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September 16, 2019

Sent By Electronic Mail, RESS Electronic Filing and Courier

Ms. Kirsten Walli
Board Secretary
Ontario Energy Board
27-2300 Yonge Street
Toronto, ON M4P 1E4

Dear Ms. Walli:

Re: EPCOR Natural Gas Limited Partnership Settlement Proposal EB-2018-0264

Please find attached the revised Settlement Proposal in this matter. In addition to minor formatting changes, this revision reflects additional language in Issue 7(a) as follows.

EPCOR Southern Bruce agreed to use the language as the Board approved in EB-2019-0101 (EPCOR's Aylmer operation) for GGEADA, FCCCVA and FCCFVA.

The intervenors have indicated they do not object to EPCOR clarifying the above.

Please do not hesitate to contact me if you have any questions.

Sincerely,

[Original signed by]

Bruce Brandell
Director, Commercial Services
EPCOR Utilities Inc.
bbrandell@epcor.com
(780) 412-3720

EB-2018-0264

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 Natural Gas distribution rates and other charges for the period January 1, 2019 to December 31, 2028.

EPCOR NATURAL GAS LIMITED PARTNERSHIP

(SOUTH BRUCE)

SETTLEMENT PROPOSAL

Filed: September 16, 2019

**ENGLP SOUTH BRUCE 2020 Rates
EB-2018-0264
Settlement Proposal
Filed: September 16, 2019**

**EPCOR Natural Gas Limited Partnership
EB-2018-0264**

Settlement Proposal

TABLE OF CONTENTS

TABLE OF CONTENTS

	Page
<i>SUMMARY</i>	5
1. ADMINISTRATION	5
(a) Has EPCOR Southern Bruce complied with the OEB directives from the Common Infrastructure Plan (CIP) Process (EB-2016-0137/EB-2016-0138/EB-2016-0139)?	5
(b) Are EPCOR Southern Bruce’s proposed rates consistent with its CIP, and where there are departures are such departures appropriate?	5
2. RATE BASE AND UTILITY SYSTEM PLAN	6
(a) Is the level of planned capital expenditures consistent with EPCOR Southern Bruce’s CIP proposal?	6
(b) Is EPCOR Southern Bruce’s proposed working capital allowance during the rate stability period consistent with EPCOR Southern Bruce’s CIP proposal and any proposed working capital allowance related to non-distribution costs appropriate?	7
(c) Is EPCOR Southern Bruce’s proposal for recovery of the Contribution in Aid of Construction paid to Enbridge Gas for upstream transmission reinforcement appropriate?	8
(d) Is EPCOR Southern Bruce’s proposal to waive new customer connection costs consistent with EPCOR Southern Bruce’s CIP proposal?	8
3. OPERATING REVENUE	9
(a) Is EPCOR Southern Bruce’s proposed Distribution Revenue during the rate stability period consistent with EPCOR Southern Bruce’s CIP proposal, giving due consideration to:	9
(b) Is EPCOR Southern Bruce’s proposed Non-Distribution Revenue (gas supply, storage and transportation) for the rate stability period consistent with EPCOR Southern Bruce’s CIP proposal?	9
(c) Are EPCOR Southern Bruce’s proposed Other Revenues during the rate stability period consistent with EPCOR Southern Bruce’s CIP proposal?	10
4. OPERATING EXPENSES	10
(a) Is EPCOR Southern Bruce’s forecasted gas supply, transportation and storage costs and proposal for recovery of those costs for the rate stability period appropriate?	10

TABLE OF CONTENTS
(continued)

		Page
	(b) Are EPCOR Southern Bruce’s OM&A costs including shared services costs consistent with EPCOR Southern Bruce’s CIP proposal?	11
5.	<i>REVENUE DEFICIENCY/SUFFICIENCY</i>	11
	(a) Is EPCOR Southern Bruce’s proposal to recover an additional \$1.764 million due to changes in construction schedule, and the associated rate rider calculation, consistent with EPCOR Southern Bruce’s CIP proposal and appropriate?	11
	(b) Is the adjusted revenue requirement appropriate?	12
6.	<i>COST ALLOCATION AND RATE DESIGN</i>	12
	(a) Are the proposed rate classes appropriate?	12
	(b) Are EPCOR Southern Bruce’s proposed cost allocation, rate design and revenue to cost ratios appropriate and consistent with EPCOR Southern Bruce’s CIP proposal?	13
	(c) Are EPCOR Southern Bruce’s proposed rates appropriate?.....	13
	(d) Are EPCOR Southern Bruce’s proposed service charges appropriate?	14
7.	<i>PROPOSED DEFERRAL AND VARIANCE ACCOUNTS</i>	15
	(a) Are the following EPCOR Southern Bruce’s proposed deferral and variance accounts appropriate?	15
	(b) Are the following EPCOR Southern Bruce’s proposed deferral and variance accounts consistent with EPCOR Southern Bruce’s CIP proposal appropriate?	16
	(c) What other deferral and variance accounts are required?.....	17
	(d) Should EPCOR Southern Bruce’s proposed Federal Carbon Charge and related deferral and variance accounts be addressed in this application or as a separate stand-alone application?	18
8.	<i>INCENTIVE RATE SETTING PROPOSAL</i>	19
	(a) Is EPCOR Southern Bruce’s proposed Custom Incentive Rate-setting (Custom IR) plan during the rate stability period consistent with EPCOR Southern Bruce’s CIP proposal?	19
	(b) Is the proposed 10-year term for the Custom IR plan consistent with EPCOR Southern Bruce’s CIP proposal?	21

TABLE OF CONTENTS
(continued)

	Page
(c) Is EPCOR Southern Bruce’s proposed annual adjustment mechanism consistent with EPCOR Southern Bruce’s CIP proposal?	21
(d) Is the exclusion of:	22
(e) Is EPCOR Southern Bruce’s request for availability of an Incremental Capital Module consistent with EPCOR Southern Bruce’s CIP proposal?	23
9. <i>SCORE CARD</i>	23
(a) Is EPCOR Southern Bruce’s proposed Score Card appropriate?	23
10. <i>IMPLEMENTATION</i>	24
(a) Is EPCOR Southern Bruce’s proposal for a January 1, 2019 effective date consistent with EPCOR Southern Bruce’s CIP proposal?	24
(b) Is EPCOR Southern Bruce’s proposal for rate riders for recovery from and after the effective date consistent with EPCOR Southern Bruce’s CIP proposal and appropriate?	24
11. <i>STAKEHOLDER ENGAGEMENT</i>	25
(a) Has EPCOR South Bruce effectively engaged with and sought input from key stakeholders and First Nations and Métis communities?	25
<i>APPENDIX A</i>	26

**EPCOR Natural Gas Limited Partnership
EB-2018-0264
Settlement Proposal**

Filed with OEB: September 16, 2019

EPCOR Natural Gas Limited Partnership Southern Bruce (“**EPCOR Southern Bruce**”) filed a custom incentive rate making 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: (i) rates that EPCOR Southern Bruce will charge for gas distribution through a ten-year custom incentive rate-setting plan (covering the period from January 1, 2019 to December 31, 2028), including a rate adjustment mechanism for annual rate adjustments; and (ii) EPCOR’s forecast of upstream charges to be incurred by EPCOR Southern Bruce and the establishment of variance accounts to capture actual upstream costs when determined. This application is based on:

1. EPCOR Southern Bruce’s forecasted ten-year distribution revenue requirement of \$58.541 million plus a revenue deficiency with an estimated Net Present Value of \$1.764 million resulting from a delay in the commencement of construction of the project; and
2. The decision of the Board in EB-2016-0137/0138/0139 whereby the Board selected an affiliate of EPCOR as the successful proponent for the Southern Bruce gas distribution project and approved EPCOR’s competitively offered Common Infrastructure Plan (CIP) revenue requirement as filed in that process.

EPCOR Southern Bruce also sought Board approval for, *inter alia*:

1. The establishment of certain new deferral and variance accounts;
2. The classification of customers into various rate classes;
3. Service and Miscellaneous Charges;
4. EPCOR Southern Bruce’s initial Utility System Plan;
5. EPCOR Southern Bruce’s proposed Scorecard;
6. EPCOR Southern Bruce’s Gas Supply Plan; and
7. Certain Accounting Orders

The Board issued a Notice of Hearing on April 18, 2019, which was served and posted as per the direction of the Board. Enbridge Gas Inc. (“**Enbridge Gas**”), Industrial Gas Users Association (“**IGUA**”), School Energy Coalition (“**SEC**”), Vulnerable Energy Consumers Coalition (“**VECC**”), Anwaatin Inc. (**Anwaatin**) and the municipality of Kincardine, the Municipality of Arran-Elderslie and the Township of Huron-Kinloss (“**South Bruce Municipalities**”) applied for and were granted Intervenor status. Procedural Order No. 1 was issued on May 21, 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 cancelled the settlement conference pending the resolution of a final issues list. On July 16, 2019, the Board issued a proposed issues list, and invited written submissions on the disputed issues. An Issues List Decision was rendered on August 20, 2019.

Further to the Board’s Procedural Orders No. 1 and 2, and its Issues List Decision on August 20, 2019, a settlement conference was convened on August 21, 2019 and continued on August 22, 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. Settlement discussions among the parties to the Settlement Conference continued following the in-person settlement conference, and have resulted in this Settlement Proposal.

EPCOR Southern Bruce participated in the settlement conference, along with IGUA, SEC, VECC, and Anwaatin (collectively, the “**Intervenors**”). EPCOR Southern Bruce 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, 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 EPCOR Southern Bruce. While the Intervenors have reviewed the Appendices, the Intervenors are relying on the accuracy of the underlying evidence in entering into this Settlement Proposal.

Outlined below are the final positions of the Parties on the settled issues following the settlement conference. For ease of reference, this Settlement Proposal follows the format of the final approved issues list of August 20, 2019.

The Parties are pleased to advise the Board that they have reached a complete agreement with respect to the settlement of three of the issues in this proceeding. 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 hearing in respect of these issues.</p>	<p># issues settled: 3</p>
<p>“Partial Settlement” means an issue for which there is partial settlement, as EPCOR Southern Bruce and the Intervenors who take a 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 a position on the issue will only adduce evidence and argument during the hearing on those portions of the issue not addressed in this Settlement Proposal.</p>	<p># issues partially settled: 7</p>
<p>“No Settlement” means an issue for which no settlement was reached. EPCOR Southern Bruce and the Intervenors who take a position on the issue will adduce evidence and/or argument at the hearing on the issue.</p>	<p># issues not settled: 1</p>

The Parties have not reached the consensus reflected in this document on the basis of a “package”, and accordingly the various resolutions reflected in this Settlement Agreement are considered by the Parties to be severable.

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 EPCOR Southern Bruce 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 term or condition, including a 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 qualify that acceptance or agreement.

SUMMARY

In reaching this 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 August 20, 2019.

This Settlement Proposal reflects a complete settlement of 3 issues in this proceeding, which are identified below.

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.

1. Administration

(a) **Has EPCOR Southern Bruce complied with the OEB directives from the Common Infrastructure Plan (CIP) Process (EB-2016-0137/EB-2016-0138/EB-2016-0139)?**

Complete Settlement: The Parties agree that there were no specific directives from the CIP Process. The OEB did require EPCOR to demonstrate that this rate application is consistent with EPCOR's CIP proposal. Parties' positions on the consistency of this application with EPCOR's CIP proposal are addressed on an issue-by-issue basis in the balance of this Settlement Proposal.

Evidence:

Application:

- EB-2016-0137/EB-2016-0138/EB-2016-0139

Supporting Parties: All

(b) **Are EPCOR Southern Bruce's proposed rates consistent with its CIP, and where there are departures are such departures appropriate?**

No Settlement: The Parties agree that this issue is inextricably tied to issue 6, in respect of which no settlement was reached.

Evidence:

Application:

- Exhibit 1, Tab 3, Schedule 1, pages 1 to 53
- Exhibit 7, Table 1, Schedule 1, Section 7.1

IRRs:

- Staff Interrogatories: OEB 7.Staff.22, OEB 8.Staff.25, OEB 8.Staff.26
- IGUA Interrogatories: IGUA 3, IGUA 4, IGUA 5, IGUA 8, IGUA 9, IGUA 10, IGUA 11, IGUA 14, IGUA 15, IGUA 18, IGUA 19, IGUA 20, IGUA 21
- SEC Interrogatories: 7-SEC-15, 8-SEC-16

2. Rate Base and Utility System Plan

(a) Is the level of planned capital expenditures consistent with EPCOR Southern Bruce's CIP proposal?

Complete Settlement: The Parties note that capital expenditures were not detailed in the CIP proposal. The Parties agree that the level of planned capital expenditures over the ten year rate stability period as presented in this application, other than those expenditures identified under issue 5, are consistent in principle with the CIP proposal in that such capital expenditures support the overall revenue requirement which in turn is in accord with the CIP proposal. For this reason, the Parties agree that the proposed rate base for 2028 as filed in this application will be the basis for determining the rate base in EPCOR's subsequent cost of service application for the period beginning on January 1, 2029, subject to adjustment for actual Contributions in Aid of Construction (CIACs) to Enbridge.

The Parties agree that capital expenditures associated with expansion of the system beyond that identified in the CIP¹ as approved would also be eligible for inclusion in EPCOR Southern Bruce's rate base in the subsequent cost of service application.

The estimated CIAC for the Dornoch Meter and Regulator Station (\$2.935 million) and Enbridge's Owen Sound Transmission Reinforcement (\$2.363 million) are included in the rate base as filed in this application. Enbridge has notified EPCOR Southern Bruce that the estimated CIAC for the Dornoch Meter and Regulator Station has increased from \$2.935 million to \$4.023 million, and that the estimated CIAC for the Owen Sound Transmission Reinforcement has increased from \$2.363 million to \$5.191 million. The upstream costs associated with the Owen Sound Transmission Reinforcement are subject to approval by

¹ EB-2016-0137/0138/0139 EPCOR Southern Bruce Gas Inc's Common Infrastructure Proposal, October 16, 2017, Schedule B, Pages 1 - 9

the OEB as part of Enbridge’s leave-to-construct application, which was filed on August 29, 2019 (EB-2019-0183). The Parties agree that any difference in the CIAC from the forecast included in this application and the CIAC approved by the Board in Enbridge’s Leave to Construct application will be included in the Contribution in Aid of Construction Variance Account (“CIACVA”).

Evidence:

Application:

- Exhibit 2, Tab 1, Schedule 1, section 2.1 and section 2.8.1.

IRRs:

- Staff Interrogatories: OEB Staff 4(c), (d), OEB 4 Staff 17
- IGUA Interrogatoires: IGUA 8

Supporting Parties: All

- (b) **Is EPCOR Southern Bruce’s proposed working capital allowance during the rate stability period consistent with EPCOR Southern Bruce’s CIP proposal and any proposed working capital allowance related to non-distribution costs appropriate?**

Complete Settlement: The Parties accept the evidence of EPCOR Southern Bruce that the proposed working capital allowance as summarized in Table 2.5 below is consistent with EPCOR Southern Bruce’s CIP proposal.

For the purposes of the settlement of the issues in this proceeding, the Parties accept the evidence of EPCOR Southern Bruce that the proposed working capital allowance related to non-distribution costs (as summarized in Table 2-5 below) is appropriate.

Table 2-5: Projected Working Capital Requirements
(Thousands of Dollars)

		Col. 1	Col. 2	Col. 3	Col. 4	Col. 5	Col. 6	Col. 7	Col. 8	Col. 9	Col. 10
Description		2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
Row 1	Working Capital for Non-distribution Costs	24	95	153	201	232	254	262	266	269	272
Row 2	Working Capital for O&M	66	145	170	178	186	199	205	207	210	232
Row 3	Working Capital Requirement	90	240	323	379	418	454	467	473	479	504
Row 4											
Row 5	Working Capital as % of Rate Base	0.37%	0.44%	0.54%	0.62%	0.69%	0.75%	0.79%	0.82%	0.85%	0.92%

Evidence:

Application:

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

Supporting Parties: All

- (c) **Is EPCOR Southern Bruce’s proposal for recovery of the Contribution in Aid of Construction paid to Enbridge Gas for upstream transmission reinforcement appropriate?**

Complete Settlement: The Parties agree that EPCOR’s proposal for the recovery of the Contribution in Aid of Construction (“CIAC”) as included in the application (\$2.935 million for the Dornoch Meter and Regulator Station and \$2.363 million for Enbridge’s Owen Sound Transmission Reinforcement) is appropriate. EPCOR will apply for the disposition of any amounts recorded in the Contribution in Aid of Construction Variance Account. The Parties agree that disposition of these amounts will be consistent with the disposition of the earlier CIAC amounts such that early connecting customers will not be asked to subsidize later connecting customers and that each class of customers will be treated in an equitable manner without regard to time of connection, as EPCOR Southern Bruce has proposed in respect of costs forecast for the CIAC included in this application.

Evidence:

Application:

- Exhibit 3, Tab 1, Schedule 1, Section 3.2.4

IRRs:

- Staff Interrogatories: OEB 4 Staff 17

Supporting Parties: All

- (d) **Is EPCOR Southern Bruce’s proposal to waive new customer connection costs consistent with EPCOR Southern Bruce’s CIP proposal?**

Complete Settlement: The proposal to waive new customer connection costs was not articulated in the CIP proposal. In this application, EPCOR Southern Bruce proposed to not charge new customers for the first 30 m of service lateral installation costs (see Table 6(d) - 1, row 19, column B). New customers requiring main extensions will be charged in accordance with the principles set out in EBO 188. No party has concerns with this proposal for the purposes of this settlement, on the basis that the costs of customer connections not being charged are included in EPCOR's forecast of capital and operating costs supporting its proposed rates.

3. *Operating Revenue*

(a) **Is EPCOR Southern Bruce's proposed Distribution Revenue during the rate stability period consistent with EPCOR Southern Bruce's CIP proposal, giving due consideration to:**

- (i) **External Funding**
- (ii) **Municipal tax holidays**

Complete Settlement: The Parties agree that EPCOR Southern Bruce's proposed Distribution Revenue is consistent with EPCOR Southern Bruce's CIP proposal and the adjustment to reflect external funding is appropriate.

Evidence:

Application:

- Exhibit 3, Tab 1, Schedule 1, section 3.2.3:

Supporting Parties: All

(b) **Is EPCOR Southern Bruce's proposed Non-Distribution Revenue (gas supply, storage and transportation) for the rate stability period consistent with EPCOR Southern Bruce's CIP proposal?**

Complete Settlement: Non-distribution revenue was explicitly excluded from the CIP distribution revenue. The Parties agree that: (a) the exclusion of such revenues is consistent with EPCOR's CIP proposal; and (b) the forecast values which EPCOR has proposed are appropriate and that the actual values will be determined through Enbridge's Owen Sound Reinforcement Project Leave to Construct and Rate M17 application (EB-2019-0183) and, subject to any required OEB approvals, by any other agreements EPCOR may enter to

access gas supply, daily balancing, storage and transportation services or other activities necessary to provide these services.

Evidence:

Application:

- Exhibit 1, Tab 2, Schedule 1, par 13, page 14 of 64
- Exhibit 3, Tab 1, Schedule 1, section 3.2.4

IRRs:

- OEB Staff Interrogatories: 8.Staff.25

Supporting Parties: All

- (c) **Are EPCOR Southern Bruce's proposed Other Revenues during the rate stability period consistent with EPCOR Southern Bruce's CIP proposal?**

No Settlement: The Parties do not agree that EPCOR Southern Bruce's proposed Other Revenues and the treatment of those other revenues during the rate stability period are consistent with EPCOR Southern Bruce's CIP proposal.

Evidence:

Application:

- Exhibit 3, Tab 1, Schedule 1, section 3.5,
- Exhibit 3, Tab 1, Schedule 3, page 3, Table 3-16 and 3-17:

IRRs:

- SEC Interrogatories: 1-SEC-3

4. Operating Expenses

- (a) **Is EPCOR Southern Bruce's forecasted gas supply, transportation and storage costs and proposal for recovery of those costs for the rate stability period appropriate?**

Complete Settlement: These costs were specifically excluded from the distribution revenue as detailed in the CIP process. The Parties agree that EPCOR's forecasted costs and proposal for recovery are appropriate. The actual values will be determined through Enbridge's Owen Sound Reinforcement Project Leave to Construct and Rate M17 application (EB-2019-0183) and, subject to any required OEB approvals, any other

agreements EPCOR may enter to access gas supply, daily balancing, storage and transportation services or other activities necessary to provide these services.

Evidence:

Application:

- Exhibit 4, Tab 1, Schedule 1, section 4.1

Supporting Parties: All

- (b) **Are EPCOR Southern Bruce's OM&A costs including shared services costs consistent with EPCOR Southern Bruce's CIP proposal?**

Complete Settlement: EPCOR Southern Bruce's OM&A costs were not articulated in the CIP proposal. No Party objects to the OM&A costs filed in this application on the basis that the value and composition of the OM&A costs as included in this application support rates in accord with the CIP approved revenue requirement. Moreover, the Parties agree that the value and composition of the OM&A costs as included in this application does not establish a precedent or baseline for EPCOR's cost-of-service or allocation of shared services costs for the period following the rate stability period.

Evidence:

Application:

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

IRRs:

- Staff Interrogatories: OEB 4.Staff.14, OEB 4.Staff.15
- SEC Interrogatories: 4-SEC-10, 4-SEC-11

Supporting Parties: All

5. *Revenue Deficiency/Sufficiency*

- (a) **Is EPCOR Southern Bruce's proposal to recover an additional \$1.764 million due to changes in construction schedule, and the associated rate rider calculation, consistent with EPCOR Southern Bruce's CIP proposal and appropriate?**

No Settlement: The Parties could not reach agreement that EPCOR Southern Bruce's proposal to recover the estimated \$1.764 million associated with a delayed construction schedule as a revenue deficiency is appropriate.

Evidence:

Application:

- Exhibit 6

IRRs:

- Staff Interrogatories: OEB 6.Staff.20
- Enbridge Interrogatories: Enbridge 5, Enbridge 6
- IGUA Interrogatories: IGUA 16
- SEC Interrogatories: 6-SEC-14

(b) Is the adjusted revenue requirement appropriate?

Complete Settlement: The Parties agree that EPCOR Southern Bruce's proposal for Distribution Revenue is appropriate. The Parties note that this does not include any revenue deficiency addressed under issue 5(a) as proposed by EPCOR Southern Bruce in Exhibit 6 of the application nor any Other Revenues as addressed in issue 3(c).

Evidence:

Application:

- Exhibit 3, Tab 1, Schedule 1, section 3.2.3

IRRs:

- SEC Interrogatories: 1-SEC-3

Supporting Parties: All

6. Cost Allocation and Rate Design

(a) Are the proposed rate classes appropriate?

No Settlement: The Parties could not reach agreement that EPCOR Southern Bruce's proposed rate classes are appropriate.

Evidence:

Application:

- Exhibit 8, Tab 1, Schedule 1, section 8.1

IRRs:

- Staff Interrogatories: OEB 8.Staff.23, OEB 8.Staff.24, OEB 8.Staff.26

(b) Are EPCOR Southern Bruce's proposed cost allocation, rate design and revenue to cost ratios appropriate and consistent with EPCOR Southern Bruce's CIP proposal?

No Settlement: The Parties could not reach agreement that EPCOR Southern Bruce's proposed cost allocation, rate design and revenue to cost ratios are appropriate and consistent with EPCOR Southern Bruce's CIP proposal.

Evidence:

Application:

- Exhibit 7 – Cost Allocation
- Exhibit 8 – Rate Design

IRRs:

- Staff Interrogatories: OEB 7.Staff.21, OEB 7.Staff.22
- IGUA Interrogatories: IGUA 3, IGUA 4, IGUA 5, IGUA 8, IGUA 9, IGUA 10, IGUA 11, IGUA 14, IGUA 15, IGUA 18, IGUA 19, IGUA 20, IGUA 21
- SEC Interrogatories: 7-SEC-15, 8-SEC-16

(c) Are EPCOR Southern Bruce's proposed rates appropriate?

No Settlement: The Parties could not reach agreement that EPCOR Southern Bruce's proposed rates are appropriate.

Evidence:

Application:

- Exhibit 8, Tab 1, Schedule 1, sections 8.3, 8.4
- Exhibit 8, Tab 1, Schedule 2, pages 1-12, Rate Schedule

IRRs:

- VECC Interrogatories: 7-VECC-7

(d) Are EPCOR Southern Bruce’s proposed service charges appropriate?

Complete Settlement: The Parties agree to the following changes to EPCOR Southern Bruce’s 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 included in the installation of service is 30 metres. These changes are reflected in Table 6(d) - 1 below. With such changes being made, the Parties agree that EPCOR Southern Bruce’s proposed service charges are appropriate.

**Table 6(d) - 1
 Summary of Settled Service and Miscellaneous Charges**

		A EPCOR Aylmer Settled Fee (EB-2018-0336)	B EPCOR Southern Bruce Proposed Fee (EB-2018-0264)	C Settled Fee (EB-2018-0264)
1	Service Work			
2	During Normal working hours			
3	Minimum charge (up to 60 minutes)	\$100.00	\$100.00	\$100.00
4	Each additional hour (or part thereof)	\$100.00	\$100.00	\$100.00
5	Outside normal working hours			
6	Minimum charge (up to 60 minutes)	\$130.00	\$130.00	\$130.00
7	Each additional hour (or part thereof)	\$105.00	\$105.00	\$105.00
8	Miscellaneous Charges			
9	Returned Cheque / Payment	\$20.00	\$48.00	\$20.00
10	Replies to request for account information	\$25.00	\$25.00	\$25.00
11	Bill Reprint / Statement Print Requests	\$20.00	\$20.00	\$20.00
12	Consumption Summary Requests	\$20.00	\$20.00	\$20.00

13	Customer Transfer / Connection Charge	\$35.00	\$35.00 ²	\$35.00 ³
14	Reconnection Charge	\$85.00	\$85.00	\$85.00
15	Disconnection Charge	\$0.00	\$85.00	\$0.00
16	Inactive Account Charge	ENGLP cost to install service	ENGLP cost to install service	ENGLP cost to install service
17	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)
18	Meter Tested at Customer Request Found to be Accurate	Charge based on actual costs	Charge based on actual costs	Charge based on actual costs
19	Installation of Service Lateral	\$100 first 20 meters. Additional if pipe length exceeds length used to set fee.	No charge for the first 30 meters. Cost if pipe length exceeds 30 meters.	No charge for the first 30 meters. Cost if pipe length exceeds 30 meters.

Evidence:

Application:

- Exhibit 8, Tab 1, Schedule 2, pages 11 and 12

IRRs:

- Staff Interrogatories: OEB 8.Staff.25

Supporting Parties: All

7. Proposed Deferral and Variance Accounts

(a) Are the following EPCOR Southern Bruce’s proposed deferral and variance accounts appropriate?

- (i) Purchased Gas Commodity Variance Account (PGCVA)**
- (ii) Gas Purchase Rebalancing Account (GPRA)**
- (iii) Storage and Transportation Variance Account Rates 1, 6 & 11 (S&TVA Rates 1, 6 & 11)**

² No Charge for initial connection

³ No Charge for initial connection

- (iv) **Transportation Variance Account Rate 16 (TVA Rate 16)**
- (v) **Unaccounted for Gas Variance Account (UFGVA)**
- (vi) **Greenhouse Gas Emissions Administration Deferral Account (GGEADA)**
- (vii) **Federal Carbon Charge - Customer Variance Account (FCCCVA)**
- (viii) **Federal Carbon Charge - Facility Deferral/Variance Account (FCCFVA)**
- (ix) **Regulatory Expense Deferral Account (REDA)**

Partial Settlement: For the purposes of the settlement of the issues in this proceeding, the Parties agree that EPCOR Southern Bruce's proposals for the PGCVA, GPRA, S&TVA Rates 1, 6 & 11, TVA Rate 16, UFGVA, GGEADA, FCCCVA and FCCFVA are appropriate. EPCOR Southern Bruce agreed to use the language as the Board approved in EB-2019-0101 (EPCOR's Aylmer operation) for GGEADA, FCCCVA and FCCFVA.

The Parties do not agree on EPCOR's proposal for the REDA.

- (b) **Are the following EPCOR Southern Bruce's proposed deferral and variance accounts consistent with EPCOR Southern Bruce's CIP proposal appropriate?**
- (i) **Municipal Tax Variance Account (MIYA)**
 - (ii) **Energy Content Variance Account (ECVA)**
 - (iii) **Contribution in Aid of Construction Variance Account (CIACVA)**
 - (iv) **External Funding Variance Account (EFVA)**

Partial Settlement: The Parties agree that EPCOR Southern Bruce's proposal for the CIACVA and EFVA is consistent with EPCOR Southern Bruce's CIP proposal and appropriate.

The agreement on the appropriateness of the CIACVA is on the basis that EPCOR agree to propose a disposition of that account which is consistent with the principle endorsed by agreement of the Parties under Issue 2(c) that early connecting customers will not be asked to subsidize later connecting customers and that each class of customers will be treated in an equitable manner without regard to time of connection, as EPCOR Southern Bruce has proposed in respect of costs forecast for the CIAC included in this application.

The Parties further agree that the base line for determining any value to be captured in the EFVA will be contributions as detailed in Exhibit 2, Tab 1, Schedule 1 section 2.2, Table 2-3, and with the assumption made in that table that such contributions are received by EPCOR on June 30 (i.e. at the mid-point) of each year.

The Parties further agree that the CIACVA will be established according to the Schedule detailed in Exhibit 2, Tab 1, Schedule 1, section 2.8, Table 2-8.

The Parties do not agree on the issue of whether the MTVA and ECVA are consistent with the CIP proposal and appropriate.

Evidence:

Application:

- Exhibit 9
- Exhibit 2, Tab 1, Schedule 1, section 2.2, Table 2-3
- Exhibit 2, Tab 1, Schedule 1, section 2.8, Table 2-8

IRRs:

- Staff Interrogatories: OEB 9.Staff.38

Supporting Parties: All

(c) What other deferral and variance accounts are required?

Complete Settlement: The Parties have agreed that EPCOR will establish an Accelerated CCA Income Taxes Variance Account (“ACITVA”) for EPCOR 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 10-year revenue requirement (EB-2018-0264) and the accelerated CCA rates as enacted under Bill C-97, should EPCOR claim accelerated CCA for its Southern Bruce operations during the term of the Custom Incentive Rate Setting Plan. In the calculation of income taxes payable included in the 10-year revenue requirement, EPCOR 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 EPCOR claim accelerated CCA during the term of the Custom Incentive Rate Setting Plan. The draft accounting order for this account is included as **Appendix A** to this Settlement Proposal.

Supporting Parties: All

(d) Should EPCOR Southern Bruce’s proposed Federal Carbon Charge and related deferral and variance accounts be addressed in this application or as a separate stand-alone application?

Complete Settlement: The Parties agree that EPCOR Southern Bruce’s proposal for the FCCCVVA and FCCFVA are appropriately addressed in this application and settled as per Issue 7 (a) above.

The Parties’ positions regarding the proposed deferral and variance accounts are summarized in Table 7(d) - 1 below.

Table 7(d) - 1 Treatment of EPCOR Southern Bruce’s Proposed Deferral and Variance Accounts

Account	Settlement Status
1 Purchased Gas Commodity Variance Account (“PGCVA”)	Complete Settlement
2 Gas Purchase Rebalancing Account (“GPRA”)	Complete Settlement
3 Storage and Transportation Variance Account Rates 1, 6 & 11 (“S&TVA 1, 6 & 11”)	Complete Settlement
4 Transportation Variance Account Rate 16 (“TVA Rate 16”)	Complete Settlement
5 Unaccounted For Gas Variance Account (“UFGVA”)	Complete Settlement
6 Greenhouse Gas Emissions Administration Deferral Account (“GGEADA”)	Complete Settlement
7 Federal Carbon Charge – Customer Variance Account (“FCCCVVA”)	Complete Settlement
8 Federal Carbon Charge – Facility Deferral/Variance Account (“FCCFVA”)	Complete Settlement
9 Regulatory Expense Deferral Account (“REDA”)	No Settlement
10 Municipal Tax Variance Account (“MIYA”)	No Settlement
11 Energy Content Variance Account (“EVCA”)	No Settlement
12 Contribution in Aid of Construction Variance Account (“CIACVA”)	Complete Settlement
13 External Funding Variance Account (“EFVA”)	Complete Settlement
14 Accelerated CCA Income Taxes Variance Account (“ACITVA”)	Complete Settlement

Evidence:

Application:

- Exhibit 2, Tab 1, Schedule 1 section 2.2, Table 2-2
- Exhibit 9, Tab 1, Schedule 1, pages 1-9
- Exhibit 9, Tab 2, Schedule 1, pages 1 - 17

IRRs:

- Staff Interrogatories: OEB 10.Staff.41, OEB 9.Staff.27, OEB 9 Staff.28, OEB 9.Staff.29, OEB 9.Staff.30, OEB 9.Staff.31, OEB 9.Staff.32, OEB 9.Staff.33, OEB

9.Staff.34, OEB 9.Staff.35, OEB 9.Staff.36, OEB 9.Staff.37, OEB 9.Staff.38, OEB 9.Staff.39

- SEC Interrogatories: 10-SEC-17, 4-SEC-12
- IGUA Interrogatories: IGUA 22
- VECC Interrogatories: 9-VECC-9, 9-VECC-10
- Enbridge Interrogatories: Enbridge 9, Enbridge 13
- IGUA Interrogatories: IGUA 22

Supporting Parties: All

8. *Incentive Rate Setting Proposal*

- (a) **Is EPCOR Southern Bruce's proposed Custom Incentive Rate-setting (Custom IR) plan during the rate stability period consistent with EPCOR Southern Bruce's CIP proposal?**

Complete Settlement: The Parties agree that EPCOR Southern Bruce's proposed Custom IR plan during the rate stability period is consistent with EPCOR Southern Bruce's CIP proposal.

The details of the Custom IR plan with which parties agree are the following

- Incentive Rate Adjustment (IR) = $[(1.0 - 0.314) \times 0.0127] + [0.314 \times \text{Inflation (I)}]$
- Adjustments to upstream charges would not be made using the IR adjustment factor, but would be adjusted as necessary to reflect any changes that EPCOR is subject to in contracting for those services from its suppliers, including transmission services.
- There are no productivity or stretch factors included in the adjustment mechanism (See issue 8(d)).
- There is no earnings sharing mechanism (See issue 8(d)).
- There is no earnings dead-band off-ramp (See issue 8(d)).
- The following items are to be treated as Y-factors:
 - Costs related to unaccounted for gas;

- Externally driven costs that are approved in other proceedings (e.g. DSM program costs etc.) for pass-through recovery by gas distributors during then current rate plan terms will be implemented as part of the annual rate application through the Custom IR Term.
- Gas Supply costs will be treated as a pass-through cost through the use of the PGCVA and will be updated during the Custom IR Term in accordance with the Board's established QRAM process; and
- Costs related to greenhouse gas emissions programs applicable to the utility will be recorded in the FCCCVA, FCCFVA and GGEADA, or other deferral or variance accounts as established through the specific proceedings regarding greenhouse gas emissions programs.
- A Z-factor mechanism is available. EPCOR Southern Bruce may apply for a Z-factor that meets the all four of the following categories:
 - Causation: The cost increase or decrease, or a significant portion of it, must be demonstrably linked to an unexpected, non-routine event, and must be clearly outside of the base upon which rates were derived
 - Materiality: The cost increase or decrease must meet a materiality threshold, in that its effect on the utility's revenue requirement in a fiscal year must be equal to or greater than the threshold of \$50,000 for an individual event.
 - Prudence: The cost subject to an increase or decrease must have been prudently incurred.
 - Management Control: The cause of the cost increase or decrease must be:
 - (a) not reasonably within the control of utility management; and
 - (b) a cause

that utility management could not reasonably control or prevent through the exercise of due diligence.

There is no agreement with respect to:

- Y-factor treatment for costs associated with participation in generic and other Board proceedings, including Union and Enbridge proceedings (i.e. the REDA account addressed in issue 7(d) in respect of which there is no agreement).
- An incremental capital module (issue 8(e)).

Evidence:

Application:

- Exhibit 10

Supporting Parties: All

- (b) Is the proposed 10-year term for the Custom IR plan consistent with EPCOR Southern Bruce's CIP proposal?**

Complete Settlement: The Parties have agreed that the proposed 10-year term of the Customer IR plan is consistent with the CIP proposal. The Parties wish to note, however, that this does not constitute agreement on whether the starting date for the 10 years should be January 1, 2019 or should be adjusted in light of the outcome on issue 5(a).

Evidence:

Application:

- Exhibit 10, Tab 1, Schedule 1, page 1 of 7 paragraph 1

Supporting Parties: All

- (c) Is EPCOR Southern Bruce's proposed annual adjustment mechanism consistent with EPCOR Southern Bruce's CIP proposal?**

Complete Settlement: The Parties agree that EPCOR Southern Bruce's proposal to adjust the OM&A recovery component of its rates (being 31.4% of each of its rates) annually by the Board's annual rate of inflation is consistent with EPCOR Southern Bruce's CIP proposal. The Parties also agree that EPCOR Southern Bruce's plan to annually adjust all other elements of the revenue requirement by 1.27% per annum is consistent with EPCOR Southern Bruce's CIP proposal. In order to apply these two adjustments against existing rates during the annual price adjustment the Parties agree to the use of the Incentive Rate Adjustment formula as follows:

$$\text{Incentive Rate Adjustment (IR)} = [(1.0 - 0.314) \times 0.0127] + [0.314 \times \text{Inflation (I)}]$$

The Inflation factor (I) will equal the inflation value the Board determines each year in its annual generic inflation amount.

Evidence:

Application:

- Exhibit 10, Tab 1, Schedule 1, sections 10.1 and 10.2

IRRs:

- Staff Interrogatories: OEB 10.Staff.41
- SEC Interrogatories: 10-SEC-17

Supporting Parties: All

(d) Is the exclusion of:

- (i) **A productivity and stretch factor consistent with EPCOR Southern Bruce's CIP proposal?**
- (ii) **An earnings sharing mechanism consistent with EPCOR Southern Bruce's CIP proposal?**
- (iii) **An earnings dead-band off-ramp consistent with EPCOR Southern Bruce's CIP proposal?**

Complete Settlement: The Parties agree that the exclusion of a productivity factor, stretch factor, earnings sharing mechanism and an earnings dead-band off-ramp are consistent with EPCOR Southern Bruce's CIP proposal.

Evidence:

Application:

- Exhibit 10, Tab 1, Schedule 1, section 10.2.1, 10.5

IRRs:

- Staff Interrogatories: OEB 10.Staff.40
- Enbridge Interrogatories: Enbridge 11
- IGUA Interrogatories: IGUA 23

Supporting Parties: All

(e) Is EPCOR Southern Bruce's request for availability of an Incremental Capital Module consistent with EPCOR Southern Bruce's CIP proposal?

No Settlement: The Parties do not agree that EPCOR Southern Bruce's request for availability of an Incremental Capital Module is consistent with EPCOR Southern Bruce's CIP proposal.

Evidence:

Application:

- Exhibit 10, Tab 1, Schedule 1, section 10.7

IRRs:

- Staff Interrogatories: OEB 10.Staff.43
- Enbridge Interrogatories: Enbridge 12
- SEC Interrogatories: 10-SEC-19

9. Score Card

(a) Is EPCOR Southern Bruce's proposed Score Card appropriate?

Complete Settlement: The Parties agree that the proposed Scorecard is appropriate, subject to adding the following two metrics:

1. Total cost per customer per year; and
2. Total cost per km of distribution pipe per year

The agreed upon Scorecard is provided in **Appendix B** to this Settlement Proposal.

Evidence:

Application:

- Exhibit 1, Tab 2, Schedule 1, section 1.7
- Exhibit 1, Tab 2, Schedule 2, Pages 1 - 2

IRRs:

- Staff Interrogatories: OEB 1.Staff.5
- VECC Interrogatories: 1-VECC-1

Supporting Parties: All

10. Implementation

- (a) **Is EPCOR Southern Bruce’s proposal for a January 1, 2019 effective date consistent with EPCOR Southern Bruce’s CIP proposal?**

No Settlement: The Parties do not agree that EPCOR Southern Bruce’s proposal for a January 1, 2019 effective date is consistent with EPCOR Southern Bruce’s CIP proposal.

Evidence:

Application:

- Exhibit 1, Tab 2, Schedule 1, page 13 of 64, par 8

IRRs:

- Enbridge Interrogatories: Enbridge 3

- (b) **Is EPCOR Southern Bruce’s proposal for rate riders for recovery from and after the effective date consistent with EPCOR Southern Bruce’s CIP proposal and appropriate?**

No Settlement: The Parties do not agree that EPCOR Southern Bruce’s proposal for rate riders for recovery from and after an effective date of January 1, 2019 is consistent with EPCOR Southern Bruce’s CIP proposal and appropriate.

Evidence:

Application:

- Exhibit 3, Tab 1, Schedule 1, section 3.2.4

- Exhibit 6, Tab 1, Schedule 1, section 6.4
- Exhibit 9, Tab 1, Schedule 1, pages 1 - 9

IRRs:

- Staff Interrogatories: OEB 9.Staff.39

11. *Stakeholder Engagement*

- (a) **Has EPCOR South Bruce effectively engaged with and sought input from key stakeholders and First Nations and Métis communities?**

Partial Settlement: The Parties agree that EPCOR South Bruce has effectively engaged with and sought input from key stakeholders. There is no agreement with respect to EPCOR's engagement with First Nations and Métis communities.

Evidence:

Application:

- Exhibit 1, Tab 1, Schedule 1, section 1.6
- Exhibit 1, Tab 2, Schedule 1, page 9
- Exhibit 1, Tab 3, Schedule 1, pages 1-53
- Exhibit 1, Tab 3, Schedule 2, pages 1 - 87

IRRs:

- Staff Interrogatories:
- Anwaatin Interrogatories: Anwaatin 1, Anwaatin 2

Supporting Parties: All, with the exception of Anwaatin.

APPENDIX A

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 annual revenue requirement over the rate stability period for EPCOR’s Southern Bruce operations as approved in EB-2018-0264 and the accelerated CCA rates as enacted under Bill C-97, should EPCOR Natural Gas Limited Partnership (“ENGLP”) claim accelerated CCA for its Southern Bruce operations during the rate stability period. In the calculation of income taxes payable included in the 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 rate stability period.

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-2018-0264, on the difference between accelerated CCA calculated on the annual rate base approved in the same proceeding and CCA included in the annual 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 ACITDA in accordance with the methodology approved by the Board in EB-2006-0117.

Accounting Entries⁴

⁴ 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 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

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 B
SCORECARD 2020-2024
EPCOR Southern Bruce**

Performance Outcomes	Performance Categories	Measures	
Customer Focus	Service Quality	Reconnection response time (# of days to reconnect a customer)	<i># of reconnections completed within 2 business days/# of reconnections completed</i>
		Scheduled appointments met on time (appointments met within designated time period)	<i># of appointments met within 4 hrs of the scheduled date / # of appointments scheduled in the month</i>
		Telephone calls answered on time (call answering service level)	<i># of calls answered within 30 seconds / # of calls received</i>
	Customer Satisfaction	Customer Complaint Written Response (# of days to provide a written response)	<i># of complaints requiring response within 10 days / # of complaints requiring a written response</i>
		Billing accuracy	<i>Number of manual checks done as per quality assurance program, for excessively high or low usage.</i>
		Abandon Rate (# of calls abandon rate)	<i># of calls abandoned while waiting for a live agent / # of calls requesting to speak to a live agent</i>
		Time to reschedule missed appointments	<i>% of rescheduled work within 2 hours of the end of the original appointment time</i>

Operational Effectiveness	Safety, system reliability and asset management	Meter Reading Performance	<i># of meters with no read for 4 consecutive months / # of active meters to be read</i>
		% of Emergency Calls Responded within One Hour	<i># of emergency calls responded within 60 minutes / # of emergency calls</i>
		Damages	<i>Third party line breaks per 1,000 locate requests</i>
Public Policy Responsiveness	Extending natural gas distribution to new communities	New communities that have access to natural gas distribution system	<i>(# of communities serviced by system/# of communities committed to in CIP)</i>
		\$/m3 cost to deliver natural gas	<i>Average \$/m3 determined in CIP (as adjusted) – Actual average \$/m3</i>
		Customer years	<i>Average customer years / Customer years as determined in CIP</i>
		Cumulative volume	<i>Actual cumulative volume / Cumulative volume as determined in CIP</i>
Financial Performance	Financial Ratios	Current Ratio	
		Debt Ratio	
		Debt to Equity Ratio	
		Interest Coverage	
		Financial Statement Return on Assets	

		Financial Statement Return on
		Equity Total Cost per Customer
		per year
		Total Cost per km of distribution pipe per year