



**IN THE MATTER OF
the Utilities Commission Act, R.S.B.C. 1996, Chapter 473**

and

**An Application by Terasen Gas (Vancouver Island) Inc.
for Approval of Extension of the 2006-2007
Negotiated Settlement Agreement Terms for 2008-2009**

BEFORE: L.F. Kelsey, Commissioner
L.A. Zaozirny, Commissioner March 22, 2007

O R D E R

WHEREAS:

- A. Commission Order No. G-126-05 approved for Terasen Gas (Vancouver Island) Inc. ("TGVI" or the "Company"), the 2006-2007 Negotiated Settlement Agreement (the "Settlement"); and
- B. The terms of the Settlement required TGVI to hold a Settlement Update Meeting ("Update Meeting") in November 2006 for the Company to provide an update on operations through 2006 and outlook for 2007; and
- C. Commission Order No. G-122-06 established the regulatory timetable including an Update Meeting on November 21, 2006. During the Update Meeting, the Company discussed the possibility of an application for extension of the current Settlement; and
- D. On January 22, 2007, TGVI filed its Application for Approval of Extension of the 2006-2007 Negotiated Settlement Agreement Terms for 2008-2009 (the "Application"); and
- E. TGVI states in its Application that it engaged in stakeholder consultation during December 2006 and January 2007 with representatives from the following stakeholder groups:
 - British Columbia Public Interest Advocacy Centre on behalf of the British Columbia Old Age Pensioners' Organization et al. ("BCOAPO");
 - Ministry of Energy of Mines & Petroleum Resources ("MEMPR");
 - British Columbia Hydro and Power Authority ("BC Hydro");
 - Rental Owners and Managers Society of BC ("ROMS");
 - Vancouver Island Gas Joint Venture;
 - Commercial Energy Consumers Association of British Columbia; and
- F. Appendix A to the Application sets out the proposed terms of a two-year extension, which terms had been reviewed with stakeholders during consultation. The proposed terms are mostly extensions of terms and contain a similar formula, mechanisms, methodologies and wordings as the current Settlement, with the exception of the Productivity Factor used in determination of the Allowed Gross OM&A expense for 2008 and 2009 is set at 66% of the assumed inflation rate, whereas in the current Settlement the Productivity Factor

is 1/3 of the assumed inflation rate for 2007. In the two-year extension the inflation rate is set at 2.0 percent for 2008 and 2009. In the current Settlement for 2006 and 2007 the inflation rate is set at 2.2 percent; and

- G. TGVI in response to a concern raised by BC Hydro states in the Application that the rate base and cost of service for TGVI will be adjusted to reflect the Whistler Natural Gas Pipeline in accordance with the Commission Order No. G-53-06 and its Decision, Commission Order No. G-76-06 and its Reasons for Decision approving the pipeline cost risk sharing mechanism, and Commission Order No. C-3-06 granting the Certificate of Public Convenience and Necessity ("CPCN"). TGVI states in its Application that these CPCN related costs will be included in Settlement Update Filings proposed under the extension; and
- H. The Application includes stakeholder letters from MEMPR dated December 21, 2006 and ROMS dated January 22, 2007. MEMPR states it would support a two-year extension period to TGVI Settlement. ROMS does not object to the TGVI proposal subject to three concerns outlined in its letter. In the Application TGVI addresses ROMS' concerns regarding informing stakeholders, confirmation of rate logic, and filing rate proposals three weeks in advance of the annual Settlement Update Meeting; and
- I. BC Hydro filed a letter on January 22, 2007 that states BC Hydro is willing to support a two-year extension of the current TGVI Revenue Requirement, with the condition that, in the event of the forecast elimination of the TGVI Revenue Deficiency Deferral Account ("RDDA") before the end of 2009, TGVI would commit to file with the Commission a comprehensive revenue requirement and rates review submission; and
- J. The Commission by Order No. G-9-07 established a written regulatory process for review of the Application; and
- K. MEMPR in its Comments of February 5, 2007 supports a two-year extension period to the Settlement as indicated in its letter dated December 21, 2006; and
- L. TGVI responded to a Commission Information Request on February 14, 2007. TGVI explains that projected incremental 2007 increases over 2006 actual costs include labour inflation, customer growth, commencement of a four year in-line pipe inspection and pigging cycle, additional preventative and corrective work, additional survey data on the main transmission line, additional contribution to the Compressor Fired Hours deferral account, additional non-labour inflation and filling non-recurring staff vacancies. TGVI states it is expected that actual increases in costs for customer growth, labour inflation, and non-labour inflation increases will, consistent with the 2007 experience, exceed the proposed OM&A increases for 2008 and 2009 in the extension Application; and
- M. On February 21, 2007 BCOAPO filed its Comments. BCOAPO is supportive of an extension of the 2006-2007 Negotiated Settlement Agreement for 2008-2009. BCOAPO provided a few additional comments including service quality indicators ("SQI's"); and
- N. On February 23, 2007 TGVI filed its Reply Comments. TGVI notes in response to BC Hydro that the Company does not anticipate the RDDA will be eliminated in 2009. However, in the event that TGVI forecasts elimination of the RDDA in 2008, the Company commits to file a comprehensive revenue

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requirement and rates review submission with the Commission in order to determine how future rate proposals beyond the settlement period will be affected. TGVI notes in response to BCOAPO that the current settlement does not include SQI's although TGVI would be prepared to consider them in the future and the inclusion of SQI's could be reviewed as part of the next revenue requirements proceeding as suggested by BCOAPO; and

- O. On March 1, 2007 the Commission received an application from Fortis Inc. ("Fortis") applying for the approval of the Acquisition of the Issued and Outstanding Shares of Terasen Inc. (the "Acquisition"). In a letter dated March 1, 2007, the Commission offered Intervenor an opportunity to comment on the Application in light of the proposed Acquisition. In the letters of Comment submitted by the MEMPR, BC Hydro, BCOAPO, and ROMS there were no concerns regarding the Acquisition in relation to this Application. TGVI in its Reply Comment dated March 16, 2007 is of the view that the two-year extension of the Company's negotiated settlement is warranted and is in the best interests of the Company and its customers; and
- P. The Commission has reviewed the Application, Comments, and Reply Comments received and consider that approval is warranted.

NOW THEREFORE the Commission orders as follows:

1. The Commission approves for TGVI the two year extension of the 2006-2007 Revenue Requirement Negotiated Settlement Agreement terms for 2008 and 2009 as outlined in Appendix A of the Application and also attached as Appendix A to this Order.
2. The Commission directs that TGVI is to provide an Integrity Management Plan for Pipeline Facilities commencing for the 2007 forecast year and annually up to and including 2010. The first Integrity Management Plan report should include and identify the proposed expenditures of the four year in-line pipe inspection and pigging cycle costs. The Commission also directs that TGVI provide for each of the four years from 2007 to 2010 an explanatory report within four months of the fiscal year-end that compares the forecast plan costs and activities in the Integrity Management Plan to the actual costs and activities incurred in the year.

DATED at the City of Vancouver, In the Province of British Columbia, this 23rd day of March, 2007.

BY ORDER

Original signed by

L.F. Kelsey
Commissioner

Attachment

Two-Year TGV Extension

Settlement Items	2006-2007 Negotiated Settlement Agreement ("Current TGV Settlement")	2008-2009 Extension Period
Term	A two-year period commencing January 1, 2006 and ending December 31, 2007.	A two-year period commencing January 1, 2008 and ending December 31, 2009.
1. Items At-Risk For TGV	Centra in its 2003/2005 Revenue Requirements Application interprets the Special Direction as meaning "the BCUC will continue to approve variations (as they have since 1995), in other words "true-up to actual", between forecast test year cost of service and actual costs (other than O&M) unless reasonable evidence exists to conclude variations not be approved." Gross OM&A will be fixed (and not trued-up). The rate of return on common equity will not be trued-up. The equity component in the capital structure and the return on common equity is addressed in item 8 below.	Continue without change from Current TGV Settlement the same Items at-risk. Continue to "true-up to actual" for all items except OM&A between forecast test year cost of service and actual costs.
2. Core Sales Forecast	The Application indicates forecast Residential sales volumes of 4,605,415 GJ in 2006 and 4,772,274 GJ in 2007. Forecast Commercial sales volumes are 7,525,327 GJ in 2006 and 7,564,407 GJ in 2007, for total Core energy sales in 2006 and 2007 of 12,130,743 GJ and 12,336,681 GJ, respectively. The forecasts are based on forecast customer use rates, and total expected customer additions of roughly 3,800 in 2006 and 3,500 in 2007, for year-end total customers of 88,336 and 91,822 in 2006 and 2007, respectively. TGV underscores its assumptions with supporting information on the economic outlook for BC, housing starts, and predicted conversions. Customer additions appear reasonable on the basis of the supporting information and historical data. Forecast use rates are reasonable against the historical trend in usage.	Forecast core customer additions, use-rates, and sales will be determined using methodologies consistent with those used in Current TGV Settlement and will be subject to review as part of the annual Settlement Update.

Settlement Items	2006-2007 Negotiated Settlement Agreement ("Current TGV Settlement")	2008-2009 Extension Period
3. Cost of Gas and GCVA	- Gas Cost Variance Account ("GCVA") TGV will provide a reconciliation report similar to the reports provided by Terasen Gas Inc. ("TGI") to verify the December 31, 2004 GCVA balance and 2005 (when available), plus reports for 2006 and 2007. TGV will work with Commission staff to define the specific reporting requirements. - Calculation of the Royalty Payment TGV will provide a detailed reconciliation report that verifies the royalty payments for 2004 and 2005 (when available), plus reports for 2006 and 2007. TGV will work with Commission staff to define the specific reporting requirements.	Continue use of methodologies without change from Current TGV Settlement. Continuation of GCVA without change from Current TGV Settlement.
4. Gross OM&A	- The Company proposed to calculate Forecast 2006 Gross Operating & Maintenance (O&M) expense based on the Allowed 2005 Gross O&M adjusted for deductions for 2005 Utilities Strategies Project ("USP") and other changes; deductions for 2006 pension & insurance variances, and CIS conversion savings; and additions for other costs (BC 1 Call and pipeline inspection), customer growth, and inflation. This process is repeated for 2007 Gross O&M. (Application, Section 7, pp. 38-40). - Other Savings - Other Savings (other than USP savings in 2005) will be assumed to be \$500,000. - Inflation - TGV will use inflation of 2.2% for each of 2006 and 2007. The 2.2% is TGI's inflation forecast for 2006 in its November 2006 Annual Review.	Continue use of mechanism/formula without change from Current TGV Settlement. Gross OM&A will continue to be fixed and not trued-up. Including an annual incremental \$400,000 per year related to customer growth. For clarity no other incremental items other than inflation. Inflation adjustment based on a 2.0% inflation rate per year, as compared to 2.2% in the Current TGV Settlement. Continue use of productivity factor mechanism from Current TGV Settlement, set at 66% of inflation per year, rather than 33%. (Refer to Table # 1 at the end of Appendix A below)

Settlement Items	2006-2007 Negotiated Settlement Agreement ("Current TGVl Settlement")	2008-2009 Extension Period
	• Productivity - o In 2007, a productivity improvement factor of 1/3 of the assumed inflation rate will apply. • Incremental O&M from New Customers - o A factor for incremental O&M for customer additions of \$400,000 for each of 2006 and 2007 will be included. • Incremental costs of BC 1 Call of \$28,000 commencing in 2006 will be included. On a unit cost basis this is approximately \$0.32/customer (\$28,000 / 86,421). • TGVl will exclude the proposed marketing administration costs of \$50,000 that was proposed for 2007. • Incremental pipeline operation and maintenance costs of \$200,000 will be added in 2007 for internal geometry and metal loss inspection of the 12" Coquitlam Watershed segment on the high pressure transmission system. This portion of the pipeline system was last internally inspected in 1998. This cost represents the first stage of the 5-year pipeline inspection process that will involve all high pressure transmission pipeline segments in the TGVl system. TGVl confirms that the cost is to be used for inspection of approximately 32 kms of pipeline from station 0.0 (Coquitlam Compressor Station) to station 31.57 in the Coquitlam Watershed area. This work will be completed in 2007. • TGVl proposed CIS Savings of \$400,000 in 2006 and \$200,000 in 2007. TGVl corrected an error in the proposal that should not have included incremental costs totalling \$135,000 related to translation services and extended call	

Settlement Items	2006-2007 Negotiated Settlement Agreement ("Current TGV Settlement")	2008-2009 Extension Period
	centre hours. The revised CIS Savings are \$265,000 in 2006 and \$200,000 in 2007. • TGV will continue to include the variance from O&M adjustment in the income tax calculation for the RDDA (BCUC 36.3.2). This is consistent with past practice for TGV. • Summary of O&M proposal: See the attached Schedule 30A that outlines the settlement formula based Gross O&M. - o Use 2.2% inflation for 2006 and 2007; - o A productivity improvement factor (PIF) of 1/3 inflation for 2007; - o CIS Savings of \$265,000 in 2006 and \$200,000 in 2007; - o Incremental O&M related to customer additions of \$400,000 for each of 2006 and 2007; - o Adjust the 2005 base to reflect \$500,000 of other savings; - o Remove the \$50,000 of Marketing; and - o Include \$200,000 of pipeline inspections costs in 2007. The resulting Gross OM&A of \$29,346,000 for 2006 and of \$30,241,000 for 2007 are accepted. These amounts are the TGV cost of service that is approved by the Commission on a forecast test year basis for the years 2006 and 2007.	

Settlement Items	2006-2007 Negotiated Settlement Agreement ("Current TGV Settlement")	2008-2009 Extension Period
5. Plant Additions/Capital Expenditures	- Capital Expenditures: The information in the Current TGV Settlement directly relates to 2006-2007 settlement period and is not reproduced here. - Sooke CPCN: Extension of Natural Gas Service to Sooke Commission Order C-15-02 was issued in December 2002 approving Centra's CPCN application for extension of natural gas service to Sooke. The project was completed in September 2003 for a final cost of \$4,970,000. Of these costs \$78,500 was disallowed (Order G-113-04). Commission staff has expressed concern that the customer and load additions since the completion of the project are significantly lower than the forecast provided as justification for the project during the CPCN review process. TGV is required to continue to report on the customer additions and associated gas loads over the next two years. The Commission will consider conducting a prudency review regarding the capital cost of the project in relationship to actual and forecast volumes as determined in 2008.	Annual Capital expenditures will be requested for approval as part of Settlement Update, consistent with Current TGV Settlement. Capital expenditures will continue to be subject to true-up to actual, consistent with Current TGV Settlement.
6. Deferred Charges and Amortization	The information in the Current TGV Settlement directly relates to 2006-2007 settlement period and is not reproduced here.	Continue use of deferral accounts without change from Current TGV Settlement.
7. Financing Costs (Charges)	The information in the Current TGV Settlement directly relates to 2006-2007 settlement period and is not reproduced here.	Annual forecast financing charges will be included with annual Settlement Update filings and will continue to be true-up to actual, consistent with Current TGV Settlement.
8. Return on Equity and Capital Structure	TGV and TGI submitted an Application on June 30, 2005 to determine the return on equity ("ROE") and capital structure for the companies, and to revise the automatic ROE adjustment mechanism (the "ROE Application"). The Commission established a regulatory proceeding to review the ROE Application, with an	Return on equity will remain an at-risk item for TGV and will not be true-up. The terms of this settlement extension does not preclude the Company from making an application to the Commission for a variation in its equity

Settlement Items	2006-2007 Negotiated Settlement Agreement ("Current TGV Settlement")	2008-2009 Extension Period
	oral public hearing scheduled to begin November 14, 2005. As part of the ROE Application, TGV applied for an increase in its equity thickness from 35 to 40 percent and an increase in its ROE risk premium from 50 to 75 basis points. TGV had incorporated its applied for changes in ROE and capital structure into the determination of its 2006 and 2007 revenue requirements. TGV had not incorporated the applied for revision to the Commission's automatic ROE adjustment mechanism in its determinations of revenue requirements. It is agreed TGV's cost of service will be determined on the basis of its currently approved ROE and capital structure until the Commission's Decision on the ROE Application. It is also agreed that any changes in the capital structure and return on equity resulting from the Commission Decision on the ROE Application will be reflected in TGV's cost of service subsequent to the Commission's Decision on the ROE Application. Return on equity will remain as an at-risk item for TGV and will not be trued-up.	thickness if appropriate. Also the terms of this settlement extension does not preclude the Company from making an application to the Commission for a variation in the generic ROE mechanism and the Company's allowed ROE.
9. Actual Revenue Surplus	TGV has shown the actual revenue surplus in the attached Schedule 2. The actual 2004 revenue surplus was reviewed and accepted.	Consistent with the Current TGV Settlement and as required by the Special Direction, the Settlement Update filing will request approval of the prior year's actual surplus.
10. RDDA	TGV has shown in the attached Schedule 1 the recording of Annual Revenue Deficiencies and Surpluses in the RDDA, the financing of those deficiencies, and the drawdown of the RDDA from the surpluses. The attached Schedules 1A to 1K provide the supporting schedules for the RDDA. The TGV recording of the activity in the RDDA appears to be consistent with the Special Direction. The December 31, 2004 RDDA balance is accepted.	Consistent with the Current TGV Settlement and as required by the Special Direction, the Settlement Update filing will request approval of the prior year's actual RDDA balance.

Settlement Items	2006-2007 Negotiated Settlement Agreement ("Current TGV Settlement")	2008-2009 Extension Period
11. Overhead Capitalization	On pages 50-51 of the Application TGV proposes to change its overhead capitalization policy to save the time and effort of calculating overheads capitalized. The Company proposes to include 16% of Forecast Gross O&M in overheads capitalized. TGV submits this is appropriate since "the 'greenfield' phase of growth" has run its course. The TGV proposal for capitalization of 16% of Gross O&M is accepted.	Continue to use a 16% overheads capitalization rate without change from Current TGV Settlement.
12. Mains Extension Test	The information in the Current TGV Settlement directly relates to 2006-2007 settlement period and is not reproduced here.	Comprehensive review of customer connection policies and system extension policies TGV committed, as part of its 2006 Settlement Update, to undertake in 2007 a comprehensive review of its customer connection policies and system extension policies, including its MX test. An application will be made to the Commission for review and approval in 2007 taking into consideration the 2007 Energy Plan and the results of the 2007 BC Hydro Rate Design proceeding, with implementation in 2008.
13. Re-amortization of Repayable Grant	On Section 6, page 35 of the Application TGV explains the repayment of federal/provincial contributions using subordinated debt at 6%. Schedules 6 to 9 show the CIAC contributions activity and balances from 2004 to 2007. BCUC 26.1.3 states that approximately 65% of the funding of the repayment will come from the subordinated debt. The re-amortization of repayable grant is accepted.	The methodologies used for the accounting for the Re-amortization of Repayable Grant will continue without change from that used in the Current TGV Settlement. The re-amortizations will be included as part of the annual Settlement Update filings.

Settlement Items	2006-2007 Negotiated Settlement Agreement ("Current TGV Settlement")	2008-2009 Extension Period
14. System Outages	In response to BCUC 53.3 TGV indicates that the system outages are increasing over time. Outages caused by Third parties are increasing as well. TGV agrees to submit a brief report to the Commission regarding system outages by December 31, 2005.	Not relevant for the Extension period. Report was submitted in March 2006.
15. Settlement Update Meeting	The parties agree that in the particular circumstances of the negotiation respecting revenue requirements and rates for 2006 and 2007 that a Settlement Update Meeting will be held in November 2006, rather than the customary Annual Review. The purpose of the Settlement Update Meeting will be for the Company to provide an update on the operations of the Company through 2006 and the outlook for 2007, with Customers being provided the opportunity to make submissions regarding these matters. TGV will provide a minimum 3 weeks written notice of the meeting, and will include with that notice updated information set out in Schedules 1 to 34B and in the tables provided by TGV in response to BC Hydro's IR 4 from the 2006-2007 Revenue Requirements Application. TGV will advise participants in this process of any significant applications it makes to the Commission.	Continuation of annual Settlement Update Meeting without change from current settlement. The Company will continue to provide a minimum 3 weeks prior notice of the meeting and will continue to provide updated schedules for the forecast period consistent with those provided in the 2006 Settlement Update filing. Consistent with the current settlement, TGV will advise stakeholders of any significant applications it makes to the Commission.
16. Departure from Uniform System of Accounts for O&M	TGV proposes to depart from using a portion of the Uniform System of Accounts for recording its O&M in Accounts 600 to 999, commencing in Jan 1, 2006 (Application, p. 50). TGV in the 2004 Annual Review stated that with the USP Integration (including \$8 million capital cost to TGV) it would still be able to report using the BCUC System of Accounts when switching to SAP (2004 Annual Review, BCUC 9.14, 9.14.1). However, TGV now claims it would be time consuming and onerous to do this any further (though these reporting costs are already embedded in the 2004	Not relevant for the Extension period. The Company has worked with Commission staff to address this issue. Future accounting information will be submitted consistent with the protocols agreed to.

Settlement Items	2006-2007 Negotiated Settlement Agreement ("Current TGI Settlement")	2008-2009 Extension Period
	and 2005 O&M costs). TGI switched to SAP in January 1, 2004 and has been providing BCUC O&M reporting for 2004 and 2005 (BCUC 39.3.5). Commission Order G-39-98 approved for BC Gas Utility Ltd. a departure from recording and reporting O&M for BCUC Accounts 600 to 999. TGI maintains that since TGI has approval for departure that TGI should have an approval for departure (BCUC 39.0, 39.2.2.1). As an example, in Appendix 39.1.1 it shows the TGI Annual Report O&M page 26.1 for the years 1998, 1999, and 2004. In 1998 for page 26.1 TGI had full O&M reporting by BCUC Account. In 1999 the first year of SAP it had a summary O&M of costs on 2 pages by Vice-President ("VP"). In 2004 the information was reduced to one page. This illustrates TGI's reduced reporting away from the standardized reporting used throughout North America: BCUC, Ontario Energy Board ("OEB"), National Energy Board ("NEB") and Federal Energy Regulatory Commission. These other jurisdictions use similar reporting structures to the BCUC Uniform System of Accounts and in the case of OEB and NEB the same account numbering and descriptions. Standardized reporting allows for historical comparisons across years without the need to re-state the figures by VP. Over the years it appears that the VP costs at TGI have moved and changed which makes the comparison of costs difficult. Standardized reporting provides assurance that costs have been spent prudently. Also, standardized reporting of costs allows for intra and inter-jurisdictional comparisons. The BCUC Uniform System of Accounts provides compliance reporting that is beneficial to the Commission and ratepayers. A TGI and Commission staff working group will be established to review appropriate reporting requirements and submit its findings for review at the 2006 Settlement Update Meeting.	

Settlement Items	2006-2007 Negotiated Settlement Agreement ("Current TGV Settlement")	2008-2009 Extension Period
17. Rate Design	It is desirable that the RDDA be reduced by \$18 million over the years 2006 and 2007, being mindful of rate shock implications. Rate increases to core market customer classes should continue to be limited by the alternate fuel prices in the soft cap methodology. Rate increases to core market customer classes should be no more than 10% in 2006. Rate increases to core market customer classes in 2007 should be no more than 5% if the revenue to cost ratio of the class (based on the 2006 effective rate) is greater than 1.0, and no more than 10% if the revenue to cost ratio of the class (based on the 2006 effective rate) is less than 1.0.	Continue with same rate change logic as per the Current TGV Settlement. Rate increases to core market customer classes should continue to be limited by the alternate fuel prices in the soft cap methodology. Rate increases to core market customer classes in each year of the settlement extension should be no more than 5% if the revenue to cost ratio of the class (based on the previous years effective rate) is greater than 1.0, and no more than 10% if the revenue to cost ratio of the class (based on the previous years effective rate) is less than 1.0.
18. BC Hydro Agreements	The BC Hydro Agreements filed on October 20, 2005 consist of the Transportation Service Agreement, Peaking Agreement, and Compressor Facility Amending Agreement between TGV and BC Hydro, and the Capacity Assignment Agreement between TGV, BC Hydro, and Terasen Gas Inc. The BC Hydro Agreements are accepted as being prudent for and in the interests of TGV. Nothing in this Settlement Agreement will be deemed to imply that the parties have agreed that the BC Hydro Agreements are prudent or necessary for BC Hydro and nothing in this Settlement Agreement will preclude, restrict, or otherwise prejudice the right of any person, including a party to this Settlement Agreement, from taking the position in any other proceeding that the BC Hydro Agreements are not prudent or desirable for BC Hydro. In accepting that the BC Hydro Agreements are in the interests of TGV, the Vancouver Island Gas Joint Venture ("VIGJV") is relying on the confirmation from TGV that the proposed BC Hydro tolls are determined as required by article 1.1.01(b) of the VIGJV Transportation Service Agreement.	No change for the Extension period.

Settlement Items	2006-2007 Negotiated Settlement Agreement ("Current TGV Settlement")	2008-2009 Extension Period
19. TGV Wheeling Agreement with TGI	TGV is to review the Agreement to determine what is required to ensure that core customers are protected in the event of emergency curtailment on the TGI system and that TGV industrial customers will not be disadvantaged compared to TGI industrial customers.	Not relevant for the Extension period. One time report was submitted as part of 2006 Settlement Update.
<u>Other Items implicit in 2006 – 2007 Settlement Agreement</u>		
CPCN Capital		Continue use of \$4 million, or 1% of rate base threshold for CPCN's without change from Current TGV Settlement.
Depreciation Rates		Continue to use current depreciation rates without change from Current TGV Settlement.
Finance, Accounting and Tax Issues		Continue without change from Current TGV Settlement. Any changes in regulatory treatment resulting from changes in GAAP will require Commission approval.
Regulatory Accounting Methodologies		Continue without change from Current TGV Settlement.

Settlement Items	2006-2007 Negotiated Settlement Agreement ("Current TGV Settlement")	2008-2009 Extension Period
<u>Additional Items for Extension</u>		
Review of DSM funding and economic tests		TGI committed, as part of its 2006 Annual Review and Mid-Term Assessment Review, to undertake in 2007 a review of the economic tests used to evaluate its DSM and efficiency related programs. This review will also assess the 2006 CPR study and the potential need for increased DSM funding and will take into consideration the anticipated Provincial 2007 Energy Plan. An application will be made to the Commission for review and approval in 2007, with implementation in 2008.

Table # 1

Gross OM&A Expense

in thousands	2008	2009
	FORECAST FORECAST	
Previous year allowed OM&A	\$ 30,241	\$ 30,847
Neg Settlement Adjustment		
Add Customer Growth	400	400
Add Inflation	605	617
Less Productivity	-399	-407
Forecast OM&A expense	\$ 30,847	\$ 31,456
Customer Additions	92,782	96,342
Customer Growth Rate	3,468	3,560
Inflation Rate	3.75%	3.71%
Productivity improvement Factor	2.00%	2.00%
Productivity rate - portion of inflation	-1.32%	-1.32%
	66%	66%