



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

DECISION AND INTERIM RATE ORDER

EB-2018-0336

EPCOR NATURAL GAS LIMITED PARTNERSHIP

Application for approval to change gas distribution rates and other charges effective January 1, 2020 to December 31, 2024

BEFORE: Lynne Anderson
Presiding Member

Michael Janigan
Member

Emad Elsayed
Member

July 4, 2019

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1 INTRODUCTION AND SUMMARY

EPCOR Natural Gas Limited Partnership (EPCOR Natural Gas) is a privately owned utility regulated by the Ontario Energy Board (OEB) that sells and distributes natural gas in southwestern Ontario. EPCOR Natural Gas serves over 9,000 customers in Aylmer and surrounding areas.

In November 2017, EPCOR Natural Gas purchased all the distribution assets from the predecessor distributor, Natural Resource Gas Limited (NRG). The utility's last cost of service application was for 2011 rates.¹ Since then, the utility has been under an Incentive Rate-setting Mechanism (IRM) framework and is now rebasing for 2020 rates.

EPCOR Natural Gas filed an application on February 1, 2019 requesting new distribution rates and other charges for the period January 1, 2020 to December 31, 2024.

The OEB provided for a settlement conference between EPCOR Natural Gas and the interveners with the objective of reaching a settlement on the issues in the proceeding. Parties reached a full settlement on all issues. EPCOR Natural Gas filed a settlement proposal on June 3, 2019 and an updated settlement proposal on June 10, 2019.

The OEB accepts the settlement proposal and is of the opinion that the settlement is in the public interest. The resulting total bill impact in 2020 for a typical residential customer is an annual reduction of \$34.61 or 4.35%.²

The settlement proposal identified an outstanding issue related to the prudence of capital expenditures incurred by NRG in prior years to address system integrity issues. The settlement proposal identified two options for the OEB to address this issue; review the issue in a future rate proceeding or as phase 2 of the current proceeding. The OEB has decided that this issue will be addressed as phase 2 of the proceeding.

¹ NRG, EB-2010-0018

² Excludes the impact of charges related to Ontario Reg 24/19

2 THE PROCESS

EPCOR Natural Gas filed an application with the OEB on February 1, 2019 to set rates for the period January 1, 2020 to December 31, 2024. Rates for 2020 are set on a cost of service basis and for the period January 1, 2021 to December 31, 2024 on an IRM basis.

A Notice of Hearing was issued on February 28, 2019. The OEB held a community meeting in Aylmer, Ontario on March 19, 2019, to provide customers with information on the OEB's rate hearing process and on the specific application filed by EPCOR Natural Gas as well as to hear directly from customers. Integrated Grain Processors Co-operative Inc. (IGPC), Enbridge Gas Inc. (Enbridge Gas) and Vulnerable Energy Consumers Coalition (VECC) applied for and were granted intervenor status in the proceeding.

The OEB in Procedural Order No. 1 issued on March 22, 2019, made provision for filing of interrogatories, responses to interrogatories, submission of a proposed Issues List and scheduled a settlement conference.

OEB staff submitted a proposed Issues List, agreed to by all the parties, to the OEB on May 9, 2019. The OEB, in a decision issued on May 10, 2019, accepted the proposed Issues List. In that decision, the OEB required that any settlement on gas supply issues should be severable from the settlement proposal given an OEB initiated consultation that will assess the natural gas supply plans for all natural gas distributors.³

A settlement conference was held on May 16 and 17, 2019 at the OEB. The settlement conference was attended by representatives from EPCOR Natural Gas, IGPC and VECC (the parties). OEB staff also participated in the settlement conference. Enbridge Gas did not participate in the settlement conference.

A settlement was reached on all issues in the proceeding. EPCOR Natural Gas filed a settlement proposal along with draft rate schedules and accounting orders, on June 3, 2019. An updated settlement proposal was filed on June 10, 2019 that included total bill impacts and a revised revenue sufficiency. EPCOR Natural Gas filed revised rate schedules on July 3, 2019 to incorporate charges related to Ontario regulation 24/19. Enbridge Gas did not support or oppose the settlement proposal filed by the parties.

OEB staff filed its submission regarding the settlement proposal on June 3, 2019. OEB staff in its submission supported the settlement proposal and noted that the agreement

³ EB-2017-0129

reached was in the public interest. With respect to the deferred issue dealing with capital costs incurred by NRG to address system integrity within its franchise area, OEB staff proposed that the issue be addressed as phase 2 of this proceeding.

3 DECISION ON THE SETTLEMENT PROPOSAL

The OEB accepts the settlement proposal. The OEB concludes that implementation of the settlement proposal should result in reasonable outcomes for both EPCOR Natural Gas and its customers.

With respect to issue 2 a), additions to rate base, the OEB is scheduling a phase 2 of this proceeding to review the prudence of the four system integrity projects completed by NRG in 2016 and 2017. The OEB acknowledges that these projects have been included in rate base pending completion of this prudence review. The OEB has established a written process to hear the deferred issue regarding the system integrity projects.

For issues 2 b) and 4 a), referring to planned capital and Operating, Maintenance and Administration (OM&A) expenditures, the parties have agreed that EPCOR Natural Gas has discretion to manage its capital spending in the test year and is also at liberty to manage the agreed upon reduction for OM&A. The OEB accepts this agreement, but notes that material differences between actual capital spending and the agreed to capital spending will be considered by the OEB at the next rebasing rate application before assets are put into rate base. The OEB will also monitor the performance of EPCOR Natural Gas on an ongoing basis to ensure quality services are provided to customers.

The parties have also agreed under issue 3 b), which deals with volume throughput and revenue forecasts, that EPCOR Natural Gas will request further information from customers in order to update its volume forecasting. The OEB agrees that better customer information is helpful to the extent that EPCOR Natural Gas is able to get information voluntarily from customers.

Under issue 4 b) that deals with depreciation costs, parties have agreed to a 10-year depreciation for meters. The OEB accepts this change as part of the overall settlement, but is making no determination on the useful life of meters in general. Furthermore, the disposition of any balance in the deferral account recorded as a result of this change will be determined in a future proceeding.

In its decision on the Issues List, the OEB determined that Issues 4 (d) and 4 (e) relating to EPCOR's natural gas supply plan and transportation costs should be severable from any settlement proposal that is reached between the parties. This approach was determined to ensure that the OEB retains the flexibility to coordinate between this proceeding and the EB-2017-0129 policy proceeding that will assess the gas supply plans of all natural gas distributors, The OEB has approved the settlement

proposal in its entirety and the resulting cost consequences of EPCOR's gas supply plan. The OEB however expects that EPCOR Natural Gas will still participate in the policy proceeding and adhere to any applicable policy directions that are provided to natural gas distributors with respect to their gas supply plans.

For issue 8 a), parties have agreed to an earnings sharing mechanism (ESM) based on actual regulated net income over the term 2020 to 2024, taking into account any necessary adjustments. The OEB agrees with the ESM, but would find it helpful for future proceedings to clarify now the nature of the necessary adjustments. The OEB asks that the parties file a letter with the OEB clarifying the types of adjustments that are expected to be made to actual net income.

4 RATE ORDER

The settlement proposal included a draft rate order and draft accounting orders for new deferral and variance accounts. On July 3, 2019, EPCOR Natural Gas filed revised rate schedules to incorporate charges related to Ontario Regulation 24/19, which were approved by the OEB in EPCOR Natural Gas' quarterly rate adjustment mechanism (QRAM) application for rates effective July 1, 2019.⁴ The revised rate schedules also include gas supply charges approved in the July 1, 2019 QRAM Decision and Interim Rate Order.

Findings

The OEB approves the draft rate order and accounting orders effective January 1, 2020. The OEB finds that both documents accurately reflect the agreement reached in the approved settlement proposal. The rates resulting from the approved rate order shall be made interim, effective January 1, 2020 pending the outcome in phase 2 of the proceeding.

The approved interim rate schedules are attached as Schedule B and the accounting order is attached as Schedule C to this Decision and Interim Rate Order.

⁴ EB-2019-0162

5 ORDER

THE ONTARIO ENERGY BOARD ORDERS THAT:

1. The settlement proposal attached as Schedule A is approved.
2. The rate changes set out in Schedule B shall be made interim effective January 1, 2020. EPCOR Natural Gas shall implement these rates in the first billing cycle on or after January 1, 2020.
3. EPCOR Natural Gas shall establish the following Deferral and Variance Accounts as set forth in Schedule C.
 - a. Loss on Disposal of Meters Deferral Account
 - b. Purchased Gas Transportation Variance Account for Rates 1-5
 - c. Unaccounted for Gas Variance Account
 - d. Accelerated CCA Income Taxes Variance Account
 - e. 2016-2017 System Integrity Capital Deferral Account
 - f. Earnings Sharing Mechanism Deferral Account
 - g. Approved Deferral/Variance Disposal Variance Account.
4. Parties are required to file a letter with the OEB clarifying the types of adjustments that are expected to be made to actual net income for purposes of determining earnings sharing during the incentive rate-setting period. The letter must be filed by **July 16, 2019**.
5. If EPCOR Natural Gas wishes to file additional evidence with respect to the deferred issue regarding the four system integrity projects, it must file the evidence with the OEB and serve it on all intervenors by **August 1, 2019**.
6. OEB staff and intervenors shall request any information and material from EPCOR Natural Gas that is in addition to the evidence filed and that is relevant to the hearing by written interrogatories filed with the OEB and delivered to EPCOR Natural Gas and all other parties by **August 9, 2019**.
7. EPCOR Natural Gas shall file with the OEB complete written responses to all interrogatories and serve them on all intervenors by **August 19, 2019**.

8. Intervenors and OEB staff who wish to file final arguments shall file them with the OEB and serve them on other intervenors by **August 30, 2019**.
9. EPCOR Natural Gas shall file their reply argument with the OEB and serve it on all intervenors by **September 9, 2019**.

DATED at Toronto July 4, 2019

ONTARIO ENERGY BOARD

Original Signed By

Kirsten Walli
Board Secretary

SCHEDULE A
DECISION AND INTERIM RATE ORDER
EPCOR NATURAL GAS
EB-2018-0336
JULY 4, 2019
SETTLEMENT PROPOSAL DATED JUNE 10, 2019

EB-2018-0336

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

AND IN THE MATTER OF an application by EPCOR Natural Gas Limited Partnership for approval to change gas distribution rates and other charges effective January 1, 2020 to December 31, 2024.

EPCOR NATURAL GAS LIMITED PARTNERSHIP

SETTLEMENT PROPOSAL

Re-Filed: June 10, 2019

**ENGLP 2020 Rates
EB-2018-0336
Settlement Proposal
Re-Filed: June 10, 2019**

**EPCOR Natural Gas Limited Partnership
EB-2018-0336**

Settlement Proposal

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EPCOR Natural Gas Limited Partnership
EB-2018-0336
Settlement Proposal

Re-Filed with OEB: June 10, 2019

EPCOR Natural Gas Limited Partnership (the “**Applicant**” or “**ENGLP**”) filed an application with the Ontario Energy Board (the “**Board**” or “**OEB**”) on January 31, 2019 under section 36 of the *Ontario Energy Board Act, 1998*, S.O. 1998, c. 15, (Schedule B) (the “**Act**”) seeking approval for new distribution rates through a five-year incentive rate-setting plan (covering the period from January 1, 2020 to December 31, 2024 based on:

1. ENGLP’s forecasted Test Year (2020) revenue requirement of \$6,652,600 (updated to \$6,740,568 at 9-Staff-78); and
2. A Test Year delivery-related revenue sufficiency of \$352,267.

ENGLP also sought Board approval for, *inter alia*:

1. New fixed monthly charges;
2. A change to ENGLP’s depreciation rates;
3. The continuation of certain deferral and variance accounts, and the establishment of certain new deferral and variance accounts; and,
4. The disposition of certain deferral and variance account balances.

The Board issued a Notice of Hearing on February 28, 2019, which was served and posted as per the direction of the Board. IGPC Ethanol Inc. and Integrated Grain Processors Co-operative (collectively, “**IGPC**”), Enbridge Gas Inc. (“**Enbridge Gas**”) and the Vulnerable Energy Consumers Coalition (“**VECC**”) applied for and were granted intervenor status. Procedural Order No. 1 was issued on March 22, 2019 which provided for filing of interrogatories, interrogatory responses, a settlement conference and presentation of a settlement proposal.

In Procedural Order No. 2, the OEB rescheduled the settlement conference. On May 8, 2019, a proposed issued list was filed, and an Issues List Decision was rendered on May 10, 2019.

On May 14, 2019, ENGLP provided the Intervenors and OEB staff with updated information related to a recalculation of the depreciation expense in the Test Year, resulting in a reduced revenue requirement of \$6,403,421, and associated revised revenue sufficiency/deficiency, revenue to cost ratios, bill impact summaries, and summary of proposed changes to distribution rates. This document was not filed with the OEB. It has been included as **Appendix “A”** of this Settlement Proposal.

Further to the Board's Procedural Order Nos. 1 and 2, and its Issues List Decision on May 10, 2019, a settlement conference was convened on May 16, 2019 and continued to May 17, 2019 in accordance with the Board's *Rules of Practice and Procedure* (the "**Rules**") and the Board's *Practice Direction on Settlement Conferences* (the "**Practice Direction**"). Chris Haussmann acted as facilitator for the settlement conference.

ENGLP participated in the settlement conference, along with IGPC and VECC (collectively, the "**Intervenors**"). ENGLP and the Intervenors are collectively referred to below as the "**Parties**".

Ontario Energy Board staff ("**OEB staff**") also participated in the settlement conference. The role adopted by OEB staff is set out in page 5 of the Practice Direction. Although OEB staff is not a party to this Settlement Proposal, as noted in the Practice Direction, OEB staff who did participate in the settlement conference are bound by the same confidentiality requirements that apply to the Parties to the proceeding.

This Settlement Proposal is filed with the Board in connection with the Application.

This document is called a "**Settlement Proposal**" because it is a proposal by the Parties to the Board to settle the issues in this proceeding. It is termed a proposal as between the Parties and the Board. However, as between the Parties, and subject only to the Board's approval of this Settlement Proposal, this document is intended to be a legal agreement, creating mutual obligations, and binding and enforceable in accordance with its terms. This agreement is subject to a condition subsequent, that if it is not accepted by the Board in its entirety (with the exception of Issues 4(d) and 4(e) which, pursuant to the Board's Decision on Issues List dated May 10, 2019, the OEB required be severable from this Settlement Proposal), then unless amended by the Parties it is null and void and of no further effect. In entering into this agreement, the Parties understand and agree that, pursuant to the Act, the Board has exclusive jurisdiction with respect to the interpretation and enforcement of the terms hereof.

The Parties acknowledge that this settlement proceeding is confidential and privileged in accordance with the Practice Direction. The Parties understand that confidentiality in that context does not have the same meaning as confidentiality in the Board's *Practice Direction on Confidential Filings*, and the rules of that latter document do not apply. Instead, in this settlement conference, and in this Agreement, the Parties have interpreted "confidential" to mean that the documents and other information provided during the course of the settlement proceeding, the discussion of each issue, the offers and counter-offers, and the negotiations leading to the settlement – or not – of each issue during the settlement conference are strictly privileged and without prejudice. None of the foregoing is admissible as evidence in this proceeding, or otherwise, with one exception, the need to resolve a subsequent dispute over the interpretation of any provision of this Settlement Proposal. Further, the Parties shall not disclose those documents or other information to persons who were not attendees at the settlement conference. However, the Parties agree that "attendees" is deemed to include, in this context, persons who were not physically in attendance at the settlement conference but were (a) any persons or entities that the Parties engage to assist them with the settlement conference, and (b) any persons or entities from whom they seek instructions with respect to the negotiations; in each case provided that any such persons or entities have agreed to be bound by the same confidentiality provisions.

This Settlement Proposal provides a brief description of each of the settled issues, together with references to the evidence. The Parties agree that references to the “evidence” (which includes interrogatory and clarification question responses) in this Settlement Proposal shall, unless the context otherwise requires, include (a) additional information included by the Parties in this Settlement Proposal, and (b) the Appendices to this document. The supporting Parties for each settled issue agree that the evidence in respect of that settled issue is sufficient in the context of the overall settlement to support the proposed settlement, and the sum of the evidence in this proceeding provides an appropriate evidentiary record to support acceptance by the Board of this Settlement Proposal.

There are Appendices to this Settlement Proposal which provide further support for the proposed settlement. The Parties acknowledge that the Appendices were prepared by ENGLP. While the Intervenor has reviewed the Appendices, the Intervenor is relying on the accuracy of the underlying evidence in entering into this Settlement Proposal.

Outlined below are the final positions of the Parties following the settlement conference. For ease of reference, this Settlement Proposal follows the format of the final approved issues list of May 10, 2019.

The Parties are pleased to advise the Board that they have reached a complete agreement with respect to the settlement of all of the issues in this proceeding. This includes an agreement to defer one issue (Issue 2(a)) with respect to prior year capital spending. Specifically:

<p>“Complete Settlement” means an issue for which complete settlement was reached by all Parties, and if this Settlement Proposal is accepted by the Board, the Parties will not adduce any evidence or argument during the oral hearing in respect of these issues.</p>	<p># issues settled: All</p>
<p>“Partial Settlement” means an issue for which there is partial settlement, as ENGLP and the Intervenor who take any position on the issue were able to agree on some, but not all, aspects of the particular issue. If this Settlement Proposal is accepted by the Board, the Parties who take any position on the issue will only adduce evidence and argument during the hearing on those portions of the issues not addressed in this Settlement Proposal.</p>	<p># issues partially settled: None</p>
<p>“No Settlement” means an issue for which no settlement was reached. ENGLP and the Intervenor who take a position on the issue will adduce evidence and/or argument at the hearing on the issue.</p>	<p># issues not settled: None</p>

The Parties have settled the issues as a package, and with the exception of Issues 4(d) and 4(e), none of the parts of this Settlement Proposal are severable. If the Board does not accept the non-severable provisions of this Settlement Proposal in its entirety, then there is no settlement (unless the Parties agree in writing that any part(s) of this Settlement Proposal that the Board does accept may continue as a valid settlement without inclusion of any part(s) that the Board does not accept).

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

Unless stated otherwise, the settlement of any particular issue in this proceeding and the positions of the Parties in this Settlement Proposal are without prejudice to the rights of Parties to raise the same issue and/or to take any position thereon in any other proceeding, whether or not ENGLP is a party to such proceeding.

Where in this settlement proposal, the Parties or any of them “accept” the evidence of, or “agree” to a revised term or condition, including a revised budget or forecast, then unless the agreement expressly states to the contrary, the words “for the purpose of settlement of the issues herein” shall be deemed to quantify that acceptance or agreement.

SUMMARY

In reaching this complete settlement, the Parties have been guided by the current *Filing Requirements for Natural Gas Distributor Rate Applications* (February 16, 2017) and the Approved Issues List attached as Schedule A to the Board’s Issues List Decision of May 10, 2019.

This Settlement Proposal reflects a complete settlement of the issues in this proceeding.

Based on the foregoing, and the evidence and rationale provided below, the Parties agree that this Settlement Proposal is appropriate and recommends its acceptance by the Board.

A summary of the changes in the revenue requirement resulting from Interrogatories and the Settlement Proposal is provided in the Table 1¹ below. **Appendix “L”** summarizes the changes in revenue requirement, revenue sufficiency and bill impacts, resulting from this Settlement Proposal.

¹ Please note that any discrepancies in the figures in this Table 1 (and other Tables in this Settlement Proposal) are due to rounding.

Table 1
Summary of Changes in the Revenue Requirement
(\$ thousands)

		A	B	C	D
		Application	Correction on Depreciation	Settlement	Change Due to Settlement
1	Transportation Cost	676	676	676	0
2	Distribution O&M	3,359	3,359	3,208	(150)
3	Depreciation	1,131	877	877	0
4	Property Tax	632	632	632	0
5	Income Tax	152	62	62	0
6	Cost of Debt	363	366	366	0
7	Cost of Equity	576	580	580	0
8	less: Other Revenue	(148)	(148)	(148)	0
9	Revenue Requirement	6,741	6,403	6,253	(150)

1. Administration

- (a) **Has EPCOR Natural Gas complied with the OEB directives from and since the utility’s last cost of service proceeding (EB-2010-0018)?**

Complete Settlement: The Parties agree that ENGLP has complied with the OEB directives from and since EB-2010-0018.

Evidence:

Application:

- Exhibit 1, Tab 1, Schedule 1, section 1.3.15.

IRRs:

- Staff Interrogatories: 1-Staff-11, 2-Staff-17, 2-Staff-28
- VECC Interrogatories: 2-VECC-6, 2-VECC-14

Supporting Parties: All

- (b) **Are the proposed changes to EPCOR Natural Gas’ Conditions of Service appropriate?**

Complete Settlement: For the purposes of the settlement of all of the issues in this proceeding, the Parties agree that ENGLP’s miscellaneous and service charges and fees shall be removed from ENGLP’s Conditions of Service and shall reside only within ENGLP’s rate schedules The revised Conditions of Service are provided for reference in **Appendix “B”**.

The Parties’ agreement with respect to the proposed fees in ENGLP’s Schedule of Miscellaneous and Service Charges is addressed in Issue 7 (c) below.

Evidence:

Application:

- Exhibit 1, Tab 1, Schedule 1, sections 1.3.16 and 1.3.17.
- Exhibit 4, Tab 1, Schedule 1, section 4.3.3.6.
- Exhibit 8, Tab 1, Schedule 1, section 8.0.
- Exhibit 8, Tab 3, Schedule 2

IRRs:

- Staff Interrogatories: 3-Staff-36, 8-Staff-71, 8-Staff-73
- VECC Interrogatories: 8-VECC-33, 8-VECC-34

Supporting Parties: All

2. Rate Base

(a) Were amounts closed (or proposed to be closed) to rate base since the utility's last rate proceeding in EB-2010-0018 prudently incurred?

Complete Settlement: With the exception of four capital projects constructed in 2016-17 (and discussed immediately below), the Parties agree that amounts closed (or proposed to be closed) to rate base since the utility's last rate proceeding in EB-2010-0018 were (or will be) prudently incurred.

In its Decision EB-2010-0018 (May 17, 2012) the Board ordered Natural Resource Gas Limited ("NRG") to complete an independent study that would examine engineering solutions and/or viable supply options within NRG's franchise area to resolve the stated system integrity issues. In the interim, the Board permitted NRG to purchase gas at a premium price of \$8.486 per mcf from an affiliate company at a maximum annual quantity of one million cubic metres. In 2016, NRG filed a cost-of-service rate application (EB-2016-0236). This application included both a System Integrity Study prepared by SNC-Lavalin and a Competitive Market Study prepared by Dr. Philip Walsh that examined the market for locally-sourced natural gas.

The application also outlined a number of projects which were presented as addressing the system integrity issues identified in these studies. The forecast capital costs of these projects was (at that time) approximately \$2.0 million.² These capital projects to address the specified system integrity issues were never reviewed by the Board because the EB-2016-0236 was, in effect, superseded by ENGLP's application in EB-2018-0235 to finalize distribution rates through to the end of 2019 (following ENGLP's purchase of NRG's distribution system).

In this Application ENGLP has filed the former SNC-Lavalin study completed for NRG as well as an independent study by Cornerstone Energy Services that ENGLP has authorized, and which examines the system integrity issues as at 2018. ENGLP has included a number of future capital projects to address the issues raised in the Cornerstone study. For

² See EB-2016-0236, Exhibit 2, Tab 1, Schedule 1

settlement purposes, the Parties agree that there is insufficient evidence to substantiate the projects completed by NRG between 2015 and 2017, and how they addressed system integrity issues. For this reason, the Parties have agreed to the establishment of a deferral account that would track the revenue requirement related to the four capital projects completed by NRG to address system integrity as of January 1, 2020, until such time as ENGLP can put before the Board sufficient evidence to support its request to include these four projects in rate base. The associated net book values of the four projects for 2020 are as follows:

1. \$402,639 for the Enbridge Gas (formerly Union Gas) Bradley Station Project.
2. \$748,383 for the pipeline from the Bradley Station to the Wilson Line project.
3. \$498,922 for the pipeline from the existing Putnam Station to Colloden Line project.
4. \$265,015 for the extension of the Springwater Road pipeline from south of Orwell to John Wise Line project.

The Parties agree that the Board could review the prudence of the four system integrity projects completed by NRG as a separate proceeding or as Phase 2 of this proceeding. For the purposes of this Settlement Proposal and rates effective January 1, 2020, the Parties have agreed to include these projects in rate base (i.e., presumption of prudence, subject to Board's prudence review at a subsequent proceeding or Phase 2 of this proceeding).

Evidence:

Application:

- Exhibit 1, Tab 1, Schedule 1, section 1.5.4.

IRRs:

- Staff Interrogatories: 1-Staff-11, 2-Staff-12, 2-Staff-21, 2-Staff-22, 2-Staff-24, 2-Staff-28
- IGPC Interrogatories: 2-IGPC-3, 2-IGPC-4, 2-IGPC-5

Supporting Parties: All

- (b) **Is the level of planned capital expenditures appropriate and is the rationale for planning and pacing choices appropriate and adequately explained, giving due consideration to:**

- **customer feedback and preferences**
- **productivity**
- **benchmarking of costs**
- **reliability and service quality**
- **impact on distribution rates**
- **trade-offs with OM&A spending**
- **government-mandated obligations**
- **the objectives of EPCOR Natural Gas and its customers**
- **the utility system plan**
- **the business plan**

Complete Settlement: For the purposes of the settlement of all of the issues in this proceeding, the Parties accept the evidence of ENGLP that the level of planned capital expenditures, as summarized in Table 2.1 below is appropriate, and the rationale for planning and pacing choices are appropriate to maintain system reliability, service quality objectives and the reliable and safe operations of the distribution system.

The Parties acknowledge that ENGLP retains the full discretion to manage its capital spending in the Test Year and beyond in accordance with the actual operating conditions it confronts in any year.

The 2020 Test Year rate base agreed to by the parties is summarized in Table 2.2 below. The amounts agreed to include the rate base associated with the projects described at Issue 2(a), which will be the subject to a subsequent prudence review.

Table 2.1
Forecast Capital Expenditures by Asset Groups - Settlement
(\$ thousands)

Category		A	B	C	D	E
		2020 Test	2021 F	2022 F	2023 F	2024 F
1	Land	0	0	0	0	0
2	Structures & Improvements - General Plant	31	0	0	0	0
3	Computer Equipment	10	11	11	11	11
4	Software - Acquired	26	106	0	0	0
5	Tools and Work Equipment	16	69	16	17	17
6	Vehicles - Transportation Equipment (ENGLP)	47	48	49	50	51
7	Vehicle - Heavy Work Equipment	0	85	0	0	0
8	Meters - Residential	126	128	131	133	136
9	Meters - Commercial	262	179	183	187	191
10	Regulators - New	41	42	42	43	44
11	Measuring and Regulating Equipment	41	42	42	43	44
12	Mains - Plastic (Distribution Plant)	574	589	600	612	624
13	Services - Plastic	172	157	161	163	167
14	Total Capital Expenditures	1,346	1,455	1,236	1,260	1,285

Table 2.2
Summary of Changes in the Rate Base
(\$ thousands)

		A	B	C
		Application	Settlement	Change
1	2019 Bridge Year Rate Base (Year End)	16,042	16,042	0
2	2020 Test Year Rate Base (Year End)	16,023	16,277	254
3	2020 Test Year Rate Base (Mid-year)	16,032	16,160	127

Evidence:

Application:

- Exhibit 1, Tab 1, Schedule 1, section 1.5.4 (incl. Table 1.5.4-3) and section 6.1.2.
- Exhibit 2, Tab 1, Schedule 1, section 2.5.
- Exhibit 5, Tab 1, Schedule 1.

IRRs:

- Staff Interrogatories: 2-Staff-14, 2-Staff-15, 2-Staff-17, 2-Staff-19, 2-Staff-23, 2-Staff-25, 2-Staff-26, 2-Staff-28, 2-Staff-29, 2-Staff-30, 2-Staff-31, 2-Staff-32, 2-Staff-33
- VECC Interrogatories: 2-VECC-2, 2-VECC-3, 2-VECC-5, 2-VECC-10, 2-VECC-11, 2-VECC-12, 2-VECC-13, 2-VECC-14, 10-VECC-37

Supporting Parties: All

(c) Is the working capital allowance for the 2020 Test Year appropriate?

Complete Settlement: ENGLP is not requesting any working capital allowance to be included in its rate base. The Parties agree that this is appropriate.

Evidence:

Application:

- Exhibit 2, Tab 1, Schedule 1, Section 2.3

Supporting Parties: All

3. Operating Revenue

(a) Are the customer addition forecasts for the 2019 Bridge Year and 2020 Test Year appropriate?

Complete Settlement: For the purposes of the settlement of all of the issues in this proceeding, the Parties agree that the customer addition forecasts for the 2019 Bridge Year and 2020 Test Year included in ENGLP’s Application are appropriate.

Table 3
Forecasted Year End Connections

	A	B	C	E	F	G
	Application Bridge 2019	Application Test 2020	Settlement Bridge 2019	Settlement Test 2020	Change Bridge 2019	Change Test 2020
1 Rate 1 - Residential	8,747	9,011	8,747	9,011	0	0
2 Rate 1 - Commercial	490	498	490	498	0	0
3 Rate 1 - Industrial	68	69	68	69	0	0
4 Rate 2	51	49	51	49	0	0
5 Rate 3	6	6	6	6	0	0
6 Rate 4	37	38	37	38	0	0
7 Rate 5	4	4	4	4	0	0
8 Rate 6	1	1	1	1	0	0
9 Total	9,403	9,677	9,403	9,677	0	0

Evidence:

Application:

- Exhibit 3, Tab 1, Schedule 1, section 3.2.

IRRs:

- Staff Interrogatories: 2-Staff-14, 3-Staff-34, 3-Staff-35, 3-Staff-36, 3-Staff-41
- VECC Interrogatories: 3-VECC-15

Supporting Parties: All

- (b) **Are the volume throughput and revenue forecasts for the 2019 Bridge Year and 2020 Test Year appropriate?**

Complete Settlement: For the purposes of the settlement of all of the issues in this proceeding, the Parties agree that volume throughput and revenue forecasts for the 2019 Bridge Year and 2020 Test Year included in ENGLP’s Application are appropriate.

The Parties agree ENGLP will request furnace efficiency and number of persons in household in future customer engagement surveys and will update its volume throughput and revenue forecasting methodology in its next rebasing application to reflect these variables.

Table 4
Forecast Volumes
(m3's)

	A Application Bridge 2019	B Application Test 2020	C Settlement Bridge 2019	E Settlement Test 2020	F Change Bridge 2019	G Change Test 2020
1 Rate 1 - Residential	16,556,503	17,045,597	16,556,503	17,045,597	0	0
2 Rate 1 - Commercial	4,769,270	4,851,704	4,769,270	4,851,704	0	0
3 Rate 1 - Industrial	1,731,722	1,743,215	1,731,722	1,743,215	0	0
4 Rate 2	1,322,665	1,280,413	1,322,665	1,280,413	0	0
5 Rate 3	1,801,305	1,721,684	1,801,305	1,721,684	0	0
6 Rate 4	1,116,228	1,149,006	1,116,228	1,149,006	0	0
7 Rate 5	685,748	685,748	685,748	685,748	0	0
8 Rate 6	59,243,876	59,243,876	59,243,876	59,243,876	0	0
9 Total	87,227,317	87,721,242	87,227,317	87,721,242	0	0

Evidence:

Application:

- Exhibit 3, Tab 1, Schedule 1, section 3.1

IRRs:

- Staff Interrogatories: 3-Staff-34, 3-Staff-35, 3-Staff-37, 3-Staff -38, 3-Staff-39, 3-Staff-40, 3-Staff-41
- IGPC Interrogatories: 7-IGPC-17
- VECC Interrogatories: 3-VECC-17

Supporting Parties: All

(c) Are the proposed Other Revenues for the 2020 Test Year appropriate?

Complete Settlement: For the purposes of the settlement of all of the issues in this proceeding, the Parties agree that ENGLP's calculation of Other Revenues for the 2020 Test Year as filed by ENGLP are appropriate. Revenues agreed upon are set out in Table 5 below.

Table 5
Other Revenues (\$ thousands)

	A	B	C
	Application	Settlement	Change
1 Transfer/Connection Charge	36	36	0
3 Reconnect Charge ¹	3	3	0
4 Returned Cheques	7	7	0
5 Utility Fees	68	68	0
6 Late Fees	18	18	0
7 Direct Charge	15	15	0
8 Bank Interest	1	1	0
9 Total Other Revenues	148	148	0

¹ Reconnect charges in the Application included disconnect charges. No change was made to Other Revenue when Parties agreed ENGLP would remove the disconnect fee.

Evidence:

Application:

- Exhibit 3, Tab 1, Schedule 1, section 3.4.

IRRs:

- Staff Interrogatories: 3-Staff-36, 8-Staff-71

Supporting Parties: All

4. Operating Costs

(a) Is the level of planned OM&A expenditures appropriate and is the rationale for planning choices appropriate and adequately explained, giving due consideration to:

- **customer feedback and preferences**
- **productivity**
- **benchmarking of costs**
- **reliability and service quality**
- **impact on distribution rates**
- **trade-offs with capital spending**
- **government-mandated obligations**
- **the objectives of EPCOR Natural Gas and its customers**
- **the utility system plan**
- **the business plan**
- **Affiliate Shared Services**
- **Corporate Shared Services and the Corporate Structure/Status**

Complete Settlement: For the purposes of the settlement of all of the issues in this proceeding, the Parties agree that OM&A expenditures of \$3,208,803 for the 2020 Test Year is appropriate. This amount includes an agreed reduction of \$150,000 from the applied-for OM&A amount (as adjusted via interrogatory responses).

The Parties agree that the revised planned OM&A expenditure amount is appropriate and reflects a reasonable increase from both bridge year actuals and the last approved Board approved amounts. The agreed OM&A expenditure amount is summarized in Table 6 below, and the Parties acknowledge that ENGLP is at liberty to manage the agreed upon reduction as it sees fit, given the actual cost pressures faced by the company.

Table 6
Summary of Changes in Distribution O&M
(\$ thousands)

		A	B	C
		Application	Settlement	Change
1	Wages	1,071	1,071	0
2	Employee Benefits	361	361	0
3	Insurance	86	86	0
4	Utilities	17	17	0
5	Advertising	34	34	0
6	Telephone	36	36	0
7	Office & Postage	127	127	0
8	Repair & Maintenance	118	118	0
9	Transp. Fuel/ Maint.	46	46	0
10	Dues & Fees	31	31	0
11	Mapping Expense	0	0	0
12	Regulatory	212	212	0
13	Bad Debts	34	34	0
14	Interest - Security Deposits	0	0	0
15	Bank Charges	6	6	0
16	Collection Expense	0	0	0
17	Travel & Ent.	15	15	0
18	Legal	34	34	0
19	Audit	31	31	0
20	Consulting Fees	117	117	0
21	Management Fees	0	0	0
22	Correction on CCA issue	0	0	0
23	Miscellaneous	0	0	0
24	Affiliate Shared Services	454	454	0
25	Corporate Shared Services	439	439	0
26	LEAP Funding	8	8	(1)
27	Maintenance Cost on IGPC Pipeline and Station	80	80	0
28	Settlement Proposal Adjustment	0	(150)	(150)
29	Total O&M	3,359	3,209	(151)

Evidence:

Application:

- Exhibit 4, Tab 1, Schedule 1, section 4.3.

IRRs:

- Staff Interrogatories: 2-Staff-19, 4-Staff-47, 4-Staff-48, 4-Staff-49, 4-Staff-50, 4-Staff-51, 4-Staff-52, 4-Staff-53, 4-Staff-54, 4-Staff-55, 4-Staff-56, 4-Staff-57
- IGPC Interrogatories: 1-IGPC-1, 1-IGPC-2, 3-IGPC-6, 4-ICPC-7, 4-IGPC-8, 4-ICPG-9, 4-IGPC-10, 4-IGPC-11, 4-IGPC-12, 4-IGPC-13, 4-IGPC-14
- VECC Interrogatories: 4-VECC-18, 4-VECC-20, 4-VECC-21, 4-VECC-22, 4-VECC-23, 4-VECC-24, 4-VECC-25, 4-VECC-26

Supporting Parties: All

(b) **Are the depreciation costs for the 2020 Test Year appropriate?**

Complete Settlement: For the purposes of the settlement of all of the issues in this proceeding, the Parties agree that ENGLP's depreciation calculations are reasonable and have been appropriately determined in accordance with OEB policies and practices. The recalculated depreciation expense in the revenue requirement provided by ENGLP to the Parties on May 14, 2019 was accepted as appropriate. Table 7 below outlines the agreed upon depreciation costs.

In particular, the Parties agree that ENGLP's proposal to change the depreciation rates for the residential meters asset class from 3.62% to 10% to reflect the seal life of ten years for a new residential meter (AC-250 meter) is appropriate given the impracticalities of implementing a sampling program which complies with Measurement Canada requirements in order to extend the useful life of these meters beyond the ten year seal life. This is based on ENGLP's evidence that the cost to recertify a meter for the Aylmer operations is greater than the cost of a new residential meter including installation. The Parties accept ENGLP's proposed approach to remove the meters at the end of the seal life and replace with a new or refurbished meter, the cost of which would be capitalized and depreciated over a ten year seal life.

The Parties also agree that in conjunction with the change in depreciation rate for the residential meters, ENGLP's proposal to establish a deferral account to record the loss on disposal of meters in 2020 resulting from the change in depreciation is appropriate. The draft accounting order for this account is included in **Appendix "C"**.

Table 7
Summary of Changes of Depreciation Expense
(\$ thousands)

Asset Group	A Application	B Correction on Depreciation	C Settlement	D Change Due to Settlement
1 Land	0	0	0	0
2 Structures & Improvements - General Plant	14	15	15	0
3 Structures & Improvements – Distribution	0	0	0	0
4 Structures & Improvements – Transmission	0	0	0	0
5 Furnishing / Office Equipment	5	2	2	0
6 Computer Equipment	103	57	57	0
7 Software - Acquired	81	50	50	0
8 Tools and Work Equipment	51	18	18	0
9 Communication Equipment	15	5	5	0
10 Vehicles - Transportation Equipment	53	51	51	0
11 Vehicle - Heavy Work Equipment	0	0	0	0
12 Meters - Residential	88	125	125	0
13 Meters - Commercial	65	84	84	0
14 Meter – IGPC	2	8	8	0
15 Regulators - New	3	12	12	0
16 Regulator and Meter Installations	0	0	0	0
17 Measuring and Regulating Equipment	74	48	48	0
18 Mains - Plastic (Distribution Plant)	312	259	259	0
19 Mains - Metallic (Distribution Plant)	0	0	0	0
20 Mains - Metallic IGPC (Transmission Plant)	124	72	72	0
21 Plastic Service Lines (net of contributions)	101	37	37	0
22 Franchises and Consents	38	33	33	0
23 Total Depreciation	1,131	877	877	0

Evidence:

Application:

- Exhibit 4, Tab 1, Schedule 1, section 4.4.
- Appendix A: Recalculation of the depreciation expense in test year

IRRs:

- Staff Interrogatories: 2-Staff-13, 4-Staff-58, 4-Staff-60
- VECC Interrogatories: 2-VECC-3, 2-VECC-5

Supporting Parties: All

- (c) **Have all impacts of any changes in accounting standards, policies, estimates and adjustments been properly identified and recorded, and is the ratemaking treatment of each of these impacts appropriate?**

Complete Settlement: For the purposes of the settlement of all of the issues in this proceeding, the Parties agree that any changes in accounting standards, policies, estimates and adjustments have been properly identified and recorded, and the ratemaking treatment of each of these impacts is appropriate.

Evidence:

Application:

- Exhibit 1, Tab 1, Schedule 1, Sections 1.5.2, 1.3.14, 1.5.5
- Exhibit 2, Tab 1, Schedule 2, Sections 2.1 and 2.2.4
- Exhibit 4, Tab 1, Schedule 1, Section 4.4

IRRs:

- Staff Interrogatories: 2-Staff-16
- VECC Interrogatories: 2-VECC-3

Supporting Parties: All

- (d) **Are the cost consequences of the EPCOR Natural Gas Supply Plan, including the proposal for gas purchases from On-Energy Corp. appropriate?**

Complete Settlement: The Parties agree that ENGLP's proposal to use the Dawn Reference Price in place of the Ontario Landed Reference Price which Union Gas (now Enbridge Gas Inc.) ceased calculating effective January 1, 2017, to determine the cost of gas purchases in excess of 1.0 million cubic meters from NRG Corp. (and its successor On-Energy Corp.) for the period January 1, 2017 to December 31, 2019 is appropriate. In conjunction with this item, the Parties agree that the QRAM pricing that became interim as of January 1, 2017 as a result of the replacement reference price should be made final.

The Parties agree that ENGLP's Natural Gas Supply Plan for the 2020 Test Year and subsequent years will be the subject of a separate Board proceeding (EB-2019-0150), which may impact the associated cost consequences of this Settlement Proposal. With this understanding, the Parties agree that:

- ENGLP's proposal to use the Dawn Reference Price to determine the cost of gas purchases in excess of 1.0 million cubic meters from On-Energy Corp. for the period January 1, 2020 to the end of the term of the Gas Supply Agreement (September 30, 2020) is appropriate; and,
- ENGLP's proposal to recover from system gas customers (up to a maximum annual quantity of 1.0 million m³ of natural gas) the cost of gas purchased from On-Energy Corp. (previously NRG Corp.) at a rate of \$8.486 per Mcf until September 30, 2020, is appropriate.

ENGLP will continue to require locally-sourced natural gas through the time period covered by this Application. ENGLP now deals at arm's-length from local gas producers, and is negotiating pricing (to take effect at the end of September 2020, upon expiry of the existing contract) based on a discount to the Enbridge commodity rate under the M9 Tariff.

Evidence:

Application:

- Exhibit 4, Tab 4, Schedule 1
- Exhibit 9, Section 9.1.2.1, PGTVA 1-5 Reference Price

IRRs:

- Staff Interrogatories: 2-Staff-21, 2-Staff-23, 4-Staff-42, 4-Staff-43, 4-Staff-44, 4-Staff-45
- VECC Interrogatories: 2-VECC-8

Supporting Parties: All

(e) Is the gas transportation cost forecast for the 2020 Test Year appropriate?

Complete Settlement: The Parties agree that: (a) the gas transportation costs forecast of \$675,544 for the 2020 Test Year for customers in Rate classes 1 to 5 is appropriate; and (b) the PGTVA 1-5 reference price proposed in ENGLP's Application appropriately represents the transportation costs included in ENGLP's distribution rates for Rate classes 1 to 5 for the 2020 Test Year and therefore is the appropriate reference price for recording the difference between the transportation costs included in the distribution rates and the actual transportation costs incurred for the purposes of recording amounts in the PGTVA 1-5 variance account commencing January 1, 2020.

The Parties also agree that ENGLP's proposal to continue to directly flow-through to the customer in Rate 6 the actual costs charged to ENGLP by Enbridge under its M9 and Bundled-T contracts with Enbridge for the volumes required to serve this customer is appropriate.

The Parties acknowledge that ENGLP's Natural Gas Supply Plan is subject to a separate Board proceeding (EB-2019-0150), the outcome of which may impact these items. Table 8 provides the agreed upon PGTVA 1-5 reference price. A draft accounting order reflecting the agreed upon PGTVA 1-5 reference price is included in **Appendix "D"**.

Table 8
PGTVA 1-5 Reference Price (\$/m3)

	A Current	B Proposed 2020 Test Year	C Agreed Upon 2020 Test Year
1 PGTVA 1-5 Reference Price	\$0.018339/m3	\$0.023724	\$0.023724

Evidence:

Application:

- Exhibit 4, Tab 1, Schedule 1, Table 4.1-8
- Exhibit 9, Tab 1, Schedule 1

IRRs:

- Staff Interrogatories: 1-Staff-2, 1-Staff-3, 4-Staff-42

Supporting Parties: All

5. *Deferral and Variance Accounts*

- (a) **Is EPCOR Natural Gas’ proposal for deferral and variance accounts, including the balances in the existing accounts and their disposition, requests for new accounts and the continuation or closure of existing accounts, appropriate?**

Complete Settlement: For the purposes of the settlement of all of the issues in this proceeding, the Parties agree that ENGLP’s proposals for its deferral and variance accounts (including the balances in the existing accounts and their disposition, requests for new accounts and the continuation or closure of existing accounts) as filed are appropriate.

With respect to the Unaccounted For Gas Variance Account (“UFGVA”), the Parties agree that this account shall apply to Rates 1-5 and an annual materiality threshold of \$25,000 shall apply to this account. The draft accounting order for the UFGVA is provided in **Appendix “E”**.

The Parties acknowledge that in its responses to interrogatories ENGLP withdrew its request to establish the Recovery of Income Tax Deferral Account (“RITDA”) prior to the settlement conference. In addition to the deferral and variance accounts ENGLP filed to establish, the Parties agree that ENGLP shall establish the following additional deferral accounts:

1. The Accelerated CCA Income Taxes Variance Account (“ACITVA”) for ENGLP to record the income tax impact from the difference between the capital cost allowance (“CCA”) rates used in the income taxes payable calculation included in the 2020 revenue requirement (EB-2018-0336) and the accelerated CCA rates as enacted under Bill C-97, should EPCOR Natural Gas Limited Partnership

(“ENGLP”) claim accelerated CCA for its Aylmer operations during the Price Cap IR Term. In the calculation of income taxes payable included in the 2020 revenue requirement, ENGLP has not claimed the accelerated CCA on eligible capital property. Therefore, this account is required to record the impact associated with changes to income taxes payable should ENGLP claim accelerated CCA during the Price Cap IR Term. The draft accounting order for this account is included as **Appendix “F”** to this settlement proposal.

2. A deferral account to record the revenue requirement associated with the four capital projects described in Issue 2(a) above. The draft accounting order for the 2016-2017 System Integrity Capital Projects Deferral Account is included as **Appendix “G”** to this Settlement Proposal.
3. The Earnings Share Mechanism Deferral Account (“ESMDA”) to record the annual earnings sharing mechanism over the Price Cap IR Term to be implemented for 2020-2024 as part of ENGLP’s Price Cap IR Plan as outlined in the Parties agreement under Issue 8 (a) below. The draft accounting order for this account is included as **Appendix “H”** to this settlement proposal.
4. The Approved Deferral/Variance Disposal Account (“ADVADA”) to track the collection/refund of all deferral and variance accounts against the balances which have been approved for disposition. The ADVADA will allow any over or under collection/refund on ENGLP’s deferral and variance account balances which have been approved for disposition to be tracked and accounted for in the same manner as Account 1595 (Disposition and Recovery/Refund of Regulatory Balances Control Account) as per the Uniform Chart of Accounts for Electricity Distributors. The draft accounting order for this account is included as **Appendix “I”** to this settlement proposal.

The Parties’ agreement regarding the ENGLP’s deferral and variance accounts is summarized in Table 9 below.

Table 9
Treatment of ENGLP's Deferral and Variance Accounts

Account	A Dec 31, 2018 Balance (incl. interest) (\$)	B Disposition Proposal	C Continuance/ Account Closure/ Establishment Request
1 Purchased Gas Commodity Variance Account ("PGCVA")	22,914	No Disposition	Continuance
2 Gas Purchase Rebalancing Account ("GPRA")	(178,286)	No Disposition	Continuance
3 Purchased Gas Transportation Variance Account Rates 1-5 ("PGTVA 1-5")	35,662	Disposition	Continuance
4 Purchased Gas Transportation Variance Account Rates 6 ("PGTVA 6")	180,941	Disposition	Closure
5 Regulatory Expense Deferral Account ("REDA")	65,598	Disposition	Continuance
6 IFRS Conversion Cost Deferral Account ("IFRSDA")	-	No Disposition	Closure
7 Transportation Service Charge Deferral Account ("TSCDA")	-	No Disposition	Continuance
8 Greenhouse Gas Emissions Compliance Obligation – Customer-Related Deferral Account ("GGECRDA")	(165,162)	No Disposition	Continuance
9 Greenhouse Gas Emissions Compliance Obligation – Facility-Related Deferral Account ("GGEFRDA")	(1,252)	No Disposition	Continuance
10 Greenhouse Gas Emissions Impact Deferral Account ("GGEIDA")	266,450	No Disposition	Continuance
11 2019 Rebalancing Deferral Account	-	No Disposition	Closure
12 Unaccounted For Gas Variance Account ("UFGVA")	N/A	N/A	Established
13 Loss on Disposal of Meters Deferral Account ("LDMDA")	N/A	N/A	Established
14 Accelerated CCA Income Tax Deferral Account ("ACITDA")	N/A	N/A	Established
15 2016-17 System Integrity Capital Projects Deferral Account ("SICDA")	N/A	N/A	Established
16 Earnings Share Mechanism Deferral Account ("ESMDA")	N/A	N/A	Established
17 Approved Deferral/Variance Disposal Account ("ADVADA")	N/A	N/A	Established

Tables 10 through 13 below outline the agreed upon disposition amounts and rate riders for each of the accounts the Parties agree shall be disposed of as a part of this proceeding.

Table 10
Disposition Amount and Twelve-Month Rate Rider for PGTVA 1-5

	A Unit	B Amount
1 PGTVA 1-5 audited Dec 31, 2018 balance	\$	35,466
2 PGTVA 1-5 audited carrying charges as of Dec. 31, 2018	\$	196
3 PGTVA 1-5 forecasted interest from Dec 31, 2018 through Dec 31, 2019	\$	797
4 Total Disposition Amount	\$	36,459
5 Total Forecasted Volume for Rate Classes 1 - 5	m3	28,475,446
6 12 Month Volumetric Rate Rider for Rate Classes 1 - 5	cents / m3	0.1280

Table 11
Twelve-Month Rate Rider for PGTVA 6 (\$)

	A
	Amount
1 PGTVA 6 audited Dec 31, 2018 balance	178,809
2 PGTVA 6 audited carrying charges as of Dec. 31, 2018	2,132
3 PGTVA 6 forecasted interest from Dec 31, 2018 through Dec 31, 2019	4,019
4 Total Disposition Amount	184,960
5 Fixed Monthly Rate Rider	15,413.33

Table 12
Disposition Amount for REDA (\$)

	A	B	C
	DSM	All	Total
		Other	
1 REDA audited Dec 31, 2018 balance	2,803	61,973	64,776
2 REDA audited carrying charges as of Dec. 31, 2018	37	785	822
3 REDA forecasted interest from Dec 31, 2018 through Dec 31, 2019	63	1,393	1,456
4 Total Disposition Amount	2,903	64,151	67,054

Table 13
Twelve-Month Rate Rider for REDA

	A	B	C	D	E	F	G	H	I	J
	Unit	Row Sum	Rate 1 - Residential	Rate 1 - Commercial	Rate 1 - Industrial	Rate 2	Rate 3	Rate 4	Rate 5	Rate 6
1 Average Connection Count	Cx	9,538	8,877	494	68	50	6	38	4	1
2 Allocation for DSM	%	100.00%	93.08%	5.18%	0.71%	0.52%	0.06%	0.40%	0.04%	0.00%
3 Allocation for Other REDA	%	100.00%	93.07%	5.18%	0.71%	0.52%	0.06%	0.40%	0.04%	0.01%
4 DSM	\$	2,903	2,702	150	21	15	2	12	1	0
5 Other REDA	\$	64,151	59,705	3,323	457	336	40	256	27	7
6 Sum	\$	67,054	62,407	3,473	478	352	42	267	28	7
7 Rate Rider / month	\$/ month		0.59	0.59	0.59	0.59	0.59	0.59	0.59	0.56

Evidence:

Application:

- Exhibit 9 – Deferral and Variance Accounts

IRRs:

- Staff Interrogatories: 1-Staff-5, 4-Staff-46, 4-Staff-57, 9-Staff-74, 9-Staff-76, 9-Staff-77, 9-Staff-78
- VECC Interrogatories: 9-VECC-35, 10-VECC-35, 10-VECC-36
- IGPC Interrogatories: 4-IGPC-8, 9-IGPC-18

Supporting Parties: All

6. *Cost of Capital*

- (a) **Is EPCOR Natural Gas’ proposed capital structure of 60% debt (56% long-term and 4% short-term) and 40% equity appropriate?**

Complete Settlement: The Parties agree that ENGLP’s proposed capital structure, as outlined in Table 14 below, is appropriate.

Table 14

2020 Capital Structure

	Capital Component	A Application	B Settlement	C Change
1	Equity	40%	40%	0%
2	LT Debt	56%	56%	0%
3	ST Debt	4%	4%	0%
4	Total	100%	100%	0%

Evidence:

Application:

- Exhibit 5, Tab 1, Schedule 1, Section 5.1 (Capital Structure)

IRRs:

- Staff Interrogatories: 5-Staff-63

Supporting Parties: All

- (b) **Is EPCOR Natural Gas’ cost of capital for the 2020 Test Year appropriate?**

Complete Settlement: The Parties agree that ENGLP’s cost of capital for the 2020 Test Year as outlined in Table 15 below is appropriate.

Table 15

2020 Cost of Capital

	Capital Component	A Application	B Settlement	C Change
1	Equity	8.98%	8.98%	0.00%
2	LT Debt	3.84%	3.84%	0.00%
3	ST Debt	2.82%	2.82%	0.00%
4	WACC	5.86%	5.86%	0.00%

Evidence:

Application:

- Exhibit 5, Tab 1, Schedule 1, section 5.0.

IRRs:

- Staff Interrogatories: 5-Staff-63

Supporting Parties: All

7. *Cost Allocation and Rate Design*

(a) Are the proposed changes to cost allocation, rate design and revenue-to-cost ratios appropriate?

Complete Settlement: The Parties agree that the proposed changes to cost allocation, rate design and revenue-to-cost ratios are appropriate, subject to the following agreed changes:

1. For the purposes of the settlement of all the issues in this proceeding, the Parties agree that the proposed changes to distribution rates will be revised as follows:
 - a. The Rate 1 fixed monthly rate will increase by \$1.00 for the 2020 Test Year to \$16.50. The Rate 1 fixed monthly rate shall then increase by \$1.00 per year for each year of the Price Cap IR Plan Term as originally proposed in the Price Cap IR Plan included in ENGLP's Application; and,
 - b. The fixed monthly rate for Rate 4 shall increase from \$17.25 to \$20.00 for the 2020 Test Year.

Table 16 included below in Issue 7(b) includes the fixed monthly rates as agreed to by the Parties.

2. For the purposes of the settlement of all of the issues in this proceeding, the Parties agree that the proposed changes to the revenue-to-costs ratio will be revised as follows: ENGLP will increase distribution rates for Rates 4 and 5 in the 2020 Test Year to effect an increase of up to 10% for the typical customer in each of these classes in order to achieve a revenue to cost ratio of 1.06 for Rate 6 by correspondingly reducing the revenue to be recovered from Rate 6. These changes shall not impact the total revenue to be collected by ENGLP, only the Rate class from which it is collected.

Evidence:

Application:

- Exhibit 7 – Cost Allocation
- Exhibit 8 – Rate Design
- Exhibit 1, Tab 1, Schedule 1, section 1.5.7.

IRRs:

- Staff Interrogatories: 2-Staff-20, 7-Staff-64, 7-Staff-65, 7-Staff-66, 7-Staff-67, 7-Staff-68, 7-Staff-70, 8-Staff-68, 8-Staff-69, 9-Staff-78
- VECC Interrogatories: 4-VECC-24, 7-VECC-29, 5-VECC-30, 8-VECC-30, 8-VECC-31
- IGPC Interrogatories: 1-IGPC-1, 7-IGPC-16, 7-IGPC-17

Supporting Parties: All

(b) Are the proposed rates appropriate?

Complete Settlement: Based on the settlement of issues in accordance with this Settlement Proposal, the Parties agree that the resultant rates are appropriate. The resultant rates are summarized in Table 16 below and the associated bill impacts of typical customers, 10th percentile customers and revenue to cost ratios are provided in Table 17, Table 18 and Table 19 respectively.

**Table 16
Summary of Proposed Changes to Distribution Rates**

Rate Class	A Rate Block	B Unit	C Application	D Correction on Depreciation	E Settlement	F Change Due to Settlement
1 Rate 1	Fixed Monthly Rate	\$ / month	17.00	17.00	16.50	-0.50
2	Tier 1 Rate (first 1,000 m3's)	cents / m3	14.9119	13.8753	13.6301	-0.2451
3	Tier 2 Rate (> 1,000 m3's)	cents / m3	12.0146	11.1288	10.9546	-0.1742
4 Rate 2	Fixed Monthly Rate	\$ / month	20.00	20.00	20.00	0.00
5	<u>April - October</u>					
6	<u>Tier 1 (First 1,000 m3 per month)</u>	cents / m3	17.0476	17.0476	16.7582	-0.2894
7	<u>Tier 2 (Next 24,000 m3 per month)</u>	cents / m3	9.3570	9.0085	8.7056	-0.3029
8	<u>Tier 3 (Over 25,000 m3 per month)</u>	cents / m3	6.7868	6.7868	6.7868	0.0000
9	<u>November - March</u>					
10	<u>Tier 1 (First 1,000 m3 per month)</u>	cents / m3	21.4882	21.4882	21.1234	-0.3648
11	<u>Tier 2 (Next 24,000 m3 per month)</u>	cents / m3	15.4880	14.9112	14.4099	-0.5013
12	<u>Tier 3 (Over 25,000 m3 per month)</u>	cents / m3	15.2899	15.2899	15.2899	0.0000
13 Rate 3	Fixed Monthly Rate	\$ / month	200.00	200.00	200.00	0.00
14	Firm Demand	cents / m3 / month	29.0974	29.0974	29.0974	0.0000
15	Firm Delivery	cents / m3	4.0367	4.0367	3.8403	-0.1964
16 Rate 4	Fixed Monthly Rate	\$ / month	17.25	17.25	20.00	2.75
17	<u>April - December</u>					
18	Block 1 (First 1,000 m3 per month)	cents / m3	18.5480	18.0919	18.5840	0.4922
19	Block 2 (Over 1,000 m3 per month)	cents / m3	11.3804	11.1005	11.4025	0.3020
20	<u>January - March</u>					
21	Block 1 (First 1,000 m3 per month)	cents / m3	23.6622	23.0802	23.7081	0.6279
22	Block 2 (Over 1,000 m3 per month)	cents / m3	18.2847	17.8350	18.3202	0.4852
23 Rate 5	Fixed Monthly Rate	\$ / month	190.00	190.00	190.00	0.00
24	Interruptible Delivery	cents / m3	8.2606	8.2606	8.2908	0.0302
25 Rate 6	Fixed Monthly Rate	\$ / month	71,812.87	64,253.62	61,229.92	-3,023.70

Table 17

Summary of Annual Distribution Rate Impacts (Typical)

Rate Class	A Annual Bill Current Rates	B Annual Bill Proposed Rates	C Change (\$)	D Change (%)
1 Rate 1 - Residential	469.92	440.65	-29.27	-6.23%
2 Rate 1 - Commercial	832.18	750.24	-81.93	-9.85%
3 Rate 1 - Industrial	2,080.55	1,835.07	-245.48	-11.80%
4 Rate 2	2,691.46	2,568.09	-123.36	-4.58%
5 Rate 3	93,609.24	93,382.08	-227.16	-0.24%
6 Rate 4	2,283.44	2,490.24	206.80	9.06%
7 Rate 5	14,922.42	16,404.81	1,482.39	9.93%
8 Rate 6	1,133,887.44	734,759.06	-399,128.38	-35.20%

Table 18

Summary of Annual Distribution Rate Impacts (10th Percentile)

Rate Class	A Annual Bill Current Rates	B Annual Bill Proposed Rates	C Change (\$)	D Change (%)
1 Rate 1 - Residential	264.28	264.90	0.62	0.23%
2 Rate 1 - Commercial	304.53	299.30	-5.23	-1.72%
3 Rate 1 - Industrial	551.97	510.77	-41.20	-7.46%
4 Rate 2	437.55	463.63	26.08	5.96%
5 Rate 3	9,645.92	9,929.81	283.89	2.94%
6 Rate 4	968.06	1,064.76	96.70	9.99%
7 Rate 5	6,498.74	7,147.18	648.45	9.98%
8 Rate 6	1,133,887.44	734,759.06	-399,128.38	-35.20%

Table 19

Distribution Revenue to Cost Comparison (excluding Commodity)

(\$)

	A Total	B Rate 1	C Rate 1 - Residential	D Rate 1 - Commercial	E Rate 1 - Industrial	F Rate 2	G Rate 3	H Rate 4	I Rate 5	J Rate 6
1 Proposed Revenue	6,253,241	4,983,317	4,078,102	690,283	214,933	152,112	167,703	149,375	65,974	734,759
2 Cost	6,253,241	4,973,798	4,146,402	667,480	159,915	151,127	172,501	161,207	103,870	690,739
3 Over (Under) Contribution	(0)	9,520	(68,300)	22,802	55,017	985	(4,798)	(11,832)	(37,896)	44,020
4 Proposed Revenue to Cost	1.00	1.00	0.98	1.03	1.34	1.01	0.97	0.93	0.64	1.06
5 EB-2010-0018 Approved	0.98	0.99	0.94	1.47	0.72	0.37	0.93	1.14	0.61	1.06

Evidence:

Application:

- Exhibit 8, Tab 2, Schedule 4 (Proposed Rates and Schedules)

IRRs:

- Staff Interrogatories: 2-Staff-14, 9-Staff-78

Supporting Parties: All

(c) **Are the proposed changes to EPCOR Natural Gas' Schedule of Service Charges appropriate?**

Complete Settlement: For the purposes of the settlement of all of the issues in this proceeding, the Parties agree to the following changes to its Miscellaneous Charges schedule: (1) removal of a disconnection fee; (2) continuation of the NSF (returned cheque) fee at \$20; (3) clarification that the service lateral associated with the installation of service lateral fee is 20 metres.

Table 20
Summary of Settled Service and Miscellaneous Charges

Service	A Current Fee (2011)	B Proposed Fee	C Settled Fee
1 Service Work			
2 During normal working hours			
3 Minimum charge (up to 60 minutes)	\$90.00	\$100.00	\$100.00
4 Each additional hour (or part thereof)	\$90.00	\$100.00	\$100.00
5 Outside normal working hours			
6 Minimum charge (up to 60 minutes)	\$115.00	\$130.00	\$130.00
7 Each additional hour (or part thereof)	\$95.00	\$105.00	\$105.00
8 Miscellaneous Charges			
9 Returned Cheque / Payment	\$20.00	\$48.00	\$20.00
10 Replies to request for account information	\$20.00	\$25.00	\$25.00
11 Bill Reprint / Statement Print Requests		\$20.00	\$20.00
12 Consumption Summary Requests		\$20.00	\$20.00
13 Customer Transfer / Connection Charge	\$30.00	\$35.00	\$35.00
14 Reconnection Charge	\$78.00	\$85.00	\$85.00
15 Inactive Account Charge		ENGLP cost to install service	ENGLP cost to install service
16 Late Payment Charge	1.5% /month, 19.56% /year (effective rate of 0.04896% compounded daily)	1.5% / month, 19.56% / year (effective rate of 0.04896% compounded daily)	1.5% / month, 19.56% / year (effective rate of 0.04896% compounded daily)
17 Meter Tested at Customer Request Found to be Accurate	Charge based on actual costs	Charge based on actual costs	Charge based on actual costs
18 Installation of Service Lateral	\$100 first 20 meters. \$10/meter thereafter	\$100 (minimum). Additional if pipe length exceeds length used to set fee.	\$100 first 20 meters. Additional if pipe length exceeds length used to set fee.

Evidence:

Application:

- Exhibit 1, Tab 1, Schedule 1, section 1.3.16.

IRRs:

- Staff Interrogatories: 3-Staff-36, 8-Staff-71
- VECC Interrogatories: 8-VECC-32, 8-VECC-33

Supporting Parties: All

8. *Incentive Regulation Plan*

(a) Is EPCOR Natural Gas' proposed Incentive Regulation Plan for the period 2021 to 2024 appropriate?

Complete Settlement: For the purposes of the settlement of all of the issues in this proceeding, the Parties agree that the proposed Incentive Regulation (“IR”) Plan for the period 2021 to 2024 as filed in its Application including: (a) an annual adjustment mechanism or Price Cap Adjustment; (b) specified Y-factors; (c) use of Z-factor adjustments; (d) tax changes; (e) use of an incremental capital module; and (f) an earnings dead band off-ramp is appropriate, subject to the following agreed changes:

1. ENGLP will employ a stretch factor of 0.4% for the calculation of the annual Price Cap Adjustment for its Aylmer business unit over the IR term.
2. The Y-factor related to income taxes payable is removed in conjunction with ENGLP’s withdrawal of its request to establish the Recovery of Income Tax Deferral Account (“RITDA”) as noted in Issue 5 (a) above.
3. ENGLP will implement an asymmetrical Earnings Sharing Mechanism (“ESM”) based on an assessment of earnings over the term covered by this Application (2020-2024). In the event that the utility’s cumulative ROE at the end of the period 2020 through 2024 exceeds the Board-approved ROE by more than 150 basis points, ENGLP is required to share with ratepayers 50% of the earnings which are in excess of the 150 basis points threshold. For additional clarity, the cumulative ROE will be calculated as the sum of actual regulated net income over the term, taking into account any necessary adjustments, divided by the sum of the actual regulated equity balances for the same term (i.e. considers rate base growth). For the purposes of calculating the utility’s regulated net income for the determination of cumulative ROE for assessment under the ESM, ENGLP’s annual Affiliate and Corporate Shared Services costs included in O&M costs as described in the original application for EB-2018-0336 shall be capped at the lower of: (a) actual costs incurred annually; or (b) the Affiliate and Corporate Shared Services costs included in the 2020 Test Year Board-approved revenue requirement per EB-2018-0336 as inflated annually by the inflation factors approved for use in ENGLP’s annual IRM applications.

Evidence:

Application:

- Exhibit 1, Tab 1, Schedule 1, section 1.3.11.
- Exhibit 10 – Incentive Rate-Setting Proposal

IRRs:

- Staff Interrogatories: 9-Staff-78, 10-Staff-79, 10-Staff-80, 10-Staff-81
- VECC Interrogatories: 8-VECC-31, 10-VECC-37, 10-VECC-38

Supporting Parties: All

9. *Score Card*

(a) Is EPCOR Natural Gas' proposed Score Card appropriate?

Complete Settlement: For the purposes of the settlement of all of the issues in this proceeding, the Parties agree that the proposed Scorecard is appropriate, subject to the following agreed changes:

1. The Scorecard shall include total cost per customer per year and total cost per kilometre of distribution pipe per year.

The agreed upon Scorecard is provided in **Appendix "J"** to this settlement proposal.

Evidence:

Application:

- Exhibit 1, Tab 1, Schedule 1, section 1.7.

Supporting Parties: All

APPENDIX A

**UPDATED INFORMATION ENGLP PROVIDED TO THE INTERVENORS AND OEB
STAFF MAY 14, 2019 TO REFLECT THE RECALCULATION OF THE
DEPRECIATION EXPENSE IN TEST YEAR**

**Table 1
Changes to 2020 Revenue Requirement (\$)**

Item	A
1 Revenue Requirement filed January 31, 2019	6,652,600
2 Changes to Income Tax (see 1-STAFF-07, 4-STAFF-59)	146,786
3 Updated PP&E Additions to reflect 2018 Actuals & Updates to Depreciation Calculations	3,937
4 Adjusted 2019 and 2020 capital expenditures (see 2-STAFF-24 & 2-VECC-12)	(27,844)
5 Updated Other Revenue projection (see 3-STAFF-36)	(34,911)
6 Reduction in depreciation resulting from correction to application of proposed new useful lives	(337,147)
7 Revised Revenue Requirement	6,403,421

**Table 2
Summary of 2020 Revenue Requirement (\$)**

Description	A 2020 Test
1 Transportation Cost	675,547
2 OM&A	3,370,304
3 Depreciation	876,563
4 Property Taxes	632,000
5 Income Taxes	61,842
6 Cost of Capital	946,443
7 Cost of Service before Revenue Offsets	6,562,700
8 Other Revenue	(147,778)
9 System Gas Fee	(11,501)
10 Revenue Requirement	6,403,421

**Table 3
Cost Drivers of Revenue Sufficiency (\$)**

Description	A 2020 Revenue at Existing	B 2020 Proposed Revenue	C Variance
1 Transportation Costs	700,200	675,547	(24,653)
2 Operation and Maintenance	3,360,306	3,358,803	(1,502)
3 Depreciation and Amortization	1,334,155	876,563	(457,592)
4 Property Taxes	627,917	632,000	4,083
5 Income Taxes	157,265	61,842	(95,423)
6 Return on Rate Base	942,214	946,443	4,229
7 Other Revenue	(117,190)	(147,778)	(30,588)
8 Total	7,004,867	6,403,421	(601,446)

Table 4
Distribution Revenue to Cost Comparison (Excluding commodity) (\$)

	A Total	B Rate 1	C Rate 1 - Residential	D Rate 1 - Commercial	E Rate 1 - Industrial	F Rate 2	G Rate 3	H Rate 4	I Rate 5	J Rate 6
1 Proposed Revenue	6,403,421	5,095,042	4,173,072	703,315	218,655	156,078	171,084	144,407	65,767	771,043
2 Cost	6,403,421	5,090,997	4,245,675	681,919	163,404	155,110	175,899	165,489	106,642	709,284
3 Over (Under) Contribution	(0)	4,045	(72,603)	21,396	55,251	968	(4,815)	(21,082)	(40,875)	61,759
4 Proposed Revenue to Cost Ratio	1.00	1.00	0.98	1.03	1.34	1.01	0.97	0.87	0.62	1.09
5 EB-2010-0018 Approved	0.98	0.99	0.94	1.47	0.72	0.37	0.93	1.14	0.61	1.06

Table 5
Summary of Annual Distribution Rate Impacts (Typical)

Rate Class	A Annual Bill Current Rates	B Annual Bill Proposed Rates	C Change (\$)	D Change (%)
1 Rate 1 - Residential	469.92	451.01	-18.91	-4.02%
2 Rate 1 - Commercial	832.18	766.17	-66.00	-7.93%
3 Rate 1 - Industrial	2,080.55	1,870.19	-210.36	-10.11%
4 Rate 2	2,691.46	2,633.64	-57.82	-2.15%
5 Rate 3	93,609.24	93,613.69	4.45	0.00%
6 Rate 4	2,283.44	2,397.65	114.20	5.00%
7 Rate 5	14,922.42	16,353.40	1,430.98	9.59%
8 Rate 6	1,133,887.44	771,043.46	-362,843.98	-32.00%

Table 6
Summary of Annual Distribution Rate Impacts (10th Percentile)

Rate Class	A Annual Bill Current Rates	B Annual Bill Proposed Rates	C Change (\$)	D Change (%)
1 Rate 1 - Residential	264.28	272.10	7.82	2.96%
2 Rate 1 - Commercial	304.53	307.12	2.59	0.85%
3 Rate 1 - Industrial	551.97	522.39	-29.58	-5.36%
4 Rate 2	437.55	467.49	29.95	6.84%
5 Rate 3	9,645.92	9,948.98	303.06	3.14%
6 Rate 4	968.06	1,009.92	41.86	4.32%
7 Rate 5	6,498.74	7,129.47	630.73	9.71%
8 Rate 6	1,133,887.44	771,043.46	-362,843.98	-32.00%

Table 7
Summary of Proposed Changes to Distribution Rates

A	B	C	D	E	F	
Rate Class	Rate Block	Unit	Current Rates	Proposed Rates	Difference	
1	Rate 1	Fixed Monthly Rate	\$ / month	15.50	17.00	1.50
2		Tier 1 Rate (first 1,000 m3's)	cents / m3	15.9486	13.8753	(2.0733)
3		Tier 2 Rate (> 1,000 m3's)	cents / m3	11.3519	11.1288	(0.2231)
4	Rate 2	Fixed Monthly Rate	\$ / month	17.25	20.00	2.75
5		<u>April - October</u>				
6		<u>Tier 1 (First 1,000 m3 per month)</u>	cents / m3	17.2765	17.0476	(0.2289)
7		<u>Tier 2 (Next 24,000 m3 per month)</u>	cents / m3	9.4826	9.0085	(0.4741)
8		<u>Tier 3 (Over 25,000 m3 per month)</u>	cents / m3	6.1698	6.7868	0.6170
9		<u>November - March</u>				
10		<u>Tier 1 (First 1,000 m3 per month)</u>	cents / m3	21.7767	21.4882	(0.2885)
11		<u>Tier 2 (Next 24,000 m3 per month)</u>	cents / m3	15.6960	14.9112	(0.7848)
12		<u>Tier 3 (Over 25,000 m3 per month)</u>	cents / m3	15.2899	15.2899	0.0000
13	Rate 3	Fixed Monthly Rate	\$ / month	172.50	200.00	27.50
14		Firm Demand	cents / m3 / month	29.0974	29.0974	0.0000
15		Firm Delivery	cents / m3	4.3127	4.0367	(0.2760)
16	Rate 4	Fixed Monthly Rate	\$ / month	17.25	17.25	0.00
17		<u>April - December</u>				
18		Block 1 (First 1,000 m ³ per month)	cents / m3	17.1487	18.0919	0.9432
19		Block 2 (Over 1,000 m ³ per month)	cents / m3	10.5218	11.1005	0.5787
20		<u>January - March</u>				
21		Block 1 (First 1,000 m ³ per month)	cents / m3	21.8770	23.0802	1.2032
22		Block 2 (Over 1,000 m ³ per month)	cents / m3	16.9052	17.8350	0.9298
23	Rate 5	Fixed Monthly Rate	\$ / month	172.50	190.00	17.50
24		Firm Delivery	cents / m3	7.5439	8.2606	0.7167
25	Rate 6	Fixed Monthly Rate	\$ / month	94,490.62	64,253.62	(30,237.00)

SCHEDULE B
DECISION AND INTERIM RATE ORDER
EPCOR NATURAL GAS
EB-2018-0336
JULY 4, 2019
RATE SCHEDULES

EPCOR NATURAL GAS LIMITED PARTNERSHIP

RATE 1 - General Service Rate

Rate Availability

The entire service area of the Company.

Eligibility

A customer that requires delivery of natural gas to any residential building served through one meter and containing no more than three dwelling units.

Rate

a)	Monthly Fixed Charge ⁽¹⁾	\$17.50
	Rate Rider for REDA Recovery – effective for 12 months ending December 31, 2020	\$0.59
b)	Delivery Charge	
	First 1,000 m ³ per month	13.6301 cents per m ³
	All over 1,000 m ³ per month	10.9546 cents per m ³
	Rate Rider for PGTVA recovery – effective for 12 months ending December 31, 2020	0.1280 cents per m ³
c)	Gas Supply Charge and System Gas Refund Rate Rider (if applicable)	Schedule A

⁽¹⁾ Aggregated within Monthly Fixed Charge is the amount of one dollar per month in accordance with Bill 32 and Ontario Regulation 24/19.

Meter Readings

Gas consumption by each customer under this rate schedule shall be determined by monthly meter reading, provided that in circumstances beyond the control of the company such as strikes or non-access to a meter, the company may estimate the consumption each month as of the scheduled date of the regular monthly meter reading and render a monthly bill to the customer thereof.

Delayed Payment Penalty

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

Bundled Direct Purchase Delivery

Where a customer elects under this rate schedule to directly purchase its gas from a supplier other than EPCOR, the customer or their agent must enter into a Bundled T-Service Receipt Contract with EPCOR for delivery of gas to EPCOR. Bundled T-Service Receipt Contract rates are described in rate schedule BT1. The gas supply charge will not be applicable to customers who elect said Bundled T transportation service.

Unless otherwise authorized by EPCOR, customers who are delivering gas to EPCOR under direct purchase arrangements must obligate to deliver said gas at a point acceptable to EPCOR, and must acquire and maintain firm transportation on all pipeline systems upstream of Ontario.

Effective: January 1, 2020

Implementation: All bills rendered on or after January 1, 2020

EB-2018-0336

EPCOR NATURAL GAS LIMITED PARTNERSHIP

RATE 2 - Seasonal Service

Rate Availability

The entire service area of the company.

Eligibility

All customers.

Rate

For all gas consumed from:	April 1 through October 31:	November 1 through March 31:
a) Monthly Fixed Charge ⁽¹⁾	\$21.00	\$21.00
Rate Rider for REDA Recovery – effective for 12 months ending December 31, 2020	\$0.59	\$0.59
b) Delivery Charge		
First 1,000 m ³ per month	16.7582 cents per m ³	21.1234 cents per m ³
Next 24,000 m ³ per month	8.7056 cents per m ³	14.4099 cents per m ³
All over 25,000 m ³ per month	6.7868 cents per m ³	15.2899 cents per m ³
Rate Rider for PGTVA recovery – effective for 12 months ending December 31, 2020	0.1280 cents per m ³	0.1280 cents per m ³
c) Gas Supply Charge and System Gas Refund Rate Rider (if applicable)		Schedule A

⁽¹⁾ Aggregated within Monthly Fixed Charge is the amount of one dollar per month in accordance with Bill 32 and Ontario Regulation 24/19.

Meter Readings

Gas consumption by each customer under this rate schedule shall be determined by monthly meter reading, provided that in circumstances beyond the control of the company such as strikes or non-access to a meter, the company may estimate the consumption each month as of the scheduled date of the regular monthly meter reading and render a monthly bill to the customer thereof.

Delayed Payment Penalty

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

Bundled Direct Purchase Delivery

Where a customer elects under this rate schedule to directly purchase its gas from a supplier other than EPCOR, the customer or their agent must enter into a Bundled T-Service Receipt Contract with EPCOR for delivery of gas to EPCOR. Bundled T-Service Receipt Contract rates are described in rate schedule BT1. The gas supply charge will not be applicable to customers who elect said Bundled T transportation service.

Unless otherwise authorized by EPCOR, customers who are delivering gas to EPCOR under direct purchase arrangements must obligate to deliver said gas at a point acceptable to EPCOR, and must acquire and maintain firm transportation on all pipeline systems upstream of Ontario.

Effective: January 1, 2020

Implementation: All bills rendered on or after January 1, 2020

EB-2018-0336

EPCOR NATURAL GAS LIMITED PARTNERSHIP

RATE 3 - Special Large Volume Contract Rate

Rate Availability

Entire service area of the company.

Eligibility

A customer who enters into a contract with the company for the purchase or transportation of gas:

- a) for a minimum term of one year;
- b) that specifies a combined daily contracted demand for firm and interruptible service of at least 700 m³; and
- c) a qualifying annual volume of at least 113,000 m³.

Rate

1. Bills will be rendered monthly and shall be the total of:

- a) A Monthly Customer Charge⁽¹⁾:

A Monthly Customer Charge of \$201.00 for firm or interruptible customers; or
A Monthly Customer Charge of \$223.00 for combined (firm and interruptible) customers.

Rate Rider for REDA Recovery \$0.59
– effective for 12 months ending December 31, 2020

- b) A Monthly Demand Charge:

A Monthly Demand Charge of 29.0974 cents per m³ for each m³ of daily contracted firm demand.

- c) A Monthly Delivery Charge:

- (i) A Monthly Firm Delivery Charge for all firm volumes of 3.8403 cents per m³,
- (ii) A Monthly Interruptible Delivery Charge for all interruptible volumes to be negotiated between the company and the customer not to exceed 10.5118 cents per m³ and not to be less than 7.6156 per m³.

Rate Rider for PGTVA recovery 0.1280 cents per m³
– effective for 12 months ending December 31, 2020

- d) Gas Supply Charge and System Gas Refund Rate Rider (if applicable)
Schedule A

- e) Overrun Gas Charges:

Overrun gas is available without penalty provided that it is authorized by the company in advance. The company will not unreasonably withhold authorization.

If, on any day, the customer should take, without the company's approval in advance, a volume of gas in excess of the maximum quantity of gas which the company is obligated to deliver to the customer on such day, or if, on any day, the customer fails to comply with any curtailment notice reducing the customer's take of gas, then,

- (i) the volume of gas taken in excess of the company's maximum delivery obligation for such day, or

- (ii) the volume of gas taken in the period on such day covered by such curtailment notice (as determined by the company in accordance with its usual practice) in excess of the volume of gas authorized to be taken in such period by such curtailment notice,

as the case may be, shall constitute unauthorized overrun volume.

Any unauthorized firm overrun gas taken in any month shall be paid for at the Rate 3 Firm Delivery Charge in effect at the time the overrun occurs. In addition, the Contract Demand level shall be adjusted to the actual maximum daily volume taken and the Demand Charges stated above shall apply for the whole contract year, including retroactively, if necessary, thereby requiring recomputation of bills rendered previously in the contract year.

Any unauthorized interruptible overrun gas taken in any month shall be paid for at the Rate 1 Delivery Charge in effect at the time the overrun occurs plus any Gas Supply Charge applicable.

For any unauthorized overrun gas taken, the customer shall, in addition, indemnify the company in respect of any penalties or additional costs imposed on the company by the company's suppliers, any additional gas cost incurred or any sales margins lost as a consequence of the customer taking the unauthorized overrun volume.

2. In negotiating the Monthly Interruptible Commodity Charge referred to in 1(c)(ii) above, the matters to be considered include:

- a) The volume of gas for which the customer is willing to contract;
- b) The load factor of the customer's anticipated gas consumption, the pattern of annual use, and the minimum annual quantity of gas which the customer is willing to contract to take or in any event pay for;
- c) Interruptible or curtailment provisions; and
- d) Competition.

3. In each contract year, the customer shall take delivery from the company, or in any event pay for it if available and not accepted by the customer, a minimum volume of gas as specified in the contract between the parties. Overrun volumes will not contribute to the minimum volume. The rate applicable to the shortfall from this minimum shall be 3.1530 cents per m³ for firm gas and 5.4412 cents per m³ for interruptible gas.

4. The contract may provide that the Monthly Demand Charge specified in Rate Section 1 above shall not apply on all or part of the daily contracted firm demand used by the customer during the testing, commissioning, phasing in, decommissioning and phasing out of gas-using equipment for a period not to exceed one year (the transition period). In such event, the contract will provide for a Monthly Firm Delivery Commodity Charge to be applied on such volume during the transition of 5.7163 cents per m³ and a gas supply commodity charge as set out in Schedule A, if applicable. Gas purchased under this clause will not contribute to the minimum volume.

⁽¹⁾ Aggregated within Monthly Fixed Charge is the amount of one dollar per month in accordance with Bill 32 and Ontario Regulation 24/19.

Bundled Direct Purchase Delivery

Where a customer elects under this rate schedule to directly purchase its gas from a supplier other than EPCOR, the customer or their agent must enter into a Bundled T-Service Receipt Contract with EPCOR for delivery of gas to EPCOR. Bundled T-Service Receipt Contract rates are described in rate schedule BT1. The gas supply charge will not be applicable to customers who elect said Bundled T transportation service.

Unless otherwise authorized by EPCOR, customers who are delivering gas to EPCOR under direct purchase arrangements must obligate to deliver said gas at a point acceptable to EPCOR, and must acquire and maintain firm transportation on all pipeline systems upstream of Ontario.

Delayed Payment Penalty

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

Effective: January 1, 2020

Implementation: All bills rendered on or after January 1, 2020

EB-2018-0336

EPCOR NATURAL GAS LIMITED PARTNERSHIP

RATE 4 - General Service Peaking

Rate Availability

The entire service area of the company.

Eligibility

All customers whose operations, in the judgment of EPCOR NATURAL GAS LIMITED PARTNERSHIP, can readily accept interruption and restoration of gas service with 24 hours' notice.

Rate

For all gas consumed from:	April 1 through December 31:	January 1 through March 31:
a) Monthly Fixed Charge ⁽¹⁾	\$21.00	\$21.00
Rate Rider for REDA Recovery – effective for 12 months ending December 31, 2020	\$0.59	\$0.59
b) Delivery Charge		
First 1,000 m ³ per month	18.5840 cents per m ³	23.7081 cents per m ³
All over 1,000 m ³ per month	11.4025 cents per m ³	18.3202 cents per m ³
Rate Rider for PGTVA recovery – effective for 12 months ending December 31, 2020	0.1280 cents per m ³	0.1280 cents per m ³
c) Gas Supply Charge and System Gas Refund Rate Rider (if applicable)		Schedule A

⁽¹⁾ Aggregated within Monthly Fixed Charge is the amount of one dollar per month in accordance with Bill 32 and Ontario Regulation 24/19.

Meter Readings

Gas consumption by each customer under this rate schedule shall be determined by monthly meter reading provided that in circumstances beyond the control of the company such as strikes or non-access to a meter, the company may estimate the consumption each month as of the scheduled date of the regular monthly meter reading and render a monthly bill to the customer thereof.

Delayed Payment Penalty

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

Bundled Direct Purchase Delivery

Where a customer elects under this rate schedule to directly purchase its gas from a supplier other than EPCOR, the customer or their agent must enter into a Bundled T-Service Receipt Contract with EPCOR for delivery of gas to EPCOR. Bundled T-Service Receipt Contract rates are described in rate schedule BT1. The gas supply charge will not be applicable to customers who elect said Bundled T transportation service.

Unless otherwise authorized by EPCOR, customers who are delivering gas to EPCOR under direct purchase arrangements must obligate to deliver said gas at a point acceptable to EPCOR, and must acquire and maintain firm transportation on all pipeline systems upstream of Ontario.

Effective: January 1, 2020

Implementation: All bills rendered on or after January 1, 2020

EB-2018-0336

EPCOR NATURAL GAS LIMITED PARTNERSHIP

RATE 5 - Interruptible Peaking Contract Rate

Rate Availability

Entire service area of the company.

Eligibility

A customer who enters into a contract with the company for the purchase or transportation of gas:

- a) for a minimum term of one year;
- b) that specifies a daily contracted demand for interruptible service of at least 700 m³; and
- c) a qualifying annual volume of at least 50,000 m³.

Rate

1. Bills will be rendered monthly and shall be the total of:

a) Monthly Fixed Charge⁽¹⁾ \$191.00

Rate Rider for REDA Recovery \$0.59
– effective for 12 months ending December 31, 2020

b) A Monthly Delivery Charge:

A Monthly Delivery Charge for all interruptible volumes to be negotiated between the company and the customer not to exceed 9.2650 cents per m³ and not to be less than 5.9800 per m³.

Rate Rider for PGTVA recovery 0.1280 cents per m³
– effective for 12 months ending December 31, 2020

c) Gas Supply Charge and System Gas Refund Rate Rider (if applicable)
Schedule A

d) Overrun Gas Charge:

Overrun gas is available without penalty provided that it is authorized by the company in advance. The company will not unreasonably withhold authorization.

If, on any day, the customer should take, without the company's approval in advance, a volume of gas in excess of the maximum quantity of gas which the company is obligated to deliver to the customer on such day, or if, on any day, the customer fails to comply with any curtailment notice reducing the customer's take of gas, then

- (i) the volume of gas taken in excess of the company's maximum delivery obligation for such day, or
- (ii) the volume of gas taken in the period on such day covered by such curtailment notice (as determined by the company in accordance with its usual practice) in excess of the volume of gas authorized to be taken in such period by such curtailment notice,

as the case may be, shall constitute unauthorized overrun volume.

Any unauthorized overrun gas taken in any month shall be paid for at the Rate 1 Delivery Charge in effect at the time the overrun occurs plus any applicable Gas Supply Charge.

For any unauthorized overrun gas taken, the customer shall, in addition, indemnify the company in respect of any penalties or additional costs imposed on the company by the company's suppliers, any additional gas cost incurred or any sales margins lost as a consequence of the customer taking the unauthorized overrun volume.

2. In negotiating the Monthly Interruptible Commodity Charge referred to in 1(c) above, the matters to be considered include:

- a) The volume of gas for which the customer is willing to contract;
- b) The load factor of the customer's anticipated gas consumption and the pattern of annual use and the minimum annual quantity of gas which the customer is willing to contract to take or in any event pay for;
- c) Interruptible or curtailment provisions; and
- d) Competition.

3. In each contract year, the customer shall take delivery from the company, or in any event pay for it if available and not accepted by the customer, a minimum volume of gas of 50,000 m³. Overrun volumes will not contribute to the minimum volume. The rate applicable to the shortfall from this annual minimum shall be 8.2908 cents per m³ for interruptible gas.

⁽¹⁾ Aggregated within Monthly Fixed Charge is the amount of one dollar per month in accordance with Bill 32 and Ontario Regulation 24/19.

Bundled Direct Purchase Delivery

Where a customer elects under this rate schedule to directly purchase its gas from a supplier other than EPCOR, the customer or their agent must enter into a Bundled T-Service Receipt Contract with EPCOR for delivery of gas to EPCOR. Bundled T-Service Receipt Contract rates are described in rate schedule BT1. The gas supply charge will not be applicable to customers who elect said Bundled T transportation service.

Unless otherwise authorized by EPCOR, customers who are delivering gas to EPCOR under direct purchase arrangements must obligate to deliver said gas at a point acceptable to EPCOR, and must acquire and maintain firm transportation on all pipeline systems upstream of Ontario.

Delayed Payment Penalty

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

Effective: January 1, 2020

Implementation: All bills rendered on or after January 1, 2020

EB-2018-0336

EPCOR NATURAL GAS LIMITED PARTNERSHIP

RATE 6 – Integrated Grain Processors Co-Operative Aylmer Ethanol Production Facility

Rate Availability

Rate 6 is available to the Integrated Grain Processors Co-Operative, Aylmer Ethanol Production Facility only.

Eligibility

Integrated Grain Processors Co-Operative’s (“IGPC”) ethanol production facility located in the Town of Aylmer

Rate

1. Bills will be rendered monthly and shall be the total of:

- a) Fixed Monthly Charge⁽¹⁾ of \$61,230.92 for firm services
 - Rate Rider for REDA Recovery \$0.56
– effective for 12 months ending December 31, 2020
 - Rate Rider for PGTVA recovery \$15,413.33
– effective for 12 months ending December 31, 2020
- b) Gas Supply Charge and System Gas Refund Rate Rider (if applicable) Schedule A

⁽¹⁾ Aggregated within Monthly Fixed Charge is the amount of one dollar per month in accordance with Bill 32 and Ontario Regulation 24/19.

Purchased Gas Transportation Charges

In addition to the Rates and Charges outlined above, IGPC is responsible for all costs, charges and fees incurred by EPCOR related to gas supplied by Enbridge Gas Inc. to EPCOR’s system for IGPC. All actual charges billed to ENGLP by Enbridge Gas Inc. under former Union Gas contract ID SA008936 and SA008937, as amended or replaced from time to time, shall be billed to IGPC by EPCOR when and as billed to EPCOR by Enbridge Gas Inc.

Bundled Direct Purchase Delivery

Where IGPC elects under this rate schedule to directly purchase its gas from a supplier other than EPCOR, IGPC or its agent must enter into a Bundled T-Service Receipt Contract with EPCOR for delivery of gas to EPCOR. Bundled T-Service Receipt Contract rates are described in rate schedule BT1. The gas supply charge will not be applicable to IGPC if it elects said Bundled T transportation service.

Unless otherwise authorized by EPCOR, IGPC, when delivering gas to EPCOR under direct purchase arrangements, must obligate to deliver said gas at a point acceptable to EPCOR, and must acquire and maintain firm transportation on all pipeline systems upstream of Ontario.

Delayed Payment Penalty

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

Effective: January 1, 2020

Implementation: All bills rendered on or after January 1, 2020

EB-2018-0336

EPCOR NATURAL GAS LIMITED PARTNERSHIP

SCHEDULE A – Gas Supply Charges

Rate Availability

Entire service area of the company.

Eligibility

All customers served under Rates 1, 2, 3, 4, 5 and 6.

Rate

The Gas Supply Charge applicable to all sales customers shall be made up of the following charges:

PGCVA Reference Price	(EB-2019-0162)	16.6782 cents per m ³
GPRA Recovery Rate	(EB-2019-0162)	0.1737 cents per m ³
System Gas Fee	(EB-2018-0336)	<u>0.0435</u> cents per m ³
Total Gas Supply Charge		<u>16.8954</u> cents per m ³

Note:

PGCVA means Purchased Gas Commodity Variance Account

GPRA means Gas Purchase Rebalancing Account

Effective: January 1, 2020

Implementation: All bills rendered on or after January 1, 2020

EB-2018-0336

EPCOR NATURAL GAS LIMITED PARTNERSHIP

RATE BT1 – Bundled Direct Purchase Contract Rate

Availability

Rate BT1 is available to all customers or their agent who enter into a Receipt Contract for delivery of gas to EPCOR. The availability of this option is subject to EPCOR obtaining a satisfactory agreement or arrangement with Enbridge Gas Inc. and EPCOR's gas supplier for direct purchase volume and DCQ offsets.

Eligibility

All customers electing to purchase gas directly from a supplier other than EPCOR must enter into a Bundled T-Service Receipt Contract with EPCOR either directly or through their agent, for delivery of gas to EPCOR at a mutually acceptable delivery point.

Rate

For gas delivered to EPCOR at any point other than the Ontario Point of Delivery, EPCOR will charge a customer or their agent all approved tolls and charges incurred by EPCOR to transport the gas to the Ontario Point of Delivery.

Note:

Ontario Point of Delivery means Dawn or Parkway on the Enbridge Gas Inc. (Union South) System as agreed to by EPCOR and EPCOR's customer or their agent.

Effective: January 1, 2020

Implementation: All bills rendered on or after January 1, 2020

EB-2018-0336

EPCOR NATURAL GAS LIMITED PARTNERSHIP

Transmission Service

Availability

Transmission Service charges shall be applied to all natural gas producers that sell gas into Enbridge Gas' Union South system via ENGLP's distribution system.

Eligibility

All natural gas producers, transporting gas through ENGLP's system for sale into Enbridge Gas' Union South system shall be charged the Transmission Service Rate and associated Administrative Charge. Rates and Charges will be applied only in those months that a natural gas producer delivers gas to a delivery point on ENGLP's system for sale into Enbridge Gas' Union South system.

Rate

Administrative Charge	\$250/month
Transmission Service Rate	\$0.95/mcf

Effective: January 1, 2020

Implementation: All bills rendered on or after January 1, 2020

EB-2018-0336

EPCOR NATURAL GAS LIMITED PARTNERSHIP

Schedule of Miscellaneous and Service Charges

A		B
Service		Fee
1	Service Work	
2	During normal working hours	
3	Minimum charge (up to 60 minutes)	\$100.00
4	Each additional hour (or part thereof)	\$100.00
5	Outside normal working hours	
6	Minimum charge (up to 60 minutes)	\$130.00
7	Each additional hour (or part thereof)	\$105.00
8		
9	Miscellaneous Charges	
10	Returned Cheque / Payment	\$20.00
11	Replies to a request for account information	\$25.00
12	Bill Reprint / Statement Print Requests	\$20.00
13	Consumption Summary Requests	\$20.00
14	Customer Transfer / Connection Charge	\$35.00
15		
16	Reconnection Charge	\$85.00
17		
18	Inactive Account Charge	ENGLP's cost to install service
19		
20	Late Payment Charge	1.5% / month, 19.56% / year (effective rate of 0.04896% compounded daily)
21		
22	Meter Tested at Customer Request Found to be Accurate	Charge based on actual costs
23		
24	Installation of Service Lateral	\$100 for the first 20 meters. Additional if pipe length exceeds 20 meters.

Note: Applicable taxes will be added to the above charges

Effective: January 1, 2020

Implementation: All bills rendered on or after January 1, 2020

EB-2018-0336

SCHEDULE C
DECISION AND INTERIM RATE ORDER
EPCOR NATURAL GAS
EB-2018-0336
JULY 4, 2019
ACCOUNTING ORDERS

APPENDIX C

EPCOR NATURAL GAS LIMITED PARTNERSHIP

Accounting Order

Loss on Disposal of Meters Deferral Account

The Loss on Disposal of Meters Deferral Account (“LDMDA”) is to record the loss on disposal of residential (AC-250) meters resulting from the change in the useful life in 2020 for its Aylmer operations. A change in depreciation rate is necessitated by the fact that a new residential meter has a seal life of ten years and the full replacement of the meter at the end of the seal life is more economical than refurbishment. The change in the depreciation rate for these meters from 3.62% to 10% in 2020 will result in a loss on disposal equal to the net book value of the meters that have been in service for ten years or more.

The balance in this account, together with any carrying charges, will be brought forward for approval for disposition at a future date once the balance has been audited. As these meters are currently used only for customers in Rate Class 1, when the account is brought forward for disposal a fixed-rate rate rider will be only be applied to Rate Class 1.

Simple interest will be computed monthly on the opening balance in the LDMDA in accordance with the methodology approved by the Board in EB-2006-0117.

Accounting Entries³

To record the amount of the loss from the disposal of residential meters:

Debit Account No. 105 Accumulated Depreciation
Debit Account No. 179-70 Loss on Disposal of Meters Deferral Account (LDMDA)
Credit Account No. 100 Property Plant and Equipment

To record simple interest on the opening monthly balance of the LDMDA:

Debit Account No. 179-71 Interest on Disposal of Meters Deferral Account
Credit Account No. 323 Other Interest Expense

³ Account numbers are in accordance with the Uniform System of Accounts for Gas Utilities, Class A, prescribed under the *Ontario Energy Board Act*.

APPENDIX D

EPCOR NATURAL GAS LIMITED PARTNERSHIP

Accounting Order

Purchased Gas Transportation Variance Account from Rates 1-5

As the transportation costs are a flow-through to customers, EPCOR Natural Gas Limited Partnership (“ENGLP”) has an established Purchased Gas Transportation Variance Account Rates 1-5 (“PGTVA 1-5”) to record differences between forecasted transportation costs included in ENGLP’s approved rates via the PGTVA reference price, and the actual transportation costs incurred by ENGLP. The PGTVA also records amounts related to deferral account dispositions received or invoiced from ENGLP’s transportation suppliers.

Effective January 1, 2020 ENGLP is authorized to re-set the reference price for the PGTVA 1-5. The reference price of \$0.023724/m³ will be applicable to all customers in rate classes 1 through 5.

Simple interest will be computed monthly on the opening balance in PGTVA 1-5 in accordance with the methodology approved by the Board in EB-2006-0017.

Accounting Entries⁴

To record the monthly difference between the PGTVA reference price, and the actual transportation costs incurred by ENGLP under its M9 and Bundled T contracts with Enbridge Gas Inc. for the volumes required to serve the customers in rate classes 1-5:

Debit/Credit Account No. 179-45 Purchased Gas Transportation Variance Account Rates 1 -5 (PGTVA 1-5)

Credit/Debit Account No. 623 Cost of Gas

To record simple interest on the opening monthly balance in the PGTVA 1-5:

Debit/Credit Account No- 179-46 Interest on PGTVA 1-5

Credit/Debit Account No. 323 Other Interest Expense

⁴Account numbers are in accordance with the Uniform System of Accounts for Gas Utilities, Class A, prescribed under the *Ontario Energy Board Act*.

APPENDIX E

EPCOR NATURAL GAS LIMITED PARTNERSHIP

Accounting Order

Unaccounted for Gas Variance Account

The Unaccounted For Gas Variance Account (“UFGVA”) is to record the cost of gas for EPCOR Natural Gas Limited Partnership’s Aylmer operations for Rates 1-5 that is associated with volumetric variances between the actual volume of Unaccounted for Gas (“UFG”) and the Board approved UFG forecast included in the determination of rates.

The gas costs associated with the UFG variance will be calculated at the end of each year based on the estimated volumetric variance between the applicable Board approved level of UFG and an estimate of the actual UFG. The UFG annual variance will be allocated on a monthly basis in proportion to actual sales and costed at the monthly PGCVA reference price. If required, an adjustment will be made in the subsequent year to record any differences between the estimated UFG and actual UFG. Where there are recoveries of gas loss amounts invoiced as part of third party damages, the gas loss amounts will be removed from the gas cost associated with UFG for the purposes of determining and recording a UFGVA balance.

The materiality threshold for this account is \$25,000. Accordingly, the annual gas costs associated with the UFG as calculated in the manner described above which are equal to or greater than \$25,000 (debit or credit) will be recorded in the UFGVA.

The audited balances in this account, together with any carrying charges, will be brought forward for approval for disposition from/to Rates 1-5 on an annual basis.

Simple interest will be computed monthly on the opening balance in the UFGVA in accordance with the methodology approved by the Board in EB-2006-0117.

Accounting Entries⁵

To record the costs associated with unaccounted for gas based on the estimated volumetric variance between the actual UAG and the Board approved level:

Debit/Credit Account No. 179.13 Unaccounted For Gas Variance Account (UFGVA)
Credit/Debit Account No. 623 Cost of Gas

To record the recovery of gas loss amounts invoiced to third parties:

Debit Account No. 140 Sundry Accounts Receivable
Credit Account No. 179.13 Unaccounted For Gas Variance Account (UFGVA)

To record simple interest on the opening monthly balance of the UFGVA:

Debit/Credit Account No. 179.14 Interest on Unaccounted For Gas Variance Account
Credit/Debit Account No. 323 Other Interest Expense

⁵ Account numbers are in accordance with the Uniform System of Accounts for Gas Utilities, Class A, prescribed under the *Ontario Energy Board Act*.

APPENDIX F

EPCOR NATURAL GAS LIMITED PARTNERSHIP

Accounting Order

Accelerated CCA Income Taxes Variance Account

The Accelerated CCA Income Taxes Variance Account (“ACITVA”) is to record the income tax impact from the difference between the capital cost allowance (“CCA”) rates used in the income taxes payable calculation included in the 2020 revenue requirement (EB-2018-0336) and the accelerated CCA rates as enacted under Bill C-97, should EPCOR Natural Gas Limited Partnership (“ENGLP”) claim accelerated CCA for its Aylmer operations during the Price Cap IR Term. In the calculation of income taxes payable included in the 2020 revenue requirement, ENGLP has not claimed the accelerated CCA on eligible capital property. Therefore, this account is required to record the impact associated with changes to income taxes payable should ENGLP claim accelerated CCA during the Price Cap IR Term.

In the event that ENGLP claims accelerated CCA, the annual amount recorded in the ACITVA will be the tax impact at the approved income tax rate in EB-2018-0036, on the difference between accelerated CCA calculated on the rate base approved in the same proceeding and CCA included in income taxes payable approved in the same proceeding.

The entire audited balance in this account, together with any carrying charges, will be brought forward for approval for disposition on an annual basis.

Simple interest will be computed monthly on the opening balance in the ACITVA in accordance with the methodology approved by the Board in EB-2006-0117.

Accounting Entries⁶

To record the income tax impact on the difference between accelerated CCA (if claimed by ENGLP) and CCA included in income taxes payable of the approved revenue requirement:

Debit/Credit Account No. 179.72 Accelerated CCA Income Taxes Variance Account
 (“ACITVA”)
Credit/Debit Account No. 306 Income Tax Expense

⁶ Account numbers are in accordance with the Uniform System of Accounts for Gas Utilities, Class A, prescribed under the *Ontario Energy Board Act*.

To record simple interest on the opening monthly balance of the ACITVA:

Debit/Credit Account No. 179.73 Interest on Accelerated CCA Income Taxes Variance
Account

Credit/Debit Account No. 323 Other Interest Expense

APPENDIX G

Accounting Order

2016-2017 System Integrity Capital Deferral Account

The 2016-2017 System Integrity Capital Deferral Account (“SICDA”) is to record monthly, in accordance with the Settlement Proposal for EB-2018-0336, as of January 1, 2020 one twelfth of the revenue requirement associated with the 2020 net book value of the four capital projects incurred by Natural Resource Gas Limited in 2016 and 2017 to address specified system integrity issues. The specific capital projects (“the Capital Projects”) and their 2020 net book value are as follows:

1. \$402,639 for the Enbridge Gas (formerly Union Gas) Bradley Station Project.
2. \$748,383 for the pipeline from the Bradley Station to the Wilson Line project.
3. \$498,922 for the pipeline from the existing Putnam Station to Colloden Line project.
4. \$265,015 for the extension of the Springwater Road pipeline from south of Orwell to John Wise Line project.

The Parties to the Settlement Proposal in proceeding EB-2018-0336 agreed that pending the provision of further information to support these expenditures the above noted amounts for the Capital Projects were to be included in the 2020 Test Year rate base for the purposes of determining the revenue requirement and setting rates for 2020 through 2024 in EPCOR Natural Gas Limited Partnership’s (“ENGLP”) rate application EB-2018-0336. Accordingly, one-twelfth of the associated 2020 Test Year revenue requirement shall be recorded monthly in the SICDA pending the review of evidence in support of establishing prudence of the Capital Projects by the Board in a future proceeding.

The balance in the SCIDA will be addressed through a separate proceeding wherein the Board will determine the prudence of the Capital Projects, establish a methodology for the disposition or discontinuation of the deferral account and if deemed imprudent determine the appropriate mechanism for ENGLP to refund to ratepayers the revenue requirement for the Capital Projects for the remaining term of the 2020-2024 application.

Simple interest will be computed monthly on the opening balance in the SICDA in accordance with the methodology approved by the Board in EB-2006-0117.

Accounting Entries⁷

To record effective January 1, 2020 the monthly revenue requirement associated with the 2020 net book value of the Capital Projects incurred by Natural Resource Gas Limited in 2016 and 2017 to address system integrity issues:

Debit Account No. 300 Operating Revenue

Credit Account No. 179.78 2016-2017 System Integrity Capital Projects Deferral Account
("SICDA")

To record simple interest on the opening monthly balance of the SICDA:

Debit Account No. 323 Other Interest Expense

Credit Account No. 179.79 Interest on 2016-2017 System Integrity Capital Deferral
Account

⁷ Account numbers are in accordance with the Uniform System of Accounts for Gas Utilities, Class A, prescribed under the *Ontario Energy Board Act*.

APPENDIX H

EPCOR NATURAL GAS LIMITED PARTNERSHIP

Accounting Order

Earnings Share Mechanism Deferral Account

The Earnings Share Mechanism Deferral Account (“ESMDA”) is to record the annual earnings sharing mechanism (ESM) impact over the Price Cap IR Term as implemented as part of EPCOR Natural Gas Limited Partnership’s (“ENGLP”) 2020-2024 distribution rate application EB-2018-0336. In the event that the utility’s cumulative ROE from 2020 to 2024 exceeds the Board-approved ROE in EB-2018-0336 by more than 150 basis points, the utility is required to share with ratepayers 50% of the earnings that are in excess of the 150 basis points threshold. For clarity, the cumulative ROE will be calculated as the sum of actual regulated net income over the term, taking into account any necessary adjustments, divided by the sum of the actual regulated equity balances for the same term (i.e. considers rate base growth)

An entry will be made annually to record the balance of the ESMDA that is equal to the cumulative earnings to be shared, as if the balance were to be settled on the date it was recorded. The balance in this account will be reflective of the ratepayers’ share of utility earnings (i.e. recorded at 50% of earnings eligible to be shared). As the ESM is asymmetrical the ESMDA balance will be either a credit balance or zero.

For the purposes of calculating the utility’s regulated net income for assessment under the ESM, ENGLP’s annual Affiliate and Corporate Shared Services costs included in O&M costs as described in the original application for EB-2018-0336 shall be capped at the lower of a) actual costs incurred annually or b) the Affiliate and Corporate Shared Services costs included in the 2020 Test Year Board-approved revenue requirement per EB-2018-0336 as inflated annually by the inflation factors approved for use in ENGLP’s annual IRM applications.

The audited balance in this account will be brought forward for approval for disposition after the end of the Price Cap IR Term, once cumulative earnings over the 2020-2024 term have been assessed and the actual ESM amount has been determined.

As any balance in this account is not owing until earnings over the entire 2020-2024 term are assessed as over-earned under the ESM, interest will not be computed on the balance in the ESMDA.

Accounting Entries⁸

To record the annual change in the cumulative ESM:

Debit/Credit Account No. 300 Operating Revenue

Credit/Debit Account No. 179.76 Earnings Share Mechanism Deferral Account
("ESMDA")

⁸ Account numbers are in accordance with the Uniform System of Accounts for Gas Utilities, Class A, prescribed under the *Ontario Energy Board Act*.

APPENDIX I

EPCOR NATURAL GAS LIMITED PARTNERSHIP

Accounting Order

Approved Deferral/Variance Disposal Variance Account

The Approved Deferral/Variance Disposal Variance Account (“ADVADA”) is to record all deferral and variance account balances which have been approved for disposition/recovery. EPCOR Natural Gas Limited Partnership (“ENGLP”) will account for this balance in the same manner as Account 1595 (Disposition and Recovery/Refund of Regulatory Balances Control Account) as per the Uniform Chart of Accounts for Electricity Distributors by recording a debit/credit in an appropriate sub-account (principal balances, carrying charges or carrying charges for net principal). Deferral and variance account balances which have been approved for disposition by the Board, will be transferred into the ADVADA and appropriate sub-account (categorized based on the year of disposition). Amounts recovered from or refunded to ratepayers through the associated approved rate rider(s) will be recorded against the balance in the ADVADA.

Once the approved period for recovery/refund has ended, balances resulting from over or under collection/refund, together with any carrying charges, will be brought forward for disposition at a future proceeding.

Simple interest will be calculated monthly on the opening balance in the ADVADA in accordance with the methodology approved by the Board in EB-2006-0117.

Accounting Entries⁹

To transfer the balance of deferral and variance accounts upon receipt of approval for disposition:

Debit/Credit Account No. 179.90 Approved Deferral/Variance Disposal Variance Account (“ADVADA”)

Credit/Debit Account No. 179.XX Deferral/variance account

To transfer the balance of deferral and variance interest accounts upon receipt of approval for disposition:

⁹ Account numbers are in accordance with the Uniform System of Accounts for Gas Utilities, Class A, prescribed under the *Ontario Energy Board Act*.

Debit/Credit Account No. 179.91 Approved Deferral/Variance Disposal Variance Account
Interest Sub-Account
Credit/Debit Account No. 179.XX Deferral/variance account interest

To record amounts recovered from /refunded to ratepayers through the approved rate rider(s) over the period for which the rate rider(s) are in effect:

Debit/Credit Account Account No. 300 Operating Revenue
Credit/Debit Account No. 179.90 Approved Deferral/Variance Disposal Variance Account
("ADVADA")
Credit/Debit Account No. 179.91 Approved Deferral/Variance Disposal Variance Account
Interest Sub-Account

To record simple interest on the opening monthly balance of the ADVADA:

Debit/Credit Account No. 179.92 Interest on Net Principal of Approved Deferral/Variance
Disposal Variance Account
Credit/Debit Account No. 323 Other Interest Expense