

SECTION 3.0
2017 Budget

1 **3.0 2017 Budget**

2 As part of a COS model, the establishment of the revenue requirement is critical in the
3 development of distribution rates. A utility's cost of service rates are typically established to
4 align with the fiscal year of the utility. This allows the utility to properly prepare annual forward
5 year projections of costs and throughput, which are the key inputs to establish cost of service
6 rates, and thereby align such projections with the rate setting period. For the purpose of this
7 Application, Cost of Service distribution rates have been developed based on the revenue
8 requirement of the 2017 Budget.

9 EGNB's 2017 Budget has been prepared taking into consideration historic trends, current market
10 conditions, the current economic environment and EGNB's current operations.

11 Customer Attachments

12 The 2017 Budget is based on the attachment of 147 new customers. EGNB has estimated the
13 loss of 112 customers (customers no longer on the distribution system as at December 31, 2017
14 due to permanent removal of service, red locks due to non-payment, seasonal locks or other
15 temporary locks) in 2017 resulting in a total of 35 net new customers in 2017. EGNB has plans
16 to offer an incentive program to attract new customers and a customer retention program to
17 mitigate lost customers for 2017.

18 Incentives Program and Customer Retention Program

19 Growing and maintaining the customer base are both important factors to maintaining low
20 distribution rates. Two programs are included in EGNB's 2017 Budget in order to address
21 customer numbers. Firstly, \$100K will be used to provide incentives to approximately 50 new
22 attachments in the Small General Service class for new home construction or residential retrofit
23 markets on or near the current pipeline infrastructure. Incentives may be offered directly to the
24 customer and/or provided directly to a builder/developer/contractor and will provide benefits to
25 rate payers by recovering costs over a broader customer base.

26 Secondly, up to \$100K will be used as a commercial customer retention program to protect the
27 public utility's revenue and customer base from additional erosion due to competitive threats.

28 The program will be identical to the 2016 Customer Retention Program.

1 Corporate Allocations

2 For the 2017 Budget, only one new Corporate Allocation has been identified, Enbridge Energy
3 Company Inc. Recovery. As this allocation has not met the requirements of the approved EGNB
4 methodology, 0% has been allocated to revenue requirement. The amounts allocated to the
5 revenue requirement for the existing corporate allocations were established using the criteria set
6 out in support of EGNB's 2013 Rate Application and the details can be found in Schedule 3.7 -
7 Corporate Allocations Report.

8 Miscellaneous Revenue

9 EGNB has addressed the Miscellaneous Revenue discussions in the last rate hearing and has
10 budgeted increases to this item. The Miscellaneous Revenue of (\$945K) in the 2017 Budget
11 contains amounts for SEUF Fees (\$400K), Late Payment Penalties (\$303K), Agent Billing and
12 Collections ("ABC") Revenue (\$175K), Transactional Services (\$36K), Red Lock Fees (\$25K)
13 and Interest Income on Maritimes & Northeast Pipeline Firm Service Agreement security deposit
14 (\$6K).

15 ABC Revenue is determined based on the number of ABC customers at the approved 2016 ABC
16 rates plus inflation applied at 2.1%. Interest income revenue is based on term deposit and
17 average rate received. Late Payment Penalties and Transactional Services are based on the
18 amounts used for the 2016 Budget.

19 The following documents have been provided in support of the 2017 Budget:

- 20 • Schedule 3.4 - 2017 Budget Assumptions
- 21 • Schedule 3.5 - 2017 Budget
- 22 • Schedule 3.6 - 2017 Budget to 2016 Budget Explanations
- 23 • Schedule 3.7 - Corporate Allocations Report
- 24 • Schedule 3.8 – Retention and Incentive Programs Report

25 2016 Forecast

26 The 2016 Forecast provides the bridge year for the development of the 2017 Budget. The
27 following documents have been provided in support of the 2016 Forecast:

- 28 • Schedule 3.1 - 2016 Forecast

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 - Schedule 3.2 - 2016 Budget
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 - Schedule 3.3 - 2016 Forecast to Budget Explanations