

# **EPCOR Natural Gas Limited Partnership**

## **Cost of Service Application**

EB-2024-0130

July 18, 2024

## **Exhibit 7 – Cost Allocation**

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1 **7.1 Cost Allocation**

2 The cost allocation study (the “Study”) detailed in Exhibit 7 apportions the proposed 2025 Test  
 3 Year rate base and revenue requirement for ENGLP’s Aylmer business unit to each of the existing  
 4 seven customer rate classes. An Excel version of the Study has been included with this  
 5 submission (*ENGLP\_EB-2024-0130\_Cost Allocation*).

6 The results of the Study are summarized in the table below including the forecasted revenues,  
 7 cost of service allocation, and revenue to cost ratio for each customer class. As shown in Table  
 8 7.1-1 below, the revenue to cost ratios for Rate 1 Residential, R1 General Service, Rate 3, Rate  
 9 5, and Rate 6 are within a range of plus or minus 20%. The revenue to cost ratio for Rate 2 rate  
 10 is slightly below the threshold at 0.797 and the ratio for Rate 4 is below the threshold at 0.781.

**Table 7.1-1**  
**Distribution Revenue to Cost Comparison (excluding Commodity)**  
**(\$)**

	A Total	B Rate 1 - Residential	C = D + E Rate 1 - General Service	D R1 Commercial	E R1 Industrial	F Rate 2	G Rate 3	H Rate 4	I Rate 5	J Rate 6
1 Proposed Revenue	8,048,058	5,197,277	1,207,978	889,304	318,674	103,851	293,607	296,409	54,947	893,989
2 Cost	8,048,058	5,108,217	1,139,513	910,940	228,573	130,312	315,727	379,521	46,271	928,497
3 Over (Under) Contribution	0	89,060	68,465	-21,636	90,101	-26,461	-22,120	-83,112	8,676	-34,509
4 <b>Revenue to Cost Ratio</b>	<b>1.00</b>	<b>1.02</b>	<b>1.06</b>	<b>0.98</b>	<b>1.39</b>	<b>0.797</b>	<b>0.93</b>	<b>0.78</b>	<b>1.19</b>	<b>0.96</b>
5 EB-2018-0336 (July 4, 2019 Interim Decision)	1.00	0.98	0.99	0.98	1.03	1.01	0.97	0.93	0.64	1.06

11

12 **Cost Allocation Methodology Overview**

13 ENGLP has applied accepted cost allocation principles and used a three-step methodology of  
 14 functionalization, classification and allocation of the costs to provide service. The Study  
 15 categorizes all costs into functional areas (gas supply, distribution related, customer and  
 16 administrative) which are then classified as being commodity, demand, or customer related.  
 17 These three major cost components are then allocated to the proposed customer rate classes  
 18 based on allocation factors derived from basic customer data.

19 This Study uses a methodology that is consistent with the last two cost allocation studies approved  
 20 by the Board for 2020 rates (EB-2018-0336) and 2011 rates (EB-2010-0018).



1 The Study has been completed for the 2025 Test Year including of the proposed rate base and  
2 proposed revenue requirement for ENGLP. The inputs to this study have been updated to reflect  
3 current accounting and operating data and to derive allocation factors where possible.

4 ENGLP has also included a version of the Cost Allocation workbook along with this submission.

## 5 **Input**

6 The input data to the cost allocation analysis is based on the revenue requirement forecast for  
7 the 2025 Test Year. This includes a forecast of rate base, depreciation expense, operating  
8 expenses, property tax, and income taxes as presented in Exhibits 2, 3 and 4.

### 9 **7.1.1 Functionalization**

10 The first step is to functionalize the forecast cost data into the various functions each of which is  
11 described below:

- 12 (a) Gas Supply – functions related to the provision of system gas.
- 13 (b) Distribution Measurement – stations that measure and regulate the flow of natural  
14 gas to Distribution Mains.
- 15 (c) Distribution Mains – the pipeline delivering gas from the station to the customer  
16 service. There is also a Distribution Mains Excluding R6 function that exclude costs  
17 that are directly allocated to IGPC.
- 18 (d) Customer Services – the lateral pipeline connecting the distribution mains to  
19 individual customer locations.
- 20 (e) Customer Meters – records consumption at individual customer locations.
- 21 (f) Billing & Accounting – preparation of customer bills, accounting and regulatory  
22 functions.
- 23 (g) Promotion – customer marketing functions.
- 24 (h) Bad Debt and Collection – functions related to bad debt and collection of delinquent  
25 accounts.
- 26 (i) A&G – administrative and general functions.

1 (j) Direct Assignment IGPC – costs directly assigned to IGPC taking service on a  
2 dedicated high-pressure distribution pipeline.

3 (k) LEAP Funding – funding for the Low-income Energy Assistance Program (LEAP).

4 The functionalization of Rate Base, O&M and Property Taxes, and depreciation are provided in  
5 Exhibit 7, Tab 2, Schedules 1 to 3. The Functionalization Factors are provided in Exhibit 7, Tab  
6 2, Schedules 4 and 5.

7 Rate Base (Exhibit 7, Tab 2, Schedule 1) includes the mains, measuring and regulating  
8 equipment, services and meters has been functionalized to these same categories. The  
9 functionalization of other asset categories that are not intuitively obvious is described below:

10 (a) Land – the land is the site of the building used for the ENGLP operation and has  
11 been functionalized based on an analysis of the functions performed by the  
12 employees who work from the building.

13 (b) Heavy Work Equipment – functionalized to Distribution Mains (57%) and Customer  
14 Services (43%) based on an analysis of the level of effort by employees on these  
15 two functions.

16 (c) Structures and Improvements – the building used for the ENGLP operation which  
17 has been functionalized based on an analysis of the functions performed by the  
18 employees who work from the building.

19 (d) Office Furniture and Equipment – functionalized based on an analysis of the  
20 functions performed by the employees who use the office furniture and equipment  
21 located at the Aylmer site.

22 (e) Communication Structures and Improvements – functionalized to Mains, Customer  
23 Services and A&G based on an estimate of ENGLP management.

24 (f) Computer Hardware – functionalized based on an analysis of the functions  
25 performed by the employees who are issued a computer.

26 (g) Tools and Work Equipment - based on an analysis of the functions performed by  
27 the employees who use the tools and work equipment.

1 OM&A and Property Taxes Expenses (Exhibit 7, Tab 2, Schedule 2) includes the functionalization  
2 of OM&A expenses and upstream transportation, storage and load balancing. The  
3 functionalization of OM&A Expenses which are not intuitively obvious are described as follows:

4 (a) Employee Salaries – functionalized to distribution, customer and administrative  
5 related functions based on an analysis of the functions performed by all ENGLP  
6 employees. The costs functionalized to gas supply have been specifically incurred  
7 for the provision of gas supply.

8 (b) Employee Benefits – functionalized in proportion to Employee Salaries.

9 (c) Insurance – automotive insurance is functionalized in proportion to Transportation  
10 functionalization, and the remaining insurance policies for general liability, property  
11 insurance, cyber security and crime are functionalized to A&G.

12 (d) Equipment, Rent & Utilities - functionalized in proportion to Building and  
13 Improvements.

14 (e) Repairs and Maintenance - functionalized to distribution, customer and  
15 administrative related functions based on a review by EPCOR management of past  
16 years repair and maintenance activities.

17 (f) Regulatory – functionalized to A&G, and the costs functionalized to gas supply have  
18 been specifically incurred for the provision of gas supply.

19 (g) Ontario Affiliate Services – functionalized to Gas Supply, Mains, Services,  
20 Billing/Accounting, and A&G in proportion to the relevant budgeted costs incurred  
21 for each function.

22 (h) Corporate Shared Services – overhead-type expenses that are functionalized to  
23 A&G.

24 (i) Consulting Fees - functionalized to Customer Meters, Services, and A&G based on  
25 a forecast of the consulting fees in the 2025 Test Year.

1 (j) Property Taxes - assessed based on the value of Mains, Land, and Structures and  
2 Improvements. The functionalization of property tax corresponds to the  
3 functionalization used for these same asset classes (property tax on Mains is  
4 functionalized to Distribution Mains, and the property tax on both Land and  
5 Structures & Improvements is functionalized using Building and Improvements).

6 Depreciation Expense (Exhibit 7, Tab 2, Schedule 3) is the functionalization of depreciation  
7 expense corresponding to the rate base asset categories.

8 ***Functionalization Factors***

9 Functionalization factors are summarized in Exhibit 7, Tab 2, Schedules 4 and 5. Schedule 4  
10 provides functionalization factors for capital and Schedule 5 provides functionalization factors  
11 relevant to OM&A and property taxes. Factors have been updated to reflect current accounting  
12 and operating data.

13

1 **7.1.2 Classification**

2 The second step is to allocate the functionalized costs into gas supply, demand or customer  
3 related classifications as summarized below.

4 **Gas Supply:**

5 (i) Delivery Commodity –costs of gas supply procurement

6 **Demand:**

7 (i) Delivery Demand – costs of distribution capacity

8 (ii) Delivery Demand Excl. R6 – costs of distribution capacity excluding IGCP

9 **Customer:**

10 (iii) Weighted Customer Services – costs of customer service lines

11 (iv) Weighted Customer Meters – costs of customer meters

12 (v) Weighted Customer Billing – costs of customer billing

13 (vi) Commercial Meters – cost of meters excluding Residential and IGPC meters

14 (vii) Customer (unweighted) – costs shared by all customers

15 (viii) Bad Debts & Collection – costs for bad debt expenses

16 (ix) LEAP Funding – costs of the Low-income Energy Assistance Program (LEAP)

17

18 **Direct Assignment:**

19 (x) Direct Assignment to IGPC – costs directly assigned to IGPC

20 (xi) Residential Meters – costs directly assigned to R1 Residential

21 Classification of functionalized rate base, OM&A and property taxes, and depreciation are shown  
22 in Exhibit 7, Tab 2, Schedules 6 to 8.

23 **Rate Base (Exhibit 7, Tab 2, Schedule 6)**

24 The rate base items functionalized as Distribution Measurement consists of the assets used to  
25 measure the volume and regulate the flow of gas from Enbridge Gas into the distribution system  
26 and is classified to Delivery Commodity (50%) and Delivery Demand (50%).



1 Distribution Mains are classified as 67% Demand and 33% Customer related.

2 Customer Services and Customer Meters rate base functions are classified to Weighted  
3 Customer Services and Weighted Customer Meters, respectively.

4 The classification of the remaining rate base functions is as follows:

5 (a) Residential Meters – directly classified to Residential Meters

6 (b) Commercial Meters – directly classified to Commercial Meters

7 (c) Billing & Accounting – classified to Customer Weighted Billing

8 (d) Promotion – classified to Customer (unweighted)

9 (e) Bad Debts and Collections – classified to Bad Debt/ Collection

10 (f) Direct Assignment IGPC – classified as Direct Assignment IGPC

11 (g) A&G – classified on a pro rata basis to the Demand and Customer related  
12 classifications

13 ***OM&A and Property Taxes (Schedules 7 and 8)***

14 The functionalized OM&A and property taxes in Schedule 7 and functionalized depreciation in  
15 Schedule 8 follow the same classification of the corresponding rate base fixed assets in Schedule  
16 6.

17 ***Classification Factors (Schedule 9)***

18 The classification factor for Distribution Mains remains unchanged from previous cost allocation  
19 studies at 66.53% Delivery Demand and 33.47% Unweighted Customer. The classification factor  
20 for Measurement remains unchanged at 50% Delivery Commodity and 50% Delivery Demand.  
21 All the other functions are classified 100% to specific classifications as presented in Exhibit 7,  
22 Tab 2, Schedule 9.

1    **7.1.3    Allocation**

2    In this last step, the classified costs are allocated to each of the seven customer rate classes in  
3    accordance with the allocation factors as summarized below. The allocation factors are based  
4    on customer connections, sales volumes, and capacity. For the Customer Weighted Services,  
5    Meters and Billing allocations, an adjustment factor has been applied to better reflect the level of  
6    effort and cost for each customer rate class. As an example, the weighting factor for Rate 1  
7    Residential and Rate 5 customer billing is 1.0 and 7.9, respectively. This factor recognizes that  
8    the cost associated with a Rate 5 bill is estimated to be 7.9 times that of a Rate 1 Residential bill.  
9    Factors for Customer Weighted Service, Meters and Billing are based on an updated analysis of  
10   ENGLP Aylmer's costs.

11   ENGLP is proposing to separate the R1 class into R1 Residential and R1 General Service, which  
12   includes R1 Commercial and R1 Industrial. Allocation tables in this Exhibit include R1 Commercial  
13   and R1 Industrial both separately and as the combined R1 General Service class.

14   Rate base (Exhibit 7, Tab 2, Schedule 10), OM&A and property taxes (Exhibit 7, Tab 2, Schedule  
15   11), and depreciation (Exhibit 7, Tab 2, Schedule 12) are allocated to the rate classes based on  
16   the allocation factors shown in Exhibit 7, Tab 2, Schedule 14.

17   A comparison of the allocated Customer-related costs per customer per month by rate class to  
18   the level of the proposed fixed monthly customer charges is provided in row 9 of Exhibit 7, Tab 2,  
19   Schedule 15. The proposed fixed monthly charges are below the customer cost for Rates 1  
20   through 5. The cost of distribution service for Rate 6 is to be recovered entirely through a flat  
21   fixed monthly charge. The proposed fixed monthly charge for Rate 6 is \$13,768 above the total  
22   cost of distribution service (row 8 less row 7). ENGLP is proposing to increase the fixed monthly  
23   charge for Rates 1 through 4, to help cover the level of Customer-related costs identified (rate 5  
24   is experiencing a rate decrease). In order to mitigate a large increase to the fixed monthly charge  
25   for Rate 1 in the Test Year, as part of its Price Cap IR Plan ENGLP is proposing to further increase  
26   the fixed monthly charges for this Rate Class over the Price Cap IR term for both the Residential  
27   and General Service rates. Further detail on the proposed fixed monthly customer charges is  
28   provided in Exhibit 8, Tab 1, Schedule 1 along with Exhibit 10.

29



1    **7.1.4      Summary of Results & EB-2018-0336 Comparison**

2    The results of the cost allocation analysis and revenue to cost ratios are presented excluding  
3    commodity and including commodity in Table 7.4-1 and Table 7.4-2 respectively. The revenue to  
4    cost ratios in Table 7.4-1 including commodity range from 0.81 for Rate 4 to 1.14 for Rate 5.

5    A comparison to the most recent OEB-approved revenue to cost ratios from EB-2018-0336 are  
6    included in Table 7.4-2.



**Table 7.1.4-1  
 Total Revenue to Cost Comparison  
 (\$ thousands)**

	A	B	C = D + E	D	E	F	G	H	I	J
	Total	Rate 1 - Residential	Rate 1 - General Service	R1 Commercial	R1 Industrial	Rate 2	Rate 3	Rate 4	Rate 5	Rate 6
1 Revenue	8,947	5,675	1,423	1,039	384	124	403	358	71	894
2 Cost	8,947	5,586	1,354	1,061	293	150	425	441	62	928
3 Over (Under) Contribution	0	89	68	-22	90	-26	-22	-83	9	-35
4 <b>Revenue to Cost Ratio</b>	<b>1.00</b>	<b>1.02</b>	<b>1.05</b>	<b>0.98</b>	<b>1.31</b>	<b>0.82</b>	<b>0.95</b>	<b>0.81</b>	<b>1.14</b>	<b>0.96</b>

**Table 7.1.4-2  
 Distribution Revenue to Cost Comparison (excluding Commodity)  
 (\$ thousands)**

	A	B	C	D	E	F	G	H	I	J
	Total	Rate 1 - Residential	Rate 1 - General Service	R1 Commercial	R1 Industrial	Rate 2	Rate 3	Rate 4	Rate 5	Rate 6
1 Proposed Revenue	8,048	5,197	1,208	889	319	104	294	296	55	894
2 Cost	8,048	5,108	1,140	911	229	130	316	380	46	928
3 Over (Under) Contribution	0	89	68	-22	90	-26	-22	-83	9	-35
4 <b>Revenue to Cost Ratio</b>	<b>1.00</b>	<b>1.02</b>	<b>1.06</b>	<b>0.98</b>	<b>1.39</b>	<b>0.80</b>	<b>0.93</b>	<b>0.78</b>	<b>1.19</b>	<b>0.96</b>
5 EB-2018-0336 (July 4, 2019 Interim Decision)	1.00	0.98	0.99	0.98	1.03	1.01	0.97	0.93	0.64	1.06

- 1
- 2 Revenue to cost ratio changes from 2020 (EB-2018-0336) to 2025 are primarily due to changes in peak volumes relative to average
- 3 volumes. Total Rate 2 class volumes decreased significantly in the past five years, however, volumes in the December, January, and



1 February peak months have increased. The share of revenues from R2 has declined more than its share of costs which causes a  
2 decrease to its revenue to cost ratio. Rate 4 volumes have increased in recent years and the increase is concentrated in the system  
3 peak months an the Rare 4 peak month of November, so allocated costs have increased more than revenues. Rate 5 overall volumes  
4 have increased more than volumes in peak months so its revenue has increased more than costs, increasing its revenue to cost ratio.

5

6



**Schedule 1  
 Functionalization of Rate Base  
 (\$ thousands)**

		A	B	C		D	E	F	G	H	I	J	K	L	M
				Distribution				Customer Service		Administrative					
<b>Asset</b>		<b>Total</b>	<b>Gas Supply</b>	<b>Measurement</b>	<b>Mains</b>	<b>Mains - Excl. R6</b>	<b>Services</b>	<b>Meters</b>	<b>Billing &amp; Accounting</b>	<b>Promotion</b>	<b>Bad Debt &amp; Collection</b>	<b>A&amp;G</b>	<b>Direct Assignment to IGPC</b>	<b>Other Direct</b>	
1	Communication Equipment	110	0	0	0	0	27	27	0	0	0	55	0	0	
2	Computer Equipment	70	0	0	10	0	10	7	13	5	4	20	0	0	
3	Franchise & Consents Furnishing / Office	281	0	0	0	0	0	0	0	0	0	281	0	0	
4	Equipment	66	0	0	0	0	0	0	0	0	0	66	0	0	
5	Land	83	0	0	12	0	11	8	16	7	4	24	0	0	
6	Mains - Metallic	0	0	0	0	0	0	0	0	0	0	0	0	0	
7	Mains - Metallic (IGPC)	2,962	0	0	0	0	0	0	0	0	0	0	2,962	0	
8	Mains - Plastic	11,178	0	0	0	11,178	0	0	0	0	0	0	0	0	
9	Measuring & Regulating Equip	1,387	0	1,387	0	0	0	0	0	0	0	0	0	0	
10	Measuring & Regulating Equip (IGPC)	420	0	0	0	0	0	0	0	0	0	0	420	0	
11	Meters - Commercial	983	0	0	0	0	0	0	0	0	0	0	0	983	
12	Meters - IGPC	0	0	0	0	0	0	0	0	0	0	0	0	0	
13	Meters - Residential	1,985	0	0	0	0	0	0	0	0	0	0	0	1,985	
14	Regulators	743	0	0	0	0	743	0	0	0	0	0	0	0	
15	Services - Plastic	4,060	0	0	0	0	4,060	0	0	0	0	0	0	0	
16	Software - Acquired	153	0	0	0	0	0	0	0	0	0	153	0	0	
17	Structures & Improvements	485	0	3	72	0	63	47	97	38	21	144	0	0	
18	Tools and Work Equipment	243	0	15	58	0	31	135	4	0	0	0	0	0	
19	Vehicle - Heavy Work Equip	18	0	0	10	0	8	0	0	0	0	0	0	0	
20	Vehicles - Transportation Equip	326	0	0	141	0	87	0	0	0	0	0	97	0	
21	<b>Sum</b>	<b>25,553</b>	<b>0</b>	<b>1,405</b>	<b>304</b>	<b>11,178</b>	<b>5,041</b>	<b>225</b>	<b>131</b>	<b>49</b>	<b>29</b>	<b>743</b>	<b>3,479</b>	<b>2,968</b>	



**Schedule 2**  
**Functionalization of O&M and Property Taxes**  
**(\$ thousands)**

		A	B	C			D	E	F	G	H	I	J	K	L	M
		Distribution			Customer Service			Administrative								
Asset	Total	Gas Supply	Measurement	Mains	Mains – Excl. R6	Services	Meters	Billing & Accounting	Promotion	Bad Debt & Collection	A&G	Direct Assignment to IGPC	Other Direct			
1 Employee Salaries	1,812	0	36	354	0	156	475	375	0	0	416	0	0			
2 Employee Benefits	445	0	9	87	0	38	117	92	0	0	102	0	0			
3 Capital Recoveries	-419	0	0	0	0	0	0	0	0	0	-419	0	0			
4 Operating Recoveries & Burden	-502	0	0	0	0	0	0	0	0	0	-502	0	0			
5 Ontario Affiliate Services	1,085	103	0	75	0	33	0	34	0	0	841	0	0			
6 Contractors and Consultants	270	0	0	61	0	15	129	11	3	0	52	0	0			
7 Regulatory	139	0	0	0	0	0	0	0	0	0	139	0	0			
8 Legal	36	0	0	0	0	0	0	0	0	0	36	0	0			
9 Audit Fees	28	0	0	0	0	0	0	0	0	0	28	0	0			
10 Equipment, Rent & Utilities	123	0	1	18	0	16	12	25	10	5	36	0	0			
11 Telecom & IT Costs	121	0	0	0	0	0	0	0	0	0	121	0	0			
12 Office & Postage	135	0	0	0	0	0	0	34	0	0	101	0	0			
13 Advertising	25	0	0	0	0	0	0	0	25	0	0	0	0			
14 Automotive	148	0	0	64	0	40	0	0	0	0	0	44	0			
15 Dues & Fees	27	0	0	0	0	0	0	0	0	0	27	0	0			
16 Travel & Entertainment	24	0	0	0	0	0	0	0	0	0	24	0	0			
17 Training	20	0	0	0	0	0	0	0	0	0	20	0	0			
18 Insurance	43	0	0	0	0	0	0	0	0	0	43	0	0			
19 Donations	1	0	0	0	0	0	0	0	0	0	1	0	0			
20 Municipal and Other Taxes	0	0	0	0	0	0	0	0	0	0	0	0	0			
21 Corporate Shared Services	580	0	0	0	0	0	0	0	0	0	580	0	0			
22 Finance Costs	15	0	0	0	0	0	0	0	0	0	15	0	0			
23 Bank Fees	0	0	0	0	0	0	0	0	0	0	0	0	0			
24 Bad Debts	97	0	0	0	0	0	0	0	0	97	0	0	0			
25 Other	0	0	0	0	0	0	0	0	0	0	0	0	0			
26 IGPC O&M	60	0	0	0	0	0	0	0	0	0	0	60	0			
27 LEAP	10	0	0	0	0	0	0	0	0	0	0	0	10			
28 Disallowed Cost	0	0	0	0	0	0	0	0	0	0	0	0	0			
29 Property Taxes	706	0	0	0	497	101	1	5	2	1	5	95	0			
30 <b>Total</b>	<b>5,028</b>	<b>103</b>	<b>46</b>	<b>659</b>	<b>497</b>	<b>399</b>	<b>733</b>	<b>574</b>	<b>40</b>	<b>103</b>	<b>1,666</b>	<b>199</b>	<b>10</b>			



**Schedule 3  
 Functionalization of Depreciation  
 (\$ thousands)**

	A	B	C			D	E	F	G	H	I	J	K	L	M
			Distribution			Customer Service		Administrative							
Asset	Total	Gas Supply	Measurement	Mains	Mains - Excl. R6	Services	Meters	Billing & Accounting	Promotion	Bad Debt & Collection	A&G	Direct Assignment to IGPC	Other Direct		
1 Communication Equipment	12	0	0	0	0	3	3	0	0	0	6	0	0		
2 Computer Equipment	33	0	0	5	0	5	3	6	2	2	9	0	0		
3 Franchise & Consents Furnishing / Office Equipment	35	0	0	0	0	0	0	0	0	0	35	0	0		
4 Equipment	8	0	0	0	0	0	0	0	0	0	8	0	0		
5 Land	0	0	0	0	0	0	0	0	0	0	0	0	0		
6 Mains - Metallic	0	0	0	0	0	0	0	0	0	0	0	0	0		
7 Mains - Metallic (IGPC)	89	0	0	0	0	0	0	0	0	0	0	89	0		
8 Mains - Plastic	356	0	0	0	356	0	0	0	0	0	0	0	0		
9 Measuring & Regulating Equip	57	0	57	0	0	0	0	0	0	0	0	0	0		
10 Measuring & Regulating Equip (IGPC)	21	0	0	0	0	0	0	0	0	0	0	21	0		
11 Meters - Commercial	90	0	0	0	0	0	0	0	0	0	0	0	90		
12 Meters - IGPC	0	0	0	0	0	0	0	0	0	0	0	0	0		
13 Meters - Residential	294	0	0	0	0	0	0	0	0	0	0	0	294		
14 Regulators	44	0	0	0	0	44	0	0	0	0	0	0	0		
15 Services - Plastic	111	0	0	0	0	111	0	0	0	0	0	0	0		
16 Software - Acquired	43	0	0	0	0	0	0	0	0	0	43	0	0		
17 Structures & Improvements	14	0	0	2	0	2	1	3	1	1	4	0	0		
18 Tools and Work Equipment	27	0	2	6	0	3	15	0	0	0	0	0	0		
19 Vehicle - Heavy Work Equip	2	0	0	1	0	1	0	0	0	0	0	0	0		
20 Vehicles - Transportation Equip	85	0	0	37	0	23	0	0	0	0	0	25	0		
21 <b>Sum</b>	<b>1,321</b>	<b>0</b>	<b>58</b>	<b>52</b>	<b>356</b>	<b>192</b>	<b>23</b>	<b>9</b>	<b>3</b>	<b>2</b>	<b>106</b>	<b>136</b>	<b>384</b>		





### Schedule 4 Capital Functionalization Factors

	A	B	C			D	E	F	G	H	I	J	K	L	M
			Distribution			Customer Service		Administrative							
Asset	Total	Gas Supply	Measurement	Mains	Mains - Excl. R6	Services	Meters	Billing & Accounting	Promotion	Bad Debt & Collection	A&G	Direct Assignment to IGPC	Other Direct		
1 Communication Equipment	100.0%		0.00%	0.00%		25.00%	25.00%	0.00%	0.00%	0.00%	50.00%	0.00%	0.00%		
2 Computer Equipment	100.0%		0.52%	14.69%		14.83%	10.22%	19.09%	6.53%	5.44%	28.67%	0.00%	0.00%		
3 Franchise & Consents	100.0%										100.00%				
4 Furnishing / Office Equipment	100.0%										100.00%				
5 Land	100.0%		0.55%	14.88%		13.01%	9.73%	19.95%	7.89%	4.40%	29.60%				
6 Mains - Metallic	100.0%				100.00%										
7 Mains - Metallic (IGPC)	100.0%											100.00%			
8 Mains - Plastic	100.0%				100.00%										
9 Measuring & Regulating Equip	100.0%		100.00%												
10 Measuring & Regulating Equip (IGPC)	100.0%											100.00%			
11 Meters - Commercial	100.0%												100.00%		
12 Meters - IGPC	100.0%												100.00%		
13 Meters - Residential	100.0%												100.00%		
14 Regulators	100.0%					100.00%									
15 Services - Plastic	100.0%					100.00%									
16 Software - Acquired	100.0%										100.00%				
17 Structures & Improvements	100.0%		0.55%	14.88%		13.01%	9.73%	19.95%	7.89%	4.40%	29.60%				
18 Tools and Work Equipment	100.0%		6.17%	23.78%		12.89%	55.51%	1.65%	0.00%	0.00%	0.00%				
19 Vehicle - Heavy Work Equip	100.0%			57.35%		42.65%									
20 Vehicles - Transportation Equip	100.0%		0.00%	43.40%		26.83%	0.00%	0.00%	0.00%	0.00%	0.00%	29.77%	0.00%		



**Schedule 5  
 OM&A & Property Taxes Functionalization Factors**

	A	B	C		D	E	F		G	H	I		J	K	L	M
			Distribution			Customer Service			Administrative							
<b>Asset</b>	<b>Total</b>	<b>Gas Supply</b>	<b>Measurement</b>	<b>Mains</b>	<b>Mains – Excl. R6</b>	<b>Services</b>	<b>Meters</b>	<b>Billing &amp; Accounting</b>	<b>Promotion</b>	<b>Bad Debt &amp; Collection</b>	<b>A&amp;G</b>	<b>Direct Assignment to IGPC</b>	<b>Other Direct</b>			
1 Employee Salaries	100.0%		2.01%	19.52%		8.61%	26.21%	20.68%	0.00%	0.00%	22.98%					
2 Employee Benefits	100.0%		2.01%	19.52%		8.61%	26.21%	20.68%	0.00%	0.00%	22.98%					
3 Capital Recoveries	100.0%										100.00%					
4 Operating Recoveries & Burden	100.0%										100.00%					
5 Ontario Affiliate Services	100.0%	9.49%		6.92%		3.04%		3.09%			77.46%					
6 Contractors and Consultants	100.0%			22.44%		5.54%	47.78%	3.92%	1.02%		19.29%					
7 Regulatory	100.0%										100.00%					
8 Legal	100.0%										100.00%					
9 Audit Fees	100.0%										100.00%					
10 Equipment, Rent & Utilities	100.0%		0.55%	14.88%		13.01%	9.73%	19.95%	7.89%	4.40%	29.60%					
11 Telecom & IT Costs	100.0%										100.00%					
12 Office & Postage	100.0%							25.00%			75.00%					
13 Advertising	100.0%								100.00%							
14 Automotive	100.0%			43.40%		26.83%						29.77%				
15 Dues & Fees	100.0%										100.00%					
16 Travel & Entertainment	100.0%										100.00%					
17 Training	100.0%										100.00%					
18 Insurance	100.0%			0.02%		0.01%	0.00%	0.00%	0.00%	0.00%	99.96%					
19 Donations	100.0%										100.00%					
20 Municipal and Other Taxes	100.0%															
21 Corporate Shared Services	100.0%										100.00%					
22 Finance Costs	100.0%										100.00%					
23 Bank Fees	100.0%										100.00%					
24 Bad Debts	100.0%									100.00%						
25 Other	100.0%															
26 IGPC O&M	100.0%											100.00%				
27 LEAP	100.0%										0.00%		100.00%			
28 Disallowed Cost	100.0%															
29 Property Taxes	100.0%				70.38%	14.28%	0.09%	0.70%	0.31%	0.08%	0.69%	13.46%				



**Schedule 6  
 Classification of Rate Base  
 (\$ thousands)**

	A	B	C	D	E	F	G	H	I	J	K	L
<b>Function</b>	<b>Delivery Commodity</b>	<b>Delivery Demand</b>	<b>Delivery Demand excl. R6</b>	<b>Weighted Customer Services</b>	<b>Weighted Customer Meters</b>	<b>Assigned Meters</b>	<b>Weighted Customer Billing</b>	<b>Unweighted Customer</b>	<b>Unweighted Customer Excl. R6</b>	<b>Bad Debt &amp; Collection</b>	<b>Composite</b>	<b>Direct Assignment to IGPC</b>
1 Gas Supply	0	0	0	0	0	0	0	0	0	0	0	0
2 Measurement	703	0	703	0	0	0	0	0	0	0	0	0
3 Mains	0	202	0	0	0	0	0	102	0	0	0	0
4 Mains x R6	0	0	7,437	0	0	0	0	0	3,741	0	0	0
5 Services	0	0	0	5,041	0	0	0	0	0	0	0	0
6 Meters	0	0	0	0	225	0	0	0	0	0	0	0
7 Residential Meters	0	0	0	0	0	1,985	0	0	0	0	0	0
8 Commercial Meters	0	0	0	0	0	983	0	0	0	0	0	0
9 Billing/ Accounting	0	0	0	0	0	0	131	0	0	0	0	0
10 Promotion	0	0	0	0	0	0	0	49	0	0	0	0
11 Bad Debt/Collection	0	0	0	0	0	0	0	0	0	29	0	0
12 A&G	0	0	0	0	0	0	0	0	0	0	743	0
13 Direct Assignment to IGPC	0	0	0	0	0	0	0	0	0	0	0	3,479
<b>14 Sum</b>	<b>703</b>	<b>202</b>	<b>8,139</b>	<b>5,041</b>	<b>225</b>	<b>2,968</b>	<b>131</b>	<b>151</b>	<b>3,741</b>	<b>29</b>	<b>743</b>	<b>3,479</b>



**Schedule 7**  
**Classification of OM&A and Property Taxes**  
**(\$ thousands)**

	A	B	C	D	E	F	G	H	I	J	K	L
<b>Function</b>	<b>Delivery Commodity</b>	<b>Delivery Demand</b>	<b>Delivery Demand excl. R6</b>	<b>Weighted Customer Services</b>	<b>Weighted Customer Meters</b>	<b>Weighted Customer Billing</b>	<b>Unweighted Customer</b>	<b>Unweighted Customer Excl. R6</b>	<b>Bad Debt &amp; Collection</b>	<b>Composite</b>	<b>Direct Assignment to IGPC</b>	<b>Distribution Revenues</b>
1 Gas Supply	103	0	0	0	0	0	0	0	0	0	0	0
2 Measurement	23	0	23	0	0	0	0	0	0	0	0	0
3 Mains	0	438	0	0	0	0	220	0	0	0	0	0
4 Mains x R6	0	0	330	0	0	0	0	166	0	0	0	0
5 Services	0	0	0	399	0	0	0	0	0	0	0	0
6 Meters	0	0	0	0	733	0	0	0	0	0	0	0
7 Billing/ Accounting	0	0	0	0	0	574	0	0	0	0	0	0
8 Promotion	0	0	0	0	0	0	40	0	0	0	0	0
9 Bad Debt/Collection	0	0	0	0	0	0	0	0	103	0	0	0
10 A&G	0	0	0	0	0	0	0	0	0	1,666	0	0
11 Direct Assignment to IGPC	0	0	0	0	0	0	0	0	0	0	199	0
12 Assignment	0	0	0	0	0	0	0	0	0	0	0	10
14 <b>Sum</b>	<b>126</b>	<b>438</b>	<b>353</b>	<b>399</b>	<b>733</b>	<b>574</b>	<b>260</b>	<b>166</b>	<b>103</b>	<b>1,666</b>	<b>199</b>	<b>10</b>



**Schedule 8  
 Classification of Depreciation  
 (\$ thousands)**

	A	B	C	D	E	F	G	H	I	J	K	L
<b>Function</b>	<b>Delivery Commodity</b>	<b>Delivery Demand</b>	<b>Delivery Demand excl. R6</b>	<b>Weighted Customer Services</b>	<b>Weighted Customer Meters</b>	<b>Assigned Meters</b>	<b>Weighted Customer Billing</b>	<b>Unweighted Customer</b>	<b>Unweighted Customer Excl. R6</b>	<b>Bad Debt &amp; Collection</b>	<b>Composite</b>	<b>Direct Assignment to IGPC</b>
1 Gas Supply	0	0	0	0	0	0	0	0	0	0	0	0
2 Measurement	29	0	29	0	0	0	0	0	0	0	0	0
3 Mains	0	34	0	0	0	0	0	17	0	0	0	0
4 Mains x R6	0	0	237	0	0	0	0	0	119	0	0	0
5 Services	0	0	0	192	0	0	0	0	0	0	0	0
6 Meters	0	0	0	0	23	0	0	0	0	0	0	0
7 Residential Meters	0	0	0	0	0	294	0	0	0	0	0	0
8 Commercial Meters	0	0	0	0	0	90	0	0	0	0	0	0
9 Billing/ Accounting	0	0	0	0	0	0	9	0	0	0	0	0
10 Promotion	0	0	0	0	0	0	0	3	0	0	0	0
11 Bad Debt/Collection	0	0	0	0	0	0	0	0	0	2	0	0
12 A&G	0	0	0	0	0	0	0	0	0	0	106	0
13 Direct Assignment to IGPC	0	0	0	0	0	0	0	0	0	0	0	136
<b>14 Sum</b>	<b>29</b>	<b>34</b>	<b>266</b>	<b>192</b>	<b>23</b>	<b>384</b>	<b>9</b>	<b>20</b>	<b>119</b>	<b>2</b>	<b>106</b>	<b>136</b>





**Schedule 10  
 Allocation of Rate Base  
 (\$ thousands)**

Classification	A Total	B Rate 1 - Residential	C = D + E Rate 1 - General Service	D R1 Commercial	E R1 Industrial	F R2 Seasonal	G R3	H R4	I R5	J R6	K Allocation Factor
1 Delivery Commodity	703	411	170	130	40	3	119	0	0	0	Coincident Peak excl. R6
2 Delivery Demand	202	64	27	20	6	4	18	21	3	66	Delivery Demand
3 Delivery Demand excl. R6	8,139	3,810	1,595	1,208	387	225	1,090	1,267	152	0	Delivery Demand excl. R6
4 Weighted Customer Services	5,041	4,333	557	468	89	70	7	66	8	0	Weighted Customer Services excl. R6
5 Weighted Customer Meters	225	162	47	39	8	7	1	8	1	0	Weighted Customer Meters excl. R6
6 Residential Meters	1,985	1,985	0	0	0	0	0	0	0	0	Direct Assignment to Residential
7 Commercial Meters	983	0	735	607	128	103	13	121	11	0	Commercial Meters
8 Weighted Customer Billing	131	120	8	7	1	1	0	1	0	0	Weighted Customer Billing
9 Unweighted Customer	151	140	10	9	1	1	0	1	0	0	Unweighted Customer
10 Unweighted Customer Excl. R6	3,741	3,461	242	213	29	18	2	17	1	0	Unweighted Customer excl. R6
11 Bad Debt & Collection	29	14	15	11	4	0	0	0	0	0	Bad Debt & Collection excl. R6
12 Composite	743	434	102	81	21	13	37	45	5	106	Admin & General - Capital
13 Direct Assignment to IGPC	3,479	0	0	0	0	0	0	0	0	3,479	Direct Assignment to IGPC
14 <b>Sum</b>	<b>25,553</b>	<b>14,933</b>	<b>3,508</b>	<b>2,794</b>	<b>714</b>	<b>443</b>	<b>1,289</b>	<b>1,547</b>	<b>181</b>	<b>3,652</b>	



**Schedule 11  
 Allocation OM&A  
 (\$ thousands)**

	A	B	C = D + E	D	E	F	G	H	I	J	K
<b>Classification</b>	<b>Total</b>	<b>Rate 1 - Residential</b>	<b>Rate 1 - General Service</b>	<b>R1 Commercial</b>	<b>R1 Industrial</b>	<b>R2 Seasonal</b>	<b>R3</b>	<b>R4</b>	<b>R5</b>	<b>R6</b>	<b>Allocation Factor</b>
1 Delivery Commodity	126	74	30	23	7	0	21	0	0	0	Coincident Peak excl. R6
2 Delivery Demand	438	138	58	44	14	8	40	46	6	143	Delivery Demand
3 Delivery Demand excl. R6	353	165	69	52	17	10	47	55	7	0	Delivery Demand excl. R6
4 Weighted Customer Services	399	343	44	37	7	6	1	5	1	0	Weighted Customer Services excl. R6
5 Weighted Customer Meters	733	528	153	126	27	21	3	25	2	1	Weighted Customer Meters
6 Weighted Customer Billing	574	528	37	33	4	3	2	2	2	0	Weighted Customer Billing
7 Unweighted Customer	260	241	17	15	2	1	0	1	0	0	Unweighted Customer
8 Unweighted Customer Excl. R6	166	154	11	9	1	1	0	1	0	0	Unweighted Customer excl. R6
9 Bad Debt & Collection	103	49	54	40	14	0	0	0	0	0	Bad Debt & Collection excl. R6
10 Composite	1,666	1,102	235	189	47	25	57	67	8	170	Admin & General - OM&A
11 Direct Assignment to IGPC	199	0	0	0	0	0	0	0	0	199	Direct Assignment to IGPC
12 Distribution Revenues	10	6	2	1	0	0	0	0	0	1	Distribution Revenue
13 <b>Sum</b>	<b>5,028</b>	<b>3,328</b>	<b>710</b>	<b>569</b>	<b>141</b>	<b>76</b>	<b>171</b>	<b>204</b>	<b>25</b>	<b>514</b>	





**Schedule 12  
 Allocation of Depreciation  
 (\$ thousands)**

Classification	A Total	B Rate 1 Residential	C = D + E Rate 1 – General Service	D R1 Commercial	E R1 Industrial	F R2 Seasonal	G R3	H R4	I R5	J R6	K Allocation Factor
1 Delivery Commodity	29	17	7	5	2	0	5	0	0	0	Coincident Peak excl. R6
2 Delivery Demand	34	11	5	3	1	1	3	4	0	11	Delivery Demand
3 Delivery Demand excl. R6	266	125	52	40	13	7	36	41	5	0	Delivery Demand excl. R6
4 Weighted Customer Services	192	165	21	18	3	3	0	3	0	0	Weighted Customer Services excl. R6
5 Weighted Customer Meters	23	16	5	4	1	1	0	1	0	0	Weighted Customer Meters excl. R6
6 Residential Meters	294	294	0	0	0	0	0	0	0	0	Direct Assignment to Residential
7 Commercial Meters	90	0	67	56	12	9	1	11	1	0	Commercial Meters
8 Weighted Customer Billing	9	9	1	1	0	0	0	0	0	0	Weighted Customer Billing
9 Unweighted Customer	20	19	1	1	0	0	0	0	0	0	Unweighted Customer
10 Unweighted Customer Excl. R6	119	70	16	13	3	2	6	7	1	17	Admin & General - Capital
11 Bad Debt & Collection	2	1	1	1	0	0	0	0	0	0	Bad Debt & Collection excl. R6
12 Composite	106	62	14	12	3	2	5	6	1	15	Admin & General - Capital
13 Direct Assignment to IGPC	136	0	0	0	0	0	0	0	0	136	Direct Assignment to IGPC
14 <b>Sum</b>	1,321	788	191	153	38	25	57	73	8	179	



**Schedule 13**  
**Allocation of Return on capital and Income Taxes**  
**(\$ thousands)**

Classification	A Total	B Rate 1 - Residential	C = D + E Rate 1 - General Service	D R1 Commercial	E R1 Industrial	F R2 Seasonal	G R3	H R4	I R5	J R6	K Allocation Factor
<b>Assets</b>											
1 Return on Deemed Equity	941	550	129	103	26	16	47	57	7	135	Admin & General - Capital
2 Income Taxes (Grossed up)	72	42	10	8	2	1	4	4	1	10	Admin & General - Capital
3 Deemed Interest Expense	618	361	85	68	17	11	31	37	4	88	Admin & General - Capital
<b>Cost of Gas</b>											
4 Return on Deemed Equity	28	15	7	5	2	1	3	2	0	0	Volumes excl. R6
5 Income Taxes (Grossed up)	2	1	1	0	0	0	0	0	0	0	Volumes excl. R6
6 Deemed Interest Expense	18	10	4	3	1	0	2	1	0	0	Volumes excl. R6
<b>OM&amp;A</b>											
7 Return on Deemed Equity	12	8	2	1	0	0	0	0	0	1	Admin & General - OM&A
8 Income Taxes (Grossed up)	1	1	0	0	0	0	0	0	0	0	Admin & General - OM&A
9 Deemed Interest Expense	8	5	1	1	0	0	0	0	0	1	Admin & General - OM&A
<b>Total</b>											
10 Return on Deemed Equity	981	573	138	109	29	17	51	59	7	136	
11 Income Taxes (Grossed up)	75	44	11	8	2	1	4	5	1	10	
12 Deemed Interest Expense	644	376	90	72	19	11	33	39	5	89	
13 <b>Sum</b>	1,700	993	239	189	50	30	88	103	13	235	



**Schedule 14  
 Allocation Factors**

	A	B	C = D + E	D	E	F	G	H	I	J
<b>Classification</b>	<b>Total</b>	<b>Rate 1 - Residential</b>	<b>Rate 1 - General Service</b>	<b>R1 Commercial</b>	<b>R1 Industrial</b>	<b>R2 Seasonal</b>	<b>R3</b>	<b>R4</b>	<b>R5</b>	<b>R6</b>
1	100%	37.0%	15.3%	11.7%	3.6%	0.2%	10.7%	0.0%	0.0%	36.8%
2	100%	58.5%	24.2%	18.5%	5.7%	0.4%	16.9%	0.0%	0.0%	0.0%
3	100%	27.2%	11.5%	8.7%	2.9%	3.1%	7.7%	18.9%	2.3%	29.3%
4	100%	38.5%	16.3%	12.3%	4.1%	4.5%	10.9%	26.7%	3.2%	0.0%
5	100%	31.5%	13.2%	10.0%	3.2%	1.9%	9.0%	10.5%	1.3%	32.6%
6	100%	46.8%	19.6%	14.8%	4.8%	2.8%	13.4%	15.6%	1.9%	0.0%
7	100%	37.0%	15.5%	11.7%	3.8%	2.2%	10.6%	12.3%	1.5%	20.9%
8	100%	19.4%	8.7%	6.1%	2.6%	0.8%	3.9%	2.3%	0.6%	64.2%
9	100%	54.3%	24.4%	17.0%	7.4%	2.3%	10.8%	6.4%	1.8%	0.0%
10	100%	85.9%	11.0%	9.3%	1.8%	1.4%	0.1%	1.3%	0.2%	0.0%
11	100%	85.9%	11.0%	9.3%	1.8%	1.4%	0.1%	1.3%	0.2%	0.0%
12	100%	72.0%	20.8%	17.2%	3.6%	2.9%	0.4%	3.4%	0.3%	0.1%
13	100%	72.1%	20.9%	17.2%	3.6%	2.9%	0.4%	3.4%	0.3%	0.0%
14	100%	91.9%	6.4%	5.7%	0.8%	0.5%	0.4%	0.4%	0.3%	0.1%
15	100%	92.0%	6.4%	5.7%	0.8%	0.5%	0.4%	0.4%	0.3%	0.0%
16	100%	92.5%	6.5%	5.7%	0.8%	0.5%	0.0%	0.4%	0.0%	0.0%
17	100%	92.5%	6.5%	5.7%	0.8%	0.5%	0.0%	0.4%	0.0%	0.0%
18	100%	21.1%	23.5%	17.3%	6.2%	0.1%	0.0%	0.0%	0.0%	55.4%
19	100%	47.2%	52.6%	38.8%	13.8%	0.1%	0.0%	0.0%	0.0%	0.0%
20	100%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	100.0%
21	100%	100.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
22	100%	0.0%	74.7%	61.7%	13.0%	10.5%	1.4%	12.4%	1.1%	0.0%
23	100%	58.4%	13.7%	10.9%	2.8%	1.7%	5.0%	6.1%	0.7%	14.3%
24	100%	66.2%	14.1%	11.3%	2.8%	1.5%	3.4%	4.0%	0.5%	10.2%
25	100%	63.5%	15.8%	11.6%	4.3%	1.4%	4.4%	4.0%	0.8%	10.1%
26	100%	70.6%	17.6%	12.8%	4.8%	1.6%	4.9%	4.4%	0.9%	0.0%



**Schedule 15  
 Analysis of Allocated Costs  
 (\$)**

	A	B	C = D + E	D	E	F	G	H	I	J
<b>Cost by Type</b>	<b>Total</b>	<b>Rate 1 - Residential</b>	<b>Rate 1 - General Service</b>	<b>Rate 1 - Commercial</b>	<b>Rate 1 - Industrial</b>	<b>Rate 2</b>	<b>Rate 3</b>	<b>Rate 4</b>	<b>Rate 5</b>	<b>Rate 6</b>
1 Commodity	621,310	322,116	134,610	101,948	32,663	10,751	90,814	53,607	6,732	2,680
2 Demand	1,760,236	740,968	308,395	233,411	74,984	42,683	205,581	236,750	28,816	197,044
3 Customer	4,961,854	4,045,133	696,508	575,581	120,927	76,878	19,332	89,164	10,723	24,115
4 Direct	704,658	-	-	-	-	-	-	-	-	704,658
5 <b>Total</b>	8,048,058	5,108,217	1,139,513	910,940	228,573	130,312	315,727	379,521	46,271	928,497
6 Customers (connections)		9,578	671	590	81	50	5	46	4	1
7 Customer Cost per customer per month (\$ / Cx / Month)		35.19	86.50	81.30	124.41	128.13	322.19	161.53	223.39	60,731.15
8 Proposed Fixed Monthly Charge (\$ / Cx / Month)		24.00	23.50	23.50	23.50	24.43	243.35	24.93	198.98	74,499.05