OM LIMITED PARTNERSHIP

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OM LIMITED PARTNERSHIP

EXECUTIVE SUMMARY

OM Limited Partnership ("OMLP") filed an application with the Ontario Energy Board ("OEB") on August 25, 2017 under section 8 of the *Municipal Franchises Act* for an order granting OMLP a Certificate of Public Convenience and Necessity ("CPCN") to construct facilities and supply natural gas to a new Maricann Group Incorporated ("Maricann") Langton Greenhouse Facility located in Langton, Ontario. OMLP intends to supply its locally produced natural gas to an affiliate named Maricann Group Inc. for the purposes of the Greenhouse Facility, which is located immediately adjacent to Maricann's existing greenhouse facility.

OMLP is a limited partnership between On-Energy Corporation ("ON-Energy") and Maricann Group Incorporated. ON-Energy owns and operates 150 natural gas wells and over 300 kilometres of pipeline infrastructure in Elgin and Norfolk Counties. Maricann is a medical marijuana producer and dispenser with over 8,000 registered patients.

In the EB-2017-0289 Decision and Order dated June 14, 2018, the OEB granted OMLP a CPCN. The OEB also found that OMLP was not exempt from the need to have an approved tariff to serve the new greenhouse facility and that a rate order would be required prior to commencing service to the new Greenhouse Facility.

Maricann owns the property for which OMLP has received a limited CPCN. Maricann is a partner in OMLP and as such is a part owner of OMLP. Maricann is OMLP's only customer.

OMLP was formed after Maricann approached On-Energy for a cost competitive supply of natural gas from On-Energy's local natural gas wells. Maricann has been engaged in the utility plans since their inception with regular meetings and feedback. The OMLP system was designed specifically to meet Maricann's demand requirements and service preferences.

This rates application is in response to the need for a rate order in order to commence service to the new Greenhouse Facility which will be the only customer served by OMLP. This customer will be a related entity to OMLP through the limited partnership.

As OMLP is a new gas distributor, it has no historical data to file. It will commence to distribute gas to its one customer upon receipt of rate order from the OEB.

The distribution assets included in rate base have been designed to serve the Greenhouse Facility. OMLP was worked closely with its future customer to ensure that its facilities are properly designed to meet the peak hour, peak day and annual requirements of the facility.

OMLP will not have any of its own employees or accounting services and will rely on ON-Energy to provide those services. Rates for the services obtained from the affiliate have been established and will be charged through a management fee to OMLP.

As indicated in the EB-2017-0289 Decision and Order, OMLP is not permitted to serve additional customers without first applying for and receiving approval of the OEB.

Given its limited resources and given that the only customer to be served by OMLP is a related entity, OMLP is requesting exemptions from both the Affiliate Relationships Code for Gas Utilities ("ARC") and the Gas Distribution Access Rule ("GDAR").

OMLP's objective is to provide a safe and reliable source of natural gas to its customer at a just and reasonable rate. As noted above, the customer is a limited partner in OMLP and therefore the objectives of the distributor have been aligned with the needs and preferences of its customer.

OMLP has filed a test year cost of service application based on 12-month period from the commencement of service to the customer, to be followed by 4 years of a price cap incentive plan where the inflation factor less the productivity and stretch factors is set to 0% for each of the 4 years. In the absence of any Z-Factor or Y-Factor requests, this would mean that the rate charged to the customer would remain unchanged over the 5-year term of the IRM.

OMLP has taken into account its customers' needs throughout all aspects of the planning process, including this rate application. The customer has had the opportunity to review the application and provide comments. OMLP expects to continue to work closely with its customer/partner to address any issues that may arise during the IRM period including any future plans and how they can be met in a cost effective manner.

OM LIMITED PARTNERSHIP

ADMINISTRATION

Primary Utility Contact

Name: Scott Lewis
Address: 2807 Woodhull Road, London, ON N6K 4S4
Phone Number: 519-657-2151; 519-871-0876
Fax Number: 519-657-4296
Email Address: slewis@onenergy.ca

Legal & Other Representation

Name: Randy Aiken, Aiken & Associates
Address: 578 McNaughton Ave. West, Chatham, Ontario, N7L 4J6
Phone Number: (519) 351-8624
Fax Number: NA
Email Address: randy.aiken@sympatico.ca

Name: Peter Budd
Address:
Phone Number: 416-948-1334
Fax Number: NA
Email Address: peterbbudd@rogers.com

Name: Bill Blake
Address: 2807 Woodhull Road, London, ON N6K 4S4
Phone Number: 519-871-0334
Fax Number: NA
Email Address: wblake@onenergy.ca

Communication of Application to Customers

OMLP will have only one customer and that customer is a limited partner in OMLP. The application has been made available to this customer directly. Given that only one customer will be impacted by the application, OMLP does not intend to hold a community meeting.

Statement of Publication

OMLP will follow the OEB's instructions regarding the publication of Notice in relation to this application.

OMLP believes that the Notice need not be published but simply provided to the customer that will be impacted by the application. Publication in a local newspaper would be an added cost that would ultimately be paid for by the customer. As there are no other customers, the Notice will no impact on any party other than the one customer.

Bill Impacts

The application proposes a simple monthly fixed charge for the one customer that will be served. This charge is $22,351.67 per month

Conditions of Service

OMLP confirms that there are no rates or charges listed in any other policies and regulations of OMLP that are not on the utility's rate schedule.

Form of Hearing

OMLP requests that this application be disposed of by way of a written hearing. It is the OMLP's view that this would be the most efficient and cost-effective means to reach a Decision.

Effective Date

OMLP requests that the OEB make its Rate Order effective September 1, 2018 in accordance with the Filing Requirements.

In the event that the OEB is unable to provide a Decision and Order in this application for implementation by OMLP as of September 1, 2018, OMLP requests that the OEB declare the proposed rate interim, effective September 1, 2018, and approve rate riders to recover/rebate any revenue differential that results from the OEB's Decision and Order between the implementation date of the OEB's Rate Order and September 1, 2018.

Price Cap IR Method

OMLP has proposed a price cap incentive regulation model with a term of 5 years with a productivity/stretch factor equal to inflation, resulting in a price of 0%.

The model also proposes that Z-factors and a Y-factors be available to OMLP subject to certain criterion and approval by the OEB upon any application that includes such factors. OMLP is not requesting the inclusion of a capital factor.

OMLP has proposed to include in its incentive regulation plan a trigger mechanism with an annual regulatory return on equity dead band of +/- 300 basis points. If OMLP's regulatory financial performance is outside of this earnings dead band, a regulatory review may be initiated.

Deviations from Filing Requirements

OMLP has only deviated from the filing requirements where necessary because it has no historical information to provide and is a new distributor that will serve only one customer, which is also a limited partner in OMLP.

Previous OEB Directions

In the EB-2017-0289 Decision and Order dated June 4, 2018, the OEB found that OMLP was not exempt from the need to have an approved tariff to serve the proposed customer.

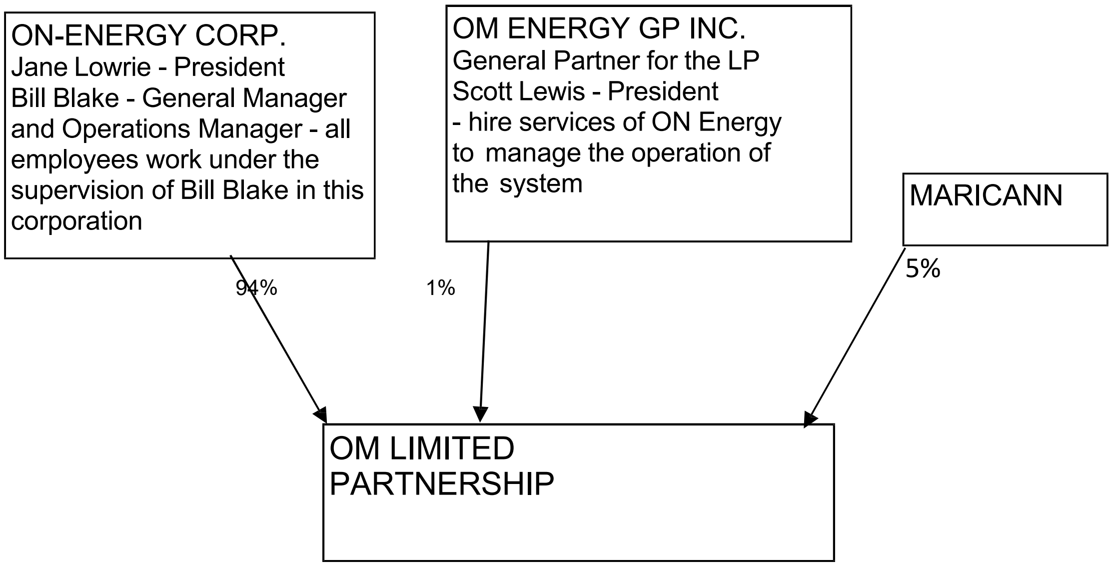
Specifically, the OEB ordered that OMLP was required to obtain a rate order from the OEB prior to commencing service to the new Maricann Group Inc. Langton Facility. This application is the response to this order.

The OEB also indicated that OMLP was not permitted to serve additional customers without first apply for and receiving approval of the OEB. OMLP is not seeking to serve any additional customers as part of this application.

Corporate & Utility Organizational Structure

OMLP has no employees, so there is no associated organizational chart available. The corporate organizational structure is shown in the following diagram. ON-Energy Corp. and Maricann Group Inc. are limited partners and OM Energy GP Inc. is the general partner.

Corporate Organization Chart



The above corporate organization chart also shows the key reporting relationships within ON-Energy Corp. and OM Energy GP Inc. with respect to the management and operation of OM Limited Partnership.

Requested Approvals

OMLP requests the following approvals:

1. A Rate Order or Orders approving or fixing just and reasonable rates and other charges for the distribution of natural gas effective September 1, 2018.

2. If a Rate Order cannot be implemented for September 1, 2018, the approval of an interim rate effective September 1, 2018.

3. Approval of the proposed 5-year Price Cap IR Plan.

4. Approval of an exemption in whole from the Affiliate Relationships Code for Gas Utilities.

5. Approval of an exemption in whole from the Gas Distribution Access Rule.

6. All necessary orders and directions concerning pre-hearing and hearing procedures for the determination of this application.

<u>Draft Issues List</u>

OMLP proposes the following list of issues:

1. Are each of the components of the proposed revenue requirement appropriate and calculated correctly?

2. Is the proposed rate design appropriate?

3. Is the proposed Price Cap IR Plan appropriate?

4. Is the resulting rate just and reasonable?

5. Is the request for an exemption to the Affiliate Relationships Code for Gas Utilities appropriate?

6. Is the request for an exemption in whole to the Gas Distribution Access Rule appropriate?

OM LIMITED PARTNERSHIP

SYSTEM OVERVIEW

OMLP has system assets in the geographic Township of North Walsingham in Norfolk County along the road allowance of Concession Road 8 and in the north half of Lot 2 Concession 7 at 138 8th Concession Road, Langton, Ontario. The assets consist of 3,800 meters of 4" high density polyethylene pipeline within the road allowance of Concession Road 8 and a custody transfer meter site located at 138 8th Concession Road. The attached map shows the location of the pipeline, meter site and tie-in points to the existing ON-Energy pipelines.

EB-2018-0234
Attachment to Exhibit 1, Tab 4, Schedule 1
Concession Rd. 8, Walsingham
2017-09-05

OM LIMITED PARTNERSHIP

APPLICATION SUMMARY

OMLP is a new distribution utility that will serve one customer. That customer will begin to be served by OMLP upon receipt of a rate order from the OEB. OMLP has calculated the revenue requirement based on a 12-month period ("test year") that begins upon receipt of the rate order from the OEB.

Revenue Requirement

The revenue requirement for the test year is $268,220, as shown in Exhibit 6, Tab 1, Schedule 4. The composition of the revenue requirement is shown in the same schedule. The drivers of the revenue requirement include a cost of capital of $22,441 on a rate base of $692,620, OM&A expenses of $210,829, depreciation of $34,473 and income taxes of $477.

As there is no current rate applicable to OMLP, the revenues have been set equal to the total revenue requirement, as shown in Exhibit 6, Tab 1, Schedule 4. This results in no revenue deficiency or sufficiency, as shown in Exhibit 6, Tab 1, Schedule 2.

Budgeting and Accounting Assumptions

OMLP will be using the Accounting Standards for Private Enterprises ("ASPE") accounting standard.

All OM&A costs and capital expenditures are forecast based on the best information available at the time the application was prepared in July/August of 2018.

The cost of capital is based on a deemed capital structure and the Board's allowed return on equity for 2018. Depreciation expense is based on the capital expenditures and the proposed depreciation rates as shown in Exhibit 4, Tab 3, Schedule 1.

Income taxes reflect the small business threshold rates and capital cost allowance rates currently in effect. Income taxes have been calculated on a stand-alone basis. More information is found in Exhibit 4, Tab 4, Schedule 1.

Throughput Forecast

OMLP will serve one customer, with an estimated annual consumption volume of 8,800,000 m^3 and a firm contact demand of 30,000 m^3 per day (Exhibit 3, Tab 3, Schedule 1). This forecast was determined in co-operation with the customer.

Rate Base and Utility System Plan

The requested rate base for the test year, as shown in Exhibit 2, Tab 1, Schedules 1 and 2, is $692,620, which is made up of $662,308 in net property, plant and equipment, and $30,312 in working capital allowance.

OMLP is not forecasting any additional capital expenditures in the test year, as all capital expenditures will be completed when the pipeline begins to serve its one customer. The total capital expenditures of $680,981 are shown in Exhibit 2, Tab 5, Schedule 2 and discussed in Exhibit 2, Tab 5, Schedule 1.

OMLP has not provided a utility system plan as part of this application. All of the assets needed to serve the customer have been constructed and placed into service upon provision of service to the customer (see Exhibit 2, Tab 6, Schedule 1).

OM&A Expenses

The forecast test year OM&A expenses total $210,829, as shown in Exhibit 4, Tab 2, Schedule 2 and explained in Exhibit 4, Tab 2, Schedule 1. Management Fees make up the majority of the costs ($198,329) as OMLP will not have any employees and accounting services and will rely on its affiliates to provide these services. Rates have been established for the services received from OMLP's affiliates and these charged are included in the management fee. OMLP is requesting an exemption from the Affiliate Relationship Code for Gas Utilities (Exhibit 4, Tab 2, Schedule 5).

The forecast costs have been based on the best information available at the time of the completion of this application.

Cost of Capital

OMLP has forecast an overall weighted average cost of capital of 3.24%, as shown in Exhibit 5, Tab 2, Schedule 3.

OMLP is requesting a deemed capital structure of 36% equity and 64% long term debt (Exhibit 5, Tab 1, Schedule 1).

OMLP is requesting a return of on equity of 9% (Exhibit 5, Tab 2, Schedule 2). This figure is consistent with the return on equity figure shown in the letter *Re: Cost of Capital Parameter Updates for 2018 Cost of Service and Custom Incentive Rate-setting Applications* dated November 23, 2017.

As shown in Exhibit 5, Tab 2, Schedule 1, OMLP has financed the debt component of rate base through long-term debt which has a rate of 0%. Also as noted in that schedule OMLP does not have access to any short-term debt.

Cost Allocation and Rate Design

As is noted in Exhibit 7, Tab 1, Schedule 1, OMLP has not undertaken a cost allocation study since it has only one customer and expects to only have one customer over the IRM period. As a result, all of the costs are allocated to this one customer. The revenue forecast to be recovered from this customer is equal to the costs to serve it. This means that the revenue-to-cost ratio for the customer is 1.0.

A cost allocation study would have identified what costs would be considered fixed costs, demand related costs and volumetric related costs. The breakdown of the total costs into these categories would have been necessary if OMLP proposed to recover its costs through a combination of a monthly fixed charge, a demand charge and/or a volumetric distribution rate.

As described in Exhibit 8, Tab 1, Schedule 1, OMLP is proposing a simplified rate design that consists only of a fixed monthly charge. As a result, there is no need to allocate costs to be recovered through a fixed charge, a demand charge and a volumetric rate.

Performance and Reporting

As indicated in Exhibit 1, Tab 7, Schedule 1, OMLP is requesting an exemption in whole from the Gas Distribution Access Rule, including the service quality requirements performance standards, measurements and reporting.

Bill Impacts

The bill impact on the one customer to be served by OMLP will be a flat monthly fixed charge of $22,351.67.

Deferral and Variance Accounts

OMLP has no current deferral or variance accounts. As a result, there is no request for the disposition of any accounts or any request for the discontinuation of any existing accounts.

In addition, OMLP is not requesting the establishment of any new deferral or variance accounts in this proceeding.

Rate Schedules

OMLP has no current OEB-approved rate schedule. The proposed rate schedule is shown in Exhibit 8, Tab 2, Schedule 1.

Incentive Rate-Setting

OMLP's proposed incentive rate-setting plan, found in Exhibit 10, Tab 1, Schedule 1, is a price cap incentive plan with the productivity/stretch factor (X) equal to the inflation rate (I), that is X=I. OMLP is not requesting any capital factor, so the result price cap index is I – X = 0.

OMLP is proposing a 5-year term for the incentive rate setting period.

Z-factors and a Y-factors would be available to OMLP subject to certain criterion and approval by the OEB upon any application that includes such factors.

A trigger mechanism with an annual regulatory return on equity dead band of +/- 300 basis points has been proposed. If OMLP's regulatory financial performance is outside of this earnings dead band, a regulatory review may be initiated.

OM LIMITED PARTNERSHIP

<u>CUSTOMER ENGAGEMENT</u>

Maricann Group Inc. ("Maricann") owns the property for which OM Limited Partnership ("OMLP") has received a limited Certificate of Public Convenience and Necessity. Maricann is a partner in OMLP and as such is a part owner of OMLP. Maricann is OMLP's only customer.

OMLP was formed after Maricann approached On-Energy for a cost competitive supply of natural gas from On-Energy's local natural gas wells. Maricann has been engaged in the utility plans since their inception with regular meetings and feedback. The OMLP system was designed specifically to meet Maricann's demand requirements and service preferences.

Maricann has reviewed the draft application and evidence related to this proceeding and have indicated that they accept the proposed rate that results from the application.

OM LIMITED PARTNERSHIP

PERFORMANCE MEASUREMENT

OMLP is not able to provide information for the past five years on its service quality and reliability performance as it is a new limited partnership that just recently received a Certificate of Public Convenience and Necessity to serve one property. OMLP's customer is a part owner and as such OMLP has a vested interest in ensuring reliable performance.

OMLP has not filed any benchmarking evidence as part of this application. OMLP is not aware of any comparator groups against which the proposals could be measured.

The Gas Distribution Access Rule ("GDAR"), amended January 1, 2017, establishes a number of performance standards and measurements for the natural gas industry in Ontario. These service quality requirements includes telephone answering performance, billing performance, meter reading performance, service appointment response times, gas emergency response, customer complaint (written) response and disconnection/reconnection.

GDAR also deals with the establishment of conditions of access to gas distribution services provided by a gas distributor and establishes rules governing the conduct of a gas distributor as such conduct relates to a gas vendor.

OMLP has only one customer and that customer is a limited partner in OMLP. As a result, OMLP will be aware of any service quality issues directly from the customer/limited partner. Gas purchased by the customer will be from an affiliate of OMLP, as the distribution system is only connected to the natural gas wells and associated production and gathering pipelines of the affiliate.

In the EB-2017-0289 Decision and Order dated June 14, 2018, the OEB found that OMLP is not permitted to serve additional customers without first applying for and receiving approval of the OEB.

Given the above noted circumstances, OMLP is requesting an exemption in whole to the GDAR.

OM LIMITED PARTNERSHIP

FINANCIAL INFORMATION

On-Energy Corp. ("ON") and Maricann Group Inc. ("Maricann") have formed a limited partnership, OM Limited Partnership ("OMLP") for the purposes of supply the Maricann Langton facility with local natural gas. ON and Maricann are the only two limited partners.

OMLP will be controlled by OM Energy, its general partner, which will be wholly owned by ON. The corporate structure is shown in Exhibit 1, Tab 3, Schedule 1.

As OMLP is a new entity that has not yet begun operations, it has no historical financial statements or information to provide to the OEB.

In particular, OMLP does not have any non-consolidated audited financial statements of the utility (excluding operations of affiliated companies that are not rate-regulated) and has no historical regulatory financial information filed in this application to which to reconcile.

OMLP has no rating agency reports and has no prospectuses or information circulars related to planned public debt or equity offerings.

OMLP has no existing accounting orders and has no departures from the Uniform System of Accounts for Class A Utilities.

OMLP is a limited partnership and will be using the Accounting Standards for Private Enterprises ("ASPE") for general purpose financial statements. OMLP's fiscal year is January 1 through December 31.

OMLP has provided pro-forma statements for the periods ending December 31, 2018 and December 31, 2019, assuming rates are approved in place October 1, 2018. Please note that OMLP has requested that rates be effective September 1, 2018 in order to allow the customer to served as soon as possible. These statements are attached to this schedule as Attachments 1 through 3..

The parent company of OMLP is a private corporate and does not have annual reports, management discussion and analysis or audited financial statements.

OM LIMITED PARTNERSHIP
CASH FLOWS FROM OPERATIONS

	Oct-18	Nov-18	Dec-18	Jan-19	Feb-19	Mar-19	Apr-19	May-19	Jun-19	Jul-19	Aug-19	Sep-19	Oct-19	Nov-19	Dec-19
CASH IN															
Revenue		22,352	22,352	22,352	22,352	22,352	22,352	22,352	22,352	22,352	22,352	22,352	22,352	22,352	22,352
Shareholder loans	$ 1,000														
Cash in	$1,000	$22,352	$22,352	$22,352	$22,352	$22,352	$22,352	$22,352	$22,352	$22,352	$22,352	$22,352	$22,352	$22,352	$22,352
CASH OUT															
Management expenses		16,527	16,527	16,527	16,527	16,527	16,527	16,527	16,527	16,527	16,527	16,527	16,527	16,527	16,527
Other		1,042	1,042	1,042	1,042	1,042	1,042	1,042	1,042	1,042	1,042	1,042	1,042	1,042	1,042
Income tax						119									-
Cash Out	$0	$17,569	$17,569	$17,569	$17,569	$17,688	$17,569	$17,569	$17,569	$17,569	$17,569	$17,569	$17,569	$17,569	$17,569
Difference	$1,000	$4,783	$4,783	$4,783	$4,783	$4,664	$4,783	$4,783	$4,783	$4,783	$4,783	$4,783	$4,783	$4,783	$4,783
Cumulative	$1,000	$5,783	$10,565	$15,348	$20,131	$24,794	$29,577	$34,360	$39,142	$43,925	$48,708	$53,490	$58,273	$63,056	$67,838

OM LIMITED PARTNERSHIP
PROJECTED INCOME STATEMENT
DECEMBER 31, 2018 and 2019

	Projected Oct-18	Projected Nov-18	Projected Dec-18	TOTAL	Projected Jan-19	Projected Feb-19	Projected Mar-19	Projected Apr-19	Projected May-19	Projected Jun-19	Projected Jul-19	Projected Aug-19	Projected Sep-19	Projected Oct-19	Projected Nov-19	Projected Dec-19	Projected TOTAL
REVENUE																	
Monthly customer charge	$ 22,352	$ 22,352	$ 22,352	$ 67,055	$ 22,352	$ 22,352	$ 22,352	$ 22,352	$ 22,352	$ 22,352	$ 22,352	$ 22,352	$ 22,352	$ 22,352	$ 22,352	$ 22,352	$ 268,220
	$ 22,352	$ 22,352	$ 22,352	$ 67,055	$ 22,352	$ 22,352	$ 22,352	$ 22,352	$ 22,352	$ 22,352	$ 22,352	$ 22,352	$ 22,352	$ 22,352	$ 22,352	$ 22,352	$ 268,220
EXPENSES																	
OM and A expenses	$ 17,569	$ 17,569	$ 17,569	$ 52,707	$ 17,569	$ 17,569	$ 17,569	$ 17,569	$ 17,569	$ 17,569	$ 17,569	$ 17,569	$ 17,569	$ 17,569	$ 17,569	$ 17,569	$ 210,828
Depreciation and amortization	$ 2,873	$ 2,873	$ 2,873	$ 8,618	$ 2,873	$ 2,873	$ 2,873	$ 2,873	$ 2,873	$ 2,873	$ 2,873	$ 2,873	$ 2,873	$ 2,873	$ 2,873	$ 2,873	$ 34,473
	$ 20,442	$ 20,442	$ 20,442	$ 61,325	$ 20,442	$ 20,442	$ 20,442	$ 20,442	$ 20,442	$ 20,442	$ 20,442	$ 20,442	$ 20,442	$ 20,442	$ 20,442	$ 20,442	$ 245,301
INCOME FROM OPERATIONS	$ 1,910	$ 1,910	$ 1,910	$ 5,730	$ 1,910	$ 1,910	$ 1,910	$ 1,910	$ 1,910	$ 1,910	$ 1,910	$ 1,910	$ 1,910	$ 1,910	$ 1,910	$ 1,910	$ 22,919
Income tax	$ -	$ -		$ 119	$ -	$ -	$ -	$ -	$ -	$ -							$ 477
NET INCOME AFTER TAX	$ 1,910	$ 1,910	$ 1,791	$ 5,611	$ 1,910	$ 1,910	$ 1,910	$ 1,910	$ 1,910	$ 1,910	$ 1,910	$ 1,910	$ 1,910	$ 1,910	$ 1,910	$ 1,910	$ 22,442

OM LIMITED PARTNERSHIP
PROJECTED BALANCE SHEET
DECEMBER 31, 2018 and 2019

ASSETS

	OPENING Oct 1 18	PROJECTED Dec 31 18	PROJECTED Dec 31 19
CURRENT:			
Accounts Receivable	$ -	$ 22,352	$ 22,352
Cash	$ 1,000	$ 10,565	$ 67,838
	$ 1,000	$ 32,917	$ 90,190
FIXED:			
Pipelines and capital	$ 662,308	$ 662,308	$ 662,308
	$ 662,308	$ 662,308	$ 662,308
Less:			
Acc Depletion & Depreciation	$ -	$ 8,618	$ 43,091
	$ 662,308	$ 653,690	$ 619,217
TOTAL ASSETS	$ 663,308	$ 686,607	$ 709,407

LIABILITIES & SHAREHOLDERS' EQUITY

	OPENING Oct 1 18	PROJECTED Dec 31 18	PROJECTED Dec 31 19
CURRENT:			
Accounts Payable & Accrued Charges	$ -	$ 17,688	$ 18,046
	$ -	$ 17,688	$ 18,046
LONG-TERM:			
Loan - shareholders	$ 662,308	$ 662,308	$ 662,308
	$ 662,308	$ 662,308	$ 662,308
SHARE CAPITAL:			
Common Shares	$ 1,000	$ 1,000	$ 1,000
Retained Earnings	$ -	$ -	$ 5,611
Net Income (Loss) For The Period	$ -	$ 5,611	$ 22,442
	$ 1,000	$ 6,611	$ 29,053
	$ 663,308	$ 686,607	$ 709,407
	$ -	$ -	$ -

OM LIMITED PARTNERSHIP

UTILITY CONSOLIDATIONS

OMLP is a new natural gas distributor and has not been involved in any utility consolidations.

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RATE BASE OVERVIEW

OMLP's rate base is forecast to be $692,620 for the test period, as shown in Exhibit 2, Tab 1, Schedule 2. The majority of the rate base is made up of property, plant and equipment.

The property, plant and equipment summary of averages for the test period is shown in Exhibit 2, Tab 2, Schedule 2, with the monthly figures used to calculate the averages shown in Exhibit 2, Tab 2, Schedule 3 (gross property, plant and equipment), Schedule 4 (accumulated depreciation property, plant and equipment) and Schedule 5 (net property, plant and equipment).

The averages over the 12-month period shown are based on the monthly ending balances.

The opening balance shown in the first month reflects the assets that are forecast to be in service (and in rate base) at the time that service is first provided to the customer. The 12-month period shown is the period that begins with commencement of service to customer. This approach to rate base is consistent with the other components that make up the revenue requirement.

The assets that have been included in the property, plant and equipment component of rate base are described in more detail in the Capital Expenditures explanation provided in Exhibit 2, Tab 5, Schedule 1.

The allowance for working capital component of rate base is described in Exhibit 2, Tab 3, Schedule 1.

OM LIMITED PARTNERSHIP

Summary of Utility Rate Base
Test Year
($'s)

	Test Year
Property, Plant & Equipment	
Asset Values at Cost	680,981
Accumulated Depreciation	18,673
	662,308
Allowance for Working Capital	
Inventory	14,500
Working Cash Allowance	15,812
	30,312
Utility Rate Base	692,620

OM LIMITED PARTNERSHIP

PROPERTY, PLANT AND EQUIPMENT

Exhibit 2, Tab 2, Schedule 2 provides a summary of the gross assets, accumulated depreciation and net assets by asset class included in the property, plant and equipment component of rate base. The Test Year rate base is forecast to be $662,308. Exhibit 2, Tab 2, Schedules 3 through 5 provide the monthly continuity schedules for gross assets, accumulated depreciation and net assets included in rate base.

As noted in Exhibit 2, Tab 1, Schedule 1, OMLP has calculated the averages that are included in rate base as the average of the monthly closing balances for each of the gross, accumulated depreciation and net asset figures shown in Schedules 3 through 5.

The accumulated depreciation shown for month 12 in the accumulated depreciation schedule (Exhibit 2, Tab 2, Schedule 4) matches the depreciation expense shown in Schedules 2 and 3 of Exhibit 4, Tab 3. Since there was no accumulated depreciation for OMLP before its assets were placed in service, that means that the accumulated depreciation at the end of the test year is equal to the depreciation expense calculated for the test year.

No capital additions are forecast for the test year other than those in service at the beginning of the period when service was commenced to the customer. Total capital additions are discussed in Exhibit 2, Tab 5, Schedule 1 for both the pre-test period and the test year.

OM LIMITED PARTNERSHIP

Property, Plant & Equipment
Summary of Averages - Test Year
($'s)

Item	Gross Property Plant & Equip.	Accumulated Depreciation	Net Plant
Land	0	0	0
Buildings	0	0	0
Furniture & Fixtures	0	0	0
Computer Equipment	0	0	0
Computer Software	0	0	0
Machinery & Equipment	0	0	0
Communication Equipment	0	0	0
Dechydration Equipment	70,656	7,654	63,001
Meters	16,587	449	16,137
Regulators	2,742	74	2,667
Plastic Mains	364,243	4,932	359,310
Steel Mains	0	0	0
Measuring & Regulating Equip.	184,007	4,984	179,024
Plastic Services	0	0	0
Franchises & Consents	42,747	579	42,168
Total	680,981	18,673	662,308

OM LIMITED PARTNERSHIP

Gross Property, Plant & Equipment
Test Year
($'s)

Asset Values at Cost	Month 1	Month 2	Month 3	Month 4	Month 5	Month 6	Month 7	Month 8	Month 9	Month 10	Month 11	Month 12	Average
Land	0	0	0	0	0	0	0	0	0	0	0	0	0
Buildings	0	0	0	0	0	0	0	0	0	0	0	0	0
Furniture & Fixtures	0	0	0	0	0	0	0	0	0	0	0	0	0
Computer Equipment	0	0	0	0	0	0	0	0	0	0	0	0	0
Computer Software	0	0	0	0	0	0	0	0	0	0	0	0	0
Machinery & Equipment	0	0	0	0	0	0	0	0	0	0	0	0	0
Communication Equipment	0	0	0	0	0	0	0	0	0	0	0	0	0
Dehydration Equipment	70,656	70,656	70,656	70,656	70,656	70,656	70,656	70,656	70,656	70,656	70,656	70,656	70,656
Meters	16,587	16,587	16,587	16,587	16,587	16,587	16,587	16,587	16,587	16,587	16,587	16,587	16,587
Regulators	2,742	2,742	2,742	2,742	2,742	2,742	2,742	2,742	2,742	2,742	2,742	2,742	2,742
Plastic Mains	364,243	364,243	364,243	364,243	364,243	364,243	364,243	364,243	364,243	364,243	364,243	364,243	364,243
Steel Mains	0	0	0	0	0	0	0	0	0	0	0	0	0
Measuring & Regulating Equip.	184,007	184,007	184,007	184,007	184,007	184,007	184,007	184,007	184,007	184,007	184,007	184,007	184,007
Plastic Services	0	0	0	0	0	0	0	0	0	0	0	0	0
Franchises & Consents	42,747	42,747	42,747	42,747	42,747	42,747	42,747	42,747	42,747	42,747	42,747	42,747	42,747
Total Assets	680,981	680,981	680,981	680,981	680,981	680,981	680,981	680,981	680,981	680,981	680,981	680,981	680,981

EB-2018-0234
Exhibit 2
Tab 2
Schedule 4
Aug. 7, 2018

OM LIMITED PARTNERSHIP

Accumulated Depreciation Property, Plant & Equipment
Test Year
($'s)

Accumulated Depreciation	Month 1	Month 2	Month 3	Month 4	Month 5	Month 6	Month 7	Month 8	Month 9	Month 10	Month 11	Month 12	Average
Land	0	0	0	0	0	0	0	0	0	0	0	0	0
Buildings	0	0	0	0	0	0	0	0	0	0	0	0	0
Furniture & Fixtures	0	0	0	0	0	0	0	0	0	0	0	0	0
Computer Equipment	0	0	0	0	0	0	0	0	0	0	0	0	0
Computer Software	0	0	0	0	0	0	0	0	0	0	0	0	0
Machinery & Equipment	0	0	0	0	0	0	0	0	0	0	0	0	0
Communication Equipment	0	0	0	0	0	0	0	0	0	0	0	0	0
Dehydration Equipment	1,178	2,355	3,533	4,710	5,888	7,066	8,243	9,421	10,598	11,776	12,954	14,131	7,654
Meters	69	138	207	276	346	415	484	553	622	691	760	829	449
Regulators	11	23	34	46	57	69	80	91	103	114	126	137	74
Plastic Mains	759	1,518	2,277	3,035	3,794	4,553	5,312	6,071	6,830	7,588	8,347	9,106	4,932
Steel Mains	0	0	0	0	0	0	0	0	0	0	0	0	0
Measuring & Regulating Equip.	767	1,533	2,300	3,067	3,833	4,600	5,367	6,134	6,900	7,667	8,434	9,200	4,984
Plastic Services	0	0	0	0	0	0	0	0	0	0	0	0	0
Franchises & Consents	89	178	267	356	445	534	623	712	802	891	980	1,069	579
Total Accum. Depreciation	2,873	5,745	8,618	11,491	14,364	17,236	20,109	22,982	25,854	28,727	31,600	34,473	18,673

OM LIMITED PARTNERSHIP

Net Property, Plant & Equipment
Test Year
($'s)

Net Fixed Asset Values	Month 1	Month 2	Month 3	Month 4	Month 5	Month 6	Month 7	Month 8	Month 9	Month 10	Month 11	Month 12	Average
Land	0	0	0	0	0	0	0	0	0	0	0	0	0
Buildings	0	0	0	0	0	0	0	0	0	0	0	0	0
Furniture & Fixtures	0	0	0	0	0	0	0	0	0	0	0	0	0
Computer Equipment	0	0	0	0	0	0	0	0	0	0	0	0	0
Computer Software	0	0	0	0	0	0	0	0	0	0	0	0	0
Machinery & Equipment	0	0	0	0	0	0	0	0	0	0	0	0	0
Communication Equipment	0	0	0	0	0	0	0	0	0	0	0	0	0
Dehydration Equipment	69,478	68,300	67,123	65,945	64,768	63,590	62,413	61,235	60,057	58,880	57,702	56,525	63,001
Meters	16,518	16,448	16,379	16,310	16,241	16,172	16,103	16,034	15,965	15,896	15,826	15,757	16,137
Regulators	2,730	2,719	2,707	2,696	2,685	2,673	2,662	2,650	2,639	2,627	2,616	2,605	2,667
Plastic Mains	363,484	362,725	361,966	361,208	360,449	359,690	358,931	358,172	357,413	356,654	355,896	355,137	359,310
Steel Mains	0	0	0	0	0	0	0	0	0	0	0	0	0
Measuring & Regulating Equip.	183,241	182,474	181,707	180,940	180,174	179,407	178,640	177,874	177,107	176,340	175,574	174,807	179,024
Plastic Services	0	0	0	0	0	0	0	0	0	0	0	0	0
Franchises & Consents	42,658	42,569	42,480	42,391	42,302	42,213	42,124	42,034	41,945	41,856	41,767	41,678	42,168
Net Fixed Assets	678,108	675,235	672,363	669,490	666,617	663,745	660,872	657,999	655,126	652,254	649,381	646,508	662,308

OM LIMITED PARTNERSHIP

ALLOWANCE FOR WORKING CAPITAL

As OMLP is a new natural gas distributor, it has no history of expenses and revenues upon which to base a cash working capital allowance study. It is also noted that the small level of expenses and revenues would not support the need for and cost of such a study.

OMLP proposes to use the default value of 7.5%, as set out in the Board *letter Re: Allowance for Working Capital for Electricity Distribution Rate Applications* dated June 3, 2015. While this default value is specifically for electricity distributors, OMLP believes that it is equally valid for a small natural gas distributor like OMLP.

The default value would be applied to only the OM&A expense since OMLP will not be purchasing any gas. The one customer served by OMLP will be purchasing it own gas supply.

The total allowance for working capital, as seen in Exhibit 2, Tab 3, Schedule 2 is $30,312. This total consists of $15,812 for cash working capital and $14,500 in inventory.

The cash working capital amount of $15,812 is equal to 7.5% of the total OM&A expenses shown in Exhibit 4, Tab 1, Schedule 2.

In addition to the cash working capital component of the allowance for working capital, OMLP is forecasting the value off assets in inventory to be $14,500. This inventory, which is not included in property, plant and equipment, consists of $12,000 for a spare meter and $2,500 for a spare regulator.

OM LIMITED PARTNERSHIP

Allowance for Working Capital
Test Year
($'s)

Allowance for Working Capital	Inventory	Cash Working Capital	Total Allowance
October	14,500	15,812	30,312
November	14,500	15,812	30,312
December	14,500	15,812	30,312
January	14,500	15,812	30,312
February	14,500	15,812	30,312
March	14,500	15,812	30,312
April	14,500	15,812	30,312
May	14,500	15,812	30,312
June	14,500	15,812	30,312
July	14,500	15,812	30,312
August	14,500	15,812	30,312
September	14,500	15,812	30,312
Total	14,500	15,812	30,312

OM LIMITED PARTNERSHIP

CAPITALIZATION POLICY

Property, plant and equipment (PP&E") are stated at cost less accumulated depreciation. PP&E is amortized over the estimated useful lives of the assets as set out in Exhibit 2, Tab 4, Schedule 1.

PP&E acquired during the year but not placed into use is not amortized until placed into use.

PP&E purchases over $5,000 with a useful life of one year or more will be capitalized. If an expenditure meets both of these criteria, it would be capitalized, otherwise it would be expensed.

OMLP does not capitalize any overhead amounts. Only direct costs associated with the assets are capitalized.

OM LIMITED PARTNERSHIP

CAPITAL EXPENDITURES

Exhibit 2, Tab 5, Schedule 2 shows the capital expenditures for both the pre-test period and the test year. The capital expenditures shown for the pre-test period are those that have been included in rate base at the beginning of the test year and reflect the assets needed to serve the customer on the first day of service. The test year capital expenditures would be those that were not in service at the beginning of the test year but will be placed into service before the end of the test year. As can be seen in Schedule 2, there are no capital expenditures forecast for the test year as all assets will need to be in place and in service before gas can flow to the customer being served.

As can be seen in Exhibit 2, Tab 5, Schedule 2, the pre-test period capital assets are mainly the pipeline and associated assets needed to provide service to the customer. In particular more than half of the value of the assets in service at the beginning of service to the customer are for plastic mains ($364,243). Measuring and regulating equipment ($184,007) include such items as a pig and pig launcher, odorizing equipment, emergency shut down value, welding and fabrication, piping, fittings and valves.

The pre-test year capital expenditures also include amounts for dehydration equipment ($70,656), meters ($16,587), regulators ($2,742) and franchises and consents ($42,747).

The above noted costs include labour and consultant and contractor costs that are directly related to the assets that are placed into service. OMLP does not capitalize any indirect overhead costs.

OM LIMITED PARTNERSHIP

Utility Capital Expenditures
Test Year
($'s)

	Pre-Test Year	Test Year
Land	0	0
Buildings	0	0
Furniture & Fixtures	0	0
Computer Equipment	0	0
Computer Software	0	0
Machinery & Equipment	0	0
Communication Equipment	0	0
Dehydration Equipment	70,656	0
Meters	16,587	0
Regulators	2,742	0
Plastic Mains	364,243	0
Steel Mains	0	0
Measuring & Regulating Equip.	184,007	0
Plastic Services	0	0
Franchises & Consents	42,747	0
Total Capital Expenditures	680,981	0

OM LIMITED PARTNERSHIP

UTILITY SYSTEM PLAN

OMLP has not provided a utility system plan as part of this application. All of the assets needed to serve the customer have been constructed and placed into service upon provision of service to the customer.

As all of the assets placed into service are new, there is no need at this point in time for a system plan dealing with replacement or reinforcement of the system.

OM LIMITED PARTNERSHIP

SERVICE QUALITY AND RELIABILITY PERFORMANCE

OMLP is not able to provide information for the past five years on its service quality and reliability performance as it is a new partnership that just recently received a Certificate of Public Convenience and Necessity to serve one property. OMLP's customer is a part owner and as such OMLP has a vested interest in ensuring reliable performance. Compressed natural gas offloading facilities are being installed to back up and bolster pipeline gas at the facility.

OM LIMITED PARTNERSHIP

THROUGHPUT AND REVENUE FORECST

OMLP's total operating revenue is equal to the distribution revenue received from its one customer. OMLP does not have any other sources of distribution revenues.

As OMLP currently does not have a Board-approved rate to charge its one customer, the distribution revenues have been set equal to the overall revenue requirement (See Exhibit 7 – Cost Allocation and Exhibit 8 – Rate Design). This ensures that all costs included in the revenue requirement have been covered and results in a revenue-to-cost ratio of 1.0.

The forecast for the test year was developed in conjunction with the customer and reflects current expectations of gas consumption on an annualized 12-month basis.

A summary of the number of customers, volumes, firm contract demand and distribution revenues is presented in Exhibit 3, Tab 1, Schedule 2.

OM LIMITED PARTNERSHIP

Summary of Customers, Volumes and Distribution Revenue
Test Year

	Customers (Year-end)	Volumes (M*3)	Firm CD (M*3)	Distribution Revenues ($)
Rate 1	1	8,800,000	30,000	268,220

OM LIMITED PARTNERSHIP

<u>SUMMARY OF TOTAL OPERATING COSTS</u>

OMLP's total operating cost is forecast to be $245,779 for the test year, and is shown in Exhibit 4, Tab 1, Schedule 2. The total operating costs are composed of operating, maintenance and administrative costs of $210,829 (Exhibit 4, Tab 2, Schedule 1), depreciation expense of $34,473 (Exhibit 4, Tab 3, Schedule 1) and income taxes of $477 (Exhibit 4, Tab 4, Schedule 1). Further details for each of these components of the total operating costs are provided in the above noted exhibits.

OM LIMITED PARTNERSHIP

Total Operating Costs
Test Year
($'s)

	Test Year
Operating, Maintenance and Administrative Costs	210,829
Depreciation and Amortization	34,473
Income Taxes	477
Total Cost of Service	245,779

OM LIMITED PARTNERSHIP

SUMMARY OF OPERATING, MAINTENANCE AND ADMINISTRATIVE COSTS

OMLP's total Operating, Maintenance and Administrative ("OM&A") cost is forecast to be $210,829 for the test year, and is shown in Exhibit 4, Tab 2, Schedule 2. The OM&A costs are mainly related to dues, fees and inspection costs, regulatory costs and management fees.

Dues, fees and inspection costs include the amortization of a one-time cost of $15,000 over 5 years related to Technical Standards and Safety Authority ("TSSA") fees, the inclusion of ongoing licensing and metering certifications of $1,500 and $7,000 for the annual inspection of facilities.

The regulatory cost shown in Exhibit 4, Tab 2, Schedule 2, of $1,000 is the cost that OMLP expects that it will be allocated related to the operation of the Ontario Energy Board. The forecast of this cost has been included in the regulatory line shown in Exhibit 4, Tab 2, Schedule 2. Other regulatory related costs are included in the management fee.

Management fees are forecast to be $198,329 for the test year. These costs are detailed in Exhibit 4, Tab 2, Schedule 3 and include wages and benefits, insurance, repair and maintenance costs, legal and accounting, disposal costs, property taxes, automotive, OEB rate case costs, mapping and record maintenance, supplies, consulting fees and other expenses (telephone, office & postage, office rent, travel & entertainment, bank charges).

OMLP is limited in its operation and as such will not have its own employees and accounting services and will rely on ON-Energy Corp. to provide these services. ON-Energy is partner in OMLP and owns and controls a substantial portion of the partnership. Rates have been established for the services received from OMLP's affiliates and these charged are included in the management fee.

The total labour costs are $69,000, consisting of labour and employee benefits. The labour cost of $60,000 includes supervision related costs.

The labour costs includes one hour per weekday for one individual at $50 per hour, or $13,000 (1 hour x 5 days x 52 weeks x $50/hour), one hour per day for one individual at $50 per hour, or $18,200 (1 hour x 7 days x 52 weeks x $50/hour) and $28,800 for supervision based on 20 hours per month at $120 per hour (20 hours x 12 months x $120/hour). The employee benefit cost of $9,000 is based on 15% of the labour cost.

The insurance cost of $11,800 represents an allocation of 20% of the insurance policy cost of ON-Energy Corp.

Repair and maintenance costs of $15,000 include costs associated the pipeline related to leak surveys, locates and repairs.

Automotive costs of $13,140 are based on travel of 60 km per day, 365 days per week at $0.60 per km.

Mapping and record maintenance costs of $6,000) are based on a forecast of 10 hours per month at $50 per hour (10 hours x 12 months x $50/hour).

Legal and accounting costs of $12,800 include bookkeeping costs of $7,800 based on 5 hours per week at $30 per hour (5 hours x 52 weeks x $30/hour) and $5,000 associated with legal and audit functions.

Supplies are forecast to be $15,000 and are related to odorant recharge.

Disposal costs of $14,400 is related to the disposal of fluids from the metering and regulator station, which are estimated to be $1,200 per month.

Property taxes are forecast to be $18,309 and is equal to the value of the pipeline related assets included in rate base (i.e. excluding franchises and consents) times the municipal tax rate of .0152874 and the education tax rate of 0.0134000. These tax rates have been taken from the interim tax notice for 2018 from Norfolk County.

Consulting fees of $6,000 are related to engineering costs and other miscellaneous costs.

OEB rate case related costs are $8,000. This figure represents the amortization over 5 years of a forecasted total cost of $40,000 related to the current rates proceeding to determine a rate for the customer to be served and to provide an incentive rate making proposal for a 5-year term. As shown in Exhibit 4, Tab 2, Schedule 4, OMLP has not forecast any other regulatory costs for the IR term.

Other expenses include $780 for telephone ($65 per month), $2,400 for office & postage related costs ($200 per month), $3,000 for office rent ($250 per month), $300 for bank charges and $2,400 for travel and entertainment ($200 per month).

OM LIMITED PARTNERSHIP

Operating, Maintenance and Administrative Costs
Test Year
($'s)

Expense Category	Test Year
Wages	0
Employee Benefits	0
Insurance	0
Utilities	0
Advertising	0
Telephone	0
Office & Postage	0
Repair & Maintenance	0
Automotive	0
Dues, Fees & Inspection Costs	11,500
Mapping Expense	0
Regulatory	1,000
Bad Debts	0
Office Rent	0
Interest - Security Deposits	0
Bank Charges	0
Collection Expense	0
Travel & Ent.	0
Legal	0
Property Taxes	0
Audit	0
Consulting Fees	0
Management Fees	198,329
Miscellaneous	0
Total OM&A Expenses	210,829

OM LIMITED PARTNERSHIP

Management Fees
Test Year
($'s)

Expense Category	Test Year
Wages	60,000
Employee Benefits	9,000
Insurance	11,800
Telephone	780
Office & Postage	2,400
Repair & Maintenance	15,000
Automotive	13,140
Mapping & Record Maintenance	6,000
Office Rent	3,000
Bank Charges	300
Travel & Ent.	2,400
Legal & Accounting	12,800
Supplies	15,000
Disposal Costs	14,400
Property Taxes	18,309
OEB Rate Case	8,000
Consulting Fees	6,000
Total OM&A Expenses	198,329

OM LIMITED PARTNERSHIP

Regulatory Expenses
Test Year
($'s)

Category	Notes	Test Year
Rate Case	(1)	8,000
Other Regulatory Costs		0
Total Regulatory Costs		8,000

Notes:
(1) Rate case costs have been amortized over five years

OM LIMITED PARTNERSHIP

SERVICES AGREEMENT

OMLP is requesting an exemption related to the Affiliate Relationship Code for Gas Utilities (“ARC”). As noted in Exhibit 4, Tab 2, Schedule 1, OMLP is limited in its operation and as such will not have its own employees and accounting services and will rely on ON-Energy Corp. to provide these services. ON-Energy is a partner in OMLP and owns and controls a substantial portion of the partnership. Rates have been established for the services received from OMLP’s affiliates and these charges are included in the management fee as per the services agreement.

A copy of the Services Agreement is attached as Attachment 1 to this schedule.

SERVICES AGREEMENT

THIS AGREEMENT is made and entered into as of the 1st of September, 2018 ("the Effective Date")

Between:

OM Limited Partnership
(herein referred to as "Client")

and

ON-Energy Corp.
(herein referred to as "ON")

WHEREAS:

1. Client received a Decision and Order from the Ontario Energy Board on June 14, 2018 granting two certificates of public convenience allowing the Client to construct pipeline facilities and a tie-in system (the "System") to the Maricann Group Inc. Langton Facility (the "Facility");

2. This System will allow natural gas to be supplied to the Facility for use in their greenhouse operations;

3. Client has agreed to engage ON to provide certain services in accordance with this System to support the sale of gas to the Facility;

4. ON has agreed to provide such services in accordance with the terms and conditions set out in this Agreement.

NOW, THEREFORE, in consideration of the foregoing, and the mutual covenants and agreements hereinafter stated, Client and ON agree as follows:

ARTICLE 1
SERVICES

1.1 ON shall provide to Client the following operations, maintenance and administration services for the System in collaboration with Client:

(a) Routine maintenance on the System to ensure the System remains in good working order and in compliance with the relevant operating standards. For greater clarity, this will include but not be limited to:

(i) regular System inspections;

(ii) System repairs;

(iii) part replacements;

(iv) land maintenance;

(v) technical work - meters, control, station operation, gas quality inspections including calibration of instrumentation;

(vi) Relief valve maintenance;

(vii) Valve greasing and maintenance as required; and

(viii) site visits as required.

(b) Manage relationships with other service providers and equipment and part suppliers.

(c) Manage relationships with the relevant Provincial and Federal agencies in the best interests of the Client to ensure the System remains compliant will all relevant laws and safety standards.

(d) Assist the Client in securing required permits for the construction of the System and management of the permits until the System is fully operational.

(collectively defined as the "Services")

1.2 ON shall exercise a level of skill and professionalism expected of a service provider with experience in oil and natural gas system maintenance, exercise reasonable commercial and professional efforts and provide an orderly, competent and skillful completion of such Services as requested by the Client.

1.3 ON shall be permitted to subcontract any of the Services without the express written consent of Client.

1.4 Unless otherwise instructed by Client, ON shall obtain and maintain the following minimum insurance which name Client and GP as named insured;

(a) Commercial general liability insurance covering ON and ON's employees to the extent of $5,000,000 dollars;

(b) Automobile insurance covering personal injury and property damage to the extent of $2,000,000 to each vehicle owned by ON and used in performance of its Services; and

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1.5 ON may, at its option, suspend the Services immediately upon notice to the Client if the Client fails to make payment of any fees or other monies that are due to ON under the terms of this Agreement. Such withdrawal of services shall not be considered a breach entitling Client to terminate this Agreement. Furthermore, if Client fails to pay the Fees and Expenses in the amount and within the time set out in this Agreement, ON may terminate this Agreement on 30 days' advance written notice.

ARTICLE 2
CLIENT'S RESPONSIBILITIES

2.1 The Client shall make available to ON all relevant information and data pertinent to the System which is required by ON to perform the Services under this Agreement. ON shall be entitled to rely upon the accuracy and completeness of all information and data furnished by the Client, including information and data originating from other contractors engaged by the Client, whether such parties are engaged at the request of ON or otherwise. Where such information or data originates either with the Client or its consultants, ON shall not be responsible to the Client for the consequences of any error or omission contained therein.

2.2 The Client shall give prompt consideration to all documentation related to the System prepared by ON and wherever prompt action is necessary shall inform ON of Client's decisions in such reasonable time so as not to delay the proposed (or as amended from time to time) schedule for providing the Services.

ARTICLE 3
LIMITATION ON SERVICES

3.1 Client acknowledges that:

(a) ON is not and will not act as a fiduciary for Client with respect to the Services.

(b) ON has not and will not give to Client any assurance or guarantee as to the merits (whether legal, regulatory, tax, financial, accounting or otherwise) of any strategy, course of action or transaction.

(c) the Services are being executed at the discretion of ON and in a commercially reasonable manner and ON does not provide any warranty or guarantee as to the financial viability, profitability, or operational viability of the System.

(d) ON warrants that:

(i) it shall carry out all of its obligations under the Agreement and shall execute the Services with all due care and diligence and with the skill to be expected of a reputable operator experienced in the types of services to be carried out under the Agreement. The Services shall be fit for the purposes specified in this Agreement;

(ii) ON shall ensure that any subcontractor appointed by it to perform part of the Services performs that part of the Services with the professional skill, care and diligence expected of a professional consultant experienced in systems of a similar nature to the System and activities of a similar nature to the part of the Services subcontracted to that subcontractor;

(iii) ON shall provide all management, supervision, personnel, materials and equipment, and other services, consumables, facilities and all other things whether of a temporary or permanent nature, so far as the necessity for providing the same is specified in or reasonably inferable from this Agreement;

(iv) ON shall perform the Services in accordance with good industry practice, the requirements of applicable standards, applicable laws and this Agreement.

3.2 ON shall not, without the written consent of Client:

(a) lease, pledge, mortgage, convey, license, exchange or make any other transfer or disposition of any property or assets of Client;

(b) settle, compromise, assign, pledge, transfer, release or consent to the compromise, assignment, pledge, transfer or release of, any claim, suit, debt, demand or judgment against or by Client, or submit any such claim, dispute or controversy to arbitration or judicial process, or stipulate in respect thereof to a judgment or consent to do the same;

(c) make any warranty, representation or commitment, or enter into or amend any agreement, contract, guaranty or instrument that is or purports to be binding on Client; or

3.3 enter into or amend any agreement, contract, guaranty or instrument that is or purports to be binding on Client.

ARTICLE 4
FEES AND EXPENSES

4.1 Commencing on the Effective Date, Client shall pay to ON hourly fees for the Services as outlined in Schedule A to be amended from time to time by ON acting reasonably ("the Fees").

4.2 In addition to the above Fees, Client shall reimburse ON for out-of-pocket expenses and taxes incurred by ON, and approved in advance by the Client, in the performance of the Services, including, but not limited to:

(a) Capital expenditures required to be made by ON on behalf of Client required to perform the Services listed herein;

(b) Mileage at a rate of $0.60 per kilometer for passenger cars and light trucks, to be adjusted from time to time by ON acting reasonably;

(c) Regulatory compliance and other regulatory or licensing fees;

(d) Third party fees paid by ON on behalf of Client relating to the System; and

(e) Any other expense or tax incurred by ON on behalf of Client, and agreed to by the Client in advance or approved under a budget established by the Client and relating to the System.

(collectively "Expenses").

4.1 ON shall invoice Client for Fees on a monthly basis, in arrears and for Expenses as they are incurred.

4.2 Payment of the invoiced amount of Fees and Expenses shall be made by Client within 30 days of invoicing. Overdue accounts are subject to interest at 2% per month.

ARTICLE 5
WORK OF OTHERS

5.1 ON shall not be responsible for the work of others, except its own subcontractors.

ARTICLE 6
TERM

6.1 Subject to early termination in accordance with this Agreement, this Agreement shall continue for a term of ten (10) years.

ARTICLE 7
TERMINATION

7.1 Either party may terminate this agreement with 30 days notice in writing, if:

(a) the other party is in default in any material respect in the performance of any of its obligations under this Agreement or otherwise commits any material breach of this Agreement, and such default continues after thirty (30) days' written notice from the non-defaulting party to the defaulting party stating the particulars of such default;

(b) bankruptcy or insolvency proceedings are instituted by or against the other party, or the other party is adjudicated a bankrupt, becomes insolvent, makes an assignment for the benefit of creditors or proposes or makes any arrangements for the liquidation of its debts or a receiver or receiver and manager is appointed with respect to all or any part of the assets of the other party; and

(c) If any

(i) amendment to applicable law, by-law, statute, regulation, rule, ordinance, policy, order, code, information letter, guideline, bulletin or directive;

(ii) judicial or regulatory order; or

(iii) ruling, decision, or directive by a utility board, transmission provider, or other agency, commission, authority, entity, or body

requires or directs, directly or indirectly, that a material term be amended, inserted, or deleted in this Agreement and one party notifies the other that it wishes to renegotiate the terms and conditions of this Agreement in connection with such amendment, insertion, or deletion and the parties are unable to agree upon revised terms and conditions of this Agreement within 30 days of such notice.

7.2 Either Party may terminate this Agreement upon thirty (30) days' written notice, and Client shall make payment to ON of all outstanding Fees and Expenses incurred up to the date of termination

7.3 Notwithstanding termination of this Agreement for any reason:

(a) all warranties set out in this Agreement and all obligations of indemnification herein shall survive and continue to bind the parties after the date of termination; and

(b) Client shall honour any outstanding and remaining payment of Fees and Expenses owing or incurred on or before the date of termination.

ARTICLE 8
COMPLIANCE WITH LAWS AND REGULATORY REQUIREMENTS

8.1 In performing their obligations under the terms of this Agreement, the parties agree to comply at all times with all applicable laws, regulations, orders, and regulatory requirements.

ARTICLE 9
INDEMNITY AND LIMITATION OF LIABILITY

9.1

(a) ON shall fully indemnify, to the maximum extent permitted by law, Client, its Affiliates and its and their directors, officers, employees, shareholders and agents (collectively, the persons referred to in the foregoing part of this sentence are referred to herein as the "Client Parties") from and against any and all expenses, losses, claims, damages or liabilities, including reasonable attorney's fees ("Losses") that any of the Client Parties may incur as a result of ON's breach of this Agreement, fraud, gross negligence or willful misconduct, except to the extent that such Losses arise from the fraud, negligence, willful misconduct or breach of this Agreement by Client or any of the other Client Parties.

(b) Client shall fully indemnify, to the maximum extent permitted by law, ON, its Affiliates and its and their directors, officers, employees, shareholders and agents (collectively, the persons referred to in the foregoing part of this sentence are referred to herein as the "ON Parties") from and against any and all Losses that any of the ON Parties may incur as a result of Client's breach of this Agreement, fraud, gross negligence or willful misconduct, except to the extent that such Losses arise from the fraud, negligence, willful misconduct or breach of this Agreement by ON or any of the other ON Parties.

ARTICLE 10
NOTICES

10.1 Any notice or other documents required or permitted to be given hereunder shall be in writing and shall be delivered, mailed by pre-paid registered mail, return receipt requested or sent by facsimile transmission or email addressed to the party or parties to whom it is to be given at the address shown below or at such other address or addresses as the party or parties to whom such writing or document is to be given shall have last notified all other parties hereto in accordance with the provisions of this section:

(a) if to ON at:

Attention: Jane Lowrie
185 McEwan Street,
Bothwell, ON N0P 1C0
FAX (519) 695-3852
EMAIL jlowrie@onenergy.ca

(b) if to Client at:

Attention: Scott Lewis
2807 Woodhull Road

London, ON N6K 4S4
FAX (519) 657-4296
EMAIL slewis@tributeresources.com

ARTICLE 11
GENERAL

11.1 The rights and duties of ON hereunder shall not be assigned, transferred or conveyed by ON, without the prior written consent of the Client, which consent shall not be unreasonably withheld.

11.2 All prior agreements, representations and undertakings with respect to the subject matter of this Agreement are superseded.

11.3 No waiver or modification in this Agreement or of any covenant, condition or limitation herein contained shall be valid unless in writing and duly executed by the party to be charged therewith.

11.4 In the event that any provision, clause or paragraph herein, or part thereof shall be deemed void, invalid or unenforceable by a court of competent jurisdiction, the remaining provisions, clauses or articles, or parts thereof shall be and remain in full force and effect.

11.5 This Agreement shall be governed by and interpreted in accordance with the laws of the Province of Ontario, and each party hereby irrevocably and unconditionally submits to the exclusive jurisdiction of the Courts of Ontario and all courts competent to hear appeals therefrom.

[Remainder of page intentionally left blank]

IN WITNESS WHEREOF the parties have duly executed this agreement as of the date first above written.

ON-ENERGY CORP.

Witness

Per: ______________________________

Per: ______________________________

OM LIMITED PARTNER, by its general partner, **OM ENERGY GP INC.**

Witness

Per: ______________________________

Per: ______________________________

SCHEDULE "A"
ON HOURLY FEES

Management and Supervision	$138.00 per hour (includes benefits)
Field Operator	$57.50 per hour (includes benefits)
Mapping and locates	$57.50 per hour (includes benefits)
Telephone (per phone)	$65.00 per month
Office Supplies and Postage	$200.00 per month
Office Rent	$250.00 per month
Bank Charges	$25.00 per month
Travel and Entertainment	$200.00 per month

OM LIMITED PARTNERSHIP

DEPRECIATION EXPENSE

OMLP has forecast a depreciation expense of $34,473, as shown in Exhibit 4, Tab 3, Schedule 2. The detailed calculation of the depreciation expense is shown in Exhibit 4, Tab 3, Schedule 3 and reflects the asset classes that have been included in rate base.

For each of the asset classes shown in the depreciation calculation, OMLP is proposing a depreciation rate that reflects the expected life for the asset. OMLP is a new distributor and the assets included in rate base are all expected to be placed into service at commencement of service of its only customer. In other words, OMLP has calculated the depreciation expense based on a full year of depreciation for the assets available for use at the beginning of the test year. Since no assets are forecast to be added in the test year, there is no additional depreciation forecast for the test year.

OMLP will be using the half year rule for assets added during the year in the calculation of the depreciation expense.

With respect to the depreciation rates, OMLP is proposing the depreciation rates for the applicable asset classes included in rate base, all of which are based on the expected life the asset, as shown in the table below. All depreciation rates are applied on a straight-line basis.

Asset Class	Expected Life (years)	Depreciation Rate (%)
Dehydration Equipment	5	20%
Meters	20	5%
Regulators	20	5%
Plastic Mains	40	2.5%
Measuring & Regulating Equip.	20	5%
Franchises (1)	NA	2.5%

(1) Depreciation rate for franchises has been set equal to the depreciation rate for plastic mains.

OM LIMITED PARTNERSHIP

Summary of Depreciation Expense
Test Year
($'s)

	Test Year
Fixed Assets	
Land	0
Buildings	0
Furniture & Fixtures	0
Computer Equipment	0
Computer Software	0
Machinery & Equipment	0
Communication Equipment	0
Dehydration Equipment	14,131
Meters	829
Regulators	137
Plastic Mains	9,106
Steel Mains	0
Measuring & Regulating Equip.	9,200
Plastic Services	0
Franchises	1,069
Total Depreciation Expense	34,473

OM LIMITED PARTNERSHIP

Detailed Depreciation Expense
Test Year
($'s)

	Assets At Cost Opening	Acc. Dep. Opening	Net Book Value Opening'	Additions Test Year	Disposals Test Year	Adjusted Cost Base	Dep'n Rate (1)	Depreciation Expense Test Year	Adjustments Accumulated Depreciation Test Year	Accumulated Depreciation End of Test Year	Net Book Value End of Test Year
Fixed Assets											
Land	0	0	0	0	0	0	0.00%	0	0	0	0
Buildings	0	0	0	0	0	0	0.00%	0	0	0	0
Furniture & Fixtures	0	0	0	0	0	0	0.00%	0	0	0	0
Computer Equipment	0	0	0	0	0	0	0.00%	0	0	0	0
Computer Software	0	0	0	0	0	0	0.00%	0	0	0	0
Machinery & Equipment	0	0	0	0	0	0	0.00%	0	0	0	0
Communication Equipment	0	0	0	0	0	0	0.00%	0	0	0	0
Dehydration Equipment	70,656	0	70,656	0	0	70,656	20.00%	14,131	0	14,131	56,525
Meters	16,587	0	16,587	0	0	16,587	5.00%	829	0	829	15,757
Regulators	2,742	0	2,742	0	0	2,742	5.00%	137	0	137	2,605
Plastic Mains	364,243	0	364,243	0	0	364,243	2.50%	9,106	0	9,106	355,137
Steel Mains	0	0	0	0	0	0	0.00%	0	0	0	0
Measuring & Regulating Equip.	184,007	0	184,007	0	0	184,007	5.00%	9,200	0	9,200	174,807
Plastic Services	0	0	0	0	0	0	0.00%	0	0	0	0
Franchises	42,747	0	42,747	0	0	42,747	2.50%	1,069	0	1,069	41,678
Total Fixed Assets	680,981	0	680,981	0	0	680,981		34,473	0	34,473	646,508
Less:											
Capitalized Depreciation								0			
Total	680,981	0	680,981	0	0	680,981		34,473	0	34,473	646,508

(1) All depreciation rates are applied on a straight line basis.

OM LIMITED PARTNERSHIP

INCOME TAXES

OMLP has forecast its corporate income taxes payable to be $477 on a standalone basis. This calculation is shown in Exhibit 4, Tab 4, Schedule 2. The capital cost allowance ("CCA") used in the calculation is shown in Exhibit 4, Tab 4, Schedule 3. The CCA calculation reflects a full year of CCA deduction eligibility for the test year. In other words, for rate making purposes, OMLP has assumed that the rate year and the fiscal year used for taxes are the same and that the assets are included in the undepreciated capital cost at the beginning of the year.

On a standalone basis, OMLP will have taxable income well below the $500,000 threshold for the small business tax rates at both the federal and provincial level. As a result, the federal tax rate that has been used is 10.0% and the Ontario tax rate used is 3.5%.

Property taxes have been included as an OM&A expense (See Exhibit 4, Tab 2, Schedule 1).

All of the OMLP assets have been included in CCA Class 51 except the costs associated with the franchises and consents and the dehydration equipment. CCA Class 51 has a rate of 6%.

Franchises and consents have been placed in CCA Class 14.1 with a rate of 5% while dehydration equipment has been placed in CCA Class 41 with a rate of 25%.

OM LIMITED PARTNERSHIP

Income Taxes Payable
Test Year
($'s)

				Test Year
Taxable Income				
Total Operating Revenue				268,220
Less:				
Operating, Maintenance & Administrative Costs				210,829
Subtotal				57,391
Deduct:				
Interest				0
Capital Cost Allowance				53,856
Taxable Income				3,535
Corporate Income Tax				
Federal Income Tax				
Tax on first	$500,000	@	10.00%	353
Tax on all over	$500,000	@	15.00%	0
Total Federal Income Tax				353
Provincial Income Tax				
Tax on first	$500,000	@	3.50%	124
Tax on all over	$500,000	@	11.50%	0
Total Provincial Income Tax				124
Total Income Tax				477

(1) Income taxes based on current tax rates

OM LIMITED PARTNERSHIP

Capital Cost Allowance
Test Year
($'s)

Class	UCC at Beginning of Fiscal year	Add: Cost of Additions	Deduct: Lesser of Cost and Proceeds from Disposal	UCC Before CCA	CCA Claimed: Rate (%)	CCA Claimed: Amount	UCC at End of Year
1	0	0	0	0	4%	0	0
2	0	0	0	0	6%	0	0
3	0	0	0	0	5%	0	0
6	0	0	0	0	10%	0	0
7	0	0	0	0	15%	0	0
8	0	0	0	0	20%	0	0
10	0	0	0	0	30%	0	0
10.1	0	0	0	0	30%	0	0
12	0	0	0	0	10%	0	0
14.1	42,747	0	0	42,747	5%	2,137	40,610
41	70,656	0	0	70,656	25%	17,664	52,992
51	567,578	0	0	567,578	6%	34,055	533,524
	680,981	0	0	680,981		53,856	627,125

OM LIMITED PARTNERSHIP

OTHER COSTS

OMLP has not forecast any additional operating expenses beyond those shown in Exhibit 4, Tab 1, Schedule 2 of operating, maintenance and administrative expenses, depreciation expense and taxes. In particular, OMLP is not expected to incur any costs associated with gas supply, transportation or storage of the natural gas consumed by its sole customer.

The customer will be a direct purchase customer and OMLP will not incur any expenses related to the purchase of a supply of gas for the customer. Nor will OMLP incur any transportation related charges to get the gas to its distribution pipeline. Similarly, OMLP will not be providing any storage services to the customer.

In addition, OMLP is not forecasting any costs associated with lost and unaccounted for gas ("UFG"). Given the short length of the regulated distribution pipeline, OMLP is of the view that any UFG will be de minimis.

OM LIMITED PARTNERSHIP

CAPITAL STRUCTURE

OMLP is proposing a deemed capital structure of 64% debt and 36% equity. This capital structure is similar to both Union Gas and Enbridge Gas Distribution with respect to the equity component. OMLP believes this is appropriate, as it also proposes to use the return on equity calculated using the Board approved formula.

With respect to the debt component, OMLP is proposing that all of the debt be considered long-term debt. OMLP's assets are all long term in nature and it does not have any significant short-term component of rate base, such as working cash. As a result, it would not be appropriate to include a short-term debt component in the financing of rate base as it would be a mis-match between the financing of the assets and the life of the assets included in rate base.

In addition, OMLP does not have any short-term debt available to it.

OM LIMITED PARTNERSHIP

COST OF DEBT

OMLP has obtained long-term debt financing through its affiliate to finance rate base. This debt is from Maricann and is at an interest rate of 0%. This rate has been passed on to OMLP from its affiliate. This is the rate that has been used in Exhibit 5, Tab 2, Schedule 3 to calculate the overall cost of capital.

OM LIMITED PARTNERSHIP

COST OF EQUITY

OMLP is requesting a return on equity of 9.00%. This figure is consistent with the return on equity figure shown in the letter *Re: Cost of Capital Parameter Updates for 2018 Cost of Service and Custom Incentive Rate-setting Applications* dated November 23, 2017.

The calculation of the return on equity follows the formulaic methodologies documented in the *Report of the Board on the Cost of Capital for Ontario's Regulated Utilities* issued December 11, 2009.

The equity component of rate base is shown in Exhibit 5, Tab 2, Schedule 3, along with the requested return on equity and the return component in both dollars and percentage terms.

OM LIMITED PARTNERSHIP

Capital Structure - Cost of Capital
Test Year

	Capital Structure ($'s)	Ratios (%)	Cost Rate (%)	Return Component ($'s)	Return Component (%)
Long-Term Debt	443,277	64.00%	0.00%	0	0.00%
Common Equity	249,343	36.00%	9.00%	22,441	3.24%
Total	692,620	100.00%		22,441	3.24%

Calculation of the Cost Rates for Capital Structure Components

Long-Term Debt	Calculated Cost Rate	0.00%
Common Equity	Requested Rate of Return	9.00%

OM LIMITED PARTNERSHIP

REVENUE (DEFICIENCY)/SUFFICIENCY

OMLP has set the rate to be charged to its sole customer such that the revenue requirement is offset by the required revenues, resulting in a revenue deficiency/sufficiency of $0.

Exhibit 6, Tab 1, Schedule 4 shows the calculation of the total revenue requirement for OMLP. The total revenue requirement of $268,220 includes a return on rate base, OM&A and depreciation expenses and taxes. As shown in Schedule 4, the distribution revenue has been set to cover the total revenue requirement (subject to a rounding error).

Exhibit 6, Tab 1, Schedule 3 provides the calculation of the utility income of $22,441. This is the figure used in Exhibit 6, Tab 1, Schedule 2 that shows the calculation of the revenue deficiency/sufficiency of $0.

Schedule 2 shows that net utility income is $22,441 and rate base is $692,620. The indicated rate of return is 3.24%, the same as the requested rate of return. As the revenues have been set to exactly offset the revenue requirement, the net revenue deficiency/sufficiency is $0, as is the gross revenue deficiency/sufficiency, since there is no gross up associated with the provision of income taxes.

OM LIMITED PARTNERSHIP

Calculation of Revenue (Deficiency)/Sufficiency
Test Year

	Test Year
Utility Income	$22,441
Utility Rate Base	$692,620
Indicated Rate of Return	3.24%
Requested/Approved Rate of Return	3.24%
(Deficiency)/Sufficiency in Return	0.00%
Net Revenue (Deficiency)/Sufficiency	$0
Provision for Income Taxes	$0
Gross Revenue (Deficiency)/Sufficiency	$0
Normalized Gas Sales and Transportation (M*3)	8,800,000
Gross Revenue (Deficiency)/Sufficiency per M*3	$0.0000
Return on Deemed Equity	9.00%

OM LIMITED PARTNERSHIP

Statement of Utility Income
Test Year

	Test Year
Revenue	
Distribution Revenue	268,220
Other Operating Revenue (Net)	0
Total Revenue	268,220
Costs and Expenses	
Operation & Maintenance	210,829
Depreciation & Amortization	34,473
Total Costs and Expenses	245,302
Utility Income Before Income Taxes	22,918
Income Taxes	477
Utility Income	22,441

OM LIMITED PARTNERSHIP

COMPONENTS OF REVENUE REQUIREMENT
TEST YEAR

	($'s)	Revenue Requirement
Rate Base		
Test Year Average Rate Base	692,620	
Test Year Requested Rate of Return	3.24%	
		22,441
Cost of Service		
Operation and Maintenance	210,829	
Depreciation and Amortization	34,473	
		245,302
Income Taxes		
Income Taxes on Earnings	477	
Income Taxes on (Deficiency/Sufficiency)	0	
		477
Revenue Requirement		268,220
Disrtribution Revenue	268,220	
Rounding Adjustment	0	
		-268,220
Gross Revenue (Deficiency)/Sufficiency		0

OM LIMITED PARTNERSHIP

SUMMARY OF PROPOSED METHODOLOGY

OMLP has not undertaken a cost allocation study as it was deemed unnecessary to do so.

OMLP has only one customer and expects to only have one customer over the IRM period. As a result, all of the costs are, by definition, allocated to this one customer. The revenue forecast to be recovered from this customer is equal to the costs to serve it. This means that the revenue-to-cost ratio for the customer is 1.0.

A cost allocation study would have identified what costs would be considered fixed costs, demand related costs and volumetric related costs. The breakdown of the total costs into these categories would have been necessary if OMLP proposed to recover its costs through a combination of a monthly fixed charge, a demand charge and/or a volumetric distribution rate.

However, as described in Exhibit 8, Tab 1, Schedule 1, OMLP is proposing a simplified rate design that consists only of a fixed monthly charge. As a result, there is no need to allocate costs into the above noted categories.

OM LIMITED PARTNERSHIP

PROPOSED RATE DESIGN

OMLP is proposing a simple monthly fixed charge for the one customer that it serves. The monthly rate is equal to one-twelfth of the total revenue requirement of $268,220, or $22,351.67 per month.

The OMLP distribution system was sized to meet the current and future requirements of its customer in terms of maximum firm hourly demands and maximum firm daily requirements. Fluctuations within the capability of the distribution system do not materially impact any of the forecast costs. Similarly, fluctuations in the total annual volume of gas consumed by the customer do not have any material impact on any of the costs of the distribution system.

As OMLP is a new distribution utility, it currently does not have any rate schedules. The proposed rate schedule is provided in Exhibit 8, Tab 2, Schedule 1.

OM LIMITED PARTNERSHIP

PROPOSED RATE SCHEDULE

RATE 1 – Maricann Group Incorporated Langton Facility

Rate Availability

Rate 1 is available to the Maricann Group Incorporated Langton Facility in Langton, Ontario only.

Eligibility

Maricann Group Incorporated production facility located in Langton, Ontario

Rate

Bills will be rendered monthly and shall be a monthly customer charge of $22,351.67 per month.

Delayed Payment Penalty

When payment is not made in full by the due date noted on the bill, which date shall not be less than 16 calendar days after the date of mailing, hand delivery or electronic transmission of the bill, the balance owing will be increased by 1.5%. Any balance remaining unpaid in subsequent months will be increased by a further 1.5% per month. The minimum delayed payment penalty shall be one dollar ($1.00).

Effective: September 01, 2018
Implementation: All bills rendered on or after September 01, 2018
EB-2018-0234

OM LIMITED PARTNERSHIP

DEFERRAL AND VARIANCE ACCOUNTS

OMLP is a new natural gas distributor and does not have any existing deferral or variance accounts.

OMLP is not requesting the establishment of any new deferral or variance accounts as part of this application.

OM LIMITED PARTNERSHIP

INCENTIVE RATE-MAKING PROPOSAL

Section 2.0 – General Requirements of the Ontario Energy Board *Filing Requirements for Natural Gas Rate Applications* dated February 16, 2017 (“Report”) states that existing natural gas utilities are expected to select either the Price Cap IR or the Custom IR option once any OEB-approved rate-setting plans have expired and that new entrants are expected to select from these two options when filing the first rate application with the OEB.

OMLP is a new natural gas distributor and this application is the first rate application filed with the OEB. OMLP has chosen the Price Cap IR mechanism.

OMLP proposes that the following components be included as part of the Price Cap IR method.

<u>a) Term</u>
OMLP is proposing a five-year term for the Price Cap IR plan. The first year is based on the cost of service evidence provided in this application. Years two through five would reflect a price cap index (I – X) based on an inflation factor (I) and a productivity factor (X), along with potential Z factor and Y factor mechanisms, each of which are described below.

<u>b) Inflation Factor (I)</u>
OMLP proposes to use the quarterly Gross Domestic Product Implicit Price Index Final Domestic Demand (“GDP IPI FDD”) Canada as the inflation factor in the Price Cap rate-setting mechanism. The factor would be calculated annually and will be available when Statistics Canada publishes its Q2 data, which usually occurs in late August. This is consistent with the inflation factor and timing used by both Union Gas and Enbridge Gas Distribution.

<u>c) Productivity and Stretch Factor (X)</u>
OMLP proposes that the sum of the productivity and stretch factor be set equal to the inflation factor. This will ensure that OMLP provides productivity improvements to offset cost increases due to inflation.

The resulting price cap index would be I – X = 0 for years two through five of the IR term.

<u>d) Z Factor</u>

OMLP proposes that a Z factor mechanism be available to it to address material cost increases or decreases associated with unforeseen events outside of the control of management for the incentive rate-setting term. The cause of the increase or decrease must be reasonably outside the control of utility management and must be a cause that utility management could not reasonably control or prevent through the exercise of due diligence.

OMLP proposes that the four criterial of causation, materiality, prudence and management control as set out on page 40 of the Report be applicable. For completeness, the four criteria are set out below.

• Causation – The cost increase or decrease, or a significant portion of it, must be demonstrably linked to an unexpected, non-routine event and must be clearly outside of the base upon which rates were derived

• Materiality –The cost increase or decrease must meet a materiality threshold, in that its effect on the utility's revenue requirement in a fiscal year must be equal to or greater than the established threshold

• Prudence – The cost subject to an increase or decrease must have been prudently incurred

• Management Control - The cause of the cost increase or decrease must be: (a) not reasonably within the control of utility management; and (b) a cause that utility management could not reasonably control or prevent through the exercise of due diligence

OMLP proposes that the materiality threshold must be met on an individual even basis in order for the utility to apply for recovery of the relevant costs and that if the regulated return exceeds the deemed return on equity embedded in rates, it will provide a justification for why the relief being sought is reasonable. OMLP would promptly notify the OEB of any Z factor event.

With respect to the materiality threshold, OMLP proposes a threshold equal to 10% of the approved revenue requirement. This would limit the potential number of Z factor events for recovery, while providing OMLP the opportunity to recover costs that would represent a significant portion of its costs.

e) Y Factor

OMLP proposes that it be allowed to apply for a Y factor in order to pass through any costs that are incremental to the test year period and incurred during the IR period. Such costs could include those approved in other regulatory proceedings.

f) Customer Protection Measures

OMLP believes that the Price Cap IR plan with an X = I cap provides rate protection and rate certainty to the customer.

g) Capital Factor

OMLP is not proposing any capital factor component in its Price Cap IR plan. OMLP is a new utility, serving one customer, and the facilities required to serve the customer have been included in the test year rate base. No significant capital investments are expected in years two through five of the plan.

h) Annual Applications

OMLP proposes that it would not file an annual application unless it was requesting a Z factor or a Y factor determination from the Board. In the absence of these factors, the price cap is by definition equal to 0%, so there would not be a change in the rate. With no change in the rate, the existing rate schedule would continue to be in effect.

i) Off-Ramps

OMLP proposes to include in its IR plan a trigger mechanism with an annual regulatory return on equity dead band of +/- 300 basis points. If OMLP's regulatory financial performance is outside of this earnings dead band, a regulatory review may be initiated.

OMLP further proposes than any such review would be prospective in nature, and could result in modifications, termination or the continuation of the IR plan.