

REASONS FOR DECISION

in the matter of a Rate Application  
under The Ontario Energy Board Act by

THE CONSUMERS' GAS COMPANY

E.B.R.O. 376-I & II

January 30, 1981



Ontario  
Energy  
Board

E.B.R.O. 376-I & II

IN THE MATTER OF The Ontario Energy Board  
Act, R.S.O. 1970, Chapter 312;

AND IN THE MATTER OF an application by The  
Consumers' Gas Company, a division of  
Hiram Walker-Consumers' Home Ltd. and its  
subsidiary companies, Shorgas Limited,  
Consumers' Realty Limited and Underwater  
Gas Developers Limited, for Orders  
approving rates to be charged for the sale  
of gas.

BEFORE: H. R. Chatterson  
Presiding Member

J. C. Butler  
Member

## TABLE OF CONTENTS

<u>Part</u>	<u>Page</u>
A	INTRODUCTION <span style="float: right;">1</span>
1.	The Main Application <span style="float: right;">1</span>
2.	The Interim Applications <span style="float: right;">2</span>
3.	Appearances <span style="float: right;">4</span>
3.1	Witnesses <span style="float: right;">4</span>
B	RATE BASE <span style="float: right;">7</span>
1.	Introduction <span style="float: right;">7</span>
2.	Onus of Proof <span style="float: right;">10</span>
3.	Budget and Forecasts <span style="float: right;">13</span>
4.	System Expansion <span style="float: right;">15</span>
5.	Company-Produced Gas <span style="float: right;">21</span>
6.	Unabsorbed Demand Charges and Remedial Costs <span style="float: right;">26</span>
7.	Lead-Lag Study <span style="float: right;">29</span>
8.	Minimum Bank Balance <span style="float: right;">36</span>
9.	Fringe Activities <span style="float: right;">37</span>
10.	Off-Oil Program <span style="float: right;">39</span>
11.	Value of Gas in Storage <span style="float: right;">41</span>
12.	Averaging Property, Plant and Equipment <span style="float: right;">45</span>
13.	Plant Under Construction <span style="float: right;">47</span>
14.	The Approved Rate Base <span style="float: right;">48</span>
C	ONTARIO UTILITY INCOME <span style="float: right;">49</span>
1.	Introduction <span style="float: right;">49</span>
2.	Unbilled and Unaccounted-for Gas <span style="float: right;">50</span>
3.	Calorific Value <span style="float: right;">52</span>
4.	Performance Effectiveness <span style="float: right;">54</span>
5.	Charitable Donations <span style="float: right;">55</span>
6.	Income Tax and Surcharge <span style="float: right;">57</span>
7.	Approved Ontario Utility Income <span style="float: right;">59</span>
D.	THE REASONABLE RETURN <span style="float: right;">61</span>
1.	Introduction <span style="float: right;">61</span>
2.	The Capital Structure <span style="float: right;">62</span>
2.1	A Hypothetical Capital Structure <span style="float: right;">64</span>

<u>Part</u>	<u>Page</u>
3. The Stand-Alone Concept	68
4. Allowable Return on Long-Term Debt, Preference Stock and Allowance for Deferred Taxes and Unfunded Debt	70
5. Return on Common Equity	72
5.1 The Comparable Earnings Test	74
5.2 The Capital Attraction Test - Discounted Cash Flow	77
6. Other Factors Affecting Return on Equity	78
6.1 The Economy	80
7. The Board's Conclusion	81
8. The Overall Rate of Return	83
 E DEFICIENCY AND ITS ALLOCATION	 85
1. The Applicant's Submission	85
2. The Views of Participants	87
3. The Board's Conclusions re Allocation of Revenue Deficiency	90
 F RATES	 93
 G CONFIRMATION OF INTERIM ORDERS	 97
 H COMPLETION OF THIS PROCEEDING	 99

#### APPENDICES

- A. Board Order E.B.R.O. 376-I & II
- B. Ontario Utility Rate Base
- C. Ontario Utility Income
- D. Calculation of Income Taxes
- E. Revenue Deficiency

REASONS FOR DECISION

A. INTRODUCTION

1. The Main Application

The Consumers' Gas Company ("Consumers" or the "Applicant" or the "Company") a division of Hiram Walker-Consumers' Home Ltd. ("HWCH"), by application dated April 2, 1980 (the "main application"), applied to the Ontario Energy Board (the "Board") for an order or orders approving or fixing just and reasonable rates and other charges for the sale of its gas. The main application, filed under section 19 of The Ontario Energy Board Act (the "Act"), also contained a request under sections 15(8) and 19 of the Act for such interim orders as may be necessary to permit the Company to recover revenue deficiencies found by the Board; such cost increases that might be imposed by order of the National Energy Board (the "NEB"); costs arising from variations in the calorific value of natural gas, and other costs approved by the Board.

Consumers' originally proposed that the main application be heard in one proceeding consisting of two phases and that the first phase ("Phase I") would request the Board to determine rate base, return earned on such rate base and the reasonable return Consumers' should

currently be allowed to earn. The second phase ("Phase II") would request the Board to approve or fix rates designed to produce the return found reasonable by the Board in Phase I.

The Applicant by letter dated September 17, 1980, informed the Board that it would like to proceed with the Phase II hearing as soon as possible after the conclusion of the argument on Phase I matters, thereby effectively modifying the application as originally filed. The Board found this to be acceptable and Phase II commenced about three weeks after the Applicant's reply argument in Phase I.

Public hearings commenced on September 22, 1980, and continued intermittently until November 10, 1980, at which time reply argument on rate matters was heard. On November 28, 1980, the Board issued its Decision with respect to both Phase I and Phase II matters with written reasons to follow. The Order arising from that Decision issued on December 2, 1980, and a copy is attached as Appendix A. These are the written reasons referred to. They deal with both phases of the hearing and the Applicant's subsequent filing of revised rates that became effective December 1, 1980.

## 2. The Interim Applications

By application dated August 11, 1980, filed within the framework of the main application, the Company requested an interim order for approval to increase rates

to recover increased gas supply costs that became effective on September 1, 1980, together with certain related costs. This interim application was heard on September 22, 1980, and on September 24, 1980, the Board issued an oral decision approving, on an interim basis, the increase in rates as applied for. The effective date of such interim rates was October 1, 1980, and the increases were subject to retroactive refund or adjustment pending the hearing and disposition of the main application.

A second interim application dated October 31, 1980, sought an order enabling the Applicant to pass on increases in costs arising out of the imposition by the Federal Government of a Natural Gas and Gas Liquids Tax and a Petroleum and Gas Revenue Tax. This interim application was heard on November 14, 1980, some four days after completion of the public hearing of the main application. Written Reasons for Decision approving interim increases to all rate schedules of 31.254¢ per Mcf were handed down on December 12, 1980, and an appropriate order has issued. The Order was conditioned such that the maintenance of records is required to enable a retroactive refund or adjustment of the increase in the event that contemplated legislation is not enacted.

### 3. Appearances

The following is a complete list of all appearances:

R. S. Paddon, Q.C. )	- for The Consumers' Gas
P. Y. Atkinson )	Company
R. J. Howe )	
R. W. Macaulay, Q.C.	- for the Ontario Energy Board
P.C.P. Thompson )	- for the Industrial Gas Users
B. Carroll )	Association ("IGUA") and
	Cyanamid Canada Limited
S. J. Kawalec	- for the Urban Development
	Institute
J. Murray	- for TransCanada PipeLines
	Limited ("TransCanada")

Of those who appeared during the course of the hearing of the main application, Messrs. Paddon, Carroll and Macaulay submitted argument with respect to Phase I; Messrs. Atkinson, Thompson, Kawalec and Macaulay submitted argument with respect to Phase II.

#### 3.1 Witnesses

The following officials of Consumers' gave evidence during the proceeding on behalf of the Applicant:

R. B. Carter	- Chief Accountant
J. I. Cuthill	- Vice-President, Exploration and Storage
W. R. Fatt	- Assistant Treasurer & Assistant Secretary
H. R. Gibson	- Manager, Rate Design and Revenue Forecasting



- J. R. Hamilton - Manager, Gas Supply
- H. M. Lavergne - Director, Budgets and Forecasts
- D. C. Morton - Director, Customer and General Accounting
- C. E. Near - Manager, Statistics & Financial Studies
- R. S. Onyschuk - General Manager, Metro Toronto Region
- N. H. Quinn - Director, Service Operations
- F. D. Rewbotham - Manager, Rate Research
- D. E. Slessor - Manager, Marketing
- W. B. Taylor - Director, Economics & Statistics
- K. A. Walker - Manager, Regulatory Accounting
- D. J. Watt - Manager, Economic Studies

The Applicant also called the following witnesses to testify in matters concerning rate of return, capital structure and cash working allowance:

- R. A. Clark - Foster Associates, Inc.
- A. S. Fell - President and Chief Executive Officer, Dominion Securities Limited
- P. A. Ryan - Partner, Thorne Riddell, Chartered Accountants
- S. F. Sherwin - Executive Vice-President, Foster Associates, Inc.

Board counsel called the following witness on behalf of Board staff who testified with respect to an appropriate rate of return:

D. Parcell

- Vice-President, Technical  
Associates, Inc.

In addition to the above, Mr. E. N. Wright testified with respect to a study he had undertaken in response to a prior Board Order.

No other witnesses were called during the proceedings.

Letters expressing concern about the rate increases and the scheduling of hearings were received from the Cities of Port Colborne and North York and from a Mr. H. A. Lavine, President, Park Property Management Inc.

A verbatim transcript of all of the proceedings was made and a copy is available for public scrutiny at the Board's offices. The Board has not therefore considered it necessary to summarize the evidence or submissions of the various parties in detail. All of the evidence and submissions were carefully considered by the Board in deciding the issues.

B. RATE BASE

1. Introduction

The Act requires that the Board, in approving or fixing rates, determine a rate base for the Applicant which must be the total of; a reasonable allowance for the cost of property used or useful in serving the public, less an adequate amount for depreciation, amortization and depletion, plus a reasonable allowance for working capital, and such other items which, in the opinion of the Board, ought to be included.

The Applicant provided financial and other data for fiscal 1979, the historic year; the current year, fiscal 1980; and the future year, fiscal 1981. It originally intended that the rates arising from this proceeding should become effective close to October 1, 1980, and should be based on its forecasts for 1981, the test year. On this basis the Applicant submitted its determination of both an average rate base for fiscal 1981 and also a year-end rate base as at September 30, 1981, suggesting that the latter be used only if delays in processing the application caused the new rates to be implemented after a substantial portion of the heating season had passed.

The previous determination by the Board of the rate base as at September 30, 1979, and the Applicant's

initial submissions in these proceedings are as shown on the following page.

The initial submissions filed by the Applicant were based on circumstances that prevailed at the time that the material was being prepared. During the course of the proceedings the Applicant identified a number of changes, including a further reduction in sales to Ontario Hydro, and also advised that certain errors and omissions had been discovered. In addition certain studies were filed, the effects of which had not been reflected in the initial submission. The Applicant therefore found it necessary to submit a number of revised estimates of rate base each reflecting a change from the initial submission.

The Board, in determining the rate base for Consumers', has examined the evidence with respect to the changes that occurred between the previously approved rate base as at September 30, 1979, and the average rate base for fiscal 1981. The evidence with respect to the revised estimates submitted by the Applicant during the course of these proceedings has also been evaluated and the Board is satisfied that the revisions arising from errors and omissions and the loss of the Ontario Hydro load can be accepted.

Other issues relating to rate base will be dealt with in subsequent sections of these Reasons for Decision.

THE CONSUMERS' GAS COMPANY

RATE BASE  
(\$000's)

	Per Board E.B.R.O. 369-I	Per Submission E.B.R.O. 376				
	Sept. 30 1979 <u>(1)</u>	Sept. 30 1979 <u>(2)</u>	Sept. 30 1981 <u>(1)</u>	Average Rate Base		
				<u>1979</u> (2)	<u>1980</u> (1)	<u>1981</u> (1)
Net Property, Plant and Equipment	673,447	676,457	832,151	650,661	709,428	787,573
Allowance for Working Capital	128,097	150,151	156,289	136,173	144,112	155,400
Other Items	9,135	8,962	9,557	8,962	8,709	9,557
Total Ontario Rate Base	810,679	835,570	997,997	795,796	862,249	952,530

Notes:

- (1) Based on Consumers' budgeted figures for the year.
- (2) Based on actual figures for the year.

2. Onus of Proof

Mr. Carroll indicated that his submissions on behalf of IGUA, were based on the premise that the onus is on the Applicant to satisfy the Board with respect to all portions of its application. It was his opinion that there is no onus on the Board or any intervenor to disprove any portion of the Applicant's case. He advised the Board that although he would not deal with every area of the Applicant's case in his argument, this should not be construed as acceptance by IGUA of those areas not specifically challenged.

Mr. Macaulay quoted from the Act to support his contention that neither the staff nor counsel has an obligation to prove anything, or to call witnesses. He suggested that the term "burden of proof" means that unless there has been absolute proof that the Applicant's proposal is correct then it should be rejected. He submitted that it does not mean a finding in favour of the Company if the issues are found to be in balance.

Mr. Macaulay also submitted that his silence on any particular issue should not be construed as his acceptance of Consumers' position. It was his opinion that the legislation places an absolute burden on the Company to prove its case, but there is no burden on Board counsel; not even to draw any particular item to the Board's attention.

Mr. Paddon claimed that section 19(6) of the Act requires the Board to determine whether the Applicant has discharged the burden of proof resting on it by an analysis of all of the evidence adduced at the hearing. He submitted that in order to discharge the burden of proof resting on it, the Applicant need not demonstrate its case but must simply satisfy the Board, on a balance of probabilities, that its contention should be accepted. He suggested that the Board could employ its particular expertise in assessing the evidence and drawing from it the most reasonable inferences and conclusions. He also noted that other participants could have called evidence on items subsequently challenged in their arguments, and he submitted that their failure to call such evidence should be taken into consideration in determining if the Applicant has discharged the burden of proof.

Mr. Paddon concluded:

"You must decide each and every issue in this case on the basis of the evidence. In the absence of contradictory evidence or a finding by the Board that certain witnesses are not credible, you should conclude that the Applicant has discharged the burden of proof on each and every item of evidence adduced by it."

The Board has some concerns with the comments of Messrs. Carroll and Macaulay as to the onus of proof because, although the Act clearly places the onus of proof on the Applicant, it does not specify what should or should not be accepted as proof.

The Board is required by the Act to conduct public hearings, the purpose being to provide a forum where those affected by any proposed changes can air their concerns. It is the responsibility of participants at the hearing to raise all of their concerns and to ensure that they are clearly placed on the record. The Board, in the process of approving or fixing just and reasonable rates, will adjudicate issues that have been raised by the parties.

At the conclusion of a hearing the Board should be confident that it has been provided with complete details as to the parties concerns with respect to the evidence and the Applicant's proposals. In addition Board counsel should have provided details of his concerns with respect to the evidence, the positions taken by the intervenors, and how the Applicant's proposals may adversely impact on those not represented at the hearing.

The Board does not consider that it is constrained to deal only with the issues raised by intervenors and Board counsel, and accepts that other areas of the Applicant's evidence can be dealt with as considered necessary by the Board. The Board's evaluation may result in the rejection or the modification of a claim by the Applicant for a particular item, even if it has not been challenged by intervenors or Board counsel. However, intervenors and Board counsel should not anticipate that the Board will deal with a specific area that is of



concern to a particular customer, or customer class, unless such concerns have been drawn to the attention of the Board during the course of the hearing.

3. Budget and Forecasts

Evidence submitted by the Applicant explained the process used in preparing capital and operating budgets and also detailed the process used in forecasting customer requirements for gas. A comparison between previous budgets and forecasts and the actual results for the years 1977 to 1979 and for estimated 1980 were also submitted, together with forecasts for the years 1981 to 1985. Forecasts of sales volumes for the years 1981 to 1985 as produced by the econometric model were also submitted.

The pre-filed evidence and the testimony of the Applicant's witnesses confirmed that the methods used by the Applicant are essentially the same as those accepted by the Board in its Reasons for Decision E.B.R.O. 369-I.

Mr. Paddon claimed that the variances between forecast or budget and actual results had been explained by abnormal weather conditions and other unpredictable events, with the exception of the effect of conservation which, he claimed, is difficult to isolate and predict. He submitted that all the evidence supported the premise that the budget for 1981 is based on reasonable estimates

and that rates can be based on those figures. He suggested that if any error does exist in the 1981 budget it would be that the estimate of sales volumes is too high.

Mr. Macaulay noted that the deviations between forecasts and actual results for the years 1977, 1978, and 1979 were always in favour of the Applicant. He suggested, however, that the deviations were not significant and he accepted that the evidence before the Board did not seriously challenge the Applicant's current budget. He noted that the Board appears to be moving towards the permanent use of a prospective test year and suggested that the Applicant should, in all future Phase I hearings, provide a summary of the actual versus budgeted data for the previous 10-years, under four main headings: Sales Volumes; Capital Expenditures, indicating additions and replacements; Customer Growth; and Operations and Maintenance Expenditures.

The Board accepts that the methods used by the Applicant to develop budgets and forecasts are essentially the same as those approved by the Board in previous decisions. The Board is also satisfied that the evidence supports the conclusion that the 1981 budget, as submitted by the Applicant, is a reasonable starting point for the determination of rate base and other such information required for purposes of determining revenue requirements and setting rates.

The Board will not however, require the Applicant to file comparisons of the preceding 10-years' budgets and actual results in future Phase I hearings. The necessity for such information should be assessed on the basis of specific circumstances and, where necessary, the information can be obtained through interrogatories.

4. System Expansion

The evidence submitted by the Applicant in these proceedings revealed that the capital requirements for the period 1981-1985 are forecast at approximately \$569 million, of which some \$406 million will be required for the system expansion program. The Applicant forecasted that net customer additions during that period will be over 216,000 of which almost 192,000 will be residential. For fiscal 1981, the test year, the Applicant predicts investment in system expansion of about \$82 million and the acquisition of some 45,000 customers, of which 41,000 are expected to be residential.

For purposes of comparison, during the Applicant's previous rate proceeding, E.B.R.O. 369, the capital investment program for the period 1979-1983 was forecast to be about \$369 million, of which some \$215 million would be associated with system expansion. The net customer additions for that period were projected to be

about 130,000 of which 113,000 were expected to be residential. During the 1979 test year used in E.B.R.O. 369, investment was expected to be \$42 million for system expansion to serve 25,000 additional customers of which 22,000 were expected to be residential.

From the Board's Reasons for Decision in E.B.R.O. 369-I it is apparent that concern had been expressed by some of the participants that the Applicant was proceeding with the system expansion program even though some areas were not economically feasible, especially those associated with the residential class. The Board indicated its concern on this subject and directed the Applicant to prepare and submit in Phase II of that proceeding:

" . . . a procedure to obtain each year on a cumulative basis the necessary data from which can be calculated the return and net present value on new sales resulting from the investment in system expansion commencing in 1979."

In response to this directive, Consumers' indicated that current computer limitations would prevent total compliance and as an alternative submitted, and the Board accepted, a proposal that each year a study will examine a sampling of some 90 out of the approximately 300 projects undertaken each year, and that these studies would be updated over a 5-year period as additional customers were added. In this proceeding, however, the Applicant again submitted a study based on a sample of 50 projects noting that a future study would use approximately 90 projects.

The 50-project sampling from the 1977-78 system expansion indicated that first-year rates of return were: residential - 7.26 percent, subdivisions - 11.53 percent, commercial/industrial - 23.13 percent. The composite return for the sample was 14.71 percent which, after adjustment, became 12.5 percent. Mr. Macaulay noted that the inclusion of a single large volume customer in the commercial/industrial group resulted in a significant increase in the rate of return. He suggested the inclusion of such a customer was inappropriate and claimed that this, combined with the lack of data on acquisition rates beyond the first year, rendered the study meaningless.

The Board is of the opinion that a study based on a sampling of projects provides some guidance with respect to system expansion and should be filed at future hearings pending the development of a more sophisticated analysis. The study submitted by the Applicant in these proceedings indicates that the first year rate of return is not unreasonable and, while this is not the study proposed by the Applicant and accepted by the Board in E.B.R.O. 369-II, the Board is prepared to accept the results for purposes of this proceeding. The Board notes Mr. Macaulay's concerns but, since some large volume customers will be connected to the system, considers that it would not be inappropriate to include a large volume customer in the sample.

In addition, Mr. Macaulay pointed out that comparisons have generally been made between the rate of return on the marginal investment produced by new business and the overall rate of return allowed by the Board. He suggested, and noted that the Applicant's witness agreed, that the rate of return allowed by the Board does not provide a good measure for comparison and that the incremental cost of capital at any given time provides a better measure of the viability of such a project.

Both the Applicant and Mr. Macaulay made reference to a timing problem which exists with respect to the system expansion program. The problem arises because the revenue produced in a given year as a result of the investment in system expansion will be less than the annual revenues that will ultimately flow from that investment. In this proceeding the Applicant included expenditures on system expansion in the test year and the resulting first-year sales volumes, which are lower than the annual sales volumes that will ultimately result from such expenditures.

Mr. Macaulay suggested that this problem could be overcome by imputing revenues equivalent to those that would have been derived from the sale of the additional volumes of gas. He submitted a calculation which showed that 9.2 Bcf should be considered as the additional volumes and that this would have produced an increase in

gas sales gross margin of \$5.9 million. On this basis Mr. Macaulay submitted that the claimed revenue deficiency should be reduced by \$5.9 million.

Mr. Macaulay also proposed, as an alternative, the removal from rate base of those expenditures on system expansion that have not produced the required amount of earnings. He submitted that the information is not available at present to implement this alternative method and urged the Board to require the Applicant to monitor capital expenditures that have been incurred and not placed in service, and to file such evidence at future hearings.

In both E.B.R.O. 341-I and E.B.R.O. 369-I the Board dealt with the question of the Applicant's obligation to serve customers. In his argument Mr. Paddon commented that:

"We do not take issue at this time with the legal conclusion reached by the Board but point out that, as is often the case when one is dealing with the sterility of the law, practical constraints are more indicative in the real world. Given the off-oil atmosphere prevailing at this time and the current world oil situation, it is inconceivable that anyone would suggest or accept that service not be made available to persons seeking it provided that the utility can fund the required capital.

"The provision of such service is in the public interest in Ontario and it is only reasonable that those persons wanting and continuing to use such service pay for it at rates designed to allow the utility to continue to provide it."

Mr. Macaulay objected to the above comments interpreting them to mean that, assuming the necessary capital

financing could be found, Consumers' would be obligated to serve additional customers. He referred to the criteria with respect to obligation to serve as set out by the Board in E.B.R.O. 369-I and maintained that these still applied.

Mr. Paddon agreed that circumstances could arise where the effects of higher costs and lower usage would limit the ability of the Company to continue to expand at existing rates and meet the feasibility tests involved. He concluded that at that time the rate structure would have to be adjusted to accommodate the changes because sizable capital contribution requests would be impractical and perhaps unfair. He noted, however, that at the present time there is a significant amount of business that does meet the feasibility criteria at existing rate levels. He reiterated the Applicant's position that there is an obligation from both a moral and political point of view to serve new customers because of the pressures of the current situation.

The Board notes that although the forecast of capital expenditure on system expansion has increased with each submission to the Board, the number of customers anticipated to be connected to the distribution system has increased in approximately the same proportion.

The Board recognizes that a problem does exist with respect to the matching of revenues to the capital



investment, especially in the first year. However, the Board is of the opinion that it would not be appropriate to impute revenues as suggested by Mr. Macaulay, and that to attempt to isolate investments which are not producing the required rate of return would be an almost impossible task. The Board has previously indicated that some degree of subsidization of new customers by existing customers is not unusual, and the Board finds that the degree of subsidization as indicated by the Applicant's calculations is not unreasonable. The Board, therefore, accepts the Applicant's budget for system expansion in fiscal 1981.

5. Company-Produced Gas

It was noted from the evidence filed by the Applicant that significant changes have occurred with respect to Consumers' exploration and development program since the previous proceedings.

The Applicant reported that the 1979 drilling program in Lake Erie produced such poor results that a management decision was taken to wind down the exploration program in the area. As a result of this decision the forecast of production from existing wells has been reduced significantly, so that Company-produced gas will continue to cost more than equivalent volumes purchased from TransCanada until 1982, instead of 1980 as forecast during the previous proceeding.

In its Reasons for Decision E.B.R.O. 369-I the Board found that the continued inclusion in rate base of the costs associated with exploration and development was in the best interests of both customer and shareholder. The Board also suggested that this would give the Applicant an opportunity to demonstrate that it could achieve the results it was forecasting, and prepare to argue its case for continued inclusion in rate base at the next proceeding.

In support of its claim that inclusion of exploration and development in rate base continues to be in the best interests of its customers, Consumers' filed a study, Exhibit I-2. The study was based on a number of assumptions, among them a rapid escalation in the price of gas purchased from TransCanada. The study demonstrated that, on the basis of these assumptions, the proven reserves as of September 30, 1979, (approximately 90 Bcf) could be produced over a period of some 20 years and the cost of Company-produced gas would be below the cost of purchasing from TransCanada after 1981.

The management decision to wind down the drilling program in Lake Erie results in the forecasts of further discoveries being reduced, with the result that additional gas treating equipment can no longer be justified. As explained by Mr. Cuthill, this affected the rate at which gas could be produced from the existing

wells since it was then decided to use ". . . the existing pipeline plant facilities to maintain the capacity at a maximum level that those plants could handle." The lower levels of production now forecast increase the unit cost of gas and extend the period during which the cost of Company-produced gas remains above the cost of gas purchased from TransCanada.

Mr. Carroll, speaking for IGUA, submitted that the plans the Company has for investing in production plant and in exploration and development are both ambitious and costly. He further submitted that the Applicant has not met the onus of proof with respect to satisfying the Board that the customers would in fact benefit from inclusion of these costs in rate base, or that Consumers' has achieved the results it forecast during E.B.R.O. 369-I. He pointed out that the Board had included these costs in rate base on the basis that it would provide a benefit to customers, but that to date the cost to customers has been over \$22 million more than the cost of purchasing equivalent volumes from TransCanada.

Mr. Carroll submitted that the Board should remove all costs associated with Company-produced gas from rate base and that it should impute costs based on purchasing equivalent volumes of gas at TransCanada's rates. He also suggested that the excess costs paid by customers to date should be amortized over a period of five years.

Mr. Macaulay shared Mr. Carroll's concerns with respect to the Applicant not meeting the onus of proof, and agreed that the Board should remove the cost of Company-produced gas and impute a cost as if equivalent volumes had been purchased at TransCanada's rates. This, he claimed, would prevent further accumulation of excess cost from customers. He also submitted that the Board should consider limiting the inclusion in rate base to expenditures relating to development and, commencing January 1, 1981, any expenditures related to exploration should be excluded.

In considering this issue, the Board is concerned that customers continue to pay higher prices for the Company-produced gas. At the same time, however, the Board must commend management for its prompt action in curtailing the program and reducing investment when results were below expectations. The Board notes that the change in the program, as referred to above, affects the rate of production from Company-owned facilities so that the previously forecast increases in the volumes of gas to be produced, and the resultant lower unit cost, will not be attained. Consequently there is a delay in the date when Company-produced gas will be lower in cost than gas purchased from TransCanada.

The Board is aware, however, that the cost of gas from TransCanada is now forecast to increase substantially in the next few years so that the excess in

gas costs paid by the customers between 1976 and 1982 could, according to the Applicant's calculations, be totally compensated for by the end of 1984.

From the foregoing it is apparent that the investment in exploration and development has not yet produced a net benefit for the customers; it is however reasonable to expect that, even if the gas cost increases are somewhat lower than those predicted by the Applicant, a net benefit to the customers can still be realized by the end of 1984. It appears to the Board therefore that it would be inappropriate to remove this item from rate base.

The Board considers that imputing gas costs as proposed by Messrs. Macaulay and Carroll would not be reasonable, since the cost of Company-produced gas has remained above the cost of purchasing equivalent volumes from TransCanada as a result of the management decision which the Board considers prudent under the circumstances.

With respect to the suggestion that expenditure incurred in drilling exploration wells be excluded from rate base, the Board agrees with Mr. Paddon that the complications involved in attempting to allocate costs, especially since exploration is being wound down, would not justify acceptance of this suggestion.

The Board therefore accepts the inclusion in rate base of the production, exploration and development costs and accepts the Applicant's forecast of production levels and production costs.

6. Unabsorbed Demand Charges and Remedial Costs

During the E.B.R.O. 369 proceedings the Board was advised that Ontario Hydro would be reducing its annual gas consumption and, as a result, the Applicant did not expect to take all the gas from TransCanada that it had under contract. The Applicant pointed out that if the full volumes of the CD contract were not taken it would be liable for demand charges which would not be absorbed, and not recovered, through the volumes of gas sold. The Board, in that proceeding, approved deferral of any unabsorbed demand charges with amortization over a three-year period. The Applicant subsequently found that, as a result of an aggressive sales program and the availability of short-term storage with Union Gas Limited ("Union"), unabsorbed demand charges would not be incurred. The Applicant claimed, however, that the additional costs (i.e. remedial costs) incurred in disposing of the extra volumes, should be considered by the Board as legitimate operating expenses. On the question of remedial costs, the Board in E.B.R.O. 369-II said:

"In the opinion of the Board, the incurrence of the remedial costs would benefit the customers and therefore some portion of those costs could appropriately be included in rates. However, the prudent management of the gas supply of a natural gas utility and the ability to deal with unexpected events, is an integral part of the conduct of its business. It is arguable therefore that, since management acts for the shareholders, some portion of remedial costs should also be borne by the shareholders.

"In view of the lack of evidence on this subject the Board has concluded that it would be premature to dispose conclusively of this matter at this time."

In this proceeding the Applicant filed an answer to a Board staff interrogatory identifying the remedial costs incurred in 1979 and those forecast for 1980 and 1981. The amounts involved are \$1.470 million, \$2.81 million and \$1.564 million respectively. Mr. Paddon pointed out that in 1980 the release of 22,815 MMcf of gas for export to the U.S.A. relieved the Applicant of almost \$11 million in demand charges -- a considerable benefit to customers. He noted that additional gas in storage has given rise to greater inventory credits each time there has been an increase in gas costs; again a direct benefit to the customers. Mr. Paddon also pointed out that the Applicant, by incurring \$1.564 million in storage charges in 1981, would avoid some \$4.138 million in unabsorbed demand charges.

Mr. Paddon submitted that the Applicant has prudently managed its gas supply operations; that significant benefits have accrued, and will continue to accrue to its customers as a result of its actions, and that therefore, the Board ought to endorse the Applicant's policy with respect to this matter.

Mr. Macaulay argued that permission to recover unabsorbed demand charges or remedial costs would

effectively eliminate the risk associated with a management error in forecasting the gas supply requirements. He submitted that the remedial costs are really excess storage costs, which now appear to be a permanent feature, and he submitted that such costs should be deferred and amortized over a period of three or five years.

The Board is satisfied from the evidence in these proceedings that the incurrence of remedial costs results in a lower overall cost to customers than would have been the case if demand charges had been incurred and not absorbed through sales volumes. The Board believes that the evidence in this proceeding supports the opinion previously expressed that some portion of the remedial costs could appropriately be included in rates and that an argument could be made that some portion should be borne by the shareholders. However, there is no evidence before the Board to indicate that the Applicant has been imprudent in the management of its gas supply and therefore, for purposes of this proceeding, the Board will not expect the shareholders to bear any portion of the remedial costs.

The Board, in E.B.R.O. 369-I, approved the amortization of unabsorbed demand charges over a three-year period instead of five years, on the basis that there had been a reduction in both volumes and costs from those originally predicted by the Applicant. It would appear



that Mr. Macaulay had that decision in mind when he suggested a three-year amortization in this proceeding. The Board notes, however, that the amount involved in remedial costs is considerably less than would have been incurred in unabsorbed demand charges and as such sees little merit in deferring and amortizing it over any period. Since the Applicant has already indicated that a new application will be filed early in 1981, this matter will be reviewed again so that the inclusion of remedial costs at this time should not result in rates being too high at the conclusion of the 1981 fiscal year.

The Board accepts, therefore, that it is appropriate to include remedial costs in the amount of \$1.564 million as utility operating costs for 1981. The Board notes that as the remedial cost problem is tied to the reduction in sales to Ontario Hydro it does not expect that such costs, or unabsorbed demand charges, will be long-term problems.

#### 7. Lead-Lag Study

Traditionally the Board has approved an allowance in rate base to provide for a return on working cash provided by the investors. The amount included in rate base has been based on a 7-day allowance for gas costs and a 45-day allowance for operating and maintenance ("O&M") expenses. In Reasons for Decision E.B.R.O. 363-I the Board endorsed the undertaking of a study to develop

appropriate periods for the calculation of working cash allowances, and noted that Consumers' had engaged a consultant for that purpose. In E.B.R.O. 369-I the Applicant filed a study prepared by its own staff, rather than by a consultant, but recommended that the study should not be accepted at that time as further refinements were necessary. Mr. Paddon recommended in that proceeding that the Board should order Consumers' to update its own report, since he doubted that other consultants would have knowledge that would assist the Company in this matter. The Board ordered Consumers' to update the lead-lag study for submission at a future hearing.

In this proceeding the lead-lag study filed by the Applicant was a new study prepared by Mr. R. A. Clarke of Foster Associates Inc. He concluded that the present basis for determining the working cash allowance is no longer appropriate for gas costs and O&M expenses, and in addition, that allowances should be made for income taxes, capital and municipal taxes, deferred income taxes, depreciation and depletion, and utility income.

For each of these items Mr. Clarke developed the periods that credit was extended to customers, the "receipt lag" and the delays in the Applicant paying its bills, the "disbursement lag". The net of the receipt and disbursement lags as determined by Mr. Clarke and recommended by him for use in calculating the working cash allowance, were as follows:

Gas costs - 24 days

O&M expenses - 17.8 days

Current income and capital taxes - 43.9 days

Municipal taxes - 68.1 days

Deferred income taxes - 59.7 days

Depreciation and depletion - 59.7 days

Utility income - 20.1 days

The revenue deficiency initially claimed by the Applicant did not reflect the above net lag days and, subsequent to the cross-examination of Mr. Clarke, the Applicant revised its claimed revenue deficiency to do so. Mr. Paddon accepted the study on behalf of the Applicant and argued that the Board should accept it in its entirety. He submitted that there was no necessity for the Board to instruct the Applicant to update it annually, or for each rate case, since changes will not occur with such rapidity that frequent updating will be required.

Messrs. Carroll and Macaulay both referred to the results of the study prepared and filed by Consumers' in E.B.R.O. 369, which showed a net lag of about 5 days for gas costs and 33 days for O&M. These figures were compared to the 24 days for gas costs and 17.8 days for O&M as produced by Mr. Clarke's study. Mr. Carroll also noted that in a recent decision with respect to Union the Board had allowed 10.3 days for gas costs and 32 days for O&M expenses.

Mr. Carroll submitted several reasons why, in his opinion, the inclusion by the Applicant of an allowance for taxes, depreciation and depletion and utility income should not be permitted. He submitted that the Board should retain its previous practice of only allowing 7 days for gas costs and 45 days for operating and maintenance expenses.

Mr. Macaulay submitted that the 10-day delay between meter reading and billing date is unreasonable and that the Applicant should not penalize its customers for its inefficiencies in the billing procedures. He also pointed out that nearly 60 percent of the residential customers are on the equal billing plan so that, in his opinion, no meter reading should be required for these customers and the 10-day delay should not apply.

With respect to the time from billing to collection, Mr. Macaulay considered that undue emphasis was placed on delinquent accounts and the 22-month delay before write-off of uncollectible accounts. He noted that the Applicant's submission showed that the revenue from late payment penalties in the years 1979, 1980 and 1981 is expected to amount to less than 8 percent of the total sales revenues, so he concluded that 92 percent of revenues are collected within the grace period.

On the strength of this evidence Mr. Macaulay submitted that only the grace period of 16 days should be allowed between billing and collection, noting that in

any event the Company receives compensation through revenues realized from the late payment penalty.

Mr. Macaulay claimed that the 60.1 days of receipt lag found by the study is absolutely unacceptable and urged the Board to find the Applicant's claim unreasonable. He pointed out that the working cash allowance is to compensate the utility for funds involved in operating the business and he maintained that the allowance should be based on judgment and not on a precise mathematical formula.

With respect to O&M expenses, Mr. Macaulay again considered that the receipt lag had been over-estimated as a result of the inclusion of the delay in writing off accounts.

With respect to the additional items that Mr. Clarke considered appropriate for claiming a working cash allowance, Mr. Macaulay gave reasons why the Board should disallow each of them.

The Board is required under section 19(3) of the Act to include in rate base "a reasonable allowance for working capital". It is left to the Board to determine what is a reasonable allowance. In this regard the Board has found it useful to consider the purpose for which working capital is included in rate base; i.e. to provide a return on those funds supplied by investors and used by the utility to meet its current cash obligations and to allow it to operate in an economical and efficient manner.

The purpose as described supports an allowance for gas costs and for O&M expenses; however, depreciation and depletion are non-cash items and the Board considers that no allowance should be made for them. Utility income is not provided by the investors therefore it would be inappropriate to include an allowance for this in rate base.

Mr. Clarke assumed in his study that the customers incur liability for taxes in a manner similar to gas and other costs and as such he uses a receipt lag of 29.7 days. This appears to ignore that all gas sold includes a component of tax and that approximately 67 percent of the Applicant's sales volumes and revenues are handled in the first six months of each year which suggests that there is a receipt lead. The Board is satisfied that a reasonable treatment for both shareholder and customer would be to assume that the net lag is equal to zero for each of the tax items. In any event it is the Board's opinion that taxes should not be included in the determination of the allowance for working capital to be included in rate base.

Although Mr. Clarke's study with respect to gas costs appears to have been conducted in a logical manner, the Board has reservations as to the receipt lag of 60.1 days produced by the study.

In attempting to rationalize the results, the Board has examined in some detail the figures used by

Mr. Clarke. If his figures of 15.5 days of average use and 10 days from meter reading to billing were accepted, then the addition of the 16 days grace period would result in an overall receipt lag of 41.5 days. To this must be added the additional days that would be involved for late paying customers and for those accounts that are ultimately written off.

The evidence revealed that in 1979 the gross revenues from gas sales amounted to \$753 million while the actual late payment penalties paid by customers was \$2,087,161 and the amount written off was \$1,250,210. It can be determined, therefore, that late payment penalties were paid on revenues of only \$42 million so that over 94 percent of the gas sales revenues were paid on or before the due date. No evidence was presented to permit determination of the number of days prior to the due date that such payments were received.

It is the opinion of the Board that, contrary to Mr. Clarke's study the evidence does not support a receipt lag of 60.1 days and, furthermore, the acceptance of the study by Consumers' is tantamount to an admission of considerable inefficiency in either the Applicant's billing or collection procedures or perhaps in both. It appears inappropriate for the Board to attempt to amend this study, and it will therefore reject the claim that the allowance for gas cost in working capital should be based on 24 days net lag. The Board must similarly

reject the proposal to use 17.8 days to determine the allowance for O&M expenses in working capital. For purposes of this proceeding the Board will substitute the traditional 7 days of gas costs and 45 days for O&M expenses. This does not prevent the Applicant from submitting further evidence with respect to lead-lag in future proceedings.

8. Minimum Bank Balance

In Reasons for Decision E.B.R.O. 369-I the Board allowed minimum bank balances to be included in rate base for purposes of that proceeding, but expressed concern that the amount thus required to be collected from customers may be higher than the alternative bank charges. The Board went on:

". . . to require the Applicant to file, at the next Phase I, a study showing the overall costs to Consumers' customers through inclusion of minimum balances in rate base, the charges if minimum balances were not maintained, and the savings that result from the minimum balances."

The Applicant filed such a study in these proceedings which showed that a net amount of \$8,000 would be collected from customers as a result of including minimum bank balances in rate base, whereas the net amount required if the bank charged the prime rate on those same amounts now considered to be minimum balances would be \$24,000.



The Board is satisfied, therefore, that it is reasonable to include minimum bank balances in the amount of \$261,000 as a rate base item.

9. Fringe Activities

The Applicant is involved in certain activities that have, in past Board decisions, been considered outside the Board's jurisdiction. However, since these "fringe activities" are closely allied to the utility business, the revenues and costs associated with them are included in the submissions for regulatory approval. These activities, with approximate revenues for 1981 and the return on rate base for each, are summarized as follows:

- a rental program where gas burning equipment, i.e. conversion burners, water heaters, etc., are rented to gas customers on a monthly basis. The rental revenue forecast for 1981 is \$23 million with the return on rate base approximately 14 percent;
- a merchandising program involving direct sale of equipment to the public and special programs such as the attic insulation program. Revenues forecast for 1981 are \$15 million and the return on rate base employed is expected to be approximately 21 percent;
- a merchandise finance plan which permits a customer to finance the purchase of merchandise over time.

Revenues from this plan during 1981 are expected to be \$2.6 million and the return on rate base employed approximately 10 percent;

- a mortgage lending program was in use to promote gas-heated homes, this program is being phased out and revenues expected in 1981 will be only \$227,500 and the return on rate base employed approximately 8 percent.

Mr. Macaulay noted that the importance of the role of the fringe activities is increasing and he expressed concern with respect to the cross-subsidization that may exist. He urged that the Board should seek jurisdiction over rental rates at least, and perhaps also the other activities. He pointed out that almost 33 percent of the system expansion budget for 1981 would be invested in appliances for rent and he submitted that under current circumstances the rental of appliances should no longer be treated as a fringe activity.

Mr. Paddon agreed that the Board could seek jurisdiction over these matters but he expressed the opinion that the evidence in this proceeding shows the Applicant has not been acting in an irresponsible manner nor does it suggest that any customer abuse has arisen from the rental rates set by the Applicant. He also noted that these programs all have competition from unregulated alternatives which in itself provides protection for the customers. He submitted that the Board should allow the situation to continue as it has in the past.

The Board notes that, with the exception of the mortgage lending program, which can be overlooked since it is being phased out, the rates of return for the other fringe activities have largely improved during the period from 1976 to 1979 and are forecast to improve further during 1980 and 1981. It appears from the evidence in these proceedings that at the present time the fringe activities are, if anything, subsidizing the gas customers to a very small degree.

The fact that the percentage of rate base devoted to fringe activities has grown significantly and is forecast to grow further in future is not, in the Board's opinion, cause for concern provided that the return on that rate base does not result in the gas customers subsidizing the fringe activities. Since this is not the case, and since the fringe activities are not conducted under any exclusive franchise and are in fact subject to competition with non-regulated suppliers, the Board can find no support at this time for a change in its position with respect to the fringe activities.

The Board will therefore take no action at this time with respect to the Applicant's fringe activities.

#### 10. Off-Oil Program

Throughout the hearing there was speculation that the Federal Government would implement a program that

would provide incentives to oil consumers to change to an alternative energy source, referred to as an off-oil program. The Applicant filed an exhibit which, based on certain assumptions as to what the Federal program might entail, indicated that such a program could result in a greater revenue deficiency in the 1981 test year.

Mr. Paddon noted that the claim submitted by the Applicant did not include the effects of such an off-oil program since such a program did not exist at that time. He expressed the opinion, however, that should such a program be implemented, the demands on the Applicant would be for immediate action with respect to conversions, requiring considerable expenditure for distribution system and conversion equipment, but with no immediate increase in revenues to provide a return on the additions to rate base. He also pointed out that a revenue deficiency arising in the first year after such an expenditure can never be recovered and, in order to avoid this loss, requested the Board to adjust the Applicant's claim if such a program is announced prior to the Board issuing its decision. He also advised that the announcement of an off-oil program subsequent to the decision being issued would cause the Applicant to file an immediate application to recover those increased costs.

The Federal Budget was delivered on October 28, 1980, subsequent to the filing of argument on the Phase I

matters. The Budget included an off-oil program with some details as to the grants that will be available to customers changing from oil to other fuels. The Budget did not include details of any assistance to be provided to the utilities to permit expansion of the distribution system into areas that have hitherto proven to be uneconomic.

In view of the lack of detail in the Budget the Board considers that it has insufficient evidence to permit a reasonable analysis of the impact of the off-oil program and therefore will not make the adjustments to the submission requested by the Applicant.

11. Value of Gas in Storage

The Applicant submitted a new method of averaging the volumes in storage, but again used the method of valuing the volumes that had previously been rejected by the Board. The reason given for using the same method of valuing the gas was that the Applicant believed it had not properly presented its case in the last proceeding and it now considered that the testimony in this proceeding would make the situation clear.

The Applicant's new method of deriving the average annual volumes in storage involves the averaging of the 12 monthly averages. The Board accepts this as a suitable method for determining the average volume of gas in storage.

The Applicant in E.B.R.O. 369-I, and again in these proceedings, valued the gas in storage by using a unit cost in which the demand and injection charges ("in-charges") were associated only with the volumes that physically passed through storage. The Board found, however, in E.B.R.O. 369-I that:

"Since all of the volumes are deemed to flow through storage, and since the costs are annualized, the Board is satisfied that the average unit cost should be used in determining the value of gas in storage."

In this proceeding the Applicant pointed out that all volumes do not pass through storage although the first-in first-out ("FIFO") method of accounting is still being used.

The Applicant noted the reasons given by the Board in E.B.R.O. 369-I for rejecting the Applicant's method, but stated that it believed the rejection was due to the failure of the Company to properly present the complete reasons why the unit cost of gas in storage and the average unit cost of gas charged to operations could not possibly be the same. Mr. Paddon claimed that the testimony in this proceeding made it clear that the two costs cannot be the same. He submitted that if the average unit cost of gas is used for purposes of valuing storage, then an upward adjustment must be made in the cost of gas charged to operations.

The Applicant's witnesses pointed out that the demand and in-charges are accumulated during the period when gas is being injected into storage, and charged to

operations as gas is withdrawn and delivered to the distribution system. The Company accounts, therefore, tie the demand and in-charges to those volumes that pass through storage so that those volumes, according to the Applicant, must be valued higher than the average unit cost of gas. Schedules produced by the Applicant were submitted to show how the charges are accumulated and then drawn down during the withdrawal of gas from storage.

Mr. Macaulay submitted that the Applicant's explanation relates to the accounting treatment accorded the storage demand and in-charges, and that for regulatory purposes the adjustment made previously by the Board would be appropriate. He produced a calculation based on the Applicant's submission, which indicated that the rate base should be reduced by about \$3.4 million with respect to this item.

A review of the evidence submitted by the Applicant in these proceedings indicates that all gas costs, including demand and in-charges, have been included in the overall costs for the test year 1981. The Board cannot accept Mr. Paddon's suggestion that an adjustment should be made to the cost of gas charged to operations if the value of the gas in storage is based on the average unit cost of gas.

The purpose of including an allowance for working capital in rate base is to permit a return on funds

provided by investors for operating purposes.

Traditionally an allowance has been made for the average volumes of gas in storage to provide a return on the funds associated with those volumes. In the opinion of the Board the extent to which funds are associated with the volumes of gas in storage depends, not on the accounting practice of the Applicant, but on the manner in which storage costs are recovered through rates.

From the rate schedules currently in effect it has been noted that only Rates 1, 6 and 100 offer reductions in rates for gas consumed in the summer months of May through October. Rate 1 has a reduction of one cent per Ccf for gas consumed above 60 Ccf in the summer months and Rate 6 applies the same reduction to all gas consumed above 500 Ccf in each of the summer months. Rate 100 also has a one cent per Ccf reduction but this applies to all volumes taken in the summer months. An analysis of the volumes forecast to be sold under these three rate schedules in fiscal 1981 reveals that out of almost 60 Bcf of gas to be sold in the summer months less than 25 Bcf will attract the one cent per Ccf reduction.

The Applicant forecasts sales of some 296 Bcf in fiscal 1981, of which some 66 Bcf is expected to be withdrawn from the 74 Bcf in storage. It is evident, therefore, that of the gas sold throughout the year some 271 Bcf will be at regular rates and that these rates must include a component of storage costs. Therefore the



demand and in-charges are not recovered during the period that gas is withdrawn from storage but across the major portion of the volumes of gas sold throughout the year.

Since the storage costs are effectively recovered through sales volumes that are about four times the total volumes that pass through storage, the Board considers that it would be inappropriate to value gas in storage as if the storage costs were associated with only those volumes that enter storage.

The Board would reiterate that the Act requires it to provide an allowance for working capital and, in the Board's view, an allowance need not be a precise figure. The average volumes in storage valued at the average unit cost of gas for the test year is deemed by the Board to be a reasonable allowance under the circumstances.

For all of these reasons the Board rejects the Applicant's claim and will revise the submission to value the average volumes of gas in storage at the average unit cost of gas. This results in a reduction in rate base, as pointed out by Mr. Macaulay, of \$3.4 million which, after adjustment for the reduced sales to Ontario Hydro, will become \$3.844 million. (See notes to Appendix B).

## 12. Averaging Property, Plant and Equipment

The Applicant in its submission used as its value of property, plant and equipment, an average of the 12

monthly averages that had been produced from the estimates of capital additions during the test year.

Mr. Macaulay objected to the method used by the Applicant and submitted that, since the plant additions throughout the test year would not be uniform each month, a monthly weighted average method should be used since it takes into account variations in plant additions. Mr. Macaulay claimed that on this basis the rate base would be approximately \$11 million less than that submitted by the Applicant.

The Board has reviewed this submission and, while it agrees that argument can be made for the weighted average method, it does not believe that it would be appropriate in these particular circumstances. Where the additions to rate base are lower in the early part of the fiscal year and higher in the latter part of the year the weighted average rate base will be lower than either a simple average or an average of monthly averages. The Board is of the opinion that use of the weighted average tends to penalize the Applicant for having a September year-end compared to another utility which may have a year-end in March. The Board therefore accepts as reasonable the Applicant's method of averaging property, plant and equipment.

13. Plant Under Construction

Board counsel was concerned about the Applicant's treatment of work in progress which involves the allowance of a return thereon and a deemed increase in revenue to offset the return on incompletd projects. He pointed out that this procedure is unduly complicated and that it is different from that of the other two major gas distributors in the Province.

He reported that for regulatory purposes there are two generally accepted methods of making an allowance for funds during construction. A utility may include plant under construction in rate base and enjoy thereon the allowable rate of return or, alternatively, the utility may add interest to funds used during construction (capitalize interest) and in this case capital plant would not be permitted in rate base until construction is completed. Mr. Macaulay noted that the other major gas distributors in the Province use the second method.

The Applicant has for several years added interest to funds used during construction and included the total amount as a component of rate base. To prevent earning a return on plant which may not yet be used and useful in the utility operation, the Applicant has increased utility income by an amount purported to be equal to the capitalized interest on plant included in rate base but not yet used and useful.

The Board is of the opinion that the Applicant's treatment of plant under construction may well result in a revenue requirement very similar to the revenue requirement derived by the more conventional treatment of plant under construction. The Board has concluded, however, that the present procedure is unnecessarily complicated and that there are advantages in having uniformity of treatment of plant under construction among the gas distributors in the Province. The Board, therefore, directs that in future proceedings Consumers' capitalize interest during construction, but exclude plant expected to be under construction at year-end from rate base.

For purposes of this proceeding the Board will deduct \$575,500 from rate base and \$289,300 from utility revenue.

14. The Approved Rate Base

Since the rates arising from this proceeding will be in effect early in the 1980-81 heating season the Board has elected to use the Applicant's average rate base for 1981, as shown on Page 9, as the starting point and, after adjustments based on the foregoing findings, the approved rate base is found to be \$969,196,800. Details of the adjustments may be found in Appendix B herein.

C. ONTARIO UTILITY INCOME

1. Introduction

The Applicant's submission included details of the claimed utility income for fiscal 1979, the historic year; fiscal 1980, the current year; and the future year fiscal 1981 (the test year). These Reasons for Decision will deal mainly with the evidence relating to the test year.

In its initial filing the Applicant claimed that the test year utility revenues would amount to \$911,889,900, costs and expenses would be \$811,510,200 which, after taxes, would produce a net utility income of \$93,060,700. This was subsequently amended by the Applicant to incorporate the effect of various changes which resulted in a claimed net utility income of \$96,536,500.

The intervenors and Board counsel accepted certain of the revisions submitted by the Applicant, but objected to others, as well as to certain aspects of the original claim. The Board is satisfied that the revisions with respect to the reduced sales to Ontario Hydro and the errors and omissions can be accepted.

The specific issues raised by intervenors and Board counsel are reviewed in the following sections.

2. Unbilled and Unaccounted-for Gas

Each year the total volumes of gas invoiced by the Applicant are less than the total volumes metered into the distribution system. The difference between the invoiced volumes and the total send-out is classed as unbilled and unaccounted-for. The unbilled component results from the cyclical billing program and weather variations, especially in the last month of the fiscal year, whereas the unaccounted-for arises through leakage in the system and metering inaccuracies.

In the previous proceeding the Applicant had proposed that the estimate of unbilled and unaccounted-for volumes should be a percentage of the budgeted sales volumes for the test year. The Board in its Reasons for Decision in that proceeding reviewed the matter and concluded that:

- the applicant should report on the methodologies it has considered or tried in an attempt to determine one or the other of these two quantities;
- in the absence of a method that will separate the two quantities the total amount should be dealt with in the year that it is incurred;
- the method used by the Applicant to forecast amounts was inappropriate and that an average of the unbilled and unaccounted-for volumes in the preceding 10 years would be a more appropriate method to use for forecasting purposes.

The Applicant submitted a report in this proceeding on the three projects which it has undertaken in an attempt to obtain data to permit a more accurate determination of either the unbilled or the unaccounted-for volumes. The projects involved were known as Campbellford, Bayview-Mills and Jubilee. In each case major variations have occurred in meter readings so that results have not been conclusive. These projects are continuing.

The reason given by the Board in E.B.R.O. 369-I for rejecting the Applicant's method of predicting volumes of unbilled and unaccounted-for gas was that over the 10-year period it considered there was no correlation between these volumes and the Applicant's sales volumes (excluding sales for power generation). Without such a correlation the Board said: ". . . there appears to be no logical reason for calculating such volumes on the basis of budgeted sales." The Board also noted that the Applicant's method had resulted in 2.6 Bcf unbilled and unaccounted-for gas being included for 1977 and 1978, whereas actual volumes were .599 and 1.578 Bcf respectively.

The Applicant in these proceedings has again used the budgeted volumes for 1981 in determining the volumes of unbilled and unaccounted-for gas that would occur in 1981. The only change in the methodology from that previously rejected by the Board is that the factor used

at that time apparently involved judgment, whereas the factor in these proceedings was derived from the historical data.

Mr. Paddon submitted that the evidence reveals a relationship between the volumes of unbilled and unaccounted-for gas and the sales volumes in each year and as such the forecast of unbilled and unaccounted-for gas ought to be made by reference to budgeted forecast sales volumes. Mr. Macaulay, however, was of the view that the method previously approved by the Board should be continued.

On the basis of the evidence in this proceeding, the Board is still unable to trace any relationship between the volumes of unbilled and unaccounted-for gas and the sales volumes in each year. The Board therefore cannot accept for regulatory purposes the method used by the Applicant. In the absence of a more accurate method the Board will rely on a simple average based on the previous 10 years' actual experience. In this case the figure becomes 1.960 Bcf. For purposes of these proceedings the Board approves this figure, and the net utility income and working cash allowance in rate base will be adjusted accordingly.

### 3. Calorific Value

Except for a small quantity of gas produced in Ontario, the Applicant purchases its gas supply from



TransCanada under a tariff structure which includes a component known as the "Alberta Border Price" that is based on the calorific value (Btu content) of the gas. The Applicant, however, has retail rate schedules under which sales are made on a volumetric basis only, with no provision for an adjustment to offset variations in calorific value. In recent years the calorific value of the gas has been varying from the values forecast by TransCanada and the Applicant established a calorific value account in which to record the effect of these variations on its revenues. The evidence with respect to that account indicates that the Applicant has lost revenues in the amount of approximately \$2.9 million.

The Federal Budget brought down on October 28, 1980, included the imposition of new taxes that had the effect of increasing the cost of gas for all volumes purchased by Consumers' on and after November 1, 1980. The interim application brought by Consumers' sought approval of: interim rate increases to recover the increased costs arising from the taxes; a proposal to offset the calorific value account against the inventory credits; and a proposal to defer the implementation date of the increased rates so as to return the balance of the inventory credits arising from the September 1, 1980, and the November 1, 1980 cost increases to customers.

The Board heard additional evidence under the interim application with respect to the calorific value variations and ultimately issued Reasons for Decision

E.B.R.O. 376-I-2 dated December 12, 1980. The Board elected to deal with the issue of the calorific value account in those Reasons for Decision on the grounds that it considered a balance of \$2.9 million was sufficiently large that it should be dealt with and, furthermore, the next opportunity to deal with an inventory credit would probably not be until 1982. The relevant sections of those Reasons for Decision will not be repeated here, but the Board permitted the Applicant to offset the net loss in revenues resulting from variations in calorific value against the inventory credits. The Board also required the Applicant to continue to monitor variations in calorific value.

4. Performance Effectiveness

Evidence was filed by the Applicant to show that a system for measuring productivity is in place in many of its departments and that departmental efficiency could be evaluated from this data. The Applicant forecasts that the direct incremental costs associated with the measurement of performance effectiveness will increase from \$120,000 in 1979-80 to \$294,000 in 1983-84.

The Applicant's witnesses noted that the system has been developed through experiments dating back to 1976, but suggested that "longer experience with the programs [are needed] before we can be quite confident that in

each application of performance measurement programs they are in fact all cost beneficial."

Mr. Macaulay observed that the total costs and benefits could not be established at this early stage but he hoped that this information would be available in the future as further analysis is undertaken.

The Board is satisfied that the incremental costs referred to above are not unreasonable and appreciates that the implementation of such a program involves an element of trial and error. The Board notes that senior management is already involved in the decisions associated with the development of this system and recommends that potential benefits be assessed carefully by senior management before any additional expenditures are committed.

#### 5. Charitable Donations

For the test year, fiscal 1981, the Applicant has included a provision for charitable donations in utility expenses in the amount of \$100,000. The forecast of total donations for the year is \$200,000 of which \$100,000 has been eliminated as non-regulatory expense. The evidence before the Board indicates that total charitable donations of \$144,750 and \$169,024 were made in the years 1978 and 1979 respectively, while for 1980 they are estimated to be \$170,000. In regulatory

submissions in recent years all such donations have been eliminated as non-regulatory expense.

The Applicant now urges in this proceeding that charitable donations should not be completely eliminated from the cost of service, claiming that such donations are a normal expense of doing business and that an equal sharing between customer and shareholder should be made.

In its submission to the Board in 1961 the Applicant claimed charitable donations of \$48,532 as a utility expense, of which the Board accepted a \$10,000 donation to an employees club as an operating expense. With respect to the remainder the Board said:

"While the Board recognizes the desirability of a utility making contributions to public welfare and charitable organizations and to educational institutions, the Board has decided that the remaining donations, amounting to \$38,532 are of a nature that should be charged to the shareholders rather than the customers, and accordingly has disallowed them as an operation expense."

Later a claim by Union Gas Limited that charitable donations were utility expenses was also rejected, as was the subsequent submission by United Gas Limited that the Board should reconsider the matter and allow such donations, if not in full at least one half, as an operating expense.

Having reviewed the evidence in this proceeding with respect to charitable donations, the Board can find no new evidence to support a change in the position previously taken. The Board will therefore remove the

charitable donations of \$100,000 claimed as a utility expense by the Applicant.

6. Income Tax and Surcharge

In calculating the revenue deficiency the Applicant had included provision for both income tax and the surcharge currently imposed by the Federal Government on income tax. It was submitted by the Applicant that income tax and the surcharge should be collected from its customers even though the new corporate entity of Hiram Walker-Consumers' Home Ltd. ("HWCH") would not pay income taxes.

It was Mr. Carroll's submission that the utility had shared in the risk of acquisition of the shares of Home Oil Company Limited ("Home"), the principal reason that HWCH would pay no taxes, therefore the customers of the utility should be entitled to a tax benefit which, he suggested, could be accomplished through a reduction in the return on common equity. This he considered should reflect the reduced financial risk that results from the increased capital that will be available through the financial position of HWCH.

Mr. Macaulay submitted that since HWCH would not pay income tax, then utility rate schedules should not be based on the collection of such tax. He also considered that since the customers had contributed to the Company's

expansion through the acquisition of Home, it was inequitable to now consider Consumers' as standing alone and require its customers to pay income tax through their rates, when that tax will not be paid to the Government.

Mr. Macaulay also noted that the Federal surtax is temporary and he submitted that this tax should be normalized out since the Board is setting permanent rates. He cited E.B.R.O. 302-II where the Board had normalized out a temporary surtax.

Mr. Paddon submitted that since the surtax is scheduled to be in effect during the calendar years 1980 and 1981, and since the Applicant intends to be before the Board during 1981 with a new application based on a 1982 test year, then the surcharge is a known cost that should be included for purposes of these proceedings. He cited Reasons for Decision E.B.R.O. 363-I where the Board had recognized an amendment to the Income Tax Act subsequent to the close of the hearing. He also pointed out that the temporary surcharge referred to in E.B.R.O. 302-II was in effect for only 7 months of the Applicant's fiscal 1975 year and had expired before the Board's decision was released.

With respect to income tax, the Board has concluded that the inclusion of income tax is reasonable, for the reasons stated in a later section of these Reasons for Decision titled "The Stand-Alone Concept".

With respect to the Federal surtax and the citation of E.B.R.O. 363-I, the Board notes that since the amendment to the Income Tax Act referred to in that decision was not a temporary measure, then that decision is not relevant to consideration of the temporary surtax issue in these proceedings. The surtax issue dealt with in E.B.R.O. 302-II is considered by the Board to be similar to the issue in this proceeding in that both are temporary surtaxes. The Board does not consider it relevant that the surtax encompasses fiscal 1981 as compared to only 7 months in E.B.R.O. 302-II or that the Applicant's intention is to file a new application early in 1981.

The rates set by the Board have historically been based on normalized and annualized figures and the Board anticipates that this procedure will continue to the extent possible with a fully forecast test year. On this basis the Board must conclude that the temporary surtax should not be included in permanent rates and, therefore, has removed the 5 percent surtax for purposes of determining the revenue deficiency in this proceeding.

7. Approved Ontario Utility Income

The net utility income for the 1981 fiscal year, after adjustments to reflect the preceding findings of the Board, will be \$96,125,200. Details appear in Appendix C.





D. THE REASONABLE RETURN

1. Introduction

In determining a reasonable rate of return for a regulated utility operation, it is necessary to establish the various components of capital used in financing (the capital structure) and from the calculated or affixed cost of each of the capital components develop a composite cost of capital invested. In previous proceedings The Consumers' Gas Company was largely a utility company with investments in other enterprises, and the Board accepted the capital structure of the parent as the basis for the capital structure of the Ontario utility. However, subsequent to the last Phase I proceeding two major transactions have resulted in a new parent organization with a substantially different capital structure. In December 1979, The Consumers' Gas Company acquired all outstanding shares of Home Oil Company Limited, and in April 1980, it combined with Hiram Walker-Gooderham & Worts Limited to form Hiram Walker-Consumers' Home Ltd. The Applicant is currently a division of HWCH.

Since the Applicant is now a part of a largely unregulated conglomerate, problems arise with respect to the determination of the sources and cost of capital dedicated to the regulated utility portion of the

operation. The Applicant proposed, therefore, that a hypothetical capital structure should be established and submitted its recommendations.

Considerable time was dedicated to an examination of problems associated with the determination of an appropriate capital structure and the reasonable return on the various capital components. The Applicant presented Mr. P. A. Ryan who testified as to a stand-alone concept and the treatment of income taxes; Mr. A. S. Fell and Dr. S. F. Sherwin who testified as to return on equity and capital structure matters, as did Mr. David Parcell on behalf of Board staff. Mr. E. N. Wright, testified regarding his capitalization study. Subsequent sections of these Reasons for Decision deal with each of these subjects.

## 2. The Capital Structure

The amalgamation of Consumers' into HWCH leaves Consumers' without a separate corporate identity and without an exclusive capital structure. Mr. Ryan indicated that after the amalgamation the capital structure of HWCH would include an equity component of 48.1 percent and a long-term debt component of only 26.8 percent. The adoption of this capital structure as a basis for determining the cost of capital for the Ontario utility operation was not advocated by any of the

participants, and Mr. Paddon in reply argument submitted that "it is undisputed that the consolidated capital structure is inappropriate for a utility."

The Board agrees that the HWCH consolidated capital structure should not be accepted as the capital structure for Consumers' utility operation within Ontario.

In E.B.R.O. 369-I-A the Board ordered the Applicant to engage the services of an independent expert and attempt to develop a capital structure for the Ontario utility operations of Consumers'. For determination of the cost of capital in E.B.R.O. 369, the Board reluctantly accepted the consolidated capital structure, pending completion of that study. Mr. E. N. Wright was engaged and his study (the "capitalization study") was placed in evidence in this proceeding. The capitalization study dealt with the situation prior to purchase of the balance of Home shares and the formation of HWCH. Mr. Wright identified the capital he considered to be associated with Home and other non-utility activities, and after elimination from the September 30, 1979 consolidated capital structure, arrived at a capital structure representing the Ontario utility only. The capital structure derived by Mr. Wright is shown below under column A. The capital structure determined by the Board in E.B.R.O. 369 is shown under column B and the capital structure of Consumers' Gas Company as of September 30, 1979, is shown under column C.

<u>Type of Capital</u>	<u>A</u>	<u>B</u>	<u>C</u>
	<u>(Percent of Capital)</u>		
Long-term Debt	49.62	49.5	51.0
Preferred Shares	13.30	12.8	12.7
Deferred Taxes	3.64	3.0	3.0
Common Equity	33.44	34.7	33.3

The Board notes the similarity among the above structures and is satisfied that a basic capital structure as of that date would be reasonably represented by: long-term debt 50 percent; preferred shares 13 percent; deferred taxes 3 percent and common equity 34 percent.

In the development of a prospective capital structure appropriate for fiscal 1981, both Dr. Sherwin and Mr. Parcell made submissions and testified in support of hypothetical capital structures that they considered to be appropriate for the financing of the Ontario utility as a separate entity.

### 2.1 A Hypothetical Capital Structure

Mr. Wright had some reservations regarding the value of his capitalization study in view of the changes in financial interrelationships that had occurred subsequent to the period covered by the study. In the concluding comment of his study he said:

". . . the methodology dealt with in this report for determining a hypothetical capital structure for the Ontario utility will not, in my opinion, be appropriate subsequent to September 30, 1979. This is because the Ontario utility is no longer the dominant factor, with the result that the consolidated capital structure has become far removed from that of a utility, and future financing will not reflect for the most part the debt/equity relationship usually associated with a public utility."

The Board agrees that as a result of the corporate changes the study is no longer directly applicable, but finds the study a useful guide to an appropriate hypothetical capital structure.

In the development of a hypothetical capital structure for 1981, Dr. Sherwin and Mr. Parcell were in substantial agreement as to methodology, but not as to the size of the equity component of capital.

Dr. Sherwin submitted that a range of 32.5 to 37.5 percent equity was appropriate and he proposed a common equity component of 35 percent for purposes of these proceedings. He observed that an equity ratio of approximately 35 percent had permitted other utilities to raise capital on reasonable terms and also that the long-term debt ratio of the preponderance of utilities is below 50 percent.

Mr. Parcell also submitted a range which he regarded as reasonable for the equity component. His range was 30.0 to 35.0 percent and he selected the mid-point of 32.5 percent as appropriate for the Applicant's hypothetical capital structure.

Mr. Carroll pointed out that Mr. Fell had indicated that there was an appreciation in the stock price of Consumers' when the formation of HWCH was announced. He submitted that the market does not indicate the need for a higher equity ratio and therefore the Board should find a common equity ratio between 30.0 and 32.5 percent.

The Board notes that The Consumers' Gas Company common equity, as reported to the shareholders through its annual report has varied between 30.9 and 33.6 percent during the years 1975-79 inclusive. It also notes that a 35 percent equity as proposed by Dr. Sherwin is considerably above the average of other Canadian gas distributing companies and is in fact at the upper end of their current equity ratios. Since the average equity component of the Canadian gas distributors is much lower than that proposed by Dr. Sherwin and since the recent corporate changes should tend to improve the Applicant's financing, the Board considers that Dr. Sherwin's recommendation of 35 percent is too high. After evaluating Mr. Parcell's recommendations and Mr. Wright's capitalization study, together with the submissions of the parties, the Board has concluded that, for purposes of this proceeding, an equity component of 33.3 percent is appropriate for a hypothetical capital structure.

Dr. Sherwin hypothesized that the capital structure for future years should be equated with the

utility rate base. He proposed that the hypothetical capital structure should consist of a deemed equity component, the actual deferred taxes, the outstanding debt issues and preference stock, with the balance of the rate base being referred to as the unfunded debt component of the capital structure. Conceptually, the unfunded debt component would be a reflection of the new capital injected into the utility.

The concept of an unfunded debt component in the hypothetical capital structure was not challenged by any of the participants.

The Board is concerned, however, about the impact on future years of a notional unfunded debt account, which would presumably be an accumulation of capital additions to the utility and, unless the other components are adjusted, could grow to unreasonable proportions. For purposes of this proceeding, however, the Board accepts the unfunded debt component of the capital structure, in that the amount of unfunded debt is not unreasonable.

On the basis of the foregoing and using an average rate base as found herein the hypothetical capital structure approved by the Board appears on the following page.

<u>Type of Capital</u>	<u>Capital Structure (percent)</u>	<u>Rate Base (\$000)</u>
Common Equity	33.3	322,742.5
Deferred Taxes	3.4	32,783.0
Preference Shares	10.8	105,104.0
Long-term Debt	44.7	433,059.0
Unfunded Debt	7.8	75,508.3
	<hr/>	<hr/>
	100.0	969,196.8

It should be noted that in the above capital structure the percent of capital deemed to be equity is fixed as is the dollar amount for each of the components "deferred taxes", "preference shares" and "long-term debt". The component "unfunded debt", as the balancing item between rate base and capital structure, will vary both as to amount and percentage.

### 3. The Stand-Alone Concept

As noted the development of a hypothetical capital structure was necessary as the components of capital now employed by HWCH are not representative of the capital employed in the regulated utility portion of its operations. In addition the Applicant claimed that the regulated and the unregulated portions of HWCH should be insulated one from the other. Its submission



incorporated, therefore, a stand-alone concept which assumed that the regulated Ontario utility operation was completely divorced from all other operations of HWCH.

Certain benefits and certain risks are inherent in the formation of HWCH that cannot be quantified. For example, it was Mr. Fell's opinion that the debt obligation of Consumers' would be upgraded significantly and that there would be increased flexibility in financing, a benefit accruing ultimately to the customers of Consumers' in the form of lower cost debt. Mr. Fell also reported that management intended to utilize the financial strength of the Hiram Walker division of HWCH to supplement the exploration and development program of the Home division.

Mr. Macaulay argued that any benefits derived from Consumers' participation in Home have now been "stripped away" by the stand-alone concept.

Mr. Paddon submitted that the Applicant has always segregated out the non-utility, non-regulated items from the rate base and from the cost of service and that the Applicant has effectively been on a stand-alone basis in each of its cases before this Board.

Board counsel cited precedents but he considered them to be of little value in leading the Board to a conclusion on the principles involved in the stand-alone concept. The Board finds therefore that it must resolve matters on the merits as presented and argued in this case.

The Board has noted that the hypothetical capital structure will contain the low cost debt issues originally issued in the name of The Consumers' Gas Company. New capital required for utility system expansion purposes is expected to be obtained at lower cost than might have otherwise been. In this regard the customers of Consumers' are fairly treated.

The Board recognizes that the shareholders of the new corporation may enjoy benefits arising out of the amalgamation. The Board however agrees with Mr. Ryan that as long as such benefits are at no cost to utility customers, then there is no inequity.

In previous proceedings the Board has, in effect, treated the utility on a stand-alone basis by the elimination of the effects of non-regulated activities, including those of Home. Since, under the present circumstances the utility customers will receive some benefit from the formation of HWCH, through lower utility financing costs, the Board accepts that a stand-alone policy is reasonable for purposes of this proceeding.

4. Allowable Return on Long-term Debt,  
Preference Stock and Allowance for  
Deferred Taxes and Unfunded Debt

The Applicant submitted a listing of the long-term debt issues and the preference stock issues expected to be outstanding during and at the end of fiscal 1981,

together with calculated costs. The calculations indicated a long-term debt cost of 9.27 and 9.30 percent for the average and year-end respectively. The cost of preference stock was calculated at 8.12 and 8.03 percent for the average and year-end respectively.

Mr. Parcell used an averaging technique and found slightly lower costs for these capital components. In view of the minor differences the Board will accept the Applicant's determination for purposes of this proceeding.

With respect to deferred income taxes, Mr. Paddon pointed out that the Board had previously determined a cost of 2.0 percent but reduced it to 1.83 percent to offset deferred taxes collected on non-utility activities. Mr. Paddon submitted that since the non-utility items have now been removed from the deferred tax balance, the cost rate should be 2.0 percent.

The cost assigned to deferred income taxes was not challenged and the Board finds 2.0 percent to be acceptable.

The Applicant proposed that the unfunded debt be assigned a cost that will reflect the cost of short-term borrowings in 1981. This proposal was not objected to by any of the other participants. The Applicant proposed a rate of 12.5 percent as representative of the cost of

short-term debt. The Conference Board of Canada ("the Conference Board"), in its latest forecast for 1981, predicted an average short-term interest rate of 12.66 percent, a prime lending rate of 14.19 percent and a long-term interest rate of 13.73 percent.

Mr. Paddon submitted that a 12.5 percent rate for unfunded debt is ultra conservative but considered it to be acceptable. The Board is satisfied that a rate of 12.5 percent for the unfunded debt component of the hypothetical capital structure is reasonable.

In summary the Board finds the following costs of debt:

<u>Type of Capital</u>	<u>Cost</u> (Percent)
Long-term Debt	9.27
Preference Stock	8.12
Deferred Taxes	2.00
Unfunded Debt	12.50

5. Return on Common Equity

While the current and prospective cost of the components of capital discussed above can be determined with some precision, the cost of common equity is much more subjective. Long-term debt holders and preferred stockholders are allowed a return based on a mutually acceptable return at the time of issue. An allowable

return on unfunded debt may reasonably be predicated on current cost of short-term borrowings. The derivation of a reasonable return on the common equity component must however take into consideration the prevailing marginal and prospective returns on other investment opportunities.

The Board had the benefit of advice from three expert witnesses. Mr. Fell provided information on the major corporate changes affecting Consumers'; the consequences of the changes on the securities market and the current and prospective outlook for interest rates in Canada. Dr. Sherwin provided his estimate of the return required on the equity portion of the regulated utility operation, relying primarily on the comparable earnings test. He proposed an allowable rate of return of 15.5 percent. Mr. Parcell, using substantially the same analytical techniques, arrived at an allowable rate of return of 13 to 14 percent.

Since Consumers' is now part of a diversified conglomerate, the relevance of some of the conventional tests previously employed in determining a reasonable return on equity become questionable.

Mr. Fell said ". . . it is no longer logical to attempt to measure the investors required return on the utility operations of Hiram-Walker Consumers' Home Limited using any method which is based on stock performance."

Dr. Sherwin submitted that ". . . it is no longer possible to apply the discounted cash flow ("DCF") approach as a direct test of the return requirement of the utility operation." However, both he and Mr. Parcell used the DCF method to support the results produced by their comparable earnings test.

#### 5.1 The Comparable Earnings Test

Dr. Sherwin noted that the comparable earnings test was primarily the opportunity cost of capital and he predicted that for comparative purposes the profits for industry in 1980-81 would be a reflection of the profits earned by industry in the period 1977 to 1979.

For purposes of his comparable earnings test Dr. Sherwin used three basic groups of industrials. One group of 28 industrials had been selected on the basis of the ranking of Investment Advisory Service and, for the period 1977 to 1979, the median return on common equity for the group was 15.9 percent. The second and third groups were selected on the basis of stability of earnings, with stability being measured in terms of the coefficient of variation, which expresses the standard deviation of returns as a percentage of the company's average return. These two groups consisted of 35 companies (a 10-year evaluation of coefficients) and 37 companies (a 7-year evaluation of coefficients). The

average and median returns from both groups for the years 1977 through 1979 were shown to be between 13.4 percent and 17.6 percent. Dr. Sherwin found that, after giving equal weight to the averages and medians for both groups in the three year period, the overall average became 15.9 percent.

Based on his belief that profits in 1980-81 would be similar to those of 1977-79, Dr. Sherwin claimed that this test supported his conclusion that a 15.5 percent return on equity would be appropriate for Consumers'.

Dr. Sherwin referred to the Board's previously expressed reservations with respect to comparability between Consumers' and industrial companies. In response to these reservations, he conducted a further test on the average returns from the above groups by removing from those groups those companies whose returns fell above or below one standard deviation. For the 1977 to 1979 period the result for the first group became 15.6 percent and the average of a combined second and third groups became 15.7 percent.

Mr. Parcell also conducted a comparable earnings test using as his samples: the 27 largest industrial firms in Canada, as published in the Fortune Magazine list of the 500 largest industrial corporations outside the United States; the same 28 industrial companies used by Dr. Sherwin in his first group; the two

Canadian electric utilities used by Dr. Sherwin; and the three gas distributors and four gas transmission companies also used by Dr. Sherwin. In addition Mr. Parcell also drew some comparisons with returns earned by groups of U.S. industrials. Mr. Parcell preferred, however, to use a longer period than Dr. Sherwin for his analysis, producing data for the period 1965 to 1979. He pointed out that he had given more weight to the last five and 10 years experience in reaching his conclusion that the return on equity should be between 13 and 14 percent.

Mr. Parcell also referred to the reservations expressed by the Board in E.B.R.O. 369-I where cost-of-capital witnesses had been directed to produce a more explicit method of determining industrials of similar risk and to present standard deviations of earnings at future hearings. He presented a schedule of the standard deviations and coefficients of variation of the groups that he had examined and also analyzed this data. As a result of this analysis he concluded that the standard deviations could not be used as a guide to comparable risk. Therefore, with respect to the Board's request for a more explicit method of determining industrials of similar risk to utilities, he stated ". . . I believe my analysis demonstrates that industrials are more inherently risky than utilities and require higher expected rates of return. As a result I regard the request as being somewhat incapable of being fulfilled."



The Board notes that, although not expressed as strongly as Mr. Parcell, Dr. Sherwin also expressed some reservations with respect to the use of standard deviation of earnings. On the basis of the evidence in these proceedings the Board is satisfied that this information need not be provided in future proceedings.

5.2 The Capital Attraction Test -  
Discounted Cash Flow

Dr. Sherwin suggested that the discounted cash flow approach is of little value in view of Consumers' present corporate reorganization. Mr. Parcell regarded data up to 1979 to be valuable for analytical purposes but that more recent data on current yields would not be meaningful. In any event, both submitted a DCF analysis.

Dr. Sherwin, in reviewing the growth rates, retained earnings and dividend yield for Consumers', concluded that a 10 percent growth rate may be expected and, he assumed a 5 percent yield which results in a return on equity of about 15 percent. From his examination of medium and high grade industrials he concluded that "the cost of attracting capital is in the range of 14.0 to 15.0 percent, excluding financing costs and market pressure."

Mr. Parcell examined the per share growth in dividends, book value, and earnings over the 10-year

period 1970-1979. His DCF analysis placed the cost of equity capital in the 12 to 13 percent range. After providing for flotation costs and market pressures he arrived at a cost of common equity of 13.75 percent.

6. Other Factors Affecting Return on Equity

All commercial enterprises operate in an environment of risk. The assessment of such risk is the objective of investors in the securities markets and of regulators in deriving a reasonable return on equity. The securities market provides an indication of risk as perceived by the investor. The regulator, in setting a reasonable return on equity, must also consider the risk associated with equity investments.

Several risk factors were referred to during the proceeding. Mr. Parcell considered that industrials are inherently more risky than utilities and therefore require a higher rate of return than do utilities. Dr. Sherwin observed that he knew of no single, all-encompassing formula for the measurement of risk.

Risk can be subdivided primarily into business risk and investment or financial risk. Although risk cannot be quantified, the identification of trends in the elements of risk can assist the Board in assessing the reasonableness of a return on equity.

Mr. Paddon argued that since Consumer's does not collect deferred taxes the investment risk is higher than if such taxes were collected.

Mr. Macaulay argued that business and financial risk have both declined. He pointed out that, as a result of the formation of HWCH, Consumers' is now able to arrange \$700 million in borrowings whereas previously the borrowing capacity had been exhausted. This indicates an improvement in the financial risk. He also pointed out that the uncertainties associated with dependence upon a single large customer, such as Ontario Hydro, have been eliminated and that unabsorbed demand charges arising out of the cancellation of the Ontario Hydro contract are no longer a factor.

Mr. Paddon accepted that adoption of a future test year may diminish the risk of attrition but noted that as of that date the "future" test year had already commenced. He also noted the abundance of heavy oil and claimed that associated marketing problems increase the business risk which offsets the decline in risk associated with the adoption of the future test year.

It was also pointed out with respect to business risk, that natural gas supplies are quite adequate for the foreseeable future. The utility is well protected insofar as franchise areas are concerned and these may be expanded. The incentive pricing scheme for gas could also reduce business risk although this is not self-evident at this time.

The Board concludes from the evidence that both business and financial risk have declined since the previous hearing and the diminution of the risk will be considered in arriving at a reasonable return on equity.

Common equity is traditionally considered to be entitled to a premium over and above the cost of other sources of capital. The Applicant has acknowledged however that this premium tends to decline during periods of high interest rates.

#### 6.1 The Economy

There was considerable discussion and speculation with respect to the economy and since this affects the rate of return issue the Board must consider these factors in reaching its conclusions.

It was generally agreed that we are currently in the midst of the worst economic depression since the mid 1950's.

Mr. Fell was of the opinion that ". . . upward pressure next year will be reflected by persistent but gradual increases in interest rates." He also expects that profits will be "flat" during 1980 and recovery will begin in 1981.

Mr. Macaulay drew the Board's attention to the latest Conference Board report, which indicated that double digit inflation and high interest rates will

constrain growth in the domestic economy to a modest 1.9 percent in 1981. Unemployment is expected to rise to 8.2 percent. The report also indicated that although 1979 profits exceeded the previous year by 35.4 percent, forecasts for 1980 and 1981 predict an increase in profit over the preceding year of 2.7 and 10.7 percent. The Conference Board concluded that prospects for recovery in the Canadian economy remain dim.

Mr. Macaulay considered that the economic conditions prevailing during the 1977-79 period were vastly different from the conditions in 1980 and those expected to prevail during 1981. He submitted that Dr. Sherwin's conclusions should not be relied upon as they were based on 1977-79 data which cannot be adapted to the 1980-81 conditions, as a result of the very different economic circumstances. Mr. Macaulay also pointed out that Mr. Parcell's evidence was that the positive factors affecting Consumers', combined with the recession indicated that it was an inappropriate time for the Applicant to be seeking an increase in the rate of return.

#### 7. The Board's Conclusions

The comparable earnings test was applied by two of the expert witnesses on rate of return. As a result of this analysis, the Board has been presented with

recommendations ranging from 13.5 percent to 15.5 percent as a reasonable return on common equity. The same witnesses determined appropriate rates of return by the DCF method. Dr. Sherwin found a range of 14.0 to 15.0 percent by the application of this method, while a return of 13.75 percent was found by Mr. Parcell.

The Board has considered a number of factors in reaching its conclusion.

The Board agrees with Mr. Parcell that the industrials are generally considered to be a higher risk than the utilities and believes, therefore, that the return on common equity need not be as high for a utility as for an industrial company. In this proceeding the evidence has satisfied the Board that the current status of HWCH and the recent changes in Canada with respect to energy have reduced the Applicant's business and financial risk. The Board also agrees with Dr. Sherwin that while there should be a risk premium in the return on equity when compared to the cost of other capital, in times of wide swings in interest rates and historically high levels, the amount of the premium will be reduced.

The Board notes that Dr. Sherwin's recommendation of 15.5 percent return on equity was based on his comparable earnings test for the period 1977-1979 and his view that earnings levels will, to a large extent, be maintained in 1980-81. This view was strongly contested by Mr. Macaulay, and the Conference Board report appears to

confirm Mr. Macaulay's contention that it is unlikely that the 1977-79 earnings levels will be maintained in 1980-81. The Board is persuaded that profits in 1980-81 will probably be lower than in 1977-79 and as such believes that the 15.5 percent return on equity recommended by Dr. Sherwin is too high.

The Board has reviewed carefully the reasons given by Mr. Parcell for his recommendation that the return on equity should be between 13 and 14 percent. The Board has concluded that although the rationale presented is not unreasonable the expected high interest rates more than offset the reduced risks. The Board therefore considers that the Applicant is entitled to a 14.25 percent return on equity and will approve an overall rate of return incorporating that figure.

8. The Overall Rate of Return

The following table is a summary of capital costs and the derivation of the overall rate of return on the approved rate base.

<u>Capital Component</u>	<u>Capital Structure (Percent)</u>	<u>Cost (Percent)</u>	<u>Weighted Cost (Percent)</u>
Long-term Debt	44.7	9.27	4.14
Preference Stock	10.8	8.12	.88
Deferred Taxes	3.4	2.00	.07
Unfunded Debt	7.8	12.50	.98
Common Equity	33.3	14.25	4.74
	<hr/>		<hr/>
	100.0		10.81

The Board concludes that the allowable rate of return on rate base shall be 10.81 percent.



E. DEFICIENCY AND ITS ALLOCATION

The Board has found that the Applicant's 1981 average rate base will be \$969,196,800 and that without rate relief the Ontario utility income will be \$96,125,200, which is a 9.92 percent return on rate base. The overall rate of return found reasonable by the Board is 10.81 percent and, in order that the Applicant might realize that rate of return on the above rate base, a revenue increase of \$17,252,000 will be necessary. (See Appendix E).

1. The Applicant's Submission

Evidence on proposed rate revisions was submitted by the Applicant and the hearing on these matters took place shortly after the completion of rate base and rate of return evidence but before any finding had been made by the Board as to the revenue deficiency. The Applicant therefore based its submission with respect to allocation of the revenue deficiency and rate design on supposition, the objective being to establish principles for the allocation of any found revenue deficiency and changes to rate schedules.

The Applicant submitted a fully allocated cost ("FAC") study for the fiscal year ended September 30, 1979. The study is a computerised cost of service

allocation to various customer classes and was claimed by the Applicant to be consistent with that filed in the previous application. The study indicated that if all customer classes were required to yield the authorized rate of return then the residential service under-contributed by \$12.7 million (18.2¢/Mcf). The general service commercial class was shown by the study to be the largest over-contributor by some \$7.1 million (14.0¢/Mcf).

In addition to the above study the Applicant filed an FAC study with costs allocated on the basis of rate schedules instead of customer classes.

The Applicant proposed that the revenue deficiency be allocated to customer classes essentially in accordance with the allocation of rate base. The Applicant proposed, however, a subjective shift in the revenue deficiency allocation in order to reduce the price differential at the point of reclassification between Rates 6 and 100. The proposal was to decrease the revenue deficiency allocated to Rate 6 customers and increase the allocation to Rate 1 customers by a similar amount. The Applicant supported this change on the basis that Rate 6 over-contributes and the residential class, Rate 1, under-contributes to the overall return.

2. The Views of Participants

Mr. Thompson on behalf of the Industrial Gas Users Association ("IGUA") objected to the Applicant's proposed allocation of the revenue deficiency. He submitted that the deficiency allocation to customer classes on the basis of rate base responsibility was an acceptable principle, but that Consumers' wrongly applies it. He argued that Consumers', by including customers with such a wide range of consumption characteristics in the Contract Service Firm class, discriminates against part of the class; namely the large industrial customers consuming more than 6,000 Mcf per day with load factors of 75 percent or more.

During argument Mr. Thompson submitted two schedules in which the Contract Service Firm class had been divided to show those customers taking over 6,000 Mcf per day at 75 percent or higher load factor as a separate class from the remainder. He claimed that the schedules were based on the answer to an IGUA interrogatory and Mr. Rewbotham's testimony. The first schedule re-allocated the assumed revenue deficiency on the basis of rate base responsibility and this demonstrated that the increase to the large volume firm customers would be reduced whereas the remainder of the firm contract customers would face larger increases.

The second schedule set out the over- and under-contribution by class, assuming each class was required

to contribute the authorized rate of return, again with the Contract Service Firm class divided as above. Comparisons were made among the levels of over- and under-contributions produced by the Applicant's submission, a Board staff proposal, and the IGUA proposal. In essence the IGUA proposal would have reduced the residential class under-contribution, increased Ontario Hydro's over-contribution, reduced the over-contribution of the industrial and commercial general service classes, and held the remainder of the classes at the level of September 30, 1979.

These schedules, Mr. Thompson claimed, demonstrated that the degree of cross-subsidy within the large volume Contract Service Firm class was unreasonable. He maintained, as he has on previous occasions, that the high load factor customers taking more than 6,000 Mcf per day should be treated as a separate class from the remainder of the Contract Service Firm class for costing and rate making purposes.

Mr. Macaulay pointed out that the FAC was not thoroughly investigated in this proceeding because of the very brief time interval since the previous proceeding when the methods and results were adequately tested. He recommended that the FAC studies should be examined more fully at the next opportunity, both as to methodology and results. He suggested that the number of customer classes should be reduced to four, also that the

Applicant should continue to file an FAC study based on rate schedules.

Mr. Macaulay referred to the non-cost factors that he claimed should be a consideration in the allocation of revenue deficiency and rate design and noted that competition had been mentioned as a factor. He submitted that, depending on the weight placed on the non-cost considerations and competition, the under- and over-contributions indicated by the FAC studies could be significantly affected and even eliminated. He submitted that it may not, therefore, be appropriate to continue to justify moving revenue responsibility from Rate 6 to Rate 1 on the grounds that Rate 1 under-contributes.

Mr. Macaulay pointed out that the Applicant had based its allocation of the revenue deficiency on the rate base responsibilities as shown in the 1978 FAC study. He submitted that, as it has now been tested, the Board should use the 1979 FAC study together with forecast 1981 sales volumes, to allocate the revenue deficiency among classes.

With respect to the relationship between Rate 6 and Rate 100 at the point of reclassification, Mr. Macaulay considered that there was no evidence to support the maintenance of the differential previously approved by the Board. He submitted that the revenue deficiency should, therefore, be allocated on the basis of rate base responsibility and that there should be no subsequent adjustments.

Mr. Macaulay objected to the submission of IGUA on the grounds that the division of a customer class, and ultimately the dividing of Rate 110 into two rates, had not been adequately tested. He also objected to the use of 1978 FAC figures, the method used by IGUA in arriving at the revenue deficiency required from each customer class, and the shifting of responsibilities from the largest customers in one class to the remainder of that class.

Mr. Kawalec, on behalf of his clients, supported Consumers' proposal for distribution of the revenue deficiency.

3. The Board's Conclusions re  
Allocation of Revenue Deficiency

The Board notes that Mr. Thompson's submissions would result in Rate 110 being divided into two rates, with those customers taking more than 6,000 Mcf per day being treated separately for both costing and rate making purposes. The Board has concluded, however, that the evidence in this proceeding does not support such a change. Intra-class cost analyses would almost certainly show that some cross-subsidization exists among all customer groups. However, by the selection of the customer groups, the degree of subsidy could be changed. The submission by Mr. Thompson as to the intra-class cross-subsidy may well be correct, but the Board does not

consider that alone to be sufficient justification for dividing Rate 110 into two separate rates. The cross-subsidy is based on the FAC studies and the Board agrees with Mr. Macaulay that non-cost considerations and competition must be taken into account, which would affect the degree of cross-subsidy considerably.

The Board, therefore, rejects Mr. Thompson's proposal.

The Board has reviewed the Applicant's FAC studies and accepts them as submitted for purposes of this proceeding. The Applicant's use of rate base responsibility for the allocation of revenue deficiency has been accepted by the Board previously, and is again accepted. The Board agrees that the latest approved FAC study should be used, and since the September 30, 1979 FAC study has now been accepted, the responsibilities by customer class should be based on that study, with sales volumes as forecast for 1981.

In view of the reduction in sales volume to Ontario Hydro, the Board accepts that Rate 160 should no longer be considered as a separate customer class. This rate will be included with the Contract Service Firm class for purposes of class revenue determination.

In previous decisions the Board has required the Applicant to maintain a relationship between Rate 6 and Rate 100 at the point of reclassification to provide a better transition for customers who are moved from

Rate 100 to Rate 6 as a result of conservation activities. The Board agrees that a relationship should exist, but does not consider it essential that the differential at that point on the rate should be eliminated or maintained at a particular level.

The Board shares Mr. Macaulay's concerns with respect to the revenue responsibility that has already been moved from Rate 6 to Rate 1 in order to maintain the relationship between Rate 6 and Rate 100. For purposes of this proceeding, however, the Board is satisfied that a further adjustment between Rate 6 and Rate 1 can be justified, but has concluded that it should be limited to \$2 million.

In accordance with the foregoing the allocation of the revenue deficiency to customer classes and the unit price increases were as follows:

<u>Rate Schedules</u>	<u>Allocation of Revenue Deficiency</u>	
	<u>(\$000's)</u>	<u>(¢ per Mcf)</u>
1	12,668	16.145
6	2,024	2.929
100, 110, 120, 160	1,416	2.132
130, 145	1,144	1.476
	<hr/>	
	17,252	

The Board approved the above allocation of the revenue deficiency to each customer class and directed that rate schedules be changed to enable recovery of the additional revenues.



F. RATES

The Applicant pointed out in its submission that no major changes were being proposed with respect to rate structures or schedules. It proposed recovery of the revenue deficiency through rate increases for each class that will result in essentially all volumes recovering the class responsibility for revenue deficiency on a cents per Ccf basis. Some minor adjustments were proposed for Rates 1 and 6 to improve cost recovery from low consumption customers.

For Rates 1 and 6 the Applicant proposed that the charge for the first 4 Ccf (and the Minimum Bill) would be increased by \$1.00 and \$1.20 respectively. In each case the balance of the total revenue deficiency allocation was to be recovered by increasing the price of gas in each block by approximately the same amount per Ccf.

The flat charges under Rates 3 and 4 were to be increased to retain the differentials between the current Rates 3 and 4 and the price of gas under Rate 1(a).

The Applicant proposed that Rates 100, 110, 120, 130, 145 and 160 should be increased by the class responsibility for the revenue deficiency on a cents per Ccf basis.

The participants did not oppose the Applicant's proposals with respect to amending rate schedules.

Mr. Kawalec, on behalf of the Urban Development Institute, expressed concern with Consumers' policy with respect to grouped or multiple meter service as it applied to commercial customers, particularly where Consumers' will not permit the owner of two or more apartment buildings located on contiguous properties to combine consumptions for billing purposes. He considered that the evidence in this proceeding proved that undue discrimination existed, in that certain industrial enterprises are permitted to combine meter readings under what Mr. Kawalec considered were similar circumstances.

Mr. Kawalec referred to previous Board Orders and suggested that the Applicant may well be failing to comply with the Board's Orders with respect to multiple metering. He submitted, however, that the Board should clarify previous Orders so that the Company could continue its current policy and, at the same time, direct that the policy be extended to include his clients.

The Board has noted the similarities between the commercial and industrial customers referred to by Mr. Kawalec, as well as the differences identified by Mr. Atkinson. In addition to these differences the Board believes there are others that should be considered. In general an industrial customer has a larger load and a higher load factor than a commercial customer. The larger load might well necessitate serving the industrial load from more than one section of the distribution

system. A further example might be an industrial customer expanding operations with additional processes housed in new buildings where, in order to extend service to those buildings, much of the distribution system through the existing buildings might have to be upgraded. It is unlikely that the above circumstances would arise with respect to an apartment complex. To force the Company to supply such customers through one meter would, in the Board's opinion, be an unrealistic constraint.

The Board is, therefore, satisfied that Consumers' current implementation of the multiple meter policy is not unreasonable.

Mr. Macaulay expressed his concerns with respect to "other charges". He considered that the Board should clarify what other charges it considers are included in its jurisdiction under section 19 of the Act. It was submitted by Mr. Macaulay that other charges imposed by the Applicant such as rental equipment, security deposits etc., should be under the Board's jurisdiction and that the Board should either claim jurisdiction or have the legislation amended for this purpose.

The Board has noted Mr. Macaulay's comments but having reviewed the evidence can find nothing which suggests that the charges currently in place have caused the customers any undue concern. The Board, therefore, sees no necessity at this time to change the status quo.

With respect to the rate schedule changes proposed by the Applicant, the Board accepted these in principle in its decision and required the Applicant to submit revised rate schedules that incorporated these changes and would recover the revenue deficiency as found by the Board. These rate schedules were approved and subsequently became part of the Board Order E.B.R.O. 376-I & II that was issued December 2, 1980. (Appendix A).

G. CONFIRMATION OF INTERIM ORDERS

The Board in approving rate increases with respect to the interim applications referred to earlier herein, required the Applicant to maintain records so that refunds or other adjustments could be made, if necessary, at the conclusion of the main proceeding.

The Board confirms the interim Order (E.B.R.O. 376-I-1) that resulted in the October 1, 1980, rate increase, and relieves the Applicant from maintenance of further records with respect to that increase. The second interim Order (E.B.R.O. 376-I-2), which dealt with the imposition of additional federal taxes on natural gas, cannot yet be confirmed. The federal legislation with respect to these taxes has not yet been enacted and as such the possibility remains that some changes could be made before enactment that would necessitate refund or other adjustment. The Applicant must, therefore, continue to maintain records in accordance with the terms of that Order.

It should be noted that the second interim increase was approved after December 1, 1980, when the rates arising from Decision E.B.R.O. 376-I & II became effective. The rates approved in that interim proceeding incorporate the December 1, 1980 changes and the increases necessitated by the imposition of the federal

taxes, and they have effective dates for some customers of January 19, 1981, and for other customers of February 7, 1981.

H. COMPLETION OF THIS PROCEEDING

As noted herein, the Order arising from the Board's Decision with respect to both Phase I and Phase II matters was issued as E.B.R.O. 376-I & II on December 2, 1980. A copy is attached as Appendix A.

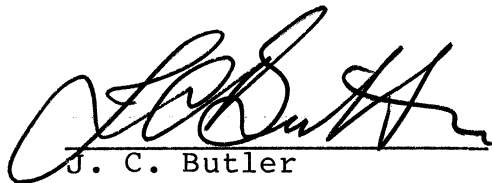
The Board will not award or charge costs to intervenors, but an order will be made charging the costs and expenses of the Board to Consumers'.

DATED at Toronto this 30th day of January, 1981.

ONTARIO ENERGY BOARD



H. R. Chatterson  
Presiding Member



J. C. Butler  
Member







IN THE MATTER OF The Ontario Energy  
Board Act, R.S.O. 1970, Chapter 312;

AND IN THE MATTER OF an application  
by The Consumers' Gas Company for  
orders approving rates to be charged  
for the sale of gas.

BEFORE:	H. R. Chatterson	)	
	Presiding Member	)	
		)	November 28, 1980
	J. C. Butler	)	
	Member	)	

O R D E R

UPON the application of The Consumers' Gas  
Company dated April 2, 1980, under section 19 of The  
Ontario Energy Board Act, for an order or orders  
approving or fixing just and reasonable rates and other  
charges for the sale of gas;

AND UPON the application having been heard at  
Toronto commencing on September 22, 1980, in the presence  
of counsel for the Applicant, for the Industrial Gas  
Users Association and Cyanamid Canada Inc., and for the  
Board, and a representative of the Urban Development  
Institute of Ontario - Apartment Group, and of  
TransCanada PipeLines Limited, no one else appearing, and

the decision having been delivered on November 28, 1980,  
with written reasons to follow:

1. THE BOARD FINDS THAT:

- (a) the forecasted fiscal 1981 average rate base shall be used as the basis for the determination of the Applicant's rates, and such rate base shall be \$969,196,800;
- (b) the reasonable rate of return on rate base for the Applicant is 10.81%;
- (c) the rate of return projected on the current rates of the Applicant is 9.92%;
- (d) the revenue deficiency of the Applicant is \$17,252,000.

2. IT IS ORDERED THAT:

- (a) the rate schedules of the Applicant attached hereto as Appendix 'A' and which form part of this Order are hereby approved and shall apply to all gas taken or considered to have been taken on and after December 1, 1980;
- (b) the forms of notice attached hereto as Schedules 'B', 'C', 'D' 'D-1', 'E' and 'F' shall be delivered forthwith by the Applicant to its customers served by contract under Rates 100, 110, 120, 160, 130 and 145 respectively. The form of notice attached

hereto as Schedule 'G' shall be delivered by the Applicant to all its other customers;

- (c) the interim rate increase approved by Order of the Board in E.B.R.O. 376-I-1 is hereby confirmed and the Applicant is relieved of any obligation to keep accurate accounts of the amounts collected pursuant to the said Order;
- (d) as a decision under docket E.B.R.O. 376-I-2 is pending, this Order does not finally dispose of the application under docket E.B.R.O. 376.

ISSUED at Toronto this 2nd day of December,

1980.

ONTARIO ENERGY BOARD

*Imelda Walker*

---

Imelda Walker  
Assistant Board Secretary

**THE CONSUMERS' GAS COMPANY  
RATE NUMBER 1  
RESIDENTIAL SERVICE**

**AVAILABILITY:**

Entire natural gas service area of the Company.

**APPLICABILITY:**

To any residential natural gas customer making application therefore, and served through one meter.

**CHARACTER OF SERVICE:**

The rates herein are based upon natural gas or its equivalent containing 989 Btu per cubic foot. Fluctuations in the actual Btu content shall be recorded for the purpose of adjusting rates in the future.

**RATE:**

The price of gas under this schedule shall be:

In the billing months of November through April inclusive.

For the first	4 Ccf or less used per month	\$4.54 (Minimum Bill)
For the next	6 Ccf used per month	45.84¢ per Ccf
For the next	20 Ccf used per month	42.21¢ per Ccf
For the next	30 Ccf used per month	39.61¢ per Ccf
For all over	60 Ccf used per month	36.70¢ per Ccf

In the billing months of May through October inclusive -

For the first	4 Ccf or less used per month	\$4.54 (Minimum Bill)
For the next	6 Ccf used per month	45.84¢ per Ccf
For the next	20 Ccf used per month	42.21¢ per Ccf
For the next	30 Ccf used per month	39.61¢ per Ccf
For all over	60 Ccf used per month	35.70¢ per Ccf

The above rate is subject to the following adjustments effective from the date of application:

- (a) Any customer whose use of natural gas is for automatic water heating service by a water heater approved by or leased from the Company at a single family dwelling or building, or in an individual flat or apartment in a multiple family dwelling or building or portion thereof occupied as the home, residence or sleeping place of one or more persons shall be billed at 39.61¢ per Ccf for all gas used in the 11 Ccf to 30 Ccf Block.

**MINIMUM BILL:**

The minimum bill per meter per month shall be \$4.54.

**PENALTY FOR LATE PAYMENT:**

When payment in full is not made within sixteen (16) days of the date of mailing, or hand delivery of the bill, a penalty of five per cent (5%) of the current amount billed shall be levied.

Where payment is made by mail, payment will be deemed to be made on the date postmarked.

**THE CONSUMERS' GAS COMPANY  
RATE NUMBER 1  
RESIDENTIAL SERVICE**

(Cont'd)

**TERMS OF SERVICE:**

1. Service is subject to the rules and regulations of the Company and these are available for inspection at the Company's offices.
2. Contract for service shall be for a minimum term of one year. Customers who temporarily discontinue gas service during the twelve consecutive months contract period without payment of the minimum bill for the months in which gas is temporarily disconnected shall, upon reconnection, pay an amount equal to the minimum bill for each month in the contract period in which gas service was temporarily discontinued.
3. Gas purchased shall not be resold by the purchaser.
4. Company may supply gas from any standby equipment provided that the gas so supplied shall be reasonably equivalent to the natural gas normally supplied hereunder.

Effective on accounts rendered for gas consumed on and after December 1, 1980, and replacing the rate schedule effective October 1, 1980.

**THE CONSUMERS' GAS COMPANY**  
**RATE NUMBER 3**  
**RESIDENTIAL "FLAT RATE LOW INPUT" WATER HEATING SERVICE(CLOSED)**

**AVAILABILITY:**

This service will not be extended to customers other than those presently served under this schedule.

**APPLICABILITY:**

Only to existing customers on this rate for unmetered automatic water heating service by means of a "low input" storage-type water heater. Water heaters served on this rate are only those leased from the company and have a thermostatically controlled burner with an input capacity of not more than five (5) cubic feet of gas per hour.

**CHARACTER OF SERVICE:**

The rates herein are based upon natural gas or its equivalent containing 989 Btu per cubic foot. Fluctuations in the actual Btu content shall be recorded for the purpose of adjusting rates in the future.

**RATE:**

For all gas used per month                      \$9.20

**MINIMUM BILL:**

The minimum bill per month shall be \$9.20.

**PENALTY FOR LATE PAYMENT:**

When payment in full is not made within sixteen (16) days of the date of mailing, or hand delivery of the bill, a penalty of five per cent (5%) of the current amount billed shall be levied.

Where payment is made by mail, payment will be deemed to be made on the date postmarked.

**TERMS OF SERVICE:**

1. Service is subject to the rules and regulations of the Company and these are available for inspection at the Company's offices.
2. Contract for service shall be for a minimum term of one year. Customers who temporarily discontinue gas service during the twelve consecutive months contract period without payment of the minimum bill for the months in which gas is temporarily disconnected shall, upon reconnection, pay an amount equal to the minimum bill for each month in the contract period in which gas service was temporarily discontinued.
3. Gas purchased shall not be resold by the purchaser.
4. Company may supply gas from any standby equipment provided that the gas so supplied shall be reasonably equivalent to the natural gas normally supplied hereunder.
5. Company may, at its option, install meters for measurement of gas consumed hereunder for its operating records.

Effective on accounts rendered for gas consumed on and after December 1, 1980, and replacing the rate schedule effective October 1, 1980.

**THE CONSUMERS' GAS COMPANY**  
**RATE NUMBER 4**  
**RESIDENTIAL "FLAT RATE" WATER HEATING SERVICE**

**AVAILABILITY:**

Entire natural gas service area of the Company.

**APPLICABILITY:**

To any residential natural gas customer making application therefore, effective from the date of application, whose only use of unmetered gas is for automatic water heating service by a water heater approved by or leased from the Company at a single family dwelling or building, or in an individual flat or apartment in a multiple family dwelling or building or portion thereof occupied as the home, residence, or sleeping place of one or more persons.

**CHARACTER OF SERVICE:**

The rates herein are based upon natural gas or its equivalent containing 989 Btu per cubic foot. Fluctuations in the actual Btu content shall be recorded for the purpose of adjusting rates in the future.

**RATE:**

For all gas used per month                      \$13.95

**MINIMUM BILL:**

The minimum bill per month shall be \$13.95

**PENALTY FOR LATE PAYMENT:**

When payment in full is not made within sixteen (16) days of the date of mailing, or hand delivery of the bill, a penalty of five per cent (5%) of the current amount billed shall be levied.

Where payment is made by mail, payment will be deemed to be made on the date postmarked.

**TERMS OF SERVICE:**

1. Service is subject to the rules and regulations of the Company and these are available for inspection at the Company's offices.
2. Contract for service shall be for a minimum term of one year. Customers who temporarily discontinue gas service during the twelve consecutive months contract period without payment of the minimum bill for the months in which gas is temporarily disconnected shall, upon reconnection, pay an amount equal to the minimum bill for each month in the contract period in which gas service was temporarily discontinued.
3. Gas purchased shall not be resold by the purchaser.
4. Company may supply gas from any standby equipment provided that the gas so supplied shall be reasonably equivalent to the natural gas normally supplied hereunder.
5. Company may, at its option, install meters for measurement of gas consumed hereunder for its operating records.

Effective on accounts rendered for gas consumed on and after December 1, 1980, and replacing the rate schedule effective October 1, 1980.

**THE CONSUMERS' GAS COMPANY**  
**RATE NUMBER 6**  
**GENERAL SERVICE**

**AVAILABILITY:**

Entire natural gas service area of the Company.

**APPLICABILITY:**

To any natural gas customer making application therefore and using gas for non residential purposes.

**CHARACTER OF SERVICE:**

The rates herein are based upon natural gas or its equivalent containing 989 Btu per cubic foot. Fluctuations in the actual Btu content shall be recorded for the purpose of adjusting rates in the future.

**RATE:**

The price of gas under this schedule shall be:

In the billing months of November through April inclusive -

For the first	4 Ccf or less used per month	\$5.44 (Minimum Bill)
For the next	6 Ccf used per month	49.42¢ per Ccf
For the next	20 Ccf used per month	42.28¢ per Ccf
For the next	470 Ccf used per month	37.58¢ per Ccf
For the next	500 Ccf used per month	34.85¢ per Ccf
For the next	1,000 Ccf used per month	32.87¢ per Ccf
For all over	2,000 Ccf used per month	31.83¢ per Ccf

In the billing months of May through October inclusive -

For the first	4 Ccf or less used per month	\$5.44 (Minimum Bill)
For the next	6 Ccf used per month	49.42¢ per Ccf
For the next	20 Ccf used per month	42.28¢ per Ccf
For the next	470 Ccf used per month	37.58¢ per Ccf
For the next	500 Ccf used per month	33.85¢ per Ccf
For the next	1,000 Ccf used per month	31.87¢ per Ccf
For all over	2,000 Ccf used per month	30.83¢ per Ccf

**MINIMUM BILL:**

The minimum bill per month shall be \$5.44.

**PENALTY FOR LATE PAYMENT:**

When payment in full is not made within sixteen (16) days of the date of mailing, or hand delivery of the bill, a penalty of five per cent (5%) of the current amount billed shall be levied. Where payment is made by mail, payment will be deemed to be made on the date postmarked.



THE CONSUMERS' GAS COMPANY  
RATE NUMBER 6  
GENERAL SERVICE

(Cont'd)

TERMS OF SERVICE:

1. Service is subject to the rules and regulations of the Company and these are available for inspection at the Company's offices.
2. Contract for service shall be for a minimum term of one year. Customers who temporarily discontinue gas service during the twelve consecutive months contract period without payment of the minimum bill for the months in which gas is temporarily disconnected shall, upon reconnection, pay an amount equal to the minimum bill for each month in the contract period in which gas service was temporarily discontinued.
3. Gas purchases shall not be resold by the purchaser.
4. Company may supply gas from any standby equipment provided that the gas so supplied shall be reasonably equivalent to the natural gas normally supplied hereunder.

Effective on accounts rendered for gas consumed on and after December 1, 1980, and replacing the rate schedule effective October 1, 1980.

THE CONSUMERS' GAS COMPANY  
RATE 100  
FIRM GAS CONTRACT SERVICE

AVAILABILITY:

Entire natural gas service area of the Company.

APPLICABILITY:

To any natural gas customer whose consumption is not less than 12 million cubic feet per annum who will contract for an annual firm supply of natural gas provided the Company has existing gas delivery capacity in excess of the then existing requirements of other customers and provided further that the Company has available to it from its supplier an adequate supply of firm gas in excess of the requirements of its existing customers.

CHARACTER OF SERVICE:

The rates herein are based upon natural gas or its equivalent containing 989 Btu per cubic foot. Fluctuations in the actual Btu content shall be recorded for the purpose of adjusting rates in the future.

RATE:

The price for gas under this rate schedule shall be:

In the billing months of November through April inclusive -  
The first 5,000 Ccf per month @ 32.4711¢ per Ccf  
The next 10,000 Ccf per month @ 31.1921¢ per Ccf  
All over 15,000 Ccf per month @ 30.2921¢ per Ccf

In the billing months of May through October inclusive -  
The first 5,000 Ccf per month @ 31.4711¢ per Ccf  
The next 10,000 Ccf per month @ 30.1921¢ per Ccf  
All over 15,000 Ccf per month @ 29.2921¢ per Ccf

MINIMUM BILL:

Contracts for gas service under this rate shall specify a maximum daily quantity of gas which the Company is obligated to deliver to the customer. The minimum volume of gas which the customer shall be required to accept and pay for in any twelve month period shall be agreed upon by Company and Buyer and shall be not less than seventy-five (75) per cent of the estimated annual consumption or 12 million cubic feet, whichever is the greater. The minimum annual bill shall be the minimum annual volume multiplied by the average unit rate based on the unit rates in effect during the contract year prorated on the basis of actual volumes of gas delivered at each unit rate.

PENALTY FOR LATE PAYMENT:

When payment in full is not made within ten (10) days of the date of rendering of the bill, a penalty of five per cent (5%) of the current amount billed shall be levied.

UNAUTHORIZED OVERRUN GAS PENALTY:

The General Terms & Conditions of contracts for service hereunder shall contain a provision that the Buyer shall pay the Company a penalty of not greater than fifteen dollars (\$15.) per Mcf on any gas constituting unauthorized overrun gas taken by the Buyer.

**THE CONSUMERS' GAS COMPANY  
RATE 100  
FIRM GAS CONTRACT SERVICE**

(Cont'd)

**TERMS OF SERVICE:**

1. Service is subject to the rules and regulations of the Company and these are available for inspection at the Company's offices.
2. The Company agrees to install, operate and maintain a meter or meters of suitable capacity and design to measure the gas to be supplied hereunder. The conditions for measurement are contained in the Terms and Conditions which form part of each sales agreement.
3. Gas purchased shall not be resold by the purchaser.
4. Company may supply gas from any standby equipment provided that the gas so supplied shall be reasonably equivalent to the natural gas normally supplied hereunder.

Effective on accounts rendered for gas consumed on and after December 1, 1980, and replacing the rate schedule effective October 1, 1980.

**THE CONSUMERS' GAS COMPANY**  
**RATE 110**  
**DEMAND AND COMMODITY FIRM CONTRACT SERVICE (HIGH LOAD FACTOR)**

**AVAILABILITY:**

Entire natural gas service area of the Company.

**APPLICABILITY:**

To any natural gas customer whose operating load factor of gas supplied hereunder is not less than 75% and whose maximum daily consumption of gas is not less than 1000 Ccf who will contract for an annual firm supply of natural gas provided the Company has existing gas delivery capacity in excess of the then existing requirements of other customers and provided further that the Company has available to it from its supplier an adequate supply of firm gas in excess of the requirements of its existing customers.

**CHARACTER OF SERVICE:**

The rates herein are based upon natural gas or its equivalent containing 989 Btu per cubic foot. Fluctuations in the actual Btu content shall be recorded for the purpose of adjusting rates in the future.

**RATE:**

The billing for service hereunder shall consist of a monthly demand charge and a monthly commodity charge as follows:

**DEMAND CHARGE**

For each of the twelve (12) billing periods of the contract year, 50¢ per month per Ccf of Billing Demand.

**COMMODITY CHARGE**

For customers with a Contract Demand of 60,000 Ccf or less the commodity charge shall be 26.5801¢ per Ccf of natural gas or its equivalent delivered to the Buyer.

For customers with a Contract Demand greater than 60,000 Ccf the commodity charge shall be 26.0301¢ per Ccf of natural gas or its equivalent delivered to the Buyer.

Contract Demand volume shall be defined as the maximum volume of natural gas which customer contracts to purchase and which Company shall be obligated to deliver on any day during the entire contract year.

**BILLING DEMANDS:**

The billing demand for any period shall be as follows:

For each billing month of the contract year, the Billing Demand shall be the greater of (i) the maximum volume of gas delivered by the Company to the Buyer up to that defined as the Contract Demand volume on any one day during the twelve month period ending with the current billing month, or (ii) seventy-five per cent (75%) of the Contract Demand.

In no case shall the Billing Demand be less than 1,000 Ccf.

**MINIMUM BILL:**

The minimum bill for service shall consist of a monthly minimum and an annual minimum as follows:

**Monthly Minimum Bill**

The monthly minimum bill shall consist of the Demand Charge.

**Annual Minimum Bill**

The annual minimum bill shall be the sum of the monthly Demand Charges plus a minimum Commodity Charge equal to the average unit rate based on the unit rates in effect during the contract year prorated on the basis of total volumes (Ccf) of gas delivered at each unit rate multiplied by 22.8, and the product so obtained multiplied by the sum of the twelve Billing Demands.

**THE CONSUMERS' GAS COMPANY**  
**RATE 110**  
**DEMAND AND COMMODITY FIRM CONTRACT SERVICE (HIGH LOAD FACTOR)**

(Cont'd)

**PENALTY FOR LATE PAYMENT:**

When payment in full is not made within ten (10) days of the date of rendering the bill, a penalty of five per cent (5%) of the current amount billed shall be levied.

**UNAUTHORIZED OVERRUN GAS PENALTY:**

The General Terms & Conditions of contracts for service hereunder shall contain a provision that the Buyer shall pay the Company a penalty of not greater than fifteen dollars (\$15.) per Mcf on any gas constituting unauthorized overrun gas taken by the Buyer.

**TERMS OF SERVICE:**

1. Service is subject to the rules and regulations of the Company and these are available for inspection at the Company's offices.
2. The Company agrees to install, operate and maintain a meter or meters of suitable capacity and design to measure the gas to be supplied hereunder. The conditions for measurement are contained in the Terms and Conditions which form part of each sales agreement.
3. Gas purchased shall not be resold by the purchaser.
4. Company may supply gas from any standby equipment provided that the gas so supplied shall be reasonably equivalent to the natural gas normally supplied hereunder.

Effective on accounts rendered for gas consumed on and after December 1, 1980, and replacing the rate schedule effective October 1, 1980.

**THE CONSUMERS' GAS COMPANY**  
**RATE 120**  
**OVERRIDE FIRM GAS CONTRACT SERVICE**

**AVAILABILITY:**

Entire natural gas service area of the Company.

**APPLICABILITY:**

To any natural gas customer purchasing gas on Rate 110 who requires a supplemental supply of not less than 12 million cubic feet per annum of firm gas provided the Company has existing gas delivery capacity in excess of the then existing requirements of other customers and provided further that the Company has available to it from its supplier an adequate supply of firm gas in excess of the requirements of its existing customers.

**CHARACTER OF SERVICE:**

The rates herein are based upon natural gas or its equivalent containing 989 Btu per cubic foot. Fluctuations in the actual Btu content shall be recorded for the purpose of adjusting rates in the future.

**RATE:**

All gas taken on any day that is in excess of Buyer's Rate 110 Contract Demand shall be deemed to be delivered hereunder. The price for gas shall be 30.4301¢ per Ccf.

**MINIMUM BILL:**

Contracts for gas service under this rate shall specify a maximum daily quantity of gas which the Company is obligated to deliver to the customer. The minimum volume of gas which the customer shall be required to accept and pay for in any twelve month period shall be agreed upon by Company and Buyer and shall be not less than seventy-five (75) per cent of the estimated annual consumption or 12 million cubic feet, whichever is the greater. The minimum annual bill shall be the minimum annual volume multiplied by the average unit rate based on the unit rates in effect during the contract year prorated on the basis of actual volumes of gas delivered at each unit rate.

**PENALTY FOR LATE PAYMENT:**

When payment in full is not made within ten (10) days of the date of rendering of the bill a penalty of five per cent (5%) of the current amount billed shall be levied.

**UNAUTHORIZED OVERRUN GAS PENALTY:**

The General Terms & Conditions of contracts for service hereunder shall contain a provision that the Buyer shall pay the Company a penalty of not greater than fifteen dollars (\$15.) per Mcf on any gas constituting unauthorized over-run gas taken by the Buyer.

**TERMS OF SERVICE:**

1. Service is subject to the rules and regulations of the Company and these are available for inspection at the Company's offices.
2. The Company agrees to install, operate and maintain a meter or meters of suitable capacity and design to measure the gas to be supplied hereunder. The conditions for measurement are contained in the Terms and Conditions which form part of each sales agreement.
3. Gas purchased shall not be resold by the purchaser.
4. Company may supply gas from any standby equipment provided that the gas so supplied shall be reasonably equivalent to the natural gas normally supplied hereunder.

Effective on accounts rendered for gas consumed on and after December 1, 1980, and replacing the rate schedule effective October 1, 1980.

**THE CONSUMERS' GAS COMPANY**  
**RATE 130**  
**SEASONAL FIRM CONTRACT SERVICE**

**AVAILABILITY:**

Entire natural gas service area of the Company.

**APPLICABILITY:**

To any natural gas customer whose consumption is not less than the prorated equivalent of 12 million cubic feet per annum and whose predominant use of gas is in the months of April through November inclusive, provided the Company has existing gas delivery capacity in excess of the then existing requirements of other customers and provided further that the Company has available to it from its supplier an adequate supply of firm gas in excess of the requirements of its existing customers.

Customers may request and the Company may provide service outside of the specified seasonal firm period on an interruptible basis and all of the gas so delivered shall be paid for at the then effective rate (i) price per Ccf.

**CHARACTER OF SERVICE:**

The rates herein are based upon natural gas or its equivalent containing 989 Btu per cubic foot. Fluctuations in the actual Btu content shall be recorded for the purpose of adjusting rates in the future.

**RATE:**

The price for gas under this rate schedule shall be:

- (i) The first 20,000 Ccf per month @ 28.5315¢ per Ccf
- (ii) All over 20,000 Ccf per month @ 27.6315¢ per Ccf

**MINIMUM BILL:**

Contracts for gas service under this rate shall specify a maximum daily quantity of gas which the Company is obligated to deliver to the customer. The minimum volume of gas which the customer shall be required to accept and pay for in any twelve month period shall be agreed upon by Company and Buyer and shall be not less than seventy-five (75) per cent of the estimated annual consumption or 10,000 Ccf for each month of service, whichever is the greater. The minimum annual bill shall be the minimum annual volume multiplied by the average unit rate based on the unit rates in effect during the contract year prorated on the basis of actual volumes of gas delivered at each unit rate.

**PENALTY FOR LATE PAYMENT:**

When payment in full is not made within ten (10) days of the date of rendering of the bill, a penalty of five per cent (5%) of the current amount billed shall be levied.

**UNAUTHORIZED OVERRUN GAS PENALTY:**

The General Terms & Conditions of contracts for service hereunder shall contain a provision that the Buyer shall pay the Company a penalty of not greater than fifteen dollars (\$15.) per Mcf on any gas constituting unauthorized overrun gas taken by the Buyer.

**TERMS OF SERVICE:**

1. Service is subject to the rules and regulations of the Company and these are available for inspection at the Company's offices.
2. The Company agrees to install, operate and maintain a meter or meters of suitable capacity and design to measure the gas to be supplied hereunder. The conditions for measurement are contained in the Terms and Conditions which form part of each sales agreement.
3. Gas purchased shall not be resold by the purchaser.
4. Company may supply gas from any standby equipment provided that the gas so supplied shall be reasonably equivalent to the natural gas normally supplied hereunder.

Effective on accounts rendered for gas consumed on and after December 1, 1980, and replacing the rate schedule effective October 1, 1980.

**THE CONSUMERS' GAS COMPANY**  
**RATE 145**  
**INTERRUPTIBLE GAS CONTRACT SERVICE**

**AVAILABILITY:**

Entire natural gas service area of the Company.

**APPLICABILITY:**

To any natural gas customer whose consumption is not less than 12 million cubic feet per annum provided the Company has existing gas delivery capacity in excess of the then existing requirements of other customers and provided further that the Company has available to it from its supplier an adequate supply of firm gas in excess of the requirements of its existing customers. The customer shall ensure that it has adequate standby fuel supply to utilize during periods of natural gas curtailment. The Company shall, not later than November in each year, advise each customer as to what curtailment can be expected in accordance with the Company's planned curtailment scheduled for the forthcoming winter period. The Company's estimate of curtailment is offered only as guidance to the customer in obtaining standby fuel and does not contemplate abnormal or unforeseen circumstances.

**CHARACTER OF SERVICE:**

The rates herein are based upon natural gas or its equivalent containing 989 Btu per cubic foot. Fluctuations in the actual Btu content shall be recorded for the purpose of adjusting rates in the future.

**RATE:**

The following prices for gas under this rate schedule apply to the following classes of service. The appropriate class of service for a customer will be determined by the Company taking into account the following customer service factors:

1. relative period of curtailment;
2. economic feasibility of the service including customer capital contribution, if any, or recovery through rates;
3. degree of market risk;
4. competitive alternatives;
5. volumes of gas under contract;
6. load factor;
7. minimum seasonal volumes;
8. seasonal characteristics of consumption.

<u>Class of Service</u>	<u>Price(¢) per Ccf</u>	<u>Class of Service</u>	<u>Price(¢) per Ccf</u>
1	29.7852	13	27.9852
2	29.6352	14	27.8352
3	29.4852	15	27.6852
4	29.3352	16	27.5352
5	29.1852	17	27.3852
6	29.0352	18	27.2352
7	28.8852	19	27.0852
8	28.7352	20	26.9352
9	28.5852	21	26.7852
10	28.4352	22	26.6352
11	28.2852	23	26.4852
12	28.1352	24	26.3352

Any Rate 145 customer whose annual consumption is reduced to less than 12 million cubic feet due primarily to energy conservation measures may take service at the next applicable rate or continue to purchase gas hereunder. If service is continued under this schedule all of the provisions of Rate 145 shall apply except that the price for all gas taken shall be 30.6852¢ per Ccf.



**THE CONSUMERS' GAS COMPANY**  
**RATE 145**  
**INTERRUPTIBLE GAS CONTRACT SERVICE**

(Cont'd)

**MINIMUM BILL:**

Contracts for gas service under this rate shall specify a maximum daily quantity of gas which the Company is obligated to deliver to the customer. The minimum volume of gas which the customer shall be required to accept and pay for in any twelve-month period shall be agreed upon by Company and Buyer and shall be not less than seventy-five (75) per cent of the estimated annual consumption or 12 million cubic feet, whichever is the greater. The minimum bill shall be the minimum annual volume multiplied by the average unit rate based on the unit rates in effect during the contract year prorated on the basis of actual volumes of gas delivered at each unit rate.

**PENALTY FOR LATE PAYMENT:**

When payment in full is not made within ten (10) days of the date of rendering of the bill a penalty five per cent (5%) of the current amount billed shall be levied.

**UNAUTHORIZED OVERRUN GAS PENALTY:**

The General Terms & Conditions of contracts for service hereunder shall contain a provision that the Buyer shall pay the Company a penalty of not greater than fifteen dollars (\$15.) per Mcf on any gas constituting unauthorized overrun gas taken by the Buyer.

**TERMS OF SERVICE:**

1. Service is subject to the rules and regulations of the Company and these are available for inspection at the Company's offices.
2. The Company agrees to install, operate and maintain a meter or meters of suitable capacity and design to measure the gas to be supplied hereunder. The conditions for measurement are contained in the Terms and Conditions which form part of each sales agreement.
3. Gas purchased shall not be resold by the purchaser.
4. Company may supply gas from any standby equipment provided that the gas so supplied shall be reasonably equivalent to the natural gas normally supplied hereunder.

**CONTRACTS:**

Prior to delivery of gas under this rate, the sales contract for the delivery of such gas shall be filed with the Ontario Energy Board.

Effective on accounts rendered for gas consumed on and after December 1, 1980, and replacing the rate schedule effective October 1, 1980.

**THE CONSUMERS' GAS COMPANY**  
**RATE NUMBER 160**  
**SPECIAL LARGE VOLUME CONTRACT RATES**

**APPLICABILITY:**

Ontario Hydro at the R. L. Hearn Generating Station.

**CHARACTER OF SERVICE:**

The rates herein are based upon natural gas or its equivalent containing 989 Btu per cubic foot. Fluctuations in the actual Btu content shall be recorded for the purpose of adjusting rates in the future.

**RATE:**

**(a) Firm Service**

The price for gas under this rate schedule shall be negotiated between the Buyer and the Company but shall not exceed 33.9411¢ per Ccf net, nor be less than 28.9473¢ per Ccf net.

**(b) Interruptible Service and Seasonal Firm Service**

The price for gas under this rate schedule shall be negotiated between the Buyer and the Company but shall not exceed 31.1915¢ per Ccf net, nor be less than 28.9473¢ per Ccf net.

**MINIMUM BILL:**

Contracts for gas service under this rate shall specify a maximum daily quantity of gas which the Company is obligated to deliver to the customer. The minimum volume of gas which the customer shall be required to accept and pay for in any period shall be contained in each contract negotiated under the provisions of this rate.

**PENALTY FOR LATE PAYMENT:**

When payment in full of the amount due is not made within ten (10) days of the date of rendering of the bill, a penalty of five per cent (5%) of the current amount billed shall be levied.

**UNAUTHORIZED OVERRUN GAS PENALTY:**

The General Terms and Conditions of contracts for service hereunder shall contain a provision that the Buyer shall pay the Company a penalty of not greater than fifteen dollars (\$15) per Mcf on any gas constituting unauthorized overrun gas taken by the Buyer:

**TERMS OF SERVICE:**

1. Service is subject to the rules and regulations of the Company and these are available for inspection at the Company's offices.
2. When gas is delivered at a pressure in excess of 2.1 ounces per square inch gauge, then for purposes of measurement hereunder, such volume of gas shall be corrected to a pressure of 2.1 ounces per square inch gauge above an assumed atmospheric pressure of 14.6 pounds per square inch regardless of the actual atmospheric pressure at which the gas is measured and delivered. The gas shall be assumed to obey Boyle's law.
3. Gas purchased shall not be resold by the purchaser.
4. Company may supply gas from any standby equipment provided that the gas so supplied shall be reasonably equivalent to the natural gas normally supplied hereunder.

**CONTRACTS:**

Prior to delivery of gas under this rate, the sales contract for the delivery of such gas shall be filed with the Ontario Energy Board.

Effective on accounts rendered for gas consumed on and after December 1, 1980, and replacing the rate schedule effective October 1, 1980.

**THE CONSUMERS' GAS COMPANY  
RATE NUMBER 1  
RESIDENTIAL SERVICE**

**AVAILABILITY:**

Entire natural gas service area of the Company.

**APPLICABILITY:**

To any residential natural gas customer making application therefore, and served through one meter.

**CHARACTER OF SERVICE:**

The rates herein are based upon natural gas or its equivalent containing 37.47 MJ per cubic metre (m<sup>3</sup>). Fluctuations in the actual calorific value shall be recorded for the purpose of adjusting rates in the future.

**RATE:**

The price for gas under this rate schedule shall be:

In the billing months of November through April inclusive -

For the first	10 m <sup>3</sup> or less used per month	\$4.35 (Minimum Bill)
For the next	20 m <sup>3</sup> used per month	15.98¢ per m <sup>3</sup>
For the next	55 m <sup>3</sup> used per month	14.89¢ per m <sup>3</sup>
For the next	85 m <sup>3</sup> used per month	13.96¢ per m <sup>3</sup>
For all over	170 m <sup>3</sup> used per month	12.96¢ per m <sup>3</sup>

In the billing months of May through October inclusive -

For the first	10 m <sup>3</sup> or less used per month	\$4.35 (Minimum Bill)
For the next	20 m <sup>3</sup> used per month	15.98¢ per m <sup>3</sup>
For the next	55 m <sup>3</sup> used per month	14.89¢ per m <sup>3</sup>
For the next	85 m <sup>3</sup> used per month	13.96¢ per m <sup>3</sup>
For all over	170 m <sup>3</sup> used per month	12.61¢ per m <sup>3</sup>

The above rate is subject to the following adjustment effective from the date of application:

- (a) Any customer whose use of natural gas is for automatic water heating service by a water heater approved by or leased from the Company at a single family dwelling or building, or in an individual flat or apartment in a multiple family dwelling or building or portion thereof occupied as the home, residence or sleeping place of one or more persons shall be billed at 13.96¢ per m<sup>3</sup> for all gas used in the 31 m<sup>3</sup> to 85 m<sup>3</sup> Block.

**MINIMUM BILL:**

The minimum bill per meter per month shall be \$4.35.

**PENALTY FOR LATE PAYMENT:**

When payment in full is not made within sixteen (16) days of the date of mailing, or the hand delivery of the bill, a penalty of five per cent (5%) of the current amount billed shall be levied. Where payment is made by mail, payment will be deemed to be made on the date postmarked.

**TERMS OF SERVICE:**

1. Service is subject to the rules and regulations of the Company and these are available for inspection at the Company's offices.
2. Contract for service shall be for a minimum term of one year. Customers who temporarily discontinue gas service during the twelve consecutive months contract period without payment of the minimum bill for the months in which gas is temporarily disconnected shall, upon reconnection, pay an amount equal to the minimum bill for each month in the contract period in which gas service was temporarily discontinued.

THE CONSUMERS' GAS COMPANY  
RATE NUMBER 1  
RESIDENTIAL SERVICE

TERMS OF SERVICE: (Cont'd)

3. Gas purchased shall not be resold by the purchaser.
4. Company may supply gas from any standby equipment provided that the gas so supplied shall be reasonably equivalent to the natural gas normally supplied hereunder.

Effective on accounts rendered on and after  
December 1, 1980.

and replacing the rate schedule effective

THE CONSUMERS' GAS COMPANY  
RATE NUMBER 3  
RESIDENTIAL "FLAT RATE LOW INPUT" WATER HEATING SERVICE(CLOSED)

**AVAILABILITY:**

This service will not be extended to customers other than those presently served under this schedule.

**APPLICABILITY:**

Only to existing customers on this rate for unmetered automatic water heating service by means of a "low input" storage-type water heater. Water heaters served on this rate are only those leased from the company and have a thermostatically controlled burner with an input capacity of not more than one seventh (0.143) cubic metres of gas per hour.

**CHARACTER OF SERVICE:**

The rates herein are based upon natural gas or its equivalent containing 37.47 MJ per cubic metre (m<sup>3</sup>). Fluctuations in the actual calorific value shall be recorded for the purpose of adjusting rates in the future.

**RATE:**

For all gas used per month                      \$9.20

**MINIMUM BILL:**

The minimum bill per month shall be \$9.20

**PENALTY FOR LATE PAYMENT:**

When payment in full is not made within sixteen (16) days of the date of mailing, or hand delivery of the bill, a penalty of five per cent (5%) of the current amount billed shall be levied. Where payment is made by mail, payment will be deemed to be made on the date postmarked.

**TERMS OF SERVICE:**

1. Service is subject to the rules and regulations of the Company and these are available for inspection at the Company's offices.
2. Contract for service shall be for a minimum term of one year. Customers who temporarily discontinue gas service during the twelve consecutive months contract period without payment of the minimum bill for the months in which gas is temporarily disconnected shall, upon reconnection, pay an amount equal to the minimum bill for each month in the contract period in which gas service was temporarily discontinued.
3. Gas purchased shall not be resold by the purchaser.
4. Company may supply gas from any standby equipment provided that the gas so supplied shall be reasonably equivalent to the natural gas normally supplied hereunder.
5. Company may, at its option, install meters for measurement of gas consumed hereunder for its operating records.

Effective on accounts rendered on and after  
December 1, 1980.

and replacing the rate schedule effective

THE CONSUMERS' GAS COMPANY  
RATE NUMBER 4  
RESIDENTIAL "FLAT RATE" WATER HEATING SERVICE

**AVAILABILITY:**

Entire natural gas service area of the Company.

**APPLICABILITY:**

To any residential natural gas customer making application therefore, effective from the date of application, whose only use of unmetered gas is for automatic water heating service by a water heater approved by or leased from the Company at a single family dwelling or building, or in an individual flat or apartment in a multiple family dwelling or building or portion thereof occupied as the home, residence, or sleeping place of one or more persons.

**CHARACTER OF SERVICE:**

The rates herein are based upon natural gas or its equivalent containing 37.47 MJ per cubic metre (m<sup>3</sup>). Fluctuations in the actual calorific value shall be recorded for the purpose of adjusting rates in the future.

**RATE:**

For all gas used per month                      \$13.95

**MINIMUM BILL:**

The minimum bill per month shall be \$13.95

**PENALTY FOR LATE PAYMENT:**

When payment in full is not made within sixteen (16) days of the date of mailing, or hand delivery of the bill, a penalty of five per cent (5%) of the current amount billed shall be levied. Where payment is made by mail, payment will be deemed to be made on the date postmarked.

**TERMS OF SERVICE:**

1. Service is subject to the rules and regulations of the Company and these are available for inspection at the Company's offices.
2. Contract for service shall be for a minimum term of one year. Customers who temporarily discontinue gas service during the twelve consecutive months contract period without payment of the minimum bill for the months in which gas is temporarily disconnected shall, upon reconnection, pay an amount equal to the minimum bill for each month in the contract period in which gas service was temporarily discontinued.
3. Gas purchased shall not be resold by the purchaser.
4. Company may supply gas from any standby equipment provided that the gas so supplied shall be reasonably equivalent to the natural gas normally supplied hereunder.
5. Company may, at its option, install meters for measurement of gas consumed hereunder for its operating records.

Effective on accounts rendered on and after  
December 1, 1980.

and replacing the rate schedule effective

**THE CONSUMERS' GAS COMPANY**  
**RATE NUMBER 6**  
**GENERAL SERVICE**

**AVAILABILITY:**

Entire natural gas service area of the Company.

**APPLICABILITY:**

To any natural gas customer making application therefore and using gas for non residential purposes.

**CHARACTER OF SERVICE:**

The rates herein are based upon natural gas or its equivalent containing 37.47 MJ per cubic metre (m<sup>3</sup>). Fluctuations in the actual calorific value shall be recorded for the purpose of adjusting rates in the future.

**RATE:**

The price for gas under this rate schedule shall be:

In the billing months of November through April inclusive -

For the first	10 m <sup>3</sup> or less used per month	\$5.22 (Minimum Bill)
For the next	20 m <sup>3</sup> used per month	17.15¢ per m <sup>3</sup>
For the next	55 m <sup>3</sup> used per month	14.93¢ per m <sup>3</sup>
For the next	1,315 m <sup>3</sup> used per month	13.27¢ per m <sup>3</sup>
For the next	1,400 m <sup>3</sup> used per month	12.31¢ per m <sup>3</sup>
For the next	2,800 m <sup>3</sup> used per month	11.59¢ per m <sup>3</sup>
For all over	5,600 m <sup>3</sup> used per month	11.25¢ per m <sup>3</sup>

In the billing months of May through October inclusive -

For the first	10 m <sup>3</sup> or less used per month	\$5.22 (Minimum Bill)
For the next	20 m <sup>3</sup> used per month	17.15¢ per m <sup>3</sup>
For the next	55 m <sup>3</sup> used per month	14.93¢ per m <sup>3</sup>
For the next	1,315 m <sup>3</sup> used per month	13.27¢ per m <sup>3</sup>
For the next	1,400 m <sup>3</sup> used per month	11.96¢ per m <sup>3</sup>
For the next	2,800 m <sup>3</sup> used per month	11.24¢ per m <sup>3</sup>
For all over	5,600 m <sup>3</sup> used per month	10.90¢ per m <sup>3</sup>

**MINIMUM BILL:**

The minimum bill per month shall be \$5.22.

**PENALTY FOR LATE PAYMENT:**

When payment in full is not made within sixteen (16) days of the date of mailing, or hand delivery of the bill, a penalty of five per cent (5%) of the current amount billed shall be levied. Where payment is made by mail, payment will be deemed to be made on the date postmarked.

**TERMS OF SERVICE:**

1. Service is subject to the rules and regulations of the Company and these are available for inspection at the Company's offices.
2. Contract for service shall be for a minimum term of one year. Customers who temporarily discontinue gas service during the twelve consecutive months contract period without payment of the minimum bill for the months in which gas is temporarily disconnected shall, upon reconnection, pay an amount equal to the minimum bill for each month in the contract period in which gas service was temporarily discontinued.
3. Gas purchases shall not be resold by the purchaser.
4. Company may supply gas from any standby equipment provided that the gas so supplied shall be reasonably equivalent to the natural gas normally supplied hereunder.

Effective on accounts rendered on and after  
 December 1, 1980.

and replacing the rate schedule effective

THE CONSUMERS' GAS COMPANY  
RATE 100  
FIRM GAS CONTRACT SERVICE

**AVAILABILITY:**

Entire natural gas service area of the Company.

**APPLICABILITY:**

To any natural gas customer whose consumption is not less than 340 thousand cubic metres per annum who will contract for an annual firm supply of natural gas provided the Company has existing gas delivery capacity in excess of the then existing requirements of other customers and provided further that the Company has available to it from its supplier an adequate supply of firm gas in excess of the requirements of its existing customers.

**CHARACTER OF SERVICE:**

The rates herein are based upon natural gas or its equivalent containing 37.47 MJ per cubic metre (m<sup>3</sup>). Fluctuations in the actual calorific value shall be recorded for the purpose of adjusting rates in the future.

**RATE:**

The price for gas under this rate schedule shall be:

In the billing months of November through April inclusive -

The first 14,000 m<sup>3</sup> per month @ 11.4625¢ per m<sup>3</sup>  
The next 28,000 m<sup>3</sup> per month @ 11.0192¢ per m<sup>3</sup>  
All over 42,000 m<sup>3</sup> per month @ 10.6933¢ per m<sup>3</sup>

In the billing months of May through October inclusive -

The first 14,000 m<sup>3</sup> per month @ 11.1095¢ per m<sup>3</sup>  
The next 28,000 m<sup>3</sup> per month @ 10.6662¢ per m<sup>3</sup>  
All over 42,000 m<sup>3</sup> per month @ 10.3403¢ per m<sup>3</sup>

**MINIMUM BILL:**

Contracts for gas service under this rate shall specify a maximum daily quantity of gas which the Company is obligated to deliver to the customer. The minimum volume of gas which the customer shall be required to accept and pay for in any twelve month period shall be agreed upon by Company and Buyer and shall be not less than seventy-five (75) per cent of the estimated annual consumption or 340 thousand cubic metres, whichever is the greater. The minimum annual bill shall be the minimum annual volume multiplied by the average unit rate based on the unit rates in effect during the contract year prorated on the basis of actual volumes of gas delivered at each unit rate.

**PENALTY FOR LATE PAYMENT:**

When payment in full is not made within ten (10) days of the date of rendering of the bill, a penalty of five per cent (5%) of the current amount billed shall be levied.

**UNAUTHORIZED OVERRUN GAS PENALTY:**

The General Terms & Conditions of contracts for service hereunder shall contain a provision that the Buyer shall pay the Company a penalty of not greater than fifty-three cents (\$0.53) per m<sup>3</sup> on any gas constituting unauthorized overrun gas taken by the Buyer.



THE CONSUMERS' GAS COMPANY  
RATE 100  
FIRM GAS CONTRACT SERVICE

(Cont'd)

TERMS OF SERVICE:

1. Service is subject to the rules and regulations of the Company and these are available for inspection at the Company's offices.
2. The Company agrees to install, operate and maintain a meter or meters of suitable capacity and design to measure the gas to be supplied hereunder. The conditions for measurement are contained in the Terms and Conditions which form part of each sales agreement.
3. Gas purchased shall not be resold by the purchaser.
4. Company may supply gas from any standby equipment provided that the gas so supplied shall be reasonably equivalent to the natural gas normally supplied hereunder.

Effective on accounts rendered on and after  
December 1, 1980.

and replacing the rate schedule effective

THE CONSUMERS' GAS COMPANY  
RATE 110  
DEMAND AND COMMODITY FIRM CONTRACT SERVICE (HIGH LOAD FACTOR)

AVAILABILITY:

Entire natural gas service area of the Company.

APPLICABILITY:

To any natural gas customer whose operating load factor of gas supplied hereunder is not less than 75% and whose maximum daily consumption of gas is not less than 2800 m<sup>3</sup> who will contract for an annual firm supply of natural gas provided the Company has existing gas delivery capacity in excess of the then existing requirements of other customers and provided further that the Company has available to it from its supplier an adequate supply of firm gas in excess of the requirements of its existing customers.

CHARACTER OF SERVICE:

The rates herein are based upon natural gas or its equivalent containing 37.47 MJ per cubic metre (m<sup>3</sup>). Fluctuations in the actual calorific value shall be recorded for the purpose of adjusting rates in the future.

RATE:

The billing for service hereunder shall consist of a monthly demand charge and a monthly commodity charge as follows:

DEMAND CHARGE:

For each of the twelve (12) billing periods of the contract year, 17.650¢ per month per m<sup>3</sup> of Billing Demand.

COMMODITY CHARGE:

For customers with a Contract Demand of 170,000 m<sup>3</sup> or less the commodity charge shall be 9.3830¢ per m<sup>3</sup> of natural gas or its equivalent delivered to the Buyer.

For customers with a Contract Demand greater than 170,000 m<sup>3</sup> the commodity charge shall be 9.1888¢ per m<sup>3</sup> of natural gas or its equivalent delivered to the Buyer.

Contract Demand volume shall be defined as the maximum volume of natural gas which customer contracts to purchase and which Company shall be obligated to deliver on any day during the entire contract year.

BILLING DEMANDS:

The billing demand for any period shall be as follows:

For each billing month of the contract year, the Billing Demand shall be the greater of (i) the maximum volume of gas delivered by the Company to the Buyer up to that defined as the Contract Demand volume on any one day during the twelve month period ending with the current billing month, or (ii) seventy-five per cent (75%) of the Contract Demand.

In no case shall the Billing Demand be less than 2,800 m<sup>3</sup>.

MINIMUM BILL:

The minimum bill for service shall consist of a monthly minimum and an annual minimum as follows:

Monthly Minimum Bill

The monthly minimum bill shall consist of the Demand Charge.

Annual Minimum Bill

The annual minimum bill shall be the sum of the monthly Demand Charges plus a minimum Commodity Charge equal to the average unit rate based on the unit rates in effect during the contract year prorated on the basis of total volumes (m<sup>3</sup>) of gas delivered at each unit rate multiplied by 22.8, and the product so obtained multiplied by the sum of the twelve billing Demands.

THE CONSUMERS' GAS COMPANY  
RATE 110  
DEMAND AND COMMODITY FIRM CONTRACT SERVICE (HIGH LOAD FACTOR)

(Cont'd)

**PENALTY FOR LATE PAYMENT:**

When payment in full is not made within ten (10) days of the date of rendering the bill, a penalty of five per cent (5%) of the current amount billed shall be levied.

**UNAUTHORIZED OVERRUN GAS PENALTY:**

The General Terms & Conditions of contracts for service hereunder shall contain a provision that the Buyer shall pay the Company a penalty of not greater than fifty three cents (\$0.53) per m<sup>3</sup> on any gas constituting unauthorized overrun gas taken by the Buyer.

**TERMS OF SERVICE:**

1. Service is subject to the rules and regulations of the Company and these are available for inspection at the Company's offices.
2. The Company agrees to install, operate and maintain a meter or meters of suitable capacity and design to measure the gas to be supplied hereunder. The conditions for measurement are contained in the Terms and Conditions which form part of each sales agreement.
3. Gas purchased shall not be resold by the purchaser.
4. Company may supply gas from any standby equipment provided that the gas so supplied shall be reasonably equivalent to the natural gas normally supplied hereunder.

Effective on accounts rendered on and after  
December 1, 1980.

and replacing the rate schedule effective

THE CONSUMERS' GAS COMPANY  
RATE 120  
OVERRIDE FIRM GAS CONTRACT SERVICE

**AVAILABILITY:**

Entire natural gas service area of the Company.

**APPLICABILITY:**

To any natural gas customer purchasing gas on Rate 110 who requires a supplemental supply of not less than 340 thousand cubic metres per annum of firm gas provided the Company has existing gas delivery capacity in excess of the then existing requirements of other customers and provided further that the Company has available to it from its supplier an adequate supply of firm gas in excess of the requirements of its existing customers.

**CHARACTER OF SERVICE:**

The rates herein are based upon natural gas or its equivalent containing 37.47 MJ per cubic metre (m<sup>3</sup>). Fluctuations in the actual calorific value shall be recorded for the purpose of adjusting rates in the future.

**RATE:**

All gas taken on any day that is in excess of Buyer's Rate 110 Contract Demand shall be deemed to be delivered hereunder. The price for gas shall be 10.7421¢ per m<sup>3</sup>.

**MINIMUM BILL:**

Contracts for gas service under this rate shall specify a maximum daily quantity of gas which the Company is obligated to deliver to the customer. The minimum volume of gas which the customer shall be required to accept and pay for in any twelve month period shall be agreed upon by Company and Buyer and shall be not less than seventy-five (75) per cent of the estimated annual consumption or 340 thousand cubic metres, whichever is the greater. The minimum annual bill shall be the minimum annual volume multiplied by the average unit rate based on the unit rates in effect during the contract year prorated on the basis of actual volumes of gas delivered at each unit rate.

**PENALTY FOR LATE PAYMENT:**

When payment in full is not made within ten (10) days of the date of rendering of the bill a penalty of five per cent (5%) of the current amount billed shall be levied.

**UNAUTHORIZED OVERRUN GAS PENALTY:**

The General Terms & Conditions of contracts for service hereunder shall contain a provision that the Buyer shall pay the Company a penalty of not greater than fifty three cents (\$0.53) per m<sup>3</sup> on any gas constituting unauthorized overrun gas taken by the Buyer.

**TERMS OF SERVICE:**

1. Service is subject to the rules and regulations of the Company and these are available for inspection at the Company's offices.
2. The Company agrees to install, operate and maintain a meter or meters of suitable capacity and design to measure the gas to be supplied hereunder. The conditions for measurement are contained in the Terms and Conditions which form part of each sales agreement.
3. Gas purchased shall not be resold by the purchaser.
4. Company may supply gas from any standby equipment provided that the gas so supplied shall be reasonably equivalent to the natural gas normally supplied hereunder.

Effective on accounts rendered on and after  
December 1, 1980.

and replacing the rate schedule effective

THE CONSUMERS' GAS COMPANY  
RATE 130  
SEASONAL FIRM CONTRACT SERVICE

**AVAILABILITY:**

Entire natural gas service area of the Company.

**APPLICABILITY:**

To any natural gas customer whose consumption is not less than the prorated equivalent of 340 thousand cubic metres per annum and whose predominant use of gas is in the months of April through November inclusive, provided the Company has existing gas delivery capacity in excess of the then existing requirements of other customers and provided further that the Company has available to it from its supplier an adequate supply of firm gas in excess of the requirements of its existing customers.

Customers may request and the Company may provide service outside of the specified seasonal firm period on an interruptible basis and all of the gas so delivered shall be paid for at the then effective rate (i) price per m<sup>3</sup>.

**CHARACTER OF SERVICE:**

The rates herein are based upon natural gas or its equivalent containing 37.47 MJ per cubic metre (m<sup>3</sup>). Fluctuations in the actual calorific value shall be recorded for the purpose of adjusting rates in the future.

**RATE:**

The price for gas under this rate schedule shall be:

- (i) The first 56,000 m<sup>3</sup> per month @ 10.0718¢ per m<sup>3</sup>
- (ii) All over 56,000 m<sup>3</sup> per month @ 9.7541¢ per m<sup>3</sup>

**MINIMUM BILL:**

Contracts for gas service under this rate shall specify a maximum daily quantity of gas which the Company is obligated to deliver to the customer. The minimum volume of gas which the customer shall be required to accept and pay for in any twelve month period shall be agreed upon by Company and Buyer and shall be not less than seventy-five (75) per cent of the estimated annual consumption or 28,333 m<sup>3</sup> for each month of service, whichever is the greater. The minimum annual bill shall be the minimum annual volume multiplied by the average unit rate based on the unit rates in effect during the contract year prorated on the basis of actual volumes of gas delivered at each unit rate.

**PENALTY FOR LATE PAYMENT:**

When payment in full is not made within ten (10) days of the date of rendering of the bill, a penalty of five per cent (5%) of the current amount billed shall be levied.

**UNAUTHORIZED OVERRUN GAS PENALTY:**

The General Terms & Conditions of contracts for service hereunder shall contain a provision that the Buyer shall pay the Company a penalty of not greater than fifty three cents (\$0.53) per m<sup>3</sup> on any gas constituting unauthorized overrun gas taken by the Buyer.

**THE CONSUMERS' GAS COMPANY  
RATE 130  
SEASONAL FIRM CONTRACT SERVICE**

(Cont'd)

**TERMS OF SERVICE:**

1. Service is subject to the rules and regulations of the Company and these are available for inspection at the Company's offices.
2. The Company agrees to install, operate and maintain a meter or meters of suitable capacity and design to measure the gas to be supplied hereunder. The conditions for measurement are contained in the Terms and Conditions which form part of each sales agreement.
3. Gas purchased shall not be resold by the purchaser.
4. Company may supply gas from any standby equipment provided that the gas so supplied shall be reasonably equivalent to the natural gas normally supplied hereunder.

Effective on accounts rendered on and after  
December 1, 1980.

and replacing the rate schedule effective

**THE CONSUMERS' GAS COMPANY**  
**RATE 145**  
**INTERRUPTIBLE GAS CONTRACT SERVICE**

**AVAILABILITY:**

Entire natural gas service area of the Company.

**APPLICABILITY:**

To any natural gas customer whose consumption is not less than 340 thousand cubic metres per annum provided the Company has existing gas delivery capacity in excess of the then existing requirements of other customers and provided further that the Company has available to it from its supplier an adequate supply of firm gas in excess of the requirements of its existing customers. The customer shall ensure that it has adequate standby fuel supply to utilize during periods of natural gas curtailment. The Company shall, not later than November in each year, advise each customer as to what curtailment can be expected in accordance with the Company's planned curtailment scheduled for the forthcoming winter period. The Company's estimate of curtailment is offered only as guidance to the customer in obtaining standby fuel and does not contemplate abnormal or unforeseen circumstances.

**CHARACTER OF SERVICE:**

The rates herein are based upon natural gas or its equivalent containing 37.47 MJ per cubic metre (m<sup>3</sup>). Fluctuations in the actual calorific value shall be recorded for the purpose of adjusting rates in the future.

**RATE:**

The following prices for gas under this rate schedule apply to the following classes of service. The appropriate class of service for a customer will be determined by the Company taking into account the following customer service factors:

1. relative period of curtailment;
2. economic feasibility of the service including customer capital contribution, if any, or recovery through rates;
3. degree of market risk;
4. competitive alternatives;
5. volumes of gas under contract;
6. load factor;
7. minimum seasonal volumes;
8. seasonal characteristics of consumption.

<u>Class of Service</u>	<u>Price(¢) per m<sup>3</sup></u>	<u>Class of Service</u>	<u>Price(¢) per m<sup>3</sup></u>
1	10.5151	13	9.8791
2	10.4621	14	9.8261
3	10.4091	15	9.7731
4	10.3561	16	9.7201
5	10.3031	17	9.6671
6	10.2501	18	9.6141
7	10.1971	19	9.5611
8	10.1441	20	9.5081
9	10.0911	21	9.4551
10	10.0381	22	9.4021
11	9.9851	23	9.3491
12	9.9321	24	9.2961

Any Rate 145 customer whose annual consumption is reduced to less than 340 thousand cubic metres due primarily to energy conservation measures may take service at the next applicable rate or continue to purchase gas hereunder. If service is continued under this schedule all of the provisions of Rate 145 shall apply except that the price for all gas taken shall be 10.8331¢ per cubic metre.

**MINIMUM BILL:**

Contracts for gas service under this rate shall specify a maximum daily quantity of gas which the Company is obligated to deliver to the customer. The minimum volume of gas which the customer shall be required to accept and pay for in any twelve-month period shall be agreed upon by Company and Buyer and shall be not less than seventy-five (75) per cent of the estimated annual consumption or 340 thousand cubic metres, whichever is the greater. The minimum bill shall be the minimum annual volume multiplied by the average unit rate based on the unit rates in effect during the contract year prorated on the basis of actual volumes of gas delivered at each unit rate.

THE CONSUMERS' GAS COMPANY  
RATE 145  
INTERRUPTIBLE GAS CONTRACT SERVICE

(Cont'd)

**PENALTY FOR LATE PAYMENT:**

When payment in full is not made within ten (10) days of the date of rendering of the bill a penalty of five per cent (5%) of the current amount billed shall be levied.

**UNAUTHORIZED OVERRUN GAS PENALTY:**

The General Terms & Conditions of contracts for service hereunder shall contain a provision that the Buyer shall pay the Company a penalty of not greater than fifty three cents (\$0.53) per m<sup>3</sup> on any gas constituting unauthorized overrun gas taken by the Buyer.

**TERMS OF SERVICE:**

1. Service is subject to the rules and regulations of the Company and these are available for inspection at the Company's offices.
2. The Company agrees to install, operate and maintain a meter or meters of suitable capacity and design to measure the gas to be supplied hereunder. The conditions for measurement are contained in the Terms and Conditions which form part of each sales agreement.
3. Gas purchased shall not be resold by the purchaser.
4. Company may supply gas from any standby equipment provided that the gas so supplied shall be reasonably equivalent to the natural gas normally supplied hereunder.

**CONTRACTS:**

Prior to delivery of gas under this rate, the sales contract for the delivery of such gas shall be filed with the Ontario Energy Board.

Effective on accounts rendered on and after  
December 1, 1980.

and replacing the rate schedule effective



THE CONSUMERS' GAS COMPANY  
RATE NUMBER 160  
SPECIAL LARGE VOLUME CONTRACT RATES

**APPLICABILITY:**

Ontario Hydro at the R. L. Hearn Generating Station.

**CHARACTER OF SERVICE:**

The rates herein are based upon natural gas or its equivalent containing 37.47 MJ per cubic metre (m<sup>3</sup>). Fluctuations in the actual calorific value shall be recorded for the purpose of adjusting rates in the future.

**RATE:****(a) Firm Service**

The price for gas under this rate schedule shall be negotiated between the Buyer and the Company but shall not exceed 11.9815¢ per m<sup>3</sup> net, nor be less than 10.2186¢ per m<sup>3</sup> net.

**(b) Interruptible Service and Seasonal Firm Service**

The price for gas under this rate schedule shall be negotiated between the Buyer and the Company but shall not exceed 11.0117¢ per m<sup>3</sup> net, nor be less than 10.2186¢ per m<sup>3</sup> net.

**MINIMUM BILL:**

Contracts for gas service under this rate shall specify a maximum daily quantity of gas which the Company is obligated to deliver to the customer. The minimum volume of gas which the customer shall be required to accept and pay for in any period shall be contained in each contract negotiated under the provisions of this rate.

**PENALTY FOR LATE PAYMENT:**

When payment in full of the amount due is not made within ten (10) days of the date of rendering of the bill, a penalty of five per cent (5%) of the current amount billed shall be levied.

**UNAUTHORIZED OVERRUN GAS PENALTY:**

The General Terms and Conditions of contracts for service hereunder shall contain a provision that the Buyer shall pay the Company a penalty of not greater than fifty-three cents (\$0.53) per m<sup>3</sup> on any gas constituting unauthorized overrun gas taken by the Buyer.

**TERMS OF SERVICE:**

1. Service is subject to the rules and regulations of the Company and these are available for inspection at the Company's offices.
2. The Company agrees to install, operate and maintain a meter or meters of suitable capacity and design to measure the gas to be supplied hereunder. The conditions for measurement are contained in the Terms and Conditions which form part of each sales agreement.
3. Gas purchased shall not be resold by the purchaser.
4. Company may supply gas from any standby equipment provided that the gas so supplied shall be reasonably equivalent to the natural gas normally supplied hereunder.

**CONTRACTS:**

Prior to delivery of gas under this rate, the sales contract for the delivery of such gas shall be filed with the Ontario Energy Board.

Effective on accounts rendered on and after  
December 1, 1980.

and replacing the rate schedule effective

Schedules B, C, D,  
D-1, E, F and G.

**THE CONSUMERS' GAS COMPANY**  
DIVISION OF HIRSH WALKER - CONSUMERS HOME LTD.  
and its consolidated subsidiary companies,  
Shorges Limited, Consumers' Realty Limited  
and Underwater Gas Developers Limited

Schedule B, C,  
D and D-1

B C D D-1

NOTICE TO RATE 100, 110, 120, & 160 CUSTOMERS:

You are hereby notified that as of December 1, 1980, the price of gas supplied under the above contract will be increased by 2.132¢/Mcf, to reflect an increase which was approved by the Ontario Energy Board in its Decision in E.B.R.O. 376-I & II dated November 28, 1980.

We direct your attention to the General Terms and Conditions of our contract which authorizes the above increase in the price of gas supplied hereunder.

Yours truly,

S. R. Hislop  
Manager,  
Commercial/Industrial Marketing

**THE CONSUMERS' GAS COMPANY**  
**DIVISION OF HIRSH WALKER - CONSUMERS HOME LTD.**  
and its consolidated subsidiary companies,  
Shorgas Limited, Consumers' Realty Limited  
and Underwater Gas Developers Limited

Schedule E & F

E F

NOTICE TO RATE 130 & 145 CUSTOMERS:

You are hereby notified that as of December 1, 1980, the price of gas supplied under the above contract will be increased by 1.476c/Mcf, to reflect an increase which was approved by the Ontario Energy Board in its Decision in E.B.R.O. 376-I & II dated November 28, 1980.

We direct your attention to the General Terms and Conditions of our contract which authorizes the above increase in the price of gas supplied hereunder.

Yours truly,

S. R. Hislop  
Manager,  
Commercial/Industrial Marketing

NOTICE TO RESIDENTIAL CUSTOMERS:

# NEW RATE INFORMATION



The new rates set out in the attached schedule have been approved by the Ontario Energy Board after public hearings. These rates allow the Company to recover increases in its costs of serving you. If you are a residential customer, your annual bill will rise approximately 4% as a result of this increase.

## CUSTOMER INQUIRIES

If you require additional information about your bill, please call your local gas company office. For your convenience, the number is located on the back of your bill.

## EQUAL BILLING CUSTOMERS

An Equal Billing Plan is provided as a convenience to permit payment of your annual charge for gas consumption evenly over twelve (12) months. This plan is based upon estimates of your annual consumption using anticipated normal weather patterns.

No change is being made to your equal billing instalments as a result of this increase. The Company reviews the instalments of all Equal Billing Plan customers in mid-heating season and, if that review indicates your monthly instalments should be revised, an adjustment will then be made.



**Consumers Gas System**

Consumers' Gas • Provincial Gas  
Ottawa Gas • Grimsby Gas • Brockville Gas

# SCHEDULE OF GAS RATES

Effective on accounts rendered for gas consumed on or after December 1, 1980  
 and replacing the rate schedule effective October 1, 1980

## RATE 1 Residential Service

November through April inclusive:

For the first 4 Ccf or less used per month	\$4.54 (Min. Bill)
For the next 6 Ccf used per month	45.84¢/Ccf
For the next 20 Ccf used per month	42.21¢/Ccf
For the next 30 Ccf used per month	39.61¢/Ccf
For all over 60 Ccf used per month	36.70¢/Ccf

May through October inclusive:

For the first 4 Ccf or less used per month	\$4.54 (Min. Bill)
For the next 6 Ccf used per month	45.84¢/Ccf
For the next 20 Ccf used per month	42.21¢/Ccf
For the next 30 Ccf used per month	39.61¢/Ccf
For all over 60 Ccf used per month	36.70¢/Ccf
The minimum bill per month shall be	\$4.54

## RATE 1(a) Residential Automatic Water Heating with or without other uses

November through April inclusive:

For the first 4 Ccf or less used per month	\$4.54 (Min. Bill)
For the next 6 Ccf used per month	45.84¢/Ccf
For the next 20 Ccf used per month	39.61¢/Ccf
For the next 30 Ccf used per month	39.61¢/Ccf
For all over 60 Ccf used per month	36.70¢/Ccf

May through October inclusive:

For the first 4 Ccf or less used per month	\$4.54 (Min. Bill)
For the next 6 Ccf used per month	45.84¢/Ccf
For the next 20 Ccf used per month	39.61¢/Ccf
For the next 30 Ccf used per month	39.61¢/Ccf
For all over 60 Ccf used per month	36.70¢/Ccf
The minimum bill per month shall be	\$4.54

## RATE 3 Residential "Flat Rate Low Input" Water Heating Service

For all gas used per month	\$9.20
The minimum bill per month shall be	\$9.20

**NOTE:**  
 This service cannot be extended to other than the existing  
 customers on this rate, due to the unavailability of water heaters  
 with the required specifications.

## RATE 4 Residential "Flat Rate" Water Heating Service

For all gas used per month	\$13.95
The minimum bill per month shall be	\$13.95

## RATE 6 General Service

November through April inclusive:

For the first 40 Ccf or less used per month	\$5.44 (Min. Bill)
For the next 6 Ccf used per month	49.42¢/Ccf
For the next 20 Ccf used per month	42.20¢/Ccf
For the next 470 Ccf used per month	37.52¢/Ccf
For the next 500 Ccf used per month	34.85¢/Ccf
For the next 1,000 Ccf used per month	32.87¢/Ccf
For all over 2,000 Ccf used per month	31.83¢/Ccf

May through October inclusive:

For the first 4 Ccf or less used per month	\$5.44 (Min. Bill)
For the next 6 Ccf used per month	49.42¢/Ccf
For the next 20 Ccf used per month	42.20¢/Ccf
For the next 470 Ccf used per month	37.52¢/Ccf
For the next 500 Ccf used per month	34.85¢/Ccf
For the next 1,000 Ccf used per month	32.87¢/Ccf
For all over 2,000 Ccf used per month	31.83¢/Ccf
The minimum bill per month shall be	\$5.44

## PENALTY FOR LATE PAYMENT

When payment in full is not made within sixteen  
 (16) days of the date of mailing, or hand delivery  
 of the bill, a penalty of five percent (5%) of the  
 current amount billed shall be levied.

Where payment is made by mail, payment will be  
 deemed to be made on the date postmarked.

Large Volume  
 Industrial  
 and Commercial Rates  
 are Available  
 on Request

These rates provide for the recovery by the  
 Company of the revenue found appropriate by  
 the Ontario Energy Board in its decision  
 dated November 28, 1980.



THE CONSUMERS' GAS COMPANY  
A DIVISION OF HIRAM WALKER-CONSUMERS HOME LTD.  
AND ITS CONSOLIDATED SUBSIDIARY COMPANIES  
SHORGAS LIMITED, CONSUMERS' REALTY LIMITED AND UNDERWATER GAS DEVELOPERS LIMITED

ONTARIO UTILITY AVERAGE RATE BASE  
September 30, 1981  
(Thousands of Dollars)

	Per Applicant (Original Submission) <u>Ex. S1.18.2, L2.1.1</u>	<u>Board Adjustments</u>		<u>Per Board</u>
		<u>Amount</u>	<u>Note</u>	
<u>Property, Plant and Equipment</u>				
Natural Gas Production Plant)				
Natural Gas Gathering Plant )	91,585.9			91,585.9
Local Storage Plant	904.2			904.2
Underground Storage Plant	2,567.3			2,567.3
Distribution Plant	721,639.4			721,639.4
General Plant	162,011.0			162,011.0
Other Plant	1,142.4	(575.5)	1	566.9
	<u>979,850.2</u>			<u>979,274.7</u>
Accumulated Depreciation and Depletion	(192,277.2)			(192,277.2)
Net Property, Plant and Equipment	<u>787,573.0</u>	<u>(575.5)</u>		<u>786,997.5</u>
<u>Allowance for Working Capital</u>				
Accounts Receivable - Merchandise Finance Plan				
- Net of Unearned Finance Charges	14,673.3			14,673.3
Accounts Receivable - Rebillable Projects	1,985.9			1,985.9
Materials and Supplies	11,307.2			11,307.2
Gas in Storage	104,411.9	15,552.7	2	119,964.6
Prepaid Expenses	722.9			722.9
Mortgages Receivable	1,951.7			1,951.7
Customer Security Deposits	(2,845.0)			(2,845.0)
Cash - Working Cash Allowance	22,930.5	1,689.9	3	24,620.4
Cash - Minimum Bank Balances	261.0			261.0
	<u>155,399.4</u>	<u>17,242.6</u>		<u>172,642.0</u>
<u>Other Items</u>				
Investment in Tecumseh Gas Storage Limited at equity value in underlying net assets	9,250.0			9,250.0
Miscellaneous Special Funds	307.3			307.3
	<u>9,557.3</u>			<u>9,557.3</u>
TOTAL ONTARIO UTILITY RATE BASE	<u>952,529.7</u>	<u>16,667.1</u>		<u>969,196.8</u>



Notes to Appendix B

(\$ 000)

1. Other Plant

Other Plant is reduced to eliminate the amount of other plant under construction from rate base - Exh. K4.7.1

575.5

2. Gas in Storage

Increased cost of gas in storage relating to 4.7 Bcf of Ontario Hydro volumes - Exh. M1.3.1

5,995.6

Adjustment of overstatement re: Gas in storage inventory - Exh. M1.6.1 item 4.1

(204.5)

Annualized increase in value of gas in storage based on average volume of 46.2 Bcf @ 29.449¢ per Mcf effective September 1, 1980 - Exh. Z4.8.1

13,605.4

Adjustment to unit cost of gas in storage @ 8.32¢ per Mcf on 46.2 Bcf - Exh. S4.54.2 and S4.54.5

(3,843.8)

15,552.7

3. Working Cash Allowance

Decrease in working cash allowance relating to 4.7 Bcf of Ontario Hydro volumes - Exh. M1.3.1

(214.7)

Claim of 45 days allowance on OM&A cost included in gas production cost - Exh. M1.6.1 item 4.2

292.2

7 days allowance on \$85,824.8 adjustment to gas cost - per note 3 of Appendix B

1,646.0

45 days allowance on adjustment of \$100,000 re Charitable Donations

(12.3)

7 days allowance re adjustment in the cost of unbilled/unaccounted-for gas

(21.3)

1,689.9



THE CONSUMERS' GAS COMPANY  
 A DIVISION OF HIRAM WALKER-CONSUMERS HOME LTD.  
 AND ITS CONSOLIDATED SUBSIDIARY COMPANIES  
 SHORGAS LIMITED, CONSUMERS' REALTY LIMITED AND UNDERWATER GAS DEVELOPERS LIMITED

ONTARIO UTILITY INCOME  
September 30, 1981  
(Thousands of Dollars)

	Per Applicant Exh. L3.1.2	Board Adjustments		Per Board
		Amount	Note	
<u>REVENUE</u>				
Gas Sales	875,428.4	75,617.9	1	951,046.3
Other Operating Revenue (including appliance rentals)	25,651.7			25,651.7
Interest (including merchandise finance plan) and Property Rentals	3,925.0	(289.3)	2	3,635.7
Other Income	6,884.8			6,884.8
TOTAL REVENUE	<u>911,889.9</u>	<u>75,328.6</u>		<u>987,218.5</u>
<u>COSTS AND EXPENSES</u>				
Gas Costs	692,062.0	73,517.3	3	765,579.3
Operations and Maintenance Costs:				
Exploration and Development	162.5			162.5
Gas Supply	456.1			456.1
Underground Storage	166.6			166.6
Distribution	24,515.9			24,515.9
Sales Promotion	4,810.9			4,810.9
Customer Accounting	18,767.3			18,767.3
Administration and General	25,925.7	(100.0)	4	25,825.7
Expenses on Drilling Contracts	3,709.0			3,709.0
	<u>78,514.0</u>	<u>(100.0)</u>		<u>78,414.0</u>
Depreciation and Depletion	30,636.9			30,636.9
Municipal and Other Taxes	10,297.3			10,297.3
TOTAL COSTS AND EXPENSES	<u>811,510.2</u>	<u>73,417.3</u>		<u>884,927.5</u>
ONTARIO UTILITY INCOME BEFORE INCOME TAXES	100,379.7	1,911.3		102,291.0
INCOME TAXES	7,319.0	1,153.2	Appendix D	6,165.8
ONTARIO UTILITY INCOME	<u>93,060.7</u>	<u>3,064.5</u>		<u>96,125.2</u>

Notes to Appendix C

(\$ 000)

1. Gas Sales

Decrease in sales of 4.7 Bcf to Ontario Hydro - Exh. Ml.3.1

(12,606.5)

Increase re rate revision for upstream gas cost increase effective October 1, 1980 - Exh. Ml.7.1

88,224.4

75,617.9

2. Other Revenues

Reversal of interest during construction included in income - Exh. Ll.3.1 item 1.3.6

289.3

3. Gas Cost

Decrease re reduction in sales of 4.7 Bcf to Ontario Hydro - Exh. Ml.3.1

(11,195.2)

Increase in gas cost re upstream gas cost increase effective September 1, 1980 - Exh. Ml.7.1

85,824.8

Adjustment to the cost of unbilled/unaccounted-for gas @ \$2.60501/Mcf on .427 Bcf

(1,112.3)

73,517.3

4. Other Cost

Downward adjustment re Charitable Donations

100.0



THE CONSUMERS' GAS COMPANY  
 A DIVISION OF HIRAM WALKER-CONSUMERS HOME LTD.  
 AND ITS CONSOLIDATED SUBSIDIARY COMPANIES  
 SHORGAS LIMITED, CONSUMERS' REALTY LIMITED  
 AND UNDERWATER GAS DEVELOPERS LIMITED

Calculation of Income Taxes  
For the year ending September 30, 1981  
 (Thousands of Dollars)

Ontario Utility Income before Income Taxes - Per Appendix C		102,291.0
Add Items 2.1 to 2.4 of L3.15.1		<u>33,383.7</u>
		135,674.7
Delete items 4.1 to 4.10 excepting items 4.9 re Interest Expense allocation - L3.15.1 i.e. 127,828.9 - 45,721.4		(82,107.5)
Interest Expense Allocation 5.11% on Rate Base of \$969,197		<u>(49,526.0)</u>
Income for Federal Tax Purposes		4,041.2
Add items 6.1 and 6.2 of L3.15.1		<u>141.4</u>
Income for Ontario Tax Purposes		<u>4,182.6</u> =====
 <u>Income Taxes:</u>		
<u>Current:</u>		
Federal 4,041.2 @ 36%	1,454.8	
Ontario 4,182.6 @ 14%	<u>585.6</u>	2,040.4
 <u>Deferred: - L3.15.2</u>		
Federal 8,283.0 @ 36%	2,981.9	
Ontario 8,168.0 @ 14%	<u>1,143.5</u>	<u>4,125.4</u>
Total Income Taxes		<u>6,165.8</u> =====



THE CONSUMERS' GAS COMPANY  
 A DIVISION OF HIRAM WALKER-CONSUMERS HOME LTD.  
 AND ITS CONSOLIDATED SUBSIDIARY COMPANIES  
 SHORGAS LIMITED, CONSUMERS' REALTY LIMITED  
 AND UNDERWATER GAS DEVELOPERS LIMITED

Revenue Deficiency Determination  
Year Ending September 30, 1981  
 (Thousands of Dollars)

	<u>Reference</u>	
Ontario Utility Income	Appendix C	96,125.2
Ontario Utility Rate Base	Appendix B	969,196.8
Indicated Return on Rate Base		9.92%
Rate of Return Allowed		<u>10.81%</u>
Deficiency in Rate of Return		.89%
Net Revenue Deficiency (After taxes) 0.89% on 969,196.8		8,626
Income taxes @ 50%		<u>8,626</u>
Gross Revenue Deficiency (Pre-tax)		17,252 =====