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May 8, 2020

VIA EMAIL, RESS and COURIER

Ms. Christine E. Long
Board Secretary
Ontario Energy Board
2300 Yonge Street, 27th Floor
Toronto, ON M4P 1E4

**Re: Enbridge Gas Inc. (Enbridge Gas)
Ontario Energy Board (Board) File No.: EB-2020-0094
Harmonized System Expansion Surcharge, Temporary Connection Surcharge
and Hourly Allocation Factor**

Dear Ms. Long:

Please find enclosed an application and pre-filed evidence from Enbridge Gas seeking approval under Section 36 of the *Ontario Energy Board Act, 1998* of the following:

- (i) A System Expansion Surcharge ("SES") for future Community Expansion Projects;
- (ii) A Temporary Connection Surcharge ("TCS") of the same amount for Small Main Extensions and Customer Attachment Projects; and
- (iii) Amendments to Rider I of the Rate Handbook for the EGD rate zone and to Rate Schedules 01, 10, M1 and M2 for the Union rate zones.

The Company is also seeking approval of an Hourly Allocation Factor ("HAF") to be applied in the economic feasibility calculation of future Development Projects consistent with the E.B.O.188 Guidelines. Capitalized terms used above have the meanings ascribed to those terms in the enclosed application and evidence.

The SES, TCS, and HAF that are the subjects of this application are required to provide consistency between the EGD and Union rate zones. In addition, it will allow Enbridge Gas to accommodate the anticipated demand for future expansion projects without having to seek Board approval on a project specific basis.

Please contact the undersigned if you have any questions.

Yours truly,

(Original Signed)

Rakesh Torul
Technical Manager,
Regulatory Applications

cc: Tania Persad, Sr. Legal Counsel

EXHIBIT LIST

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ONTARIO ENERGY BOARD

IN THE MATTER OF the *Ontario Energy Board Act, 1998*, S.O. 1998, c.15 (Sch. B), as amended (“OEB Act”);

AND IN THE MATTER OF an application by Enbridge Gas Inc. for an order or orders under section 36 of the Act approving certain rate mechanisms for expansion projects and a capital allocation factor for project economic feasibility as per E.B.O. 188 Guidelines.

APPLICATION

1. The Applicant, Enbridge Gas Inc. (“Enbridge Gas”, or “EGI”) is an Ontario corporation with its head office in the City of Toronto. It carries on the business of selling, distributing, transmitting, and storing natural gas within Ontario. Enbridge Gas was formed effective January 1, 2019, upon the amalgamation of Enbridge Gas Distribution Inc. (“EGD”) and Union Gas Limited (“Union”).
2. The harmonized System Expansion Surcharge (“SES”), Temporary Connection Surcharge (“TCS”) and Hourly Allocation Factor (“HAF”) that are the subjects of this application are required to provide consistency between the EGD and Union rate zones for Enbridge Gas. In addition, the SES, TCS and HAF will allow Enbridge Gas to accommodate the anticipated demand for Community Expansion Projects and Development Projects or other distribution extension projects or attachments without having to seek Ontario Energy Board (“OEB” or the “Board”) approval for the surcharge or allocation methodology on a project specific basis.

3. Enbridge Gas's proposal addresses several distinct distribution system expansion project types:
- (i) Community Expansion Project – system expansion project for which the profitability index ("PI") is less than 1.0 and which provides first-time natural gas service to a minimum of 50 potential small volume general service customers, each of whom consume 50,000 m³ per year ("small volume customers"). The SES would be set at the same fixed volumetric rate of \$0.23/m³ as the current SES approved for the EGD and Union rate zones. It would apply to small volume customers served by these projects and larger volume customers would have the option to pay the SES or negotiate another method of contribution to the capital costs for the project;
 - (ii) Small Main Extension or Customer Attachment Projects – other forms of distribution expansion or extension projects for which the PI is less than 1.0 and which provide natural gas access to fewer than 50 potential small volume customers. The TCS would be set at the same fixed volumetric rate of \$0.23/m³ as the SES. Enbridge Gas may apply the TCS to small volume customers served by these projects and larger volume customers would have the option to pay the TCS or negotiate another method of contribution to the capital costs of the project; and
 - (iii) Development Projects – system expansion project that will expand capacity over a certain area to serve increasing demands from existing and/or new customers. It may include a mix of large and small volume customers. The Company may use the HAF to allocate the capital costs of the project amongst the existing and future customers of those facilities within the project area.

4. Enbridge Gas hereby applies to the Board pursuant to Section 36 of the Act for an order or orders granting:
 - (i) Approval of the SES for future Community Expansion Projects;
 - (ii) Approval of the TCS for Small Main Extension and Customer Attachment Projects; and
 - (iii) Approval of amendments to Rider I of the Rate Handbook for the EGD rate zone and Rate Schedules for Rates 01, 10, M1 and M2 for the Union rate zones to implement the SES and TCS.
5. Enbridge Gas is also requesting approval of the following:
 - (i) An HAF to be applied in the economic feasibility calculation of future Development Projects consistent with the E.B.O. 188 Guidelines; and
 - (ii) Amendments to the Company's feasibility policies to implement the HAF, SES and TCS.
6. Enbridge Gas further applies to the Board for all necessary orders and directions concerning pre-hearing and hearing procedures for the determination of this Application.
7. This Application is supported by written evidence. Enbridge Gas requests that this Application proceed by way of written hearing in English.
8. The persons affected by this Application are the customers of Enbridge Gas. It is impractical to set out the names and addresses of the customers of Enbridge Gas because they are too numerous.
9. Enbridge Gas requests that a copy of every document filed with the Board in this proceeding be served on it and its counsel as follows:

The Applicant:

Regulatory Contact:

Mr. Rakesh Torul
Technical Manager, Regulatory Applications
Enbridge Gas Inc.

Address for personal service: 500 Consumers Road
Willowdale, Ontario M2J 1P8
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The Applicant's counsel:

Ms. Tania Persad
Senior Legal Counsel
Enbridge Gas Inc.

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Dated at the City of Toronto, Ontario this 8th day of May, 2020.

(Original Signed)

Tania Persad
Senior Legal Counsel

ENBRIDGE GAS PROPOSAL

1. In order to avoid the regulatory burden associated with separate applications to the Ontario Energy Board (“OEB” or the “Board”) for project specific System Expansion Surcharge (“SES”) or Temporary Connection Surcharge (“TCS”) and Hourly Allocation Factor (“HAF”) approvals, Enbridge Gas is requesting Board approval to apply the SES or TCS and HAF for future projects in accordance with pre-set criteria consistent across the Enbridge Gas rate zones. The SES and TCS are rate surcharges applicable to general service customers in the project area. The HAF will be used to allocate capital costs to customers for the purposes of conducting economic feasibility analyses for those served by the project. The details related to the proposed SES, TCS and HAF are further described in this evidence and the other exhibits referenced herein.
2. Enbridge Gas is seeking approval under section 36 of the *Ontario Energy Board Act, 1998*, as amended (“OEB Act”), for application of the SES and TCS as described in this evidence, including proposed amendments to its respective rate schedules as set out in Exhibit C, Tab 1, Schedule 1 and Exhibit C, Tab 1, Schedule 2. Enbridge Gas is also seeking Board approval for use of the HAF, which is a cost allocation mechanism to be used for economic feasibility calculations (not a rate), as described in this evidence and in proposed amendments to the Company’s feasibility policies¹ as set out in Exhibit C, Tab 2, Schedule 1 and Exhibit C, Tab 2, Schedule 2. The feasibility policies also contain explanations about the SES and TCS.

¹ For the Union rate zones, the feasibility policy is entitled the Distribution New Business Guidelines and for the EGD rate zone, the feasibility policy is entitled Economic Procedure and Policy.

3. If the Board accepts Enbridge Gas's proposal, it would no longer be necessary for Enbridge Gas to seek approval under section 36 of the OEB Act for the SES and TCS on a project specific basis either for projects that meet the criteria for a leave to construct ("LTC") application or for smaller distribution projects. Similarly, Enbridge Gas would be able to use the HAF in accordance with its feasibility policies without obtaining Board approval on a project specific basis.
4. Enbridge Gas is proposing two rate surcharges (SES and TCS) to address two distinct project types:
 - i. The SES will be applicable to each Community Expansion Project, defined as a natural gas system expansion project for which the profitability index ("PI") is less than 1.0 and which will provide first-time natural gas system access to a minimum of 50 potential small volume general service customers, each of whom consume no more than 50,000 m³ per year ("small volume customers"). Customers who consume more than 50,000 m³ per year will have the option of paying the SES or negotiating another method of contribution to the project; and
 - ii. The TCS may be applicable to each Small Main Extension or Customer Attachment Project, defined as a natural gas system expansion or extension project for which the PI is less than 1.0 and which will provide distribution access to fewer than 50 potential small volume customers. Customers who consume more than 50,000 m³ per year will have the option of paying the TCS or negotiating another method of contribution to the project. These projects include the extension of mains, the related service attachments and any service lines to individual customers connecting to pre-existing mains.

5. Enbridge Gas is also seeking approval of the HAF to be used, as appropriate, in the allocation of capital costs to individual or multiple customers, on a peak hour basis, in the economic feasibility analysis for any:
 - Development Project, defined as a system expansion project that will expand capacity over a certain area to serve increasing demands from existing and/or new customers. It may include a mix of large and small volume customers.

System Expansion Surcharge (SES)

6. Enbridge Gas is requesting that the Board approve a volumetric based SES of \$0.23 per cubic metre that would be applicable to all small volume customers served by Community Expansion Projects as defined above. The SES requested would be a constant volumetric per cubic metre charge that appears on small volume customer bills in addition to the regular Board approved rates for the applicable rate class. While Enbridge Gas's approved rates will change over time, the SES will not. Consistent with the current versions of the SES which have previously been approved by the Board, the form of SES proposed in this application will be considered revenue and treated as such for the purpose of the economic feasibility analyses.
7. The SES will allow customers to be served by Community Expansion Projects to contribute a portion of their savings from converting to natural gas towards natural gas system expansion feasibility. The SES addresses the Board's determination in the Generic Proceeding on Community Expansion, EB-2016-0004 (the "Generic Proceeding"), that "for many communities a higher gas distribution rate would be more than offset by the savings these customers would realize over time by converting to natural gas. This is true even when one considers the costs of

conversion, such as a new or modified furnace.”² The proposed rate of \$0.23 per cubic metre is appropriate for small volume customers as it was derived from a study that reviewed small volume customers’ energy costs and conversion costs. Larger volume customers typically have different costs and potential savings such that \$0.23 per cubic metre would make conversion uneconomic. Feasibility for large volume customers within a Community Expansion Project will be calculated separately in accordance with the Board’s E.B.O. 188 Guidelines³ and any required contribution in aid of construction (“CIAC”) will generally be applied directly to those customers or addressed through the applicable large volume rate multi-year contracts. However, the option will be available to these customers to pay the SES in lieu of or in addition to a CIAC.

8. In the case of the EGD rate zone, the Board had previously approved the general use of the SES across large and small system expansion projects in a manner consistent with the Board’s E.B.O. 188 Guidelines⁴. However, in the case of the Union rate zones, the SES was approved on a project specific basis⁵.
9. In the EGD rate zone, Enbridge Gas has received approval to use the SES in the Town of Fenelon Falls (EB-2017-0147) and Scugog Island (EB-2017-0261) expansion projects. In the Union Gas rate zones, the SES has been approved for use in several projects such as Prince Township, Milverton, Rostock and Wartburg, and Kettle and Stony Point First Nation.⁶ Enbridge Gas is proposing in this

² EB-2016-0004, Decision with Reasons

³ Issued pursuant to the OEB Report on Natural Gas System Expansion, dated January 30, 1998.

⁴ EB-2017-0147, Decision and Order

⁵ EB-2015-0179

⁶ EB-2015-0179, Community Expansion Application (Union)

application that the SES, as detailed below, be approved for use for future Community Expansion Projects in all rate zones.

10. Under this proposal, provided that the area to be served by an Expansion Project includes 50 or more existing potential customers, the SES will apply to all small volume customers located in the project area. As noted above, customers will be charged the applicable Enbridge Gas regulated distribution rate, as well as the SES. The SES will appear as a separate line item on each customer's monthly Enbridge Gas bill. Potential customers will be informed of the details of the SES charge as each Community Expansion Project is developed, as well as at the time they make their application to Enbridge Gas for service.
11. The SES will apply for a period of up to 40 years. The term of the SES for each project will be set such that the project will achieve a PI of at least 1.0. Enbridge Gas notes that there is a difference in approach between the EGD and Union rate zones with respect to updating the project's PI and its impact on the duration of the SES. In this application, Enbridge Gas is proposing to adopt the SES on the same basis as it has for previously approved projects in the Union rate zones (e.g., EB-2015-0179). As such, the Company is not proposing to periodically update the project's PI for the duration of the SES term.
12. In the OEB's recent EB-2019-0188 Decision concerning the extension of gas service to the Northshore and Peninsula Roads area in the City of North Bay the Board noted that under the same proposal as that outlined above the increased profitability of a project would be captured in the Company's base rates resulting in reduced rates for all customers. This treatment is consistent with the portfolio concept that underpins the Board's E.B.O. 188 Guidelines that requires the Company's

Investment Portfolio PI to be greater than 1.0 (1.0 plus a safety margin)⁷. It is the Company's view that this E.B.O. 188 requirement implicitly recognizes that some projects will be more profitable than others and that over the discounted cash flow period over which the project PIs are calculated, more profitable projects will result in investment Portfolio PI greater than 1.0 and declining rates for all customers over time, all else equal.

13. After the term of the SES is set, there may be customers who attach to the Community Expansion Project after it has been placed into service. Customers attaching after the in-service date will also be required to pay the SES for the remainder of the SES term for that project. Similarly, the ongoing obligation for payment of the SES will attach to the property (not the owner) for the balance of the original term.
14. Enbridge Gas's proposal for the SES has been set out such that it meets the criteria as defined in the Generic Proceeding, EB-2016-0004. Enbridge Gas's proposal is also consistent with the E.B.O. 188 Guidelines. By adhering to both, Enbridge Gas will be maintaining the principle of avoiding long term cross-subsidization by existing customers of new customers.
15. Enbridge Gas recognizes that the initial evaluation of a Community Expansion Project and the SES term are determined based on estimated capital costs and a forecast of customer attachments, revenue rates, and natural gas consumption. Following the end of a project's Rate Stabilization Period ("RSP"), Enbridge Gas will use the actual project revenues including actual SES revenues for ratemaking purposes subject to OEB review and approval. In other words, Enbridge Gas will not

⁷ E.B.O. 188, Final Report of the Board relating to Natural Gas System Expansion, page 11

seek to recover from existing or new community expansion customers any shortfall in revenue requirement for the first 10 years of a project's in-service date. The Company proposes that it would bring forward for approval any potential revenue requirement shortfalls or excesses for the future period in the next rates rebasing application after the 10-year RSP.

16. During the RSP, Enbridge Gas will include projected revenues as derived from the customer attachment and volumetric forecast inclusive of SES revenue for each particular project in the determination of any revenue sufficiency or deficiency in the process of setting of OEB approved rates. Enbridge Gas will not seek to reflect the actual revenues of a project in the determination of rates until after the RSP has expired. After the RSP has expired, actual revenues for a particular project will be used for the determination of any revenue sufficiency or deficiency in the process for setting approved rates.
17. With respect to capital costs, Enbridge Gas proposes to treat these costs in the same manner as the costs of other capital projects. The Company will bring forward its actual capital costs at the next rebasing proceeding following the 10-year RSP. This treatment of capital costs is the same as other distribution system expansion projects that form part of the common rate base and is consistent with the Board's ruling on this issue in EB-2015-0179.
18. Any variances between forecast and actual capital costs for a project would therefore be captured in rates at the rebasing application following the end of the 10-year term of the RSP. Enbridge Gas is at risk for potential revenue shortfalls during the 10-year RSP and will not seek recovery for any overages or shortfalls related to the RSP. Enbridge Gas will seek to include the actual project cost in the base upon which rates are set in the next rebasing application that follows the end of the RSP.

19. In the event that Enbridge Gas should seek recovery of any revenue requirement shortfall after the end of the initial 10-year RSP, it will be supported by an updated PI calculation that uses actual capital costs and actual customer attachments (revenues). The OEB stated in Union's Community Expansion Application⁸, "The OEB agrees with this approach and will require Union to provide a revised DCF calculation based on actuals after the 10-year forecast risk period is over in the event that Union seeks to recover any revenue requirement shortfall."
20. Enbridge Gas is requesting that the Board approve a 10-year RSP for all Expansion Projects. The RSP will address the Board's finding in the Generic Proceeding, EB-2016-0004 that "a utility would bear the risk for that 10-year period if the customers they forecast did not attach to the system."⁹ The RSP will commence on the in-service date of the Project. A 10-year period is also consistent with what the Board approved in EGD's application for an SES applicable to all future Expansion Projects in EB-2017-0147.
21. The RSP is proposed to function as follows: If leave of the Board is granted to construct an Expansion Project, Enbridge Gas will include the forecasted capital costs of a project in rate base as of the in-service date. Capital costs included in rate base would be those costs outlined in the economic feasibility assessment of the project net of any third-party funding (such as government administered grants pursuant to O.Reg. 24/19, municipal contributions and any contribution in aid of construction from customers).

⁸ EB-2015-0179, Decision and Order, Page 14

⁹ EB-2016-0004, Decision with Reasons

22. Following the end of each project's RSP, the following information will be reported for the most recently ended fiscal year for which actual information is available on a project specific basis:

- Budgeted and actual capital costs, both at a gross level, and net of any CIAC, as of a project's in-service date;
- Cumulative forecasted customer and actual customer attachments for the duration of a project's 10-year customer addition forecast period; and
- Project's PI updated to reflect the project's actual capital cost and revenues over its RSP.

Temporary Connection Surcharge (TCS)

23. Enbridge Gas is asking the Board to approve a TCS which is similar to the SES but will be used for smaller distribution expansion projects that will provide natural gas system access to fewer than 50 potential small volume customers in homes and businesses. This will allow for these customers to gain similar benefits to those being served by larger Community Expansion Projects.

24. Enbridge Gas's proposal for a TCS would apply to those small volume customers who would otherwise be required to pay a CIAC in order to make gas service to their property economically feasible at a PI of 1.0. In these situations, Enbridge Gas would have the ability to offer the TCS for up to 20 years as an alternative to these potential customers rather than requiring them to pay a lump sum CIAC prior to the in-service date of the facilities.

25. Enbridge Gas is proposing the TCS rate be set at \$0.23 per cubic metre which is the same rate as proposed for the SES. Setting the TCS at the same rate as the SES also allows small volume customers to contribute a portion of their savings from

converting to natural gas towards natural gas system expansion feasibility.

Availability of a TCS for small main extensions or attachments will provide an alternative to CIAC for those customers where attachment to Enbridge Gas's system is not economically feasible based on the use of current approved rates only.

26. A CIAC requires an up-front payment which the customer must provide prior to construction. This requirement acts as a barrier to conversion for some customers. The TCS, on the other hand, provides a mechanism for a small volume customer to fund the costs of attachment from the annual savings achieved by converting to natural gas. Similar to the SES, the ongoing obligation for payment of the TCS will attach to the property (not the owner of the property), for the balance of the initial TCS term.
27. Consistent with the SES, after the term of the TCS is set, customers who attach to the system in the TCS project area after it has been placed in service will also be required to pay the TCS for the remainder of the initial term for that project.
28. The TCS will appear as an extra line item on each monthly bill, labelled "Temporary Connection Surcharge". For clarity, this line item will be in addition to other current gas bill line items such as commodity, transportation, storage, delivery, and the fixed monthly charge which are all identified in current Board approved rate schedules. Customers affected by the TCS will be informed of the details of any applicable TCS charge as the project is being developed, as well as at the time they make their application for service to Enbridge Gas.
29. Consistent with the current versions of the SES which have previously been approved by the Board, the form of TCS proposed in this application will be

considered revenue and treated as such for the purpose of the economic feasibility analyses.

30. The proposed TCS will be applicable to small volume customers served by small main extensions and/or attachments, as an alternative to CIAC to achieve a PI of 1.0, or in addition to CIAC for a project to achieve a minimum PI of 1.0. The proposed rate of \$0.23 per cubic metre is appropriate for small volume customers as it was derived from a study that reviewed small volume customers' energy costs and conversion costs. Larger volume customers will have the option of paying an upfront CIAC and/or the TCS or entering into multi-year contracts under large volume rate classes as a means of supporting the economics of these projects, subject to the E.B.O.188 Guidelines.
31. Enbridge Gas's proposal for the TCS has been set out such that it meets the criteria as defined in the Generic Proceeding, EB-2016-0004. Enbridge Gas's proposal is also consistent with the E.B.O. 188 Guidelines. By adhering to both these Board decisions, Enbridge Gas ensures that the principle of avoiding long term cross subsidization from existing ratepayers to new ratepayers is maintained.
32. The proposed TCS is similar in nature to the SES other than the differences identified below.
33. The TCS term will be determined on a project specific basis and will be restricted to a minimum of one year to a maximum of 20 years from the project's in-service date. The term will be based on the number of years of TCS revenues required so that the project will achieve a PI of 1.0. This approach is consistent with the calculation for

SES terms which has been approved in EB-2017-0147 as well for several other projects as noted earlier in the application.

34. The 20-year maximum may not make all projects economically viable, in which case Enbridge Gas expects that a CIAC will be required in addition to the TCS.

35. Enbridge Gas proposes that projects where a TCS rate rider is applied should be included in the Company's Rolling Project Portfolio and Investment Portfolios alongside other system expansion projects. This will provide an ongoing method of determining the financial feasibility and rate impact of expansion projects as prescribed in E.B.O. 188. As such, separate tracking and reporting on these projects will not be warranted.

Hourly Allocation Factor (HAF)

36. The HAF is a method of allocating the upfront capital investment of a Development Project designed to provide incremental firm capacity to multiple customers forecasted to require additional firm service within an identified Area of Benefit¹⁰. Unlike the SES and TCS, the HAF is not a rate, but rather an element of the Company's respective economic feasibility policies that addresses the method by which capital costs of a project are allocated.

37. The concept of the HAF is consistent with the Board's E.B.O. 188 Guidelines which states: *"The Board agrees with the parties that the common criteria for contributions in aid of construction should apply to all customer classes. If there is a reasonable*

¹⁰ The Area of Benefit is defined as the geographic area, drawn as a polygon on a map, that includes all customers who will be served by, and benefit from, the infrastructure build or pressure increase from the Development Project.

expectation of further expansion, the contribution in aid of construction is expected to take into account the future load growth potential and timing of any such expansion.” (E.B.O. 188, Final Report of the Board, January 30, 1998, section 4.3.4, page 19). Further, the E.B.O. 188 Guidelines also contemplated that capital costs will be allocated based on the customer’s peak day demand (E.B.O. 188, Final Report of the Board, January 30, 1998, Sec. 4.3.3, part (ii), page 19). The HAF refines this by making this allocation based on each customer’s peak hour demand.

38. Fundamentally, the HAF is derived by dividing the net forecasted capital cost of a project by the forecasted capacity that the project serves within the Area of Benefit. The HAF is expressed as a capital cost for each cubic metre per hour of incremental capacity. This approach has previously been used and approved in four LTC projects in the Union rate zones. A summary of these previously approved projects and their corresponding HAF calculations is provided in Appendix A to this exhibit. The HAF can then be used to allocate the capital cost of a project to the customers the project serves as each customer contracts for or initiates service, based on each customer’s incremental capacity requirement, in addition to the costs of any customer specific facilities that may be required (e.g., upgrades to a customer station, service line, or distribution main).

39. Enbridge Gas is proposing that the Board approve the use of the HAF process as an allocation methodology for capital costs in future Development Projects. The previous four LTC Board approved projects that employed the HAF approach all had about 50% of the capacity committed or more prior to being advanced for LTC approval. See Appendix A for details.

40. The HAF process ensures fairness and helps ensure cost causality especially where multiple incremental customers or demands are anticipated in an Area of Benefit over a period of several years. It provides a process to design and build the optimal facilities for the future and ensures each new customer or demand is allocated an appropriate portion of the Development Project as they each move through the commitment or contracting and connection process. In this way the first customer does not bear the entire economic burden, nor the last customer avoid theirs.
41. The concept of the Hourly Allocation Factor is to fairly and equitably share and allocate the costs and benefits of a Development Project that benefits multiple customers commensurate with peak hour demand. When a Development Project is proposed, it can be modelled to determine an Area of Benefit. The Area of Benefit is the geographic area that will see a noticeable increase in firm natural gas capacity as a result of the Development Project.
42. Enbridge Gas is proposing that the threshold of eligibility be scaled with the size of the Development Project. For larger projects, Enbridge Gas would propose that the HAF apply only to large volume customers. For smaller projects, all customers, large and small, would be included. In the four previously approved LTC projects, the “floor” of HAF applicability was set at 200 cubic metre per hour. Enbridge Gas determined the proposed HAFs based on the known parameters at that time, by dividing the net forecasted capital by the total forecasted capacity in cubic metres per hour made available by the project for customers who required in excess of 200 cubic metre per hour. These projects primarily targeted large volume customers, and as a result, a threshold was set that would target and capture those customers. In the future, with a smaller Development Project, that targets a mix of larger and mid-sized customers a lower threshold may be more appropriate. Enbridge Gas is

proposing that the threshold of applicability be set by Enbridge Gas on a case by case basis. The HAF will typically be applied in situations where gas service is being made available to large volume customers, however it can also be used for projects involving small volume customers where one or more of them may be placing a larger peak demand on the system relative to others that are served by that project.

43. Consistent with previous LTC projects, once the HAF is determined and set, it remains constant for all customers meeting the threshold of applicability for that particular Development Project requesting incremental capacity within the Area of Benefit. Enbridge Gas will cease to allocate and apply the HAF to the economic feasibility analysis of new customers requesting service in the Area of Benefit once the total incremental capacity has been fully allocated¹¹. This approach will help reduce the situations where a single customer underpins a large project with a long-term contract or CIAC and then a neighbouring customer gains access to the incremental capacity without being allocated a fair share of the capital costs that generated that capacity. It also allows the Company to factor in anticipated growth to optimize the design of the facilities up front.
44. For the purposes of the economic feasibility analysis for customers allocated costs using the HAF, Enbridge Gas would continue to apply the E.B.O.188 Guidelines. Large volume customers would have flexibility through longer term contracts and/or a CIAC payment to achieve a PI of 1.0. Small volume customers would have the option of a CIAC payment and/or the TCS, as applicable over a defined term to achieve a PI of 1.0.

¹¹ EB-2018-0188, CK Rural Expansion Project; EB-2019-0218, Sarnia Expansion Project

Rate Design

Enbridge Gas proposes to set the SES and TCS at a fixed volumetric rate of \$0.23/m³ applicable to small volume customers served by expansion and extension projects as defined above. The SES and TCS are in addition to Enbridge Gas's base distribution rates as approved by the Board from time to time for applicable customers. The SES and TCS will be available to customers in general service rate classes in the EGD and Union rate zones. Enbridge Gas proposes to update Rider I in the EGD rate zone and the Rate 01, Rate 10, Rate M1 and Rate M2 rate schedules in the Union rate zones to include a provision for the SES and TCS fixed volumetric rate of \$0.23 cubic metre for general service customers. The draft rider and rate schedules are provided at Exhibit C, Tab 1, Schedules 1 and 2. There are no rate schedule changes required for the HAF.

Economic Feasibility Policies and Conditions of Service

45. Enbridge Gas proposes to update the Economic Feasibility Procedure and Policy in the EGD rate zone and its Distribution New Business Guidelines for the Union rate zones to describe its proposed application of the SES, TCS and HAF. The revised feasibility policies are provided at Exhibit C, Tab 2, Schedules 1 and 2.
46. If its proposals for the SES and TCS are approved, Enbridge Gas proposes to make a minor revisions to the Conditions of Service for each of the Union Gas and EGD rate zones. Those revisions are set out at Exhibit C, Tab 3, Schedule 1. Enbridge Gas will provide advance notice to applicable customers of the revised Conditions of Service in accordance with section 8.5.1 of the OEB's *Gas Distribution Access Rule*.

Board Approvals of the application of an Hourly Allocation Factor in prior proceedings

| Project | Case Number | Forecasted Capacity | Forecasted Net Capital (\$m) | Hourly Allocation Factor | Capacity contracted or under negotiation at LTC filing | Capacity contracted or under negotiation at LTC filing (%) | Project Description |
|-------------------|--------------|--------------------------|------------------------------|--------------------------|--|--|---|
| | | (a) | (b) | (c) = (b) / (a) | (d) | (e) = (d) / (a) | (f) |
| Leamington Phase | EB-2012-0431 | 40,000 m ³ /h | \$8.20 | \$205 m ³ /h | 20,400 m ³ /h | 51% | 8.5 km of NPS12 |
| Leamington Phase | EB-2016-0013 | 51,900 m ³ /h | \$11.80 | \$230 m ³ /h | 51,900 m ³ /h | 100% | 6.7 km of NPS 12 + 250 m of NPS16 + 60 m of NPS 8 |
| CK Rural Pipeline | EB-2018-0188 | 30,045 m ³ /h | \$8.609 | \$287 m ³ /h | 14,635 m ³ /h | 49% | 500 m of NPS12 + 13 km of NPS8 |
| Samia Expansion | EB-2019-0218 | 73.6 TJ/d | \$23.50 | \$244 m ³ /h | 61.4 TJ/d | 83% | 1.2 km of NPS20 |

| | |
|----------|--|
| Rider: I | System Expansion Surcharge and Temporary Connection Surcharge |
|----------|--|

Applicability:

This Rider is applicable to the Terminal Location of any Applicant who, pursuant to Rate Schedules 1 and 6, receives gas distribution services from the Company as part of a Community Expansion Project, Small Main Extension or Customer Attachment Project, as defined below. The System Expansion Surcharge and Temporary Connection Surcharge are in addition to the rates charged pursuant to the applicable Rate Schedules.

System Expansion Surcharge (SES): **\$0.23/m³**

Temporary Connection Surcharge (TCS): **\$0.23/m³**

SES and TCS additional terms and conditions:

- a) The Company may apply the SES for a term of up to 40 years, to be determined in accordance with the Company's feasibility policy;
- b) The Company may require payment of a CIAC and/or apply the TCS for a term of 1-20 years, to be determined in accordance with the Company's feasibility policy;
- c) The Community Expansion Projects to which the SES apply are set out below.
The Company will publish the geographic location, effective date and term of TCS project areas on the Company's website. Subject to d) below, the SES and TCS will apply to all Terminal Locations within the geographic location for the term, notwithstanding any change of ownership or occupancy; and
- d) The Company's estimated annual supply of gas at the Terminal Location must be no more than 50,000 m³. For any Terminal Location with an estimated annual supply of gas greater than 50,000 m³, the customer may elect to pay the SES or TCS, as applicable, or pay a CIAC.

Glossary of Terms:

Community Expansion Project – A natural gas system expansion project undertaken by the Company for which the PI is less than 1.0 and which will provide first-time natural gas system access to a minimum of 50 potential customers.

Contribution in Aid of Construction (CIAC) - The Company's calculation in accordance with its feasibility policy of the amount of customer financial contributions required to reduce the capital cost of a project to serve one or more customers so that the project becomes feasible.

Small Main Extension and Customer Attachment Projects – A natural gas system extension or expansion projects undertaken by the Company for which the PI is less than 1.0 and which will provide natural gas system access to less than 50 potential customers.

Profitability Index (PI) – The Company's calculation in accordance with its feasibility policy of the ratio of the net present value (NPV) of the net cash inflows to the NPV of the net cash outflows for a natural gas system expansion or extension project undertaken by the Company.

Community Expansion Projects and Effective Dates:

| Community Expansion Project Description | In-service Date | SES Initial Term | Board Order Number |
|--|------------------------|-------------------------|---------------------------|
| Town of Fenelon Falls | TBD | 40 years | EB-2017-0147 |
| Scugog Island | TBD | 40 years | EB-2017-0261 |

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Rate 01
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ENBRIDGE GAS INC.
UNION NORTH
RATE 01 - SMALL VOLUME GENERAL FIRM SERVICE

ELIGIBILITY

Any customer in Union's North West and North East Zones who is an end user whose total gas requirements at that location are equal to or less than 50,000 m³ per year.

SERVICES AVAILABLE

The following services are available under this rate schedule:

(a) **Sales Service**

For continuous supply of natural gas by Union and associated transportation and storage services necessary to ensure deliverability in accordance with the customer's needs. For this service, the Monthly, Delivery, Carbon (if applicable) and Gas Supply Charges shall apply.

(b) **Transportation Service**

For continuous delivery on Union's distribution system from the Point of Receipt on TransCanada's system to the Point of Consumption on the customer's premises of natural gas owned by the customer and transported by TransCanada under a firm transportation service tariff or equivalent National Energy Board Order. For this service, the Monthly, Delivery and Carbon (if applicable) Charges shall apply. Unless otherwise authorized by Union, customers who initiate a movement to Transportation Service from a Sales Service or Bundled Transportation Service must accept an assignment from Union of transportation capacity on upstream pipeline systems.

Transportation Service customers in the Union North East Zone may contract with Union for transportation service from Dawn to the customer's delivery area. The charges for the transportation service will consist of the Rate C1 Dawn-Parkway firm transportation rate and applicable fuel charges, in accordance with Union's Rate C1 rate schedule, and all applicable third party (i.e. TransCanada) transportation charges on upstream pipelines from Parkway to the customer's delivery area.

(c) **Bundled Transportation Service**

For continuous delivery by Union of gas owned by the customer and for the associated transportation and storage services necessary to ensure deliverability in accordance with the customer's needs. For this service the Monthly, Delivery and Carbon (if applicable) Charges, as well as the Storage and Transportation Charges of the Gas Supply Charge, shall apply.

MONTHLY RATES AND CHARGES

| <u>APPLICABLE TO ALL SERVICES</u> | <u>Union North West</u> | <u>Union North East</u> |
|---|-----------------------------|-----------------------------|
| <u>MONTHLY CHARGE</u> | \$22.50 | \$22.50 |
| <u>DELIVERY CHARGE</u> | <u>¢ per m³</u> | <u>¢ per m³</u> |
| First 100 m ³ per month @ | 9.4691 | 9.4691 |
| Next 200 m ³ per month @ | 9.2245 | 9.2245 |
| Next 200 m ³ per month @ | 8.8374 | 8.8374 |
| Next 500 m ³ per month @ | 8.4821 | 8.4821 |
| Over 1,000 m ³ per month @ | 8.1885 | 8.1885 |
| Delivery-Price Adjustment (All Volumes) (1) | (2.6526) | (2.6526) |
| <u>CARBON CHARGES</u> | | |
| Federal Carbon Charge (if applicable) | 5.8700 | 5.8700 |
| Facility Carbon Charge (in addition to Delivery Charge) | 0.0088 | 0.0088 |

Notes:

(1) Includes a temporary credit of (2.6526) cents/m³ expiring September 30, 2020.

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TBD
Rate 01
Page 2 of 2

ADDITIONAL CHARGES FOR SALES SERVICE

GAS SUPPLY CHARGES (if applicable)

The gas supply charge is comprised of charges for transportation and for commodity and fuel.
The applicable rates are provided in Schedule "A".

SYSTEM EXPANSION SURCHARGE ("SES") AND TEMPORARY CONNECTION SURCHARGE ("TCS") (if applicable) (1)

The SES is applicable to a customer who receives gas distribution services from the Company as part of a Community Expansion Project listed below. The SES is applied to all volumes consumed by customers in the approved Community Expansion Project areas.

The TCS is applicable to a customer who receives gas distribution services from the Company as part of a Small Main Extension or Customer Attachment Project in lieu of or in addition to paying a Contribution in Aid of Construction. The TCS is applied to all volumes consumed, if applicable.

| | |
|---------------------------------------|------------------------------|
| System Expansion Surcharge (SES): | 23.0000 ¢ per m ³ |
| Temporary Connection Surcharge (TCS): | 23.0000 ¢ per m ³ |

| | | |
|---|------------------------|-------------------------|
| <u>Community Expansion Project Areas:</u> | <u>In-service Date</u> | <u>SES Initial Term</u> |
| Prince Township | 2018 | 22 years |

Notes:

(1) Additional conditions and defined terms applicable to the SES and TCS are set out in the Company's Distribution New Business Guidelines as approved by the OEB in its EB-2020-0094 decision.

MONTHLY BILL

The monthly bill will equal the sum of the monthly charges plus the rates multiplied by the applicable gas quantities delivered plus all applicable taxes. If the customer transports its own gas, the Gas Supply Charge under Sales Service will not apply.

MINIMUM MONTHLY BILL

The Minimum Monthly Bill shall be the Monthly Charge.

DELAYED PAYMENT

The monthly late payment charge equal to 1.5% per month or 18% per annum (for an approximate effective rate of 19.56% per annum) multiplied by the total of all unpaid charges will be added to the bill if full payment is not received by the late payment effective date, which is 20 days after the bill has been issued.

SERVICE AGREEMENT

Customers providing their own gas supply in whole or in part, for transportation by Union, must enter into a Service Agreement with Union.

TERMS AND CONDITIONS OF SERVICE

1. If multiple end-users are receiving service from a customer under this rate, for billing purposes, the Monthly, Delivery and Carbon (if applicable) Charges, plus any other charge that is specific to the location of each end-user shall be used to develop a monthly bill for each end-user at each location. Upon request, possibly for a fee, Union will combine the individual bills on a single invoice or statement for administrative convenience. However, Union will not combine the quantities or demands of several end-use locations so that eligibility to a different rate class will result. Further, Union will not combine the monthly billing data of individual end-users to generate a single bill which is less than the sum of the monthly bills of the individual end-users involved at each location.
2. Customers must enter into a Service Agreement with Union prior to the commencement of service.
3. The identified rates (excluding gas supply charges, if applicable) represent maximum prices for service. These rates may change periodically. Multi-year prices may also be negotiated, which may be higher than the identified rates.

Effective TBD
Implemented TBD
O.E.B. Order # EB-2020-0094

Supersedes EB-2020-0077 Rate Schedule effective April 1, 2020.

Effective
TBD
Rate 10
Page 1 of 2

ENBRIDGE GAS INC.
UNION NORTH
RATE 10 - LARGE VOLUME GENERAL FIRM SERVICE

ELIGIBILITY

Any customer in Union's North West and North East Zones who is an end-user whose total firm gas requirements at one or more Company-owned meters at one location exceed 50,000 m³ per year.

SERVICES AVAILABLE

The following services are available under this rate schedule:

(a) **Sales Service**

For continuous supply of natural gas by Union and associated transportation and storage services necessary to ensure deliverability in accordance with the customer's needs. For this service, the Monthly, Delivery, Carbon (if applicable) and Gas Supply Charges shall apply.

(b) **Transportation Service**

For continuous delivery on Union's distribution system from the Point of Receipt on TransCanada's system to the Point of Consumption on the customer's premises of natural gas owned by the customer and transported by TransCanada under a firm transportation service tariff or equivalent National Energy Board Order. For this service, the Monthly, Delivery and Carbon (if applicable) Charges shall apply. Unless otherwise authorized by Union, customers who initiate a movement to Transportation Service from a Sales Service or Bundled Transportation Service must accept an assignment from Union of transportation capacity on upstream pipeline systems. Customers may reduce their assignment of transportation capacity in compliance with Union's Turnback Policy.

Transportation Service customers in the Union North East Zone may contract with Union for transportation service from Dawn to the customer's delivery area. The charges for the transportation service will consist of the Rate C1 Dawn-Parkway firm transportation rate and applicable fuel charges, in accordance with Union's Rate C1 rate schedule, and all applicable third party (i.e. TransCanada) transportation charges on upstream pipelines from Parkway to the customer's delivery area.

(c) **Bundled Transportation Service**

For continuous delivery by Union of gas owned by the customer and for the associated transportation and storage services necessary to ensure deliverability in accordance with the customer's needs. For this service the Monthly, Delivery and Carbon (if applicable) Charges, as well as the Storage and Transportation Charges of the Gas Supply Charge, shall apply.

MONTHLY RATES AND CHARGES

| <u>APPLICABLE TO ALL SERVICES</u> | <u>Union North West</u> | <u>Union North East</u> |
|---|-----------------------------|-----------------------------|
| <u>MONTHLY CHARGE</u> | \$72.68 | \$72.68 |
| <u>DELIVERY CHARGE</u> | <u>¢ per m³</u> | <u>¢ per m³</u> |
| First 1,000 m ³ per month @ | 8.2925 | 8.2925 |
| Next 9,000 m ³ per month @ | 6.7173 | 6.7173 |
| Next 20,000 m ³ per month @ | 5.8578 | 5.8578 |
| Next 70,000 m ³ per month @ | 5.2795 | 5.2795 |
| Over 100,000 m ³ per month @ | 3.0884 | 3.0884 |
| Delivery-Price Adjustment (All Volumes) (1) | (1.5699) | (1.5699) |
| <u>CARBON CHARGES</u> | | |
| Federal Carbon Charge (if applicable) | 5.8700 | 5.8700 |
| Facility Carbon Charge (in addition to Delivery Charge) | 0.0088 | 0.0088 |

GAS SUPPLY CHARGES (if applicable)

The gas supply charge is comprised of charges for transportation and for commodity and fuel.
The applicable rates are provided in Schedule "A".

Notes:

(1) Includes a temporary credit of (1.5699) cents/m³ expiring September 30, 2020.

Effective
TBD
Rate 10
Page 2 of 2

ADDITIONAL CHARGES FOR SALES SERVICE

SYSTEM EXPANSION SURCHARGE ("SES") AND TEMPORARY CONNECTION SURCHARGE ("TCS") (if applicable) (1)

The SES is applicable to a customer who receives gas distribution services from the Company as part of a Community Expansion Project listed below in lieu of or in addition to paying a Contribution in Aid of Construction, at the customer's option.

The TCS is applicable to a customer who receives gas distribution services from the Company as part of a Small Main Extension or Customer Attachment Project in lieu of or in addition to paying a Contribution in Aid of Construction, at the customer's option.

If applicable, the SES and TCS are applied to all volumes consumed for the SES or TCS term.

| | |
|---------------------------------------|------------------------------|
| System Expansion Surcharge (SES): | 23.0000 ¢ per m ³ |
| Temporary Connection Surcharge (TCS): | 23.0000 ¢ per m ³ |

| | | |
|---|------------------------|-------------------------|
| <u>Community Expansion Project Areas:</u> | <u>In-service Date</u> | <u>SES Initial Term</u> |
| Prince Township | 2018 | 22 years |

Notes:
(1) Additional conditions and defined terms applicable to the SES and TCS are set out in the Company's Distribution New Business Guidelines as approved by the OEB in its EB-2020-0094 decision.

MONTHLY BILL

The monthly bill will equal the sum of the monthly charges plus the rates multiplied by the applicable gas quantities delivered plus all applicable taxes. If the customer transports its own gas, the Gas Supply Charge under Sales Service will not apply.

MINIMUM MONTHLY BILL

The Minimum Monthly Bill shall be the Monthly Charge.

DELAYED PAYMENT

The monthly late payment charge equal to 1.5% per month or 18% per annum (for an approximate effective rate of 19.56% per annum) multiplied by the total of all unpaid charges will be added to the bill if full payment is not received by the late payment effective date, which is 20 days after the bill has been issued.

SERVICE AGREEMENT

Customers providing their own gas supply in whole or in part, for transportation by Union and customers purchasing gas from Union with maximum daily requirements in excess of 3,000 m³ per day must enter into a Service Agreement with Union.

TERMS AND CONDITIONS OF SERVICE

1. Service shall be for a minimum term of one year.
2. If multiple end-users are receiving service from a customer under this rate, for billing purposes, the Monthly, Delivery and Carbon (if applicable) Charges, plus any other charge that is specific to the location of each end-user shall be used to develop a monthly bill for each end-user at each location. Upon request, possibly for a fee, Union will combine the individual bills on a single invoice or statement for administrative convenience. However, Union will not combine the quantities or demands of several end-use locations so that eligibility to a different rate class will result. Further, Union will not combine the monthly billing data of individual end-users to generate a single bill which is less than the sum of the monthly bills of the individual end-users involved at each location.
3. Customers must enter into a Service Agreement with Union prior to the commencement of service.
4. For the purposes of qualifying for a rate class, the total quantities of gas consumed or expected to be consumed on the customer's contiguous property will be used, irrespective of the number of meters installed.
5. The identified rates (excluding gas supply charges, if applicable) represent maximum prices for service. These rates may change periodically. Multi-year prices may also be negotiated, which may be higher than the identified rates.

Effective TBD
Implemented TBD
O.E.B. Order # EB-2020-0094

Supersedes EB-2020-0077 Rate Schedule effective April 1, 2020.

Effective
TBD
Rate M1
Page 1 of 2

ENBRIDGE GAS INC.
UNION SOUTH
SMALL VOLUME GENERAL SERVICE RATE

(A) Availability

Available to customers in Union's Southern Delivery Zone.

(B) Applicability

To general service customers whose total consumption is equal to or less than 50,000 m³ per year.

(C) Rates

The identified rates (excluding gas supply charges, if applicable) represent maximum prices for service. These rates may change periodically. Multi-year prices may also be negotiated which may be higher than the identified rates. (1)

| | | | |
|---|--------------------|----------|----------------------|
| a) Monthly Charge | | \$22.50 | |
| b) Delivery Charge | | | |
| First | 100 m ³ | 5.3372 | ¢ per m ³ |
| Next | 150 m ³ | 5.0618 | ¢ per m ³ |
| All Over | 250 m ³ | 4.3507 | ¢ per m ³ |
| Delivery - Price Adjustment (All Volumes) (2) | | (1.0633) | ¢ per m ³ |
| c) Carbon Charges | | | |
| Federal Carbon Charge (if applicable) | | 5.8700 | ¢ per m ³ |
| Facility Carbon Charge (in addition to Delivery Charge) | | 0.0088 | ¢ per m ³ |
| d) Storage Charge (if applicable) | | 0.7692 | ¢ per m ³ |
| Storage - Price Adjustment (All Volumes) | | - | ¢ per m ³ |

Applicable to all bundled customers (sales and bundled transportation service).

e) Gas Supply Charge (if applicable)

The gas supply charge is comprised of charges for transportation and for commodity and fuel.
The applicable rates are provided in Schedule "A".

f) System Expansion Surcharge ("SES") and Temporary Connection Surcharge ("TCS") (if applicable) (3)

The SES is applicable to a customer who receives gas distribution services from the Company as part of a Community Expansion Project listed below. The SES is applied to all volumes consumed by customers in the approved Community Expansion Project areas.

The TCS is applicable to a customer who receives gas distribution services from the Company as part of a Small Main Extension or Customer Attachment Project in lieu of or in addition to paying a Contribution in Aid of Construction. The TCS is applied to all volumes consumed, if applicable.

| | | |
|---------------------------------------|---------|----------------------|
| System Expansion Surcharge (SES): | 23.0000 | ¢ per m ³ |
| Temporary Connection Surcharge (TCS): | 23.0000 | ¢ per m ³ |

| Community Expansion Project Areas: | In-service Date | SES Initial Term |
|--|-----------------|------------------|
| Kettle and Stony Point First Nation and Lambton Shores | 2017 | 12 years |
| Milverton, Rostock and Wartburg | 2017 | 15 years |
| Delaware Nation of Moraviantown First Nation | 2018 | 40 years |

Notes:

- (1) During any month in which a customer terminates service or begins service, the fixed charge for the month will be prorated to such customer.
(2) Includes a temporary credit of (1.0633) cents/m³ expiring September 30, 2020.
(3) Additional conditions and defined terms applicable to the SES and TCS are set out in the Company's Distribution New Business Guidelines as approved by the OEB in its EB-2020-0094 decision.

(D) Supplemental Service to Commercial and Industrial Customers Under Group Meters

Combination of readings from several meters may be authorized by the Company and the Company will not reasonably withhold authorization in cases where meters are located on contiguous pieces of property of the same owner not divided by a public right-of-way.

(E) Delayed Payment

The monthly late payment charge equal to 1.5% per month or 18% per annum (for an approximate effective rate of 19.56% per annum) multiplied by the total of all unpaid charges will be added to the bill if full payment is not received by the late payment effective date, which is 20 days after the bill has been issued.

(F) Direct Purchase

Unless otherwise authorized by Union, customers who are delivering gas to Union under direct purchase arrangements must obligate to deliver at a point(s) specified by Union, and must acquire and maintain firm transportation on all upstream pipeline systems. Customers initiating direct purchase arrangements, who previously received Gas Supply service, must also accept, unless otherwise authorized by Union, an assignment from Union of transportation capacity on upstream pipeline systems.

(G) Overrun Charge

In the event that a direct purchase customer fails to deliver its contracted volumes to Union, and Union has the capability to continue to supply the customer, Union will do so. The customer may pay for the identified delivery charge plus facility carbon charge and if applicable, the identified federal carbon charge and the total gas supply charge for utility sales provided in Schedule "A" per m³, plus 7¢ per m³.

| | | |
|---|--------|----------|
| Overrun Delivery Charge | 6.1064 | ¢ per m³ |
| Federal Carbon Charge (if applicable) | 5.8700 | ¢ per m³ |
| Facility Carbon Charge (in addition to Overrun Delivery Charge) | 0.0088 | ¢ per m³ |

(H) Bundled Direct Purchase Delivery

Where a customer elects transportation service under this rate schedule, the customer must enter into a Bundled T Gas Contract with Union for delivery of gas to Union. Bundled T Gas Contract Rates and Gas Purchase Contract Rates are described in rate schedule R1.

(I) Company Policy Relating to Terms of Service

- a. Customers who temporarily discontinue service during any twelve consecutive months without payment of the monthly fixed charge for the months in which the gas is temporarily disconnected shall pay for disconnection and reconnection.
- b. When gas is delivered at an absolute pressure in excess of 101.325 kilopascals, then for purposes of measurement, hereunder, such volume of gas shall be corrected to an absolute pressure of 101.325 kilopascals. Atmospheric pressure is assumed to be the levels shown below in kilopascals (absolute) regardless of the actual atmospheric pressure at which the gas is measured and delivered.

| <u>Zone</u> | Assumed Atmospheric Pressure <u>kPa</u> | | Assumed Atmospheric Pressure <u>kPa</u> |
|-------------|--|----|--|
| 1 | 100.148 | 7 | 97.582 |
| 2 | 99.494 | 8 | 97.065 |
| 3 | 98.874 | 9 | 96.721 |
| 4 | 98.564 | 10 | 100.561 |
| 5 | 98.185 | 11 | 99.321 |
| 6 | 97.754 | 12 | 98.883 |

Effective TBD
Implemented TBD
O.E.B. Order # EB-2020-0094

Supersedes EB-2020-0077 Rate Schedule effective April 1, 2020.

ENBRIDGE GAS INC.
UNION SOUTH
LARGE VOLUME GENERAL SERVICE RATE

(A) Availability

Available to customers in Union's Southern Delivery Zone.

(B) Applicability

To general service customers whose total consumption is greater than 50,000 m³ per year.

(C) Rates

The identified rates (excluding gas supply charges, if applicable) represent maximum prices for service. These rates may change periodically. Multi-year prices may also be negotiated which may be higher than the identified rates. (1)

a) Monthly Charge \$72.68

b) Delivery Charge

| | | | |
|----------|-----------------------|--------|----------------------|
| First | 1 000 m ³ | 4.8192 | ¢ per m ³ |
| Next | 6 000 m ³ | 4.7287 | ¢ per m ³ |
| Next | 13 000 m ³ | 4.4593 | ¢ per m ³ |
| All Over | 20 000 m ³ | 4.1347 | ¢ per m ³ |

Delivery – Price Adjustment (All Volumes) (2) (1.0937) ¢ per m³

c) Carbon Charges

Federal Carbon Charge (if applicable) 5.8700 ¢ per m³
Facility Carbon Charge (in addition to Delivery Charge) 0.0088 ¢ per m³

d) Storage Charge (if applicable) 0.6709 ¢ per m³
Storage - Price Adjustment (All Volumes) - ¢ per m³

Applicable to all bundled customers (sales and bundled transportation service).

e) Gas Supply Charge (if applicable)

The gas supply charge is comprised of charges for transportation and for commodity and fuel.
The applicable rates are provided in Schedule "A".

f) System Expansion Surcharge ("SES") and Temporary Connection Surcharge ("TCS") (if applicable) (3)

The SES is applicable to a customer who receives gas distribution services from the Company as part of a Community Expansion Project listed below in lieu of or in addition to paying a Contribution in Aid of Construction, at the customer's option.

The TCS is applicable to a customer who receives gas distribution services from the Company as part of a Small Main Extension or Customer Attachment Project in lieu of or in addition to paying a Contribution in Aid of Construction, at the customer's option.

If applicable, the SES and TCS are applied to all volumes consumed for the SES or TCS term.

System Expansion Surcharge (SES): 23.0000 ¢ per m³
Temporary Connection Surcharge (TCS): 23.0000 ¢ per m³

| <u>Community Expansion Project Areas:</u> | <u>In-service Date</u> | <u>SES Initial Term</u> |
|--|------------------------|-------------------------|
| Kettle and Stony Point First Nation and Lambton Shores | 2017 | 12 years |
| Milverton, Rostock and Wartburg | 2017 | 15 years |
| Delaware Nation of Moraviantown First Nation | 2018 | 40 years |

Notes:

- (1) During any month in which a customer terminates service or begins service, the fixed charge for the month will be prorated to such customer.
(2) Includes a temporary credit of (1.0937) cents/m³ expiring September 30, 2020.
(3) Additional conditions and defined terms applicable to the SES and TCS are set out in the Company's Distribution New Business Guidelines as approved by the OEB in its EB-2020-0094 decision.

(D) Supplemental Service to Commercial and Industrial Customers Under Group Meters

Combination of readings from several meters may be authorized by the Company and the Company will not reasonably withhold authorization in cases where meters are located on contiguous pieces of property of the same owner not divided by a public right-of-way.

(E) Delayed Payment

The monthly late payment charge equal to 1.5% per month or 18% per annum (for an approximate effective rate of 19.56% per annum) multiplied by the total of all unpaid charges will be added to the bill if full payment is not received by the late payment effective date, which is 20 days after the bill has been issued.

(F) Direct Purchase

Unless otherwise authorized by Union, customers who are delivering gas to Union under direct purchase arrangements must obligate to deliver at a point(s) specified by Union, and must acquire and maintain firm transportation on all upstream pipeline systems. Customers initiating direct purchase arrangements, who previously received Gas Supply service, must also accept, unless otherwise authorized by Union, an assignment from Union of transportation capacity on upstream pipeline systems.

(G) Overrun Charge

In the event that a direct purchase customer fails to deliver its contracted volumes to Union, and Union has the capability to continue to supply the customer, Union will do so. The customer may pay for the identified delivery charge plus facility carbon charge and if applicable, the identified federal carbon charge and the total gas supply charge for utility sales provided in Schedule "A" per m³, plus 7¢ per m³.

| | | |
|---|--------|----------|
| Overrun Delivery Charge | 5.4901 | ¢ per m³ |
| Federal Carbon Charge (if applicable) | 5.8700 | ¢ per m³ |
| Facility Carbon Charge (in addition to Overrun Delivery Charge) | 0.0088 | ¢ per m³ |

(H) Bundled Direct Purchase Delivery

Where a customer elects transportation service under this rate schedule, the customer must enter into a Bundled T Gas Contract with Union for delivery of gas to Union. Bundled T Gas Contract Rates and Gas Purchase Contract Rates are described in rate schedule R1.

(I) Company Policy Relating to Terms of Service

- a. Customers who temporarily discontinue service during any twelve consecutive months without payment of the monthly fixed charge for the months in which the gas is temporarily disconnected shall pay for disconnection and reconnection.
- b. When gas is delivered at an absolute pressure in excess of 101.325 kilopascals, then for purposes of measurement, hereunder, such volume of gas shall be corrected to an absolute pressure of 101.325 kilopascals. Atmospheric pressure is assumed to be the levels shown below in kilopascals (absolute) regardless of the actual atmospheric pressure at which the gas is measured and delivered.

| <u>Zone</u> | Assumed Atmospheric Pressure <u>kPa</u> | | Assumed Atmospheric Pressure <u>kPa</u> |
|-------------|--|----|--|
| 1 | 100.148 | 7 | 97.582 |
| 2 | 99.494 | 8 | 97.065 |
| 3 | 98.874 | 9 | 96.721 |
| 4 | 98.564 | 10 | 100.561 |
| 5 | 98.185 | 11 | 99.321 |
| 6 | 97.754 | 12 | 98.883 |

Effective TBD
Implemented TBD
O.E.B. Order # EB-2020-0094

Supersedes EB-2020-0077 Rate Schedule effective April 1, 2020.

PROPOSED REVISIONS TO EGD RATE ZONE ECONOMIC FEASIBILITY
PROCEDURE AND POLICY

Introduction

1. The purpose of this evidence is to present the proposed revisions to the Company's current procedures and policies for determining the feasibility of the Company's system expansion and community expansion projects in the EGD rate zone. These procedures and policies are adopted to comply with the *Guidelines for Assessing and Reporting on Natural Gas System Expansion in Ontario* of the Ontario Energy Board ("Board"), reported under EBO 188 dated January 30, 1998.
2. This evidence includes an overview of the Company's Customer Connection Policy, Customer Contribution and Refund Policy, Method for Economic Feasibility Assessment, and Procedure for Capital Expenditure Approval. It has been expanded to include key elements of the Company policy under the Community Expansion framework as approved by the Board in EB-2016-0004 dated November 17, 2016 and refined for this Application. The new framework applies to all qualifying Community Expansion ("CE") Projects and Small Main Extension ("SME") and Customer Attachment Projects, as defined in the EGD rate zone Rate Handbook, Rider I.

Customer Connection Policy

3. The Company uses a portfolio approach to manage its system expansion activities and ensures that the required profitability standards are achieved at both the individual project and the portfolio level. Investment Portfolio and Rolling Project Portfolio are two Board-prescribed portfolio approaches and are discussed in paragraph 15 and 16 of this evidence.

4. The Company manages both of its portfolio approaches to achieve a Profitability Index ("PI") of greater than 1.0 as required by the Board under EBO 188.
5. Individual projects are required to achieve a PI of 1.0 or the customer shall be required to pay a Contribution-in-Aid-of-Construction ("CIAC") to bring the project up to the required PI level. In exceptional circumstances, a project may be authorized at a lower PI levels (i.e. between 1.0 and greater than 0.8) as long the Company maintains its overall portfolio PI above 1.0.
6. During construction and operation of each project, the Company will comply with the OEB's *Environmental Guidelines for HydroCarbon Pipelines and Facilities in Ontario*.

Customer Contribution and Refund Policy

7. CIAC may be obtained for projects having a negative Net Present Value ("NPV") or a PI less than 1.0. The contribution should be sufficient to bring the project PI up to a required level. Harmonized Sales Tax ("HST") is added to contribution payments.
8. New residential customers connecting to the existing mains are provided, at no cost, with a service connection up to a maximum of 20 meters. Any service length beyond 20 meters is charged to the customer at a rate \$32 per metre as prescribed in Rider G of the Rate Handbook.
9. The length of service for feasibility assessment is measured from the customer property line to the location on the front wall of the building where the meter will be installed.

10. Where the use of a proposed facility is dominated by a single large volume customer, it is considered a dedicated facility for CIAC purposes. The dominant customer may be required to pay a CIAC to result in a project NPV of zero or a PI of 1.0. CIAC amounts are subject to added HST.
11. Refunds of CIAC may be requested by customers when the actual customer count on the system expansion exceeds the original forecast. For Rate 1 and Rate 6 customers, these refunds are processed at the end of five years from the date of construction. The system expansion project is then re-evaluated with the actual customer count to determine a revised contribution that is required to bring the NPV to the original targeted level. The difference between the revised contribution amount and the actual contribution paid by customers is the total amount to be refunded to original customers. Refunds are made based on the proportionate contribution of customers.
12. These refunds do not apply to the mains where SES and TCS rate riders have been applied in lieu of CIAC. The refunds are made only for the specific piece of main put into service; no refunds are payable for customers added downstream of the specific piece of main. No interest is payable, and only customers who made a contribution are eligible for a refund.
13. In order to be eligible for a refund, the customer must be consuming natural gas at the address for which refund is being claimed. If the customer moves, he or she is responsible for notifying the Company of the new address.
14. Refunds for large volume customers will be determined based on a re-evaluation of the system expansion project, taking into consideration extra investment and

additional load brought on within five years to the specific piece of main constructed to serve the initial customer(s). Similar to system expansions, refunds for large volume customers will be evaluated subject to customer request. This policy is not available to large volume customers in Development Projects where an Hourly Allocation Factor process has been used for allocating project cost amongst the prospective customers.

System Expansion Portfolios – Accountability

15. Investment Portfolio: The Company evaluates all system expansion projects in a test year and ensures they are designed to achieve a portfolio PI of at least 1.1. All new customers attaching to new and existing mains are included in this portfolio.
16. Rolling Project Portfolio (“RPP”): The Company also maintains a rolling 12-month distribution expansion portfolio including the cumulative result of project-specific Discounted Cash Flow (“DCF”) analyses. The RPP does not include customer attachments from existing mains constructed in prior years. The Company maintains RPP at a PI level greater than 1.0.

Estimating Inputs for Economic Feasibility Assessment

17. This section provides the method used to determine the parameters that make up the economic feasibility assessment. It includes capital cost, O&M expenses, and distribution revenues associated with a system expansion project. These inputs are discounted at the Utility’s Weighted Average Cost of Capital (“WACC”) to carry out the DCF analysis which measures Economic Feasibility of a project based on NPV and PI.

Capital Cost Estimation

18. The Company uses various approaches for estimating capital cost for different types of projects. The objective is to derive estimates that are closely aligned to costs that are reflective of the unique parameters of each project, and those cost differences are typically delineated by geographic area.
19. The following is a summary of various estimation techniques and the project types to which they are applied:
- For new subdivisions where Joint Utility Trenching (“JUT”) is often used to construct natural gas infrastructure, unit rates prescribed in the underlying contracts are used for estimating capital cost for mains and services.
 - For subdivisions where JUT is not an option, or for commercial and industrial connections, field estimates are used for capital costing.
 - For residential infill services, capital cost is based on a regionally-specific estimate that relies on historical actual data of similar services installed. It can also be a specific field estimate where no historical data are available that is representative of the geographic area. In instances where known geographical/geological factors (e.g. rock, depth of main) have influenced capital costs, Enbridge Gas will utilize pricing for those factors to inform the estimate.
 - For large volume connections (i.e., above 340 000 m³ annual consumption), field estimates are used to estimate mains and service cost.
20. If a main is oversized to meet future growth potential, it may be re-priced at the size required to meet customers’ load requirements for feasibility calculations. The actual cost of the main must be shown on the Authorization for Expenditure (“AFE”).

21. An incremental overhead allowance is added to the cost of mains and services and is incorporated in the feasibility analysis of all projects.

Consumption and Revenue

22. For subdivision and residential connections, consumption is estimated based on building type (single, semi-detached, townhouse) and configuration (bungalow, split or two-story). The Capital Project Feasibility ("CAPF") program calculates customer revenue based on consumption levels input by the Customer Connections Representative ("CCR").
23. A load sheet is used to estimate consumption of commercial and industrial connections. The load sheet information is provided by the customer and contains consumption of various appliances installed at the premises.
24. For large volume connections, consumption information should include monthly volumes and the customer's contract daily demand.
25. The Investment Review group calculates revenue, based on the input consumption profiles and the most recent Board-approved rates.

System Expansion Surcharge ("SES") and Temporary Connection Surcharge ("TCS")

26. As set out in Rider I of the Company's Rate Handbook, the Company may apply an SES or TCS to Rate 1 and Rate 6 customers receiving gas distribution services as part of a CE project, SME or Customer Attachment Project. The Company may apply the SES or TCS if the project PI is less than 1.0. The terms and conditions applicable to the SES and TCS are set out in Rider I.

(a) SES

27. The SES is used for CE Projects, having 50 or more potential customers. Unlike approved distribution rates, the SES will not change over time and will appear as a separate line item on a customer's monthly gas bill.
28. The SES will be treated as a revenue for the purpose of the Company's economic feasibility analysis of the project. The SES will be charged to all Rate 1 and 6 customers who consume an estimated volume of gas less than 50,000 m³ in the project area for a period of up to 40 years. The term of the SES for each project will be set at the minimum term required for the project to achieve a PI of at least 1.0 or 40 years, whichever is less.
29. Customers attaching after the start of the initial SES term will also be required to pay the SES for the remainder of the initial SES term for that project. The ongoing payment obligation of the SES will attach to the property for the balance of its term should the property change ownership or occupancy during this time.
30. Municipal contributions may be collected by way of up front lump sum or annual payments for up to 10 years subject to municipal commitment for such contributions to qualifying projects.
31. Large volume customers within the CE Project area, who consume more than 50,000 m³ per year may pay either the SES and/or the CIAC. This will be addressed separately or as part of the customer contracts.

(b) TCS

32. The TCS is used for SME and Customer Attachment Projects, having less than 50 potential customers. The TCS is used as an alternative to CIAC to achieve a PI of 1.0, or in addition to CIAC for a project to achieve a minimum PI of 1.0.
33. These projects include the extension of mains, the related service attachments, as well as any service lines to individual customers connecting to pre-existing mains.
34. Similar to the SES, the TCS is charged at the same rate, is in addition to approved distribution rates and is treated as revenue for the Company's economic feasibility analysis of the project. TCS appears on a customer's gas bill as a separate line item.
35. The TCS term will be determined on a project specific basis and will be restricted to a minimum of one year to a maximum of 20 years from the project's in-service date. The term will be based on the number of years it takes for the project to achieve a PI of 1.0.
36. Similar to SES, customers attaching after the start of the initial TCS term will also be required to pay the SES for the remainder of the initial TCS term for that project. The ongoing payment of the TCS will attach to the property for the balance of its term should the property change ownership or occupancy during this time.
37. If a project is not economically viable after applying 20 years of TCS, CIAC may be used in addition to the TCS to achieve a PI of 1.0.
38. For the purpose of governance and reporting, all projects where TCS is applied will be included in the Company's Rolling Project Portfolio and Investment Portfolio

alongside other system expansion projects.

Hourly Allocation Factor ("HAF")

39. The HAF process is a method of allocating incremental firm capacity to multiple customers forecasted to require additional firm service within an identified Area of Benefit¹ that are forecast to share capacity on a Development Project². The HAF is allocated and applied as a capital cost to the individual economic analysis of customers receiving incremental capacity as they commit or contract for gas service. This allocated capital cost is in addition to any customer specific facilities including distribution main, service line, customer station and meter.
40. The HAF is calculated by dividing the net capital cost of a Development Project by the capacity that the project adds to the Area of Benefit and is expressed in dollars per m³/hour.
41. The threshold of applicability of the HAF is set on a case by case basis in consideration of the size of the Development Project. For larger projects, the HAF applies only to large volume customers and for smaller development projects, all customers, large and small are included.

Customer Attachment and Revenue Horizon

42. The maximum customer attachment horizon for small volume customers (including residential, commercial and industrial connections with annual consumption of no

¹ The Area of Benefit is defined as the geographic area, drawn as a polygon on a map, that includes all customers who will be served by and benefit from the infrastructure build or pressure increase.

² Development Projects –a system expansion project that will expand capacity over a certain area to serve increasing demands from existing and/or new customers. It may include a mix of large and small volume customers.

more than 50 000 m³) is 10 years. The revenue horizon is 40 years from the in-service date of the initial mainline.

43. For large volume customers, the maximum customer attachment horizon is 10 years. The maximum revenue horizon is 20 years from the customers' initial service date.
44. A project specific revenue horizon is used when the project life cycle is deemed shorter than 20 years.

Marginal Operating and Maintenance ("O&M") Expenses

45. The Company's incremental operating and maintenance ("O&M") cost is based on an annual study that is aligned with cost allocation principles and is included in assessing project feasibility.

Procedure for Capital Expenditure Approval

46. Enbridge's procedure for obtaining management approval to make a capital expenditure for distribution system expansion is known as the Authorization for Expenditure ("AFE"), and is outlined in the AFE manual. A system expansion project is typically initiated by a Customer Connections Representative ("CCR"), who identifies potential new customers. The CCR will assess the required amount of plant additions to provide service and will initiate an AFE for approval.
47. A feasibility assessment is required to be attached to an AFE as part of the approval process. Feasibility assessment is done based on the estimated revenue and benefits of connecting new customers against the total cost of attaching and serving them. The Capital Project Feasibility ("CAPF") program is an online IT tool

used for evaluating all projects except for residential infills connections and Large Volume projects. All Large-volume projects are separately evaluated by the Investment Review group using Excel based feasibility tools.

48. CCRs provide inputs for the CAPF tool, which include estimates of capital cost, customer additions and timing, and annual consumptions of new customers. The Investment Review group uses Excel based feasibility tools for assessing large-volume and more complex projects with inputs from the Special Projects and Key Accounts groups.
49. All AFEs are approved by the appropriate level of authority including managers, directors, VPs and President as set out in the workflows based on capital approval authority.

PROPOSED REVISIONS TO UNION RATE ZONES' DISTRIBUTION NEW BUSINESS
GUIDELINES

1. Purpose

- To ensure that customers are treated fairly and consistently.
- To manage growth of the natural gas distribution business by providing guidelines for capital investment to ensure no undue rate impact for existing customers.
- To provide business principles and guidelines for distribution new business investments.
- To streamline administrative processes and approvals where possible.
- To delegate authority where appropriate to field operations staff.

2. Definitions

- Area of Benefit - The Area of Benefit is defined as the geographic area, drawn as a polygon on a map, that includes all customers who will be served by, and benefit from, the infrastructure build or pressure increase from a Development Project where an Hourly Allocation Factor process is used to allocate capital costs based on peak hour capacity.
- Community Expansion Project - A natural gas system expansion project undertaken by the Company for which the PI is less than 1.0 and which will provide first-time natural gas system access to a minimum of 50 potential comers.
- Contribution in Aid of Construction (CIAC) - The Company's calculation in accordance with its feasibility policy of the amount of customer financial

contributions required to reduce the capital cost of a project to serve one or more customers so that the project becomes economically feasible.

- Development Project - a system expansion project that will expand capacity over a certain area to serve increasing demands from existing and/or new customers. It may include a mix of large and small volume customers.
- Distribution New Business - Providing gas service to new customers in all market segments (i.e. new and existing housing, commercial and industrial). It also includes providing incremental gas supply capacity to existing customers.
- Hourly Allocation Factor (HAF) – An allocation of upfront capital costs of a Development Project to customers requiring additional firm service within an identified Area of Benefit. It is derived by dividing the net forecasted capital cost of the project by the forecasted capacity that the project services in the Area of Benefit. The HAF is expressed as a capital cost per m³/hour of incremental capacity.
- Investment Portfolio - The costs and revenues associated with all new distribution customers who are forecast to attach in a particular test year (including new customers attaching on existing mains). The Investment Portfolio includes a forecast of normalized reinforcement costs.
- Profitability Index (PI) – The Company's calculation in accordance with its feasibility policy of the ratio of the net present value (NPV) of the net cash inflows

to the NPV of the net cash outflows for a natural gas system expansion or extension project undertaken by the Company.¹

- Rolling Project Portfolio - An accumulation of the new business capital requisitions that are issued and approved for a 12 month period. The rolling PI is the cumulative PI data from the Rolling Project Portfolio. The Rolling Project Portfolio includes all future customer attachments, revenues and costs on the basis of the life cycle of each project. It also includes a forecast of normalized reinforcement costs. It excludes those customers requiring only a Service Lateral from an existing main.
- Service Lateral - A gas pipeline connecting the company gas main to the customer's gas meter as measured from property line to meter.
- Small Main Extension and Customer Attachment Projects – Natural gas system extension or expansion projects undertaken by the Company for which the PI is less than 1.0 and which will provide natural gas system access to less than 50 potential customers.
- Small volume – Gas consumption of no more than 50,000 m³ per year.
- System Expansion Surcharge (SES) - An economic contribution to financial feasibility of community expansion projects by all small volume customers who attach to the system as part of a Community Expansion Project during the period

¹https://www.oeb.ca/oeb/_Documents/Regulatory/EBO%20188%20Decision_AppB_Guidelines.pdf

in which it is in place through a temporary volumetric rate as set out in the applicable rate schedules.

- Temporary Connection Surcharge (TCS) - An economic contribution to financial feasibility of main extension projects made by small volume customers who attach to a Small Main Extension or Customer Attachment Project through a temporary volumetric rate as set out in applicable rate schedules. The TCS is used as an alternative to CIAC to achieve a PI of 1.0, or in addition to CIAC for a project to achieve a minimum PI of 1.0.

3. Accountability

Enbridge Gas manages separate Investment Portfolios and Rolling Project Portfolios for Union North (Rate 01 and 10) and Union South (Rate M1 and M2) rate zones. Excluding Community Expansion Projects, the Rolling Project Portfolio PI for each area must remain above 1.0 and the Net Present Value ("NPV") must remain greater than \$0 at all times.

The Director, Distribution In-Franchise Sales is accountable for ensuring that the corporate Rolling Project Portfolio PI, excluding Community Expansion Projects, exceeds 1.0 on an ongoing basis.

4. Project Acceptance Levels

The Company manages its portfolio approach to achieve a Profitability Index ("PI") of greater than 1.0 as required by the Board under EBO 188.

Individual projects are required to achieve a PI of 1.0 or the customer shall be required to pay a Contribution in Aid of Construction ("CIAC") to bring the project up

to the required PI level. In exceptional circumstances, a project may be authorized at a lower PI levels (i.e. between 1.0 and greater than 0.8) as long the Company maintains its overall portfolio PI above 1.0.

5. Acceptance Level Exceptions

Subject to ability to manage minimum portfolio PIs as indicated above, projects can proceed with reduced PI levels. All requests for exceptions to the minimum project PI of 1.0 must be authorized by the Director, Distribution In-Franchise Sales, and the Director, Operational Services & Governance prior to construction.

6. Hourly Allocation Factor

The HAF process is a method of allocating incremental firm capacity to multiple customers forecasted to require additional firm service within an identified Area of Benefit that are forecast to share capacity on a Development Project. The HAF is allocated and applied as a capital cost to the individual economic analysis of customers receiving incremental capacity as they commit or contract for gas service. This allocated capital cost is in addition to any customer specific facilities including distribution main, service line, customer station and meter.

The HAF is calculated by dividing the net capital cost of a Development Project by the capacity that the project adds to the Area of Benefit and is expressed in dollars per m³/hour.

The threshold of applicability of the HAF is set on a case by case basis in consideration of the size of the Development Project. For larger projects, the HAF applies only to large volume customers and for smaller development projects, all customers, large and small are included.

For the purposes of the economic feasibility analysis for customers allocated costs using the HAF, the Company would continue to apply the EBO 188 Guidelines. Large volume customers would have flexibility through longer term contracts and/or a CIAC payment to achieve a PI of 1.0. Small volume customers would have the option of a CIAC payment and/or the TCS, as applicable over a defined term to achieve a PI of 1.0.

7. Collecting a Contribution

Projects that do not meet the minimum stage 1 economic criteria, after factoring in SES, TCS or long-term service agreements, where applicable, shall be required to pay a CIAC.

CIAC may be collected in advance of construction from new customers or other parties who have agreed to fund the shortfall in the economics.

For Small Main Extensions and Customer Attachment Projects, the Company may allow eligible customers to reduce their CIAC through the use of the TCS, and/or negotiate other contribution arrangements.

The TCS term will be determined on a project specific basis and will be restricted to a minimum of one year and to a maximum of 20 years from the project's in-service date. The term will be based on the number of years it takes for the project to achieve a PI of 1.0.

For Community Expansion Projects, contributions will be collected from all small volume customers served by the project through use of a SES. Larger volume

customers may elect to pay the required CIAC through an SES and/or negotiate other contribution arrangements.

The SES will be treated as a revenue for the purpose of the Company's economic feasibility analysis of the project. The term of the SES for each project will be set at the minimum term required for the project to achieve a PI of at least 1.0 or 40 years, whichever is less.

Both the TCS and SES will apply to the property for the full term, notwithstanding any change of ownership or occupancy.

8. Project Costs

- a) When available, economic feasibility analysis shall use project specific data (costs, volumes, customer attachments) based on survey data, historical practice, weather and local conditions to determine the costs, load and forecast.
- b) When no specific data is available or the project is a minor project, regional averages shall be used.

9. Service Laterals

- a) The Company shall provide, at its cost, up to 30 metres of Service Lateral to connect a residential customer.
- b) Service Laterals over the length specified above shall require the prior agreement of the customer to pay an "excess charge" of \$45.00 per metre. The PI analysis for commercial and industrial services shall be individually calculated reflecting the site-specific lateral length, pipeline sizing, costs, gas usage and margins.

- c) The Service Lateral is measured from property line to meter.
- d) The minimum requirement to qualify for residential service shall be attachment of a water heater or a primary heat source. Requests for service where this condition is not satisfied shall be considered but will require a discounted cash flow analysis to be completed and any required customer contribution to be made in advance.
- e) Full or partial abandonments of Service Laterals are completed at no charge to the customer. When the customer wishes to reconnect to our system, the Excess Footage Charge referenced in (b) above does not apply, however, the applicable service replacement costs that would apply can be found on the Enbridge Gas website.

PROPOSED AMENDMENTS TO CONDITIONS OF SERVICE

EGD rate zone

4. Initiation of Service

A potential customer that has applied for natural gas service is referred to in this section as the “applicant”.

4.1. Main Extensions

Enbridge will extend its gas main within its franchise area to serve new customers when it is feasible to do so, in accordance with Enbridge’s feasibility policy and procedures for the EGD Rate Zone. Enbridge will consider the following when determining feasibility:

- the number of potential new customers within the next five years;
- the amount of natural gas to be used; and,
- the cost of extending the gas main.

If the cost of the extension is not economically feasible, the applicant(s) will be required to pay a contribution in aid of construction (or “CIAC”) and/or surcharge. Enbridge will determine the contribution amount and communication will be provided to the applicant(s) in writing.

Union rate zones

2. Initiation of Service

2.1 Main Extensions

We will extend our gas main within our franchise area to serve new customers (or potential customers) when:

- Those requirements will not disturb or impair the service to prior users
- We determine the extension of the gas main is economically feasible

When we determine the extension of our facilities is not economically feasible, the applicant will be required to pay a contribution in aid of construction and/or surcharge. We will determine the contribution amount before the extension of such facilities.