2016 RATE 332 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.

Witnesses: A. Kacicnik
R. Small

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 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.

5. 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 (representing the forecast 2016 revenue requirement in association with $55 million of incremental Segment A capacity upsizing costs), while the remainder of the forecast Segment A revenue requirement would be recovered from the Company's bundled customers. As such, 2016 rates for bundled customers were designed to recover an incremental $13.1 million ($18.0 million representing 60% of the forecast 2016 Segment A revenue requirement, less $4.9 million representing the forecast 2016 revenue requirement of $55 million in upsizing costs to be recovered through the 2016 GTAITCRRDA), than had Rate 332 service been forecast to be available for all of 2016.

Witnesses: A. Kacicnik
R. Small

6. Given that there was uncertainty as to whether the Company would be able to offer Rate 332 transportation service at any point during 2016, the Company also proposed the establishment of the 2016 Rate 332 Deferral Account ("R332DA"), which the Board approved. The purpose of the R332DA was to record for refund to the Company's bundled customers, any Rate 332 revenues collected from transportation customers, net of any reduction in the amount forecast to be recovered through the 2016 GTAITCRRDA, should Rate 332 transportation service on Segment A of the GTA project become available at any point during 2016, as a result of the completion of all associated interconnected third party facilities. The R332DA would ensure that the Company's bundled customers only pay for the revenue requirement for the transportation component of Segment A, net of the revenue requirement on the incremental $55 million, until such time as transportation service became available. The R332DA would also ensure that the Company did not over recover the forecast revenue requirement for Segment A of the GTA Project.

7. During 2016, following the completion of TransCanada's King's North Project, Rate 332 transportation service commenced on November 16, 2016, and as such Rate 332 customers began being charged daily contract demand charges from that point onward. The daily contract demand charge was designed to recover 60% of the forecast 2016 Segment A revenue requirement on an annualized basis. The amount actually billed through Rate 332 contract demand charges, from the time transportation service became available through to December 31, 2016, was $2,263.2 thousand. In conjunction with the commencement of Rate 332 charges, recognition of amounts to be recovered through the 2016 GTAITCRRDA ceased, resulting in a lower than forecast recovery amount through the 2016 GTAITCRRDA of $611.6 thousand (1.5 / 12^{ths}, or from November 16 through December 31, 2016,

of $4,893.1 thousand). As a result, the variance between the amount recovered through Rate 332 contract demand charges of $2,263.2 thousand, and the under recovery through the 2016 GTAITCRRDA of $611.6 thousand, equaling $1,651.6 thousand, has been recorded in the 2016 R332DA.

8. Within this proceeding, the Company is requesting to refund to bundled customers the principal and interest balances recorded in the 2016 R332DA, in the amount of ($1.652) million and ($14.0) thousand respectively, as shown in Exhibit C, Tab 1, Schedule 1, page 3.

Witnesses: A. Kacicnik
R. Small