SECTION 3.0

2015 Budget

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As part of a COS model, the establishment of the revenue requirement is critical in the development of distribution rates. A utility's cost of service rates are typically established to align with the fiscal year of the utility. This allows the utility to properly prepare annual forward year projections of costs and throughput, which are the key inputs to establish cost of service rates, and thereby align such projections with the rate setting period. For the purpose of this Application, Cost of Service distribution rates have been developed based on the revenue requirement of the 2015 Budget.

EGNB's 2015 Budget has been prepared taking into consideration historic trends, current market conditions, the current economic environment and EGNB's current operations.

EGNB continues to transition its operations in response to constraints imposed by legislative changes, volatility in gas prices, and the erosion of the public distribution system as a result of customers within the public utility's service area moving to alternative fuel options, such as compressed natural gas and propane which has recently become more competitive.

Customer Attachments

The 2015 Budget is based on the attachment of 267 new customers. EGNB has estimated the loss of 52 customers (customers no longer on the distribution system as at December 31, 2015 due to permanent removal of service, red locks due to non-payment, seasonal locks, or other temporary locks) in 2015 resulting in a total of 215 net new customers in 2015. EGNB has no plans to offer any incentive programs in 2015.

Corporate Allocations

The following new corporate allocations will be allocated by Enbridge Inc. to EGNB commencing in 2015: IT Infrastructure Shared Services ("ISS") Security Operations, IT Application Operations, IT Enterprise Service Enterprise Content Management ("ECM"), IT ISS Management, Enterprise Communications & Community Partners, Public, Government & Aboriginal Affairs, Enterprise Safety & Operational Reliability, and Enterprise Travel Procurement Card Program. The amounts allocated to the revenue requirement for these new corporate allocations were established using the criteria set out in support of EGNB's 2013 Rate Application and the percentages set out below.

Cost Allocations	% Allocated to Revenue Requirement
IT Application Operations	100%
IT Infrastructure Shared Services Security Operations	100%
IT Enterprise Service ECM	50%
IT Infrastructure Shared Services Management	50%
Enterprise Communications & Community Partners	25%
Public, Government & Aboriginal Affairs	25%
Enterprise Safety & Operational Reliability	25%
Enterprise Travel Procurement Card Program	0%

Details of the corporate allocations listed above can be found in Schedule 3.7 - Corporate Allocations Report.

Executive Risk Insurance

In its April 17, 2014 Decision, the Board disallowed $111K of Executive Risk Insurance premiums from EGNB's 2014 Budget revenue requirement, stating at page 12:

> "Executive Risk Insurance is insurance which mitigates the personal responsibility of EGNB's representatives. This allocation was approved in 2012 but the methodology for calculating this allocation was more recently modified, resulting in an increased allocation to EGNB in the amount of $111 thousand. Mr. Knecht, in his evidence, submits that while Enbridge now allocates this cost based on the number of directors, one would expect that personal responsibility risk would be more related to the overall size of the business. Mr. Knecht recommends that the increased cost of the executive risk insurance be excluded from the revenue requirement. The Board agrees with Mr. Knecht and an adjustment of $111 thousand is ordered."

EGNB is included in the comprehensive insurance program that is maintained by Enbridge Inc. for its affiliates and features insurance coverage that is consistent with coverage considered customary and appropriate for its industry class. As a result of the previous decision, EGNB sourced an independent valuation from Marsh Canada Limited. This valuation can be found in Schedule 3.8 – Marsh Valuation, and clearly supports EGNB's argument that if Executive Risk Insurance was purchased independent of Enbridge Inc., the premiums would be significantly higher ($460K quoted by Marsh vs. $196K premiums allocated by Enbridge Inc.). As a result, EGNB has included Executive Risk Insurance premiums in the 2015 Budget for the full amount of $196K.

Pension Costs

As a result of market trends, the current expectations from Mercer, Enbridge's pension fund administrator, is that EGNB will no longer be required to contribute a "one time additional payment" to the EGNB pension plan, effective January 1, 2015. As a result, EGNB has not included any one time payments in the 2015 Revenue Requirement. EGNB has continued to include regular pension plan payments for 2015, in the amount of $507K.

Deferral Account

The deferral account will remain in the regulatory financial statements with the anticipation that it may be recovered in the future, as suggested by the *Gas Distribution Act, 1999.* However, it has not been included in the revenue requirement in any way, as there are currently no regulations in place which would allow for its recovery.

The following documents have been provided in support of the 2015 Budget:

- Schedule 3.4 - 2015 Budget Assumptions
- Schedule 3.5 - 2015 Budget
- Schedule 3.6 - 2015 Budget to 2014 Budget Explanations
- Schedule 3.7 – Corporate Allocation Report
- Schedule 3.8 – Marsh Valuation

2014 Forecast

The 2014 Forecast provides the bridge year for the development of the 2015 Budget. The following documents have been provided in support of the 2014 Forecast:

- Schedule 3.1 - 2014 Forecast
- Schedule 3.2 - 2014 Budget
- Schedule 3.3 - 2014 Forecast to Budget Explanations