



Exhibit 9 – Deferral and Variance Accounts

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- Purchased Gas Transportation Variance Account (“PGTVA”);
- Regulatory Expense Deferral Account (“REDA”);
- IFRS Conversion Cost Deferral Account (“IFRSDA”);
- Transportation Service Charge Deferral Account (“TSCDA”);
- Greenhouse Gas Emissions Compliance Obligation – Customer-Related Deferral Account (“GGECRDA”) and Greenhouse Gas Emissions Compliance Obligation – Facility-Related Deferral Account (“GGEFRDA”);
- Greenhouse Gas Emissions Impact Deferral Account (“GGEIDA”); and,
- 2019 Rebalancing Deferral Account.

3. ENGLP is proposing the following deferral and variance accounts be closed and discontinued from use:

- PGTVA 6: As per the approved settlement reached in EB-2018-0235, the actual transportation costs invoiced to ENGLP by Union Gas are now a direct flow-through to the customer in Rate 6, IGPC, and therefore this account is no longer required. As outlined in Section 9.1.2, ENGLP is proposing to dispose of the December 31, 2018 balances in this account and also proposes this account be closed in conjunction with the disposal of these balances.
- IFRSDA: ENGLP has reported under IFRS since the acquisition of the assets from NRG and therefore this account is not required to track any IFRS conversion costs.
- 2019 Rebalancing Deferral Account: this account was created specifically to address the 2019 rate rebalancing from proceeding EB-2018-0235, the balance of which was approved for disposal in the same proceeding. The balance was transferred out for disposition in 2019 and therefore the 2019 Rebalancing Deferral Account is no longer required as described further in Section 9.1.8 below.

4. ENGLP is proposing the disposition of the PGTVA and REDA account balances for its Aylmer operations as part of this Application. As explained further in Section 9.1. ENGLP is not proposing the disposition of the PGCVA, GPRA, TSCDA, IFRSDA, 2019 Rate Rebalancing Deferral Account, GGEIDA, GGECRDA and GGEFRDA at this time.



22. The current reference price was set as a part of NRG’s last approved cost of service application (EB-2010-0018) and adjusted in September 2017³ to correct an error in the calculation. ENGLP is proposing to re-set the PGTVA 1-5 reference price for the 2020 Test Year and the years under the Price Cap IR Term as shown in Table 9.1.2.1-1 below.

Table 9.1.2.1-1
Projected PGTVA 1-5 Reference Price
(\$/m3)

	A Current	B 2020 Test Year
1 PGTVA 1-5 Reference Price	\$0.018339/m3	\$0.023724/m3

23. The proposed PGTVA 1-5 reference price has been calculated in accordance with the methodology outlined in the findings from the Board’s audit of NRG’s PGTVA balances⁴ and its Decision and Order for proceeding EB-2017-0215.

24. A draft accounting order for the PGTVA 1-5 account reflecting the proposed reference price is included in Exhibit 9, Tab 3, Schedule 1. Future balances in this account, together with any carrying charges, will be brought forward for disposition on an annual basis.

9.1.2.2 PGTVA 6

25. Up to the end of September 30, 2018, the PGTVA 6 was used to record the differences between the average forecasted transportation costs per m3 included in ENGLP’s approved rates for recovery from the customer in Rate 6 and the actual transportation costs per m3 incurred by ENGLP under its M9 and Bundled T contracts with Union Gas for the volumes required to serve this customer.

26. In December 2018, the Board approved the direct flow-through of the actual costs charged to ENGLP by Union Gas, and in the future Enbridge Gas, under the contracts noted above to the customer in Rate 6 in conjunction with moving to a fully fixed distribution rate for Rate 6 effective October 1, 2018.⁵ Therefore commencing October 1, 2018, differences between

³ EB-2017-0215, Decision and Order, September 21, 2017.

⁴ EB-2017-0215, Application and Evidence, Board Audit Report dated March 2017.

⁵ EB-2018-0235 Decision and Order, December 6, 2018, pg. 9 and Settlement Proposal, November 21, 2018, pg. 18.



forecast and actual transportation charges for Rate 6 would not arise and the use of the PGTVA 6 to record such differences would not be required and has been discontinued.

27. Simple interest is calculated on the PGTVA 6 balances, at the applicable Board approved short-term interest rate, on the monthly opening balances using the interest rate methodology as approved in EB-2006-0117.

28. In December 2018, the Board approved the disposal of the September 30, 2017 balance in this account by way of a one-time payment to IGPC.⁶ As ENGLP is also proposing to dispose of the December 31, 2018 balances in this account as described in Section 9.1, this will address all remaining balances in this account. Further, ENGLP is proposing this account be closed in conjunction with the disposal of the December 31, 2018 balances.

9.1.3 Regulatory Expense Deferral Account (“REDA”)

29. The purpose of the REDA is to record costs associated with participating in generic hearings and in Enbridge Gas (and formerly Union Gas) proceedings, including if applicable a main rates case for Enbridge Gas.

30. Simple interest is calculated on the REDA balances, at the applicable Board approved short-term interest rate, on the monthly opening balances using the interest rate methodology as approved in EB-2006-0117.

31. In December 2018, the Board approved the disposal of the September 30, 2017 balance in this account through the implementation of a 12-month rate rider commencing January 1, 2019.⁷ In this Application ENGLP is proposing to dispose of the amounts that have accumulated since October 1, 2017 as outlined below in Section 9.1.

32. ENGLP is proposing to continue this account for use during the 5 year period covered by this Application, including the Test Year and the subsequent years covered under the proposed Price Cap IR Plan in Exhibit 10, Tab 1, Schedule 1. Future balances in this account, together with any carrying charges, will be brought forward for disposition on an annual basis.

⁶ EB-2018-0235 Decision and Order, December 6, 2018, pg. 9 and Settlement Proposal, November 21, 2018, pg. 20.

⁷ EB-2018-0235 Decision and Order, December 6, 2018, pg. 9 and Settlement Proposal, November 21, 2018, pg. 22.



9.1.4 IFRS Conversion Cost Deferral Account (“IFRSDA”)

33. The IFRSDA was established to record any costs incurred in association with converting to International Financial Reporting Standards (IFRS).

34. In December 2018, the Board approved the disposal of the September 30, 2017 balance in this account through the implementation of a 12-month rate rider commencing January 1, 2019.⁸

35. No amounts have been recorded in this account since September 30, 2017. Furthermore, ENGLP recorded the assets acquired from NRG under IFRS at the time of acquisition and has reported using IFRS since the acquisition. As such, ENGLP will not incur any future costs related to the conversion to IFRS and ENGLP is proposing the account be discontinued from use and be closed.

9.1.5 Transportation Service Charge Deferral Account (“TSCDA”)

36. The TSCDA was established in 2010 to record the revenues recovered through the Transmission Service Charges, including the Transmission Administrative Charge and the Transportation Rate, from natural gas producers that sold gas into Union Gas’ system via ENGLP’s system. As revenue from this source is uncertain, it cannot reliably be forecasted for inclusion in Other Revenue for the purposes of developing the revenue requirement and rates and therefore any revenue from this source is tracked in the TSCDA for refund to customers at a future date.

37. The balance in the TSCDA account is currently zero as there have been no sales by any producer of natural gas into Union Gas’ system, and therefore no Transmission Service Charges have been levied.

38. ENGLP is proposing to continue this account for use during the 5 year period covered by this Application, including the Test Year and the subsequent years covered under the proposed Price Cap IR Term in the event that such Transmission Service Charges are levied during that

⁸ EB-2018-0235 Decision and Order, December 6, 2018, pg. 9 and Settlement Proposal, November 21, 2018, pg. 22.



period. As noted in Section 3.4 of Exhibit 3, Tab 1, Schedule 1, Other Revenue assumed that Transmission Services Charges are zero for the purposes of calculating the 2020 Test Year revenue requirement and rates.

39. Should TSCDA balances be recorded, simple interest will be calculated on the balances at the applicable Board approved short-term interest rate, on the monthly opening balances using the interest rate methodology as approved in EB-2006-0117.

40. Future balances in this account, together with any carrying charges, will be brought forward for disposition on an annual basis.

9.1.6 Greenhouse Gas Emissions Compliance Obligation – Customer-Related Deferral Account (“GGECRDA”) and Greenhouse Gas Emissions Compliance Obligation – Facility-Related Deferral Account (“GGEFRDA”)

41. These accounts were established through the Board’s Decision and Order for EB-2016-0296 / EB-2016-0300 / EB-2016-0330 dated September 21, 2017. The purpose of the GGECRDA and GGEFRDA is to record the differences between the actual costs associated with the obligations resulting from federal and/or provincial regulations related to greenhouse gas emission requirements and the amounts recovered in the rates approved by the Board. The GGECRDA addresses costs related to the obligations arising from natural gas ENGLP delivers to its customers while the GGEFRDA addresses costs arising from the obligations related to ENGLP’s facilities.

42. Simple interest is calculated on the GGECRDA and GGEFRDA balances, at the applicable Board approved short-term interest rate, on the monthly opening balances using the interest rate methodology as approved in EB-2006-0117.

43. The balances currently in these accounts are associated with the obligations of the Ontario Government’s Cap and Trade program. On December 7, 2018 the Board initiated a specific proceeding to address the balances in these accounts, as well as the GGEIDA for all gas



utilities.⁹ As such, ENGLP is not proposing the disposition of these balances as a part of this Application.

44. ENGLP is currently developing its plan for the implementation the Federal Carbon Pricing Program (“FCPP”) and will request approval for a methodology and rates to recover the costs related to the FCPP as part of a separate proceeding. Should ENGLP require the use of the GGECRDA, GGEFRDA or any other deferral or variance accounts in association with the FCPP, such accounts will be proposed as part of ENGLP’s application for the implementation of the FCPP.

9.1.7 Greenhouse Gas Emissions Impact Deferral Account (“GGEIDA”)

45. This account was established through the Board’s Decision and Order for EB-2016-0296 / EB-2016-0300 / EB-2016-0330 dated September 21, 2017. The purpose of the GGEIDA is to record ENGLP’s administrative costs associated with the impacts of federal and/or provincial regulations related to greenhouse gas emission requirements for its Aylmer operations.

46. Simple interest is calculated on the GGEIDA balances, at the applicable Board approved short-term interest rate, on the monthly opening balances using the interest rate methodology as approved in EB-2006-0117.

47. The current balance in this account relates to the Ontario Government’s Cap and Trade Regulation. As noted above in Section 9.1.6, these balances will be dealt with through a separate proceeding and therefore ENGLP is not proposing the disposition of this account as a part of this Application.

48. Administrative costs associated with the wind down of the Cap and Trade program, along with costs incurred to implement the FCPP will be recorded in this account. Such costs will be brought forward for disposal at a future date.

⁹ EB-2018-0331 Notice and Procedural Order No.1 dated December 7, 2018.



9.1.8 2019 Rebalancing Deferral Account

49. In December 2018, the Board approved the establishment of the 2019 Rebalancing Deferral Account and approved the disposal of the balance in this account through the implementation of a 12-month rate rider commencing January 1, 2019.¹⁰ This account was established to record \$210,000 for the recovery of revenue in 2019 from Rate Classes 1 through 5 associated with rebalancing of the utility's 2019 revenue between Rate Classes 1 through 5 with Rate Class 6 in recognition of rate rebalancing which likely would have occurred under a cost of service application as a result of changes in the respective rate bases. No interest is to be recorded on the balance of this account.

50. This account was established in 2018 upon Board approval. The balance in this account on December 31, 2018 is zero. The approved amount of \$210,000, related to 2019 revenue, has been recognized in accordance with the accounting order at the beginning of 2019 and subsequently transferred out for disposition.

51. As this account was specifically set up to address the 2019 rebalancing for which the amount has been approved for disposal and transferred out in 2019 and rebalancing for the 2020 Test Year and future years is addressed through the cost allocation in this Application, ENGLP proposes this account be closed.

9.2 Disposition of Deferral and Variance Accounts

52. ENGLP is proposing the disposition of the PGTVA and REDA account balances for its Aylmer operations as part of this Application. Further details on the balances proposed for disposal and the resulting rate riders are outlined in Sections 9.1.1, 9.1.2 and 9.1.3, below. A bill impact summary showing the impact of the proposed rate riders on the typical customer in each Rate Class is provided in Section 9.1.4.

53. As noted above, the balances currently presented in this Exhibit represent forecasted December 31, 2018 balances and ENGLP proposes to update the balances, associated rates riders

¹⁰ EB-2018-0235 Decision and Order, December 6, 2018, pg. 9 and Settlement Proposal, November 21, 2018, pg. 16.



and bill impact summary as part of this proceeding once the December 31, 2018 balances have been audited.

54. The balances ENGLP is proposing for disposition in this Application are the amounts that have accumulated since the last approved disposition of these accounts of September 30, 2017, which was approved in December 2018 as noted above. The September 30, 2017 balances approved for disposition commencing on January 1, 2019, along with any associated carrying charges on those balances up to the end of 2018 have been removed from the PGTVA and REDA balances in December 2018, the month of the associated decision and order. Accordingly, the continuity schedules for these accounts since September 30, 2017, provided in Exhibit 9, Tab 2, Schedules 1 and 2, reflect the projected December 31, 2018 balances that ENGLP is proposing for disposition. The continuity schedules have also been provided in Excel in the file named 'ENGLP PGTVA and REDA Continuity Schedules protected.xlsx'.

55. At this time, ENGLP is not proposing the disposition of the following deferral and variance accounts:

- PGCVA and GPRA – ENGLP proposes these balances continue to be addressed through the QRAM process.
- TSCDA – The balance in this account is currently zero and ENGLP does not expect any amounts to be recorded in this account by December 31, 2018.
- IFRSDA – No amounts have been recorded in this account since September 30, 2017 and the account is no longer required.
- 2019 Rate Rebalancing Deferral Account – The balance in this account was approved for disposal¹¹ and no further amounts are to be recorded in this account.
- GGEIDA, GGECRDA and GGEFRDA – The balances in these accounts will be addressed through proceeding EB-2018-0331.

¹¹ EB-2018-0235 Decision and Order, December 6, 2018, pg. 9 and Settlement Proposal, November 21, 2018, pg. 17.



9.2.1 Disposition of the December 31, 2018 PGTVA 1-5 Balances

56. ENGLP is proposing to dispose of the PGTVA 1-5 balance as of December 31, 2018 and all associated carrying charges recorded up to the date of implementation of the proposed rate rider. The calculation of the projected total amount proposed for disposal is summarized in Table 9.2.1-1 below and further details of these balances are provided in the continuity schedule in Exhibit 9, Tab 2, Schedule 1.

**Table 9.2.1-1
 Projected Total PGTVA 1-5 Amount for Disposal
 (\$)**

	A Amount
1 PGTVA 1-5 as of Dec 31, 2018	41,551
2 PGTVA 1-5 carrying charges as of Dec. 31, 2018	196
3 PGTVA 1-5 forecasted interest from Dec 31, 2018 through Dec 31, 2019	902
4 Total Projected Disposition Amount	42,649

57. The total projected disposition amount is a debit balance of \$42,649 which ENGLP is proposing to recover from the customers in Rate Classes 1-5 through the implementation of a twelve-month volumetric rate rider commencing on January 1, 2020. The rate rider will be calculated by taking the total disposition amount over the total forecasted volumes for Rate Classes 1-5 for the 2020 Test Year. Following this calculation, the estimated proposed rate rider based on the projected values above is shown in Table 9.2.1-2 below.

**Table 9.2.1-2
 Proposed PGTVA 1-5 Rate Rider**

	A Unit	B 2020
1 Projected Disposition Amount	\$	42,649
2 Total Forecasted Volume for Rate Classes 1 - 5	m3	28,475,446
3 12 Month Volumetric Rate Rider for Rate Classes 1 - 5	cents / m3	0.1498

58. As noted above, ENGLP proposes to update these balances, the resulting rates riders and the bill impact summary as part of this proceeding once the December 31, 2018 balances have been audited.



9.2.2 Disposition of the December 31, 2018 PGTVA 6 Balances

59. ENGLP is proposing to dispose of the PGTVA 6 balance as of December 31, 2018 and all associated carrying charges recorded up to the date of implementation of the proposed rate rider. The calculation of the projected total amount proposed for disposal is summarized in Table 9.2.2-1 below and further details of these balances are provided in the continuity schedule in Exhibit 9, Tab 2, Schedule 1.

**Table 9.2.2-1
 Projected Total PGTVA 6 Amount for Disposal
 (\$)**

	A Amount
1 PGTVA 6 as of Dec 31, 2018	178,809
2 PGTVA 6 carrying charges as of Dec. 31, 2018	2,132
3 PGTVA 6 forecasted interest from Dec 31, 2018 through Dec 31, 2019	3,880
4 Total Projected Disposition Amount	184,821

60. The total estimated disposition amount is a debit balance of \$184,821 which ENGLP is proposing to recover from the customer in Rate Class 6 through the implementation of a twelve-month fixed-rate rate rider commencing on January 1, 2020. The estimated fixed-rate monthly rate rider is \$15,401.75.

61. As noted above, ENGLP proposes to update these balances, the resulting rates riders and the bill impact summary as part of this proceeding once the December 31, 2018 balances have been audited.

9.2.3 Disposition of the December 31, 2018 REDA Balances

62. ENGLP is proposing to dispose of the REDA balances as of December 31, 2018 and all associated carrying charges recorded up to the date of implementation of the proposed rate rider. The REDA balances as of December 31, 2018 relate to external legal costs associated with Union Gas' proceeding EB-2017-0108 related to overlapping CPCN's, as well as intervener cost awards and OEB related costs for the following proceedings:

- EB-2015-0245 Evaluation of results of natural gas DSM programs from 2015 to 2020;



- EB-2015-0040 Consultation on the Regulatory Treatment of Pensions and Other Post-Employment Benefit Costs; and,
- EB-2017-0183 Review of Customer Service Rules for Electricity and Gas.

63. ENGLP proposes to recover the costs related to DSM programs from customers in Rate Classes 1-5 and all other costs from all customers including Rate Class 6. The REDA balances are proposed to be recovered through the implementation of a twelve-month fixed-rate rate rider commencing on January 1, 2020. The calculation of the projected total amount proposed for disposal is summarized in Table 9.2.3-1 below and further details of the specific items making up these balances are provided in the continuity schedule in Exhibit 9 Tab 2 Schedule 2.

**Table 9.2.3-1
 Projected REDA Amount for Disposal
 (\$)**

	A DSM	B All Other	C Total
1 REDA as of Dec 31, 2018	2,803	27,259	30,062
2 REDA carrying charges as of Dec. 31, 2018	37	466	503
3 REDA forecasted interest from Dec 31, 2018 through Dec 31, 2019	61	592	653
4 Total projected disposition amount	2,901	28,317	31,218

64. Following this calculation, the estimated proposed rate rider based on the projected values above is shown in Table 9.2.3-2 below.

**Table 9.2.3-2
 Proposed REDA Rate Riders**

	A Unit	B Row Sum	C Rate 1 - Residential	D Rate 1 - Commercial	E Rate 1 - Industrial	F Rate 2	G Rate 3	H Rate 4	I Rate 5	J Rate 6
1 Average Connection Count	Cx	9,538	8,877	494	68	50	6	38	4	1
2 Allocation for DSM	%	100.00%	93.08%	5.18%	0.71%	0.52%	0.06%	0.40%	0.04%	0.00%
3 Allocation for Other REDA	%	100.00%	93.07%	5.18%	0.71%	0.52%	0.06%	0.40%	0.04%	0.01%
4 DSM	\$	2,901	2,700	150	21	15	2	12	1	0
5 Other REDA	\$	28,317	26,355	1,467	202	148	18	113	12	3
6 Sum	\$	31,218	29,055	1,617	223	164	20	124	13	3
7 Rate Rider / month	\$ / month		0.27	0.27	0.27	0.27	0.27	0.27	0.27	0.25

65. ENGLP proposes to update these balances, the resulting rates riders and the bill impact summary as part of this proceeding once the December 31, 2018 balances have been audited.



9.2.4 Bill Impact Summary

66. A bill impact summary illustrating the impact of the proposed rate riders on the average customer in each rate class is provided in Table 9.2.4-1. This bill impact summary shows the impact the implementation of the rate riders would have on customers at current rates.

**Table 9.2.4-1
 Proposed Rate Rider Bill Impact Summary**

	A	B	C	D	E	F
	Annual PGTVA Amount (\$)	Annual REDA Amount (\$)	Annual Bill Amount without Rate Riders (Current Rates) (\$)	Annual Bill Amount with Rate Riders (Current Rates) (\$)	Change (\$)	Change (%)
1 Rate 1 - Residential	2.67	3.27	491.69	497.63	5.94	1.21%
2 Rate 1 - Commercial	6.07	3.27	853.94	863.29	9.34	1.09%
3 Rate 1 - Industrial	18.41	3.27	2,102.32	2,124.00	21.68	1.03%
4 Rate 2	21.42	3.27	2,830.16	2,854.85	24.69	0.87%
5 Rate 3	176.66	3.27	94,738.48	94,918.41	179.93	0.19%
6 Rate 4	24.56	3.27	1,231.69	1,259.52	27.83	2.26%
7 Rate 5	255.17	3.27	15,417.20	15,675.64	258.44	1.68%
8 Rate 6	184,821.00	2.97	1,133,887.44	1,318,711.41	184,823.97	16.30%

9.3 Establishment of New Deferral and Variance Accounts

67. ENGLP is proposing the following accounts be established for use for its Aylmer operations during the 5 year period covered by this Application, including the Test Year and the subsequent years covered under the proposed Price Cap IR Plan:

- Unaccounted for Gas Variance Account (“UFGVA”);
- Disposition of Meters Deferral Account (“DMDA”); and,
- Recovery of Income Taxes Deferral Account (“RITDA”).

68. ENGLP applied the following criteria for the establishment of new deferral and variance accounts from the Filing Requirements for Natural Gas Rate Applications:

- Causation – The forecasted expense must be clearly outside of the base upon which rates were derived.
- Materiality – The forecasted amounts must exceed the materiality threshold of \$50,000.



- Prudence – The nature of the costs and forecasted quantum must be reasonably incurred.

69. At this time ENGLP is not requesting the establishment of any deferral accounts to record amounts related to incremental capital assets that arise during the period covered by this Application for which ENGLP proposes an ICM under its proposed Price Cap IR Plan in Section 10.3 of Exhibit 10, Tab 1, Schedule 1. Any deferral accounts required to record such amounts in accordance with the Board's policies will be requested at the time with an ICM Application.

9.3.1 Unaccounted For Gas Variance Account (“UFGVA”)

70. ENGLP proposes to establish a UFGVA for use during the period covered by this Application, including the Test Year and the subsequent years covered by the Price Cap IR Term. The purpose of the UFGVA is for ENGLP to record the cost of gas for its Aylmer operations associated with volumetric variances between the actual volume of Unaccounted for Gas (“UFG”) and the requested UFG volumetric forecast percentage of 0% for this Application. Based on the historical UFG information presented in Section 4.2 of Exhibit 4, Tab 1, Schedule 1 ENGLP expects these costs will exceed the materiality threshold.

71. The gas costs associated with the UFG variance will be calculated at the end of each calendar year based on the estimated volumetric variance between the applicable Board approved level of UFG and the estimate of the actual UFG. If required, an adjustment will be made to the UFGVA in the subsequent year to record any differences between the estimated UFG based on forecasted billed consumption and actual UFG reflecting actual billed consumption.

72. The UFG annual variance will be allocated on a monthly basis in proportion to actual sales costed at the monthly PGCVA reference price.

73. Where there are recoveries of gas loss amounts invoiced as part of third party damages, the gas loss amounts will be removed from the UFGVA balance.

74. ENGLP is proposing to calculate simple interest on the UFGVA balance, at the applicable Board approved short-term interest rate, on the monthly opening balances using the interest rate methodology as approved in EB-2006-0117.



75. Future audited balances in this account, together with any carrying charges, will be brought forward for approval for disposition on an annual basis.

76. A draft Accounting Order for the UFGVA is provided in Exhibit 9, Tab 3, Schedule 2.

9.3.2 Loss on Disposal of Meters Deferral Account (“LDMDA”)

77. ENGLP proposes to establish a Loss on Disposal of Meters Deferral Account (“LDMDA”) for use during the period covered by this Application. The purpose of the LDMDA is for ENGLP to record the loss on disposal resulting from the change in the useful life for the residential meters asset class in 2020 for its Aylmer operations. As outlined further in Section 2.2.3 of Exhibit 2, Tab 1, Schedule 1 and Section 4.4 of Exhibit 4, Tab 1, Schedule 1, ENGLP is proposing to change the depreciation rates for residential (AC-250) meters from 3.62% to 10% in 2020. This change will result in a forecasted loss on disposal of \$162,461, equal to the net book value of the meters that have been in service for ten years or more when this change is implemented in 2020.

78. The change in depreciation rate is necessitated by the fact that a new AC-250 meter has a seal life of ten years and the full replacement of the meter at the end of the seal life is more economical than refurbishment. Further, such a loss on disposal is outside of the base upon which the rates for the 2020 Test Year were derived and the forecasted amount exceeds the defined materiality threshold.

79. ENGLP is proposing to calculate simple interest on the LDMDA balance, at the applicable Board approved short-term interest rate, on the monthly opening balances using the interest rate methodology as approved in EB-2006-0117.

80. ENGLP proposes to bring this balance, together with any carrying charges, forward for approval for disposition once the balance has been audited in conjunction with the audit of the 2020 financial statements. The AC-250 meters are used for lower volume customers including residential customers and the lower volume commercial and industrial customers in Rate Class 1. Therefore, when the account is brought forward for disposal ENGLP will calculate a fixed-rate rate rider to be implemented for Rate Class 1.

81. A draft Accounting Order for the LDMDA is provided in Exhibit 9, Tab 3, Schedule 3.



9.3.3 Recovery of Income Taxes Deferral Account (“RITDA”)

82. ENGLP proposes to establish a RITDA for use during the Price Cap IR Term covered by this Application. The purpose of the RITDA is for ENGLP to record the difference between the minimal cash income taxes included in the revenue requirement proposed in this Application and the actual cash income taxes for its Aylmer operations (as calculated at the tax rate currently in place at the time of this Application) throughout the Price Cap IR Term, commencing in the year 2021.

83. As noted in Table 4.5.2-1 of Exhibit 4, Tab 1, Schedule 1 the income taxes payable for the Test Year are minimal. However, ENGLP expects to incur more substantial cash taxes at some point during the Price Cap IR Term, potentially as early as 2021. ENGLP expects the change in income taxes payable will exceed the materiality threshold during the Price Cap IR Term.

84. Cost of Service methodology allows for the recovery of taxes in the Test Year. In this Application, taxes included in the revenue requirement are minimal in the 2020 Test Year. Whereas the year 2020 sets the base for future years’ revenue under Price Cap IR, and whereas taxes in 2021 and in subsequent years of the Price Cap IR Plan are expected to be a material positive amount, embedding such a minimal tax amount in the base revenue requirement does not allow for recovery of taxes in 2021 and beyond. Establishing the requested deferral account will enable the recording and fair recovery of incurred income tax expenditures over the Price Cap IR Term.

85. ENGLP proposes that for the purposes of determining the amount to record in the RITDA, the actual cash income taxes for Aylmer each year are calculated based on the tax rate currently in place at the time of this Application. This will ensure no double counting of a recovery between the RITDA and the Tax Changes mechanism proposed in Section 10.5 of Exhibit 10, Tab 1, Schedule 1 in the event there are changes to the tax rates during the Price Cap IR Term.

86. ENGLP is proposing to calculate simple interest on the RITDA balance, at the applicable Board approved short-term interest rate, on the monthly opening balances using the interest rate methodology as approved in EB-2006-0117.



87. Future audited balances in this account, together with any carrying charges, will be brought forward for approval for disposition on an annual basis.

88. A draft Accounting Order for the RITDA is provided in Exhibit 9, Tab 3, Schedule 4.

9.4 Z-Factor

89. As described in Section 10.4 of Exhibit 10, Tab 1, Schedule 1, ENGLP is proposing the inclusion of a Z-factor adjustment in its Price Cap IR Plan for the Aylmer business unit to address material cost increases or decreases associated with unforeseen events that are outside the control of management over the Price Cap IR Term. ENGLP proposes to continue the \$50,000 event cost materiality threshold previously approved by the Board for ENGLP's predecessor NRG.

90. The process for Z-factor claims under ENGLP's Price Cap IR Plan for its Aylmer operations will be as follows:

- ENGLP will notify the Board of any Z-factor events within six months of the occurrence of the event. At such time, ENGLP will request the establishment of a deferral account to record the costs related to the Z-factor event.
- ENGLP will record amounts sought to be claimed as a Z-factor in the deferral account established for the event.
- Monthly carrying charges will be recorded on the deferral account balance (calculated using simple interest applied to the monthly opening balances in the account and recorded in a separate sub-account of the deferral account). The rate of interest will be the Board-prescribed rate for deferral and variance accounts for the respective quarterly period as published on the Board's website.
- As part of a subsequent Price Cap IR Application, ENGLP will apply to the Board for recovery of amounts recorded in the Z-factor deferral account. The application will outline the manner proposed to allocate the Z-factor amount to the various rate classes, the proposed disposition period, and the rationale for the selected approach. The application will also provide details on the calculated event cost



and include evidence that the costs incurred meets the four eligibility criteria outlined in Section 10.4 of Exhibit 10, Tab 1, Schedule 1.

91. Any deferral accounts required to record amounts related to Z-factor events that arise during the period covered by this Application will be requested in conjunction with providing notice to the Board of occurrence of the event as described in the proposed process for Z-factor claims outlined above.



Purchased Gas Transportation Variance Account Continuity Schedule

	CARRY FORWARD																Projected interest 2019 Jan-Dec
	2017 SEPT	2017 OCT	2017 NOV	2017 DEC	2018 JAN	2018 FEB	2018 MAR	2018 APR	2018 MAY	2018 JUN	2018 JUL	2018 AUG	2018 SEP	2018 OCT	2018 NOV	2018 DEC	
PGTVA 1-5																	
Transportation Cost																	
Union Gas - Delivery	-	69,219	163,280	153,747	183,776	114,515	117,635	80,913	43,026	38,733	14,546	25,253	40,792	4,151	8,765	5,702	
Union Gas - Adjmts	-	(58,972)	(135,764)	(143,276)	(156,537)	(108,119)	(111,064)	(76,784)	(40,831)	(36,647)	(13,803)	(23,964)	(38,711)	(705)	-	-	
Union Gas - Demand	-	42,533	42,533	42,533	44,873	44,873	44,873	44,873	44,873	44,873	44,873	44,873	44,873	44,873	44,873	52,217	
Total Transportation Cost	-	52,780	70,049	53,004	72,112	51,269	51,443	49,001	47,068	46,958	45,615	46,161	46,954	48,319	60,981	57,919	
Volumes Transported (m3)		2,074,795	4,212,766	4,432,980	4,825,964	3,349,883	3,452,008	2,411,974	1,329,119	1,198,323	509,811	815,056	1,248,908	2,729,589	5,027,135	3,718,824	
Average Cost (\$/m3)		0.025439	0.016628	0.011957	0.014942	0.015305	0.014902	0.020316	0.035413	0.039187	0.089474	0.056635	0.037596	0.017702	0.012130	0.015574	
Reference Price - corrected per EB-2017-0215		0.018339	0.018339	0.018339	0.018339	0.018339	0.018339	0.018339	0.018339	0.018339	0.018339	0.018339	0.018339	0.018339	0.018339	0.018339	
Rate Difference		(0.007100)	0.001711	0.006382	0.003397	0.003034	0.003437	(0.001977)	(0.017074)	(0.020848)	(0.071135)	(0.038296)	(0.019257)	0.000637	0.006209	0.002765	
PGTVA 1-5	-	(14,730)	7,209	28,292	16,392	10,165	11,863	(4,768)	(22,694)	(24,982)	(36,265)	(31,214)	(24,050)	1,739	31,211	10,281	
Disposition as per EB-2018-0235 Decision and Rate Order	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(399,098)	
Balance	399,098	384,368	391,577	419,869	436,261	446,425	458,289	453,521	430,827	405,845	369,580	338,366	314,316	316,055	347,266	(41,551)	
PGTVA 1-5 Interest																	
Interest rate		1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.89%	1.89%	1.89%	1.89%	1.89%	1.89%	2.17%	2.17%	2.17%	
Interest	-	499	480	489	525	545	558	722	714	679	639	582	533	568	572	628	
Disposition as per EB-2018-0235 Decision and Rate Order	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(29,822)	
Interest Adjustment Related to December Disposition	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(8,930)	
Balance	29,822	30,321	30,801	31,291	31,816	32,361	32,919	33,641	34,355	35,034	35,673	36,255	36,788	37,356	37,928	(196)	
Total PGTVA 1-5 and Interest	428,920	414,689	422,378	451,160	468,077	478,786	491,208	487,162	465,182	440,879	405,253	374,621	351,104	353,411	385,194	(41,747)	
PGTVA 6 (IGPC)																	
Transportation Cost																	
Union Gas - Delivery IGPC	-	85,344	106,826	99,781	109,566	93,382	103,063	72,554	103,359	97,001	98,148	100,202	74,374	-	-	-	
Union Gas - Adjmts IGPC	-	(70,295)	(99,550)	(92,985)	(103,446)	(88,166)	(97,307)	(68,852)	(98,085)	(92,052)	(93,140)	(95,089)	(70,579)	-	-	-	
Union Gas - Demand IGPC	-	29,868	29,868	29,868	31,511	31,511	31,511	31,511	31,511	31,511	49,157	49,157	49,157	-	-	-	
Total Transportation Cost	-	44,917	37,144	36,664	37,631	36,727	37,268	35,213	36,784	36,460	54,165	54,270	52,952	-	-	-	
IGPC Volumes Transported (m3)		2,396,902	3,000,220	2,802,354	3,117,621	2,657,118	2,932,603	2,075,043	2,956,072	2,774,237	2,807,031	2,865,774	2,127,092	-	-	-	
Actual Price		0.018740	0.012380	0.013083	0.012070	0.013822	0.012708	0.016970	0.012444	0.013142	0.019296	0.018937	0.024894	0.000000	0.000000	0.000000	
Reference Price - corrected per EB-2017-0215		0.009885	0.009885	0.009885	0.009885	0.009885	0.009885	0.009885	0.009885	0.009885	0.009885	0.009885	0.009885	0.009885	0.009885	0.009885	
Rate Difference		(0.008855)	(0.002495)	(0.003198)	(0.002185)	(0.003937)	(0.002823)	(0.007085)	(0.002559)	(0.003257)	(0.009411)	(0.009052)	(0.015009)	0.009885	0.009885	0.009885	
PGTVA 6 (IGPC)	-	(21,225)	(7,486)	(8,962)	(6,812)	(10,461)	(8,279)	(14,702)	(7,565)	(9,036)	(26,417)	(25,941)	(31,926)	-	-	-	
Disposition as per EB-2018-0235 Decision and Rate Order	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(500,577)	
Balance	500,577	479,352	471,867	462,905	456,093	445,632	437,353	422,651	415,087	406,051	379,634	353,693	321,768	321,768	321,768	(178,809)	
PGTVA 6 (IGPC) Interest																	
Interest	-	626	599	590	579	570	557	689	666	654	640	598	557	582	582	582	
Disposition as per EB-2018-0235 Decision and Rate Order	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(43,735)	
Interest Adjustment Related to December Disposition	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(11,200)	
Balance	43,735	44,361	44,960	45,550	46,128	46,698	47,256	47,944	48,610	49,264	49,903	50,501	51,058	51,640	52,222	(2,132)	
Total PGTVA 6 (IGPC) and Interest	544,312	523,713	516,827	508,455	502,221	492,330	484,609	470,596	463,697	455,315	429,538	404,194	372,826	373,408	373,990	(180,941)	

(902)

(3,880)



Regulatory Expense Deferral Account Continuity Schedule

Monthly Interest Rate	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.89%	1.89%	1.89%	1.89%	1.89%	1.89%	1.89%	2.17%	2.17%	2.17%	2019 Projected interest Jan-Dec
Carry forward	30-Sep-17	31-Oct-17	30-Nov-17	31-Dec-17	31-Jan-18	28-Feb-18	31-Mar-18	30-Apr-18	31-May-18	30-Jun-18	31-Jul-18	31-Aug-18	30-Sep-18	31-Oct-18	30-Nov-18	31-Dec-18	
Regulatory Expense Deferral Account (REDA)																	
REDA and IFRS Costs UP to Sep 30, 2017 (Approved for Disposition in EB-2018-0235)																	
EB-2008-0346 - Cost Awards for Guidelines for DSM	1,538	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(1,538)
IFRS Matters	3,686	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(3,686)
Eng. Study Terms of Reference	9,416	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(9,416)
Low Income - EB 2010-0280	20,838	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(20,838)
Steering Committee (System Integrity Study)	72,516	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(72,516)
2014-0199 - Review of QRAM Process	23,085	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(23,085)
2014-0289 Natural Gas Market Review	13,802	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(13,802)
DSM Account	3,532	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(3,532)
Other REDA Items	4,113	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(4,113)
Subtotal REDA and IFRS Approved for Disposition in EB-2018-0235	152,525	152,525	152,525	152,525	152,525	152,525	152,525	152,525	152,525	152,525	152,525	152,525	152,525	152,525	152,525	152,525	-
REDA Costs Since October 1, 2017																	
EB-2015-0245 DSM																	
Ontario Energy Board - #CA18119Q1003	-	-	-	-	-	-	-	2,803	-	-	-	-	-	-	-	-	-
Sub-total DSM	-	-	-	-	-	-	-	2,803	2,803	2,803	2,803	2,803	2,803	2,803	2,803	2,803	2,803
EB-2017-0108 Overlapping CPCN's																	
Osler, Hoskin & Harcourt LLP - #12109615	-	-	-	22,185	-	-	-	-	-	-	-	-	-	-	-	-	-
Osler, Hoskin & Harcourt LLP - #12118810	-	-	-	-	4,911	-	-	-	-	-	-	-	-	-	-	-	-
EB-2015-0040 - Ontario Energy Board - #CA1718Q4003	-	-	-	-	31	-	-	-	-	-	-	-	-	-	-	-	-
EB-2017-0183 - Ontario Energy Board - #CA1819Q2003	-	-	-	-	-	-	-	-	-	-	132	-	-	-	-	-	-
sub-total	-	-	-	22,185	27,127	27,127	27,127	27,127	27,127	27,127	27,259	27,259	27,259	27,259	27,259	27,259	27,259
Subtotal REDA Since October 1, 2017	-	-	-	22,185	27,127	27,127	29,930	29,930	29,930	30,061	30,061	30,061	30,061	30,061	30,061	30,061	30,061
Total Balance in REDA	152,525	152,525	152,525	152,525	174,710	179,652	179,652	182,455	182,455	182,455	182,586	182,586	182,586	182,586	182,586	182,586	30,061
REDA Interest Expense																	
Interest on carry forward																	
Interest on Approved Costs until approved disposition	-	191	191	191	191	191	191	240	240	240	240	240	240	276	276	276	276
Cumulative Interest on Approved Costs until approved disposition	5,750	5,941	6,131	6,322	6,513	6,703	6,894	7,134	7,375	7,615	7,855	8,095	8,335	8,611	8,887	9,163	9,163
Disposition as per EB-2018-0235 Decision and Rate Order	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(5,750)
Interest Adjustment Related to December Disposition	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(3,413)
REDA Interest Expense	-	-	-	-	-	-	-	4	4	4	4	4	4	5	5	5	61
DSM Interest Expense	-	-	-	-	-	-	-	-	4	4	4	4	4	5	5	5	61
DSM Cumulative Interest Balance	-	-	-	-	-	-	-	-	4	9	13	18	22	27	32	37	37
Overlapping CPCN's and Other REDA interest	-	-	-	-	28	34	43	43	43	43	43	43	43	49	49	49	592
Cumulative Interest Balance	-	-	-	-	28	62	104	147	190	233	275	318	368	417	466	517	592
Total Interest Expense	5,750	5,941	6,131	6,322	6,513	6,731	6,956	7,239	7,526	7,813	8,101	8,388	8,676	9,006	9,336	9,628	504
Total REDA and interest	158,275	158,466	158,656	158,847	181,223	186,384	186,608	189,694	189,981	190,268	190,687	190,975	191,262	191,593	191,923	192,260	30,565



EPCOR NATURAL GAS LIMITED PARTNERSHIP

Accounting Order

Deferral Account to Record Purchased Gas Transportation Variances from Rates 1-5

As the transportation costs are a flow-through to customers, EPCOR Natural Gas Limited Partnership (“ENGLP”) has an established Purchased Gas Transportation Variance Account Rates 1-5 (“PGTVA 1-5”) to record differences between forecasted transportation costs included in ENGLP’s approved rates for recovery from customers, via the PGTVA reference price, and the actual transportation costs incurred by ENGLP. The PGTVA also records amounts related to deferral account dispositions received or invoiced from ENGLP’s transportation suppliers.

Effective January 1, 2020 ENGLP is authorized to re-set the reference price for the PGTVA 1-5. The reference price of \$0.023724/m³ will be applicable to all customers in rate classes 1 through 5.

Accounting Entries¹²

To record monthly, the difference between the PGTVA reference price, and the actual transportation costs incurred by ENGLP under its M9 and Bundled T contracts with Enbridge Gas Inc. for the volumes required to serve the customers in rate classes 1-5:

Debit/Credit Account No. 179-45 Purchased Gas Transportation Variance Account Rates 1 -5 (PGTVA 1-5)

Credit/Debit Account No. 623 Cost of Gas

To record interest on the balance in the PGTVA 1-5:

Debit/Credit Account No- 179-46 interest on PGTVA 1-5

Credit/Debit Account No. 323 Other Interest Expense

¹²Account numbers are in accordance with the Uniform System of Accounts for Gas Utilities, Class A, prescribed under the *Ontario Energy Board Act*.



Simple interest will be computed monthly on the opening balance in the said account in accordance with the methodology approved by the Board in EB-2006-0117.



EPCOR NATURAL GAS LIMITED PARTNERSHIP

Accounting Order

Variance Account for Unaccounted for Gas

The purpose of the Unaccounted For Gas Variance Account (“UFGVA”) is for EPCOR Natural Gas Limited Partnership (“ENGLP”) to record the cost of gas for its Aylmer operations that is associated with volumetric variances between the actual volume of Unaccounted for Gas (“UFG”) and the Board approved UFG forecast included in the determination of rates.

The gas costs associated with the UFG variance will be calculated at the end of each year based on the estimated volumetric variance between the applicable Board approved level of UFG and an estimate of the actual UFG. If required, an adjustment will be made in the subsequent year to record any differences between the estimated UFG and actual UFG. Where there are recoveries of gas loss amounts invoiced as part of third party damages, the gas loss amounts will be removed from the UFGVA balance.

The UFG annual variance will be allocated on a monthly basis in proportion to actual sales costed at the monthly PGCVA reference price.

Future audited balances in this account, together with any carrying charges, will be brought forward for approval for disposition on an annual basis.

Simple interest will be computed monthly on the opening balance in the UFGVA in accordance with the methodology approved by the Board in EB-2006-0117.

Accounting Entries¹³

To record the costs associated with unaccounted for gas based on the estimated volumetric variance between the actual UAF and the Board approved level:

Debit/Credit Account No. 179.13 Unaccounted For Gas Variance Account (UFGVA)

¹³ Account numbers are in accordance with the Uniform System of Accounts for Gas Utilities, Class A, prescribed under the *Ontario Energy Board Act*.



Credit/Debit Account No. 623 Cost of Gas

To record the recovery of gas loss amounts invoiced to third parties:

Debit Account No. 140 Sundry Accounts Receivable

Credit Account No. 179.13 Unaccounted For Gas Variance Account (UFGVA)

To record simple interest on the opening monthly balance of the UFGVA using the Board Approved EB-2006-0117 interest rate methodology:

Debit/Credit Account No. 179.14 Interest on Unaccounted For Gas Variance Account

Credit/Debit Account No. 323 Other Interest Expense



EPCOR NATURAL GAS LIMITED PARTNERSHIP

Accounting Order

Deferral Account for Loss on Disposal of Meters

The purpose of the Loss on Disposal of Meters Deferral Account (“LDMDA”) is for EPCOR Natural Gas Limited Partnership (“ENGLP”) to record the loss on disposal resulting from the change in the useful life of residential (AC-250) meters in 2020 for its Aylmer operations. A change in depreciation rate is necessitated by the fact that a new residential meter has a seal life of ten years and the full replacement of the meter at the end of the seal life is more economical than refurbishment. The change in the depreciation rate for these meters from 3.62% to 10% in 2020 will result in a loss on disposal equal to the net book value of the meters that have been in service for ten years or more.

The balance in this account, together with any carrying charges, will be brought forward for approval for disposition at a future date once the balance has been audited. As these meters are currently used only for customers in Rate Class 1, when the account is brought forward for disposal ENGLP will calculate a fixed-rate rate rider to be implemented for Rate Class 1.

Simple interest will be computed monthly on the opening balance in the UFGVA in accordance with the methodology approved by the Board in EB-2006-0117.

Accounting Entries¹⁴

To record the amount of the resulting loss from the disposal of residential meters that have been in service for ten years or more upon changing the depreciation rate from 3.62% to 10%:

Debit Account No. 105 Accumulated Depreciation

Debit Account No. 179-70 Loss on Disposal of Meters Deferral Account (LDMDA)

Credit Account No. 100 Property Plant and Equipment

¹⁴ Account numbers are in accordance with the Uniform System of Accounts for Gas Utilities, Class A, prescribed under the *Ontario Energy Board Act*.



To record simple interest on the opening monthly balance of the LDMDA using the Board Approved EB-2006-0117 interest rate methodology:

Debit/Credit Account No. 179-71 Interest on Disposal of Meters Deferral Account
Credit/Debit Account No. 323 Other Interest Expense



EPCOR NATURAL GAS LIMITED PARTNERSHIP

Accounting Order

Deferral Account for Recovery of Income Taxes

The purpose of the Recovery of Income Taxes Deferral Account (“RITDA”) is for EPCOR Natural Gas Limited Partnership (“ENGLP”) to record the difference between the minimal cash income taxes included in the revenue requirement in the 2020 Test Year for EB-2018-0336 and the actual income taxes for its Aylmer operations (as calculated at the tax rate currently in place at the time the application is approved) throughout the Price Cap IR Term, commencing in the year 2021.

The amount to be recorded in the RITDA on annual basis, will be the actual cash income taxes calculated for Aylmer based on the tax rate currently in place at the time application EB-2018-0336 is approved.

Audited balances in this account, together with any carrying charges, will be brought forward for approval for disposition on an annual basis.

Simple interest will be computed monthly on the opening balance in the RITDA in accordance with the methodology approved by the Board in EB-2006-0117.

Accounting Entries¹⁵

To record the difference between the annual actual income taxes payable for the Aylmer business unit and the board approved deemed income taxes:

Debit/Credit Account No. 179.72 Recovery of Income Taxes Deferral Account
 (“RITDA”)

Credit/Debit Account No. 306 Income Tax Expense

¹⁵ Account numbers are in accordance with the Uniform System of Accounts for Gas Utilities, Class A, prescribed under the *Ontario Energy Board Act*.



To record simple interest on the opening monthly balance of the RITDA using the Board Approved EB-2006-0117 interest rate methodology:

Debit/Credit Account No. 179.73 Interest on Recovery of Income Taxes Deferral Account

Credit/Debit Account No. 323 Other Interest Expense

Rationale for Account

Cost of Service methodology allows for the recovery of taxes in the Test Year. In EB-2018-0336, taxes included in the revenue requirement are minimal in the 2020 Test Year. Whereas the year 2020 sets the base for future years' revenue under Price Cap IR, and whereas taxes in 2021 and in subsequent years of the Price Cap IR Plan are expected to be a material positive amount, embedding a minimal tax amount in the base revenue requirement does not allow for recovery of taxes in 2021 and beyond. This deferral account enables the recording and fair recovery of incurred income tax expenditures over the Price Cap IR Term.