

Schedule 3

Cost Allocators

The following table summarizes the allocators used by EGNB and the basis for them. Exhibit B, Schedule HEO-5 identifies which accounts the allocators are applicable to.

E - External Allocation Factors - based on direct knowledge from data in the utility's accounting and other records

I - Internal Allocation Factors - based on some combination of external allocation factors, previously directly assigned costs and other internal allocation factors.

| Allocator Name | Description |
|----------------------------------|--|
| Functional Allocators | |
| DIST | 100% Functionalized to Distribution and is considered to be directly related to the Distribution System (E) |
| DIST_PT | based on Distribution Plant and has a Demand and a Customer component. Each component of Distribution Plant is allocated to either Demand or Customer or a combination of both and the overall total Distribution Plant allocation for Demand & Customer form the percentages used in this allocator (I) |
| LABOR | total labour amount, allocated between Distribution and Onsite. Based on a review of total O&M labour costs in each cost centre, labour was determined to be associated with either the Distribution or Onsite functions (I) |
| O&MXGAS | total operating expenses (less any gas related O&M ie. gas nomination services), allocated between Distribution and Onsite based on a review of total O&M expenses to determine the drivers of expenditures within each cost centre (I) |
| ONSITE | 100% Functionalized to Onsite, which refers to the costs associated with a customer on the system (onsite includes a portion of service lines, meters and regulators installed on-site at the customer's premises) (E) |
| PLANT | total amount of Distribution Plant, allocating 100% of the costs to Distribution (I) |
| RevReqxGas | total revenue requirement (less gas related revenue requirement), allocated to Distribution and Onsite based on the % of return on rate base & regulated expenses in each category (I) |
| Classification Allocators | |
| CUST | based on costs that vary with specific customer requirements, the number of customers, or both (such as meters and service lines) - (100% classified to Customer) (E) |
| DEMAND | based on costs associated with design day demand (100% classified to Demand) (E) |
| DISTLABOR | labour costs that are attributable to the distribution system, contains a Demand and Customer component (I) |
| DISTOnlyPT | based on the portion of Distribution Plant that is considered to be Demand driven (to meet design day demand). Includes mains, measurement & regulation assets (I) |
| DISTPT | based on Distribution Plant and has a Demand and a Customer component. Each component of Distribution Plant is allocated to either Demand or Customer or a combination of both and the overall total Distribution Plant allocation for Demand & Customer form the percentages used in this allocator (I) |
| MAINS | assumes 77% classification to Customer (to meet the minimum system requirements) and 23% classification to Demand (to meet peak demand needs) (E) |

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| Allocator Name | Description |
|----------------------------|--|
| MAIN&SERVICE | based on the mains and services portion of Distribution Plant and contains a Demand and Customer component (I) |
| RevReq_Dist | based on the portion of the revenue requirement that is driven by Distribution and contains a Demand and Customer component (I) |
| Demand Allocators | |
| Delivery_Rev | percentages are established based on the breakdown of forecasted distribution revenue by rate class (E) |
| DISTLABOR-D | labour costs that are considered to be attributed to the distribution system - includes only the Demand component based on a review of O&M labour costs (I) |
| DISTO&MXGAS-D | total O&M expenses that are considered to be driven by Distribution are allocated based on each expense group's allocators - includes only the Demand component (I) |
| DISTPT-D | based on the portion of Distribution Plant that is attributed to Demand (I) |
| MainsDemand | based on the Calculated peak design day - No amount allocated to Small General (E) |
| Peak | calculated peak design day (the 24-hour period where there is the maximum amount of system demand). Based on forecasted consumption with adjustments for forecasted weather (degree days) (E) |
| RATEBASE | based on total rate base, where each component of rate base is allocated to Distribution or Onsite based on the components' individual analysis. Overall a percentage is allocated to each based on the sum of the components of rate base (I) |
| Customer Allocators | |
| Billing | Black & Veatch assumption based on prior client studies/experience. Allocator calculated using 2010 average number of customers with a weighting to account for differences in assumed billing costs between classes. Allocations based on interviews with billing, professional judgment and advice from Black & Veatch (E) |
| Bills_All | Black & Veatch assumption based on prior client studies/experience. Calculated by multiplying the average number of customers in the class by 12 (assumed number of bills per customer per year) (E) |
| Delivery_Rev | percentages are established based on the breakdown of forecasted distribution revenue by rate class (E) |
| DISTLABOR-C | labour costs that are considered to be attributed to the distribution system - includes only the Customer component based on a review of O&M labour costs (I) |
| DISTO&MXGAS-C | total O&M expenses that are considered Distribution driven are allocated to customer rate classes based on each expense group's allocators - includes only the Customer component (I) |

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| Allocator Name | Description |
|-----------------------|--|
| DISTPT-C | based on the portion of Distribution Plant that is attributed to Customer (I) |
| Incentives | based on incentive expenditures per rate class (E) |
| MainsCustomer | the average number of total customers in each rate class for 2010 (E) |
| Meter_Invest | the average cost per meter, multiplied by the average number of customers in each rate class (E) |
| MetersRead | expenses are calculated using average number of customers and incorporating a weighting, using Black & Veatch assumptions based on prior client studies/experience, to account for differences in assumed costs between classes. The weightings account for staff time and capital (E) |
| ONSITELABOR-C | labour costs that are considered to be attributed to Onsite - includes only the Customer component (I) |
| ONSITEO&MXGAS-C | total O&M expenses that are considered Onsite driven, allocated to customer rate classes based on each expense group's allocators (I) |
| RATEBASE | based on total rate base, where each component of rate base is allocated to Distribution or Onsite based on the components' individual analysis. Overall a percentage is allocated to each based on the sum of the components of rate base (I) |
| Service_Invest | the average cost per service multiplied by the average number of customers in each rate class (E) |
| TOTALPLANT | total amount of Distribution Plant, allocated to Distribution based on a Customer and Demand component (for each component of the Distribution Plant) (I) |
| Write-offs | based on the percentage of bad debt expense calculated for each rate class (E) |