

SECTION 6.0
Cost of Service Rates

6.0 Cost of Service Rates

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

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

Cost of Service Methodology

In the April 17, 2014 Decision in the Matter of Enbridge Gas New Brunswick's ("EGNB") Review of 2012 Regulatory Financial Statements/2014 Rate Application, the Board approved the Cost of Service Study as proposed by EGNB. EGNB used the same cost of service principles and processes for the purpose of the 2015 COS study.

Revenue Requirement

The revenue requirement provided in the 2015 Budget was used for the purpose of determining the distribution rates in the 2015 COS Model.

Allocators

Allocators used in the 2015 COS study are consistent with those provided in support of the 2014 Rate Application. A copy of the Allocators is attached in Schedule 6.1 - Allocators.

Mains Allocation Methodology

In accordance with the September 20, 2012 Board decision, the minimum system method using 1.25 inch pipe as the minimum main size was used in the 2015 COS model and the ICGS class was not allocated any portion of the cost of plastic mains.

The results of the 2015 COS study can be found in Schedule 6.2 - Cost of Service Model Data.

- COS Schedule 1 represents the results of the class cost of service study for 2015.
- COS Schedule 2 provides the summary of account functionalization.
- COS Schedule 3 summarizes the classification of the distribution function accounts.
- COS Schedule 4 provides the allocation of each account by classification and by rate class.
- COS Schedule 5 provides a summary of the allocation factors by account and function.
- COS Schedule 6 provides a summary of the revenue requirement, revenue expected from proposed rates and the rates.