

FRPO INTERROGATORY #13

INTERROGATORY

REF: Exhibit C, Tab 1, Schedule 5 incl. Appendix A and  
EB-2016-0142 Exhibit C, Tab 1, Schedule 5 incl. Appendix A and  
EB-2016-0142 Exhibit.I.B.EGDI.FRPO.7

Preamble: We are interested in understanding better the derivation of the Actual Average Use True Up Variance Account and the process that developed the balance applied for disposition.

Supplemental to Exhibit B, Energy Probe 7.

Please provide all studies Enbridge has undertaken by its own staff or consultants that demonstrate that this estimation of normalized annual volumes is appropriate for the purposes of comparing actual volumes to target NAC's and determining volume variances that result in a true-up of recovery for normal weather in the year of determination.

RESPONSE

No additional studies have been carried out in relation to normalization following the Settlement Agreement and subsequent Decision in the EB-2007-0615 application. The Company has calculated the average use volumetric variance in accordance with the method described therein.

As noted in the EB-2007-0615 Settlement Agreement (Exhibit N1, Tab 1, Schedule 1, page 15), the Average Use True-Up Variance Account ("AUTUVA") was established to:

"true-up" the difference in the revenue impact, exclusive of gas costs, between the forecast of average use per customer for general service rate classes (Rate 1 and Rate 6) that is embedded in the volume forecast that underpins Rates 1 and 6 (the "Forecast AU") and the weather normalized average use experienced in each year of the IR Plan (the "Normalized AU").

Parties to the agreement confirm that the AUTUVA would operate for the term of the IR Plan and that:

(i) the calculation of the volume variance impact due to the difference between the Forecast AU and the Normalized AU shall exclude the volumetric impact of Demand Side Management ("DSM") programs in that year;

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(ii) the revenue impact of the difference between Forecast AU and the Normalized AU shall be calculated using a unit rate determined in the same manner as determined for the purpose of the Lost Revenue Adjustment Mechanism ("LRAM"), extended by the difference in average use per customer and the number of customers.....; and

(iii) the revenue impacts of all differences between Forecast AU and Normalized AU (negative or positive) shall be recorded in the AUTUVA; i.e., the AUTUVA shall be symmetrical.

Prior to the establishment of the AUTUVA, the Company had been utilizing the normalization methodology as described within its volumetric evidence as part of the Annual Rates Application. The weather normalization process isolates the impact of weather on volumes by segregating the actual volumes between heat sensitive and non-weather sensitive load (or "baseload").

Baseload use per customer is the average of the non-weather sensitive consumption from the summer months of July and August. The difference between total average use and total baseload is the heat sensitive portion of volumes ("heatload") which are adjusted or normalized by applying the actual usage to the budget degree day. The adjusted heatload and baseload together constitute the normalized average use.

On a monthly basis, actual volumes are adjusted higher or lower depending on the variance between actual and budget degree days following the normalization methodology. Colder weather (actual degree days are higher than forecast degree days) necessitates a volumetric reduction to adjust or normalize to the forecast weather condition. Similarly, warmer weather (actual degree days are lower than forecast degree days) would result in a positive adjustment to normalize to forecast degree days.

As a result of the warmer-than-forecast weather in 2016, positive normalization adjustments were required to actual volumes to reflect the forecast weather.

Table 1 on the following page illustrates the derivation of the 2016 normalized average use per customer for Rate 1. The weather normalization adjustments of  $197.7 \times 10^6 \text{m}^3$  for Rate 1 are determined by adjusting the monthly actual volumes based on the approved heating degree days.

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M. Suarez

TABLE 1  
 GENERAL SERVICE RATE 1  
 2016 ACTUAL AND 2016 BOARD APPROVED BUDGET - VOLUME, CUSTOMERS & AVERAGE USE

| Item. | Col. 1   | Col. 2    | Col. 3    | Col. 4    | Col. 5    | Col. 6    | Col. 7    | Col. 8    | Col. 9    | Col. 10   | Col. 11   | Col. 12   | Col. 13   | Exhibit Reference |  |
|-------|--|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-------------------|--|
|       | Jan  | Feb       | Mar       | Apr       | May       | Jun       | Jul       | Aug       | Sep       | Oct       | Nov       | Dec       | Total     |                   |  |
| 1.1   | Actual Volumes (10 <sup>6</sup> m <sup>3</sup> )                   | 737.3     | 740       | 664.1     | 539.4     | 308.9     | 145.3     | 111.9     | 107.7     | 108.1     | 162       | 331.3     | 550.5     | 4,506.5           | EB-2017-0102 Exhibit B, Tab 3, Schedule 4                                |
| 1.2   | Actual Degree Days (Meter-Reading)                                 | 501       | 508       | 426       | 348       | 156       | 22        | 1         | 0         | 1         | 48        | 193       | 371       | 2,574             |  |
| 1.3   | Board Approved Degree Days   | 589       | 551       | 490       | 308       | 123       | 9         | 0         | 0         | 0         | 63        | 220       | 410       | 2,763             |  |
| 1.4   | Degree Days Variance   | (88)      | (43)      | (64)      | 41        | 32        | 13        | 1         | 0         | 1         | (16)      | (27)      | (38)      | (189)             |  |
| 1.5   | Weather Normalization Adjustment (10 <sup>6</sup> m <sup>3</sup> ) | 98.1      | 41.5      | 62.3      | (40.8)    | (32.2)    | 0.0       | 0.0       | 0.0       | 0.0       | 9.6       | 21.6      | 37.6      | 197.7             | EB-2017-0102 Exhibit B, Tab 3, Schedule 2, page 2                        |
| 1.6   | Normalized Volumes (10 <sup>6</sup> m <sup>3</sup> )               | 835.4     | 781.5     | 726.4     | 498.6     | 276.7     | 145.3     | 111.9     | 107.7     | 108.1     | 171.6     | 352.9     | 588.1     | 4,704.2           | Row 1.1 + Row 1.5  |
| 1.7   | Customer Meters  | 1,951,381 | 1,954,282 | 1,955,922 | 1,957,193 | 1,957,082 | 1,955,677 | 1,955,198 | 1,956,687 | 1,958,986 | 1,965,100 | 1,971,419 | 1,975,901 | 1,959,569         | EB-2017-0102 Exhibit B, Tab 3, Schedule 4                                |
| 1.8   | Normalized Actual Average Use per Customer (m <sup>3</sup> )       | 428       | 400       | 371       | 255       | 141       | 74        | 57        | 55        | 87        | 179       | 298       | 2401      | 2,401             | Row 1.6 / Row 1.7 (EB-2017-0102 Exhibit C, Tab 1, Schedule 5 Appendix A) |
| 1.9   | Board Approved Average Use per Customer (m <sup>3</sup> )          | 440       | 408       | 367       | 260       | 155       | 77        | 57        | 62        | 88        | 188       | 312       | 2,480     | 2,480             |  |
| 2.0   | Normalized Average Use Variance (m <sup>3</sup> )                  | (12)      | (8)       | 5         | (6)       | (13)      | (3)       | (0)       | (7)       | (10)      | (9)       | (14)      | (79)      | (79)              | Row 1.8 - Row 1.9  |

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