



Ontario Energy Board Commission de l'énergie de l'Ontario

DECISION AND ORDER

EB-2015-0200

UNION GAS LIMITED

2017 Dawn-Parkway Expansion Project

BEFORE: Emad Elsayed
Presiding Member

Christine Long
Panel Member

Paul Pastirik
Panel Member

December 22, 2015

1 INTRODUCTION AND SUMMARY

Union Gas Limited (Union) is a natural gas storage, distribution and transmission company regulated by the Ontario Energy Board (OEB). It serves approximately 1.4 million customers in northern, eastern and southern Ontario. The distribution service area of Union extends throughout northern Ontario, from the Manitoba border to the North Bay/ Muskoka area, through southwestern Ontario from Windsor to Hamilton and across eastern Ontario, from Port Hope to Cornwall.

Union operates an integrated network of over 69,000 kilometers of natural gas pipelines. Union also owns storage and transmission assets that include 157 billion cubic feet (Bcf) of underground natural gas storage at the Dawn Hub, which is located close to the city of Chatham in southwestern Ontario. The Dawn Parkway transmission system connects the Dawn Hub to consuming markets in Ontario, Quebec and U.S. Northeast. The Dawn Parkway system is a series of four natural gas pipelines that run 257 kilometres in length from the Dawn Hub to Parkway in Mississauga, Ontario.

North American natural gas markets continue to experience dramatic change. Production from shale gas continues to exceed forecasts and have changed the dynamics of the natural gas commodity and transportation markets. The utilities in Ontario (Union and Enbridge Gas Distribution Inc.) have responded by adjusting their natural gas supply portfolio to purchase gas closer to their markets and to use short haul transportation to move gas to their markets. This has resulted in the requirement of new infrastructure within Ontario.

Union conducted an open season in December 2014 to gauge interest from shippers for firm transportation capacity on the Dawn Parkway System commencing November 1, 2017. In response to the open season, Union received interest for M12 Dawn to Parkway System capacity of 597,504 GJ/day plus an additional interest for M12X¹ capacity of 27,770 GJ/day.

As a result of the response from the open season, Union filed an application with the OEB on June 30, 2015 for pre-approval of the recovery of the cost consequences associated with the installation of three new compressors and associated facilities on the Dawn-Parkway transmission system (the Project). The total estimated cost of the project was \$622.5 million.

Union is seeking pre-approval of the recovery of the cost consequences of the Project under section 36 of the *Ontario Energy Board Act, 1998*. In its application, Union noted

¹ M12X is a new flexible service from Union that allows reversal of flow, from east to west.

that the Project meets the capital pass-through criteria established in Union's 2014-18 Incentive Regulation Mechanism (IRM) proceeding (EB-2013-0202). The annual revenue requirement associated with the Project ranges from approximately -\$1.7 million in 2016 to \$42.6 million in 2018.

Union proposes to allocate the costs of the Project as per Union's 2013 OEB-approved cost allocation methodology. The Dawn Station transmission costs is allocated between in-franchise and ex-franchise rate classes using Dawn Parkway system easterly design day demands requiring Dawn compression. A majority of the Project costs is allocated to ex-franchise customers; in-franchise rate classes will see a rate reduction due to a shift in indirect costs and the allocation of project property and income taxes.

Using the April 2015 Quarterly Rate Adjustment Mechanism OEB-approved rates, an average residential customer in southern Ontario would see an annual decrease of \$6.83 while an average residential customer in Union North would see a decrease of \$8.83 per year. For ex-franchise customers taking M12 Dawn to Parkway transmission service, the Project costs are expected to increase the M12 rate by approximately \$0.016/GJ/day; from \$0.086/GJ/day to \$0.102/GJ/day.

For the reasons provided below, the OEB approves Union's application as modified by the Settlement Proposal. The OEB finds that the proposed Project is in the public interest.

2 THE PROCESS

As indicated above, Union filed its application on June 30, 2015. The list of intervenors who participated in the proceeding is provided in Schedule A.

A settlement conference was held on October 20 and 21, 2015 in which the parties were able to reach a settlement on all issues in the proceeding. The Settlement Proposal is attached as Schedule B.

OEB staff filed a submission supporting the Settlement Proposal. In its submission, staff noted that Union had not included the draft accounting order with respect to the 2017 Dawn Parkway System Expansion Deferral Account along with the Settlement Proposal. OEB staff suggested that Union file a revised Settlement Proposal that includes the draft accounting order. Union filed the Settlement Proposal along with the draft accounting order on November 23, 2015.

The outcome of the Settlement Proposal was not materially different from what Union filed in its application. Some of the major elements of the Settlement Proposal include:

1. The parties accepted that the Project is required to meet the growing demand for Dawn Parkway System transportation capacity and to replace an existing compressor facility.
2. In its application, Union proposed adding a five-year Term Up provision for existing renewable transportation contracts on the Dawn Parkway System when facility expansion of the Dawn Parkway System are planned at a cost of \$50 million or more. As part of the settlement, Union agreed to withdraw its request to implement a Term Up provision as part of this application.
3. The parties accepted that Union's proposal meets the OEB's economic tests as outlined in the Filing Guidelines on the Economic Tests for Transmission Pipeline Applications (E.B.O. 134, Report on System Expansion). However, the parties noted that there had been a significant change in gas markets since the Board had reviewed the E.B.O. 134 guidelines or the economic tests. Parties suggested that the OEB could perhaps consider a different approach to addressing feasibility parameters and impact on existing ratepayers. The parties further noted that it would be timely for the OEB to review and clarify the feasibility parameters for future similar expansion projects.
4. The parties accepted the cost allocation and rate impacts forecasted by Union, subject to a change in the 2013 OEB-approved horsepower allocator at Dawn

from an allocation of 55:45 (storage/transmission) to 64:36 with rates effective January 1, 2018. The re-allocation was based on the fact that the replacement compressor (Dawn H) will be providing only transmission services and not some storage services as the previous compressor and therefore all Dawn H costs are proposed to be directly assigned to transmission. OEB staff in its submission supported the cost allocation change noting that it leads to enhanced cost causality.

5. The parties agreed that the Project meets the capital pass-through mechanism criteria established in the EB-2013-0202 proceeding for pre-approval to recover the cost consequences of the proposed facilities.
6. The parties agreed to the establishment of the 2017 Dawn Parkway System Expansion Deferral Account. As part of the settlement, Union agreed to include in the deferral account a credit of \$1.34 million related to the 30,393 GJ/day of surplus capacity. The account will capture both positive and negative variances in actual revenue generated from the surplus capacity relative to the \$1.34 million credit.

3 OEB DECISION

The OEB approves the Settlement Proposal based on the following key findings:

- The need for the Project has been demonstrated by Union on the basis of replacing aging infrastructure and meeting the growing demand from shippers on the system.
- The Project meets the OEB's economic tests as outlined in the Filing Guidelines on the Economic Tests for Transmission Pipeline Applications, dated February 21, 2013 and the E.B.O. 134 Report on System Expansion, as applied to Union.
- The resulting short-term and long-term economic impacts on customers are reasonable.
- The Project meets the capital pass-through mechanism criteria established in the EB-2013-0202 proceeding for pre-approval to recover the cost consequences of the Project.

The OEB commends the parties for their efforts in coming to an agreement that the OEB considers to be in the public interest.

Parties have suggested that the OEB consider reviewing the feasibility parameters in the E.B.O. 134 guidelines and the impact on existing ratepayers. The hearing panel in this proceeding notes that this Application considered Union's 2017 Dawn Parkway Expansion Project and the review of the E.B.O. 134 guidelines is outside the scope of this proceeding. The OEB will therefore not make any determination on this request.

The OEB will not approve the 2017 Dawn Parkway System Expansion Deferral Account (179-144) in this proceeding. The accounting order will be reviewed and approved in Union's 2016 IRM Rates proceeding (EB-2015-0116) currently before the OEB.

4 ORDER

THE BOARD ORDERS THAT:

1. Eligible intervenors shall file with the OEB and forward to Union their respective cost claims on or before January 12, 2016.
2. Union shall file with the OEB and forward to the intervenors any objections to the claimed costs of the intervenors on or before January 19, 2016.
3. If Union objects to the intervenor costs, intervenors shall file with the OEB and forward to Union any responses to any objections for cost claims on or before January 26, 2016.
4. Union shall pay the OEB's costs of, and incidental to, this proceeding immediately upon receipt of the OEB's invoice.

All filings to the OEB must quote the file number, EB-2015-0200 and be made electronically in searchable / unrestricted PDF format through the OEB's web portal at <https://www.pes.ontarioenergyboard.ca/eservice/>. Two paper copies must also be filed. Filings must clearly state the sender's name, postal address and telephone number, fax number and e-mail address. Parties must use the document naming conventions and document submission standards outlined in the RESS Document Guideline found at <http://www.ontarioenergyboard.ca/OEB/Industry>. If the web portal is not available parties may email their documents to the address below. Those who do not have internet access are required to submit all filings on a CD in PDF format, along with two paper copies. Those who do not have computer access are required to file 7 paper copies.

All communications should be directed to the attention of the Board Secretary at the address below, and be received no later than 4:45 p.m. on the required date.

ADDRESS

Ontario Energy Board
P.O. Box 2319
2300 Yonge Street, 27th Floor
Toronto ON M4P 1E4
Attention: Board Secretary

E-mail: boardsec@ontarioenergyboard.ca

Tel: 1-888-632-6273 (Toll free)

Fax: 416-440-7656

DATED at Toronto, **December 22, 2015**

ONTARIO ENERGY BOARD

Original signed by

Kirsten Walli
Board Secretary

SCHEDULE A
DECISION AND ORDER
UNION GAS LIMITED
EB-2015-0200
DECEMBER 22, 2015

LIST OF INTERVENORS

- Alberta Northeast Gas Limited
- Association of Power Producers of Ontario
- Building Owners and Managers Association Toronto
- Enbridge Gas Distribution Inc.
- Energy Probe Research Foundation (Energy Probe)
- Federation of Rental-housing Providers of Ontario
- Gaz Métro Limited Partnership
- Industrial Gas Users Association
- Independent Electricity System Operator
- Kitchener Utilities (Kitchener)
- London Property Management Association
- School Energy Coalition
- Shell Energy North America (Canada) Inc.
- TransCanada Energy Ltd.
- TransCanada PipeLines Limited
- TransAlta Cogeneration L.P. and TransAlta Energy Corp.

SCHEDULE B

SETTLEMENT PROPOSAL – NOVEMBER 13, 2015

UNION GAS LIMITED

EB-2015-0200

DECEMBER 22, 2015

ONTARIO ENERGY BOARD

IN THE MATTER OF the *Ontario Energy Board Act, 1998*, S.O.1998, c.15, Schedule B, S.36 thereof;

AND IN THE MATTER OF an Application by Union Gas Limited for an Order or Orders for approval of recovery of the cost consequences of all facilities associated with the development of the proposed 2017 Dawn Parkway Project specifically the installation of the Dawn H, Lobo D and Bright C Compressors located in the Township of Dawn-Euphemia, the Municipality of Middlesex Centre and the Township of Blandford-Blenheim.

SETTLEMENT PROPOSAL

November 13, 2015

This Settlement Proposal is for the consideration of the Ontario Energy Board (“the Board”) in its determination, under Docket No. EB-2015-0200, of an Application by Union Gas Limited (“Union”) for an Order or Orders of the Board approving the recovery of cost consequences of all facilities associated with the development of the proposed 2017 Dawn Parkway Project. This document is called a “Settlement Proposal” because it is a proposal by the Parties to the Board to settle the issues in this proceeding. It is termed a proposal as between the Parties and the Board. However, as between the Parties, and subject only to the Board’s approval of this Settlement Proposal, this document is intended to be a legal agreement, creating mutual obligations, and binding and enforceable in accordance with its terms. As set forth later in this Preamble, this agreement 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 Act, the Board has exclusive jurisdiction with respect to the interpretation and enforcement of the terms hereof.

By Procedural Order No. 4 dated October 5, 2015, the Board scheduled a Settlement Conference to take place on October 20 and 21, 2015. The Settlement Conference was duly convened, in accordance with Procedural Order No. 4, with Mr. Chris Haussmann as facilitator. The Settlement Conference commenced on October 20, 2015 and concluded on October 21, 2015. The parties to the Settlement Conference have reached a complete settlement on all issues.

The following intervenors participated in the Settlement Conference (herein, with Union, referred to as the “parties”):

Alberta Northeast Gas Limited (“ANE”)

Association of Power Producers of Ontario (“APPrO”)

Building Owners and Managers Association, Greater Toronto (“BOMA”)

Canadian Manufacturers and Exporters (“CME”)

Energy Probe Research Foundation (“Energy Probe”)

Federation of Rental-housing Providers of Ontario (“FRPO”)

Gaz Métro Limited Partnership (“Gaz Métro”)

Independent Electricity System Operator (“IESO”)

Industrial Gas Users Association (“IGUA”)

London Property Management Association (“LPMA”)

School Energy Coalition (“SEC”)

Vulnerable Energy Consumers Coalition (“VECC”)

TransCanada PipeLines Limited (“TransCanada”)

The purpose of Union’s application is to obtain:

- (a) pre-approval of the recovery of cost consequences associated with the installation of the Dawn H Compressor and associated facilities at the Dawn Compressor Station, the Lobo D Compressor and associated facilities at the Lobo Compressor Station, and the Bright C Compressor and associated facilities at the Bright Compressor Station, all of the elements listed in this subparagraph (a) together referred to below as the “Project”;
- (b) approval of an accounting order to establish the Dawn H/Lobo D/Bright C Compressor Project Costs Deferral Account; and,

- (c) approval of the Term Up provision to be added to the General Terms and Conditions (Schedule A's) in the M12 and C1 rate schedules.

Union is seeking pre-approval of the recovery of the costs consequences of the Project in accordance with the Board-approved capital pass-through criteria which form part of Union's 2014-2018 Incentive Regulation Mechanism (EB-2013-0202).

The parties agree that the application gives rise to the following issues:

1. Are the proposed facilities needed? (Incremental Capacity Contracted less turnback/decontracting)
2. Have the Interdependencies/timing been appropriately addressed?
3. Is the proposed Term Up Provision and related changes to the Terms of Service appropriate?
4. Do the proposed facilities meet the Board's economic tests as outlined in the Filing Guidelines on the Economic Tests for Transmission Pipeline Applications, dated February 21, 2013, as applicable?
5. Is the proposed Cost Allocation appropriate and what are the resulting potential short-term and long-term rate impacts to customers? Are these costs and rate impacts to customers appropriate?
6. What are the facilities and non-facilities alternatives to the proposed facilities? Have these alternatives been adequately assessed and are any preferable to the proposed facilities, in whole or in part?
7. Are the proposed facilities designed in accordance with current technical and safety requirements?

8. Has there been adequate consultation with other potentially affected parties (e.g. First Nations)?
9. Does the project meet the capital pass-through mechanism (CPM) criteria for pre-approval to recover the cost consequences of the proposed facilities?
10. Is the proposed Dawn H/Lobo D/Bright C Compressor Project Costs Deferral Account appropriate?

Except as expressly noted below, for the purposes of settlement of the issues in this proceeding, the parties agree to the relief sought by Union in the Application and accept Union's position that the claimed relief is supported by Union's pre-filed evidence and its responses to interrogatories, questions at the Technical Conference and Technical Conference undertakings (together the "evidence"). References to the evidence are provided in relation to each of the agreed items contained in the Settlement Proposal.

The parties acknowledge that this Settlement Conference is confidential in accordance with the Board's Practice Direction on Settlement Conferences (the "Practice Direction"). The parties understand that confidentiality in that context does not have the same meaning as confidentiality in the Board's Practice Direction on Confidential Filings, and the rules of that latter document do not apply. Instead, in this Settlement Conference, and in this Settlement Proposal, the parties have interpreted "confidential" to mean that the documents and other information provided during the course of the Settlement Conference, the discussion of each issue, the offers and counter-offers, and the negotiations leading to the settlement – or not – of each issue during the Settlement Conference are strictly privileged and without prejudice. None of the foregoing is admissible as evidence in this proceeding, or otherwise, with one exception; the need to resolve a subsequent dispute over the interpretation of any provision of this Settlement Proposal. Further,

the parties shall not disclose those documents or other information to persons who were not attendees at the Settlement Conference. However, the parties agree that “attendees” is deemed to include, in this context, persons who were not physically in attendance at the Settlement Conference but were; a) any persons or entities that the parties engaged to assist them with the Settlement Conference; and b) any persons or entities from whom they seek instructions with respect to the negotiations; in each case provided that any such persons or entities have agreed to be bound by the same confidentiality provisions.

The role adopted by Board staff in Settlement Conferences is set out on pp. 5-6 of the Board’s April 24, 2014 Practice Direction on Settlement Conferences. Although Board staff is not a party to this Settlement Proposal as noted in the Guidelines, “Board Staff who participate in the Settlement Conference in any way are bound by the same confidentiality standards that apply to the parties to the proceeding”.

As described above, the evidence supporting the proposal on each issue is cited in each section of the Settlement Proposal. Abbreviations will be used when identifying exhibit references. For example, Exhibit A, Tab 4, Schedule 1, Page 1 will be referred to as A/T4/S1/p.1 and, Exhibit B.Staff.1 will be referred to as B.Staff.1. The structure and presentation of the settled issues is consistent with settlement proposals which have been accepted by the Board in prior cases. The parties agree that this Settlement Proposal forms part of the record in this proceeding. The identification and listing of the evidence that relates to each issue is provided to assist the Board. The identification and listing of the evidence that relates to each settled issue is not intended to limit any party who wishes to assert, either in any other proceeding, or in a hearing in this proceeding, that other evidence is relevant to a particular settled issue, or that evidence listed is

not relevant to the issue, or that the concise description of the issue prepared by Union is incorrect or incomplete.

According to the Practice Direction (p. 4), the parties must consider whether a Settlement Proposal should include an appropriate adjustment mechanism for any settled issue that may be affected by external factors. The parties who participated in the settlement discussions agree that no settled issue requires an adjustment mechanism other than as may be expressly set forth herein.

All of the issues contained in this Settlement Proposal have been settled by the parties as a package and none of the provisions of this settlement is severable. If the Board does not accept this package in its entirety, then there is no settlement agreement (unless the parties subsequently agree that any portion of the package that the Board does accept may continue as part of a valid settlement agreement).

In the event the Board directs the parties to make reasonable efforts to revise the Settlement Proposal, the parties agree to use reasonable efforts to discuss any potential revisions, but no party will be obligated to accept any proposed revision. The parties agree that all of the parties who took a position on a particular issue must agree with any revised Settlement Proposal as it relates to that issue prior to its re-submission to the Board.

None of the parties can withdraw from this Settlement Proposal except in accordance with Rule 30.05 of the Rules. Moreover, the settlement of any particular issue in this proceeding and the positions of the parties in this Settlement Proposal are without prejudice to the rights of the parties to raise the same issue and/or to take any position thereon in any other proceeding, whether or not Union is a party to such proceeding.

1. Are the proposed facilities needed? (Incremental Capacity Contracted less turnback/decontracting)

(Complete Settlement)

Based on the evidence provided by Union, for the purposes of settlement the parties accept that the proposed facilities comprising the Project are needed to meet the growing demand for Dawn Parkway System transportation capacity and, in the case of the Dawn H Compressor, address the need to replace an existing compressor facility (Dawn Plant B) at the Dawn Compressor Station due to aging infrastructure and system reliability and recovery requirements. As noted above, the Project includes the installation of a new compressor and associated facilities at the Dawn Compressor Station (Dawn H Compressor), Lobo Compressor Station (Lobo D Compressor) and Bright Compressor Station (Bright C Compressor).

The proposed facilities are substantially underpinned by signed long term contracts. As noted at A/T6/p. 4 Table 6-2 (Updated) the incremental demands on the Dawn Parkway System resulting from Union's 2017 Open Season are 453 TJ/d effective November 1, 2017. Collectively, the proposed facilities increase the system capacity by 457 TJ/d as noted at A/T8/p. 11 line 14.

As stated at A/T6/pp. 1- 2 (Updated), demand for transportation on the Dawn Parkway System continues to grow. Customer interest in contracting Dawn Parkway System capacity is driven by:

- 1) the desire to increase access to the liquid market, diverse natural gas supplies and strategic storage facilities at the Dawn Hub;
- 2) the desire to increase access to Marcellus and Utica supply through Dawn, Niagara and Chippawa;

- 3) the continuing trend of converting long haul transportation to short haul transportation on TransCanada to supply eastern markets; and,
- 4) the growing demand in Ontario, Québec, the Maritimes and the U.S. Northeast.

To determine market interest in Dawn Parkway System transportation capacity, Union commenced an Open Season on December 12, 2014 for firm transportation capacity on the Dawn Parkway System commencing as early as November 1, 2017. Based on available Dawn Parkway System capacity, it was determined that incremental facilities were required to meet the long-term transportation capacity allocated in the Open Season.

As described at A/T8, upon the completion of the proposed facilities Union expects to be in a slight surplus capacity position of 30,393 GJ/d on the Dawn Parkway System, as a result of the “lumpy” nature of transmission capacity expansions. This represents less than one-half percent of the total Dawn Parkway System capacity. Despite the 2015 and 2016 Dawn to Parkway builds, Union forecast a slight shortfall in capacity in each of 2015 and 2016. Union does not know how long the Dawn Parkway System will be in a surplus position following the in service date of the Project. As stated in B.TCPL.2 f), Union will actively market the surplus capacity in accordance with the Storage and Transportation Access Rule (“STAR”), starting with a new capacity open season for service commencing November 1, 2018, and the parties agree that the revenues from such marketing will be credited to the proposed Dawn H/Lobo D/Bright C Compressor Project Costs Deferral Account. As well, the surplus capacity could be used to eliminate a portion of the Parkway Delivery Obligation, though no such determination has as yet been made.

In addition to providing the necessary increase in compression for these new demands, the design of Dawn Plant H also allows for the replacement of Plant B. Plant B is an integral facility at Dawn and it currently poses a maintainability risk as the Plant B compressor package is obsolete (i.e. the manufacturer (Siemens) can no longer guarantee availability of spare parts). As a result, Plant B will be functionally removed from service at the time Dawn H is commissioned in November 2017, and physically removed in 2018.

As part of the Project, a spare RB211 gas generator turbine engine will be purchased. This engine will act as a spare for 10 of the 17 RB211 engines in Union's fleet (following completion of the 2017 builds) which have the same engines. Based upon confidential evidence provided by Union, parties agree to the value of the spare engine to maintaining operability of Union's fleet, and thus to recovery of costs specific to the spare engine.

The total estimated cost of the proposed facilities is \$622.5 million. This includes \$107.4 million forecast to come into service in 2016 and \$500.8 million forecast to come into service in 2017. The remaining \$14.3 million will be spent in 2018.

The following parties agree with the settlement of this issue: APPrO, BOMA, CME, Energy Probe, FRPO, Gaz Métro, IESO, IGUA, LPMA, SEC, VECC

The following parties take no position: ANE, TransCanada

Evidence References:

1. A/T5, A/T5/Schedule 1 (ICF Report), A/T6 (Updated), A/T7, A/T8,

2. B.Staff.4, B/Staff.6, B.ANE.2, B.ANE.3, B.APPrO.1, B.APPrO.2, B.APPrO.3, B.APPrO.5, B.BOMA.1, B.BOMA.2, B.BOMA.4, B.BOMA.5, B.BOMA.6, B.BOMA.7, B.BOMA.9, B.BOMA.10, B.BOMA.11, B.BOMA.12, B.BOMA.13, B.BOMA.18, B.BOMA.19, B.BOMA.20, B.BOMA.21, B.BOMA.22, B.BOMA.23, B.BOMA.24, B.BOMA.25, B.BOMA.27, B.BOMA.28, B.BOMA.29, B.BOMA.30, B.BOMA.31, B.BOMA.32, B.BOMA.33, B.BOMA.34, B.BOMA.35, B.BOMA.36, B.BOMA.37, B.BOMA.38, B.BOMA.39, B.BOMA.40, B.Energy Probe.1, B.Energy Probe.4, B.Energy Probe.5, B.Energy Probe.10, B.FRPO.1, B.FRPO.2, B.FRPO.3, B.FRPO.4, B.FRPO.7, B.FRPO.9, B.FRPO.10, B.FRPO.11, B.FRPO.12, B.LPMA.1, B.LPMA.7, B.LPMA.9, B.LPMA.10, B.SEC.1, B.SEC.2, B.SEC.3, B.TCPL.1, B.VECC.1, B.VECC.2, B.VECC.3, B.VECC.4, B.VECC.5, B.VECC.6, JT1.8, JT1.12

2. Have the Interdependencies/timing been appropriately addressed?

(Complete Settlement)

Subject to the following reservation regarding possible future positions of the parties related to adjustment to the deferral account balance, the parties agree that interdependencies and timing of the Project with other facilities have been appropriately addressed. As part of the EB-2013-0202 Settlement Proposal (2014-2018 Incentive Rate Mechanism (“IRM”)), parties agreed to establish a deferral account to capture differences between the forecast annual net revenue requirement and the actual net delivery revenue requirement for each year of the IRM. Notwithstanding agreement on this issue, the parties agree that if Union’s proposed facilities (Dawn H, Lobo D and Bright C Compressors) are in-service prior to TransCanada’s facilities downstream of Parkway, parties are free to take any position as to whether or not an adjustment to the deferral account balance as a result of this timing difference is warranted, including whether Union’s facilities should be considered in-service for ratemaking purposes. By agreeing to the above, parties agree that no condition of approval linking the construction or in-service timing of Union’s Dawn Parkway facilities to the construction or in-service timing of TransCanada’s facilities is required.

The following parties agree with the settlement of this issue: APPrO, BOMA, CME, Energy Probe, FRPO, IESO, IGUA, LPMA, SEC, VECC

The following parties take no position: ANE, Gaz Métro, TransCanada

Evidence References:

1. A/T5, A/T5/Schedule 1 (ICF Report), A/T6 (Updated), A/T7, A/T8, A/T11
2. B.Staff.3, B.APPrO.1, B.APPrO.2, B.APPrO.3, B.APPrO.4, B.APPrO.5, B.BOMA.1, B.BOMA.7, B.BOMA.23, B.BOMA.30, B.BOMA.32, B.BOMA.34, B.BOMA.36, B.BOMA.40, B.FRPO.2, B.FRPO.3, B.FRPO.5, B.FRPO.6, B.Gaz Métro.1, B.LPMA.7, B.LPMA.9, B.LPMA.11, B.VECC.3, B.VECC.5, B.VECC.6

3. Is the proposed Term Up Provision and related changes to Terms of Service appropriate?

(Complete Settlement)

For the purposes of settlement, Union agrees to withdraw its request to implement a Term Up Provision as part of this application. Union's proposal consisted of adding a five-year Term Up Provision for existing renewable transportation contracts on the Dawn Parkway System when facility expansions of the Dawn Parkway System are planned at a cost of \$50.0 million or greater. Union was proposing to implement the Term Up Provision for the Dawn Parkway System facility expansion in 2018 or later. Union however reserves the right to apply to the Board for approval of a Term Up Provision in a subsequent proceeding at Union's discretion. In the event that Union advances evidence or seeks the approval of a Term Up or related provision in the future, parties are not restricted as a result of this Settlement Proposal, and may take any position they deem appropriate.

The following parties agree with the settlement of this issue: APPrO, BOMA, CME, Energy Probe, FRPO, IESO, IGUA, LPMA, SEC, VECC

The following parties take no position: ANE, Gaz Métro, TransCanada

Evidence References:

1. A/T6 (Updated), A/T10 (Updated)
2. B.APPrO.4, B.SEC.9, B.TCPL.3, B.Energy Probe.5, B.Energy Probe.9, B.BOMA.17

4. **Do the proposed facilities meet the Board's economic tests as outlined in the Filing Guidelines on the Economic Tests for Transmission Pipeline Applications, dated February 21, 2013, as applicable. (E.B.O. 134 and Treatment of Dawn Plant B replacement)**

(Complete Settlement)

Based on the evidence provided by Union, for the purposes of settlement the parties accept that the proposed facilities meet the Board's economic tests as outlined in the Filing Guidelines on the Economic Tests for Transmission Pipeline Applications, dated February 21, 2013, as applied by Union.

As filed at A/T9/p. 2 (Updated), Union employs a three-stage analysis to assess the economic feasibility of projects in accordance with OEB recommendations from the E.B.O. 134 Report on System Expansion. This methodology is consistent with the methodology used in Union's past Dawn Parkway System facilities applications.

The Board's Guidelines note *"These requirements apply to all Ontario Energy Board regulated gas utilities requesting approval to construct new transmission facilities. For purposes of these Guidelines transmission pipelines are defined as any planned or proposed pipeline project that*

would provide transportation services to move natural gas on behalf of other shippers within Ontario. Distribution system expansion pipelines that are subject to the filing guidelines set in EBO 188 would not be subject to the proposed filing requirement.”

As filed at A/T9/p. 3 (Updated), the result of the Stage 1 economics for the proposed facilities at a total estimate capital cost of \$622.5 million indicate a cumulative net present value (“NPV”) of (\$343.1) million and a profitability index (“PI”) of 0.43. The E.B.O. 134 recommendations state that this Stage 1 Discounted Cash Flow (“DCF”) analysis *“provides a superior measure of the subsidy required from the existing customers for a particular project”* and that Union’s three-stage test has considerable merit to aid in determining public interest. A Stage 1 PI of less than 1.0 does not mean the project is not in the public interest. As per Issue 1 above, this project is underpinned by long-term signed contracts. Bill impacts and impacts on rates for in-franchise and ex-franchise customers are addressed under Issue 5. Rate impacts for in-franchise customers are generally decreases while rate impacts for ex-franchise customers are increases.

As filed at A/T9/p. 5 (Updated), a Stage 2 analysis may be undertaken when the Stage 1 NPV is less than zero. Union’s Stage 2 analysis considers the estimated energy cost savings that accrue directly to Union’s in-franchise general service rate customers as a result of using natural gas instead of another fuel to meet their energy requirements. A Stage 2 analysis was not quantified in this case because the in-franchise use of the 2017 Dawn Parkway Project is based on the New Firm North Transportation Service rather than incremental growth in energy demand using gas instead of alternative energy sources.

Energy cost savings are also available to customers in Ontario that will be served as a result of additional transportation services on Union's Dawn Parkway System. Although these savings are likely to be substantial, they are not estimated for purposes of the Stage 2 analysis, which Union applies only to capture savings from use of gas instead of alternative energy sources. These customers select transportation services on Union's Dawn Parkway System based on their own assessment of the most economical way to meet increases in energy requirements.

Union's Stage 3 analysis considers other quantifiable benefits and costs related to the construction of the Project that are not included in the Stage 2 analysis, along with other non-quantifiable public interest considerations.

As filed at A/T9/Table 9-1/p. 10 (Updated), the result of Union's three-stage economic analysis for the Project is a positive NPV of \$123.0 million.

Based on the evidence, and for the purposes of this agreement (but without prejudice to future positions on these issues), the parties accept Union's application of the Board's policy on economic feasibility tests for new gas pipeline transmission projects as first enunciated in the E.B.O. 134 Report and later reiterated by the Board in its Filing Guidelines on the Economic Tests for Transmission Pipeline Applications ("Feasibility Guidelines").

Considering;

- i) the passage of time since E.B.O. 134;
- ii) the fact that the Feasibility Guidelines clarified filing requirements but did not review, reconsider or clarify the E.B.O. 134 principles or tests themselves;

iii) the rapid evolution of both the market and gas infrastructure; and

iv) the recent context of projects a principal purpose of which is to allow ex-franchise shippers to shift gas supply to eastern North American resources,

a number of the parties believe that a different approach to addressing feasibility and impact on existing ratepayers may be appropriate in future, and that review and clarification by the Board of “feasibility” parameters for future similar expansion projects would be timely. A number of parties further believe that given the accelerating pace of change in the market, future expansion applications should include evidence reflecting consideration and evaluation, including through consultation with the market, open season or by way of RFP, as, when and if appropriate, of the risks and benefits of permanent or interim non-facility alternatives to facility investment. These parties further suggest that, to start with, the topic could be usefully included in the Board’s next Energy Sector Forum (as contemplated in the Board’s March 31, 2015 Letter to interested parties at the conclusion of the EB-2014-0289 Natural Gas Market Review).

The following parties agree with the settlement of this issue: APPrO, BOMA, CME, Energy Probe, FRPO, IESO, IGUA, LPMA, SEC, VECC

The following parties take no position: ANE, Gaz Métro, TransCanada

Evidence References:

1. A/T9 (Updated)
2. B.Staff.5, B.ANE.3, B.ANE.4, B.ANE.5, B.ANE.6, B.BOMA.14, B.BOMA.15, B.Energy Probe.11, B.Energy Probe.12, B.Energy Probe.13, B.Energy Probe.14, B.LPMA.12, B.LPMA.13, B.VECC.9, B.VECC.10, B.VECC.11

5. Is the proposed cost allocation approach appropriate? What are the resulting potential short-term and long-term rate impacts to customers? Are these costs and rate impacts to customers appropriate?

(Complete Settlement)

The parties accept the costs and rate impacts forecast by Union, subject to a change in the current 2013 Board-approved horsepower (HP) allocator at Dawn from an allocation of 55:45 (storage/transmission) to 64:36 with rates effective January 1, 2018. The Board-approved HP allocator is used to functionalize compression rate base-related costs at the Dawn Station between storage and transmission on the basis of horsepower requirements on design day. The compression HP required to bring the pressure up to 4,826 kPa (700 psig) on design day is storage related. The compression HP required to bring the pressure from 4,826 to 6,160 kPa (700 to 895 psig) on design day is transmission related.

Based on the fact that Dawn H will be providing only transmission services, and therefore all of the Dawn H costs are proposed to be directly assigned to transmission, the parties agreed that the HP for Plant B be removed from the Board-approved HP allocation calculation in 2018, the year Plant B is proposed for abandonment, as part of determination of the cost allocation and rate impacts of the Project in 2018. Appendix 1 illustrates the HP allocation updated to remove Plant B HP from allocation of Dawn Yard costs, which results in the 64:36 allocation of Dawn Yard costs as between storage and transmission, as noted above.

Please see the attached schedules from Union's pre-filed evidence – A/T10/S2, 3, 4 and 5

(Updated) – which have been revised to reflect the impact of the HP allocation change in 2018.

A/T10/S1 (Updated) has also been provided to show the revenue requirement resulting from the proposed facilities. These schedules are attached to the Settlement Proposal as Appendix 2, Schedules 1-5 and include the cost allocation impacts, rate impacts for in-franchise and ex-franchise, and revenue requirement by rate class arising from the Project.

There is no change as a result of this agreement to the total estimated capital costs of \$622.5 million as filed.

As reflected in evidence at A/T3/p. 6 (Updated), the overall impact on Union South in-franchise rate classes is a rate reduction as a result of the shift in indirect costs and the allocation of Project property and income taxes. The overall impact on Union North in-franchise rate classes is a rate reduction as a result of the shift in indirect costs and the allocation of Project property and income taxes. Please refer to Appendix 2 Schedule 2 for details.

In comparison to 2015 Board-approved rates per EB-2015-0035 (April 2015 QRAM), the bill impact for the average Rate M1 residential customer in Union South consuming 2,200 m³ per year is a decrease of approximately \$6.83 per year. For the average Rate 01 residential customer in Union North consuming 2,200 m³ per year, the bill impact is a decrease of approximately \$8.83 per year.

For ex-franchise customers taking M12 Dawn-Parkway transportation service, the Project costs are expected to increase the M12 rate by approximately \$0.016/GJ/d; from \$0.086/GJ/d to \$0.102/GJ/d. Including the Project rate impacts with the rate impacts of Union's Parkway West,

Brantford to Kirkwall Pipeline and Parkway D Compressor Projects and Hamilton to Milton Pipeline and Lobo C Compressor Projects, Union estimates that the M12 Dawn-Parkway transportation rate will increase by approximately \$0.035/GJ/d; from \$0.086/GJ/d to \$0.121/GJ/d by 2018.

The following parties agree with the settlement of this issue: APPrO, BOMA, CME, Energy Probe, FRPO, IESO, IGUA, LPMA, SEC, VECC

The following parties take no position: ANE, Gaz Métro, TransCanada

Evidence References:

1. A/T10 (Updated)
2. B.ANE.1, B.ANE.7, B.ANE.8, B.ANE.10, B.ANE.14, B.ANE.16, B.ANE.19, B.BOMA.16, B.Energy Probe.12, B.Energy Probe 16, B.Energy Probe.17, B.LPMA.17, B.SEC.7, B.SEC.8, B.VECC.13, JT1.6, JT1.7, JT1.10

6. **What are the facilities and non-facilities alternatives to the proposed facilities? Have these alternatives been adequately assessed and are any preferable to the proposed facilities, in whole or in part?**

(Complete Settlement)

Based on Union's evidence, for the purpose of settlement the parties accept that alternatives, both facility and non-facility, to the proposed facilities were adequately assessed. The parties also agree that based on the projected demands on the Dawn Parkway System combined with the need to replace Dawn Plant B, the facilities as proposed in this application are appropriate.

The following parties agree with the settlement of this issue: BOMA, CME, Energy Probe, FRPO, IGUA, LPMA, SEC, VECC

The following parties take no position: ANE, APPrO, Gaz Métro, IESO, TransCanada

Evidence References:

1. A/T8
2. B.ANE.17, B.ANE.18, B.ANE.19, B.BOMA.8, B.BOMA.20, B.BOMA.26, B.BOMA.33, B.FRPO.13, B.LPMA.11, B.SEC.4, B.TCPL.2, B.VECC.8, B.VECC.12

7. Are the proposed facilities designed in accordance with current technical and safety requirements?

(Complete Settlement)

The parties accept Union's evidence that the proposed facilities are designed in accordance with current technical and safety requirements.

The following parties agree with the settlement of this issue: Energy Probe, FRPO, LPMA, VECC

The following parties take no position: ANE, APPrO, BOMA, Gaz Métro, SEC, CME, IESO, IGUA, TransCanada

Evidence References:

1. A/T8, A/T11

8. Has there been adequate consultation with other potentially affected parties? (eg. First Nations)

(Complete Settlement)

The parties accept Union's evidence that there has been adequate consultation with other potentially affected parties.

The following parties agree with the settlement of this issue: Energy Probe, FRPO, LPMA, VECC

The following parties take no position: ANE, APPrO, BOMA, Gaz Métro, SEC, CME, IESO, IGUA, TransCanada

Evidence References:

1. A/T11

9. Does the project meet the capital pass-through mechanism (CPM) criteria for pre-approval to recover the cost consequences of the proposed facilities?

(Complete Settlement)

The parties agree that the project meets the capital pass-through mechanism criteria for pre-approval to recover the cost consequences of the proposed facilities.

The intent of the capital pass-through mechanism ("CPM") in Union's Board Approved 2014-2018 IRM is to adjust rates during the IRM term to reflect the associated impacts of significant capital investments made during the IRM term. Such investments are considered "not-business-as-usual," meaning capital expenditures that are significant and are not expected to be managed within Union's Board-approved capital budget.

The key components of the CPM are:

- Any qualifying project must exceed two financial thresholds, related to both revenue shortfall and capital cost;
- Any qualifying project will be subject to a full regulatory review, either in a Leave-to-Construct proceeding or in a rates proceeding, but prior to being included in rates; and,
- Any qualifying project will be subject to both annual revenue requirement true-ups during the IRM term and an end-of-term qualification assessment.

During the EB-2013-0202 proceeding the Board established eight criteria for approving a CPM eligibility. A major capital project must meet the criteria to be included in rates during the IRM term. The criteria are set out in the EB-2013-0202 Settlement Proposal as approved by the Board on October 7, 2013. The Project meets each of the criteria as shown in the table below from evidence at A/T10/pg. 2-3 (Updated).

Criterion		Applicability
i)	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 net delivery revenue requirement associated with the Project ranges from (\$1.7) million in 2016 to \$25.1 million in 2018, as provided at Exhibit A, Tab 10, Schedule 1, in the Cost Allocation and Rate Design section. The net delivery revenue requirement was calculated using the parameters outlined in the EB-2013-0202 settlement agreement.
ii)	The capital cost of the project must exceed \$50 million.	1. The capital cost of the Project is \$622.5 million.
iii)	The project is outside the base rates on which the IRM is set.	2. The Project was not included in 2013 base rates.

iv)	The project must be needed to serve customers and/or to maintain system safety, reliability or integrity, and cannot reasonably be delayed, and is demonstrated to be the most cost effective manner of achieving the project's objective relative to the reasonably available alternatives.	3. Please see Exhibit A, Tabs 6 and 7 with respect to the need for the Project. Please see Exhibit A, Tabs 7 and 8 regarding the alternatives considered.
v)	The project will be identified to stakeholders and the Board as soon as possible, including in that year's IRM stakeholder review session where practical.	4. The Project was identified during Union's July 2014 and April 2015 Stakeholder meetings.
vi)	The project will be subject to a full regulatory review; for any project that requires leave-to-construct approval of the Board, the full regulatory review in which the applicant must demonstrate need, safety or reliability purposes, and economic viability prior to inclusion in rates will be conducted in that proceeding. For any project that does not require Leave-to-Construct approval of the Board, Union commits to filing its annual rate adjustment application with the Board by July 1 of the year prior to the rate impacts of the project going into effect, to allow sufficient time for a full regulatory review of the project in its rates application.	5. Leave to construct is not required under Section 91 of the Act. There will be a full regulatory review within the present case.
vii)	Union will allocate the net revenue requirement using EB-2011-0210 Board-approved cost allocation methodologies. Any party, including Union, may take any position with respect to the proposed allocation for any particular capital project during review of the project, or its rate impacts, by the Board.	6. Union has allocated the net revenue requirement using EB-2011-0210 Board-approved cost allocation methodologies.

viii)	The project will include a deferral account request to capture any differences between the forecast annual net delivery revenue requirement and the actual net delivery revenue requirement for each year of the IRM for which the project is included in rates.	The request for a deferral account is included in Exhibit A, Tab 10, Schedule 6
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The following parties agree with the settlement of this issue: APPrO, BOMA, CME, Energy Probe, FRPO, IGUA, LPMA, SEC, VECC

The following parties take no position: ANE, Gaz Métro, IESO, TransCanada

Evidence References:

1. A/T10 (Updated)
2. B.Staff.7, B.ANE.13, B.APPrO.1, B.APPrO.2, B.BOMA.16

10. Is the proposed 2017 Dawn Parkway System Expansion Deferral Account appropriate?

(Complete Settlement)

The parties agree the 2017 Dawn Parkway System Expansion Deferral Account is appropriate.

The intent of the deferral account is to capture differences between the forecast annual net revenue requirement included in rates and the actual net delivery revenue requirement for each year of the IRM. In the interest of Settlement, Union will include in the deferral account balance a credit of \$1.34 million related to the 30,393 GJ/d of surplus capacity. As addressed at B.ANE.18, the \$1.34 million is the maximum annual revenue that could be realized from the sale of long-term firm surplus capacity effective November 1, 2017 (30,393 GJ/d x \$0.121/GJ/d x 365 days). Variances in the actual revenue generated from the surplus capacity to the \$1.34 million will also be recorded

in the deferral account, and will be subject to review at the time of disposition of the account.

The account is symmetrical, meaning that it will capture both positive and negative variances in actual revenue generated from the surplus capacity relative to the \$1.34 million to be included as a credit in the deferral account.

The following parties agree with the settlement of this issue: APPrO, BOMA, CME, Energy Probe, FRPO, IESO, IGUA, LPMA, SEC, VECC

The following parties take no position: ANE, Gaz Métro, TransCanada

Evidence References:

1. A/T10 (Updated)
2. B.APPrO.1, B.BOMA.16, B.LPMA.3, B.VECC.14, B.ANE.18

UNION GAS LIMITED
2013 Board-Approved Horsepower (HP) Allocation (1)
Updated to Exclude Dawn Plant B

Line No.	Particulars (HP)	Storage (a)	Transmission (b)	Total (c) = (a) + (b)
1	Dawn Plant B	-	14,875	14,875
2	Dawn Plant C	22,893	-	22,893
3	Dawn Plant D	24,519	-	24,519
4	Dawn Plant F	-	22,872	22,872
5	Dawn Plant G	-	-	-
6	Dawn Plant J	4,263	8,245	12,508
7	OSE	1,521	479	2,000
8	Edys Mills	1,065	290	1,355
9	Dow "A"	2,519	131	2,650
10	Total Board-Approved	<u>56,779</u>	46,893	103,672
11	Total Board-Approved (%)	55%	45%	
12	Less: Dawn Plant B	-	14,875	14,875
13	Total Updated to Exclude Dawn Plant B	<u>56,779</u>	<u>32,017</u>	<u>88,796</u>
14	Total Updated to Exclude Dawn Plant B (%)	64%	36%	

Note:

(1) Based on winter 13/14 design day compression horsepower requirements.

UNION GAS LIMITED
Lobo D, Bright C and Dawn H Compressor Project Revenue Requirement - Per Settlement

Line No.	Particulars (\$000's)	2016 (a)	2017 (b)	2018 (c)
	<u>Rate Base Investment</u>			
1	Capital Expenditures	107,400	500,838	14,267
2	Average Investment	11,432	171,034	592,525
	<u>Revenue Requirement Calculation:</u>			
	<u>Operating Expenses:</u>			
3	Operating and Maintenance Expenses (1)	0	602	3,623
4	Depreciation Expense (2)	1,677	11,310	19,416
5	Property Taxes (3)	0	175	1,051
6	Total Operating Expenses	<u>1,677</u>	<u>12,086</u>	<u>24,091</u>
7	Required Return (5.77% x line 2) (4)	660	9,877	34,217
	<u>Income Taxes:</u>			
8	Income Taxes - Equity Return (5)	126	1,879	6,510
9	Income Taxes - Utility Timing Differences (6)	(4,178)	(17,084)	(22,179)
10	Total Income Taxes	<u>(4,053)</u>	<u>(15,205)</u>	<u>(15,669)</u>
11	Total Revenue Requirement (line 6 + line 7 + line 10)	<u>(1,716)</u>	<u>6,758</u>	<u>42,639</u>
12	Incremental Project Revenue (7)	-	2,925	17,551
13	Net Revenue Requirement (line 11 - line 12)	<u>(1,716)</u>	<u>3,833</u>	<u>25,088</u>

Notes:

- (1) Expenses include salaries and wages, employee-related expenses, fleet costs, materials and operating expenses.
- (2) Depreciation expense at 2013 Board-approved depreciation rates.
- (3) Property taxes in 2018 include \$0.366 million for the Dawn H compressor and facilities and \$0.685 million for Lobo D and Bright C compressors and facilities.
- (4) The required return of 5.77% assumes a capital structure of 64% long-term debt at 4.0% and 36% common equity at the 2013 Board-approved return of 8.93% ($0.64 * 0.04 + 0.36 * 0.0893$)
The 2018 required return calculation is as follows:
 $\$592.525 \text{ million} * 64\% * 4.0\% = \$15.169 \text{ million plus}$
 $\$592.525 \text{ million} * 36\% * 8.93\% = \$19.048 \text{ million for a total of } \34.217 million.
- (5) Taxes related to the equity component of the return at a tax rate of 25.5%.
- (6) 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.
- (7) Project revenue assumes an estimated M12 Dawn-Parkway rate of \$2.937 GJ/mth, an M12 Kirkwall-Parkway rate of \$0.517 GJ/mth and a Dawn Compression rate of \$0.232 GJ/mth.

The 2018 revenue is calculated as follows:

M12 Dawn-Parkway demands of 441,778 GJ x \$2.937 x 12 / 1000 = \$15.570 million plus
C1 Dawn-Parkway demands (North T-Service) of 5,975 GJ x \$2.937 x 12 / 1000 = \$0.211 million plus
M12 Kirkwall-Parkway demands of 84,854 GJ x \$0.517 x 12 / 1000 = \$0.526 million plus
M12/C1 Dawn Compression demands of 447,753 GJ x \$0.232 x 12 / 1000 = \$1.247 million

UNION GAS LIMITED
2018 Cost Allocation Impacts of Lobo D, Bright C and Dawn H Compressor Project - Per Settlement

Line No.	Particulars	Total Cost	Cost Allocation	Change in	Dawn Station Transmission (3)				Dawn-Parkway Easterly Transmission (4)				Other Functional Classifications		
		Allocation Impacts (\$000's)	Change in Demands (1) (\$000's)	HP Allocation (2) (\$000's)	Project Costs (5) (\$000's)	Indirect Costs (\$000's)	Total (\$000's)	(%)	Project Costs (4) (\$000's)	Indirect Costs (\$000's)	Total (\$000's)	(%)	Project Costs (4) (\$000's)	Indirect Costs (5) (\$000's)	Total (\$000's)
		(a) = (b + c + f + j + n)	(b)	(c)	(d)	(e)	(f) = (d + e)	(g)	(h)	(i)	(j) = (h + i)	(k)	(l)	(m)	(n) = (l + m)
1	Rate M1	(5,770)	(670)	254	1,853	313	2,166	8.3%	1,607	258	1,865	5.3%	(4,777)	(4,608)	(9,385)
2	Rate M2	(3)	(225)	86	623	105	728	2.8%	540	87	627	1.8%	(702)	(517)	(1,219)
3	Rate M4	31	(65)	21	181	31	212	0.8%	157	25	182	0.5%	(170)	(148)	(318)
4	Rate M5	(312)	(1)	(3)	2	0	2	0.0%	1	0	2	0.0%	(151)	(161)	(312)
5	Rate M7	56	(30)	8	83	14	98	0.4%	72	12	84	0.2%	(58)	(45)	(103)
6	Rate M9	38	(11)	1	30	5	35	0.1%	26	4	30	0.1%	(10)	(7)	(17)
7	Rate M10	1	(0)	0	1	0	1	0.0%	1	0	1	0.0%	(0)	(1)	(1)
8	Rate T1	(39)	(32)	27	89	15	105	0.4%	78	12	90	0.3%	(125)	(103)	(228)
9	Rate T2	208	(210)	91	580	98	678	2.6%	503	81	584	1.7%	(544)	(391)	(935)
10	Rate T3	312	(76)	26	210	36	246	0.9%	182	29	212	0.6%	(63)	(32)	(95)
11	Subtotal - Union South	(5,478)	(1,321)	510	3,652	617	4,269	16.4%	3,168	508	3,676	10.5%	(6,600)	(6,012)	(12,613)
12	Excess Utility Space	(31)	-	79	-	-	-	0.0%	-	-	-	0.0%	(102)	(8)	(110)
13	Rate C1	(68)	-	(12)	-	-	-	0.0%	-	-	-	0.0%	(28)	(28)	(56)
14	Rate M12 (6)	51,366	1,871	(718)	17,685	2,988	20,672	79.3%	25,499	4,089	29,588	84.8%	(27)	(20)	(47)
15	Rate M13	(2)	-	(0)	-	-	-	0.0%	-	-	-	0.0%	(2)	(0)	(2)
16	Rate M16	(7)	-	(2)	-	-	-	0.0%	-	-	-	0.0%	(4)	(1)	(5)
17	Subtotal - Ex-franchise	51,258	1,871	(654)	17,685	2,988	20,672	79.3%	25,499	4,089	29,588	84.8%	(163)	(57)	(220)
18	Rate 01	(2,310)	(411)	107	726	123	848	3.3%	1,052	169	1,221	3.5%	(2,168)	(1,908)	(4,076)
19	Rate 10	(79)	(108)	28	190	32	222	0.9%	275	44	320	0.9%	(325)	(216)	(542)
20	Rate 20	(294)	(29)	8	51	9	59	0.2%	74	12	85	0.2%	(236)	(182)	(417)
21	Rate 100	(331)	(2)	1	4	1	4	0.0%	5	1	6	0.0%	(184)	(156)	(340)
22	Rate 25	(126)	-	-	-	-	-	0.0%	-	-	-	0.0%	(66)	(61)	(126)
23	Subtotal - Union North	(3,141)	(550)	143	970	164	1,134	4.3%	1,406	225	1,632	4.7%	(2,978)	(2,522)	(5,500)
24	In-franchise (line 11 + line 23)	(8,619)	(1,871)	654	4,623	781	5,403	20.7%	4,574	733	5,308	15.2%	(9,579)	(8,534)	(18,113)
25	Ex-franchise (line 17)	51,258	1,871	(654)	17,685	2,988	20,672	79.3%	25,499	4,089	29,588	84.8%	(163)	(57)	(220)
26	Total	42,639	-	-	22,307	3,769	26,076	100.0%	30,073	4,823	34,896	100.0%	(9,742)	(8,591)	(18,333)

Notes:

- (1) Allocation of the 2013 Board-approved costs updated to include the incremental Project demands of 452,911 GJ/d.
- (2) Based on updated 2013 Board-approved horsepower allocation excluding Dawn Plant B horsepower requirements, as per Settlement Agreement, Appendix 1.
- (3) The Project costs of \$22.307 million and the indirect costs of \$3.769 million are allocated in proportion to the Dawn compression demand allocation provided at EB-2011-0210, Exhibit G3, Tab 5, Schedule 23, Updated, pages 7-8, line 5, updated to include the incremental demands of 368,057 GJ/d.
- (4) The Project costs of \$30.073 million and the indirect costs of \$4.823 million are allocated in proportion to the Dawn-Parkway demand allocation provided at EB-2011-0210, Exhibit G3, Tab 5, Schedule 23, Updated, pages 7-8, line 5, updated to include the incremental demands of 452,911 GJ/d.
- (5) The total 2018 Project costs of \$42.639 million include \$22.307 million directly allocated to the Dawn Station functional classification and \$30.073 million directly allocated to the Dawn-Parkway Easterly functional classification and (\$9.742) million of property and income taxes allocated to distribution, storage and other transmission-related functional classifications.
- (6) Includes \$0.038 million in costs attributable to the new north T-service Dawn based storage service.

UNION GAS LIMITED
2018 General Service Bill Impacts - Per Settlement
Rate Impacts of the Lobo D, Bright C and Dawn H Compressors Project
Annual Consumption of 2,200 m³

Line No.	Rate M1 - Particulars	EB-2015-0035	EB-2015-0200	Bill Impact	
		Approved 01-Apr-15 Total Bill (1) (\$) (a)	Proposed 01-Jan-18 Total Bill (\$) (b)	(\$) (c) = (b - a)	(%) (d) = (c / a)
	<u>Delivery Charges</u>				
1	Monthly Charge	252.00	252.00	-	
2	Delivery Commodity Charge	81.16	74.60	(6.55)	
3	Storage Services	16.32	16.03	(0.28)	
4	Total Delivery Charge	<u>349.47</u>	<u>342.64</u>	<u>(6.83)</u>	-2.0%
	<u>Supply Charges</u>				
5	Transportation to Union	77.43	77.43	-	
6	Commodity & Fuel	<u>264.58</u>	<u>264.58</u>	-	
7	Total Gas Supply Charge	<u>342.01</u>	<u>342.01</u>	-	
8	Total Bill (line 4 + line 7)	<u>691.49</u>	<u>684.65</u>	<u>(6.83)</u>	-1.0%
9	Impacts for Customer Notices - Sales (line 8)			(6.83)	
10	Impacts for Customer Notices - Direct Purchase (line 4)			(6.83)	

Line No.	Rate 01 Eastern Zone - Particulars	EB-2015-0035	EB-2015-0200	Bill Impact	
		Approved 01-Apr-15 Total Bill (1) (\$) (a)	Proposed 01-Jan-18 Total Bill (\$) (b)	(\$) (c) = (b - a)	(%) (d) = (c / a)
	<u>Delivery Charges</u>				
11	Monthly Charge	252.00	252.00	-	
12	Delivery Commodity Charge	<u>195.00</u>	<u>182.19</u>	<u>(12.81)</u>	
13	Total Delivery Charge	<u>447.00</u>	<u>434.19</u>	<u>(12.81)</u>	-2.9%
	<u>Supply Charges</u>				
14	Transportation to Union	172.43	172.55	0.11	
15	Storage Services	<u>95.59</u>	<u>99.45</u>	<u>3.86</u>	
16	Subtotal	<u>268.02</u>	<u>271.99</u>	<u>3.97</u>	1.5%
17	Commodity & Fuel	<u>264.80</u>	<u>264.80</u>	-	
18	Total Gas Supply Charge (line 16 + line 17)	<u>532.82</u>	<u>536.79</u>	<u>3.97</u>	
19	Total Bill (line 13 + line 18)	<u>979.82</u>	<u>970.98</u>	<u>(8.83)</u>	-0.9%
20	Impacts for Customer Notices - Sales (line 19)			(8.83)	
21	Impacts for Customer Notices - Direct Purchase (line 13 + line 16)			(8.83)	

Notes:

(1) Calculated as per Appendix A, EB-2015-0035.

UNION GAS LIMITED
2018 Rate M12/M12-X/C1 Transportation Demand Charges Impacts of the
Lobo D, Bright C and Dawn H Compressor Project - Per Settlement

Line No.	Services	EB-2015-0035 Approved (\$/GJ/day) (1)	EB-2015-0200 Proposed (\$/GJ/day)	Difference (c) = (b - a)	% Change (d) = (c / a)	EB-2015-0200 Including Parkway Projects (\$/GJ/day) (2)	Difference (f) = (e - a)	% Change (g) = (f / a)
		(a)	(b)			(e)		
1	M12/C1 Dawn to Kirkwall	0.072	0.087	0.015	20.8%	0.103	0.030	42.3%
2	M12/C1 Dawn to Parkway	0.086	0.102	0.016	18.6%	0.121	0.035	41.2%
3	M12/C1 Kirkwall to Parkway	0.014	0.014	0.001	7.2%	0.018	0.005	35.5%
4	C1 Parkway to Kirkwall	0.021	0.023	0.002	7.2%	0.029	0.007	35.5%
5	C1 Parkway to Dawn	0.021	0.023	0.002	7.2%	0.029	0.007	35.5%
6	M12-X	0.107	0.124	0.017	16.4%	0.149	0.043	40.1%

Notes:

(1) EB-2015-0035, Appendix A, Pages 14-16, column (c), effective April 1, 2015.

(2) Parkway Projects includes Parkway West, Brantford to Kirkwall Pipeline, Parkway D Compressor Project, Hamilton-Milton Pipeline and Lobo C Compressor.

UNION GAS LIMITED
Lobo D, Bright C and Dawn H Compressor Project Revenue Requirement by Rate Class - Per Settlement

Line No.	Particulars (\$000's)	2016 (a)	Variance (b) = (c - a)	2017 (c)	Variance (d) = (e - c)	2018 (e)
1	Rate M1	(1,448)	(4,404)	(5,853)	83	(5,770)
2	Rate M2	(183)	(482)	(665)	662	(3)
3	Rate M4	(43)	(113)	(156)	187	31
4	Rate M5	(52)	(166)	(219)	(93)	(312)
5	Rate M7	(13)	(30)	(43)	99	56
6	Rate M9	(1)	(0)	(1)	39	38
7	Rate M10	(0)	(0)	(0)	1	1
8	Rate T1	(33)	(89)	(122)	83	(39)
9	Rate T2	(125)	(305)	(430)	639	208
10	Rate T3	(4)	16	13	299	312
11	Subtotal - Union South	<u>(1,902)</u>	<u>(5,575)</u>	<u>(7,477)</u>	<u>1,998</u>	<u>(5,478)</u>
12	Excess Utility Space	(21)	(52)	(73)	42	(31)
13	Rate C1	(6)	(22)	(28)	(40)	(68)
14	Rate M12	1,120	16,889	18,009	33,358	51,366
15	Rate M13	(1)	(2)	(2)	(0)	(2)
16	Rate M16	(1)	(3)	(4)	(4)	(7)
17	Subtotal - Ex-franchise	<u>1,091</u>	<u>16,811</u>	<u>17,902</u>	<u>33,356</u>	<u>51,258</u>
18	Rate 01	(660)	(2,012)	(2,672)	362	(2,310)
19	Rate 10	(91)	(259)	(350)	270	(79)
20	Rate 20	(73)	(227)	(299)	6	(294)
21	Rate 100	(60)	(194)	(254)	(77)	(331)
22	Rate 25	(22)	(71)	(92)	(34)	(126)
23	Subtotal - Union North	<u>(906)</u>	<u>(2,762)</u>	<u>(3,667)</u>	<u>527</u>	<u>(3,141)</u>
24	In-franchise	(2,807)	(8,336)	(11,144)	2,525	(8,619)
25	Ex-franchise	1,091	16,811	17,902	33,356	51,258
26	Total	<u>(1,716)</u>	<u>8,474</u>	<u>6,758</u>	<u>35,881</u>	<u>42,639</u>