ONTARIO ENERGY BOARD

IN THE MATTER OF the *Ontario Energy Board Act, 1998,* S.O. 1998, c. 15, Schedule B, as amended (the "**OEB Act**"), and in particular sections 90(1) and 97 thereof;

AND IN THE MATTER OF an application by EPCOR Natural Gas Limited Partnership for an order granting leave to construct natural gas distribution pipelines and ancillary facilities that make up a Community Expansion Project to expand service within the Municipality of Kincardine and the Township of Arran-Elderslie, and to bring natural gas service to areas within the Municipality of Brockton and the Municipality of West Grey.

APPLICATION

1. EPCOR Natural Gas Limited Partnership ("**EPCOR**"), hereby applies to the Ontario Energy Board ("**OEB**" or the "**Board**") for:

   (i) an order pursuant to section 90(1) of the OEB Act granting leave to construct natural gas pipelines and facilities, as described herein (the "Project"); and

   (ii) an Order or Orders allowing EPCOR to establish a new variance account called the Brockton Customer Volume Variance Account ("**BCVVA**"), effective as of the date of this Application, to enable the utility to track the variance in revenue resulting from the difference between forecasted customer volume and the actual customer volume for Rate 1 customers in its Brockton community expansion. With respect to recording carrying charges on the balance in the BCVVA, simple interest will be calculated monthly on the opening balance in accordance with the methodology approved by the Board in EB-2016-0117.

2. EPCOR is a gas distributor and is incorporated under the laws of the Province of Ontario, with offices in the Town of Aylmer and the Municipality of Kincardine. EPCOR is a wholly-owned indirect subsidiary of EPCOR Utilities Inc. ("**EUI**"). The general partner of EPCOR is EPCOR Ontario Utilities Inc., and the sole limited partner is EPCOR Commercial Services Inc., which are both subsidiaries of EUI.

3. The specific pipeline facilities for which EPCOR is seeking OEB approval through this Application consist of the following supply laterals:

(i) approximately 34.1 km of Normal Pipe Size ("**NPS**") 4-inch polyethylene ("**PE**") natural gas distribution pipeline; and
(ii) approximately 46.5 km of NPS 2-inch PE natural gas distribution pipeline.

4. For ease of reference and to assist the OEB with the preparation of the notice of application for the Project, a map of the proposed facilities is included in Attachment 1.

5. In August 2020, EPCOR submitted a proposal for the Project as part of Phase 2 of the Government of Ontario's Natural Gas Expansion Program ("**NGEP**") which provides financial support to help utilities expand natural gas distribution in communities that are not currently connected to the natural gas system.

6. The Project aims to expand natural gas service within the Municipality of Kincardine and the Township of Arran-Elderslie, and to bring natural gas service to a number of unserviced areas within the Municipality of Brockton, the Municipality of West Grey (the "**Project Communities**").

7. On June 9, 2021, the Project was approved to receive funding assistance under the NGEP.[1]

8. In early 2023 EPCOR updated the economics of the Project and determined that as a result of industry wide construction and maintenance cost increases in addition to a reduced customer consumption forecast, the project would no longer achieve a Profitability Index ("**PI**") of 1.0. As an alternative to cancelling the project, EPCOR has modified its scope such that it achieves the economics necessary to achieve a PI of 1.0. A map of the original and updated project scope is included in Attachment 2. If the Province authorizes a Phase 3 of the NGEP, EPCOR intends to submit a proposal to construct the remaining elements of the original project.

9. The Project will provide approximately 423 customers located within the Project Communities with access to safe, reliable and affordable natural gas distribution services.

10. EPCOR has municipal franchise agreements (the "**Franchise Agreements**") with the Municipality of Kincardine and the Township of Arran-Elderslie and EPCOR holds certificates of public convenience and necessity (the "**Certificates**") which allow it to construct, operate and add to the natural gas distribution system within all parts of the Municipality of Kincardine and the Township of Arran-Elderslie.[2]

---

[1] On. Reg. 451/21: Expansion of Natural Gas Distribution Systems, made under the OEB Act.
[2] OEB Decision and Order dated April 12, 2018 in proceeding EB-2016-0137/0138/0139 and OEB Decision and Order dated July 11, 2019 in proceeding EB-2018-0263.

11. Through its Decision and Order dated February 17, 2022, the OEB conditionally approved EPCOR's application for amendments to EPCOR's limited Certificates for each of the Municipality of Brockton, the Municipality of West Grey and the Township of Chatsworth, which would permit EPCOR to serve the Project Communities. These Certificates were limited as they authorized EPCOR to construct pipeline facilities that would traverse the Municipality of Brockton, the Municipality of West Grey and the Township of Chatsworth in order to supply gas to other areas. The OEB approved EPCOR's application for new Certificates conditional upon EPCOR receiving a decision and order granting leave to construct the Project.[3]

12. Through its Decision and Order dated February 17, 2022, the OEB conditionally approved Franchise Agreements with the Municipality of Brockton, the Municipality of West Grey, and the Township of Chatsworth, and directed and declared that the assent of the municipal electors of these municipalities is not necessary.

13. Approval of these Franchise Agreements was conditional on EPCOR amending and re-filing a copy of each Franchise Agreement in accordance with OEB direction.[4] EPCOR is in the process of having these amended and will re-file Franchise Agreements with the Municipality of Brockton, the Municipality of West Grey and the Township of Chatsworth and thereby satisfy the OEB's condition of approval.

14. With leave of the OEB, construction of the Project is planned to commence in April 2024 in order to begin providing gas distribution service to the Project Communities by the 2024 heating season. The proposed Project schedule is set out in Table 3 of Exhibit B.

15. To meet construction timelines, EPCOR respectfully requests the approval of this Application as soon as possible and ideally not later than February 2024.

16. Although EPCOR has planned for all distribution lines to be constructed on public road right of ways on county and municipal road allowances, EPCOR is seeking approval of the form of temporary land use agreement and easement agreement that it may require with landowners.

17. If the OEB determines that it will conduct a hearing for the Application, then EPCOR requests that it proceed by way of written hearing in English.

18. Therefore, EPCOR respectfully requests that the OEB make the following orders:

    (i) Pursuant to section 90(1) of the OEB Act, an Order granting leave to construct the Project;

---

[3] OEB Decision and Order dated February 17, 2022 in proceeding EB-2021-0269.
[4] Ibid.

(ii) Pursuant to Section 36 of the OEB Act, an Order or Orders allowing EPCOR to establish the BCVVA, effective as of the date of this Application;

(iii) Pursuant to section 97 of the OEB Act, an Order approving the form of temporary land use agreement and easement agreement found at Exhibit G, Attachment 1 and 2.

(iv) Confirmation that EPCOR has met the conditions for approval in OEB Decision and Order dated February 17, 2022, regarding the utility's Certificates and Franchise Agreements to serve the Municipality of Brockton, the Municipality of West Grey, and the Township of Chatsworth for the Project.

19. EPCOR's Certification of Evidence has been included as Attachment 3 to this Exhibit.

20. EPCOR requests that copies of all documents filed with the OEB in connection with this proceeding be served on it and on its counsel, as follows:

(a) The Applicant:

Tim Hesselink
Senior Manager, Regulatory Affairs
EPCOR Utilities Inc.

Address for personal service and mailing address:	43 Stewart Road Collingwood, Ontario L9Y 4M7
Telephone:	(705) 445-1800 ext. 2274
E-Mail:	thesselink@epcor.com

(b) The Applicant's counsel:

Daniela O'Callaghan
Senior Legal Counsel
EPCOR Utilities Inc.

Address for personal service and mailing address:	2000 – 10423 101 Street NW Edmonton, Alberta T5H 0E8
Telephone:	(780) 412-4081
E-Mail:	docallaghan@epcor.com

DATED at Edmonton, Alberta this 29 day of June, 2023.

EPCOR NATURAL GAS LIMITED PARTNERSHIP by its General Partner EPCOR ONTARIO UTILITIES INC.

Susannah Robinson
Vice President, Ontario Region

EPCOR

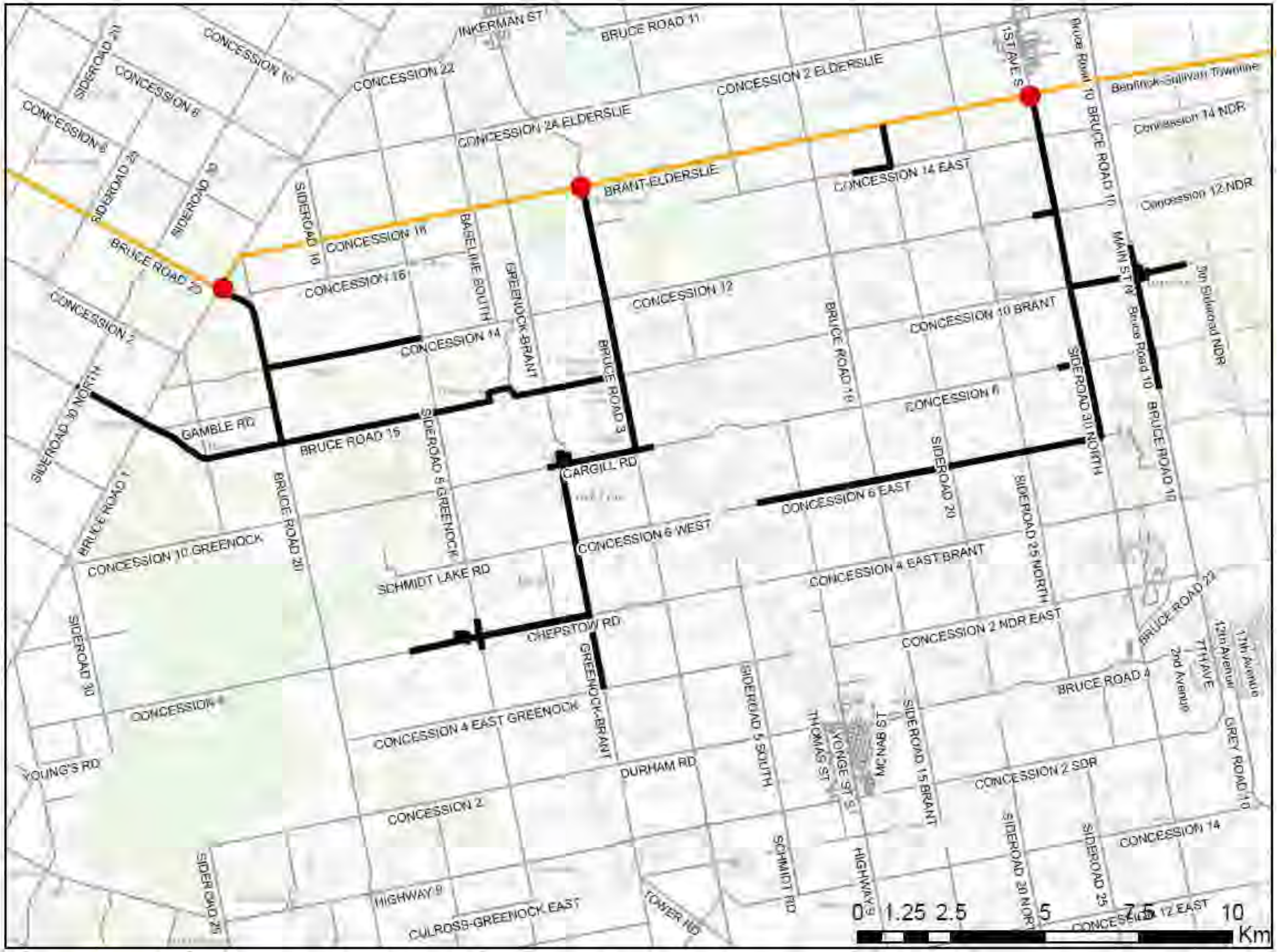
N

Brockton Natural Gas Expansion

Stage 1 - Proposed Route

Existing Southern Bruce Distribution Line

System Interconnect



Service Layer Credits:
Sources: Esri, HERE, Garmin, Intermap, increment P Corp., GEBCO, USGS, FAO, NPS, NRCAN, GeoBase, IGN, Kadaster NL, Ordnance Survey, Esri Japan, METI, Esri China

EPCOR

N

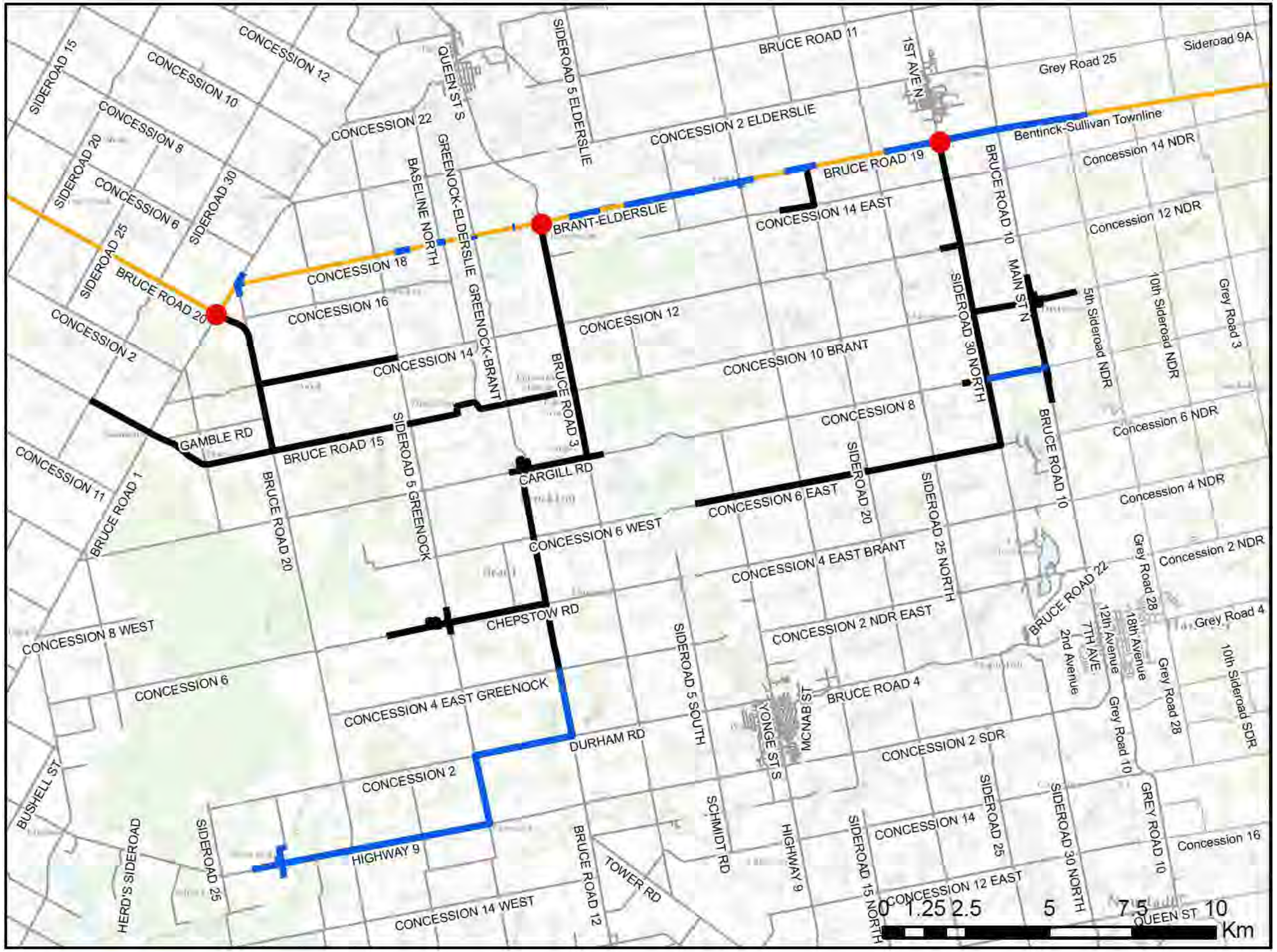
Brockton Natural Gas Expansion

Stage 1 - Proposed Route

Stage 2 - Proposed Route

Existing Southern Bruce Distribution Line

System Interconnect



Expansion in Two Stages

	Line (KM)	(%) Original	Potential Customer	(%) Original	Forecast Customer	(%) Original
Total (Original)	107	100%	755	100%	500	100%
Stage 1	80.5	75%	637	84%	423	84%
Stage 2	26.5	25%	118	16%	77	16%

Service Layer Credits:
Sources: Esri, HERE, Garmin, Intermap, increment P Corp., GEBCO, USGS, FAO, NPS, NRCAN, GeoBase, IGN, Kadaster NL, Ordnance Survey, Esri Japan, METI, Esri China

CERTIFICATION OF EVIDENCE

The undersigned, being EPCOR Ontario Utilities Inc.'s Vice President, Ontario Region, Susannah Robinson hereby certifies for and on behalf of EPCOR Natural Gas Limited Partnership (EPCOR), as general partner of ENGLP that:

1. I am a senior officer of EPCOR Ontario Utilities Inc., which is the general partner of EPCOR;

2. This certificate is given pursuant to the Ontario Energy Board's (the "**Board**") Natural Gas Facilities Handbook dated March 31, 2022; and

3. The evidence submitted in support of EPCOR's Brockton Leave to Construct, filed with the Board on June 29, 2023 is accurate, consistent and complete to the best of my knowledge.

4. The evidence filed in support of this application does not include any personal information (as that phrase is defined in the Freedom of Information and Protection of Privacy Act), that is not otherwise redacted in accordance with rule 9A of the OEB's Rules of Practice and Procedure.

DATED this 29th day of June, 2023

Susannah Robinson

Vice President, Ontario Region

EPCOR Ontario Utilities Inc.

Project Need

Introduction

1. The Project will bring natural gas service to approximately 637 potential customers in the Municipality of Brockton, Municipality of West Grey, Municipality of Kincardine, and Township of Arran-Elderslie. Of these potential customers, there are approximately 572 residential, 35 commercial properties, along with 30 agricultural properties. Although certain sections of the Municipality of Brockton currently have natural gas service, the service area has been limited to the southern part of the Municipality. EPCOR's expansion will provide natural gas service to the northern area of the Municipality.

2. The Project has been approved to receive funding support from Phase 2 of the Government of Ontario's Natural Gas Expansion Program ("**NGEP**") as announced on June 9, 2021.[1]

3. EPCOR's proposed expansion of its distribution system into the Municipality of Brockton and neighbouring communities, will directly support the Government of Ontario's NGEP by providing safe, affordable and clean natural gas distribution service to the Project Communities.

4. EPCOR is proposing construction of the natural gas distribution system in 2024.

Energy Cost Comparison

5. Table 1 below compares the cost of natural gas to heating oil and electricity for residential space and water heating purposes. Natural gas continues to be the lowest cost energy source for homes in Ontario. EPCOR estimates that Rate 1 natural gas customers would save 38% on their home heating costs compared to electricity, 44% compared to heating oil, and 41% compared to propane.

[1] On. Reg. 451/21: Expansion of Natural Gas Distribution Systems, made under the OEB Act

Table 1: Cost Comparison of Alternative Energy Sources

Energy Source	Usage	Annual Bill	Annual Savings from Switching to NG	Annual Savings from Switching to NG
Natural Gas	1,464 (m3)	$1,314	N/A	N/A
Propane	2,242 (L)	$2,213	$899	41%
Fuel Oil	1,635 (L)	$2,351	$1,037	44%
Electricity	15,931 (kWh)	$2,109	$795	38%

Market Research

6. In January 2020, The Municipality of Brockton retained Innovative Research Group, an independent third party market research group to conduct the “Brockton Natural Gas Line Load Forecasting Survey” (the “**Survey**”), a market survey to gauge the interest of residents and business in natural gas distribution service and conversions. The Survey was completed with the support of EPCOR, and was used in the development of the Project application for Phase 2 NGEP. The results of the Survey are summarized in Attachment 1 of this Exhibit.

7. In addition, EPCOR conducted its own in-person interviews of larger agricultural customers including those that operate grain dryers and heat production barns. All of these customers currently use propane for their heating needs. All respondents indicated that if natural gas became available they would be interested in converting their heating systems to natural gas.

8. The Survey informed residents and commercial/industrial consumers about the proposed Project and sought information pertaining to the characteristics of dwellings/buildings, including:

   a) their nature (i.e., residential dwelling, commercial space, industrial space, etc…);

   b) the current fuel type relied upon; and

   c) interest in converting to natural gas-fueled equipment and/or appliances.

9. Results from the Survey indicate that in the survey area the split between fuel sources for residents is currently 41% propane forced air, 18% wood stove/fireplace, and 12% oil forced air. 89% of respondents indicated that they would be likely (definitely or somewhat likely) to convert to natural gas if it were made available. Cost savings were the primary reasons cited by respondents who reported that they would likely convert to natural gas if it were made available.

10. EPCOR also conducted its own in-person interviews with large agricultural customers, including those that currently have grain drying facilities or requirements to heat production barns. Of the total of four such customers contacted before EPCOR submitted its NGEP application, all indicated an interest in converting to natural gas once it became available. These customers generally use propane as their major heat source at this time. Letters of support from these customers are included in Attachment 2 of this Exhibit.

11. The Municipality of Brockton has also indicated its support of the Project through a letter to EPCOR a copy of which is included in Attachment 3 of this Exhibit.

Growth Forecast

12. Using the Survey, as well as the in-person interviews as a basis, EPCOR has developed a 10-year growth profile for customer additions as set out in Table 2 below.

Table 2: Projected Customer Additions

Rate Class	Potential Customers	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	Total Forecasted
Rate 1 Incremental	619	70	220	31	23	22	19	10	7	3	1	406
Rate 1 Cumulative		70	289	321	343	365	385	395	402	405	406	
Rate 6 Incremental	14	2	8	3	-	-	-	-	-	-	-	13
Rate 6 Cumulative		2	10	13	13	13	13	13	13	13	13	
Rate 11 Incremental	4	3	1	-	-	-	-	-	-	-	-	4
Rate 11 Cumulative		3	4	4	4	4	4	4	4	4	4	
Total Incremental		75	229	34	23	22	19	10	7	3	1	423
Total Cumulative	637	75	304	338	361	383	402	412	419	422	423	

Expansion Project Schedule

13. A schedule of the Project's key milestones is included in Table 3:

Table 3: Brockton Natural Gas Expansion Project Schedule

Item	Estimated Date(s)	Notes
Application to the OEB ("**LTC**")	June 28, 2023	Submission of LTC by EPCOR
Approval of LTC	February 14, 2024	Up to 210 calendar days after LTC is submitted by EPCOR.
Indigenous Engagement	Continuous	Consultation and engagement will occur throughout the project life cycle.
Environmental Assessment	June 2022 to Dec 2023	Included in this Application. Work is ongoing regarding Indigenous engagement, potential for stage 2 archaeological work, and the ecological land classification.
Environmental Permits	Sept 2023 to April 2024	Environmental permits identified, applications to be submitted and approvals received from applicable regulatory bodies.
Municipal Consent	Sept 2023 to April 2024	Review, discussion and approval from Municipality on distribution pipeline route.
Design / Pre-construction	April 2023 to March 2024	Engineering, validation of distribution pipeline alignment, construction planning, procurement of long lead items, construction yard arranged, material staging and other related pre-construction activities.
Construction	April 2024 to December 2024	Major construction of Facilities
Commissioning	July 2024 to December 2024	Includes pipe cleaning and purging
In-service	December 2024	Mainline ready for major customer light-ups

14. Construction activity will not occur until LTC approval is received, along with other necessary environmental, municipal and regulatory approvals. Throughout the LTC adjudication period in 2023 and potentially 2024, EPCOR intends to continue planning and preparations to ensure construction can occur in 2024.

15. Throughout 2023 and 2024, EPCOR will work to confirm the following are in place prior to a 2024 construction start: archeological assessment, municipal permits (municipal consent) and environmental conservation authority permits.

16. Based on EPCOR's prior experience working in the region, one of the primary items to consider is the "in-water construction period" which is stipulated and permitted by the local conservation authorities. This in-water construction period restricts in-water work (which includes directional drills underneath a water crossing), to occur only within certain windows in the summer. Permits and construction packages are expected to be in place prior to the 2024 construction season, which will include the specific restrictions and requirements around these particular windows.

Related EPCOR Natural Gas Projects

17. This Project is not dependent on any previously filed leave to construct applications by EPCOR, and has been proposed to expand service within the proximity of the existing Southern Bruce natural gas system into regions currently not serviced by a natural gas utility provider.

Conclusion

18. The Project has been selected by the Government of Ontario to support the NGEP and is designed to expand access of safe, reliable, and affordable natural gas to unserved areas of Ontario. The need for the Project is supported by EPCOR's market research which demonstrates the affordability of natural gas relative to alternative energy sources for customers in Municipality of Brockton, Municipality of West Grey, Municipality of Kincardine, and Township of Arran-Elderslie.

Alternatives

1. The Brockton Natural Gas Expansion Project was designed as a community expansion project in response to the Government of Ontario's Access to Natural Gas Act, 2018 and NGEP (Phase 2) which called for communities and natural gas distributors to work together to expand access to natural gas in unserved areas of Ontario. Accordingly, a description of the proposed Project (including preliminary facility design and estimated Project costs) was submitted to the OEB and the Government of Ontario. On the basis of this proposal on June 30, 2021, the Government of Ontario announced that the Project, along with 27 others, had been selected for funding under Phase 2 of the NGEP. As a project that is driven by government legislation or policy, with related funding explicitly aimed at delivering natural gas into communities, work to evaluate facility alternatives such as non-pipeline and hybrid alternatives were not considered as part of this natural gas expansion project. EPCOR did however assess routing alternatives as described in Section 2.4 of the Environmental Report.

Proposed Project

1. EPCOR is proposing to expand its natural gas distribution system within two South Bruce Municipalities (the Township of Arran-Elderslie and the Municipality of Kincardine) and bring natural gas service to a number of unserved areas in the Municipality of Brockton and the Municipality of West Grey.

2. In early 2023, EPCOR updated the economics of the Project and determined that costs had increased as a result of industry wide construction and maintenance inflationary increases. In addition, EPCOR now has sufficient data from its adjacent South Bruce system to forecast an annual residential consumption level, which is estimated at 1,450m3. This is a reduction from the default value of 2,200m3 used in the guidelines for potential projects for Phase 2 Natural Gas Expansion program[1]. As a result of these updates, the project would no longer achieve a Profitability Index ("**PI**") of 1.0. As an alternative to cancelling the project, EPCOR has modified its scope such that it achieves the economics necessary to achieve a PI of 1.0. A map of the updated project scope is included in Exhibit A - Attachment 1 and the original scope included in Exhibit A - Attachment 2. If the Province authorizes a Phase 3 of the NGEP, EPCOR intends to submit a proposal to construct the remaining elements of the original project.

3. The Project proposes to connect customers in these municipalities by installing approximately 80.6 km of natural gas pipeline consisting of approximately 34.1 km of 4-inch diameter pipe and 46.5 km of 2-inch diameter pipe. Connections to feed this new distribution system will be made from the existing South Bruce distribution system. Connections will be made at the existing Chelsey pressure reducing station, Paisley pressure reducing station as well as Valve Site #2 located near the intersection of Bruce Road 1 and Bruce Road 20.

---

[1] EB-2019-0255, OEB Final Guidelines Section 35 Gas Expansion Phase II, March 5, Appendix A, Part 3.3, page 3.

4. The distribution system pressure will be regulated at these locations and will operate below 552 kPa (80 psi). Several farm taps will be installed off the existing 8-inch steel pipeline to feed customers along this route. Pressure will be regulated at each of the farm tap locations and will operate at less 552 kPa (80 psi). It is anticipated the project will be located within existing road allowances, where possible.

5. EPCOR will design and install a Supervisory Control and Data Acquisition ("**SCADA**") system to continuously monitor the main parameters of the distribution system expansion, in addition to what EPCOR already has installed on the existing network, to ensure reliability.

6. Table 1 summarizes the design specifications of the pipe and fittings that are intended to be used to construct the proposed facilities.

Table 1: Proposed Project Facilities

	Facility	**Approximate Length (km)**	**Description**	**Pressure (PSI)**
Pipeline	Paisley Station to Chepstow Rd.	15	MDPE NPS 4	<80
	Chesley Station to Concession 6 East	14	MDPE NPS 4	<80
	Valve Site #2	5	MDPE NPS 4	<80
	Community Distribution Piping	46.5	MDPE NPS 2	<80
Stations	**Facility**	**Description**		
	Chesley station	Existing Pressure Regulating Station		
	Paisley station	Existing Pressure Regulating Station		
	Valve Site #2	Existing Pressure Regulating Station		

7. Tables 2 and 3 provide a summary of the design specifications of the pipe and fittings intended to be used for the proposed facilities.

Table 2: NPS 4 MDPE Pipeline Specifications

Pipe	Pipe - NPS 4	Units
Material	Medium Density Polyethylene	
Diameter	114.3	mm
Wall Thickness	10.4	mm
Grade	SDR 11	MPa
Specification	CSA B137.4	
Material Toughness	N/A	
Pipe coating specification	N/A	
Cathodic protection	N/A	
Class Location	3	
Design Pressure	690	kPa
Hoop Stress at Design Pressure	N/A	
Maximum Operating Pressure (MOP)	690	kPa
Hoop Stress at MOP	N/A	
Minimum Cover	0.75	m
Fittings	CSA B137.4	
Flanges	N/A	
Valves	CSA B137.4	
Testing Medium	Nitrogen or Air	
Strength Test Hydrostatic Pressure	966	kPa
Hoop Stress at Strength Test Pressure	N/A	
Leak Test Hydrostatic Pressure	N/A	

Table 3: NPS 2 MDPE Pipeline Specifications

Pipe	Pipe - NPS 2	Units
Material	Medium Density Polyethylene	
Diameter	60.3	mm
Wall Thickness	5.5	mm
Grade	SDR 11	MPa
Specification	CSA B137.4	
Material Toughness	N/A	
Pipe coating specification	N/A	
Cathodic protection	N/A	
Class Location	3	
Design Pressure	690	kPa
Hoop Stress at Design Pressure	N/A	
Maximum Operating Pressure (MOP)	690	kPa
Hoop Stress at MOP	N/A	
Minimum Cover	0.75	m
Fittings	CSA B137.4	
Flanges	N/A	
Valves	CSA B137.4	
Testing Medium	Nitrogen or Air	
Strength Test Hydrostatic Pressure	966	kPa
Hoop Stress at Strength Test Pressure	N/A	
Leak Test Hydrostatic Pressure	N/A	

8. All components of the distribution system will be pressure tested in accordance with CSA Z662:19 - Oil and Gas Pipeline Systems. The NPS 2 and NPS 4 MDPE pipeline will be pneumatically tested (i.e., tested with nitrogen or air). Testing shall be at a pressure not less than 1.4 times the maximum operating pressure, which shall not exceed 966 kPa (140 psi). The test duration is a minimum of twenty-four hours.

9. Design specifications are in accordance with the Technical Standards and Safety Act, 2000,[2] and its regulations, including Ontario Regulation 210/01, Oil and Gas

[2] Technical Standards and Safety Act, 2000, S.O. 2000, c. 16

Pipeline Systems ("Oil and Gas Pipeline Systems Regulation") and applicable Canadian Standards Association ("**CSA**") standards.

10. EPCOR will utilize and install medium density polyethylene ("**MDPE**") components and fittings for the system and will comply with all necessary CSA standards. The distribution systems will consist of piping ranging in size from NPS 4 to NPS 2. All distribution piping will be MDPE as per the requirements of CSA Z662:19.

11. There are no deviations from CSA Z662:19 or any other applicable standards anticipated for the proposed project.

<u>Depths of Cover</u>

12. All buried pipe will be covered following Table 4.9 Cover and Clearance as found in CSA Z662:19. Each specific section of pipe is detailed in the design specifications tables in Table 2 and Table 3.

<u>Construction Procedures</u>

13. EPCOR is working with a reputable construction company to complete the design, and if the Project is approved, the construction and installation of the system. The construction will follow EPCOR's Construction and Maintenance procedures and well as the reputable contractor's standards and procedures. The construction standards and practices that form the basis of EPCOR's procedures are based on standard practices for gas systems construction in the Province of Ontario and both CSA and Technical Standards and Safety Authority ("**TSSA**") standards, requirements and practices. These construction specifications will be updated to reflect the site-specific conditions found on this Project.

14. It is expected that the entire distribution system will be installed within the existing road allowance.

15. EPCOR will develop an Environmental Protection Plan ("**EPP**") that will incorporate the mitigating measures recommended in the Environmental Report and will also incorporate comments provided during the Ontario Pipeline Coordinating Committee ("**OPCC**") review process. This plan will help minimize the impact of construction activities on the surrounding environment and communities. This is described further in Exhibit F - Environmental Impacts

16. EPCOR will provide its own inspection team to ensure the contractor meets all contractual obligations including but not limited to: complying with EPCOR health and safety standards, upholding environmental mitigating measures as specified in the EPP, meeting all code requirements, quality control/quality assurance procedures, and safeguarding public safety, during construction. The team will inspect the installation of the distribution system as well as service connections in accordance with EPCOR's quality assurance and training program. Items such as acceptance of MDPE fusion, material quality and depth of cover will be inspected and verified.

17. The contractor will utilize several crews with specific tasks which will create a finished pipeline when combined.

18. The major tasks are: clearing, grading, surveying, trenching, stringing, boring (as needed for Horizontal Directional Drilling), fusing (MDPE pipe), tie-in, backfilling, testing and clean-up.

19. While EPCOR anticipates the need for limited tree removal, the contractor will work to remove trees, when possible, during the early spring before major construction starts to avoid the avian nesting season. If it is not possible to access the land or easements in time, then mitigation measures specified in section 4.3.3 of the Environmental Report will be followed.

20. The clearing crews will start by accessing the rights-of-way by clearing small bushes and objects.

21. After major construction is complete along the Preferred Route, the clean-up crew will ensure that the site conditions are returned to pre-construction conditions as required.

22. EPCOR will provide the TSSA a copy of the detail design of the proposed facilities once finalized.

23. EPCOR confirms that it will file a risk assessment to the TSSA in accordance with CSA Z662 Annex B once the facilities detail designs are finalized.

Project Cost and Economics

Estimated Project Costs

1. EPCOR estimated the total Project cost to be $24,475,889. Table 1 shows the itemized project costs.

Table 1: Proposed Project Cost

Item	Description	Project Estimate ($)
Material Cost	MDPE pipe (NPS 2, NPS 4), fittings, stations, meters, services and service line components, etc.	$2,405,484
Labour and Construction Cost	Labour and construction costs to install NPS 2, NPS 4, pressure reducing stations, meters, services and service line components.	$15,380,787
External Costs	Geotechnical, engineering, consultation, land, surveying / locates, modeling, etc.	$2,724,065
Direct Capital Cost	Sum of Material Costs, Labour and Construction Cost, and External Costs	$20,510,337
Contingency		$3,769,975
Subtotal before IDC		$24,280,313
Interest During Construction		$195,575
Total Project Costs		$24,475,889

2. American Association of Cost Engineering ("**AACE**") estimation standard as well as internal EPCOR capital cost estimation policy were used as a guide, along with EPCOR's experience in installing distribution network in close proximity to the Project over the past three years for the South Bruce expansion.

3. The cost estimate in Table 2 above includes a contingency of 18% on all direct costs. This contingency has been calculated based on EPCOR's experience installing MDPE and connecting customers in close proximity to the Proposed Project over the past three years.

4. Project customers will be subject to regulated rates in accordance with the Southern Bruce tariff as approved in EB-2018-0264. The most recent custom IR decision for this tariff can be referenced in hearing EB-2022-0184. The primary rationale behind this approach is to support both operational and regulatory efficiencies. While still subject to the LTC threshold, the Brockton expansion is simply an expansion of the existing Southern Bruce gas distribution system and would not benefit from a unique rate zone classification or separate rate structure.

5. EPCOR intends to utilize the same contractor, similar project team and resources to execute the Proposed Project as it has engaged with the Southern Bruce, and other projects. EPCOR will utilize best practices of project monitoring and project controls.

6. EPCOR has based the above costs on a fixed unit price contract that it is in the process of completing with its contractor for the Proposed Project.

<u>Project Economics</u>

7. An economic analysis has been completed in accordance with the OEB's recommendations in its E.B.O. 188 Report of the Board on Natural Gas System Expansion ("**E.B.O. 188**"). A Discounted Cash Flow ("**DCF**") analysis for the Project is included in Attachment I to this Exhibit.

8. The DCF analysis for the Project has been completed based on EPCOR's latest feasibility parameters (e.g. long-term debt rates, OEB discount rates, tax rates etc.). The analysis includes the funding awarded for this expansion through Phase 2 of the NGEP. It also includes the revenue that would be generated if

residential usage averages 1,450m3 as per the application for a BCVVA as detailed in Exhibit J of this application. Attachment II to this Exhibit details the key inputs, parameters and assumptions used in completing the DCF analysis.

9. The Project revenue horizon is 40-years. An additional 423 customers are forecast to connect to the Brockton system expansion over the 10-year customer attachment period.

10. On July 1, 2019, section 36.2 of the OEB Act came into effect pursuant to the Access to Natural Gas Act, 2018, which establishes a framework for the funding of natural gas expansion projects by natural gas ratepayers. Ontario Regulation 24/19, Expansion of Natural Gas Distribution Systems (the "Expansion Regulation") sets out projects that are eligible for financial support subject to receiving any necessary OEB approvals, and the mechanism by which funding is collected from ratepayers and distributed to the project proponents. The Expansion Regulation also requires that rate-regulated natural gas distributors charge each of their customers $1 per month (for each account that the customer has with the natural gas distributor) to provide funding for the eligible expansion projects. Schedule 2 of the Expansion Regulation establishes the Project as one to receive funding up to $20,340,000.

11. The DCF analysis includes the $20.34 million of program funding which is treated similarly to a contribution in aid of construction. The total capital cost, net of program funding, over the 10-year attachment period is $24.48 million.

12. Consistent with the direction in the OEB's decision in EB-2019-0255[1], EPCOR will apply a 10-year rate stability period during which EPCOR will bear the risk of customer attachment and capital cost forecast for the Project. If the next rebasing for the Southern Bruce tariff does not align with the 10-year rate stability period for this expansion, EPCOR intends to include the forecasted customer

---

[1] March 5, 2020, Final Guidelines for Potential Projects to Expand Access to Natural Gas, Appendix A. page 4

attachments and capital cost as included in this application. It is expected that at the rebasing subsequent to the end of the 10-year rate stability period that EPCOR will include actual customer attachment and actual capital costs.

13. Based on the forecast of the Project's costs and revenues, before program funding the Profitability Index ("**PI**") is 0.28. With program funding the PI is 1.0 with a NPV of $0.

14. The estimate of the NPV and PI is subject to change as the Project is progressed through final design and construction. As noted above, subject to certain conditions, the Project has been awarded $20.34 million in funding, the full value of which is necessary to achieve the estimated NPV and PI. A number of controls will be utilized in order to manage cost and schedule during the construction period. Key controls have been detailed above.

15. Based on the results of the E.B.O. 188 analysis including the program funding awarded by the Government of Ontario and final approval of the BCVVA, EPCOR submits that the Project is economically justified.

EBO 188

Year		After-tax WACC	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040	2041	2042
PV Factor (mid-year discounting)		5.66%	0.97	0.92	0.87	0.82	0.78	0.74	0.70	0.66	0.63	0.59	0.56	0.53	0.50	0.48	0.45	0.43	0.40	0.38	0.36
First Year of Customer Attachment		2024																			
1. PV of Operating Cash Flow																					
1a) PV of Net Operating Cash																					
Revenue	$ '000s		233	548	610	634	658	654	663	672	675	676	676	676	676	676	676	676	676	676	676
O&M and Overheads	$ '000s		(145)	(291)	(291)	(291)	(291)	(291)	(291)	(291)	(291)	(291)	(291)	(291)	(291)	(291)	(291)	(291)	(291)	(291)	(291)
Net Working Capital	$ '000s		(26)	(23)	(1)	(0)	(0)	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Net Operating Cash	$ '000s		62	234	318	343	367	363	372	381	384	385	385	385	385	385	385	385	385	385	385
		Row Sum																			
PV of Net Operating Cash	$ '000s	5,630	60	215	277	283	286	268	260	252	240	228	216	204	194	183	173	164	155	147	139
1b) PV of Taxes																					
Municipal Taxes	$ '000s		0	(32)	(64)	(64)	(64)	(64)	(64)	(64)	(64)	(64)	(64)	(102)	(102)	(102)	(102)	(102)	(102)	(102)	(102)
Income Taxes (before CCA and Interest Tax Shields)	$ '000s		(23)	(59)	(68)	(74)	(80)	(79)	(82)	(84)	(85)	(85)	(85)	(75)	(75)	(75)	(75)	(75)	(75)	(75)	(75)
Total Taxes	$ '000s		(23)	(92)	(132)	(138)	(145)	(144)	(146)	(148)	(149)	(149)	(149)	(177)	(177)	(177)	(177)	(177)	(177)	(177)	(177)
		Row Sum																			
PV of Taxes	$ '000s	(2,422)	(23)	(84)	(115)	(114)	(113)	(106)	(102)	(98)	(93)	(89)	(84)	(94)	(89)	(84)	(80)	(76)	(71)	(68)	(64)
2. PV of Capital																					
Capital Expenditures	$ '000s		(23,680)	(271)	(83)	(80)	(80)	(40)	(29)	(14)	(4)	0	0	0	0	0	0	0	0	0	0
Customer Contributions	$ '000s		20,340	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Net Capital Expenditure	$ '000s		(3,340)	(271)	(83)	(80)	(80)	(40)	(29)	(14)	(4)	0	0	0	0	0	0	0	0	0	0
		Row Sum																			
PV of Capital	$ '000s	(3,761)	(3,249)	(249)	(73)	(66)	(62)	(29)	(20)	(10)	(2)	0	0	0	0	0	0	0	0	0	0
3. PV of CCA Tax Shield																					
CCA	$ '000s		229	201	195	189	184	175	167	159	151	142	134	127	119	113	106	100	95	89	84
Tax Rate	%		26.50%	26.50%	26.50%	26.50%	26.50%	26.50%	26.50%	26.50%	26.50%	26.50%	26.50%	26.50%	26.50%	26.50%	26.50%	26.50%	26.50%	26.50%	26.50%
Tax Rate x CCA	$ '000s	**Row Sum**	61	53	52	50	49	46	44	42	40	38	36	34	32	30	28	27	25	24	22
PV of CCA Tax Shield	$ '000s	553	59	49	45	41	38	34	31	28	25	22	20	18	16	14	13	11	10	9	8
4. NPV and PI Calculations																					
		40-Year NPV Sum																			
PV of Net Operating Cash	$ '000s	5,630	60	215	277	283	286	268	260	252	240	228	216	204	194	183	173	164	155	147	139
PV of Taxes	$ '000s	(2,422)	(23)	(84)	(115)	(114)	(113)	(106)	(102)	(98)	(93)	(89)	(84)	(94)	(89)	(84)	(80)	(76)	(71)	(68)	(64)
PV of CCA Tax Shield	$ '000s	553	59	49	45	41	38	34	31	28	25	22	20	18	16	14	13	11	10	9	8
PV of Capital	$ '000s	(3,761)	(3,249)	(249)	(73)	(66)	(62)	(29)	(20)	(10)	(2)	0	0	0	0	0	0	0	0	0	0
Sum	$ '000s	0	(3,152)	(70)	134	144	149	167	169	172	170	162	152	128	120	113	106	100	94	88	83
NPV	$ '000s		(3,152)	(3,222)	(3,088)	(2,944)	(2,794)	(2,627)	(2,458)	(2,286)	(2,116)	(1,954)	(1,802)	(1,674)	(1,553)	(1,440)	(1,334)	(1,234)	(1,140)	(1,052)	(969)
Cumulative PV of Net Operating Cash, Taxes and CCA	$ '000s		97	276	483	693	905	1,101	1,290	1,472	1,644	1,807	1,959	2,087	2,207	2,320	2,426	2,526	2,620	2,708	2,791
Cumulative PV of Capital	$ '000s	**Year 40 PI**	(3,249)	(3,499)	(3,571)	(3,637)	(3,699)	(3,728)	(3,749)	(3,758)	(3,761)	(3,761)	(3,761)	(3,761)	(3,761)	(3,761)	(3,761)	(3,761)	(3,761)	(3,761)	(3,761)
PI		**1.00**	0.03	0.08	0.14	0.19	0.24	0.30	0.34	0.39	0.44	0.48	0.52	0.55	0.59	0.62	0.65	0.67	0.70	0.72	0.74

Year		2043	2044	2045	2046	2047	2048	2049	2050	2051	2052	2053	2054	2055	2056	2057	2058	2059	2060	2061	2062	2063
PV Factor (mid-year discounting)		0.34	0.32	0.31	0.29	0.27	0.26	0.25	0.23	0.22	0.21	0.20	0.19	0.18	0.17	0.16	0.15	0.14	0.13	0.13	0.12	0.11
First Year of Customer Attachment																						
1. PV of Operating Cash Flow																						
1a) PV of Net Operating Cash																						
Revenue	$ '000s	676	676	676	676	676	676	676	676	676	676	676	676	676	676	676	676	676	676	676	676	676
O&M and Overheads	$ '000s	(291)	(291)	(291)	(291)	(291)	(291)	(291)	(291)	(291)	(291)	(291)	(291)	(291)	(291)	(291)	(291)	(291)	(291)	(291)	(291)	(291)
Net Working Capital	$ '000s	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Net Operating Cash	$ '000s	385	385	385	385	385	385	385	385	385	385	385	385	385	385	385	385	385	385	385	385	385
PV of Net Operating Cash	$ '000s	132	125	118	112	106	100	95	89	85	80	76	72	68	64	61	58	55	52	49	46	44
1b) PV of Taxes																						
Municipal Taxes	$ '000s	(102)	(102)	(102)	(102)	(102)	(102)	(102)	(102)	(102)	(102)	(102)	(102)	(102)	(102)	(102)	(102)	(102)	(102)	(102)	(102)	(102)
Income Taxes (before CCA and Interest Tax Shields)	$ '000s	(75)	(75)	(75)	(75)	(75)	(75)	(75)	(75)	(75)	(75)	(75)	(75)	(75)	(75)	(75)	(75)	(75)	(75)	(75)	(75)	(75)
Total Taxes	$ '000s	(177)	(177)	(177)	(177)	(177)	(177)	(177)	(177)	(177)	(177)	(177)	(177)	(177)	(177)	(177)	(177)	(177)	(177)	(177)	(177)	(177)
PV of Taxes	$ '000s	(61)	(57)	(54)	(51)	(49)	(46)	(44)	(41)	(39)	(37)	(35)	(33)	(31)	(30)	(28)	(27)	(25)	(24)	(22)	(21)	(20)
2. PV of Capital																						
Capital Expenditures	$ '000s	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Customer Contributions	$ '000s	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Net Capital Expenditure	$ '000s	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
PV of Capital	$ '000s	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
3. PV of CCA Tax Shield																						
CCA	$ '000s	79	75	71	67	63	59	56	53	50	47	44	42	39	37	35	33	31	29	28	26	25
Tax Rate	%	26.50%	26.50%	26.50%	26.50%	26.50%	26.50%	26.50%	26.50%	26.50%	26.50%	26.50%	26.50%	26.50%	26.50%	26.50%	26.50%	26.50%	26.50%	26.50%	26.50%	26.50%
Tax Rate x CCA	$ '000s	21	20	19	18	17	16	15	14	13	12	12	11	10	10	9	9	8	8	7	7	7
PV of CCA Tax Shield	$ '000s	7	6	6	5	5	4	4	3	3	3	2	2	2	2	1	1	1	1	1	1	1
4. NPV and PI Calculations																						
PV of Net Operating Cash	$ '000s	132	125	118	112	106	100	95	89	85	80	76	72	68	64	61	58	55	52	49	46	44
PV of Taxes	$ '000s	(61)	(57)	(54)	(51)	(49)	(46)	(44)	(41)	(39)	(37)	(35)	(33)	(31)	(30)	(28)	(27)	(25)	(24)	(22)	(21)	(20)
PV of CCA Tax Shield	$ '000s	7	6	6	5	5	4	4	3	3	3	2	2	2	2	1	1	1	1	1	1	1
PV of Capital	$ '000s	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Sum	$ '000s	78	74	69	65	62	58	55	52	49	46	43	41	39	36	34	32	31	29	27	26	24
NPV	$ '000s	(891)	(817)	(748)	(683)	(621)	(563)	(508)	(457)	(408)	(362)	(319)	(278)	(240)	(204)	(169)	(137)	(106)	(77)	(50)	(24)	0
Cumulative PV of Net Operating Cash, Taxes and CCA	$ '000s	2,870	2,943	3,013	3,078	3,139	3,197	3,252	3,304	3,352	3,398	3,441	3,482	3,521	3,557	3,591	3,624	3,654	3,683	3,710	3,736	3,761
Cumulative PV of Capital	$ '000s	(3,761)	(3,761)	(3,761)	(3,761)	(3,761)	(3,761)	(3,761)	(3,761)	(3,761)	(3,761)	(3,761)	(3,761)	(3,761)	(3,761)	(3,761)	(3,761)	(3,761)	(3,761)	(3,761)	(3,761)	(3,761)
PI		0.76	0.78	0.80	0.82	0.83	0.85	0.86	0.88	0.89	0.90	0.92	0.93	0.94	0.95	0.95	0.96	0.97	0.98	0.99	0.99	1.00

Assumptions and Results

In Service Year		2024
Discount Rate (After-tax WACC)		5.66%
Operating Cash Flow		
Incremental Distribution Revenues		Southern Bruce Rates*
Expenses:		
Operating and Maintenance Expenses		Estimated Incremental costs
Operating and Maintenance Expenses		Estimated Incremental costs
Income Tax Rate		26.50%
Capital Expenditures		
Gross Capital Costs		24,280
Funding		(20,340)
Net Capital Costs		3,940
CCAP Tax Shield		
	CCA Class	**CCA Rate**
Distribution Mains	Class 51	6.00%
Customer Service Lines and Meters	Class 51	6.00%
Distribution Land Rights	CCA Class 14.1	5.00%

Declining balance basis with accerlerated CCA (Bill C-97)

Feasibility Results	NPV	PI
Economic Feasibility without Funding	(16,907)	0.28
Economic Feasibility with Funding	0	1.00

*Southern Bruce rates effective January 1, 2023 adjusted for estimated escalation rate of 2.03%.
2.03% is derrived by the prescribed formula (1-0.314)*0.0127+0.314*3.70%
3.70% is the OEB approved inflation rate for 2023

Environmental Impacts and Public Engagement

1. EPCOR retained Stantec Consulting Ltd. ("**Stantec**") to undertake an Environmental Study of the Project which fulfills the requirements of the OEB's "Environmental Guidelines for the Location, Construction and Operation of Hydrocarbon Pipelines and Facilities in Ontario, 7th Edition (2016)". The potential effects and impacts of the Project on physical, biophysical, and socioeconomic features have been assessed for the Project. As part of the development of the study, EPCOR and Stantec implemented a consultation program to receive input on the Project from interested and potentially affected parties including Indigenous communities.

2. The results of the study are found in the Environmental Report ("**ER**") Brockton Natural Gas Expansion Project included as Exhibit F, Attachment 1.

3. EPCOR supports Stantec's findings contained within the ER.

4. The objectives of the ER are to:

   - Identify a Preferred Route ("**PR**") that reduces potential environmental impacts;
   - Complete a detailed review of environmental features along the Preferred Route and assess the potential environmental impacts of the Project on these features;
   - Establish mitigation and protective measures that may be used to reduce or eliminate potential environmental impacts of the Project;
   - Develop a consultation program to receive input from interested and potentially affected parties; and
   - Identify any necessary supplemental studies, monitoring, and contingency plans.

5. Details of the process can be found in Section 1.0 of the ER. Details of the route evaluation and selection can be found in Section 2.0 of the ER. Details of the consultation and engagement program can be found in Section 3.0 of the ER.

6. A Notice of Study Commencement, In-Person and Virtual Open House details (the "**Notice**") for the Project was published in two local newspapers (Hanover Post on June 16 and June 26, 2022 and Walkerton Herald Times on June 16 and June 23, 2022). Copies of these Notices are included in Appendix B3 of the ER. Letters describing the Project and the environmental study process, providing a map showing the PR, as well as details regarding the in-person and virtual open house, were emailed to Indigenous and Metis communities, federal and provincial agencies, the OPCC and municipalities and special interest groups on June 14, 2022. A copy of the letter is included in Appendix B4 with the contact list included in Appendix B2 of the ER. The letter provided Project contact details and solicited information (as applicable) regarding:

   (i) planning principles or guidelines that may affect the Project;

   (ii) background environmental and socio-economic information;

   (iii) other developments proposed in the area; and

   (iv) the impacts that the Project may have on constitutionally protected aboriginal or treaty rights and measures for mitigating those impacts.

7. Letters that contained the newspaper notice were sent via Canada Post to landowners within 1 km of the Study Area on June 15, 2022.

8. An In-Person Open House was held on Monday, June 27, 2022. A Virtual Open House was available for viewing from Tuesday, June 21, 2022 through Tuesday, July 7, 2022. The consultation log for each of these events is included in Appendix B6 of the Environmental Report which is located in Exhibit F, Attachment 1.

9. Project information is provided on the EPCOR website: epcor.com/brocktonng

10. The website includes an overview of the Project, Project notices, updates, open house display boards, and environmental study.

11. EPCOR sent an email with a link to access the Environmental Report to Indigenous communities and the OPCC on August 26, 2022, with a request for comments by October 7, 2022. The OPCC consultation log covering this period is included in Appendix B6 of the Environmental Report which is located in Exhibit F, Attachment 1.

12. During the consultation process for development of the ER, comments were received from identified Indigenous communities, the public, interest groups, and provincial agencies. No comments were received from federal agencies or interest groups as of the writing of the ER. How responses were incorporated into the Project is noted in Section 3.5 and comment-response summary tables can be found in Appendix B6 of the ER.

13. Feedback from OPCC to date indicates no concerns.

14. EPCOR will update the Board regarding the OPCC review process of the Environmental Report if further comments or requests for information are submitted.

15. As listed in Table 4.4 of the ER, Stantec identified nineteen Species at Risk ("**SAR**") as having the potential to occur within the Project Study Area. Although potential habitat for SAR is present in the Study Area, the Preferred Route is located within an existing road allowance that is periodically disturbed for maintenance work. In addition, construction techniques will avoid some sensitive habitats (i.e., through the use of trenchless technologies such as Horizontal Directional Drilling) for areas associated with watercourses and wetlands. Potential impacts and mitigation measures for areas where construction of the pipeline may interact with wildlife and wildlife habitat, including SAR, are noted in Table 5-1 (Section 5.0) of the ER.

Environmental Impact Mitigation Measures

16. Construction of the Project will be conducted in accordance with EPCOR's Construction and Maintenance Procedures and the recommendations in the ER. An Environmental Protection Plan ("**EPP**") will be developed for the Project prior to construction.

17. The EPP will incorporate recommended mitigation measures for the environmental issues associated with the proposed works and will be communicated to the construction contractor prior to the start of construction. The EPP will also include the conditions from environmental permits secured for the project.

18. A qualified Environmental Inspector will be available to assist the Project Manager in ensuring that mitigations identified in the Environmental Report, permitting requirements and environmental requirements contained in any conditions of approval are followed and that commitments made to the public, Indigenous groups, landowners, and agencies are honoured. The Environmental Inspector and Project Manager will also ensure that any unforeseen environmental circumstances that arise before, during or after construction are appropriately addressed and mitigated.

19. Mitigation measures will be implemented to address environmental and socioeconomic features found along the Preferred Route to minimize Project impacts. Such features include but are not limited to:

- Species at risk and sensitive wildlife habitat;
- Watercourses and wetlands;
- Forests and vegetated areas;
- Archaeological and heritage resources;
- Groundwater and water well resources;
- Potentially contaminated lands; and
- First Nation and Métis Nation Interests.

20. The Environmental Report concludes that the proposed Facilities will not result in significant effects or cumulative effects on environmental and socio-economic features with the implementation of the recommended mitigation measures. A Summary of the Potential Effects and Recommended Mitigation and Protective Measures can be found in Section 5.0, Table 5.1 of the Environmental Report.

Environmental Report

21. The Environmental Report for the Project is available as Attachment 1 to this Exhibit or can be accessed online at the following link.

https://www.epcor.com/products-services/natural-gas/Pages/brockton-service.aspx

Conditions of Approval

1. The OEB has developed standard conditions that are typically imposed in leave to construct approvals[1]. EPCOR has reviewed these standard conditions and has not identified any additional or revised conditions that it requests be applied to this project.

[1] Natural Gas Facilities Handbook, EB-2022-0081, March 31, 2022, Appendix D Standard Leave to Construct Conditions of Approval

Customer Volume Variance Account

1. On July 18, 2022 EPCOR filed an IRM application[1] for changes to its natural gas distribution rates to be effective January 1, 2023. Included in the application was a request for approvals to establish a Customer Volume Variance Account for EPCOR's South Bruce service area, including the proposed expansion into the Brockton area (the "**Project Communities**"). In its decision[2] the Board found that the South Bruce Customer Volume Variance Account as approved is applicable only to the South Bruce distribution system but that EPCOR can seek the necessary rate approval at the time it seeks leave to construct approval for the Brockton community expansion.

2. EPCOR is proposing to establish a Brockton Customer Variance Account ("**BCVVA**") for the Brockton extension of the South Bruce system. The intent is to track the variance in revenue resulting from the difference between customer forecast consumption based on the current best information and actual consumption for Rate 1 customers.

3. In confirming the average residential usage to be used for the BCVVA, EPCOR has determined that the estimated annual consumption for residential customers in the adjacent South Bruce service area is approximately 1,450m3[3]. Given the close proximity of the South Bruce system to the Brockton expansion EPCOR is proposing to use that value as the forecast consumption for residential customers.

4. The guidelines for potential projects for Phase 2 Natural Gas Expansion program indicated that the default value for average consumption for residential

[1] EB-2022-0184, Application for Rates to be Effective January 1, 2023.
[2] EB-2022-0184, Decision and Order (Phase 2), April 6, 2023, Section 3.3 Applicability of the CVVA, page 13
[3] Due to the greenfield nature of the adjacent Sothern Bruce utility, EPCOR does not have long term consumption data for its customers, however, for the approximately 2,261 residential customers with gas flowing for at least 12 months as of April 2022, EPCOR is estimating an annual consumption of approximately 1,450 m3

customers was 2,200m3 per year[4]. If proponents had more accurate information regarding annual consumption in a given community that value could be used. At the time it submitted the application for the Brockton community expansion in August 2020, EPCOR did not have better estimates for residential usage so used the default value of 2,200m3/year. Subsequent to submission of the application EPCOR had better data which supports the 1,450m3/year consumption value. This represents a shortfall of 750m3/year or approximately 34% from the default value. In order to address the impact of this updated value on the project economics EPCOR has reduced the forecast consumption for residential customers in calculating the Project's PI, as detailed in Exhibit E, Project Cost and Economics.

5. Residential consumption in Brockton may vary going forward as it is impacted by a number of factors including size and age of housing stock, number of residents per household and number of appliances using natural gas. The latter factor is expected to increase over time as customers connect additional appliances and in particular water heaters. In Southern Bruce only approximately 13% of customers have gas fired water heaters. This connection rate is expected to increase over time as existing stock ages out and is replaced by natural gas units. If a similar scenario plays out in Brockton, then the average residential consumption may increase over time which would result in refunds to that customer group through the BCCVA.

6. EPCOR requests that the BCVVA be established as of the date of this filing.

7. EPCOR intends to bring the balance recorded in the BCVVA together with any carrying charges, forward for approval for disposition in its annual Incentive Rate Adjustment Applications once the balance has been audited, or at such other time as EPCOR may request and the Board may order. With respect to recording

[4] March 5, 2020, Final Guidelines for Potential Projects to Expand Access to Natural Gas, Appendix A. page 4

carrying charges on the balance in the BCVVA, simple interest will be calculated monthly on the opening balance.

8. Toward the end of the rate stability period, EPCOR intends to revise the forecasted annual consumption (currently 1,450m3) for residential customers to reflect the then current value. This revised value will be brought forward to the Board for approval and replace 1,450m3 in the accounting order at the end of the rate stability period.

9. The risk of gains or losses as the result of differences between forecast and actual volume of natural gas consumed is generally not a variance that utilities are exposed to. Approval of the BCVVA would align EPCOR with Enbridge and its Normalized Average Consumption ("**NAC**") Account[5] with respect to the ability to address the variance between the forecast and actual volume included in the revenue forecast for general service customers. This was demonstrated in the settlement agreement which included the establishment of Enbridge's NAC: "The parties agree that it is appropriate during the IRM term to adjust rates to reflect the impact of changes in normalized average consumption ("NAC") for the general service rate classes… Further, the parties agree that the way to accomplish this is to update the NAC in rates based on the last known actual NAC, …"[6]. Through the NAC, Enbridge is able to apply to recover or distribute revenue, as applicable, associated with such variances. Allowing the BCVVA to be established will ensure that there is fairness and consistency with past practice on the approach for increases or decreases in actual average consumption.

10. A Draft Accounting Order, which includes a description of the mechanics of the BCVVA and examples of general ledger entries is provided in Appendix 1

[5] Deferral Account No. 179-133, Normalized Average Consumption (NAC) Account and Deferral Account No. 179-106, South Purchase Gas Variance Account
[6] EB-2013-0202, Settlement Agreement, July 31, 2013, Exhibit A Tab 2 Settlement Agreement, Section 1.2.3 – 5 page 13

Eligibility Criteria for Establishment of the Deferral Account

11. EPCOR's request meets the Board's criteria for establishment of a new variance account, as set out in the Board's Filing Requirements for Natural Gas Rate Applications. These criteria are causation, materiality, and prudence.

a) Causation

12. The eligibility criteria for a deferral account requires that the forecasted expense must be clearly outside the base upon which rates were derived. The forecasted consumption of mass market customers (Rate 1) was determined using EPCOR's current best estimate based on consumption of the adjacent Southern Bruce system. This value has been used in determining the PI factor for the Project. If alternative values, whether greater or lesser, had been used in calculating the Project's PI then an offsetting difference in rates would be required in order to construct Stage 1 on the Project.

b) Materiality

13. The eligibility criteria for a deferral account further requires that forecasted amounts must exceed the OEB-defined materiality threshold and have a significant influence on the operation of the distributor, otherwise they must be expensed in the normal course and addressed through organizational productivity improvements. EPCOR's materiality threshold is $50,000 as its revenue requirement is less than $10 million. EPCOR is not forecasting any balance for this account as estimated consumption is based on the most current forecast. Whether any balance in the account is material is a decision that can be made if EPCOR makes an application to clear the account.

c) Prudence

14. The eligibility criteria for a deferral account also requires that the nature of the costs and forecasted quantum must be reasonably incurred although the final determination of prudence will be made at the time of disposition. In terms of the

quantum, this means that the applicant must provide evidence demonstrating as to why the option selected represents a cost-effective option (not necessarily least initial cost) for ratepayers. The consumption forecast for residential customers is based on the best and most recent consumption data that EPCOR has. As a result they are considered prudent and reasonable at this time.