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

RATE ORDER

EB-2020-0094

ENBRIDGE GAS INC.

Application for approval of a System Expansion Surcharge, a Temporary Connection Surcharge and an Hourly Allocation Factor

BEFORE: **Susan Frank**
Presiding Commissioner

Robert Dodds
Commissioner

January 7, 2021

INTRODUCTION AND SUMMARY

On May 8, 2020, Enbridge Gas Inc. (Enbridge Gas) filed an application with the Ontario Energy Board (OEB) under section 36 of the *Ontario Energy Board Act, 1998*, as amended (OEB Act) for approval of:

- A harmonized System Expansion Surcharge (SES)
- A Temporary Connection Surcharge (TCS)
- An Hourly Allocation Factor (HAF) across its rate zones
- 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
- Amendments to the Company's feasibility policies to implement the HAF, SES and TCS

The OEB approved Enbridge Gas's application on November 5, 2020. In the Decision and Order, the OEB ordered Enbridge Gas to file a draft Rate Order including 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, as well as Enbridge Gas's revised feasibility policies to implement the HAF, SES and TCS for each of the EGD and Union rate zones. The OEB also provided an opportunity for OEB staff and intervenors to file submissions, and for Enbridge Gas to file a reply submission, on the draft rate schedules.

On November 16, 2020, Enbridge Gas filed a draft Rate Order and revised Conditions of Service for each of the EGD and Union rate zones.

On November 23, 2020, OEB staff, EPCOR, Pollution Probe and VECC filed submissions. OEB staff, supported by Pollution Probe and VECC, suggested a number of revisions to the draft Rate Order and the Conditions of Service to ensure consistency with the OEB's Decision and Order that a Contribution In Aid of Construction (CIAC) cannot be charged in combination with the TCS.

On November 30, 2020, Enbridge Gas filed its reply submission and a revised draft Rate Order. Enbridge Gas disagreed with OEB staff's interpretation of the OEB's finding that a Contribution In Aid of Construction (CIAC) cannot be charged in combination with the TCS, citing two concerns: 1) that customers who are willing to pay a CIAC in addition to the TCS to receive natural gas service would suffer prejudice, and 2) that customers who require a service lateral in excess of the standard length will be required to pay a CIAC in addition to the TCS.

The OEB issued a Decision and Order on December 4, 2020 clarifying that it was not allowing a CIAC for TCS residential customers in order to achieve a profitability index of 1.0 as it would be inconsistent with the treatment for SES customers who do not have that option. The OEB also clarified that a CIAC related to service laterals that are in excess of the standard length can be charged, if required. The OEB ordered Enbridge Gas to file a revised draft Rate Order and provided for submissions from OEB staff and a reply submission from Enbridge Gas.

Enbridge Gas filed a revised draft Rate Order on December 10, 2020, and filed further revisions to the feasibility policies to clarify the difference between large and small volume customers regarding the applicability of the CIAC to TCS projects on December 15, 2020.

OEB staff filed its submission on December 15, 2020. OEB staff submitted that the updated draft Rate Order and Conditions of Service filed on December 10, 2020 and updated on December 15, 2020 are consistent with the OEB's Decision and Orders as issued on November 5, 2020 and December 4, 2020. OEB staff noted that the rate schedules and the feasibility policies give large volume customers the option to pay a CIAC or a TCS, or a combination thereof. OEB staff submitted that this is consistent with the OEB's December 4, 2020 Decision and Order.

Findings

The OEB approves Enbridge Gas's Rider I and feasibility policy for the EGD rate zone and the Rate Schedules for Rates 01, 10, M1 and M2 and feasibility policy for the Union rate zones, as filed on December 15, 2020.

ORDER

THE ONTARIO ENERGY BOARD ORDERS THAT:

1. Rider I in Appendix A1 and the feasibility policy set out in Appendix B1 for the Enbridge Gas Distribution rate zone are approved.

2. The Rate Schedules in Appendix A2 and the feasibility policy set out in Appendix B2 for the Union North and Union South rate zones are approved.

3. Eligible intervenors shall file with the OEB and forward to Enbridge Gas Inc. their cost claims in accordance with the OEB's *Practice Direction on Cost Awards* on or before **January 14, 2021**.

4. Enbridge Gas Inc. shall file with the OEB and forward to intervenors any objections to the claimed costs of the intervenors on or before **January 28, 2021**.

5. If Enbridge Gas Inc. objects to the intervenor costs, intervenors shall file with the OEB and forward to Enbridge Gas Inc. its response, if any, to the objections to cost claims on or before **February 11, 2021**.

6. Enbridge Gas Inc. shall pay the OEB's costs incidental to this proceeding upon receipt of the OEB's invoice.

All materials filed with the OEB must quote the file number, **EB-2020-0094**, and be submitted in a searchable/unrestricted PDF format with a digital signature through the OEB's web portal at https://pes.ontarioenergyboard.ca/eservice. Filings must clearly state the sender's name, postal address, telephone number, fax number and e-mail address. Parties must use the document naming conventions and document submission standards outlined in the Regulatory Electronic Submission System (RESS) Document Guidelines found at www.oeb.ca/industry. We encourage the use of RESS; however, parties who have not yet set up an account, may email their documents to registrar@oeb.ca.

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

Email: registrar@oeb.ca
Tel: 1-888-632-6273 (Toll free)
Fax: 416-440-7656

DATED at Toronto January 7, 2021

ONTARIO ENERGY BOARD

Original Signed By

Christine E. Long
Registrar

ENBRIDGE GAS DISTRIBUTION RATE ZONE

APPENDIX A1

RIDER I

RATE ORDER

JANUARY 7, 2020

EB-2020-0094

ENBRIDGE GAS INC. SES / TCS / HAF APPLICATION

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/m^3**
Temporary Connection Surcharge (TCS): **$0.23/m^3**

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 or apply the TCS for a term of up to 40 years, to be determined in accordance with the Company's feasibility policy; /U
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 m^3. For any Terminal Location with an estimated annual supply of gas greater than 50,000 m^3, 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 Term**	**Board Order Number**
Town of Fenelon Falls	TBD	40 years	EB-2017-0147
Scugog Island	TBD	40 years	EB-2017-0261

ENBRIDGE GAS DISTRIBUTION RATE ZONE

APPENDIX B1

ECONOMIC FEASIBILITY PROCEDURE AND POLICY

RATE ORDER

JANUARY 7, 2020

EB-2020-0094

ENBRIDGE GAS INC. SES / TCS / HAF APPLICATION

REVISED 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*.

<u>Customer Contribution and Refund Policy</u>

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 wheres 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 large volume customers 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.

<u>System Expansion Surcharge ("SES") and Temporary Connection Surcharge ("TCS")</u>

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 analsysis 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 m^3 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 m^3 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 Company will require small volume customers in these projects to pay either the TCS or a CIAC to achieve a PI of 1.0. Large volume customers may pay a TCS in lieu of, or in addition to CIAC and/or negotiate other contribution arrangements for a project to achieve a minimum PI of 1.0. /U

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 40 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 TCS for the remainder of the initial TCS term for that project. /U
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.

/U
(Previous Para 37 deletedd

37. 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.

<u>Hourly Allocation Factor ("HAF")</u>

38. The HAF process is a method of allocating the capital cost of a Development Project between forecast large volume customers requiring incremental firm capacity within an identified Area of Benefit. The HAF is applied as a capital cost in addition to the capital cost of customer specific facilities (i.e. dedicated distribution main, service line, customer station, meter) to the individual economic analysis of customers receiving incremental firm capacity in the Area of Benefit as they commit or contract for gas service.

39. The large volume component of a Development Project is derived by splitting the capital cost of the Development Project into a large volume and small volume component in proportion with the peak hourly demands of each component. The HAF is calculated by dividing the forecast capital cost of the large volume component of the Development Project (net of any municipal or government funding) by the sum of the forecast firm hourly large volume customer demand (regardless of seasonality) that the project serves within the Area of Benefit and is expressed in dollars per m^3/hour.

40. The threshold of eligibility of the HAF for all Development Projects will be 50 m^3/h and greater.

Customer Attachment and Revenue Horizon

41. The maximum customer attachment horizon for small volume customers (including residential, commercial and industrial connections with annual consumption of no more than 50 000 m^3) is 10 years. The revenue horizon is 40 years from the in-service date of the initial mainline. 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.

42. 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

43. 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

44. 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.

45. 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.

46. 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.

47. 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.

UNION GAS RATE ZONES

APPENDIX A2

RATE SCHEDULES

RATE ORDER

JANUARY 7, 2020

EB-2020-0094

ENBRIDGE GAS INC. SES / TCS / HAF APPLICATION

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 m^3 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

APPLICABLE TO ALL SERVICES	Union North West	Union North East
MONTHLY CHARGE	$22.50	$22.50
DELIVERY CHARGE	¢ per m^3	¢ per m^3
First 100 m^3 per month @	9.5316	9.5316
Next 200 m^3 per month @	9.2870	9.2870
Next 200 m^3 per month @	8.8999	8.8999
Next 500 m^3 per month @	8.5446	8.5446
Over 1,000 m^3 per month @	8.2510	8.2510
Delivery-Price Adjustment (All Volumes) (1)	0.0420	0.0420
CARBON CHARGES		
Federal Carbon Charge (if applicable) (2)	5.8700	5.8700
Facility Carbon Charge (in addition to Delivery Charge)	0.0088	0.0088
Federal Carbon Charge - Price Adjustment (if applicable) (2) (3)	2.3662	2.3662

Notes:
(1) Includes a temporary credit of (0.0420) cents/m^3 expiring December 31, 2020.
(2) The Federal Carbon Charge and 2019 balances in the Customer Variance Accounts for on-reserve First Nations customers are interim, per the Board's Decision and Order in EB-2019-0247.
(3) Includes a temporary charge of 2.3662 cents/m^3 expiring December 31, 2020.

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 Company may apply the SES for a term of up to 40 years, to be determined in accordance with the Company's feasibility policy.

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 paying a Contribution in Aid of Construction (CIAC). The TCS is applied to all volumes consumed, if applicable. The Company may require payment of a CIAC or apply the TCS for a term of up to 40 years, to be determined in accordance with the Company's feasibility policy. /U

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 Term
Prince Township	2018	22 years
North Bay - Northshore and Peninsula Roads	2020	40 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.

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 m^3 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

APPLICABLE TO ALL SERVICES	Union North West	Union North East
MONTHLY CHARGE	$72.68	$72.68
DELIVERY CHARGE	¢ per m^3	¢ per m^3
First 1,000 m^3 per month @	8.3429	8.3429
Next 9,000 m^3 per month @	6.7677	6.7677
Next 20,000 m^3 per month @	5.9082	5.9082
Next 70,000 m^3 per month @	5.3299	5.3299
Over 100,000 m^3 per month @	3.1388	3.1388
Delivery-Price Adjustment (All Volumes) (1)	0.0144	0.0144
CARBON CHARGES		
Federal Carbon Charge (if applicable) (2)	5.8700	5.8700
Facility Carbon Charge (in addition to Delivery Charge)	0.0088	0.0088
Federal Carbon Charge - Price Adjustment (if applicable) (2) (3)	2.7752	2.7752

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 charge of 0.0144 cents/m^3 expiring December 31, 2020.
(2) The Federal Carbon Charge and 2019 balances in the Customer Variance Accounts for on-reserve First Nations customers are interim, per the Board's Decision and Order in EB-2019-0247.
(3) Includes a temporary charge of 2.7752 cents/m^3 expiring December 31, 2020.

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 (CIAC), at the customer's option. 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.

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 paying a CIAC, at the customer's option. The Company may require payment of a CIAC and/or apply the TCS for a term of up to 40 years, to be determined in accordance with the Company's feasibility policy. /U

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

Community Expansion Project Areas:	In-service Date	SES Term
Prince Township	2018	22 years
North Bay - Northshore and Peninsula Roads	2020	40 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 m^3 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.

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 m^3 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 m³	5.4885	¢ per m³
Next	150 m³	5.2131	¢ per m³
All Over	250 m³	4.5020	¢ per m³
Delivery - Price Adjustment (All Volumes) (2)		0.0360	¢ per m³

c) Carbon Charges

Federal Carbon Charge (if applicable) (3)	5.8700	¢ per m³
Facility Carbon Charge (in addition to Delivery Charge)	0.0088	¢ per m³
Federal Carbon Charge - Price Adjustment (if applicable) (3) (4)	2.4710	¢ per m³

d) Storage Charge (if applicable)

Storage Charge (if applicable)	0.7692	¢ 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) (5)

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 Company may apply the SES for a term of up to 40 years, to be determined in accordance with the Company's feasibility policy.

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 paying a Contribution in Aid of Construction (CIAC). The TCS is applied to all volumes consumed, if applicable. The Company may require payment of a CIAC or apply the TCS for a term of up to 40 years, to be determined in accordance with the Company's feasibilit policy. /U

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

Community Expansion Project Areas:	In-service Date	SES 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
Chippewas of the Thames First Nation	2019	40 years
Saugeen First Nation	2020	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 charge of 0.0360 cents/m³ expiring December 31, 2020.
(3) The Federal Carbon Charge and 2019 balances in the Customer Variance Accounts for on-reserve First Nations customers are interim, per the Board's Decision and Order in EB-2019-0247.
(4) Includes a temporary charge of 2.4710 cents/m³ expiring December 31, 2020.
(5) 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	6.2577	¢ 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.

Zone	Assumed Atmospheric Pressure kPa		Assumed Atmospheric Pressure kPa
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

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 m³	4.9531	¢ per m³
Next	6 000 m³	4.8626	¢ per m³
Next	13 000 m³	4.5932	¢ per m³
All Over	20 000 m³	4.2686	¢ per m³

Delivery – Price Adjustment (All Volumes) (2)	0.0119	¢ per m³

c) Carbon Charges

Federal Carbon Charge (if applicable (3)	5.8700	¢ per m³
Facility Carbon Charge (in addition to Delivery Charge)	0.0088	¢ per m³
Federal Carbon Charge - Price Adjustment (if applicable) (3) (4)	2.5161	¢ 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) (5)

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 (CIAC), at the customer's option. 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.

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 paying a CIAC, at the customer's option. The Company may require payment of a CIAC and/or apply the TCS for a term of up to 40 years, to be determined in accordance with the Company's feasibility policy. /U

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

Community Expansion Project Areas:	In-service Date	SES 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
Chippewas of the Thames First Nation	2019	40 years
Saugeen First Nation	2020	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 charge of 0.0119 cents/m³ expiring December 31, 2020.
(3) The Federal Carbon Charge and 2019 balances in the Customer Variance Accounts for on-reserve First Nations customers are interim, per the Board's Decision and Order in EB-2019-0247.
(4) Includes a temporary charge of 2.5161 cents/m³ expiring December 31, 2020.
(5) 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 m^3, plus 7¢ per m^3.

Overrun Delivery Charge	5.6240	¢ per m^3
Federal Carbon Charge (if applicable)	5.8700	¢ per m^3
Facility Carbon Charge (in addition to Overrun Delivery Charge)	0.0088	¢ per m^3

(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.

Zone	Assumed Atmospheric Pressure kPa		Assumed Atmospheric Pressure kPa
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

UNION GAS RATE ZONES

APPENDIX B2

DISTRIBUTION NEW BUSINESS GUIDELINES

RATE ORDER

JANUARY 7, 2020

EB-2020-0094

ENBRIDGE GAS INC. SES / TCS / HAF APPLICATION

REVISED 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.

- 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 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) – A method used to allocate the capital costs of a Development Project to customers requiring additional firm service within an identified Area of Benefit. The HAF is expressed as a capital cost per m^3/hour.

- 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.

- Large volume - Gas consumption of greater than 50,000 m^3 per year. /U

- 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 m^3 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

[1] https://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 that may be made by 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. /U

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 the capital cost of a Development Project between forecast large volume customers requiring incremental firm capacity within an identified Area of Benefit. The HAF is applied as a capital cost in addition to the capital cost of customer specific facilities (i.e. dedicated distribution main, service line, customer station, meter) to the individual economic analysis of customers receiving incremental firm capacity in the Area of Benefit as they commit or contract for gas service.

The large volume component of a Development Project is derived by splitting the capital cost of the Development Project into a large volume and small volume component in proportion with the peak hourly demands of each component. The HAF is calculated by dividing the forecast capital cost of the large volume component of the Development Project (net of any municipal or government funding) by the sum of the forecast firm hourly large volume customer demand (regardless of seasonality) that the project serves within the Area of Benefit and is expressed in dollars per m^3/hour.

The threshold of applicability of the HAF for all Development Projects will be 50 m^3/h or greater

For the purposes of the economic feasibility analysis for customers allocated capital 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 to, as applicable, make a CIAC payment or pay the TCS over a defined term to achieve a PI of 1.0. /U

7. <u>Collecting a Contribution</u>

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

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 will require small volume customers to pay either a TCS or CIAC. Large volume customers may pay a TCS in lieu of, or in addition to CIAC and/or negotiate other contribution arrangements. /U

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 40 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 an 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 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.