, and because disclosure of their identities might make parties less likely to participate in future RFPs. Enbridge's memorandum included an attached spreadsheet setting out details of each of the RFP responses. Enbridge shared that spreadsheet (with identities of

bidders redacted) with parties at the Settlement Conference. Given the confidential and commercially sensitive information set out in the spreadsheet which information might, if made public, compromise Enbridge's commercial position in respect of future storage procurements and related negotiations which would not be in the best interests of either Enbridge or its ratepayers, the parties agree that it would be appropriate for that document to be filed confidentially with the OEB, pursuant to the OEB's Practice Direction on Confidential Filings. Enbridge will file the spreadsheet on a confidential basis, at the same time as this Settlement Proposal is filed.

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

| | |
|-------------------------|---|
| C-1-1 | Deferral and Variance Accounts Requested for Clearance January 1, 2019 |
| C-1-2 | 2017 Storage & Transportation Deferral Account, 2017 Transactional Services Deferral Account, Requested for Clearance January 1, 2019 |
| C-2-1 | Clearance of 2017 Deferral and Variance Account Balances |
| C-2-2 | Derivation of Proposed Unit Rates |
| I.C.EGDI.STAFF.5 | Staff Interrogatory #5 |
| I.C.EGDI.BOMA.11 and 12 | BOMA Interrogatories #12 |
| I.C.EGDI.EP.4 | Energy Probe Interrogatory #4 |
| I.C.EGDI.FRPO.6 | FRPO Interrogatory #6 |

(i) 2017 Unaccounted for Gas Variance Account (2017 UAFVA)

There are no unsettled issues with respect to this account. All parties agree that the principal balance in the 2017 UAFVA, which is shown in Appendix A, along with applicable interest, will be cleared as set out under Issue 2, below.

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

| | |
|------------------|--|
| C-1-1 | Deferral and Variance Accounts Requested for Clearance January 1, 2019 |
| C-1-3 | Unaccounted-For-Gas Variance Account |
| C-2-1 | Clearance of 2017 Deferral and Variance Account Balances |
| C-2-2 | Derivation of Proposed Unit Rates |
| I.C.EGDI.STAFF.7 | Staff Interrogatory #7 |
| I.C.EGDI.EP.5 | Energy Probe Interrogatory #5 |

2. Is the proposed method for allocating and disposing of the deferral account balances, inclusive of the 2017 earnings sharing amount appropriate?

All parties agree that the principal balances in Enbridge's Deferral and Variance Accounts listed above, along with applicable interest (noting that the forecasted interest balances reflect the impact of the OEB's Q4 2018 prescribed interest rate), as set out in the highlighted rows of columns 3 and 4 of Appendix A to this Settlement Proposal, will be recovered or refunded to customers as a one-time billing adjustment in the month of January 2019, in conjunction with Enbridge's January 1, 2019 QRAM Application.

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

| | |
|-------------------|--|
| C-1-1 | Deferral and Variance Accounts Requested for Clearance January 1, 2019 |
| C-2-1 | Clearance of Deferral and Variance Account Balances |
| C-2-2 | Derivation of 2017 Proposed Unit Rates |
| I.C.EGDI.STAFF.13 | Staff Interrogatory #13 |
| I.C.EGDI.BOMA.15 | BOMA Interrogatory #15 |

APPENDIX A

ENBRIDGE GAS DISTRIBUTION INC.
DEFERRAL & VARIANCE ACCOUNT
ACTUAL & FORECAST BALANCES

| Line No. | Account Description | Account Acronym | Actual at May 31, 2018 | | Forecast for clearance at January 1, 2019 | | 17 |
|---------------------------------------|---|-----------------|------------------------|--------------------|---|--------------------|----|
| | | | Principal (\$000's) | Interest (\$000's) | Principal (\$000's) | Interest (\$000's) | |
| <u>Non Commodity Related Accounts</u> | | | | | | | |
| 1. | Demand Side Management V/A | 2017 DSMVA | (1,277.1) | (8.8) | - | - | 1 |
| 2. | Demand Side Management V/A | 2016 DSMVA | (704.0) | (13.3) | - | - | 1 |
| 3. | Demand Side Management V/A | 2015 DSMVA | 825.5 | 26.8 | - | - | 1 |
| 4. | Lost Revenue Adjustment Mechanism | 2017 LRAM | - | - | - | - | 1 |
| 5. | Lost Revenue Adjustment Mechanism | 2016 LRAM | (100.0) | (0.7) | - | - | 1 |
| 6. | Lost Revenue Adjustment Mechanism | 2015 LRAM | (72.3) | (1.4) | - | - | 1 |
| 7. | Demand Side Management Incentive D/A | 2016 DSMIDA | 2,893.5 | 23.6 | - | - | 1 |
| 8. | Demand Side Management Incentive D/A | 2015 DSMIDA | 6,068.6 | 120.3 | - | - | 1 |
| 9. | Deferred Rebate Account | 2017 DRA | 1,834.0 | 36.7 | 1,834.0 | 58.2 | 2 |
| 10. | Gas Distribution Access Rule Impact D/A | 2017 GDARIDA | - | - | 265.9 | - | 3 |
| 11. | Manufactured Gas Plant D/A | 2018 MGPDA | 618.9 | 50.8 | - | - | 4 |
| 12. | Electric Program Earnings Sharing D/A | 2017 EPESDA | (680.2) | (4.7) | (680.2) | (12.7) | 5 |
| 13. | Average Use True-Up V/A | 2017 AUTUVA | (4,035.7) | (27.8) | (4,035.7) | (75.3) | 6 |
| 14. | Earnings Sharing Mechanism Deferral Account | 2017 ESMDA | (23,700.0) | (163.5) | (23,550.0) | (440.5) | 7 |
| 15. | Customer Care CIS Rate Smoothing D/A | 2017 CCCISRSDA | (2,785.3) | (35.8) | - | (59.6) | 8 |
| 16. | Customer Care CIS Rate Smoothing D/A | 2016 CCCISRSDA | (779.9) | (7.6) | - | (14.6) | 8 |
| 17. | Customer Care CIS Rate Smoothing D/A | 2015 CCCISRSDA | 1,124.2 | 11.0 | - | 20.8 | 8 |
| 18. | Customer Care CIS Rate Smoothing D/A | 2014 CCCISRSDA | 2,927.0 | 28.7 | - | 53.9 | 8 |
| 19. | Customer Care CIS Rate Smoothing D/A | 2013 CCCISRSDA | 4,634.9 | 45.4 | - | 85.3 | 8 |
| 20. | Transition Impact of Accounting Changes D/A | 2018 TIACDA | 66,537.0 | - | 4,435.8 | - | 9 |
| 21. | Post-Retirement True-Up V/A | 2017 PTUVA | (4,299.2) | (47.1) | (4,299.2) | (97.7) | 10 |
| 22. | Constant Dollar Net Salvage Adjustment D/A | 2018 CDNSADA | 18,910.1 | - | 6,468.3 | - | 11 |
| 23. | Greenhouse Gas Emissions Impact D/A | 2016 GGEIDA | 939.8 | 22.1 | - | - | 12 |
| 24. | Greenhouse Gas Emissions Impact D/A | 2017 GGEIDA | 2,176.1 | 27.6 | - | - | 12 |
| 25. | OEB Cost Assessment V/A | 2017 OEBCAVA | 2,649.9 | 35.2 | 2,649.9 | 66.4 | 13 |
| 26. | Greenhouse Gas Emissions Compliance Obligation-Customer Related V/A | 2017 GGECOCRVA | 11,471.8 | 156.2 | - | - | 12 |
| 27. | Dawn Access Costs D/A | 2017 DACDA | - | - | (910.7) | - | 14 |
| 28. | Total non commodity Related Accounts | | 85,177.6 | 273.7 | (17,821.9) | (415.8) | |
| <u>Commodity Related Accounts</u> | | | | | | | |
| 29. | Transactional Services D/A | 2017 TSDA | 1,206.4 | 7.5 | 1,206.4 | 21.7 | 15 |
| 30. | Storage and Transportation D/A | 2017 S&TDA | 22,654.8 | 280.3 | 21,854.8 | 541.6 | 15 |
| 31. | Unaccounted for Gas V/A | 2017 UAFVA | (1,129.9) | (21.9) | (1,129.9) | (35.1) | 16 |
| 32. | Total commodity related accounts | | 22,731.3 | 265.9 | 21,931.3 | 528.2 | |
| 33. | Total Deferral and Variance Accounts | | 107,908.9 | 539.6 | 4,109.4 | 112.4 | |

Notes:

- The clearance of DSM related accounts will be determined through separate DSM proceedings.
- DRA evidence is found at Exhibit C, Tab 1, Schedule 7.
- The clearance amount associated with the 2017 GDARIDA is the result of a revenue requirement calculation found in evidence at Exhibit C, Tab 1, Schedule 6.
- Clearance of the balance that was recorded in 2017 MGPDA is not being requested at this time. As was indicated in the EB-2017-0086 proceeding, the balance in the 2017 MGPDA was transferred to the 2018 MGPDA.
- EPESDA evidence is found at Exhibit C, Tab 1, Schedule 10.
- AUTUVA evidence is found at Exhibit C, Tab 1, Schedule 4.
- Evidence within the B-series of exhibits provides details of Enbridge's 2017 utility results and 2017 earnings sharing calculation.
- CCCISRSDA evidence is found at Exhibit C, Tab 1, Schedule 9.
- TIACDA evidence is found at Exhibit C, Tab 1, Schedule 8.
- PTUVA evidence is found at Exhibit C, Tab 1, Schedule 5.
- CDNSADA evidence is found at Exhibit C, Tab 1, Schedule 12.
- Clearance of Cap and Trade related accounts (GGEIDA, GGECOCRVA, & GGECOFVA) will be determined through Cap and Trade compliance plan proceedings.
- OEBCAVA evidence is found at Exhibit C, Tab 1, Schedule 11.
- DACDA evidence is found at Exhibit C, Tab 1, Schedule 13.
- TSDA and S&TDA evidence is found at Exhibit C, Tab 1, Schedule 2. The S&TDA balance forecast for clearance has been reduced by \$0.8 million in accordance with the Settlement Proposal.
- UAFVA evidence is found at Exhibit C, Tab 1, Schedule 3.
- Forecast interest balances reflect the impact of the Board's Q4 2018 prescribed interest rate.

APPENDIX B

2017 Market Based Storage

On November 2, 2016, Enbridge distributed its Term Storage RFP with the following parameters:

Injection Start Date: April 2017
Term: Up to 5 years
Volume: 6.0PJs

Enbridge required this annual replacement of third party storage in order to meet demand on peak winter days as well as retain late season deliverability. The RFP came back on November 16, 2016 with offers from six different counterparties with multiple terms, prices and injection/withdrawal parameters

1. Basic Synthetic Storage Service - Baseload monthly withdrawal and monthly injection volumes with no ratchets and no flexibility with volumes. Lowest cost option.
2. Standard Physical Storage Service – Injections: firm year round except October and November at 0.75% of Maximum Storage Balance (MSB); Withdrawals: Firm year round except for April and May at 1.20% of MSB. This service allows monthly, daily and intra-day volume flexibility.
3. Hybrid - Basic synthetic storage service (60% of volume) with standard physical storage service and Oct injections (40%) - October injections 0.375% of MSB -This service allows monthly, daily and intra-day flexibility on 40% of the total volume.
4. Enhanced Physical Storage Service – Standard physical storage service with October firm injections of either 15,000Gj/d or 30,000Gj/d. This service allows monthly, daily and intra-day volume flexibility. Highest cost option.

In the RFP assessment, Enbridge selected Union Gas' offer for 5 PJ as it was the only true physical storage contract which would allow Enbridge to continue to nominate directly with the facility. Additionally, the cycling ability and intra-day operational flexibility of the Union physical storage cannot be matched by any other storage contracts.

The synthetic deal for 1.055 PJ was selected as it was the least expensive cost option. Enbridge prefers to keep a certain level of synthetic deals in its current storage portfolio (~4PJs) as a means of balancing reduced daily flexibility with lower costs and supplier diversity while still meeting baseload needs for supply planning.

The following is an overview of the storage contracts in place for 2017. Enbridge has used the list of contracts described in the 2017 Rate Adjustment proceeding (EB-2017-0086) at Exhibit D1, Tab 2, Schedule 9, page 2 of 2 (the document that is found as Attachment 2 to EP#4 in this case), and has added the 2017 contracts to the list (Highlighted)

| Contract | Physical (P) or synthetic storage (S) | Annual Volume (GJ) | Effective Date | Expiry Date | Max Withdrawal | Max Inject | Demand Charge CAN\$/GJ |
|----------|---------------------------------------|--------------------|----------------|---------------|----------------|------------|------------------------|
| A | P | 5,055,056 | April 1 2012 | March 31 2017 | 1.2% | 0.8% | 0.72 |
| B | P | 3,165,168 | april 1 2013 | March 31 2018 | 3.0% | 1.0% | 1.05 |
| C | S | 2,110,112 | april 1 2013 | March 31 2018 | 0.7% | 0.5% | 0.35 |
| D | P | 4,000,000 | april 1 2014 | march 31 2019 | 1.2% | 0.8% | 0.44 |
| E | P | 3,000,000 | april 1 2015 | march 31 2020 | 1.2% | 0.8% | 0.64 |
| F | P | 3,000,000 | april 1 2015 | march 31 2020 | 4.0% | 2.0% | 0.64 |
| G | S | 1,055,056 | april 1 2016 | march 31 2017 | 0.7% | 0.7% | 0.42 |
| H | S | 1,582,584 | april 1 2016 | march 31 2019 | 0.7% | 0.5% | 0.44 |
| I | P | 1,500,000 | april 1 2016 | march 31 2021 | 1.2% | 0.8% | 0.95 |
| J | P | 5,000,000 | april 1 2017 | march 31 2022 | 1.2% | 0.8% | 0.90 |
| K | S | 1,055,056 | april 1 2017 | march 31 2020 | 0.7% | 0.5% | 0.53 |

For further context about Enbridge's third party storage costs, please see the response to FRPO Interrogatory #13 from the Enbridge 2018 Rate Adjustment proceeding

APPENDIX C



memo

Date: November 21, 2016

To: Kerry Lakatos-Hayward, Dave Charleson

Cc: Vivian Krauchek, Don Small, Kent Wirth, Andrew Welburn, Ian McLeod, Matthew Kirk, Grace Duong

From: Trevor Mitchell

Re: EGD 2016 Term Storage RFP

Background

On November 2, 2016 Enbridge Gas Distribution Inc ("EGDI") distributed its annual Term Storage RFP with the following parameters:

Injection Start Date: April 2017
Term: Up to 5 years
Volume: 6.0PJ

The RFP is seeking to replace the ~6.0PJs of firm third party term storage that will be expiring at the end of March 2017. The deals expiring are a 5 year, 5.0PJ, physical deal with Union Gas and a 1 year, 1.0PJ, synthetic storage deal with [REDACTED].

EGDI requires this annual replacement of third party storage in order to meet demand on peak winter days as well as retain late season deliverability.

RFP Results

The RFP came back on November 16, 2016 with offers from six different counterparties (**PARTY A**, **PARTY B**, **PARTY C**, **PARTY D**, **PARTY E** and Union Gas) with multiple terms, prices and injection/withdrawal parameters (see attachment).

These offers were compiled into 4 different types of storage services:

1. Basic Synthetic Storage Service - Baseload monthly withdrawal and monthly injection volumes with no ratchets and no flexibility with volumes. Lowest cost option.
2. Standard Physical Storage Service – Injections: firm year round except October and November at 0.75% of Maximum Storage Balance (MSB); Withdrawals: Firm year round except for April and May at 1.20% of MSB. This service allows monthly, daily and intra-day volume flexibility.
3. Hybrid - Basic synthetic storage service (60% of volume) with standard physical storage service and Oct injections (40%) - October injections 0.375% of MSB -This service allows monthly, daily and intra-day flexibility on 40% of the total volume.

4. Enhanced Physical Storage Service – Standard physical storage service with October firm injections of either 15,000Gj/d or 30,000Gj/d. This service allows monthly, daily and intra-day volume flexibility. Highest cost option.

Once the offers were compiled, the group met to discuss the various options put forth by the counterparties. As a result of the group's discussion, the following two offers were selected as the best fit for EGD's portfolio:

1. Counterparty: Union Gas Limited (Union1)
Term: 5 years (April 2017 - March 2022)
Volume: 5.0PJs (4,739,085mmbtu)
Price: \$0.779/mmbtu
Total Annual Cost: \$3,691,747US
Total Cost: \$18,458,735US
2. Counterparty: PARTY B (PARTY B – 4)
Term: 3 years (April 2017 – March 2017)
Volume: 1.0Bcf (1,055,056GJ)
Price: \$0.445/mmbtu
Total Annual Cost: \$445,000US
Total Cost: \$1,335,000US

Rationale

Union Gas Limited Transaction

The standard service for physical storage with Union Gas will replace the current Union 5.0PJ deal expiring at the end of March 2017. Although the price/mmbtu is greater than the comparable PARTY D physical deal (\$0.779 vs \$0.66), only the Union offer presents a true physical storage contract which will allow EGD to continue to nominate directly with the facility. Additionally, the cycling ability and intra-day operational flexibility of the Union physical storage cannot be matched by the PARTY D contract. The group opted not to pursue the enhanced service offering as EGD has existing enhanced service contracts with both Union and [REDACTED] which allow for October injections. In the event of a very warm October and extremely high storage levels, the group contends that the existing contracts together with offsetting measures such as overrun or the shedding of supply volumes are lower cost options than 5 years of an enhanced storage contract.

PARTY B

The synthetic deal with PARTY B will replace the current deal we have with [REDACTED] and is the least expensive cost option by \$0.016US/mmbtu when compared with the PARTY C - 3 deal. The group agrees it would be prudent to increase the term on the deal to 3 years (up from 1 year) as 2 PJs of synthetic storage will expire in 2018 and there are no synthetic deals past 2019. EGD prefers to keep a certain level of synthetic deals in its current storage portfolio (~4PJs) as a means of balancing reduced daily flexibility with lower costs and supplier diversity while still meeting baseload needs for supply planning.

Recommendation

Based on the above evaluation, ES&P is recommending EGD execute the deals detailed above with Union Gas Limited and PARTY B. These new deals will act to replace the expiring deals and maintain our storage portfolio for the 2017-2018 gas year and beyond.

Trevor Mitchell
Senior Gas Specialist