Exhibit 10 – Incentive Rate-Setting Proposal

10.0 INCENTIVE RATE-SETTING PROPOSAL

1. Similar to NRG's most recently approved IR plan for EB-2010-0018, ENGLP is proposing a Price Cap Incentive Rate-setting Plan ("Price Cap IR Plan") for its Aylmer business unit that is based on the Board's guidance on IRM's for electricity distributors. In accordance with the Board's Renewed Regulatory Framework (RRF), ENGLP is proposing a Price Cap IR Plan that is materially aligned with the Board's Filing Requirements for Electricity Distribution Rate Applications – 2018 Edition for 2019 Rate Applications, Chapter 3 Incentive Rate-setting Applications dated July 12, 2018 ("Chapter 3: Incentive Rate Setting Applications") for the purpose of setting rates throughout the 5-year period covered by this Application.

2. ENGLP proposes that, with the 2020 Test Year as the re-rebasing year, rates for its Aylmer business unit for year one (2020 Test Year) of the 5-year period covered by this Application will be as applied for, or as otherwise approved by the Board. Rates for each of the subsequent four years through to December 31, 2024 (the "Price Cap IR Plan Term") will be adjusted annually by applying the elements of this proposed Price Cap IR Plan.

3. The elements proposed for the Price Cap IR Plan for ENGLP Aylmer business unit are a) an annual adjustment mechanism or Price Cap Adjustment, b) specified Y-factors, c) use of Z-factor adjustments, d) tax changes, e) use of an incremental capital module, and f) an earnings dead band off-ramp. These elements are described in more detail in the sections that follow.

10.1 Annual Adjustment Mechanism

4. ENGLP is proposing an annual rate adjustment for its Aylmer business unit using a Price Cap Adjustment ("PCA") mechanism which is determined by an inflation factor less a productivity factor and stretch factor. The proposed Price Cap Adjustment formula is as follows:

Price Cap Adjustment ("PCA") = Inflation ("I") – [(Productivity + Stretch)("X")]

5. The inflation factor, productivity factor and stretch factors proposed for the calculation of the PCA annually are outlined below in Sections 10.1.1 through 10.1.3.

6. With the exception of Rate Class 1, ENGLP is proposing that its distribution system rates, including both fixed and variable charges are adjusted annually using the proposed PCA. For clarity, the PCA will not apply to any rate riders in effect during the Price Cap IR Term.

7. For Rate Class 1, ENGLP is proposing to increase the fixed monthly charge annually by $1.00 and to correspondingly adjust the volumetric charges to achieve a total projected revenue for the Price Cap IR year for Rate Class 1 equivalent to the prior year OEB approved revenue for Rate Class 1 increased by the PCA. Increasing the proportion of the fixed monthly charge over the Price Cap IR term in this manner follows the rate design principle the Board has implemented for electricity distributions in Ontario. By the end of the Price Cap IR Term the fixed monthly charge for Rate Class 1 will be $21.00, matching the fixed monthly charge currently charged by Enbridge Gas Inc. for comparable customers in the neighboring communities it serves.

8. As noted in Section 3.4 of Exhibit 3 Tab 1 Schedule 1, ENGLP is proposing to annually adjust the returned cheque/payment charge to reflect the highest Insufficient Funds charge amongst the banks at which its customers obtain banking services. Any such request will be brought forward for approval in conjunction with ENGLP's annual Price Cap IR application.

10.1.1 Inflation Factor

9. ENGLP proposes to use the two-factor input price index methodology adopted by the Board for electricity distributor per EB-2010-0379[1] for the calculation of the annual PCA. The methodology uses the year-over-year change in Gross Domestic Product Implicit Price Index Final Domestic Demand (GDP IPI FDD) and Average Weekly Earnings (AWE) in Ontario. ENGLP is proposing to base the factor on the year-over-year change in these indices. Specifically, the percentage change shall be calculated as the weighted sum of 70% of the annual percentage change in the GDP IPI FDD for the prior year relative to the index value for the year that is two years prior and 30% of the annual percentage change in the AWE for the prior year relative to the data for the year that is two years prior. This method ensures consistency with the methodology proposed for ENGLP's Southern Bruce system, as well as with that used by Ontario electric utilities.

[1] Report of the Board, Rate Setting Parameters and Benchmarking under the Renewed Regulatory Framework for Ontario's Electricity Distributors, November 21, 2013, page 7.

10.1.2 Productivity Factor

10. The first component of the X-factor for the PCA is the productivity factor and ENGLP proposes a productivity factor of zero for the calculation of the annual PCA for its Aylmer business unit over the Price Cap IR Term. A productivity factor of zero is consistent with the productivity factor approved for use in Enbridge and Union Gas' 2019-2024 price cap IR plan.[2] This would also be consistent with the productivity factor assigned by the Board for electricity distributors for the last number of years including for 2019.[3] Implementing a productivity factor of zero for the Price Cap IR Term for ENGLP's Aylmer business unit ensures consistency among Ontario utilities.

10.1.3 Stretch Factor

11. The second component the X-factor for the PCA is the stretch factor and ENGLP proposes a stretch factor of 0.3% for the calculation of the annual PCA for its Aylmer business unit over the Price Cap IR Term. This would be consistent with the stretch factor assigned by the Board for mid-range electricity distributors since 2014. A stretch factor of 0.3% is also consistent with the stretch factor approved for use in Enbridge and Union Gas' 2019 to 2024 price cap IR plan where the Board cited the lack of benchmarking data in their finding of the mid-range factor of 0.3% as appropriate for Enbridge and Union.[4] While ENGLP similarly lacks any such external benchmarking, as noted in Section 4.3.1 of Exhibit 4, Tab 1, Schedule 1 ENGLP's OM&A cost on a per customer basis has declined over the years and since ENGLP's acquisition of the assets in 2017. In terms of future benchmarking, going forward ENGLP will initiate internal and external benchmarking against other utilities for the new metrics included in the proposed scorecard outlined in Section 1.7 of Exhibit 1, Tab 1, Schedule 1.

10.2 Y-Factors

12. Y-factors are costs associated with specific items that are subject to deferral account treatment and passed through to customers without any PCA. ENGLP is proposing the following

[2] EB-2017-0306/EB-2017-0307, Decision and Order, Amended on September 17, 2018, pg. 25.
[3] Letter from the Board Secretary to all Licensed Electricity Distributors Re: I. Updated Filing Requirements II. Process for 2019 Incentive Regulation Mechanism (IRM) Distribution Rate Applications, July, 12, 2018, pg. 2.
[4] EB-2017-0306/EB-2017-0307, Decision and Order, Amended on September 17, 2018, pg. 27.

items be treated as Y-factors for its Aylmer operations over the 5-year period covered by this Application:

- Costs related to unaccounted for gas;
- Income taxes payable; and,
- Costs associated with participating in generic and other Board hearings that impact the utility, including Enbridge Gas (and formerly Union Gas) proceedings.

13. ENGLP proposes to track these Y-factor costs in the associated deferral and variance accounts as outlined in Exhibit 9, Tab 1, Schedule 1 and bring forward for recovery annually in conjunction with the Price Cap IR application.

14. In addition to the Price Cap IR Plan specific items listed above, ENGLP proposes that:

- Gas Supply costs continue to be treated as a pass-through cost through the use of the PGCVA and GPRA and will be updated during the Price Cap IR Term in accordance with the Board's established QRAM process;
- Upstream transportation costs continue to be treated as pass-through for all customer rate classes (Rates 1 through 6) and for customers in Rate Classes 1-5 the PGTVA 1-5 and associated process as outlined in Section 9.1.2.1 of Exhibit 9, Tab 1, Schedule 1 continue**;**
- Costs approved in other proceedings (i.e. DSM program costs etc.), as applicable, will continue to be implemented as part of the annual rate applications[5] through the Price Cap IR Term; and,
- Costs related to greenhouse gas emissions programs applicable to the utility will continue to be recorded in the GGEIDA, GGECRDA and GGEFRDA, or other deferral or variance accounts as established through the specific proceedings regarding greenhouse gas emissions programs.

[5] Ontario Energy Board Filing Requirements for Natural Gas Rate Applications, Chapter 2 Cost of Service Applications, February 16, 2017, Section 2.10, pg. 41.

10.2.1 Costs Related to Unaccounted for Gas

15. ENGLP proposes that cost of gas associated with volumetric variances between the actual volume of UFG and the requested UFG volume forecast of 0% be recorded in the UFGVA as described in Section 9.2.1 of Exhibit 9, Tab 1, Schedule 1.

10.2.2 Income Taxes Payable

16. ENGLP proposes that the difference between the minimal 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, be recorded in the RITDA as described in Section 9.2.3 of Exhibit 9 Tab 1 Schedule 1.

10.2.3 Costs Related to Participating in Hearings

17. ENGLP proposes that 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 continue to be recorded in the REDA as described in Section 9.1.3 of Exhibit 9 Tab 1 Schedule 1.

10.3 Incremental Capital Module

18. ENGLP proposes the inclusion of an Incremental Capital Module ("ICM") in its Price Cap IR Plan to address the treatment of capital investment needs that arise during the Price Cap IR Term. ENGLP will apply for rate adjustments through a proposed ICM for qualifying incremental capital investment beyond what is normally funded through approved rates consistent with the Board-established policies on ICM for electricity distributors.[6] As noted in Exhibit 9, Tab 1, Schedule 1, the establishment of any deferral accounts required to record incremental capital assets in accordance with Board's policies will be requested at the time of the ICM application.

[6] Board's Filing Requirements for Electricity Distribution Rate Applications – 2018 Edition for 2019 Rate Applications, Chapter 3 Incentive Rate-setting Applications dated July 12, 2018, Section 3.3.

19. Qualifying capital investments may be discretionary or non-discretionary and are discrete projects that satisfy the eligibility criteria of materiality, need and prudence as defined by the Board in its filing requirements. In conjunction with the criteria, ENGLP understands that it must pass the Means Test[7] established by the Board to be eligible for incremental funding and the ICM will not be available if ENGLP's regulated return exceeds 300 basis points above the deemed return on equity embedded in the rates.

20. The materiality criterion represents a level of capital expenditures that can be funded through ENGLP's current approved rates. ENGLP would therefore be eligible to identify projects for ICM if its proposed capital budget for the year exceeds the Board-defined materiality threshold value. The amount eligible for incremental funding will be calculated by subtracting the threshold value in dollars from the proposed capital budget for the year.

21. The threshold value in dollars is calculated by applying the threshold value as a percent to the approved depreciation expense. The calculation of the threshold value as a percent is:

$$\text{Threshold Value (\%)} = (1 + [(RB/d) \times (g + PCI \times (1 + g))]) \times ((1 + g) \times (1 + PCI))^{n-1} + 10\%$$

Where:

- Rate Base (RB) will be the approved rate base from this cost of service Application.
- Depreciation (d) will be the approved depreciation expense from this cost of service Application.
- Growth (g) is the annualized growth rate calculated as the percentage difference in distribution revenues between the forecasted distribution revenues for the 2020 Test Year and the actual distribution revenues from the most recent complete year. The growth factor is annualized by dividing by the number of years between the most recent actuals and the 2020 Test Year.
- Price Cap Index (PCI) is the Price Cap Adjustment from ENGLP's most recent Price Cap IR application.
- Years since rebasing (n) is the number of years since the 2020 Test Year.

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[7] EB-2014-0219, Report of the Board, New Options for the Funding of Capital Investments: The Advanced Capital Module dated September 18, 2014, pg. 15.

22. Over the Price Cap IR Term, ENGLP will continue to update its asset inventory and associated data, assess the infrastructure and refine its Asset Management Plan. These activities will likely result in further refinement of the Utility System Plan ("USP") and associated projects and programs which may bring rise to the need for incremental capital during the Price Cap IR Term. ENGLP will request approval of a rate adjustment for forecasted qualifying incremental capital projects that are not subject to a Leave to Construct ("LTC") application as part of its annual rate application under this Price Cap IR Plan, following the ICM filing requirements as defined by the Board in Chapter 3: Incentive Rate Setting Applications[8] and as outlined in the Board's ACM Report.[9] In the case of a qualifying project that requires a LTC application, the request for approval of the proposed adjustment to rates will be filed with the LTC.

10.4 Z-Factor Adjustments

23. ENGLP proposes 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. As noted in Section 9.3 of Exhibit 9, Tab 1, Schedule 1, ENGLP proposes to continue the $50,000 event cost materiality threshold previously approved by the Board for ENGLP's predecessor NRG. To qualify for recovery of the relevant costs, the materiality threshold must be met on an individual event basis.

24. ENGLP proposes to follow the criteria outlined in the OEB's Filing Requirements for Natural Gas Rate Applications when assessing whether a Z-factor event qualifies for recovery:

- Causation – The cost increase or decrease, or a significant portion of it, must be demonstrably linked to an unexpected, non-routine event and must be clearly outside of the base upon which rates were derived.
- Materiality – The cost increase or decrease must meet a materiality threshold, in that the event cost must be equal to or greater than $50,000.

[8] Board's Filing Requirements for Electricity Distribution Rate Applications – 2018 Edition for 2019 Rate Applications, Chapter 3 Incentive Rate-setting Applications dated July 12, 2018, Section 3.3.2.1.
[9] EB-2014-0219, Report of the Board, New Options for the Funding of Capital Investments: The Advanced Capital Module dated September 18, 2014, Section 7.

- Prudence – The cost subject to an increase or decrease must have been prudently incurred.
- Management Control – The cause of the cost increase or decrease must be: (a) not reasonably within the control of utility management; and (b) a cause that utility management could not reasonably control or prevent through the exercise of due diligence.

25. The process for Z-factor claims under this Price Cap IR Plan will be as outlined in Section 9.3 of Exhibit 9, Tab1, Schedule 1.

10.5 Tax Changes

26. ENGLP proposes to include an adjustment for future tax changes in its Price Cap IR Plan. ENGLP proposes that the impacts of legislated tax changes that occur over the Price Cap IR Term as compared to ENGLP's tax rates known at the time of this Application and embedded in the base rates approved by the Board under this Application be shared 50/50 between customers and ENGLP. ENGLP proposes that these amounts be recovered from or refunded to customers through the use of a fixed monthly rate rider (calculated annually as applicable) implemented for a 12-month period.

10.6 Earnings Dead Band Off-Ramp

27. ENGLP proposes continuation of the earnings dead band off-ramp mechanism included in NRG's most recently approved IR plan and consistent with the off-ramp outlined in the Board's Chapter 3: Incentive Rate Setting Applications for electricity distributors.

28. Under this mechanism, a regulatory review may be triggered if a distributor's earnings are outside of a dead band of +/- 300 basis points from the Board-approved return on equity. The Board will monitor the results filed by ENGLP as part of thee reporting and record-keeping requirements and will determine if a regulatory review is warranted.

29. ENGLP will refrain from seeking an adjustment to its base rates through its Price Cap IR Plan if cumulative earnings are in excess of the dead band during the Price Cap IR Term unless it has reason to believe that such an adjustment can be substantiated in consideration of the excess earnings.