

2016 GREATER TORONTO AREA INCREMENTAL TRANSMISSION CAPITAL
REVENUE REQUIREMENT DEFERRAL ACCOUNT
REQUESTED FOR CLEARANCE OCTOBER 1, 2017

1. Within the Board's EB-2012-0451 Decision and Order, Enbridge's Leave to Construct GTA Project proceeding, the OEB approved of the construction of the GTA project, including the upsizing of segment A (from an NPS 36 to an NPS 42 pipeline) to accommodate distribution and transportation requirements. The decision also approved the rate methodology for transportation service on Segment A under Rate 332. Rate 332 would be designed to recover 60% of the annual revenue requirement of Segment A, through contract demand charges to transportation customers. Finally, the decision also addressed the circumstance where Segment A is completed, but transportation service is unused / unavailable due to the timing of completion of other required third party infrastructure (Union's Brantford-Kirkwall / Parkway D Project and / or TransCanada's King's North Project).
2. While Enbridge proposed to recover the full Segment A revenue requirement from in-franchise / bundled customers under such a situation, the Board's Decision and Order directed that the Company's customers should not automatically bear the costs associated with the incremental pipeline capacity (i.e., the cost of incremental capacity being the cost difference between NPS 36 and NPS 42 pipelines) which was required to provide Rate 332 service. Specifically, the Decision directed that once Segment A is in service, if there is no Rate 332 service / Rate 332 customers, the annual revenue requirement impact of \$55 million (representing the forecast cost difference between the NPS 36 and the NPS 42 pipelines) will be recorded in a deferral account for eventual recovery from Rate 332 customers.

3. Subsequently, the Board approved the creation of the GTA Incremental Transmission Capital Revenue Requirement Deferral Account (“GTAITCRRDA”) for this purpose, through the issuance of the Accounting Order in the EB-2012-0451 proceeding.
4. As originally approved within EB-2012-0451, and confirmed through the EB-2016-0114 approved Accounting Order, the purpose of the 2016 GTAITCRRDA was to record the revenue requirement related to an incremental \$55 million of forecast capital costs which resulted from the upsizing of Segment A of the GTA project to an NPS 42 pipeline from an NPS 36 pipeline. The account would only be required if at the time Segment A was put into service there were no transportation customers, or no ability for transportation customers to utilize Segment A. The revenue requirement would represent revenue to be collected from appropriate transportation service customers once they were able to take service under Rate 332.
5. As was indicated within Enbridge’s 2016 rate proceeding (EB-2015-0114) evidence (Exhibits D2, Tab 1, Schedule 1, page 23, D2, Tab 1, Schedule 2, G1, Tab 1, Schedule 1, page 3 to 5, and H1, Tab 1, Schedule 1, page 8 to 10), at the time of filing the application there was uncertainty as to whether the Company would be able to offer Rate 332 transportation service during 2016, due to uncertainty as to whether construction of TransCanada’s King’s North Project would be completed and in-service at any point during 2016. Therefore, no Rate 332 revenues were forecast as part of the 2016 rate application.
6. As a result of forecasting that transportation service on Segment A would not be available during 2016, the Company forecast and the OEB approved the recovery of \$4.893 million from eventual transportation customers, through the 2016 GTAITCRRDA, while the remainder of the forecast Segment A revenue requirement

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would be recovered from the Company's bundled customers. The \$4.893 million was the forecast 2016 revenue requirement in association with \$55 million of incremental Segment A capacity upsizing costs.

7. However, the final amount recorded in the GTAITCRRDA as of the end of 2016 was \$4.281 million. This amount reflects 10.5 /12^{ths} (or January 1 to November 15, 2016) of the approved \$4.893 million forecast to be recovered through the 2016 GTAITCRRDA. The difference results from the fact that TransCanada's King's North Project was completed and placed into service in November 2016, which allowed Rate 332 transportation service to commence on November 16, 2016. Therefore, for the final 1.5 months of 2016, the Company was able to charge and collect daily Rate 332 contract demand charges from its Rate 332 transportation customer, thus eliminating the need to record amounts into the 2016 GTAITCRRDA for that time period.
8. Within this proceeding, the Company is requesting clearance (from its Rate 332 transportation customer) of the principal and interest balances recorded in the 2016 GTAITCRRDA, in the amount of \$4.281 million and \$53.4 thousand respectively, as shown in Exhibit C, Tab 1, Schedule 1, page 3.