

REVENUE DEFICIENCY/SUFFICIENCY OVERVIEW
JASON VINAGRE, MANAGER REGULATORY ACCOUNTING
RACHEL GOODREAU, MANAGER REVENUE AND COST OF GAS

1. The purpose of this evidence is to summarize Enbridge Gas's revenue deficiency and to provide a description of the detailed evidence set out in Exhibit 6.
2. This evidence is organized as follows:
 1. Introduction
 2. Revenue Deficiency/Sufficiency – 2019 to 2023
 3. Revenue Deficiency/Sufficiency – 2024

1. Introduction

3. Revenue deficiency/sufficiency is calculated as the difference between revenue at existing rates and the revenue requirement (comprising operating costs, cost of capital, other operating revenues, and income taxes). A revenue deficiency arises when revenue at existing rates is less than the revenue requirement. A revenue sufficiency arises when revenue at existing rates is greater than the revenue requirement.
4. During the deferred rebasing term, Enbridge Gas's rates and resultant revenues were escalated annually by a price cap index (PCI). Revenues also grew due to customer growth. During an IR term revenues and costs are decoupled, and each year's revenue deficiency/sufficiency is subject to variability from fluctuations in revenue in a given year and the cost to provide service (i.e. the revenue requirement) in that year. The forecast of 2024 Test Year revenue at existing rates, which is based on 2024 forecast volumes at 2023 rates, is also decoupled from 2024 forecast costs, leading to the proposed revenue deficiency provided in Section 3.

5. Revenue can fluctuate from year to year as a result of changes in weather, gas prices, PCI, customer growth and other miscellaneous factors. The PCI is based on an inflation factor determined using the average annual change in the GDP IPI FDD calculated on a two-year lag (for example PCI escalation in 2022 rates is based on 2020 data). In a period of rising inflation, inflationary pressures are not captured in rates and therefore revenues until after they have occurred. Consequently there is a disconnect between when inflationary pressures actually occur and when rates and revenues are adjusted.
6. The revenue requirement can fluctuate from year to year as a result of changes in operating costs, cost of capital, other operating revenues, and taxes. Examples of such changes include: changes in program costs, one-time charges, changes in economic or market conditions, changes in regulation, and changes in the cost of capital.
7. Table 1 provides summary information on the historical and forecast revenue deficiency/sufficiency for the 2019 to 2023 deferred rebasing term and the 2024 Test Year. Revenue at existing rates is presented on a weather normalized basis. Gas costs are excluded from revenue at existing rates and the revenue requirement in order to eliminate variations related to gas price changes.

Table 1
Summary of Revenue (Deficiency)/Sufficiency - EGI

| Line No. | Particulars (\$ millions) | <u>2019</u> Actual | <u>2020</u> Actual | <u>2021</u> Actual | <u>2022</u> Estimate | <u>2023</u> Bridge Year | <u>2024</u> Test Year |
|---|--|-----------------------|-----------------------|-----------------------|-------------------------|----------------------------|--------------------------|
| <u>Revenue at Existing Rates</u> | | | | | | | |
| 1 | Gas Sales, Transportation, and Storage | 4,779.7 | 4,266.7 | 4,628.6 | 5,095.3 | 5,809.7 | 6,014.0 |
| 2 | Gas Costs | (2,265.3) | (1,781.3) | (2,110.5) | (2,440.1) | (3,047.3) | (3,228.0) |
| 3 | Impact of (colder)/warmer weather (1) | (67.0) | 33.0 | 55.0 | (28.0) | - | - |
| 4 | Revenue, weather normalized, net of Gas Costs | <u>2,447.4</u> | <u>2,518.4</u> | <u>2,573.1</u> | <u>2,627.2</u> | <u>2,762.4</u> | <u>2,786.0</u> |
| <u>Revenue Requirement</u> | | | | | | | |
| 5 | Operating Costs | 3,907.7 | 3,477.8 | 3,794.2 | 4,231.8 | 4,868.9 | 5,272.0 |
| 6 | Cost of Capital (2) | 789.2 | 792.3 | 800.2 | 865.2 | 896.6 | 950.7 |
| 7 | Other Operating Revenues | (47.8) | (52.2) | (50.0) | (60.0) | (63.2) | (64.3) |
| 8 | Income Taxes | 59.9 | 39.2 | 41.8 | 34.1 | 48.9 | 50.4 |
| 9 | Taxes on Deficiency/(Sufficiency) | <u>(25.5)</u> | <u>(3.5)</u> | <u>(15.3)</u> | <u>(8.7)</u> | <u>(21.1)</u> | <u>70.3</u> |
| 10 | Total Revenue Requirement | 4,683.5 | 4,253.6 | 4,570.9 | 5,062.4 | 5,730.1 | 6,279.1 |
| 11 | Gas Costs | <u>(2,265.3)</u> | <u>(1,781.3)</u> | <u>(2,110.5)</u> | <u>(2,440.1)</u> | <u>(3,047.3)</u> | <u>(3,228.0)</u> |
| 12 | Revenue Requirement, excluding Gas Costs | <u>2,418.2</u> | <u>2,472.3</u> | <u>2,460.4</u> | <u>2,622.3</u> | <u>2,682.8</u> | <u>3,051.1</u> |
| <u>(Deficiency)/Sufficiency</u> | | | | | | | |
| 13 | (Deficiency)/Sufficiency, gross | 96.2 | 13.1 | 57.7 | 32.9 | 79.6 | (265.1) |
| 14 | (Deficiency)/Sufficiency, weather normalized | 29.2 | 46.1 | 112.7 | 4.9 | 79.6 | (265.1) |
| 15 | 2024 Deficiency as % of 2024 Revenue Forecast (line 14/line 1) | | | | | | 4.4% |
| <u>Average Annual Growth 2019 to 2023</u> | | | | | | | |
| 16 | Revenue, weather normalized, net of gas costs (line 4) | | | | | | 3.1% |
| 17 | Revenue Requirement, excluding gas costs (line 12) | | | | | | 2.7% |

Notes:

- (1) Financial impact of colder/warmer than normal weather. 2023 and 2024 forecasts are based on normal weather.
- (2) Cost of Capital amounts reflect the annual OEB-formula return on equity %'s. 2023 and 2024 amounts reflect the 2022 OEB-formula equity %.

2. Revenue Deficiency/Sufficiency – 2019 to 2023

8. Table 1 shows that revenue increased by an average annual growth rate of 3.1% from 2019 to 2023, while the revenue requirement only increased by an average annual growth rate of 2.7%. This has led to annual revenue sufficiency during the deferred rebasing term. However, the revenue sufficiency has fluctuated from year to year as a result of changes in revenue and revenue requirement components.
9. Factors causing variability in the annual revenue sufficiency between 2019 to 2023 include:
 - a) Inflation – inflationary pressures generally impact revenue requirement two years before revenue is impacted due to the lag in calculating PCI, as discussed above. This is demonstrated in 2022, where the revenue requirement increases significantly more than revenue as compared to 2021 levels. The converse occurs in 2023, when revenue increases significantly more than the revenue requirement, leading to a larger revenue sufficiency in comparison to 2022. Please see Exhibit 3, Tab 2, Schedule 4, Table 1 for details on economic assumptions.
 - b) Integration synergies and costs – higher integration costs were incurred in the first half of the deferred rebasing term, while higher integration synergies were realized in the latter part of the deferred rebasing term. Please see Exhibit 1, Tab 9, Schedule 1 for additional details.
 - c) Fluctuations in operating costs due to factors such as COVID-19, increasing cost pressures from safety and reliability requirements and legislation, and Technology and Information Services requirements. Please see Exhibit 4, Tab 4, Schedule 2 for details on Operating & Maintenance expense variances.
 - d) Variability in rate base growth primarily related to customer growth and maintaining system integrity, which impacts depreciation, cost of

capital/return, and tax components of the revenue requirement. Please see Exhibit 2, Tab 5, Schedule 3 for details on capital expenditures and Exhibit 2, Tab 1, Schedule 1 for details on rate base growth.

- e) OEB Formula ROE – changes/trends in OEB-approved ROE will impact cost of capital and annual required rate of return, causing variation in the revenue requirement. Please see Exhibit 5, Tab 1, Schedules 1-2 and related Attachments for details on trends/variances in OEB-approved ROE and cost of capital impacts.

10. Despite operational challenges during a global pandemic and escalating cost pressures, Enbridge Gas successfully implemented its integration efforts during the deferred rebasing term, achieving significant synergy and productivity savings that will be passed on to customers beginning in 2024.

3. Revenue Deficiency/Sufficiency – 2024

11. For the 2024 Test Year, Enbridge Gas is forecasting a revenue deficiency of \$265.1 million, which represents approximately 4.4% of forecasted 2024 Test Year revenue, i.e. 2024 revenue calculated at 2023 rates. The revenue deficiency is comprised of a \$242 million delivery revenue deficiency and a \$23.2 million gas supply revenue deficiency.

12. The delivery revenue deficiency consists of the following components, which are provided at Exhibit 6, Tab 1, Schedule 2:

- a) A \$50.8 million sufficiency representing the outcome of activities that occurred during the deferred rebasing term. This includes the sustainable integration synergies and productivity achieved by 2023;
- b) A \$198 million deficiency due to higher depreciation resulting from the implementation of a new depreciation study;

- c) A \$26.1 million deficiency resulting from an increase in equity thickness, implemented on a phased-in basis; and
- d) A \$68.7 million deficiency due to continuing escalating cost pressures.

13. Details regarding historical actuals from 2019 to 2021 and the 2022 Estimate, 2023 Bridge Year and 2024 Test Year Forecasts are provided at Exhibit 6, Tab 1, Schedule 2. Details regarding historical EGD and Union actuals from 2013 to 2018 are also provided at Exhibit 6, Tab 1, Schedule 1, Attachments 1 and 2 respectively.

Summary of Revenue (Deficiency)/Sufficiency - EGD

| Line No. | Particulars (\$ millions) | <u>2013</u> OEB- Approved | <u>2013</u> Actual | <u>2014</u> Actual | <u>2015</u> Actual | <u>2016</u> Actual | <u>2017</u> Actual | <u>2018</u> Actual |
|----------|--|---------------------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| | | | | | | | | (3) |
| | <u>Revenue at Existing Rates</u> | | | | | | | |
| 1 | Gas Sales, Transportation, and Storage | 2,364.1 | 2,613.4 | 2,861.3 | 2,892.1 | 2,588.7 | 2,788.1 | 2,863.5 |
| 2 | Impact of (colder)/warmer weather (1) | 0.0 | (13.1) | (48.3) | (14.7) | 18.3 | 15.3 | (25.5) |
| 3 | Revenue, weather normalized | <u>2,364.1</u> | <u>2,600.3</u> | <u>2,813.0</u> | <u>2,877.4</u> | <u>2,607.0</u> | <u>2,803.4</u> | <u>2,838.0</u> |
| | <u>Revenue Requirement</u> | | | | | | | |
| 4 | Total Revenue Requirement (2) | <u>2,364.1</u> | <u>2,569.1</u> | <u>2,787.7</u> | <u>2,864.5</u> | <u>2,600.2</u> | <u>2,756.3</u> | <u>2,779.9</u> |
| | <u>(Deficiency)/Sufficiency</u> | | | | | | | |
| 5 | (Deficiency)/Sufficiency, gross | | 44.3 | 73.6 | 27.6 | (11.5) | 31.8 | 83.6 |
| 6 | (Deficiency)/Sufficiency, weather normalized | | 31.2 | 25.3 | 12.9 | 6.8 | 47.1 | 58.1 |

Notes:

- (1) Financial impact of colder/warmer than normal weather.
- (2) Revenue Requirement and associated Cost of Capital reflect annual OEB-formula return on equity %'s, and/or are in comparison to the 2013 OEB-formula return on equity reflected in rates.
- (3) 2018 Actuals reflect the updated calculation filed as part of the 2018 ESM and Deferrals Disposition Settlement Proposal (EB-2019-0105).

Summary of Revenue (Deficiency)/Sufficiency - Union

| Line No. | Particulars (\$ millions) | <u>2013</u> OEB- Approved | <u>2013</u> Actual | <u>2014</u> Actual (3) | <u>2015</u> Actual | <u>2016</u> Actual | <u>2017</u> Actual | <u>2018</u> Actual (3) |
|----------------------------------|--|---------------------------------|-----------------------|------------------------------|-----------------------|-----------------------|-----------------------|------------------------------|
| <u>Revenue at Existing Rates</u> | | | | | | | | |
| 1 | Gas Sales, Transportation, and Storage | 1,614.1 | 1,771.6 | 1,919.7 | 1,821.6 | 1,704.6 | 2,100.8 | 2,059.1 |
| 2 | Impact of (colder)/warmer weather (1) | 0.0 | (11.4) | (30.4) | (45.2) | 46.3 | 38.3 | (23.1) |
| 3 | Revenue, weather normalized | 1,614.1 | 1,760.2 | 1,889.3 | 1,776.4 | 1,750.9 | 2,139.1 | 2,036.0 |
| <u>Revenue Requirement</u> | | | | | | | | |
| 4 | Total Revenue Requirement (2) | 1,614.1 | 1,739.3 | 1,884.9 | 1,801.7 | 1,697.3 | 2,094.8 | 2,036.7 |
| <u>(Deficiency)/Sufficiency</u> | | | | | | | | |
| 5 | (Deficiency)/Sufficiency, gross | | 32.2 | 34.8 | 19.9 | 7.3 | 6.1 | 22.3 |
| 6 | (Deficiency)/Sufficiency, weather normalized | | 20.8 | 4.4 | (25.3) | 53.6 | 44.4 | (0.8) |

Notes:

- (1) Financial impact of colder/warmer than normal weather.
- (2) Revenue Requirement and associated Cost of Capital reflect annual OEB-formula return on equity %'s, and/or are in comparison to the 2013 OEB-formula return on equity of 8.93% reflected in rates.
- (3) 2014 Actuals reflect the updated calculation that was filed as part of Union's 2015 ESM and Deferral Disposition proceeding (EB-2016-0118). 2018 Actuals reflect the updated calculation that was filed as part of the 2018 ESM and Deferrals Disposition Settlement Proposal (EB-2019-0105).

REVENUE DEFICIENCY/SUFFICIENCY DETAILS
JASON VINAGRE, MANAGER REGULATORY ACCOUNTING
RACHEL GOODREAU, MANAGER REVENUE AND COST OF GAS
CATHERINE HO, MANAGER FINANCIAL PLANNING & ANALYSIS

1. The purpose of this evidence is to request approval of Enbridge Gas's 2024 Test Year revenue requirement and the resulting 2024 Test Year deficiency and provide the details of revenue deficiency/sufficiency, utility income, utility rate base, and return on rate base and equity for 2019 to 2021 historical actuals, 2022 Estimate, 2023 Bridge Year, and 2024 Test Year. This evidence also provides detailed deficiency drivers for the 2024 Test Year.

2. Details of total revenue requirement, deficiency/sufficiency, cost of capital and required rate of return, utility income and utility rate base is provided at Exhibit 6 as set out below:
 - Attachment 1 – Revenue Deficiency 2024 Test Year
 - Attachment 2 – Revenue Deficiency 2024 Test Year Delivery
 - Attachment 3 – Revenue Deficiency 2024 Test Year Gas Supply
 - Attachment 4 – Revenue Deficiency/Sufficiency 2019 to 2023

3. Pursuant to the Filing Requirements For Natural Gas Rate Applications (Filing Requirements)¹ this Exhibit provides the delivery and gas supply components of the 2024 Test Year deficiency). Attachment 1 provides details of the total 2024 Test Year revenue requirement and deficiency, Attachments 2 and 3 provide details of the delivery and gas supply revenue requirements and deficiencies respectively.

¹ OEB Filing Requirements for Natural Gas Rate Applications, February 16, 2017, p.34.

1. 2024 Test Year Delivery Revenue Deficiency

4. Enbridge Gas is forecasting a delivery revenue deficiency for the 2024 Test Year of \$242 million, as provided at Attachment 2, page 1. The deficiency is derived from the delivery revenue forecast for the 2024 Test Year (using proposed 2023 rates²) of \$2,826.8 million (line 25) and the delivery revenue requirement forecast (on a cost-of-service basis) of \$3,068.8 million (line 20).

1.1. Drivers of Delivery Revenue Deficiency

5. As provided at Attachment 2, page 2, the delivery revenue deficiency of \$242 million consists of impacts driven by activities that occurred during the deferred rebasing term. This includes synergies and efficiencies realized as well as cost of service impacts primarily resulting from higher depreciation, provided at Exhibit 4, Tab 5, Schedule 1, increase in equity thickness provided at Exhibit 5, Tab 3, Schedule 1, and increasing costs required to provide service to customers provided at Exhibit 4, Tab 4, Schedule 2. Details of the drivers that make up the deficiency are provided below.

Deferred Rebasing Impact

6. Net sustainable synergies and productivity delivered during the deferred rebasing term, partially offset by the recovery of integration capital expenditures incurred by the Company are forecast to provide a sufficiency of \$67.2 million in the 2024 Test Year. As provided at Exhibit 4, Tab 4, Schedule 2, Enbridge Gas expects to generate a total of \$121.2 million of synergies and productivity savings through to 2024 and such sustainable savings will be passed on to ratepayers upon rebasing. The cost savings are partially offset by \$54 million of revenue requirement

² Enbridge Gas's 2023 Rates Application per EB-2022-0133 at the April 2022 QRAM. The April 2022 QRAM underpinning the 2023 Rates Application aligns with the forecast gas costs used in this Application.

pertaining to the undepreciated costs of capital expenditures incurred to drive synergy savings based on existing depreciation rates³. Please see Exhibit 1, Tab 9, Schedule 1 for further details on integration capital investment.

7. The impact from changes in accounting policies and methodologies results in \$25.6 million of sufficiency in the 2024 Test Year. The impact from accounting policy changes implemented during the deferred rebasing term, as provided at Exhibit 9, Tab 2, Schedule 1, drives approximately \$16.8 million of sufficiency as of 2024. The policy changes overall result in lower annual revenue requirement related to lower O&M and depreciation partially offset by higher capitalization. The impact of the unregulated storage cost allocation harmonization, provided at Exhibit 1, Tab 13, Schedule 2, results in approximately \$8.8 million of sufficiency in 2024. The harmonization results in a higher amount of costs allocated to the unregulated business thereby reducing the amount of costs attributable to the Company. Cost reductions to the Company are present in O&M, depreciation, gas cost of fuels and UFG, and property taxes.
8. A deficiency of \$42 million in 2024 primarily results from the impact of ICM and Capital Pass Through, net of savings from lower weighted average cost of capital, that is not supported by existing rates. The deficiency is mainly driven by a combination of components used in setting the ICM threshold in accordance with OEB policy. Elements that are not supported by existing rates include the 10% stretch on the ICM threshold and the denial of capital pass through adjustment based on the MAADs Decision⁴. Offsetting these increases is the lower weighted average cost of capital.

³ With the new depreciation study (refer to Exhibit 4, tab 5, Schedule 1, Section 4.2, Page 4), revenue requirement impact will be reduced to \$34 million upon approval of proposed rates.

⁴ EB-2017-0306/EB-2017-0307, OEB Decision and Order, August 30, 2018.

Cost of Service Impacts

9. Cost pressures identified in the 2024 Test Year Forecast that are not currently being recovered in existing rates are expected to result in \$68.7 million of deficiency. Examples of such cost pressures include incremental locate costs to meet compliance obligations such as Bill 93 (Getting Ontario Connected Act), higher Technology & Information Services (TIS) costs driven by migration to “as a service” models and additional investment in cyber security, and higher integrity costs as informed by risk modelling to ensure safety and reliability. Please see Exhibit 4, Tab 4, Schedule 2 for more details on various cost pressures.

10. Higher depreciation resulting from implementing the new depreciation study in 2024 drives approximately \$198 million of deficiency. Please see Exhibit 4, Tab 1, Schedule 5, Attachment 1 for further details.

11. Increasing equity thickness from 36% to 38% in 2024 results in a deficiency of \$26.1 million. Please see Exhibit 5, Tab 3, Schedule 1 for further details on Enbridge Gas’s proposal to phase in the increase in equity thickness to 42% over the next IR term.

2. 2024 Test Year Gas Supply Revenue Deficiency

12. Enbridge Gas is forecasting a gas supply revenue deficiency for the 2024 Test Year of \$23.2 million, as provided at Attachment 3, page 1. The deficiency is derived from the gas supply revenue forecast for the 2024 Test Year (using proposed 2023 rates at April 2022 Quarterly Rate Adjustment Mechanism (QRAM)⁵) of \$3,187.2

⁵ Enbridge Gas’s 2023 Rates Application per EB-2022-0133 at the April 2022 QRAM. The April 2022 QRAM underpinning the 2023 Rates Application aligns with the forecast gas costs used in this Application.

million (line 4), and the total gas supply revenue requirement forecast (on a cost-of-service basis) of \$3,210.4 million (line 1).

13. For the purposes of deriving the gas supply deficiency, the following costs are defined as gas supply:

- a) gas supply commodity costs;
- b) upstream transportation and fuel costs;
- c) load balancing and peaking services costs;
- d) market-based storage costs;
- e) company use costs;
- f) unaccounted for gas (UFG) costs; and,
- g) compressor fuel costs.

14. Further details of the forecast gas costs are provided at Exhibit 4, Tab 2, Schedule 1.

2.1. Gas Cost Revenue Adjustment

15. The 2024 gas supply revenue was derived from the 2023 proposed gas supply unit rates from Enbridge Gas's 2023 Rates Application⁶ with an adjustment made to the Union North East and Union South gas supply commodity unit rates. Specifically, Enbridge Gas has added a unit rate of 1.4943 cents/m³ and 1.7522 cents/m³ to the Union North East and Union South gas supply commodity rate, respectively. The gas supply commodity unit rate adjustment results in an additional \$79.9 million of gas-supply revenue in the 2024 deficiency. The gas supply revenue adjustment is provided at Attachment 3, page 1 (line 3).

⁶ Enbridge Gas's 2023 Rates Application per EB-2022-0133 at the April 2022 QRAM. The April 2022 QRAM underpinning the 2023 Rates Application aligns with the forecast gas costs used in this Application.

16. The addition of \$79.9 million of gas supply revenue was necessary to account for the forecast gas supply commodity costs that are currently collected in the gas supply commodity price adjustments. As the Dawn reference price used to set gas supply commodity rates in the Union North East and Union South rate zones is a market-based price, it is not set to recover all the gas supply costs in the Gas Supply Plan on a forecast basis. As such, the difference between the Dawn reference price and the average unit rate cost of the Gas Supply Plan is recorded in gas supply variance accounts for these rate zones.

17. With each QRAM, the difference between the forecast revenue and cost of the Gas Supply Plan is reflected in the 12-month prospective forecast and included in the gas supply commodity price adjustment. Between the gas supply commodity rate and the gas supply commodity price adjustment, customers in these rate zones pay the full cost of the Gas Supply Plan in rates. However, the gas supply commodity price adjustment rate is not typically included in the derivation of revenue and as a result, the forecast revenue would be less than the forecast costs to be collected by customers. Without this adjustment, the gas supply deficiency would be overstated by the \$79.9 million.

2.2. Drivers of Gas Supply Revenue Deficiency

18. Details of the drivers that make-up the gas supply revenue deficiency are provided at Attachment 3, page 2. The gas supply revenue deficiency of \$23.2 million is primarily the result of UFG, gas supply commodity costs and upstream transportation and fuel costs, and peaking and load balancing costs. The gas supply revenue deficiency is partially offset by market-based storage and compressor fuel costs.

19. UFG costs are increasing as a result of higher forecast volumes compared to the amounts included in current approved rates. There has been an increase in volumes over time since Union and EGD last updated base rates. Enbridge Gas is also proposing a new forecast methodology for UFG, which is provided at Exhibit 4, Tab 3, Schedule 1. The increase related to UFG volumes of \$14.4 million, is partially offset by a net reduction in the reference price of \$2.9 million, for a net impact of \$11.5 million. Enbridge Gas is proposing to set a common gas cost reference price for all rate zones effective January 1, 2024. A description of the proposed reference price is provided at Exhibit 4, Tab 2, Schedule 2.
20. There have also been changes to the gas supply commodity costs and upstream transportation and fuel costs, which reflects the changes to the gas supply portfolio since the Gas Supply Plan was last updated in rates for EGD and Union in 2018. The net impact of these changes is a gas supply revenue deficiency of \$11.2 million.
21. The peaking and load balancing purchase costs have also increased since the gas supply costs included in rates were last updated for the EGD rate zone in 2018⁷. The increase of \$5.8 million is the estimated incremental load balancing cost to meet in-franchise design day demands.
22. These cost increases are partially offset by forecast decreases in market-based storage of \$4.8 million and compressor fuel of \$0.5 million. However, Enbridge Gas anticipates that actual market-based storage costs will be higher due to the additional market-based storage purchases beyond those amounts included in the forecast, as provided at Exhibit 4, Tab 2, Schedule 1.

⁷ EB-2017-0086.

23. The difference between the forecast gas supply costs and the actual costs are subject to true up in the gas cost deferral and variance accounts. The 2024 Gas Supply Plan and the 2024 Test Year Forecast of gas costs is provided at Exhibit 4, Tab 2, Schedule 1. The proposed harmonization of gas cost deferral and variance accounts is provided at Exhibit 9, Tab 1, Schedule 2.

2024 Test Year - Calculation of Total Revenue Deficiency

| Line No. | Particulars (\$ millions) | Reference | Delivery | Gas Supply | Total |
|--|---|---|----------------|----------------|----------------|
| <u>Cost of Capital</u> | | | | | |
| 1 | Rate Base | Exhibit 2 Tab 1 Schedule 1 | 16,184.3 | | 16,184.3 |
| 2 | Required Rate of Return | Exhibit 5 Tab 2 Schedule 1 Attachment 6 | 5.87% | | 5.87% |
| 3 | Required Return | | <u>950.7</u> | | <u>950.7</u> |
| <u>Cost of Service</u> | | | | | |
| 4 | Gas Costs | Exhibit 4 Tab 2 Schedule 1 Attachment 1 | 17.6 | 3,210.4 | 3,228.0 |
| 5 | Operations and Maintenance | Exhibit 4 Tab 4 Schedule 1 | 991.9 | - | 991.9 |
| 6 | Depreciation and Amortization | Exhibit 4 Tab 5 Schedule 1 Attachment 2 | 921.0 | - | 921.0 |
| 7 | Fixed Financing Costs | Exhibit 5 Tab 2 Schedule 1 | 4.0 | - | 4.0 |
| 8 | Municipal and Other Taxes | Exhibit 4 Tab 6 Schedule 2 | 127.2 | - | 127.2 |
| 9 | Total | | <u>2,061.6</u> | <u>3,210.4</u> | <u>5,272.1</u> |
| <u>Miscellaneous Operating and Non-Operating Revenue</u> | | | | | |
| 10 | Other Operating Revenue | Exhibit 3 Tab 1 Schedule 1 | (64.3) | - | (64.3) |
| 11 | Other Income | Exhibit 3 Tab 1 Schedule 1 | - | - | - |
| 12 | Total | | <u>(64.3)</u> | <u>-</u> | <u>(64.3)</u> |
| <u>Income Taxes on Earnings</u> | | | | | |
| 13 | Excluding Tax Shield | Exhibit 4 Tab 6 Schedule 1 Attachment 1 | 167.4 | (6.1) | 161.3 |
| 14 | Tax Shield Provided by Interest Expense | Exhibit 4 Tab 6 Schedule 1 Attachment 1 | (110.8) | - | (110.8) |
| 15 | Total | | <u>56.6</u> | <u>(6.1)</u> | <u>50.4</u> |
| <u>Taxes on (Deficiency)/Sufficiency</u> | | | | | |
| 16 | Gross (Deficiency)/Sufficiency | | (241.9) | (23.2) | (265.1) |
| 17 | Net (Deficiency)/Sufficiency | | <u>(177.8)</u> | <u>(17.0)</u> | <u>(194.9)</u> |
| 18 | Total | | <u>64.1</u> | <u>6.1</u> | <u>70.3</u> |
| 19 | Revenue Requirement | | <u>3,068.8</u> | <u>3,210.4</u> | <u>6,279.2</u> |
| <u>Revenue At Existing Rates</u> | | | | | |
| 21 | Gas Sales | Exhibit 3 Tab 2 Schedule 1 Attachment 3 | 2,666.9 | 3,184.7 | 5,851.6 |
| 22 | Transmission, Compression & Storage | Exhibit 3 Tab 4 Schedule 1 Attachment 1 | 159.8 | 2.5 | 162.4 |
| 23 | Total Revenue At Existing Rates | | <u>2,826.8</u> | <u>3,187.2</u> | <u>6,014.0</u> |
| 24 | Gross Revenue (Deficiency) | | <u>(242.0)</u> | <u>(23.2)</u> | <u>(265.1)</u> |

2024 Utility Deficiency Calculation and Required Rate of Return - EGI

| Line No. | Particulars | Principal | Component | Cost Rate | Return |
|----------|--|-----------------|---------------|-----------|---------------|
| | | (\$ millions) | (%) | (%) | Component (%) |
| | | Test Year | Test Year | Test Year | Test Year |
| | | (a) | (b) | (c) | (d) = (b x c) |
| | <u>Debt</u> | | | | |
| 1 | Long and Medium Term Debt | 10,028.1 | 61.96 | 4.17 | 2.582 |
| 2 | Short Term Debt | 6.2 | 0.04 | 3.00 | 0.001 |
| 3 | Total Debt | <u>10,034.3</u> | <u>62.00</u> | | <u>2.584</u> |
| 4 | <u>Common Equity</u> | 6,150.0 | 38.00 | 8.66 | 3.291 |
| 6 | Total | <u>16,184.3</u> | <u>100.00</u> | | <u>5.874</u> |
| 7 | Rate Base | 16,184.3 | | | |
| 8 | Utility Income | 755.9 | | | |
| 9 | Indicated Rate of Return | 4.670% | | | |
| 10 | (Deficiency)/Sufficiency in Rate of Return | (1.204%) | | | |
| 11 | Net (Deficiency)/Sufficiency | (194.9) | | | |
| 12 | Gross (Deficiency)/Sufficiency | (265.1) | | | |
| 13 | Revenue at Existing Rates | 6,014.0 | | | |
| 14 | Revenue Requirement | 6,279.1 | | | |
| 15 | Gross Revenue (Deficiency)/Sufficiency | (265.1) | | | |
| | <u>Common Equity</u> | | | | |
| 16 | Allowed Rate of Return | 8.660% | | | |
| 17 | Earnings on Common Equity | 5.491% | | | |
| 18 | (Deficiency)/Sufficiency In Common Equity Retn | (3.169%) | | | |

2024 Net Utility Income - EGI

| Line No. | Particulars (\$ millions) | Test Year |
|----------|---------------------------------------|----------------|
| | <u>Operating Income</u> | |
| 1 | Gas Sales and Distribution | 5,851.6 |
| 2 | Transportation | 162.4 |
| 3 | Storage | 0.0 |
| 4 | Other Operating Revenue | 64.3 |
| 5 | Interest and Property Rental | - |
| 6 | Other Income | - |
| 7 | Total Operating Revenue | <u>6,078.3</u> |
| | <u>Operating Cost</u> | |
| 8 | Gas Costs | 3,228.0 |
| 9 | Operation and Maintenance | 991.7 |
| 10 | Depreciation and Amortization Expense | 921.0 |
| 11 | Fixed Financing Costs | 4.0 |
| 12 | Debt Redemption Premium Amortization | 0.0 |
| 13 | Municipal and Other Taxes | 127.2 |
| 14 | Cost of Service | <u>5,272.0</u> |
| 15 | Utility Income Before Income Taxes | <u>806.3</u> |
| 16 | Income Tax Expense | <u>(50.4)</u> |
| 17 | Utility Income | <u>755.9</u> |

2024 Utility Rate Base

| Line No. | Particulars (\$ millions) | Test Year |
|----------|--------------------------------------|------------------------|
| | <u>Property, Plant and Equipment</u> | |
| 1 | Gross Property, Plant and Equipment | 24,922.9 |
| 2 | Accumulated Depreciation | (9,296.7) |
| 3 | Net Property, Plant and Equipment | <u>15,626.2</u> |
| | <u>Allowance for Working Capital</u> | |
| 4 | Materials and Supplies | 107.0 |
| 5 | Customer Security Deposits | (60.2) |
| 7 | DCB Receivable/(Payable) | (5.1) |
| 9 | Gas in Storage | 648.4 |
| 10 | Working Cash Allowance | (132.1) |
| 11 | Total Working Capital | <u>558.0</u> |
| 12 | Utility Rate Base | <u><u>16,184.3</u></u> |

2024 Test Year - Calculation of Delivery Revenue Deficiency Net of Gas Cost Impacts

| Line No. | Particulars (\$ millions) | Reference | Test Year |
|--|---|---|----------------|
| <u>Cost of Capital</u> | | | |
| 1 | Rate Base | Exhibit 2 Tab 1 Schedule 1 | 16,184.3 |
| 2 | Required Rate of Return | Exhibit 5 Tab 2 Schedule 1 Attachment 6 | 5.87% |
| 3 | Required Return | | <u>950.7</u> |
| <u>Cost of Service</u> | | | |
| 5 | Gas Costs | Exhibit 4 Tab 2 Schedule 1 Attachment 1 | 17.6 |
| 6 | Operations and Maintenance | Exhibit 4 Tab 4 Schedule 1 | 991.9 |
| 7 | Depreciation and Amortization | Exhibit 4 Tab 5 Schedule 1 Attachment 2 | 921.0 |
| 8 | Fixed Financing Costs | Exhibit 5 Tab 2 Schedule 1 | 4.0 |
| 9 | Municipal and Other Taxes | Exhibit 4 Tab 6 Schedule 2 | 127.2 |
| 10 | Total | | <u>2,061.6</u> |
| <u>Miscellaneous Operating and Non-Operating Revenue</u> | | | |
| 11 | Other Operating Revenue | Exhibit 3 Tab 1 Schedule 1 | (64.3) |
| 12 | Other Income | Exhibit 3 Tab 1 Schedule 1 | - |
| 13 | Total | | <u>(64.3)</u> |
| <u>Income Taxes on Earnings</u> | | | |
| 14 | Excluding Tax Shield | Exhibit 4 Tab 6 Schedule 1 Attachment 1 | 167.4 |
| 15 | Tax Shield Provided by Interest Expense | Exhibit 4 Tab 6 Schedule 1 Attachment 1 | (110.8) |
| 16 | Total | | <u>56.6</u> |
| <u>Taxes on (Deficiency)/Sufficiency</u> | | | |
| 17 | Gross (Deficiency)/Sufficiency | Exhibit 6 Tab 1 Schedule 2 Attachment 1 | (241.9) |
| 18 | Net (Deficiency)/Sufficiency | Exhibit 6 Tab 1 Schedule 2 Attachment 1 | (177.8) |
| 19 | Total | | <u>64.1</u> |
| 20 | Revenue Requirement | | <u>3,068.8</u> |
| 21 | <u>Revenue At Existing Rates</u> | | |
| 22 | Gas Sales (Delivery Revenue not incl. Gas Supply) | Exhibit 3 Tab 2 Schedule 1 Attachment 3 | 2,666.9 |
| 23 | Transportation Service | Exhibit 3 Tab 4 Schedule 1 Attachment 1 | 159.8 |
| 24 | Transmission, Compression & Storage | | - |
| 25 | Total Revenue at Existing Rates | | <u>2,826.7</u> |
| 26 | Gross Revenue (Deficiency)/Sufficiency | | <u>(242.0)</u> |

2024 Test Year - Drivers of Delivery Revenue Deficiency

| Line No. | Particulars (\$ millions) | Gross (Deficiency)/ Sufficiency | Relative Contribution |
|----------|--|------------------------------------|--------------------------|
| 1 | Net sustainable synergies and productivity | 67.2 | (28%) |
| 2 | Changes in accounting policy and methodologies | 25.6 | (11%) |
| 3 | Impact related to ICM and Capital Pass Through Deferred Rebasing Impact | (42.0) | 17% |
| | | <u>50.8</u> | <u>(21%)</u> |
| 4 | Cost pressures | (68.7) | 28% |
| 5 | Higher depreciation resulting from new depreciation study | (198.0) | 82% |
| 6 | Increase equity thickness from 36% to 38% in 2024 Cost of Service Impacts | (26.1) | 11% |
| | | <u>(292.8)</u> | <u>121%</u> |
| 7 | Total Gross 2024 Test Year Deficiency | <u>(242.0)</u> | <u>100%</u> |

2024 Test Year - Calculation of Gas Supply (Deficiency)/Sufficiency - EGI

| Line No. | Particulars (\$ millions) | Reference | Test Year |
|----------|--------------------------------------|---|----------------------|
| | <u>Net Revenue Requirement</u> | | |
| 1 | Gas Costs | Exhibit 4 Tab 2 Schedule 1 Attachment 1 | <u>3,210.4</u> |
| | <u>Revenue at Existing Rates</u> | | |
| 2 | Revenue at 2023 Gas Supply Rates (1) | | 3,107.4 |
| 3 | Gas Cost Revenue Adjustment (2) | | <u>79.9</u> |
| 4 | Total | Exhibit 6 Tab 1 Schedule 2 Attachment 1 | <u>3,187.2</u> |
| 5 | Gross (Deficiency)/Sufficiency | Exhibit 6 Tab 1 Schedule 2 Attachment 1 | <u><u>(23.2)</u></u> |

Notes:

- (1) \$2.5 million of the revenue at 2023 gas supply rates pertains to Transmission, Compression & Storage.
- (2) Adjustment to recognize the difference between the Union South and Union North East forecast cost of gas supply and the Dawn Reference Price used to set commodity rates. These customers pay for the difference through a price adjustment unit rate that is not reflected in revenue.

2024 Test Year - Drivers of Gas Supply Revenue (Deficiency)/Sufficiency

| Line No. | Particulars (\$ millions) | (Deficiency)/ Sufficiency (a) | Relative Contribution (b) |
|----------|---|-------------------------------------|---------------------------------|
| 1 | UFG | (11.5) | 49% |
| 2 | Other Gas Supply Plan Changes | (11.2) | 48% |
| 3 | Peaking and Load Balancing | (5.8) | 25% |
| 4 | Compressor Fuel | 0.5 | (2%) |
| 5 | Market-Based Storage (1) | 4.8 | (21%) |
| 6 | Total 2024 Test Year (Deficiency)/Sufficiency | <u>(23.2)</u> | <u>100%</u> |

Notes:

- (1) Market-based storage costs do not include the incremental 10 PJ related to the ICF International Inc. recommendation provided at Exhibit 4, Tab 2, Schedule 1, Section 2.

2019 Actuals - Calculation of Total Revenue (Deficiency)/Sufficiency

| Line No. | Particulars (\$ millions) | Reference | Test Year |
|--|---|--|----------------|
| <u>Cost of Capital</u> | | | |
| 1 | Rate Base | Exhibit 2 Tab 1 Schedule 1 page 5 | 13,139.0 |
| 2 | Required Rate of Return (1) | Exhibit 5 Tab 2 Schedule 1 Attachment1 | 6.01% |
| 3 | Required Return | | <u>789.2</u> |
| <u>Cost of Service</u> | | | |
| 4 | Gas Costs | Exhibit 4 Tab 2 Schedule 1 Attachment1 | 2,265.3 |
| 5 | Operations and Maintenance | Exhibit 4 Tab 4 Schedule 1 | 914.6 |
| 6 | Depreciation and Amortization | Exhibit 4 Tab 5 Schedule 1 Attachment2 | 601.7 |
| 7 | Fixed Financing Costs | | 4.7 |
| 8 | Municipal and Other Taxes | Exhibit 4 Tab 6 Schedule 2 | 121.4 |
| 9 | Total | | <u>3,907.7</u> |
| <u>Miscellaneous Operating and Non-Operating Revenue</u> | | | |
| 10 | Other Operating Revenue | Exhibit 3 Tab 1 Schedule 1 | (49.6) |
| 11 | Other Income | Exhibit 3 Tab 1 Schedule 1 | 1.8 |
| 12 | Total | | <u>(47.8)</u> |
| <u>Income Taxes on Earnings</u> | | | |
| 13 | Excluding Tax Shield Tax Shield Provided by Interest | Exhibit 4 Tab 6 Schedule 1 Attachment1 | 156.5 |
| 14 | Expense | Exhibit 4 Tab 6 Schedule 1 Attachment1 | (96.6) |
| 15 | Total | | <u>59.9</u> |
| <u>Taxes on (Deficiency)/Sufficiency</u> | | | |
| 16 | Gross (Deficiency)/Sufficiency | Exhibit 6 Tab 1 Schedule 1 | 96.2 |
| 17 | Net (Deficiency)/Sufficiency | Exhibit 6 Tab 1 Schedule 1 | 70.7 |
| 18 | Total | | <u>(25.5)</u> |
| 19 | Revenue Requirement | | <u>4,683.5</u> |
| <u>Revenue at Existing Rates</u> | | | |
| 20 | Gas Sales | Exhibit 3 Tab 2 Schedule 1 Attachment1 | 4,631.5 |
| 21 | Transmission, Compression & Storage | Exhibit 3 Tab 4 Schedule 1 | 148.2 |
| 22 | Total Revenue at Existing Rates | | <u>4,779.7</u> |
| 23 | Gross Revenue (Deficiency)/Sufficiency | | 96.2 |

Note:

- (1) Required rate of return reflective of base amount not including 150 basis point threshold for earnings sharing purposes.

2019 Utility (Deficiency)/Sufficiency Calculation and Required Rate of Return - EGI

| Line No. | Particulars | Utility Capital Structure | | | Return |
|----------|--|---------------------------|---------------|---------------|---------------|
| | | Principal (\$ millions) | Component (%) | Cost Rate (%) | Component (%) |
| | | Actual | Actual | Actual | Actual |
| | | (a) | (b) | (c) | (d) = (b x c) |
| | <u>Debt</u> | | | | |
| 1 | Long and Medium Term Debt | 8,002.0 | 60.90 | 4.45 | 2.710 |
| 2 | Short Term Debt | 407.0 | 3.10 | 2.04 | 0.063 |
| 3 | Total Debt | <u>8,408.9</u> | <u>64.00</u> | | <u>2.773</u> |
| 4 | <u>Common Equity</u> | 4,730.0 | 36.00 | 8.98 | 3.233 |
| 6 | Total | <u>13,139.0</u> | <u>100.00</u> | | <u>6.006</u> |
| 7 | Rate Base | 13,139.0 | | | |
| 8 | Utility Income | 859.9 | | | |
| 9 | Indicated Rate of Return on Rate Base | 6.545% | | | |
| 10 | (Deficiency)/Sufficiency in Rate of Return | 0.539% | | | |
| 11 | Net (Deficiency)/Sufficiency | 70.7 | | | |
| 12 | Gross (Deficiency)/Sufficiency | 96.2 | | | |
| 13 | Revenue at Existing Rates | 4,779.80 | | | |
| 14 | Revenue Requirement | 4,683.60 | | | |
| 15 | Gross Revenue (Deficiency)/Sufficiency | 96.2 | | | |
| | <u>Common Equity</u> | | | | |
| 16 | Approved Return on Equity (1) | 8.980% | | | |
| 17 | Achieved Rate of Return on Equity | 10.475% | | | |
| 18 | (Deficiency)/Sufficiency in Return on Equity | 1.495% | | | |

Note:

(1) Excludes 150bp deadband applicable to earning sharing.

2019 Net Utility Income - EGI

| Line No. | Particulars (\$ millions) | <u>2019</u> Actual |
|-------------|---------------------------------------|-----------------------|
| | <u>Operating Income</u> | |
| 1 | Gas Sales and Distribution | 4,631.5 |
| 2 | Transportation | 142.2 |
| 3 | Storage | 6.0 |
| 4 | Other Operating Revenue | 49.6 |
| 5 | Other Income | (1.8) |
| 6 | Total Operating Revenue | <u>4,827.6</u> |
| | <u>Operating Cost</u> | |
| 7 | Gas Costs | 2,265.3 |
| 8 | Operation and Maintenance | 914.6 |
| 9 | Depreciation and Amortization Expense | 601.7 |
| 10 | Fixed Financing Costs | 4.7 |
| 11 | Municipal and Other Taxes | 121.4 |
| 12 | Cost of Service | <u>3,907.8</u> |
| 13 | Utility Income Before Income Taxes | <u>919.7</u> |
| 14 | Income Tax Expense | <u>(59.9)</u> |
| 15 | Utility Income | <u>859.9</u> |

2019 Utility Rate Base - EGI

| Line No. | Particulars (\$ millions) | <u>2019</u> Actual |
|-------------|--------------------------------------|------------------------|
| | <u>Property, Plant and Equipment</u> | |
| 1 | Gross Property, Plant and Equipment | 19,765.5 |
| 2 | Accumulated Depreciation | (7,188.8) |
| 3 | Net Property, Plant and Equipment | <u>12,576.7</u> |
| | <u>Allowance for Working Capital</u> | |
| 4 | Materials and Supplies | 74.9 |
| 5 | Customer Security Deposits | (91.0) |
| 6 | Prepaid Expenses | 5.6 |
| 7 | ABC Receivable/(Payable) | (30.2) |
| 8 | Balancing Gas | 56.2 |
| 9 | Gas in Storage | 522.0 |
| 10 | Cash Working Capital | 24.9 |
| 11 | Total Working Capital | <u>562.3</u> |
| 12 | Utility Rate Base | <u><u>13,139.0</u></u> |

2020 Actuals - Calculation of Total Revenue (Deficiency)/Sufficiency

| Line No. | Particulars (\$ millions) | Reference | 2020 Actuals |
|--|---|---|----------------|
| <u>Cost of Capital</u> | | | |
| 1 | Rate Base | Exhibit 2 Tab 1 Schedule 1 Page 5 | 13,562.0 |
| 2 | Required Rate of Return (1) | Exhibit 5 Tab 2 Schedule 1 Attachment 2 | 5.84% |
| 3 | Required Return | | <u>792.3</u> |
| <u>Cost of Service</u> | | | |
| 4 | Gas Costs | Exhibit 4 Tab 2 Schedule 1 Attachment 1 | 1,781.3 |
| 5 | Operations and Maintenance | Exhibit 4 Tab 4 Schedule 1 | 948.4 |
| 6 | Depreciation and Amortization | Exhibit 4 Tab 5 Schedule 1 Attachment 2 | 618.2 |
| 7 | Fixed Financing Costs | | 5.4 |
| 8 | Municipal and Other Taxes | Exhibit 4 Tab 6 Schedule 2 | 124.6 |
| 9 | Total | | <u>3,477.8</u> |
| <u>Miscellaneous Operating and Non-Operating Revenue</u> | | | |
| 10 | Other Operating Revenue | Exhibit 3 Tab 1 Schedule 1 | (47.7) |
| 11 | Other Income | Exhibit 3 Tab 1 Schedule 1 | (4.5) |
| 12 | Total | | <u>(52.2)</u> |
| <u>Income Taxes on Earnings</u> | | | |
| 13 | Excluding Tax Shield | Exhibit 4 Tab 6 Schedule 1 Attachment 1 | 138.9 |
| 14 | Tax Shield Provided by Interest Expense | Exhibit 4 Tab 6 Schedule 1 Attachment 1 | (99.7) |
| 15 | Total | | <u>39.2</u> |
| <u>Taxes on (Deficiency)/Sufficiency</u> | | | |
| 16 | Gross (Deficiency)/Sufficiency | Exhibit 6 Tab 1 Schedule 1 | 13.1 |
| 17 | Net (Deficiency)/Sufficiency | Exhibit 6 Tab 1 Schedule 1 | 9.6 |
| 18 | Total | | <u>(3.5)</u> |
| 19 | Revenue Requirement | | <u>4,253.6</u> |
| <u>Revenue at Existing Rates</u> | | | |
| 20 | Gas Sales | Exhibit 3 Tab 2 Schedule 1 Attachment 1 | 4,118.8 |
| 21 | Transmission, Compression & Storage | Exhibit 3 Tab 4 Schedule 1 | 147.9 |
| 22 | Total Revenue at Existing Rates | | <u>4,266.7</u> |
| 23 | Gross Revenue (Deficiency)/Sufficiency | | 13.1 |

Note:

- (1) Required rate of return reflective of base amount not including 150 basis point threshold for earnings sharing purposes.

2020 Utility (Deficiency)/Sufficiency Calculation and Required Rate of Return - EGI

| Line No. | Particulars | Principal | Component | Cost Rate | Return |
|----------|--|-----------------|---------------|-----------|---------------|
| | | (\$ millions) | (%) | (%) | Component (%) |
| | | Actual | Actual | Actual | Actual |
| | | (a) | (b) | (c) | (d) = (b x c) |
| | <u>Debt</u> | | | | |
| 1 | Long and Medium Term Debt | 8,568.5 | 63.18 | 4.38 | 2.767 |
| 2 | Short Term Debt | 111.1 | 0.82 | 0.94 | 0.008 |
| 3 | Total Debt | <u>8,679.7</u> | <u>64.00</u> | | <u>2.775</u> |
| 4 | <u>Common Equity</u> | 4,882.3 | 36.00 | 8.52 | 3.067 |
| 6 | Total | <u>13,562.0</u> | <u>100.00</u> | | <u>5.842</u> |
| 7 | Rate Base | 13,562.0 | | | |
| 8 | Utility Income | 801.9 | | | |
| 9 | Indicated Rate of Return on Rate Base | 5.913% | | | |
| 10 | (Deficiency)/Sufficiency in Rate of Return | 0.071% | | | |
| 11 | Net (Deficiency)/Sufficiency | 9.6 | | | |
| 12 | Gross (Deficiency)/Sufficiency | 13.1 | | | |
| 13 | Revenue at Existing Rates | 4,266.7 | | | |
| 14 | Revenue Requirement | 4,253.6 | | | |
| 15 | Gross Revenue (Deficiency)/Sufficiency | 13.1 | | | |
| | <u>Common Equity</u> | | | | |
| 16 | Approved Return on Equity (1) | 8.520% | | | |
| 17 | Achieved Rate of Return on Equity | 8.717% | | | |
| 18 | (Deficiency)/Sufficiency in Return on Equity | 0.197% | | | |

Note:

(1) Excludes 150bp deadband applicable to earning sharing.

2020 Net Utility Income - EGI

| Line No. | Particulars (\$ millions) | <u>2020</u> Actual |
|-------------|---------------------------------------|-----------------------|
| | <u>Operating Income</u> | |
| 1 | Gas Sales and Distribution | 4,118.8 |
| 2 | Transportation | 142.3 |
| 3 | Storage | 5.6 |
| 4 | Other Operating Revenue | 47.7 |
| 5 | Other Income | 4.5 |
| 6 | Total Operating Revenue | <u>4,318.9</u> |
| | <u>Operating Cost</u> | |
| 7 | Gas Costs | 1,781.3 |
| 8 | Operation and Maintenance | 948.4 |
| 9 | Depreciation and Amortization Expense | 618.2 |
| 10 | Fixed Financing Costs | 5.4 |
| 11 | Municipal and Other Taxes | 124.6 |
| 12 | Cost of Service | <u>3,477.8</u> |
| 13 | Utility Income Before Income Taxes | <u>841.1</u> |
| 14 | Income Tax Expense | <u>(39.2)</u> |
| 15 | Utility Income | <u>801.9</u> |

2020 Utility Rate Base - EGI

| Line No. | Particulars (\$ millions) | <u>2020</u> Actual |
|-------------|--------------------------------------|------------------------|
| | <u>Property, Plant and Equipment</u> | |
| 1 | Gross Property, Plant and Equipment | 20,582.1 |
| 2 | Accumulated Depreciation | (7,571.2) |
| 3 | Net Property, Plant and Equipment | <u>13,010.8</u> |
| | <u>Allowance for Working Capital</u> | |
| 4 | Materials and Supplies | 82.2 |
| 5 | Customer Security Deposits | (81.8) |
| 6 | Prepaid Expenses | 3.1 |
| 7 | ABC Receivable/(Payable) | (22.3) |
| 8 | Balancing Gas | 59.5 |
| 9 | Gas in Storage | 487.5 |
| 10 | Cash Working Capital | 23.0 |
| 11 | Total Working Capital | <u>551.2</u> |
| 12 | Utility Rate Base | <u><u>13,562.0</u></u> |

2021 Actuals - Calculation of Total Revenue (Deficiency)/Sufficiency

| Line No. | Particulars (\$ millions) | Reference | 2021 Actuals |
|----------|--|---|----------------|
| | <u>Cost of Capital</u> | | |
| 1 | Rate Base | Exhibit 2 Tab 1 Schedule 1 Page 5 | 14,221.6 |
| 2 | Required Rate of Return (1) | Exhibit 5 Tab 2 Schedule 1 Attachment 3 | 5.63% |
| 3 | Required Return | | <u>800.2</u> |
| | <u>Cost of Service</u> | | |
| 4 | Gas Costs | Exhibit 4 Tab 2 Schedule 1 Attachment 1 | 2,110.5 |
| 5 | Operations and Maintenance | Exhibit 4 Tab 4 Schedule 1 | 920.6 |
| 6 | Depreciation and Amortization | Exhibit 4 Tab 5 Schedule 1 Attachment 2 | 640.1 |
| 7 | Fixed Financing Costs | | 6.8 |
| 8 | Municipal and Other Taxes | Exhibit4 Tab 6 Schedule 2 | 116.2 |
| 9 | Total | | <u>3,794.2</u> |
| | <u>Miscellaneous Operating and Non-Operating Revenue</u> | | |
| 10 | Other Operating Revenue | Exhibit 3 Tab 1 Schedule 1 | (49.1) |
| 11 | Other Income | Exhibit 3 Tab 1 Schedule 1 | (0.9) |
| 12 | Total | | <u>(50.0)</u> |
| | <u>Income Taxes on Earnings</u> | | |
| 13 | Excluding Tax Shield Tax Shield Provided by Interest | Exhibit 4 Tab 6 Schedule 1 Attachment 1 | 140.7 |
| 14 | Expense | Exhibit 4 Tab 6 Schedule 1 Attachment 1 | (98.9) |
| 15 | Total | | <u>41.8</u> |
| | <u>Taxes on (Deficiency)/Sufficiency</u> | | |
| 16 | Gross (Deficiency)/Sufficiency | Exhibit 6 Tab 1 Schedule 1 | 57.7 |
| 17 | Net (Deficiency)/Sufficiency | Exhibit 6 Tab 1 Schedule 1 | 42.4 |
| 18 | Total | | <u>(15.3)</u> |
| 19 | Revenue Requirement | | <u>4,570.9</u> |

2021 Actuals - Calculation of Total Revenue (Deficiency)/Sufficiency (Continued)

| Line No. | Particulars (\$ millions) | Reference | Test Year |
|----------|--|---|----------------|
| | <u>Revenue at Existing Rates</u> | | |
| 20 | Gas Sales | Exhibit 3 Tab 2 Schedule 1 Attachment 1 | 4,480.6 |
| 21 | Transmission, Compression & Storage | Exhibit 3 Tab 4 Schedule 1 | 148.0 |
| 22 | Total Revenue at Existing Rates | | <u>4,628.6</u> |
| 23 | Gross Revenue (Deficiency)/Sufficiency | | 57.7 |

Note:

(1) Required rate of return reflective of base amount not including 150 basis point threshold for

2021 Utility (Deficiency)/Sufficiency Calculation and Required Rate of Return - EGI

| Line No. | Particulars | Principal | Component | Cost Rate | Return |
|----------|--|-----------------|---------------|-----------|---------------|
| | | (\$ millions) | (%) | (%) | Component (%) |
| | | Actual | Actual | Actual | Actual |
| | | (a) | (b) | (c) | (d) = (b x c) |
| | <u>Debt</u> | | | | |
| 1 | Long and Medium Term Debt | 8,505.3 | 59.81 | 4.37 | 2.611 |
| 2 | Short Term Debt | 596.5 | 4.19 | 0.31 | 0.013 |
| 3 | Total Debt | <u>9,101.8</u> | <u>64.00</u> | | <u>2.624</u> |
| 4 | <u>Common Equity</u> | <u>5,119.8</u> | <u>36.00</u> | 8.34 | <u>3.002</u> |
| 6 | Total | <u>14,221.6</u> | <u>100.00</u> | | <u>5.626</u> |
| 7 | Rate Base | 14,221.6 | | | |
| 8 | Utility Income | 842.5 | | | |
| 9 | Indicated Rate of Return on Rate Base | 5.924% | | | |
| 10 | (Deficiency)/Sufficiency in Rate of Return | 0.298% | | | |
| 11 | Net (Deficiency)/Sufficiency | 42.4 | | | |
| 12 | Gross (Deficiency)/Sufficiency | 57.7 | | | |
| 13 | Revenue at Existing Rates | 4,628.6 | | | |
| 14 | Revenue Requirement | 4,570.9 | | | |
| 15 | Gross Revenue (Deficiency)/Sufficiency | 57.7 | | | |
| | <u>Common Equity</u> | | | | |
| 16 | Approved Return on Equity (1) | 8.340% | | | |
| 17 | Achieved Rate of Return on Equity | 9.168% | | | |
| 18 | (Deficiency)/Sufficiency in Return on Equity | 0.828% | | | |

Note:

(1) Excludes 150bp deadband applicable to earning sharing.

2021 Net Utility Income - EGI

| Line No. | Particulars (\$ millions) | <u>2021</u> Actual |
|-------------|---------------------------------------|-----------------------|
| | <u>Operating Income</u> | |
| 1 | Gas Sales and Distribution | 4,480.6 |
| 2 | Transportation | 142.0 |
| 3 | Storage | 6.0 |
| 4 | Other Operating Revenue | 49.1 |
| 5 | Other Income | 0.9 |
| 6 | Total Operating Revenue | <u>4,678.5</u> |
| | <u>Operating Cost</u> | |
| 7 | Gas Costs | 2,110.5 |
| 8 | Operation and Maintenance | 920.6 |
| 9 | Depreciation and Amortization Expense | 640.1 |
| 10 | Fixed Financing Costs | 6.8 |
| 11 | Municipal and Other Taxes | 116.2 |
| 12 | Cost of Service | <u>3,794.2</u> |
| 13 | Utility Income Before Income Taxes | <u>884.3</u> |
| 14 | Income Tax Expense | <u>(41.8)</u> |
| 15 | Utility Income | <u>842.5</u> |

2021 Utility Rate Base - EGI

| Line No. | Particulars (\$ millions) | <u>2021</u> Actual |
|-------------|--------------------------------------|------------------------|
| | <u>Property, Plant and Equipment</u> | |
| 1 | Gross Property, Plant and Equipment | 21,539.8 |
| 2 | Accumulated Depreciation | (8,005.9) |
| 3 | Net Property, Plant and Equipment | <u>13,533.9</u> |
| | <u>Allowance for Working Capital</u> | |
| 4 | Materials and Supplies | 92.5 |
| 5 | Customer Security Deposits | (68.9) |
| 6 | Prepaid Expenses | 4.7 |
| 7 | ABC Receivable/(Payable) | (15.5) |
| 8 | Balancing Gas | 59.5 |
| 9 | Gas in Storage | 594.7 |
| 10 | Cash Working Capital | 20.9 |
| 11 | Total Working Capital | <u>687.7</u> |
| 12 | Utility Rate Base | <u><u>14,221.6</u></u> |

2022 Estimate - Calculation of Total Revenue (Deficiency)/Sufficiency

| Line No. | Particulars (\$ millions) | Reference | 2022 Estimate |
|--|---|---|----------------|
| <u>Cost of Capital</u> | | | |
| 1 | Rate Base | Exhibit 2 Tab 1 Schedule 1 Page 5 | 15,002.1 |
| 2 | Required Rate of Return | Exhibit 5 Tab 2 Schedule 1 Attachment 4 | 5.77% |
| 3 | Required Return | | <u>865.2</u> |
| <u>Cost of Service</u> | | | |
| 4 | Gas Costs | Exhibit 4 Tab 2 Schedule 1 Attachment 1 | 2,440.1 |
| 5 | Operations and Maintenance | Exhibit 4 Tab 4 Schedule 1 | 963.8 |
| 6 | Depreciation and Amortization | Exhibit 4 Tab 5 Schedule 1 Attachment 2 | 705.4 |
| 7 | Fixed Financing Costs | Exhibit 5 Tab 2 Schedule 1 | 3.9 |
| 8 | Municipal and Other Taxes | Exhibit 4 Tab 6 Schedule 2 | 118.5 |
| 9 | Total | | <u>4,231.8</u> |
| <u>Miscellaneous Operating and Non-Operating Revenue</u> | | | |
| 10 | Other Operating Revenue | Exhibit 3 Tab 1 Schedule 1 | (60.0) |
| 11 | Other Income | Exhibit 3 Tab 1 Schedule 1 | - |
| 12 | Total | | <u>(60.0)</u> |
| <u>Income Taxes on Earnings</u> | | | |
| 13 | Excluding Tax Shield | Exhibit 4 Tab 6 Schedule 1 Attachment 1 | 139.4 |
| 14 | Tax Shield Provided by Interest Expense | Exhibit 4 Tab 6 Schedule 1 Attachment 1 | (105.3) |
| 15 | Total | | <u>34.1</u> |
| <u>Taxes on (Deficiency)/Sufficiency</u> | | | |
| 16 | Gross (Deficiency)/Sufficiency | Exhibit 6 Tab 1 Schedule 1 | 32.9 |
| 17 | Net (Deficiency)/Sufficiency | Exhibit 6 Tab 1 Schedule 1 | 24.2 |
| 18 | Total | | <u>(8.7)</u> |
| 19 | Revenue Requirement | | <u>5,062.4</u> |
| <u>Revenue at Existing Rates</u> | | | |
| 20 | Gas Sales | Exhibit 3 Tab 2 Schedule 1 Attachment 1 | 4,947.2 |
| 21 | Transmission, Compression & Storage | Exhibit 3 Tab 4 Schedule 1 | 148.1 |
| 22 | Total Revenue at Existing Rates | | <u>5,095.3</u> |
| 23 | Gross Revenue (Deficiency)/Sufficiency | | 32.9 |

2022 Utility (Deficiency)/Sufficiency Calculation and Required Rate of Return - EGI

| Line No. | Particulars | Principal | Component | Cost Rate | Return |
|----------|--|----------------|---------------|-----------|---------------|
| | | (\$ millions) | (%) | (%) | Component (%) |
| | | Estimate | Estimate | Estimate | Estimate |
| | | (a) | (b) | (c) | (d) = (b x c) |
| | <u>Debt</u> | | | | |
| 1 | Long and Medium Term Debt | 9,079.6 | 60.52 | 4.24 | 2.566 |
| 2 | Short Term Debt | 521.8 | 3.48 | 2.40 | 0.084 |
| 3 | Total Debt | <u>9,601.4</u> | <u>64.00</u> | | <u>2.650</u> |
| 4 | <u>Common Equity</u> | 5,400.8 | 36.00 | 8.66 | 3.118 |
| 6 | Total | <u>15002.1</u> | <u>100.00</u> | | <u>5.767</u> |
| 7 | Rate Base | 15,002.1 | | | |
| 8 | Utility Income | 889.4 | | | |
| 9 | Indicated Rate of Return | 5.929% | | | |
| 10 | (Deficiency)/Sufficiency in Rate of Return | 0.161% | | | |
| 11 | Net (Deficiency)/Sufficiency | 24.2 | | | |
| 12 | Gross (Deficiency)/Sufficiency | 32.9 | | | |
| 13 | Revenue at Existing Rates | 5,095.3 | | | |
| 14 | Revenue Requirement | 5,062.4 | | | |
| 15 | Gross Revenue (Deficiency)/Sufficiency | 32.9 | | | |
| | <u>Common Equity</u> | | | | |
| 16 | Allowed Rate of Return | 8.660% | | | |
| 17 | Achieved Rate of Return on Equity | 9.108% | | | |
| 18 | (Deficiency)/Sufficiency In Common Equity Return | 0.448% | | | |

2022 Net Utility Income - EGI

| Line No. | Particulars (\$ millions) | <u>2022</u> Estimate |
|----------|---------------------------------------|-------------------------|
| | <u>Operating Income</u> | |
| 1 | Gas Sales and Distribution | 4,947.2 |
| 2 | Transportation | 142.1 |
| 3 | Storage | 6.0 |
| 4 | Other Operating Revenue | 60.0 |
| 5 | Other Income | - |
| 6 | Total Operating Revenue | <u>5,155.3</u> |
| | <u>Operating Cost</u> | |
| 7 | Gas Costs | 2,440.1 |
| 8 | Operation and Maintenance | 963.8 |
| 9 | Depreciation and Amortization Expense | 705.4 |
| 10 | Fixed Financing Costs | 3.9 |
| 11 | Municipal and Other Taxes | 118.5 |
| 12 | Cost of Service | <u>4,231.8</u> |
| 13 | Utility Income Before Income Taxes | <u>923.5</u> |
| 14 | Income Tax Expense | <u>(34.1)</u> |
| 15 | Utility Income | <u>889.4</u> |

2022 Utility Rate Base - EGI

| Line No. | Particulars (\$ millions) | <u>2022</u> Estimate |
|-------------|--------------------------------------|-------------------------|
| | <u>Property, Plant and Equipment</u> | |
| 1 | Gross Property, Plant and Equipment | 22,663.3 |
| 2 | Accumulated Depreciation | (8,517.0) |
| 3 | Net Property, Plant and Equipment | <u>14,146.3</u> |
| | <u>Allowance for Working Capital</u> | |
| 4 | Materials and Supplies | 93.1 |
| 5 | Customer Security Deposits | (67.7) |
| 6 | Prepaid Expenses | 4.8 |
| 7 | ABC Receivable/(Payable) | (15.3) |
| 8 | Balancing Gas | 59.5 |
| 9 | Gas in Storage | 776.1 |
| 10 | Working Cash Allowance | 5.4 |
| 11 | Total Working Capital | <u>855.9</u> |
| 12 | Utility Rate Base | <u><u>15,002.1</u></u> |

2023 Bridge Year - Calculation of Total Revenue (Deficiency)/Sufficiency

| Line No. | Particulars (\$ millions) | Reference | 2023 Bridge Year |
|--|---|---|-----------------------|
| <u>Cost of Capital</u> | | | |
| 1 | Rate Base | Exhibit 2 Tab 1 Schedule 1 Page 5 | 15,542.2 |
| 2 | Required Rate of Return | Exhibit 5 Tab 2 Schedule 1 Attachment 5 | 5.77% |
| 3 | Required Return | | <u>896.6</u> |
| <u>Cost of Service</u> | | | |
| 4 | Gas Costs | Exhibit 4 Tab 2 Schedule 1 Attachment 1 | 3,047.3 |
| 5 | Operations and Maintenance | Exhibit 4 Tab 4 Schedule 1 | 969.7 |
| 6 | Depreciation and Amortization | Exhibit 4 Tab 5 Schedule 1 Attachment 2 | 725.4 |
| 7 | Fixed Financing Costs | Exhibit 5 Tab 2 Schedule 1 | 4.0 |
| 8 | Municipal and Other Taxes | Exhibit 4 Tab 6 Schedule 2 | 122.5 |
| 9 | Total | | <u>4,868.9</u> |
| <u>Miscellaneous Operating and Non-Operating Revenue</u> | | | |
| 10 | Other Operating Revenue | Exhibit 3 Tab 1 Schedule 1 | (63.2) |
| 11 | Other Income | Exhibit 3 Tab 1 Schedule 1 | - |
| 12 | Total | | <u>(63.2)</u> |
| <u>Income Taxes on Earnings</u> | | | |
| 13 | Excluding Tax Shield | Exhibit 4 Tab 6 Schedule 1 Attachment 1 | 158.1 |
| 14 | Tax Shield Provided by Interest Expense | Exhibit 4 Tab 6 Schedule 1 Attachment 1 | (109.2) |
| 15 | Total | | <u>48.9</u> |
| <u>Taxes on (Deficiency)/Sufficiency</u> | | | |
| 16 | Gross (Deficiency)/Sufficiency | Exhibit 6 Tab 1 Schedule 1 | 79.6 |
| 17 | Net (Deficiency)/Sufficiency | Exhibit 6 Tab 1 Schedule 1 | 58.5 |
| 18 | Total | | <u>(21.1)</u> |
| 19 | Revenue Requirement | | <u><u>5,730.0</u></u> |
| <u>Revenue at Existing Rates</u> | | | |
| 20 | Gas Sales | Exhibit 3 Tab 2 Schedule 1 Attachment 1 | 5,664.5 |
| 21 | Transmission, Compression & Storage | Exhibit 3 Tab 4 Schedule 1 | 145.1 |
| 22 | Total Revenue at Existing Rates | | <u>5,809.7</u> |
| 23 | Gross Revenue (Deficiency)/Sufficiency | | 79.6 |

2023 Utility (Deficiency)/Sufficiency Calculation and Required Rate of Return - EGI

| Line No. | Particulars | Principal (\$ millions) Bridge Year (a) | Component (%) Bridge Year (b) | Cost Rate (%) Bridge Year (c) | Return Component (%) Bridge Year (d) = (b x c) |
|----------|--|---|-------------------------------------|-------------------------------------|--|
| | <u>Debt</u> | | | | |
| 1 | Long and Medium Term Debt | 9,628.8 | 61.95 | 4.18 | 2.590 |
| 2 | Short Term Debt | 318.3 | 2.05 | 3.00 | 0.062 |
| 3 | Total Debt | <u>9,947.0</u> | <u>64.00</u> | | <u>2.651</u> |
| 4 | <u>Common Equity</u> | 5,595.2 | 36.00 | 8.66 | 3.118 |
| 6 | Total Capital Structure and Return Components | <u>15,542.2</u> | <u>100.00</u> | | <u>5.769</u> |
| 7 | Rate Base | 15,542.2 | | | |
| 8 | Utility Income | 955.1 | | | |
| 9 | Indicated Rate of Return | 6.145% | | | |
| 10 | (Deficiency)/Sufficiency in Rate of Return | 0.377% | | | |
| 11 | Net (Deficiency)/Sufficiency | 58.5 | | | |
| 12 | Gross (Deficiency)/Sufficiency | 79.6 | | | |
| 13 | Revenue at Existing Rates | 5,809.7 | | | |
| 14 | Revenue Requirement | 5,730.0 | | | |
| 15 | Gross Revenue (Deficiency)/Sufficiency | 79.6 | | | |
| | <u>Common Equity</u> | | | | |
| 16 | Allowed Rate of Return | 8.660% | | | |
| 17 | Achieved Rate of Return on Equity | 9.706% | | | |
| 18 | (Deficiency)/Sufficiency In Common Equity Return | 1.046% | | | |

2023 Net Utility Income - EGI

| Line No. | Particulars (\$ millions) | <u>2023</u> Bridge Year |
|-------------|---------------------------------------|----------------------------|
| | <u>Operating Income</u> | |
| 1 | Gas Sales and Distribution | 5,664.5 |
| 2 | Transportation | 139.1 |
| 3 | Storage | 6.0 |
| 4 | Other Operating Revenue | 63.2 |
| 5 | Other Income | - |
| 6 | Total Operating Revenue | <u>5,872.9</u> |
| | <u>Operating Cost</u> | |
| 7 | Gas Costs | 3,047.3 |
| 8 | Operation and Maintenance | 969.7 |
| 9 | Depreciation and Amortization Expense | 725.4 |
| 10 | Fixed Financing Costs | 4.0 |
| 11 | Municipal and Other Taxes | 122.5 |
| 12 | Cost of Service | <u>4,868.9</u> |
| 13 | Utility Income Before Income Taxes | <u>1,004.0</u> |
| 14 | Income Tax Expense | <u>(48.9)</u> |
| 15 | Utility Income | <u>955.1</u> |

2023 Utility Rate Base - EGI

| Line No. | Particulars (\$ millions) | <u>2023</u> Bridge Year |
|-------------|--------------------------------------|----------------------------|
| | <u>Property, Plant and Equipment</u> | |
| 1 | Gross Property, Plant and Equipment | 23,880.2 |
| 2 | Accumulated Depreciation | (9,027.6) |
| 3 | Net Property, Plant and Equipment | <u>14,852.6</u> |
| | <u>Allowance for Working Capital</u> | |
| 4 | Materials and Supplies | 101.5 |
| 5 | Customer Security Deposits | (64.0) |
| 6 | Prepaid Expenses | 4.8 |
| 7 | DCB Receivable/(Payable) | (17.0) |
| 8 | Balancing Gas | 59.5 |
| 9 | Gas in Storage | 580.6 |
| 10 | Working Cash Allowance | 24.2 |
| 11 | Total Working Capital | <u>689.6</u> |
| 12 | Utility Rate Base | <u><u>15,542.2</u></u> |