EPCOR RESPONSES TO IGPC INTERROGATORIES

EPCOR Natural Gas Limited Partnership

Application for 2020 to 2024 Rates

EB-2018-0336

1-IGPC-1

Reference: **Exhibit 1 Tab 1 Schedule 1 Page 5 of 63**

Preamble: *"6. In addition, starting in late 2017, ENGLP began implementing its shared service model that has enabled the utility to reasonably and prudently take advantage of economies of scale and scope by accessing an experienced core of management and subject matter expert resources and expertise that were previously unavailable to the utility. This expertise includes safety, information technology, engineering, regulatory, treasury, human resources and general management. The 2019 Bridge Year and 2020 Test Year for this Application therefore reflects the proposed cost structure of ENGLP under its new owner. This cost structure is also reflected in the forecast 2018 financials."*

Request:

(a) Please provide any study carried out by ENGLP or an affiliate, or by a third party on their behalf, that supports the allocation of shared services, including:

- Proof of the value of and need for services for which a cost has been allocated;
- Detail of the basis of allocation of each cost;
- Identification of any duplications, or evidence that there are no duplications;
- Clarification as to whether the basis of the transfer price is fully allocated cost or market, and why, and
- Identification of any service for which a market value can be determined.

(b) Please provide a table that breaks down the shared services by type of service, provider, total cost, amount allocated to ENGLP (Aylmer), and percentage allocated to ENGLP (Aylmer).

Response:

(a) EPCOR Natural Gas Limited Partnership ("ENGLP") Aylmer notes that the Ontario Energy Board's ("OEB") Affiliate Relationships Code ("ARC") for Gas Utilities defines shared core corporate services in the following manner:[1]

> business functions that provide shared strategic management and policy support to the corporate group of which the utility is a member, relating to legal, finance, tax, treasury, pensions, risk management, audit services, corporate planning, human resources, health and safety, communications, investor relations, trustee, or public affairs;

In addition, the ARC for Electricity Distributors and Transmitters utilities defines shared corporate services (the equivalent to 'shared core corporate services' in the ARC for gas utilities) in a more specific manner:[2]

> business functions that provide shared strategic management and policy support to the corporate group of which the utility is a member, relating to legal, regulatory, procurement services, building or real estate support services, information management services, information technology services, corporate administration, finance, tax, treasury, pensions, risk management, audit services, corporate planning, human resources, health and safety, communications, investor relations, trustee, or public affairs;

The following table provides a list of the shared services to be provided to ENGLP by affiliates in the 2020 Test Year.

[1] Affiliate Relationship Code for Gas Utilities, Last revised on November 25, 2010, pdf p. 4
[2] Affiliate Relationship Code for Electricity Distributors and Transmitters, Revised on March 15, 2010, pdf p. 4

Table 1-IGPC-1-1
Shared Services Provided to ENGLP Aylmer

		A	B	C	D	E	F
	Service Provided	**EWSI**	**ECSI**	**EOUI**	**EDTI**	**EUI (Corporate)**	**Defined in ARC**
1	Supply Chain Management	X				X	X
2	Human Resources	X				X	X
3	Information Services					X	X
4	Finance Services		X			X	X
5	Executive and Executive Assistants					X	X
6	Treasury					X	X
7	Board of Directors			X		X	X
8	Audit and Risk Management					X	X
9	Public and Government Affairs	X				X	X
10	Legal Services					X	X
11	Health, Safety and Environment			X		X	X
12	Incentive Compensation					X	X[1]
13	Training and Development	X					X (HR)
14	Management Oversight		X	X			X
15	Regulatory			X	X[2]		X
16	Ontario Office Facilities			X			X[3]
17	Project Management Office	X					
18	Operational Planning and Management		X				
19	Asset Usage Fees					X	X[4]

[1] This category includes incentive compensation paid to shared service employees based on individual performance ratings when EUI's overall annual corporate targets are realized. The program itself is not a separate service, but the costs of any incentives are tracked separately.
[2] As noted in Section 4.3.3.5, pgs. 54-55 (Exhibit 4, Tab 1, Schedule 1), as one-time costs, EDTI Regulatory Affairs is supporting the development of ENGLP's 2020 Cost of Service Application.
[3] Not a separate service, these are office space and leasehold costs related to the Toronto office where employees that support ENGLP are located.
[4] These fees relate to corporate assets used in the provision of shared core corporate services to ENGLP.

ENGLP notes that since filing the Application, there have been a couple changes to the Shared Services provided to ENGLP:

- As described in the Application, Finance services were to be provided from EUI, ECSI and EOUI for the 2020 Test Period. EPCOR Electricity Distribution Ontario (EEDO) will now provide services to ENGLP Aylmer instead of EOUI. This change will have no impact to the revenue requirement.
- Operational Planning and Management services will also be provided to ENGLP Aylmer from ECSI as required by ENGLP Aylmer. This change will have no impact to the revenue requirement as ENGLP Aylmer is not forecasting the requirement for these services for the Test Period. A description of these services is provided in Table 1-IGPC-1-2, below.

Consistent with the provisions provided in the ARC for shared core corporate services, fully allocated cost-based pricing has been applied for all services defined as shared core corporate services. All other services are also costed in accordance with the ARC. For such services, ENGLP undertakes a business case analysis on a per-service basis following the provisions of the ARC. The first step of this analysis is determination of whether a market exists for the specific service. In cases where a market does not exist for the service, fully allocated cost-based pricing is used. If a market is determined to exist for the service then ENGLP will undertake further steps in the analysis and the lower of fully allocated cost or market price will be used to cost the service.

In terms of a third party review of the allocation of shared services, ENGLP Aylmer notes that the Corporate Shared Services (services and costs) provided by EUI to EPCOR Distribution and Transmission Inc. (EDTI) have been thoroughly reviewed and approved by the Alberta Utility Commission (Commission) since 2005. In the context of EDTI's 2012 Transmission Facility Owner Tariff Application, the Commission undertook an in-depth review of EDTI's Corporate Shared Services costs. The thoroughness of this review is reflected in Section 6 of Decision 2012-272.[3] The outcome of this review was a number of cost reductions, including the Commission's direction in Decision 2012-272 for an across-the-board 9% reduction in allocated Corporate Services costs. The total impact of the Commission's directions resulted in approximately a $4.9 million reduction in 2012 Corporate Services costs directly assigned or allocated to EDTI. In Decision 2012-272, the Commission set EDTI's Corporate Services costs at a level it considered just and reasonable.

Following receipt of Decision 2012-272, EUI and its subsidiaries, completed a careful assessment of EPCOR's Corporate Shared Services delivery model and cost levels. The companies' objectives were (i) to establish a structure under which those corporate functions previously carried out exclusively by Corporate Services departments could continue to be carried out for EPCOR business units (such as EDTI's transmission function) at cost levels commensurate with those approved by the Commission in Decision 2012-272, and (ii) to create greater accountability and transparency by moving certain transactional services directly into business units without sacrificing the benefits of scale economies where they were significant.

[3] http://www.auc.ab.ca/regulatory_documents/ProceedingDocuments/2012/2012-272.pdf#search=2012%2D272

As a result of these efforts, EUI and its subsidiaries implemented a restructuring of EUI's Corporate Services departments (referred to as the "2013 Reorganization"). At a high level, the 2013 Reorganization included the following types of measures:

- Restructuring some Corporate Services departments by removing some or all of the functions (and related positions) from those departments and transferring them out into the business units. In some cases, the functions/positions remaining in a department were downsized to reduce cost.
- Maintaining other Corporate Services departments as shared services functions as they had been in the past, but downsizing the majority of them to reduce cost.

In Decision 2014-269, the Commission confirmed EUI's approach and approved its Corporate Services costs as filed[4]:

> 245. The Commission notes that the thorough examination of EDTI's corporate services and corporate services costs as discussed in section 6 of Decision 2012-272 found that the approved 2012 corporate services and related costs provided a reasonable base from which to assess the corporate services costs to be included in EDTI's revenue requirement for the Test Years.
>
> 246. The Commission has considered the implications of the reorganization and examined the combined impact of corporate costs, embedded costs for transmission and the secondary allocations from distribution to transmission, which may be due in part to embedded positions arising from the reorganization. The Commission has reviewed the consistency of the corporate services provided to EDTI, the allocation methodologies for determining the allocation factors and the application of those factors, including the composite cost allocator and forecast asset usage fees ascribed to EDTI. Subject to the corrections EDTI identified

[4] http://www.auc.ab.ca/regulatory_documents/ProceedingDocuments/2014/2014-269.pdf#search=2014%2D269

> during this proceeding and to impacts from other findings in this decision that impact corporate services costs in its compliance filing, EDTI's corporate service costs are approved as filed.

The Commission's approval in Decision 2014-269 of EDTI's 2013-2014 Forecast costs associated with those functions carried out exclusively by Corporate Services departments prior to the reorganization confirms that EUI was successful in achieving the reduced cost levels established in Decision 2012-272 and established a reasonable "base" level for EDTI's Corporate Shared Services costs going forward. Since then, EDTI has continually received approvals of its Corporate Shared Service costs (currently up to the end of 2019) as the costs allocated to EDTI has been consistently at or below the cost levels established by the Commission in Decision 2012-272 and the methodology for allocation has not changed. ENGLP considers this as evidence that a third party has reviewed EUI's Corporate Shared Services (services, cost and allocation methodology) to be reasonable and prudent.

Services provided to ENGLP Aylmer

In general, the services provided from EUI are at the corporate level and relate to developing and maintaining standardized corporate policies and procedures as well as providing services to all the Corporate departments that support ENGLP Aylmer. Services provided by EWSI, ECSI, EOUI and EEDO are more direct and specific to the day-to day operations of ENGLP Aylmer. In cases were more than one affiliate is providing a specific type of service, this is a result of a segregation of specific tasks or supervision in order to make the most efficient use of the available resources (see response to 1-STAFF-54 for more detail on this point). As such, the services provided by EUI (Corporate Shared Service) and/or each affiliate is not a duplication.

In addition, all EUI subsidiaries (including ENGLP Aylmer) are treated the same (i.e., consistent cost allocation) and pays its fair share of costs to ensure no EUI subsidiary is cross subsidizing another EUI subsidiary (including ENGLP Aylmer). All cost are fully allocated.

The following Table provides a description of each service, an explanation why the service is required for utility service and the allocation methodology.

Table 1-IGPC-01-2
Shared Services Provided to ENGLP Aylmer

	Service	A Entity Providing Service	B Service Description	C Required for Utility Service	D Allocation Methodology
1	**Supply Chain Management (SCM)**				
2	Mailroom	EUI	Provided to Edmonton EPCOR locations and include processing incoming and outgoing internal mail between all EPCOR locations as well as external mail through outsourced couriers and Canada Post.	Required to provide utility services to customers by providing timely delivery of incoming and outgoing correspondence and material with customers, suppliers and other key stakeholders.	Allocated based on the business unit's employee headcount relative to the total Canadian employee headcount in all EPCOR group business units, excluding corporate services.
3	Disaster Recovery Planning Facilities	EUI	Provides services for maintaining continuity of the critical information systems of EUI and other members of the EPCOR group in the event of a disaster, including the operation and maintenance of an off-site data centre for IT infrastructure.	Required to provide utility service to customers as it is prudent for the company to take reasonable steps to maintain its business operations, and thus its ability to maintain service, in the event of a disaster. These services are a core competency for a utility. These services are vital to ensure that the information systems critical to the utility's operations are maintained without disruption in the event of a disaster. Given the vital role of this function, it would not be reasonable to entrust this function to an outsource provider.	Allocated based on the Information Services costs directly assigned to each business unit relative to total directly assigned Information Services costs, excluding Corporate Services. Directly assigned Information Services cost is an appropriate allocator for this service because the level of service provided through Disaster Recovery Planning Facilities is reflective of the applications that are supported by the Infrastructure Operations group.
4	Procurement	EUI	Manages the acquisition of goods and services on behalf of Corporate Services Departments, maintains policy and procedures; ensures compliance with legislation; manages vendors; manages and develops vendor contract terms and conditions; provides training and support of procurement processes; and conducts vendor contract negotiations, ensuring standardization and mitigation of contract risk exposures as required by EUI's Corporate Services departments. The Procurement group also performs market analysis, examines spending trends by the EPCOR group of companies, develops procurement strategies and manages the end-to-end procurement processes to ensure that Corporate Services departments obtain the best pricing available for their required goods and services.	Required to acquire the good and services required by EUI subsidiaries to enable them to provide utility service. EPCOR group's purchase-to-pay process is automated and tied into the purchase order system, outsourcing a component such as Procurement would result in significant inefficiencies. As the EPCOR group's resource planning system is utilized to integrate all of the transactional feeder systems (like payroll, procurement, accounts payable, contract management and the general ledger with the management and financial reporting), the significant efficiency and process effectiveness benefits derived from a high degree of integration would be substantially undermined if elements of the process were outsourced.	Allocated based on the relative number of purchase order lines.
5	Real Estate	EUI	Maintains and operates EPCOR's corporate facilities including: budgeting and administration; planning, design, space and project management and move coordination; and tenant services. The services also include negotiating and managing facility leases, and paying the rent and	Required to ensure that the staff and contractors operating within EUI subsidiaries have a safe and clean environment to work in, and those facilities are leased or purchased at a reasonable price.	Allocated based on the composite cost causation allocator described in paragraph 116 of Exhibit 4, Tab 1, Schedule 1. The Real Estate department manages facilities for the EPCOR group and it is appropriate

Service	A **Entity Providing Service**	B **Service Description**	C **Required for Utility Service**	D **Allocation Methodology**
		operating costs associated with premises leased by members of the EPCOR group. Real Estate services are required to ensure that the staff and contractors operating within EUI subsidiaries have a safe and clean environment to work in, and those facilities are leased or purchased at a reasonable price.	Real Estate services are largely outsourced, with administrative services performed in-house and services such as facilities maintenance and space planning outsourced due to the varied skills required to perform maintenance, and the specialized skills associated with space planning. This combined approach allows Real Estate services to provide the services to the EPCOR group at the lowest cost.	that these costs be allocated based on a combination of the major factors that contribute to the operation of the business
6 Security	EUI	Provides continuous risk assessment, management and awareness of all physical security aspects respecting EPCOR's businesses and facilities, including those arising from malicious activities involving criminals, terrorist groups and employees. Other services provided by this function include conducting training exercises, awareness sessions, and providing guidance to prepare EUI subsidiaries to prevent and minimize losses during emergency and business continuity situations. Security guard protection services are entirely outsourced across EPCOR. The services are required to ensure staff and contractors operating within EUI subsidiaries have a safe and secure environment to work in. Security services are also essential to ensure that the workforce, both contractors and employees, is properly background screened. Security services are also required to ensure that facilities are protected from break-ins, damage, theft, and terrorism threats.	Security services are required to enable EUI subsidiaries to provide utility services to customers. The services are required to ensure staff and contractors operating within EUI subsidiaries have a safe and secure environment to work in. Security services are also essential to ensure that the workforce, both contractors and employees, is properly background screened. Security services are also required to ensure that facilities are protected from break-ins, damage, theft, and terrorism threats. Physical security resources have largely been outsourced to a security guard provider, with security management of this service being performed in-house. Security guard services are specialized and therefore, it is more cost effective to have such services provided by those that are adequately screened, trained and supervised by an outside service provider. In addition, an outsource provider has a large pool of guards to draw from to accommodate vacation and other coverage, whereas EPCOR would have to carry redundant staff to provide the same coverage, resulting in lower utilization of resources and higher costs.	Security costs are allocated based on headcount for security services (i.e., the headcounts directly assigned to each business unit relative to the total across all business units). Headcount for security services is an appropriate allocator for this service because it reflects the amount of resources required to manage security services on behalf of each business unit.
7 SCM Corporate Services	EUI	Comprised of space rent associated with EPCOR's Corporate Services departments and business units that are located in EPCOR Tower.	Ensure the Corporate Shared Services located in the EPCOR Tower that support EUI subsidiaries have an adequate place to work.	Allocated based on the composite cost causation allocator described in paragraph 116 of Exhibit 4, Tab 1, Schedule 1. Costs associated with SCM Corporate Services are categorized as governance costs, because they support Corporate Services employees carrying out their functions on behalf of the business units.
8 SCM	EWSI	Provides SCM services for purchasing and strategic sourcing including management of the end-to-end procurement process for the goods required by ENGLP Aylmer. More specifically: Administration of procurement		Costs are directly charged based on estimated time spent supporting the Aylmer operations. Also see response to 4-IGPC-9 (c).

Service		A **Entity Providing Service**	B **Service Description**	C **Required for Utility Service**	D **Allocation Methodology**
			services, included but not limited to competitive bidding, purchase order creation, issuing requests for quotations and requests for proposals, contract administration and supplier relationship management; Setting and managing standards of products and services; and setting terms of payment.		
9	**Human Resources (HR)**				
10	Total Rewards	EUI	Services related to the design and administration of the EPCOR groups' compensation and benefits to attract, retain and engage employees. These services include wellness programs, benefits and pensions for all employees and compensation for professional, management and executive positions. Also, Total Rewards provides Human Resources Information System ("HRIS") support which involves managing the development, ongoing enhancements and maintenance of the Oracle-based HRIS application. HRIS activities include data management and analysis, troubleshooting, and managing system enhancements. Further, Total Rewards handles the payroll function which includes: Maintaining employee files, which form the foundation for all human resources and payroll functions including new-hire, life event changes, transfers, promotions, termination, and wage rate changes; Performs pension administration; Performs full payroll services including bi-weekly payroll processing, preparation of all statutory filings and source deduction and other remittances including workers compensation remittances and; Develops and maintains appropriate payroll policies, procedures and controls for all EPCOR subsidiaries and assists in developing employee benefit policies.	The shared service approach for delivering Total Rewards services permits EUI to realize economies of scale in accessing benefits and services by improving its negotiating position as a volume buyer, increasing the attractiveness of EUI as a large customer, and reducing the number of staff that would be required to administer and design Total Rewards programs at the EUI subsidiary level. Instead, internal staff at the EUI level focuses on strategic and administrative aspects of service delivery, EPCOR's compensation, benefits and retirement programs and data management and analysis of employee records. Total Rewards utilizes third party sources for specialized skills and knowledge where that is the most economically sensible approach. As a result, Total Rewards is able to effectively serve the human resources needs of EUI subsidiaries, while minimizing cost. Self-supplying these services at the EUI subsidiary level would be a less efficient and more costly approach to procuring these services due to the duplication of staff resources that would be required to provide the necessary level of service for each subsidiary. EUI acknowledges that payroll outsource service providers are common in the marketplace and they can potentially provide a net financial benefit in some situations. However, the benefit is not the same for all organizations and not all situations are conducive to outsourcing as a feasible alternative. One common misconception about outsourcing is that it will result in significant or total elimination of the corporation's payroll staff once the payroll function has been outsourced. This is not the case, as the corporation is still required to input and maintain all of the employee master data, chart of account information and employee benefit information in the vendor's system, as well as input employee	HR department costs are allocated to each business unit based on the business unit's employee headcount relative to the total employee headcount in all EPCOR group business units, excluding corporate services. Human Resources costs will be allocated to each Canadian business unit based on the business unit's employee headcount relative to the total employee headcount in Canada. Canadian headcount is an appropriate allocator for each HR service area (Total Rewards, which includes Payroll Processing; HR Consulting; and Talent Management) because those areas provide services exclusively to Canadian operations, and the nature of the costs are driven by the number of staff that are employed in each of the business units.

Service	A Entity Providing Service	B Service Description	C Required for Utility Service	D Allocation Methodology
			timecard information for each pay period. As a result, the corporation requires most, if not all of its payroll staff to perform these functions. The extent of the activities amenable to outsourcing is limited to the computation of the payroll as performed by the service provider's payroll system instead of the corporation's payroll system and as a result, the opportunity for cost savings by outsourcing payroll is somewhat limited.	
11 HR Consulting	EUI	Provides services such as recruitment and selection, job and organizational design, coaching and conflict resolution, succession and workforce planning, performance management and labour relations activities including working with the EPCOR groups' unionized workforce and labour unions to deal with grievances and representing EPCOR in collective bargaining. Human Resources Consulting utilizes a combination of shared personnel who provide HR services across all EPCOR business units and Corporate Services departments, as well as personnel who are directly embedded in the business unit. This approach allows Human Resources Consulting to tailor its services to business unit-specific HR needs. Services are necessary for the recruitment, training and retention of high quality staff with technical and operational knowledge and experience for EUI subsidiaries.	Human Resources Consulting utilizes a combination of shared personnel who provide HR services across all EPCOR business units and Corporate Services departments, as well as personnel who are directly embedded in the business unit. This approach allows Human Resources Consulting to tailor its services to business unit-specific HR needs. Human Resources Consulting performs a key strategic function that requires highly specialized knowledge unique to EPCOR in recruitment, job and organizational design, succession planning, employee performance management and coaching and conflict resolution. This service has not been considered for third-party outsourcing given the unique and highly specialized nature of the Human Resources Consulting function. A third-party outsourcer would not have the requisite familiarity with the EPCOR environment to provide the same level of service as internal resources do for this Corporate function.	See row 8 above.
12 Talent Management		Provides services related to the provision of programs and tools that support the attraction, development and retention of highly qualified employees through the creation and presentation of employee learning and development, leadership courses, and effective recruitment strategies. The administration and management of learning and professional development programs are provided to EUI subsidiaries on a shared service basis. This area is also responsible for new employee orientations that contribute to the success of integrating new hires into EPCOR and training for managers as they move into more senior leadership positions. In addition, Talent Management also develops tools and processes to conduct succession planning and	The services provided by Talent Management are required to enable EUI subsidiaries to provide utility service to customers. Talent Management provides EUI subsidiaries with training and professional development opportunities to ensure their workforces are properly trained and engaged in their work. Talent Management provides vital leadership and assistance in developing well-trained, skilled and knowledgeable personnel, positioning EUI subsidiaries to successfully operate and manage its business. The shared services approach to delivering Talent Management services permits EUI to develop, train, retain and promote internal staff, better utilize and leverage industry and EPCOR group skills and knowledge. Talent Management	See row 8 above.

	Service	A Entity Providing Service	B Service Description	C Required for Utility Service	D Allocation Methodology
			performance management and measure employee engagement.	develops training materials and delivers programs to a number of business units, which realizes a benefit for ENGLP through economies of scale that would not be possible if the services were developed at or provided to EUI subsidiaries at the subsidiary-level.	
13	HR	EWSI	EWSI provides human resource management and consulting; support of recruitment efforts and disability management directly to ENGLP Aylmer employees. As described in row 9, column C above, directly embedded HR employees in EWSI tailor services to ENGLP Aylmer's specific needs.		Costs are directly charged based on estimated time spent supporting the Aylmer operations. Also see response to 4-IGPC-9 (c).
14	Training and Development	EWSI	Design, develop and delivery of required training, standard operating procedures and training documentation necessary for staff to provide utility services. Monitoring compliance with regulatory requirements to maintain continuous and current health, safety and technical training.		Costs are directly charged based on estimated time spent supporting the Aylmer operations. Also see response to 4-IGPC-9 (c).
15	**Information Services**				
16	Major Capital Projects	EUI	Manages the implementation of major application and installation of major computer hardware devices. Services include: Planning and architecture services, including the creation and continuing maintenance of EPCOR's information services strategic plan, 5 year tactical; business system plans (including 5 year and annual capital planning), IT architectural design services, as well as the elicitation and completion of all business requirements related to information technology projects; Development of business cases to support utilities' requirements and the regulatory process; Overall program and project execution management including a governance and approval structure. Services include: management and oversight of all IT projects and project management services such as project integration, scope, time, cost, quality, human resource, communications, risk, and procurement management; Project planning and architecture services such as data analysis and database design to integrate data and; Project Management Office services including progress reporting, cost forecasting, training, scheduling and continuous improvement.	Major Capital Projects provides these services using the shared services model to achieve economies of scale benefits and cost efficiencies for EUI subsidiaries. The costs of providing Major Capital Project Services through the shared service model are reasonable and appropriate when compared to the alternative of self-providing the services. If EUI subsidiaries were to self-provide the Major Capital Projects service, most of the roles in the existing EUI team would be required in a stand-alone model. Supervision and management of these teams would still be required and specialized positions would require individual positions to perform the services, all resulting in higher costs compared to EUI's shared services model for providing these services. In addition, while a large portion of these costs will be recovered through staff participation in Capital Projects, capital recoveries will not be as extensive as they are when resources can be deployed across a larger number of projects, as is the case in the shared corporate service model. The magnitude of the capital recoveries will be dependent upon the number of capital projects to be delivered in EUI subsidiaries in any	Major Capital Projects costs are allocated based on headcount. Headcount is an appropriate allocator for Major Capital Projects because the levels of the costs are driven by the number of staff that is employed in each business units.

Service	A **Entity Providing Service**	B **Service Description**	C **Required for Utility Service**	D **Allocation Methodology**
			given year. The Major Capital Projects service group provides the planning, architecture and project delivery services required to create EUI's information services strategic plan and ensure the effective delivery of major capital projects within EPCOR's current environment. As such, these strategic, governance and control activities are not candidates for stand-alone third party outsourcing.	
17 Application Services	EUI	Provides user support services related to shared business system applications such as the various Oracle modules (Financials, Human Resources Information System, Projects, Assets, Time and Labour) as well the various specific business systems such as the Work Management System and other information systems, internet and intranet user support and database administration support.	Application Services provides these services using the shared services model to achieve economies of scale benefits and cost efficiencies EUI subsidiaries. The costs of providing Application Services through the shared service model are reasonable and appropriate when compared to the alternative of EUI subsidiaries self-providing the services. If EUI subsidiaries were to self-provide the Application Services function, most of the roles in the existing EUI team would be required in a stand-alone model. Supervision and management of these teams would still be required and specialized positions would require individual positions to perform the services, all at higher cost to each individual EUI subsidiary than provided for under EUI's shared services model. In addition, procuring these services from a third party service provider is not a reasonable alternative for EUI. Application Services provides the critical operational support and maintenance services for EPCOR's main business applications. The core ERP systems and support of those systems is critical to the operations of a large utility like the EPCOR group. As such, businesses are reluctant to outsource their corporate Application Services at all or, at the very least, completely. Although Application Services uses contracted resources for staff augmentation, outsourcing the entire team is not a reasonable option for EPCOR. Outsourcing the entire Application Services team would result in a loss of internal knowledge and would generally involve costs that would be the same as or higher than EUI's internal delivery costs. For similar reasons, EUI subsidiaries would not be able to procure these services from a third party service provider on a stand-alone basis at lower cost. Based on these factors, Application Services' use of third party service providers is appropriate and fiscally prudent.	Application Services costs are allocated based on headcount. Headcount is an appropriate allocator for Application Services because the levels of the costs are driven by the number of staff employed in each business unit. Application Services provides service to the US water utilities, and as such costs are allocated using total headcount from both Canadian and US operations, rather than Canadian headcount only.

	Service	A **Entity Providing Service**	B **Service Description**	C **Required for Utility Service**	D **Allocation Methodology**
18	Infrastructure Operations	EUI	Manages the operation and maintenance of the computer hardware platforms (i.e., servers, networks, etc.) and operating systems that shared applications (i.e., Oracle business system) and business unit specific systems applications; Supports telecommunications services and desktop applications (i.e., all Microsoft applications including electronic mail) for EUI; Conducts cyber security threat and risk analysis and delivers IT security planning and services. The group ensures that data which is stored cannot be compromised and provides mitigation plans for threats or vulnerabilities that may jeopardize the systems; Provides governance services such as oversight, management compliance monitoring of EUI's internal information services governance and control policies and procedures and oversight and; Manages EUI's internal system recovery for contingency planning testing such as disaster recovery and pandemic planning.	The Infrastructure Operations service is by nature a critical operational role, in that it provides oversight, as well as strategic infrastructure and governance activities. This team provides governance and control services, including the development and maintenance of internal policies, procedures and controls for the outsourced services that provide the infrastructure backbone that EUI and its subsidiaries rely on. The infrastructure they support provides the base for the corporate and business specific applications and the communication network used by EUI subsidiaries and is sourced through this group to external service providers. As such, this group relies heavily on third party service providers. Infrastructure Operations' use of third party service providers is appropriate and fiscally prudent. Infrastructure Operations provides these services using the shared services model to achieve economies of scale benefits and cost efficiencies for EUI subsidiaries. The costs of providing Infrastructure Operations services through the shared service model are reasonable and appropriate when compared to the alternatives of EUI subsidiaries self-providing the services. If EUI subsidiaries were to self-provide the Infrastructure Operations service, most of the roles in the existing EUI team would be required in a stand-alone model. Supervision and management of these teams would still be required and specialized positions would require individual positions to perform the services. In terms of retaining third party service providers, EUI subsidiaries smaller user base would also limit their ability to benefit from the volume discounts that outsourcers provide to clients with larger user bases, such as EUI. In addition, if EUI subsidiaries were to obtain third party service providers on a stand-alone basis, they would require the same resources to provide governance and contract management.	Infrastructure Operations costs are allocated based on direct IS costs. Direct IS costs are costs related to IS desktops, printers and network support (see section 4.3.3.3, Table 4.3.3.3-11) that are directly assigned to ENGLP Aylmer. The calculation of the direct IS cost allocation percentages is shown in section 4.3.3.3, Table 4.3.3.3-10, rows 18 to 20 for 2019 Bridge and 2020 Test Year. Direct IS costs are an appropriate allocator for Infrastructure Operations because they are reflective of the applications that are backed up and supported by the Infrastructure Operations group.
19	**Finance Services**				
20	Accounts Payable	EUI	Maintains vendor master files that are used for various purchasing, contract management and vendor payment functions. In addition, the Accounts Payable department is responsible for the management of procurement cards and processes all vendor invoices, credit notes and adjustments	Accounts Payable is necessary for EUI subsidiaries to provide utility service as each utility incurs costs from external parties related to utility service and these costs require payment. Accounts payable classifies costs for management reporting and analysis purposes and ensures that invoices are paid on	Accounts Payable costs are allocated using number of invoices. This is an appropriate allocation method for Accounts Payable costs because it is reflective of the data entry work completed by the data entry

Service	A Entity Providing Service	B Service Description	C Required for Utility Service	D Allocation Methodology
		for payment on a periodic basis. The Accounts Payable function also develops and maintains all of the accounts payable related forms, policies, procedures and controls to be applied by all EUI's activities.	time. In doing so, Accounts Payable can take advantage of cash discount terms where appropriate. Accounts Payable provides support to EUI and its subsidiaries through a shared services model. The shared service model provides cost savings and efficiencies through economies of scale that come from sharing the costs of providing this service among a number of EUI subsidiaries rather hiring separate staff to process vendor invoices for each EUI subsidiary. Furthermore, having a centralized Accounts Payable department ensures that there is corporate governance and oversight in the development of policies and procedures affecting the payment of invoices and procurement. Self-providing this service at the business unit level would be a less efficient and more costly approach for providing these services due to the duplication of staff resources that would be required to provide each business unit with the necessary level of service capacity. The costs of providing Accounts Payable services to EUI subsidiaries through the shared service model are reasonable and appropriate when compared to the alternative of EUI subsidiaries self-providing the services. Accounts Payable is not a candidate for stand-alone third party outsourcing as it would create a layer of inefficiency to ensure that all invoices are received and tracked accurately by a third party. EUI would also have the added complexity of having to build an interface to ensure that the accounting transactions are accurately recorded in EUI's general ledger.	clerks on behalf of the business units to process invoices. There is a direct link between the costs incurred and the activities undertaken to process an invoice.
21 Taxation Services	EUI	All reporting and compliance related to taxes, inclusive of property taxes and linear taxes related to business unit property and utility assets, Goods and Services Taxes ("GST") related to business unit operations, Provincial Sales Taxes ("PST") related to business unit operations, Harmonized Sales Taxes ("HST"), Canadian and U.S. federal, provincial and state income taxes in relation to taxable business units, non-resident withholding taxes ("NRWT") on services performed on behalf of the business units by non-resident corporations, contractors and consultants, and customs duties related to materials and equipment imported by the business units.	Ensures that EUI subsidiaries are compliant with all tax legislation. This group also devises tax strategies to ensure that EUI subsidiaries have minimized their GST, PST, and NRWT, property tax, linear tax and income tax liabilities. EUI currently outsources certain taxation activities in addition to using internal resources. EUI has chosen to do this as a cost effective means of managing peak workloads as taxation work can vary depending on the time of year. While EUI could outsource Taxation Services, the cost of outsourcing would be significantly higher than the allocated cost under the shared service model, given the hourly rate of expert services in this	Allocated based on the composite cost causation allocator described in paragraph 116 of Exhibit 4, Tab 1, Schedule 1.

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			area. In addition, EUI subsidiaries would not be in a position to outsource at lower cost the Taxation activities that EUI currently outsources, due to the smaller volume of those services that each would require on a stand-alone basis. As such, self-providing this service at the business unit level would be a less efficient and more costly approach for providing these services due to the duplication of staff resources that would be required to provide each business unit with the necessary level of service capacity. Furthermore, EUI subsidiaries benefit from the broad expertise of the individuals who work in the Taxation group under the shared service model, as well as the greater volume of overall EPCOR group workload that can be leveraged by EUI vis-à-vis third party service providers.	
22 Corporate Accounting	EUI	Develops and maintains corporate accounting policies, procedures and internal controls, and provides advice and direction to EUI subsidiaries with respect to these policies, procedures and internal controls. Corporate Accounting also includes accounting activities in support of the financing provided to EUI subsidiaries, as well as calculating the allocation of corporate costs to each of the EUI subsidiaries and maintaining and reviewing the allocation methodologies applied to those corporate costs to ensure they are fair, reasonable and reflective of services provided. In connection with these activities, the Corporate Accounting group assists with the preparation of all regulatory related documentation and filings involving the allocation of corporate costs.	Corporate Accounting is a necessary function that accounts for EUI's financing activities and centralized services functions, both of which are performed on behalf of the utilities. The corporate accounting function contributes to the provision of utility services through the delivery of quality management information. It is very rarely appropriate for a corporation to outsource a core function such as corporate accounting. Competition and confidentiality dictate that developing, monitoring and reporting financial information be done internally. Specifically, the costs associated with providing Accounting services for EUI and the costs of managing and applying the Corporate Services assignment and allocation process would not be incurred by ENGLP Aylmer if it were not part of the shared services model.	Allocated based on the composite cost causation allocator described in paragraph 116 of Exhibit 4, Tab 1, Schedule 1.
23 Consolidated Reporting and Analysis	EUI	Preparation of consolidated financial statements and analysis and discussion of the results. More specifically, ensuring appropriate accounting policies are developed and the relevant accounting standards are properly and consistently applied by all EUI subsidiaries; ensuring appropriate internal controls over financial reporting are developed and consistently applied by all EPCOR subsidiaries to ensure that EUI interim and annual consolidated financial statements accurately and fairly present the financial results of the company; Reviewing	EUI subsidiaries must prepare financial statements in accordance with International Financial Reporting Standards (IFRS) to comply with regulatory requirements. The Consolidated Reporting and Analysis function provides EUI subsidiaries with advice and guidance to ensure that utility financial statements comply with these standards. The consolidated financial statements of EUI are required to fulfill securities regulations related to public debt issued by EUI on behalf of the utilities.	Allocated based on the composite cost causation allocator described in paragraph 116 of Exhibit 4, Tab 1, Schedule 1.

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			audited financial statements prepared by EUI subsidiaries to ensure they are prepared in accordance with accounting standards and consistent presentation and disclosure with the audited consolidated financial statements of EUI and; managing the annual budgeting and quarterly re-forecasting processes for all of EUI including performing various ad hoc analyses as required by EUI subsidiaries.	It is rarely appropriate for a corporation to outsource a core function such as consolidated reporting. Competition and confidentiality dictate that developing, monitoring and reporting financial information be undertaken internally.	
24	Management Development Program	EUI	Develops junior level finance, treasury, accounting and business management employees for mid-level roles across the EPCOR group. The program was designed to internally develop trainees in EPCOR's processes and its systems, policies and procedures with the aim of developing employees with greater familiarity with EPCOR businesses as an alternative to hiring external candidates to fill vacancies. The program increases the retention of talent, knowledge and the continuation of good practices and departmental policies. Finally, program trainees form a pool of resources to draw from as necessary as an alternative to using higher cost temporary workers and contractors to assist with special projects.	The Management Development Program allows the members of the EPCOR group to rely less on the use of temporary workers and contractors in times of peak workload. The program is also designed to retain talent within the Company, reducing turnover, which in turn reduces costs and provides for backfilling of vacant positions. Trainees who graduate from the program are already familiar with EPCOR's systems and processes, resulting in a lower amount of training required when they move into roles in Corporate Services Departments and the business units, compared to external new hires. EUI subsidiaries benefit from the knowledge transferred and the interdisciplinary skills gained by trainees during their rotations. As the purpose of the Management Development Program is to develop EPCOR employees so that they develop the skills and knowledge necessary to manage the utility business, third party sourcing is irrelevant.	Allocated based on the composite cost causation allocator described in paragraph 116 of Exhibit 4, Tab 1, Schedule 1.
25	Audit Fees	EUI	Outsourced function of performing audits and quarterly reviews of EUI's annual and quarterly interim consolidated financial statements.	External financial statement audit services are necessary for EUI subsidiaries to provide utility service. In order to access capital, EUI subsidiaries rely on EUI to meet the financial reporting requirements set by creditors. If EUI's financial statements are not audited, access to capital could be restricted, which could in turn limit the utilities' ability to make infrastructure investments. By statute, financial statement audits can only be provided by chartered accounting firms. Therefore, the Audit fees function is solely comprised of external resources.	Allocated based on the composite cost causation allocator described in paragraph 116 of Exhibit 4, Tab 1, Schedule 1.
26	Oracle Centre of Excellence	EUI	Established to provide leadership, best practices, research, support and training for the Oracle Financial suite of products as well as the Adaptive budgeting and forecasting tool. As part of the finance Optimization	The Centre of Excellence group ensures that EUI subsidiaries are properly trained and following consistent EPCOR wide processes and procedures. The focus on process improvement and a consistent approach will foster best practices and allow	Allocated based on the composite cost causation allocator described in paragraph 116 of Exhibit 4, Tab 1, Schedule 1.

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		Program ECPOR has taken the opportunity to standardize our processes and procedures across the company where possible. Ensures all EUI subsidiaries are properly trained and following consistent EUI wide processes and procedures.	the finance groups across EPCOR to rotate staff with minimal disruption. While EUI subsidiaries could outsource training, the cost of outsourcing would be significantly higher than the allocated cost under the shared service model, given the high cost of Oracle training. In addition, EUI subsidiaries would not be in a position to outsource the performance improvement initiatives or the communities of practice as these services are unique to EPCOR and its operations. As such, self-providing this service at the business unit level would be a less efficient and more costly approach for providing these services due to the duplication of staff resources that would be required to provide each business unit with the necessary level of service capacity. Furthermore, EUI subsidiaries benefit from the broad expertise of the individuals who work in the Centre of Excellence group under the shared service model, as well as the greater volume of overall EPCOR group workload that can be leveraged by EUI vis-à-vis third party service providers.	
27 Finance	ECSI	Support reflects full cycle accounting and financial reporting support related to ENGLP's Aylmer operations (including day-to-day accounting transactions, capital asset accounting, support for regulatory filings, preparation of annual budgets and periodic financial forecasts, preparing ENGLP financial statements, preparing financial analysis related to ENGLP Aylmer operations and developing internal controls).		Allocated based on the composite cost causation allocator described in paragraph 116 of Exhibit 4, Tab 1, Schedule 1.
28 Finance	EEDO	Support reflects the supervision of the support provided by ECSI Finance as well as some direct accounting and financial reporting support to ENGLP's Aylmer operations.		Allocated based on the composite cost causation allocator described in paragraph 116 of Exhibit 4, Tab 1, Schedule 1.
29 **Executive and Executive Assistants**	EUI	Executive and Executive Assistants provide governance and leadership services to ENGLP Aylmer. These activities include: Establishing and recommending broad corporate policies for approval by EUI's Board of Directors; Reviewing and recommending significant financial matters/decisions for approval by EUI's Board of Directors; Developing corporate-level strategy and plans for approval by EUI's Board of Directors; Carrying out	One Executive leadership team for all EUI subsidiaries provides each subsidiary with access to the best management practices from talented, high caliber personnel with direct and related experience from a number of utility businesses. The services performed by the Executive leadership team are critical to EUI and its subsidiaries because of the team's specialized skills, knowledge of the EPCOR group's	Allocated based on the composite cost causation allocator described in paragraph 116 of Exhibit 4, Tab 1, Schedule 1.

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		the special authorities delegated by EUI's Board of Directors; Establishing and maintaining an adequate control framework in relation to internal controls over financial reporting and disclosure controls and procedures, conducive to fulfilling compliance with National Instrument 52-109, the Canadian regulation equivalent to the United States Sarbanes–Oxley Act (commonly referred to as "CSOx"); Establishing appropriate processes, procedures and controls to ensure that the EPCOR group fulfills its statutory obligations to provide utility services and contractual obligations to service its commercial customers and; Corporate Secretarial services include providing assistance with Board, Committee and Shareholder material submissions and preparing resolutions.	businesses and commitment to the long term success of the EPCOR group.	
30 **Treasury**				
31 Treasurer – Corporate Finance	EUI	Performs the services associated with raising capital, primarily through the issuance of debt, necessary to finance the capital expenditures and working capital requirements of EPCOR subsidiaries. The activities within this service include: Arranging and maintaining operating credit facilities with lenders; Preparing prospectuses for EUI's issuance of public debt for the benefit of EPCOR subsidiaries; Raising capital in the public and private markets for EUI and its subsidiaries; Meeting with credit rating agencies and providing the information required by the rating agencies to provide credit ratings; Preparing short-term and long-term loan arrangements between EUI and the subsidiaries; Performing credit reviews and analysis of commercial counterparties for EUI and its subsidiaries; Providing subsidiaries with financing and capital structuring advice for capital projects and acquisitions; Managing the strategic planning process and developing EUI's corporate strategy and annually refreshing its five year long-term plan; assisting EUI subsidiaries in developing their long-term plans; developing and maintaining the EPCOR group's long-term planning model; providing financial and analytical support to EUI subsidiaries in relation to long-term	The Treasurer – Corporate Finance function's activities are necessary for EUI subsidiaries to provide utility service. The ability to raise capital is fundamental to the sustainability of utility operations and the Treasurer – Corporate Finance function reduces costs by optimizing borrowings and negotiating cost effective terms and conditions. Self-supplying this service at the business unit level would be a less efficient and significantly more costly approach for providing the service due to the duplication of staff and necessary credit rating agency and legal fees that would be required to permit each business unit to provide an essential level of service capacity and quality.	Treasurer – Corporate Finance costs are allocated using a weighting of three financial drivers: PPE, Acquisitions and Capital Expenditures. This is an appropriate allocator because each of the drivers is directly related to the amount of work that is required to obtain financing and service a business unit's share of funding, for either maintenance of existing assets or new growth by means of capital expenditures or acquisitions.

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			planning; and completing an annual valuation of EUI and its subsidiaries; Providing financial projections that underlie the strategic plan and preparing other long range financial forecasts and; Providing business development support to EUI and its subsidiaries.		
32	Treasury Operations	EUI	Banking and cash management services to EPCOR subsidiaries. The activities within this service include: Opening and closing bank accounts; Cash forecasting and processing; Accounting for all of the treasury transactions and loans between EPCOR entities and; Managing exposure to foreign currency and interest rate fluctuations on behalf of all EPCOR entities.	Due to the critical, confidential, and secure nature of cash management, the services provided by the Treasury Operations function are necessary to enable EUI subsidiaries to provide utility services to its customers, and EUI's overall costs of providing these services are reasonable and reflect the EPCOR group's current size. Self-supplying this service at the business unit level would be a less efficient and more costly approach to providing these services due to the duplication of staff resources that would be required to permit each business unit to provide the necessary level of service capacity and quality.	Treasury Operations costs are allocated using a composite of net income, depreciation and debt. This is an appropriate allocator as it reflects the activities and level of effort required to manage cash flow in each business unit.
33	**Board of Directors**				
34	EUI Board	EUI	Board of Directors of EUI provides governance functions that set the overall objectives, strategic direction, and policies for the EPCOR group of companies, including ENGLP. The functions of the EUI Board include: Establishing the strategic objectives and direction of EPCOR group of companies; Reviewing and approving corporate-wide policies; Providing direction and oversight to safeguard and maintain the long-term value of corporate assets; Reviewing and approving significant financial matters for the EPCOR group, including the provision of significant internal financing to subsidiaries; Approving EUI consolidated capital and operating budgets, to meet the objectives established in the EUI group's strategic plan; Appointing the auditors of and approving EUI's annual consolidated financial statements; Approving corporate-wide compensation policies and programs; Evaluating and assessing corporate-wide performance against strategic, operating and capital plans; Understanding and monitoring corporate-wide business risks.	The Board is comprised of members that are independent from EPCOR which ensures that there is an appropriate segregation of duties and responsibilities between the Board and CEO. This independence in oversight is a best practice in governance and is necessary to ensure set the overall objectives, strategic direction, and policies for the EPCOR group of companies, including ENGLP free from conflicts of interest. The Board members are not members of management and have no direct or indirect material relationships with EPCOR; as such, the Board members provide a third party service to EUI and its subsidiaries. Board members are appointed by the City of Edmonton in its role as shareholder of EUI, and are compensated for their services. Director compensation is regularly reviewed by the Corporate Governance & Nominating Committee, which receives independent advice from a third party compensation expert, and makes recommendations to the City of Edmonton to determine Directors' compensation. These functions are very customary in the context of a group of companies and complement the responsibilities of a subsidiary board.	Allocated based on the composite cost causation allocator described in paragraph 116 of Exhibit 4, Tab 1, Schedule 1. These services are governance in nature.

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35 EOUI Board	EOUI	The Board of Directors of EOUI, with EOUI as the general partner of ENGLP, provides governance services to ENGLP. EOUI Board performs the following activities: authority and responsibility to manage the business and affairs of ENGLP through oversight of EOUI management; appoints the auditors of and approves ENGLP's annual financial statements; approves the operating and capital budgets of ENGLP; makes final decisions on the approval of acquisitions by ENGLP; approves all issuances, re-financing or prepayments of internal long term borrowing of ENGLP; monitors ENGLP's compliance with legal requirements and significant policies; approves all distributions by ENGLP to its partners and all equity issuances/transactions; and, appoints the management of EOUI.	This service is necessary to provide direct governance over the matters or the utility. Further, the ARC requires that a utility shall ensure that at least one-third of its Board of Directors is independent of any affiliate. In order to meet this requirement, these services must be provided by EOUI as the general partner of ENGLP.	Costs allocated evenly across ENGLP Aylmer and ENGLP Southern Bruce locations.
36 **Audit and Risk Management**				
37 Internal Audit (IA)	EUI	Providing assurance and advisory services under the EPCOR group's annual risk based audit plan to independently examine, evaluate and report on the adequacy, effectiveness and efficiency of the systems of internal controls across EPCOR's operations. Specific types of services include operational audits, information systems audits, environmental, health and safety audits, fraud detection and prevention, and audit advisory services; Manages the follow-up of open audit items, including reporting to Senior Management and the Audit Committee, to ensure audit items are remediated in a timely manner and; Administration of the EPCOR group's internal program that ensures compliance with National Instrument 52-109, the Canadian legislation equivalent to the United States' Sarbanes-Oxley Act (commonly referred to as "CSOx"), including: Providing administration, oversight, advisory and testing services to assist management in meeting its reporting obligations with respect to Disclosure Controls and Procedures ("DC&P'') and Internal Controls over Financial Reporting ("ICoFR"); Coordinating quarterly CSOx sub-certifications with internal business process owners on the design and effectiveness of the key controls mitigating financial reporting risk and; Continuing to improve and	The activities performed by IA are necessary for EUI subsidiaries to provide utility service. These activities serve to reduce risks by evaluating the design and/or effectiveness of systems of internal controls in addition to risk mitigation strategies that provide management and the Board with assurance information needed to fulfill their managerial and governance responsibilities. They also serve to reduce or avoid costs, especially through the performance of operational audits. IA provides these services using the shared service model in order to achieve economies of scale benefits and cost efficiencies for EUI subsidiaries. Governance type services such as risk, assurance and advisory are common areas where utilities have achieved both efficiency and effectiveness benefits through a shared services approach and structure. Self-supplying IA services at the EUI subsidiary level would be a less efficient and more costly approach to procuring these services due to the duplication of staff resources that would be necessary to provide each EUI subsidiary with the necessary level of competency and assurance service capacity that would be expected by both management and the Audit Committee of the Board of Directors. In addition, EUI co-sources delivery of certain assurance and advisory services	Allocated based on the composite cost causation allocator described in paragraph 116 of Exhibit 4, Tab 1, Schedule 1.

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			align internal business processes and accompanying controls with the external auditor to effectively meet the objectives of this program and improve overall internal and external audit efficiencies.	with third party service providers. This is more cost effective than providing the service internally when EUI does not have the required skill set to appropriately evaluate the risk and appropriately conduct the work. Outsourcing these services at the EUI level is also more cost effective than individually outsourcing what would effectively be a smaller volume of these services at the business unit level.	
38	Risk Management	EUI	Provides insurance and Enterprise Risk Management (ERM) services to EUI subsidiaries. The activities within this service include: Managing all EPCOR business units' insurance requirements with overall responsibility for EPCOR's corporate insurance program. This includes coverage determination, negotiation and placement of insurance contracts as well as surety bonds, facilitating insurer loss control activities, negotiating and settling insured losses and insurance contract/legal review including risk identification; Developing and maintaining an ERM framework and risk management process standard for all EPCOR business units and facilitating operational risk assessments across EPCOR. This program includes the integrated identification, analysis and monitoring of the top risks across EPCOR to address all levels of risk, including strategic and operational activities with quarterly reporting to the Board of Directors.	Risk Management activities are necessary for EUI subsidiaries to provide utility service. The Risk Management group manages the risk of damage to or caused by physical assets owned by EUI subsidiaries. This service ensures that all EPCOR operations are protected by the broadest coverage available in the insurance market. Having the appropriate amount of insurance is commonly required for debt issuances that might be secured by physical assets. Risk Management provides services using the shared service model to achieve economies of scale benefits and cost efficiencies for EUI subsidiaries. By participating in a corporate program, EUI subsidiaries shares the benefit of reduced premiums and increased limits.	Risk Management costs are allocated using the relative proportion of property, plant and equipment (PPE) to total PPE amounts. This is an appropriate allocator as it is indicative of the work required to manage insurance requirements and mitigate risks associated with each business units' assets.
39	**Public and Government Affairs (PG&A)**				
40	Corporate Communications	EUI	Provides services related to external communications, which includes corporate profile and reputation management, reporting of quarterly and annual financial results, issues management, and online communications for customers and the general public. Corporate Communications provides strategic advice in responding to customer or other issues that may arise in relation to the EPCOR group's business activities, or broader industry developments. Corporate Communications also provides internal communication support services to the Corporate Services departments and manages issues of corporation wide interest and impact.	Corporate Communications services are required for EUI subsidiaries to provide utility services to customers through facilitating timely and relevant communications and providing access to information. Outsource providers performing corporate communications services are common in the marketplace, and EUI does outsource the aspects of its corporate communications services requiring specialized skills and equipment. For example, with the increase in use of online and social media communications, EUI uses contractors to assist in technical and content-related website enhancements that allow EPCOR to improve its interaction with customers. As social media increasingly becomes a standard and complementary tool in the communications toolbox, EPCOR consults external	Corporate Communications costs are allocated based on relative net income. Net income is an appropriate allocator for this service because it is representative of the services provided to EUI's business units including the coordination of public notices, media relations and website design and content for customers and the general public. Corporate Communications provides service to the US Water utilities, and as such, costs are allocated using total net income from both Canadian and US operations, rather than Canadian net income alone.

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			sources with respect to the strategic use of social media to educate customers and keep them informed on issues that impact their service, and also the monitoring of various platforms like Twitter and Facebook. However, management and administrative activities associated with corporate communications services are performed in-house due to greater cost-effectiveness compared to outsourcing. These specific in-house activities include matters that relate to objectives of EUI's long term business plan, industry developments and their impact on the company and its customers, employee issues, as well as confidential business matters for EUI and each of its subsidiaries. Providing these services requires a detailed understanding of the company and its business goals, which external consultants do not have and could not gain without significant effort and cost. As such, additional outsourcing is not a cost-effective option for Corporate Communications. Similarly, self-supplying at the business unit level is a more costly approach for procuring corporate communications services due to the duplication of staff resources that would be necessary to provide each EUI subsidiary with the necessary level of competence and service capacity.	
41 Government Relations	EUI	Provides liaison services and briefing support in relation to all three levels of government (federal, provincial, and municipal), as well as government agencies and staff, with respect to existing or proposed policies and legislation. Government Relations also provides analysis and advice to EPCOR businesses respecting the impact of current or contemplated government policy and legislation.	Government Relations services are required to enable EUI subsidiaries to provide utility services to customers by ensuring that government at all three levels are aware of issues that could impact EUI subsidiaries and its customers. Government Relations staff work directly with elected officials and their key staff on behalf of EUI subsidiaries on a regular basis to influence policy development and regulation change to minimize any potential negative impact on EUI subsidiaries customers. Although government relations services can be procured in the market, it is not practical for an entity such as the EPCOR group to outsource such a core service. The EPCOR group's mix of businesses, strategies and business plans are unique to EPCOR and therefore the manner in which the group interacts with government is also unique. As well, competition and confidentiality require that these services be provided internally. Self-supplying these services at the business unit	Allocated based on the composite cost causation allocator described in paragraph 116 of Exhibit 4, Tab 1, Schedule 1.

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			level is a less efficient and more costly approach to procuring these services due to the duplication of staff resources that would be necessary to provide each EUI subsidiary with the necessary level of competence and service capacity.	
42 Community Relations		Services utilize community engagement tools, processes and investment strategies to support EPCOR's reputation and relationship objectives. This includes establishing the brand design and creative guidelines for all EPCOR communications productions, developing and delivering education programs such as public safety awareness and school electrical safety awareness and developing on-line educational materials about electricity, water and energy conservation. The Community Relations group is also responsible for advancing the achievement of EPCOR's long-term plans by implementing strategies that enhance the profile, reputation, and image of EPCOR with key audiences and providing strategic advice on the most effective means to interface with customers to ensure consistent, clear and proper messaging. As noted on the Application, a portion of Community Relations costs includes community donations and these costs have been removed and not included in the revenue requirement.	Services provided by Community Relations are required to enable EUI subsidiaries to provide utility services to customers. Community Relations is EPCOR's face in the community and ensures that customers are aware of who is providing their utility services. Community Relations also makes items such as conservation, customer service and safety matters accessible and understandable to the general public.	Community Relations costs are allocated based on net income. Net Income is an appropriate allocator because it is representative of the nature and quantum of services provided by Community Relations to EUI's business units. Community Relations provides service to the US Water utilities and, as such, costs are allocated using total net income from both Canadian and US operations, rather than Canadian net income only.
43 PG&A	EWSI	Provides services such as services related to internal and external communication and stakeholder and public consultation requirements specifically for ENGLP Aylmer.		Costs are directly charged based on estimated time spent supporting the Aylmer operations. Also see response to 4-IGPC-9 (c).
44 **Legal Services**	EUI	Responsible for providing legal, governance, and compliance related activities to ENGLP Aylmer. Legal Services include: Managing all claims and litigation affecting EUI and its business units and subsidiaries; Negotiating, drafting and monitoring material contracts and contractual matters with service providers, vendors and other parties; Creating and updating standard form contracts and other precedent documents for use by EUI and its business units and subsidiaries to reflect changes in law or business context; Providing advice with respect to contracts entered into by EUI and its business units and subsidiaries with its suppliers and customers; Providing	Legal Services provides virtually all legal services using internal legal, paralegal and administration staff. Performing oversight, governance and corporate secretarial services internally ensures that there is an appropriate level of control in EUI and its subsidiaries and is consistent with best practices in industry. Legal Services only utilizes external legal service providers in circumstances where the business units require specialized legal services not available internally or where disputes reach a stage of arbitration or litigation. Legal Services manages and instructs the external legal service providers and oversees	Allocated based on the composite cost causation allocator described in paragraph 116 of Exhibit 4, Tab 1, Schedule 1.

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			legal research, advice and drafting of various documents and agreements related to capital projects, mergers and acquisitions and other transactions undertaken by EUI and its business units and subsidiaries; Analyzing legal risks and providing advice to project teams regarding all legal issues which may affect the viability of a business initiative and/or project; Providing legal research, advice and services on numerous other corporate, commercial, employment, OH&S, financing and securities matters and; Providing advice, research and assistance on regulatory law matters including regulatory applications.	the legal costs.	
45	**Health Safety and Environment (HSE)**				
46	HSE	EUI	HSE provides the following services: Governance, maintenance, and ongoing implementation of the Integrated Health, Safety and Environment Management System, which conforms to ISO 14001 (Environment) and OHSAS 18001 (Health and Safety) requirements and is implemented across all business units within EPCOR; Trend analysis, evaluation, and reporting for the EPCOR group to assist business units in ensuring that regulatory monitoring and reporting requirements are met; Creation and management of a detailed HSE strategic plan and updating corporate HSE policies, standards, procedures and related documentation for all EPCOR business units to ensure consistent and efficient delivery of HSE programs; Governance and oversight of fundamental HSE processes such as hazard identification and operational controls, employee competency and training, HSE role expectations, incident management, worksite inspections, performance measurement, communication, safety culture assessment for consistency and improved overall safety; Program Administrator of the ESS Incident Management System, Alcohol and Drug Program, Contractor Management, Occupational Health and Hygiene programs, Vision Care Program, and other related HSE corporate programs to ensure consistent and efficient delivery of HSE programs and information systems across EPCOR; Ensure a comprehensive HSE performance assessment process is in place, including leading and lagging metric	EUI subsidiaries has an obligation to ensure that its employees can perform their duties in a safe environment. Corporate HSE reduces potential costs associated with operational and litigation risk by creating corporate policies that minimize workplace and environmental incidents. These services are necessary to enable EUI subsidiaries to provide utility service to its customers, and the costs of providing these services are reasonable. It is not feasible for a large corporation, such as EPCOR, to outsource these HSE functions as they are core competencies that must be uniquely tailored to each business, in particular given the statutory obligation to provide employees with a safe workplace, tools, and equipment. While HSE has utilized third party suppliers in the past, this was in circumstances where business requirements necessitated specialized services not available internally and that could not be provided internally on an economically sensible basis, or where internal resources did not have the capacity to provide timely service. Self-supplying all HSE services at the business unit level would be a less efficient and significantly more costly approach due to the duplication of staff and functions necessary to permit each business unit to provide the required level of service capacity and quality, in addition to maintaining a streamlined approach to HSE policy generation and oversight. Further, as EPCOR has recently experienced, self-supplying HSE services at the business unit level leads to inconsistencies amongst the various HSE programs and lack	Allocated based on the business unit's employee headcount relative to the total employee headcount in all EPCOR group business units, excluding corporate services. Headcount is an appropriate allocator because the level of the costs is driven by the number of staff employed in each of the business units.

Service	A Entity Providing Service	B Service Description	C Required for Utility Service	D Allocation Methodology
		indicators along with an operational and management review process to improve safety performance through early identification of trends and safety issues; Facilitation and administration for various HSE Committees and oversight and approval of content of the Corporate HSE Website, improving safety related communications and safety performance across EPCOR's business units through information sharing; Provide subject matter expertise for corporate groups and business units as required: Legal Requirements, Audits, Human Resources, Security, Emergency Management, Training, Public and Government Affairs and Business Resilience and; Compliance with OH&S legislative requirements for corporate facilities, previously performed as part of a position in Security.	of long-term HSE strategic planning across business units of EPCOR, which impedes improvement in health and safety performance.	
47 HSE	EOUI	Ensure ENGLP's health, safety and environment practices and procedures are well designed and in compliance with legislation and compatible with EUI's safety management standards and procedures as well as working with ENGLP staff to implement those practices and procedures. More specifically: Assist operations with hazard identification activities and development of controls; Ensure maintenance of EPCOR safety program; Provide necessary support during incident response and investigation support; Health, safety and environment related audits and inspections; Access to all safety training and loss control programs; and Work with operations to review and track safety performance and corrective actions within the utility.	This service is required to ensure the direct oversight of HSE for the utility and the implementation of utility specific programs and legislative requirements and to ensure the implementation and maintenance of the health and safety management system developed at the EUI level for its subsidiaries.	Headcount.
48 **Incentive Compensation**	EUI	Corporate incentive compensation is paid to Corporate Services employees based on individual performance ratings and EUI's overall annual corporate targets. The EPCOR groups' structure for compensating its non-union employees has four components: base compensation (annual salary), employer paid benefits, Short Term Incentive ("STI") and Mid Term Incentive ("MTI") for participating Directors, VPs and Executives. EPCOR's structure for compensating unionized employees has three components: base compensation		Incentive Compensation costs are allocated based on EUI's average Corporate Cost Allocation allocator.

	Service	A Entity Providing Service	B Service Description	C Required for Utility Service	D Allocation Methodology
			(hourly wages / annual salaries), employer paid benefits and STI. The compensation was designed to bring employee total compensation to a level which is at par with comparable positions in the market from which EPCOR must draw employees (i.e., to market value).		
49	**Project Management Office (PMO)**	EWSI	Provides project controls, governance and project standardization and support for ENGLP. ENGLP notes that PMO costs are capitalized.	These services are required to ensure governance and oversight to the planning and implementation of capital projects.	Costs are directly charged based on estimated time spent supporting the Aylmer operations. Also see response to 4-IGPC-9 c This function is highly integrated with the Finance function and processes and the services could not be decoupled in order to outsource this function.
50	**Management Oversight**	ECSI	Reflects the supervisory and general oversight of the Senior Vice President, Commercial Services to the Vice President, Ontario Region. The Vice President, Ontario Region reports directly to the Senior Vice President, Commercial Services.		Costs are directly charged based on estimated time spent supporting the Aylmer operations. Also see response to 4-IGPC-9 (c).
51	**Management Oversight**	EOUI	Reflects the supervisory and direct management of the Vice President, Ontario Region to the General Manager of ENGLP Aylmer as well as general oversight to the employees of ENGLP Aylmer. The General Manager of ENGLP Aylmer reports directly to the Vice President, Ontario Region.		Allocated based on the composite cost causation allocator described in paragraph 116 of Exhibit 4, Tab 1, Schedule 1.
52	**Regulatory**	EOUI / EDTI	Support the development, coordination of regulatory applications, monitor and coordinate activities or initiatives from government departments or agencies that may affect ENGLP and manage the interface between these external stakeholders.		Allocated based on the composite cost causation allocator described in paragraph 116 of Exhibit 4, Tab 1, Schedule 1.
53	**Ontario Facilities**	EOUI	Office space and leasehold costs for office in Toronto where employees that support ENGLP are located.		Allocated based on the composite cost causation allocator described in paragraph 116 of Exhibit 4, Tab 1, Schedule 1.
54	**Operational Planning and Management**	ECSI	This includes access to specialized engineering and technical expertise and intellectual property related to utility operations in support of operations, maintenance, asset management and capital planning and project management; Development and maintenance of operations procedures, maintenance protocols, emergency response and disaster recovery plans; Access to computer based asset management software; and Assistance for the review	These services are provided on an as needed bases.	A business case analysis will be completed for each service and fully allocated cost or market price charged as appropriate per the provisions of the ARC.

Service	A Entity Providing Service	B Service Description	C Required for Utility Service	D Allocation Methodology
		of emerging technical codes and standards and assessing the implications for the utility.		
55 **Asset Usage Fee**				
56 Leasehold Assets	EUI	Leasehold Asset costs are allocated to EUI subsidiaries. The Leasehold Assets include: Disaster Recovery Leasehold and EPCOR Tower Leasehold Improvements.	See row 2 and 5 above.	EUI's Space Rent operating costs are directly assigned to EUI subsidiaries that occupy space at EPCOR Tower. EUI's own rent is EUI subsidiaries based on the composite cost allocator. Security costs are allocated EUI subsidiaries based on the composite cost. By contrast, Leasehold Asset costs are allocated to EPCOR business units as asset usage fees by the following two step process: The first step is to determine the allocation percentage relating to the amount of space occupied by the business unit in EPCOR Tower, if applicable. This is determined by dividing the square footage occupied by the business unit in question by the total amount of space occupied by the EPCOR group within EPCOR Tower. The second step is to allocate the relative share of costs associated with the space occupied by EUI's Corporate Services Departments among EPCOR business units on the basis of each business unit's proportionate share of allocated Corporate Services costs. The allocation of the Corporate Services share of space is determined by multiplying the Corporate Services Departments' share of space by each business unit's proportionate share of Corporate Services costs. Using the business unit's proportionate share of Corporate Services costs to allocate the costs related to space occupied by Corporate Service Departments is appropriate as it reflects the benefit from

Service	A Entity Providing Service	B Service Description	C Required for Utility Service	D Allocation Methodology
				services received by each business unit from the Corporate Service Departments.
57 Human Resources Information System (HRIS)	EUI	Software application that is used by EUI's HR department to manage the employees of the EPCOR group, including such things as recruiting, hiring, managing and paying employees (including the calculation of pensions, CPP, UIC, income tax and other payroll deductions).	See Human Resources rows 10 to 12 above.	Allocated to each EUI subsidiary, including US Water, based on each business unit's employee headcount relative to the total employee headcount in all EPCOR business units. HRIS is used to recruit, hire, manage and pay EUI employees; as such, employee headcount is reflective of the benefits received by each business unit.
58 Information Services (IS) Infrastructure	EUI	IS assets include servers, electronic storage devices, information system networks, desktops and IS Applications.	See Information rows 16 to 18 above.	Based on the allocation of IS operating costs to each business unit. As discussed in row 18 above, IS operating costs are allocated to each business unit on the basis of the amount of the business unit's weighted average allocation of the Corporate Services departments' operating costs. This allocation method is appropriate because the IS Infrastructure is an extension of the work that forms the basis for IS operating costs. As such, the allocation method should reflect this relationship.
59 Financial Systems	EUI	Represent the current financial application that is used to pay invoices, record and report financial information, prepare financial statements, calculate depreciation, purchase goods and services and manage project costs. The software application, Oracle Financials, uses modules that include Accounts Payable, Accounts Receivable, General Ledger, Purchasing, Projects and Fixed Assets.	See Finance rows 20 to 23 and 26.	Allocated to each EUI subsidiary based on the weighted average of the cost allocators for two primary functions of the financial system: (i) the weighted average operating costs related to the finance and payroll function (described in rows 20 to 26 and 10, above); and (ii) the weighted average number of the Purchase Order Lines by business unit (described in row 4 above). The use of Purchase Order Lines by business unit as an allocator is reflective of the activity and costs incurred to process a Purchase Order.
60 Furniture and Fixture Assets	EUI	Represent furniture such as offices, workstations, chairs, tables, file cabinets and shelves used by employees in Corporate Shared Services departments.		Allocated using the same allocation methodology applied to allocate Leasehold Improvement costs. See row 56.

Service	A Entity Providing Service	B Service Description	C Required for Utility Service	D Allocation Methodology
61 Vehicles	EUI	Vehicle assets are used for security and for employees at EPCOR Tower to travel to meetings at EUI sites in performing the services they provide in support of EUI and its subsidiaries.		Vehicle asset costs are allocated to each business unit based on the business unit's proportionate share of allocated Corporate Services costs.

(b) See ENGLP's response to 4-STAFF-53.

1-IGPC-2

Reference: **E1/T2/S1/p4 Table 4, Corporate and Affiliate Shared Service Costs**

Request:

(a) Please indicate whether known increases in the activity of Epcor affiliates in Ontario is expected to significantly change the magnitude of ENGLP (Aylmer)'s allocation of shared costs. Explain why or why not.

(b) Describe any factors that would change or qualify your response to (a).

Response:

(a) The allocation of shared services across known Ontario Operations within the EPCOR group of companies (i.e., ENGLP Aylmer, ENGLP Southern Bruce and Collingwood) have been factored in the projected forecasts of all Ontario operations over the course of the Test Period of the Application. ENGLP Aylmer does not anticipate changes in the activities of the affiliates in Ontario that would significantly change the magnitude of ENGLP Aylmer's allocation of shared costs.

(b) See ENGLP's response to (a) above.

2-IGPC-3

Reference: **E2/T1/S1/T5 Table 2.2.1-2, line 7**
E2/T1/S1/ page 24, Table 2.5.4-3
EB-2018-0235, IGPC-10 (a) and (b)

Preamble: IGPC is interested in understanding the amount and basis for the expenditures in the bridge year and the establishment of the opening balance for the Test Year.

Request:

(a) In response to an IR-10 from IGPC, filed October 24, 2018, ENGLP indicate that the station replacement was forecasted to be $600,000 and the pigging installation project was forecasted to be $50,000. Three months later, the Pigging Installation is now included at $337,266 in the present application. Please provide a detailed explanation regarding the variance in costs of the Pigging Installation?

(b) When was the pigging installation completed?

(c) How often is the pigging of the pipeline required to be performed? Is this a code requirement?

(d) Please confirm the date of first operation of the pipeline serving IGPC.

Response:

(a) The pigging installation project was initiated in 2017. Modifications to the pipeline to install tie-in points for the pig launcher and receiver were completed in 2017 at a cost of $227,470 and capitalized in 2018. Fabrication of the pig launcher and receiver was completed in 2018, at a cost of $109,796. The cost of $109,796 will remain in CWIP until the launcher and receiver are installed in 2019.

In response to IR IGPC-10 (EB-2018-0235), the $50,000 forecast provided inadvertently excluded project costs in CWIP (i.e., work completed in 2017) and costs for work completed in 2018 but not yet invoiced.

(b) See ENGLPS's response to (a) above.

(c) Under the Ontario Technical Standards and Safety Act and associated regulations, ENGLP is required to comply with the requirements of CSA Z662-15 (Oil and Gas Pipeline Systems) (CSA Z662). CSA Z662 requires periodic inspection, testing and monitoring be carried out as part of the pipeline integrity management program. In-line inspections using pigging technology are commonly used for this purpose. CSA Z662 does not specify a required frequency of pipeline pigging to be performed.

(d) The Board determined that the pipeline should be closed to rate base as of August 1, 2008, in its decision related to EB-2010-0018. Based on this information, the pipeline has been in service since approximately that date.

2-IGPC-4

Reference: **E2/T1/S1/p21 Table 2.5.3-1 and 2.5.3.-2, 2.5.4-3**
EB-2018-0235, IGPC-10 (a) and (b)
E2/T3/S1/page 17

Preamble: IGPC understands the IGPC Realignment Project is being driven by the proposed work of the Ministry of Transportation of Ontario (MTO).

Request:

(a) Confirm the planned capital expenditures for Rate Class 6 in the bridge year are $1,242,800. Please describe the nature of the capital expenditures.

(b) Please provide a detailed calculation showing how the MTO's anticipated contribution was determined.

(c) Has there been agreement with the MTO on these amounts?

(d) Confirm there are no additional planned capital expenditures during the IR period in respect of the IGPC pipeline and meter facilities.

(e) Has MTO provided a final plan for the proposed MTO work?

(f) Please provide an updated schedule for the completion of the ENGLP work on the IGPC Pipeline Realignment. What is the anticipated duration of construction of the project?

Response:

(a) See ENGLP's response to 2-STAFF-24(b) for ENGLP's updated project cost estimate for the IGPC Pipeline Realignment Project. The updated total gross planned capital expenditures for Rate Class 6 in the 2019 Bridge Year are $823,800. In addition to the revised gross amount for the IGPC Pipeline Realignment Project, the total includes 2018 CWIP related to the pigging project (see EBGLP's response to 2-IGPC-3), as well as a small amount of carryover work related to the IGPC station upgrade and pigging projects. Table 2-IGPC-4-1 below shows the revised forecasted gross and net capital expenditures for Rate 6 for the 2019 Bridge Year. See response to 9-STAFF-78 for the updated revenue requirement, rates and bill impacts resulting from the decrease in forecasted capital expenditures.

Table 2-IGPC-4-1
Revised Rate 6 Capital Expenditure for 2019 Bridge Year
($)

	Capital Item	A **2019 Bridge**
1	Pipeline Realignment	695,000
2	Station Upgrade	7,600
3	Pigging	11,200
3	2018 CWIP (Pigging)	110,000
4	**Total Gross Capital Expenditures**	**823,800**
5	MTO Contribution	294,000
6	**Total Capital Expenditures net of Contributions**	**529,800**

(b) ENGLP has been advised that under the *Public Service Works on Highways Act*, construction labor and equipment costs are to be shared equally between the utility and the MTO. The utility remains responsible for all engineering and material costs. See response to 2-STAFF-24 for the calculation of the MTO's estimated contribution.

(c) No. ENGLP is in the process of performing design work and cost estimates to submit to the MTO. ENGLP has engaged an engineering consultant to complete the required utility relocation plans prior to seeking contractor pricing and scheduling. When this information is received, it will be submitted to the MTO for review. If the MTO is in agreement with the cost estimate, a Moving of Utilities (MOU) order will be issued.

(d) Confirmed. ENGLP does not expect additional planned capital expenditures during the IR period in respect of the IGPC pipeline and meter facilities.

(e) ENGLP received final plans from Dillon Consulting Limited (Dillon), MTO's consultant, on March 7, 2019.

(f) In coordinating with Dillon and the other utilities involved, ENGLP has advised that the final tie-ins must be completed within the September 16 to 20, 2019, timeframe which coincide with the shutdown dates of the ethanol facility provided by IGPC. As noted above, contractor scheduling has not yet been finalized and as such ENGLP is still in the process of confirming the anticipated duration of construction.

2-IGPC-5

Reference: **E2/T1/S1 page 5, Table 2.2.1-2, line 7**

Preamble: IGPC is interested in understanding the development of rate base, in particular the significant capital spend in the Bridge Year.

Request:

(a) Explain in detail the additions to Gross Plant for Ethanol Pipeline – IGPC Project for 2017A, 2017Stub, 2018F and 2019 Bridge. In particular, what led to the increase of $1,279,200 from 2017 Stub to 2018F.

(b) ENGLP has proposed significantly larger capital expenditures in the Bridge year than the typical historical year, the Test Year and subsequent years in the rate period. Please explain how ENGLP plans (e.g., resources deployed) to complete all such work in the Bridge Year.

(c) Can the IGPC Realignment be deferred to the Test Year?

Responses:

(a) See Table 2-GPC-5-1 below for a breakdown of the $1,279,200 increase in Gross Plant for Ethanol Pipeline – IGPC Project from the 2017 Stub to 2018 F.

Table 2-1GPC-5-1
2018F IGPC Projects
($)

	Project	A Amount	B Explanation
1	IGPC Regulator and Metering Station Upgrade	567,129	Required to supply IGPC with the increased natural gas volumes required as a result of its expansion to the ethanol facility completed in the fall of 2018.
2	IGPC Pigging	337,266	Installing pig sending and receiving equipment to the pipeline to allow ENGLP to run a pig for inline inspection to comply with the periodic inspection requirements. See also ENGLP's response to 2-IGPC-3.
3	Contribution	53,659	Does not relate to IGPC. This amount relates to Plastic Mains and both the contributed assets (in gross PP&E) and the offsetting contribution for the same amount were inadvertently associated with the IGPC pipeline in ENGLP's cost of service model. Note that as rate base is determined based on net PP&E, reclassifying this item to Plastic Mains in the cost of service model does not have any impact to the rate base, revenue requirement or rates for customers in Rates 1 through 6.
4	Rate Base Adjustment	321,182	Result of gross assets not reported at the time of the acquisition of NRG's assets. As noted in the Application in paragraph 10 of Exhibit 2, Tab 1, Schedule 1, ENGLP made an adjustment to align costs and accumulated depreciation with rate base amounts as approved by the Board in EB-2010-0018.
5	**2018 Total**	**1,279,236**	

(b) The increases in capital expenditures in the Bridge year are primarily driven by the Belmont Reinforcement, Lakeview Reinforcement and IGPC Pipeline Realignment at 401 Interchange Projects. These three projects will be contracted out to a third-party for construction. Capital expenditures performed by ENGLP staff, primarily the Service Additions Annual Program and Meters Annual Program, are consistent with historical volume and spending.

(c) The Ontario Ministry of Transportation confirmed the realignment cannot be deferred to the Test Year. The Westchester Bourne Interchange and Highway 401 MTO project will start construction in the spring of 2020. As such, this requires conflicting utilities in the area, including ENGLP pipelines, to be relocated in 2019, prior to construction of the MTO project.

3-IGPC-6

Reference: **Exhibit 1, Tab 2, Schedule 1, Page 3 of 4, Table 3, OM&A**

Preamble: IGPC is interested in understanding the costs of ENGLP.

Request:

(a) Please explain the increase in salaries expense between the bridge year and the test year. Specifically, please break down the increase between salary increases to the bridge year complement and any increase in complement projected for the test year. If an increase in complement is planned, please identify the new positions and the reason why they are needed.

(b) Please explain the projected decrease in insurance cost between the Bridge Year and the Test Year. Please clarify the change in risk, if any, that is reflected. Please indicate what component, if any, of the insurance cost relates to the IGPC dedicated line or any other identifiable aspect of service to IGPC. Please indicate where, in the Cost Allocation study, the insurance expense is functionalized, classified and allocated.

(c) Please confirm the maintenance on the IGPC Pipeline and meter station is solely performed by third parties and not by ENGLP employees

Response:

(a) As described in Exhibit 4, Tab 1, Schedule 1, paragraphs 43 to 65, salary expense is made up of four components: Employee salary, employee benefits, employee Incentive Plan and Salary Transfers. The following table provides the change for each component from the 2019 Bridge Year to the 2020 Test Year and an explanation of the increase. ENGLP Aylmer notes that there were no changes in employee FTE (i.e., no new positions) from the 2019 Bridge Year to the 2020 Test Year.

Table 3-IGPC-06-1
Salary Expense
($)

	Expense Category	A 2019 Bridge Year	B 2020 Test Year	C Variance (B-A)	D Variance Explanation
1	Total Salaries	1,206,304	1,341,240	134,936	Inflation and increase due to salary compensation market adjustment as described in paras. 44 to 52 in Exhibit 4, Tab 1, Schedule 1.
2	Benefits	325,669	362,030	36,361	See above explanation in row 1, above
3	Incentive Plan (STIP)	72,417	77,900	5,483	See explanation in row 1, above.
4	Salary Transfers (Out)	(349,047)	(349,047)	-	
5	**Total**	**1,255,343**	**1,432,123**	**176,780**	

(b) For clarity, ENGLP is forecasting a slight increase, due to inflation, in insurance expense between the Bridge Year and Test Year, not a decrease as posed in the question. However, as explained in paragraph 72 of Exhibit 4, Tab 1, Schedule 1, ENGLP Aylmer will experience lower insurance costs under ENGLP due to economies of scale as a result of being managed under EPCOR's shared insurance resources. The lower insurance costs does not equate to a change in risk.

No insurance costs have been directly assigned to IGPC. Insurance costs allocated to IGPC are based on an indirect allocation of administration and general and customer related costs. Approximately $11.1 thousand, out of $86.2 thousand of insurance costs is allocated to IGPC in the Test Year. To illustrate where these costs are addressed in the Cost Allocation study, ENGLP has provided, an Excel file that contains the associated tables as extracted from its Excel financial model. The tables showing the functionalization, classification and allocation of insurance costs have been isolated in the Excel file submitted as 3-IGPC-6 Attachment 1.

(c) ENGLP confirms the maintenance costs included in Table 4.3.3.2.1-1 of Exhibit 4, Tab 1, Schedule 1 are performed by third parties. Additionally, see response to 04-STAFF-52(b).

4-IGPC-7

Reference: **E4/T1/S1 page 33**

Preamble: "83. ENGLP is proposing to recover $91,806 for property taxes incurred in respect to the IGPC pipeline. This amount is based on a modest increase over 2018 actual property taxes of $87,853. Property taxes are based on a rate/foot ($45.939 per foot for IGPC) of pipeline."

IGPC understands the rate per foot has not changed since 2017 and will not change until 2020.

Request:

(a) What is causing the 4.5% increase in property taxes?

(b) Please confirm the property tax assessment referred to is solely based upon the IGPC pipeline and does not incorporate any other assets into the computation.

(c) Please clarify whether the increase percentage 2018 to 2019 is computed from a property tax assessment received, or whether it is an estimate. If an estimate, please clarify whether this is the same or a different percentage increase than the overall property tax rate increase forecast by ENGLP.

Response:

(a) The increase of 4.5% is based on the average actual paid property tax levy increase between 2015 and 2017 for all ENGLP properties. As a result, ENGLP determined that property tax levies have been increasing at an average annual rate of 4.5%, considering changes to both property tax assessments and municipal tax rates.

(b) Confirmed. The assessment referred to is solely based upon the IGPC pipeline.

(c) The increased percentage from 2018 to 2019 is an estimate. ENGLP has applied the same percentage increase used in the overall property tax rate increase forecast by ENGLP.

4-IGPC-8

Reference: **E4/T1/S1/Page 8 of 69**

Preamble: "14. Consistent with prior approvals, ENGLP proposes a deemed UFG of 0% for use in this Application. As described in Section 9.3.1 of Exhibit 9, Tab 1, Schedule 1, ENGLP proposes to establish a variance account (Unaccounted for Gas Variance Account) to record the cost of gas associated with volumetric variances between the actual volume of UFG and the proposed deemed UFG of 0%. This will allow for the recovery of the cost of gas if the actual values vary from the 0% used in establishing rates."

Request:

(a) Please confirm or clarify whether ENGLP is proposing a deferred recovery of actual UFG as incurred, rather than establishing an allowance.

(b) Would the costs of UFG apply to all customers, or only those taking system gas?

(c) To the knowledge of ENGLP, has this approach been approved by the OEB for any other utility?

(d) Please comment on whether, in ENGLP's opinion, the proposed deferral account mechanism increases, reduces, or has no effect on ENGLP's incentive to reduce UFG.

(e) Would IGPC, operating on a sole use pipeline, be tracked and accounted for separately from the remainder of the system and rate classes?

Response:

(a) ENGLP confirms it is proposing a deferred recovery of actual Unaccounted for Gas ("UFG") as incurred, rather than establishing an allowance.

(b) ENGLP notes that the volumes and the resulting UFG reported in Section 4.2 of Exhibit 4, Tab 1, Schedule 1 are excluding volumes to IGPC. This UFG is related to distribution system losses, and therefore the associated costs would apply to all customers in Rates 1 through 5, including direct purchase customers.

(c) According to the evidence filed in EB-2017-0307 both Enbridge Gas Distribution Inc. and Union Gas Limited utilized UFG variance accounts to record costs related to the difference between actual UFG and the forecasted UFG. As a part of that proceeding, the Board approved the continuation of a UFG variance account for the 'Amalco' (Enbridge Gas Inc. ("Enbridge")) resulting from the amalgamation of Enbridge Gas Distribution Inc. and Union Gas Limited.

(d) As the variance account will provide a credit to ratepayers if gas deliveries into the system are lower than gas consumption, ENGLP believes the proposed mechanism provides an incentive for ENGLP to investigate the sources of UFG and implement measures to reduce UFG volatility, thereby reducing it.

(e) As noted in ENGLP's response to (b) above, the volumes and the resulting UFG reported in Section 4.2 of Exhibit 4, Tab 1, Schedule 1 are excluding volumes to IGPC. Volumes to IGPC are excluded given that it is operating on a sole use pipeline, its upstream costs are based on the volumes delivered into this pipeline and IGPC pays and settles all upstream costs directly to Enbridge or as billed by ENGLP as a direct flow through of the amounts billed by Enbridge.

4-IGPC-9

Reference: **E4/T1/S1/ Page 35 of 69**

Preamble: *Shared Services Provided by EWSI*

"90. The following is a general description of the Shared Services provided by EWSI to ENGLP for the 2020 Test Year:

(a) Supply Chain Management (SCM) - services for purchasing and strategic sourcing including management of the end-to-end procurement process for the goods required by ENGLP.
(b) Public and Government Affairs (P&GA) – services related to internal and external communication and stakeholder and public consultation requirements of ENGLP.
(c) Human Resources (HR) – provides human resource consulting; support of recruitment efforts and disability management for ENGLP employees.
(d) Training and Development – design, develop and delivery of required training, standard operating procedures and training documentation necessary for staff to provide utility services.
(e) Project Management Office (PMO) – provides project controls, governance and project standardization and support for ENGLP. ENGLP notes that PMO costs are capitalized.

"91. The Shared Services costs are determined on a cost recovery basis in accordance with the ARC, and ENGLP's ARC Compliance Plan and are reflected in a SLA between the parties.

The allocation methodologies have been designed to ensure that the allocation of EWSI's Shared Services costs are fair and reasonable, cost-effective, predictable and reflect the benefit received by function or cost causation. Costs are directly charged based on estimated time spent supporting the Aylmer operations."

Request:

(a) Please confirm that the 18 staff in the ENGLP (Aylmer) organization chart provide no services with respect to Supply Chain Management, Public and Government Affairs, Human Resources, Training and Development, or Project Management Office. If this is not the case, please explain the division of effort between Aylmer local staff and the staff of EWSI?

(b) Does the Company have any benchmark data as to what other gas or electric utilities incur as costs overall or per customer for these 5 services? If so, please provide.

(c) Please explain the basis on which time spent is estimated with regard to each service. Is any time log maintained by the staff involved in these 5 services? Is there any year end true up to time either recorded or estimated after the fact?

Response:

(a) Confirmed.

(b) ENGLP Aylmer does not have any benchmark data as to what other gas or electric utilities incur as costs overall or per customer for these five services.

(c) The time spent allocator for these five services was based on an estimate of time the employees within each service would dedicate to support ENGLP Aylmer. The time was estimated considering the relative size and complexity of the operations, compared to other operations within EWSI and support required by the operation to date. During the year, EWSI employees will be tracking their time spent supporting ENGLP Aylmer and at the end of the year, amounts will be trued up and ENGLP Aylmer will be charged actual costs.

4-IGPC-10
Reference: **E4/T1/S1/ page 37 of 69**

Preamble:

Table 4.3.3.3-4
Allocation of ECSI Costs – Cost Allocators

	Responsibility Centre and Function	A Allocator
1	Management Oversight	Estimated of time spent
2	Finance	Composite - Revenue, Assets, Headcount

97. For Finance, costs are first allocated to non-regulated activities based on an estimated time spent supporting these non-regulated activities which is approximately 25%. The remaining 75% of finance costs are then allocated to each Ontario operation (Aylmer, Southern Bruce and Collingwood) based on the Composite cost allocator which factors in the businesses' share of group revenues, assets, and headcount and is consistent with the approach for the allocation of EUI Corporate Shared Services as described in more detail below.

98. Table 4.3.3.3-5 below shows the 2018 Forecast, 2019 Bridge Year and 2020 Test Year's total ECSI Shared Services costs.

Table 4.3.3.3-5
ECSI Shared Services Costs Allocated to ENGLP Aylmer
($)

	Shared Service	A 2018 F	B 2019 Bridge Year	C 2020 Test Year
1	Management Oversight	83,500	50,000	51,400
2	Finance	-	50,808	52,231
3	**Total**	**83,500**	**100,808**	**103,631**
4	Variance		17,308	2,823

Request:

(a) Are any finance services provided by the Aylmer staff complement? If so, how is the work allocated between these staff and ECSI staff and EOUI staff?

(b) Please provide a list of activities included as "finance".

Response:

(a) There are no financial services provided by the ENGLP Aylmer employees. Financial Services support is provided to Aylmer through shared services.

(b) See ENGLP's response to 4-STAFF-54.

4-IGPC-11

Reference: **E4/T1/S1/page 39 of 69**

Preamble:

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Table 4.3.3.3-6
Allocation of EOUI Costs – Cost Allocators

	Responsibility Centre and Function	A Allocator
1	Management Oversight	Composite - Revenue, Assets, Headcount
2	Finance	Composite - Revenue, Assets, Headcount
3	Regulatory	Composite - Revenue, Assets, Headcount
4	HSE	Functional Cost Causation – Headcount
5	Board of Directors	Functional – Costs split evenly across locations
6	Ontario Facilities	Composite - Revenue, Assets, Headcount

Request:

(a) Please explain what headcount is used for purposes of these allocators, and provide the headcount number used in the formula for ENGLP Aylmer.

Response:

(a) The headcount of EPCOR's Ontario operating entities (ENGLP Aylmer, Collingwood and Southern Bruce) is used for this allocator. ENGLP Aylmer's headcount is 18 out of the 58 total employees in Ontario's operations (Collingwood's 33 headcount, Southern Bruce's 7 headcount and ENGLP Aylmer's 18 headcount).

4-IGPC-12

Reference: **E4/T1/S1/page 40 of 69**

Preamble: "103. For the Board of Director function, the Board provides governance services to ENGLP Aylmer and Southern Bruce locations and the Board costs are split evenly across these two locations for 2019 and 2020. For 2018, all Board costs were allocated to the Aylmer location as it was the only location in service in 2018."

Questions:

(a) Please clarify what entity's Board of Directors is referred to in this paragraph. Please provide the number of Directors comprising this Board, and the number of meetings held. Please confirm that no costs for the Board of Directors of any other entity are included in this cost.

Responses:

(a) Paragraph 103 referenced above refers to the Board of Directors of EOUI, the general partner of ENGLP. The EOUI Board of Directors is comprised of three Directors and meets a minimum of two meetings each year. It may also be necessary for the EOUI Board of Directors to meet at other times to consider business which arises between regularly scheduled meetings.

Confirmed, there are no other Board of Directors of any other entity that are included in the referenced costs.

4-IGPC-13

Reference: **E4/T1/S1/page 43 of 69, Table 4.3.3.3-9 EUI's Allocators to ENGLP Aylmer**

Request:

(a) Please clarify that ENGLP (Aylmer) receives an allocation of costs from EUI for Supply Chain Management, Human Resources, Financial and Public Affairs services in addition to the allocation of costs for those service categories from EWSI and/or ECSI. Please clarify how the services provided by EUI are different in nature from, and add value to those provided by either EWSI or ECSI.

Response:

(a) See Table 1-IGPC-1-2 in response to 1-IGPC-1(a).

4-IGPC-14

Reference: **E4/T1/S1, page 49 of 69**

Preamble: "128. The Asset Usage Fee for each category of corporate assets is comprised of two components: "return on" capital and "return of" capital (or depreciation expense). The return on capital component is calculated using the service recipient's weighted average cost of capital ("WACC")."

Request:

(a) Please clarify if the WACC for this purpose is pre-tax or after tax, and also whether it is the regulator's approved WACC or the actual WACC achieved.

Response:

(a) The WACC used for purposes of the Asset Usage Fee is after tax and based on the OEB's Cost of Capital Parameters which is 6.02%, as periodically updated.

4-IGPC-15

Reference: **Exhibit 4, Tab 1, Schedule 1, Page 66 of 69**

"191. ENGLP's effective tax rate is 26.5% for 2018 to 2020 based on a provincial tax rate of 11.5% and a federal tax rate of 15.0%. The tax rate is applied to the forecasted taxable income to arrive at the income tax payable. Forecasted taxable income is based on distribution revenue, less O&M, property taxes, interest expense and capital cost allowance."

Preamble: IGPC would like to clarify ENGLP's proposal for recovery of income taxes, in view of the fact that ENGLP is a limited partnership and therefore all tax liabilities are flowed through to the limited partner(s).

Request:

(a) Please provide the regulatory precedents, including the name of the regulatory agency and applicant, docket number, decision date, and page or paragraph references, that ENGLP is relying on to substantiate its proposal for recovery of income taxes. For this response, please provide either a copy of the decision or a link to the on-line source if available.

(b) Please explain ENGLP's proposal as to the income tax rate.

Response:

(a) ENGLP is relying on the precedent set by this Board in EB-2009-0408 related to the electricity transmission rates for Great Lakes Power Transmission LP ("GLPTLP"). In that proceeding, the OEB determined that the stand-alone principle used by the OEB was applicable to the tax liability for a limited partnership utility, the tax liability is a real cost derived from the regulated activities of the utility and is eligible for recovery regardless of what happens to the tax liabilities once they flow through to the partner(s). The OEB provided for the income tax allowance at the effective rate in GLPTLP's revenue

requirement. The OEB's Decision with Reasons for EB-2009-0408 dated July 21, 2010 can be found using the following link:
http://www.rds.oeb.ca/HPECMWebDrawer/Record?q=CaseNumber=EB-2009-0408&sortBy=recRegisteredOn-&pageSize=400

In subsequent rate cases GLPTLP has used an effective tax rate (calculated in the same manner as ENGLP's proposal in this Application) to determine the income tax payable for the limited partnership for the purposes of calculating the revenue requirement and determining rates.

(b) ENGLP has calculated an effective tax rate of 26.5% using the provincial tax rate and the federal tax rate as noted in Section 4.5 of Exhibit 4, Tab 1, Schedule 1 and is proposing to use this rate for the calculation of income tax payable for the limited partnership for the purposes of calculating the 2020 test year review requirement and any amounts to record in the proposed Recovery of Income Taxes Deferral Account ("RITDA") as described in Exhibit 9, Tab 1, Schedule 1.

7-IGPC-16

Reference: **Exhibit 7, Schedule 2, Functionalization of O&M, and further Schedules as Applicable**

Request:

Under the proposed methodology, please clarify the amounts allocated to IGPC for:

(a) Insurance; and

(b) Property taxes.

Response:

(a) See ENGLP's response to 3-IGPC-6(b).

(b) The total amount of property taxes allocated to IGPC is $93.3 thousand. This includes a direct allocation of $91.8 thousand related to the dedicated high-pressure steel main and station assets used to provide service to IGPC, plus an indirect allocation of $1.5 thousand related to A&G and customer related costs.

7-IGPC-17

Reference: **E7/T1/S1, page 2 of 28, Table 7.1-1**

Request:

(a) Please confirm the revenue to cost ratio for Rate 6 is 1.09 as compared to 1.06 from 2011.

(b) Upon what basis did ENGLP determine that this revenue to cost ratio was appropriate? Please explain which regulatory principles were relied upon.

(c) Please confirm that the Rate 6 revenue to cost ratio is likely to increase for each of the remaining years in the IR period.

(d) What is the forecast revenue to cost ratio for Rate 6 at the end of the IR period?

(e) Please confirm the proposed over payment by IGPC during the IR period will exceed $350,000.

Response:

(a) ENGLP confirms that the proposed revenue to cost ratio for Rate 6 is 1.09 (and the revenue sufficiency is $72 thousand), as compared to 1.06 (and revenue sufficiency is $96 thousand) from 2011.

(b) Through its rate design for each rate class the utility is working towards a recovery of its overall revenue requirement while managing the revenue sufficiency/deficiency for each customer rate class. While the utility aims to achieve costs ratios for each rate class as close to 1.0 as possible, this is rarely achievable due to the number of factors the utility is balancing in this process. In recognition of this challenge, the OEB has set a deviation range (from 1.0) for electricity distributors for cost ratios by rate class of +/- 15% to +/- 20% depending on the rate class[1]. The cost ratio that ENGLP has proposed is within

[1] EB-2010-0219 Report of the Board, Review of Electricity Distribution Cost Allocation, March 31, 2011.

this range and ENGLP considers a revenue to cost ratio of 1.09 for Rate 6 to be reasonable.

(c) Assuming there are no additional capital investments or unexpected operating expenses associated with Rate 6, the revenue to cost ratio is likely to increase over the remaining years of the IR period.

(d) The revenue to cost ratio at the end of the IR period (2024) is estimated to be 1.15 for Rate 6.

(e) The cumulative sufficiency from 2020 through 2024 is forecast to exceed $350,000. On a cumulative basis, the revenue to cost ratio for Rate 6 over this same IR period is 1.12.

9-IGPC-18

Request:

(a) Please confirm that all balances in the deferral and variance accounts have been audited.

Responses:

(a) See ENGLP's response to 9-STAFF-74.