



DECISION ON SETTLEMENT PROPOSAL AND PROCEDURAL ORDER NO. 6

EB-2018-0264

EPCOR NATURAL GAS LIMITED PARTNERSHIP (SOUTHERN BRUCE)

**Application for approval to charge gas distribution rates and other
charges for the period January 1, 2019 to December 31, 2028**

BEFORE: Lynne Anderson
Presiding Member

Robert Dodds
Member & Vice-Chair

Cathy Spoel
Member

October 3, 2019

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1 INTRODUCTION AND SUMMARY

EPCOR Natural Gas Limited Partnership (EPCOR Natural Gas LP) is an Ontario limited partnership with its head office in the Town of Aylmer. EPCOR Natural Gas LP is a wholly owned indirect subsidiary of EPCOR Utilities Inc., based in Edmonton, Alberta. EPCOR Natural Gas LP operates a natural gas distribution business in two service areas in Ontario: the Aylmer franchise area (previously known as Natural Resource Gas Limited) and a new franchise area in South Bruce.

In 2018, the Ontario Energy Board (OEB) selected EPCOR Natural Gas LP (EPCOR Southern Bruce)¹ as the successful proponent for the South Bruce gas distribution project.² The process was competitive and the selection was made on the basis of a cumulative revenue requirement, forecasted attachments and a total volume throughput for the 10-year rate stability period.

On April 11, 2019, EPCOR Southern Bruce filed a custom incentive ratemaking application with the OEB under section 36 of the *Ontario Energy Board Act, 1998*, S.O. 1998, c. 15, (Schedule B), seeking approval for rates that EPCOR Natural Gas can charge for gas distribution effective January 1, 2019.

The OEB provided for a settlement conference between EPCOR Southern Bruce and the interveners with the objective of reaching a settlement on the issues in the proceeding. Parties reached a settlement on some issues and a revised settlement proposal was filed with the OEB on September 16, 2019.

The OEB has reviewed the settlement proposal and accepts it as filed. The OEB finds that the settlement proposal is consistent with the commitments made by EPCOR Southern Bruce as part of the Common Infrastructure Plan (CIP) process in the South Bruce expansion proceeding.³ With respect to the unsettled issues, the OEB has determined that there is sufficient information on the record to proceed with written arguments. A procedural timeline for written submissions is provided in this decision.

¹ EPCOR Natural Gas LP in this application has been referred to as EPCOR Southern Bruce in order to identify it separately from the Aylmer gas distribution utility.

² EB-2016-0137/0138/0139, Decision and Order, April 12, 2018

³ EB-2016-0137/0138/0139

2 THE PROCESS

A Notice of Hearing was issued on April 18, 2019. Enbridge Gas Inc., 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 in the proceeding. IGUA, SEC, VECC and Anwaatin were found eligible to apply for an award of costs under the OEB's *Practice Direction on Cost Awards*.

The OEB issued Procedural Order No. 1 on May 21, 2019, which set out a schedule for discovery of the evidence and scheduled a settlement conference. By letter dated July 12, 2019, OEB staff advised the OEB that the parties were not able to reach an agreement on the wording of all issues in the proposed issues list. Accordingly, the OEB invited parties to make written submissions on the disputed issues.

In its submission on the issues list, EPCOR Southern Bruce objected to examining the appropriateness of each of the issues that is common in issues lists for other cost of service proceedings before the OEB. EPCOR Southern Bruce argued that its application has largely been predetermined through the CIP process⁴ and as a result the same level of regulatory scrutiny applied to conventional rate applications should not apply in this application. It therefore proposed the wording "consistent with EPCOR Southern Bruce's CIP proposal" to replace "appropriate". Intervenors and OEB staff argued that the test of appropriateness should be maintained as it provides the OEB the necessary and legally required flexibility to vary from the CIP, if deemed appropriate.

The OEB in its decision on the issues list noted that a number of cost parameters and rate components were determined in the South Bruce expansion proceeding⁵ and it would not be revisiting the overall commitments (with the exception of any proposed adjustments) that were made in the CIP process. The OEB agreed with EPCOR Southern Bruce on a number of issues and included "consistent with EPCOR Southern Bruce's CIP proposal" but omitted "appropriate" in the final issues list. For some of the other issues that were not reviewed or underpin the CIP proposal (cost allocation, rate design, revenue deficiency related to delay, deferral and variance accounts, and gas supply costs) the OEB retained the test of appropriateness.

⁴ EB-2016-0137/0138/0139

⁵ EB-2016-0137/0138/0139 Decision and Order, April 12, 2018.

In Procedural Order No. 3, the OEB rescheduled the settlement conference. A settlement conference was held on August 21 and 22, 2019. EPCOR Southern Bruce, Anwaatin, IGUA, SEC and VECC participated in the settlement conference. A settlement was reached on a number of issues and EPCOR Southern Bruce filed a settlement proposal on September 13, 2019 with a subsequent revision filed on September 16, 2019.

The following issues were settled:

- OEB Directives from CIP (Issue 1a)
- Rate base, working capital allowance, recovery of upstream costs and customer connection costs (Issues 2 a, b, c and d)
- Adjustment to distribution revenue for external funding and municipal tax holidays (Issue 3a)
- Non-distribution revenues (Issue 3b)
- Gas supply and operating, maintenance and administrative costs (Issues 4a and b)
- Adjusted revenue requirement (Issue 5b), subject to issues 5(a) and 3(c)
- Service charges (Issue 6d)
- Other deferral and variance accounts – Accelerated CCA Income Taxes Variance Account (Issue 7c)
- Addressing Federal carbon charge and related deferral and variance accounts in this application (Issue 7d)
- Incentive rate-setting proposal (Issues 8 a, b, c and d)
- Proposed scorecard (Issue 9a)

The following issues were partially settled:

- Deferral and Variance Accounts (Issues 7 a and b)
 - i. Gas supply and greenhouse gas related deferral and variance accounts, Contribution in Aid of Construction Variance Account and External Funding Variance Account were settled.
 - ii. Regulatory Expense Deferral Account, Municipal Tax Variance Account and Energy Content Variance Account were not settled.
- Engagement with stakeholders (Issue 11) – no agreement with respect to EPCOR Southern Bruce's engagement with First Nations and Métis communities.

The following issues were not settled:

- Proposed rates consistent with CIP (Issue 1b)
- Other revenues (Issue 3c)
- Recovery of additional revenue deficiency of \$1.764 million (Issue 5a)
- Proposed rate classes and rates (Issues 6 a and c)
- Proposed cost allocation, rate design and revenue-to-cost ratios (Issue 6b)
- Availability of Incremental Capital Module (Issue 8e)
- Proposed effective date of January 1, 2019 (Issue 10a)
- Rate riders to recover lost revenues from effective date (Issue 10b)

OEB staff filed a submission on the settlement proposal on September 19, 2019. The submission supported the agreement reached in the settlement proposal. OEB staff noted that the items agreed to in the settlement proposal were essentially accepted as proposed and the agreement had no impact on the revenue requirement.

In its cover letter to the settlement proposal, EPCOR Southern Bruce proposed a written hearing to deal with the unsettled issues. IGUA filed a letter on September 17, 2019 requesting an oral hearing on the unsettled issues. IGUA noted that EPCOR Southern Bruce had based its cost allocation proposal on judgement and that judgement had not been elaborated or tested. IGUA submitted that as a result of EPCOR Southern Bruce's proposal, the customers that it represents would be compelled to subsidize other rate classes. Considering that the rates set in this proceeding will persist for a decade, IGUA submitted that it should fully be able to understand and test EPCOR Southern Bruce's proposals and this can only be achieved through an oral hearing.

With respect to EPCOR Southern Bruce's proposal to recover an additional \$1.764 million related to construction delays, IGUA noted that EPCOR Southern Bruce had not provided sufficient explanation for this request. IGUA submitted that parties should be able to understand and challenge the basis for the recovery of the foregone revenue from ratepayers prior to making final arguments on the matter.

OEB staff in its submission noted that there was sufficient information on the record to proceed with written arguments on the unsettled issues. With respect to cost allocation, OEB staff submitted that a limited oral hearing on cost allocation to address the concerns of IGUA would not be an unreasonable path forward.

EPCOR Southern Bruce filed a reply to IGUA's letter on September 25, 2019. In the letter, EPCOR Southern Bruce noted that there was sufficient information on the record to make a determination on all unsettled issues and opposed an oral hearing or a limited oral hearing. With respect to cost allocation, EPCOR Southern Bruce submitted

that the written interrogatory process provided sufficient opportunities for parties to seek further evidence or clarification on the issues. EPCOR Southern Bruce clarified that the role of management judgement on cost allocation did not come to light in interrogatory responses but was mentioned in the application.

EPCOR Southern Bruce submitted that there are no customers currently connected to the system and customers have a choice on whether to connect to the system based on the utility's approved rates. EPCOR Southern Bruce further indicated that it was a small utility and had already been subject to multiple OEB proceedings in relation to the South Bruce franchise.

IGUA filed its response to EPCOR Southern Bruce's letter on September 26, 2019. IGUA noted that the role of management judgement in relation to cost allocation was not explained fully in the application but was provided in interrogatory responses. IGUA submitted that its request to test the evidence in an oral hearing was justified in order to understand the basis for, and the impacts of "management judgement" applied by EPCOR Southern Bruce in allocating costs to customer classes.

IGUA further noted that EPCOR Southern Bruce has been given a monopoly franchise to serve the areas of South Bruce and consumers have no choice if they want natural gas service.

With respect to the recovery of the additional revenue deficiency of \$1.764 million, IGUA was prepared to proceed directly to written arguments on the issue.

3 DECISION ON THE SETTLEMENT PROPOSAL

The OEB accepts the settlement proposal. The OEB finds that the settled issues are consistent with the CIP proposal and are expected to result in a reasonable outcome for customers.

The settlement reached an agreement on a number of deferral and variance accounts. However, the settlement proposal has included a draft accounting order only for the Accelerated CCA Income Taxes Variance Account. The OEB has determined that it will approve the accounting orders for all deferral and variance accounts as part of the final rate order in this proceeding.

The OEB has considered IGUA's request for an oral hearing. Having reviewed the interrogatory responses, the OEB concludes that the record is sufficient for parties to make written submissions on the unsettled issues. IGUA's request for an oral hearing is mainly focused on rate design and cost allocation issues. The OEB has concluded that principles underlying these issues are appropriately a matter of argument. EPCOR Southern Bruce has provided different scenarios for cost allocation as part of interrogatory responses on which parties can make submissions.

While the forecast of customer attachments formed part of the CIP, as this is a greenfield expansion, there is necessarily an even larger element of judgement than usual in cost allocation. Parties can make submissions on the exercise of that judgement and the appropriateness of costs allocated to the various customer classes.

4 ORDER

THE ONTARIO ENERGY BOARD ORDERS THAT:

1. The settlement proposal attached as Schedule A is approved.
2. Intervenors and OEB staff who wish to file final arguments shall file them with the OEB and serve them on other intervenors by **October 11, 2019**.
3. EPCOR Southern Bruce shall file its reply argument with the OEB and serve it on all intervenors by **October 21, 2019**.

All filings to the OEB must quote the file number, EB-2018-0264, be made in searchable/unrestricted PDF format electronically through the OEB's web portal at <https://pes.oeb.ca/eservice/>. Two paper copies must also be filed at the OEB's address provided below. Filings must clearly state the sender's name, postal address and telephone number, fax number and e-mail address. Parties must use the document naming conventions and document submission standards outlined in the RESS Document Guideline found at <http://www.oeb.ca/OEB/Industry>. If the web portal is not available parties may email their documents to the address below. Those who do not have internet access are required to submit all filings on a USB memory stick in PDF format, along with two paper copies. Those who do not have computer access are required to file 7 paper copies.

All communications should be directed to the attention of the Registrar at the address below, and be received no later than 4:45 p.m. on the required date.

ADDRESS

Ontario Energy Board
P.O. Box 2319
2300 Yonge Street, 27th Floor
Toronto ON M4P 1E4
Attention: Registrar
Email: registrar@oeb.ca
Tel: 1-888-632-6273 (Toll free)
Fax: 416-440-7656

DATED at Toronto, October 3, 2019

ONTARIO ENERGY BOARD

Original Signed By

Christine E. Long
Registrar

SCHEDULE A
TO
DECISION ON SETTLEMENT PROPOSAL AND
PROCEDURAL ORDER NO. 6
EPCOR NATURAL GAS – SOUTHERN BRUCE
EB-2018-0264
OCTOBER 3, 2019

SETTLEMENT PROPOSAL DATED SEPTEMBER 16, 2019

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

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**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