

SECTION 6.0
Cost of Service Rates

1 **6.0 Cost of Service Rates**

2 Under a COS model, a regulated entity is permitted to set rates that allow it the opportunity to
3 recover the costs of its regulated operations, including a fair rate of return on its investment
4 devoted to regulated operations.

5 This principle is consistent with what is expected to occur in a competitive market, where the
6 price of services trends towards the cost of providing them, including a fair return.

7 **Cost of Service Methodology**

8 In the December 23, 2014 Decision in the Matter of Enbridge Gas New Brunswick's ("EGNB")
9 Review of 2013 Regulatory Financial Statements/2015 Rate Application, the Board approved
10 the Cost of Service Study as proposed by EGNB. EGNB used the same cost of service principles
11 and processes for the purpose of the 2017 COS study.

12 **Revenue Requirement**

13 The revenue requirement provided in the 2017 Budget was used for the purpose of determining
14 the distribution rates in the 2017 COS Model.

15 **Allocators**

16 Allocators used in the 2017 COS study are consistent with those provided in support of the 2016
17 Rate Application. A copy of the Allocators is attached in Schedule 6.1 - Allocators.

- 1 The results of the 2017 COS study can be found in Schedule 6.2 - Cost of Service Model Data.
- 2 • COS Schedule 1 represents the results of the class cost of service study for 2017.
- 3 • COS Schedule 2 provides the summary of account functionalization.
- 4 • COS Schedule 3 summarizes the classification of the distribution function accounts.
- 5 • COS Schedule 4 provides the allocation of each account by classification and by rate
- 6 class.
- 7 • COS Schedule 5 provides a summary of the allocation factors by account and
- 8 function.
- 9 • COS Schedule 6 provides a summary of the revenue requirement, revenue expected
- 10 from proposed rates and the rates.