

SECTION 3.0
2018 and 2019 Budgets

1 **3.0 2018 and 2019 Budgets**

2 As EGNB is seeking approval of its 2018 and 2019 rates (which are prescribed by legislation),
3 EGNB is submitting budgets for both 2018 and 2019.

4 EGNB's 2018 and 2019 Budgets have been prepared taking into consideration historic trends,
5 current market conditions, the current economic environment and EGNB's current operations.

6 EGNB continues to reduce its Revenue Requirement as it focuses on lowering operating costs in
7 order to better manage potential rate impacts for customers after the period when rates are
8 frozen.

9 Details related to the assumptions made in the 2018 and 2019 Budgets can be found in Schedule
10 3.4.

11 **Customer Attachments**

12 The 2018 Budget is based on the attachment of 203 new customers. EGNB has estimated the
13 loss of 137 customers (customers no longer on the distribution system as at December 31, 2018
14 due to permanent removal of service, red locks due to non-payment, seasonal locks or other
15 temporary locks) in 2018 resulting in a total of 66 net new customers in 2018.

16 The 2019 Budget is based on the attachment of 292 new customers. EGNB has estimated the
17 loss of 137 customers (customers no longer on the distribution system as at December 31, 2019
18 due to permanent removal of service, red locks due to non-payment, seasonal locks or other
19 temporary locks) in 2019 resulting in a total of 155 net new customers in 2019.

20 **Incentive Programs, Customer Retention Program and Propane Winback Program**

21 Growing and maintaining the customer base are both important for EGNB. EGNB has plans to
22 continue offering a Residential Incentive Program and a Retention Program to cost-effectively
23 expand and protect the public utility's system. Both are budgeted at \$100,000 for 2018, the same
24 amounts as in 2017. The Residential Incentive Program will be used similarly to last year's
25 program to attract new customers but will also be available to attract additional equipment and
26 additional load to the system from existing customers. The Retention Program will again be
27 used to protect against commercial customers leaving the system.

1 EGNB is also proposing to offer two new programs: a Commercial Incentive Program budgeted
2 at \$250,000 and a Propane Winback Program budgeted at \$100,000. Both will be used to attract
3 additional commercial customers to the system. The Commercial Incentive Program will be
4 used to attract approximately 20 new commercial customers on or near the current pipeline
5 infrastructure and potentially attract new equipment and load from existing customers. The
6 Propane Winback Program will be used to regain some of the commercial customers lost over
7 the last few years as their supply contracts expire.

8 For 2019, the Propane Winback Program and the existing Retention Program will be reduced to
9 \$50,000 as demand for both are expected to decrease. The Residential Incentive Program is
10 budgeted to increase to \$250,000 for the addition of approximately 100 new customers on or
11 near the system and additional equipment and load from existing customers. The Commercial
12 Incentive Program is budgeted to increase to \$500,000 to attract approximately 40 new
13 customers on or near main and additional equipment and load from existing customers.

14 Corporate Allocations

15 For the 2018 Budget, only one new Corporate Allocation has been identified, Corporate Security.
16 As it meets the requirements of the approved EGNB methodology, 25% has been allocated to the
17 budget. The amounts allocated to the Revenue Requirement for the existing corporate
18 allocations were established using the criteria set out in support of EGNB's 2013 Rate
19 Application and the details can be found in Schedule 3.7 - Corporate Allocations Report. The
20 consolidated reports that were initiated for Matter 330 for both SLAs and Corporate allocations
21 are again included in this filing.

22 Miscellaneous Revenue

23 Single End Use Franchise (SEUF) fees have been budgeted at double the usual amount in 2018
24 only (\$800K) due to a timing issue with receipt of the payment.

25 Agent Billing and Collections ("ABC") Revenue

26 EGNB continues to provide Agent Billing and Collection services to any service provider
27 applying to use EGNB's billing and/or collection services. EGNB is proposing to increase the
28 current rates by a modest percentage (equivalent to the budget assumed Consumer Price Index

1 (CPI) increase of 2.0% in each of 2018 and 2019) to recognize the increases in costs to provide
2 these services.

3 Marketing and Sales Expenses

4 After seeing decreases in Matter 330, Marketing and Sales O&M has increased in the 2018 and
5 2019 Budgets as a result of EGNB's franchise being extended for an additional 25 years and
6 EGNB's focus on customer additions, increased load of existing customers and incentive and
7 retention programs.

8 The following documents have been provided in support of the 2018 and 2019 Budgets:

- 9 • Schedule 3.4 – 2018 and 2019 Budget Assumptions
- 10 • Schedule 3.5 - 2018 and 2019 Budgets
- 11 • Schedule 3.6 - 2018 Budget to 2017 Budget Explanations
- 12 • Schedule 3.7 - Corporate Allocations Report
- 13 • Schedule 3.8 - Retention Program and Incentive Program Report

14 2017 Forecast

15 The 2017 Forecast provides the bridge year for the development of the 2018 and 2019 Budgets.

16 The following documents have been provided in support of the 2017 Forecast:

- 17 • Schedule 3.1 - 2017 Forecast
- 18 • Schedule 3.2 - 2017 Budget
- 19 • Schedule 3.3 - 2017 Forecast to Budget Explanations