

ANNUALIZED IMPACT OF THE JANUARY 1, 2017  
QUARTERLY RATE ADJUSTMENT ON THE COMPANY'S  
FISCAL 2017 RATES AND REVENUE REQUIREMENT

1. The evidence found at Exhibit Q1-3, Tab 2, Schedules 1 through 5, details the annualized revenue requirement impact which would occur upon applying an anticipated gas reference unit price change to the forecast volumes for 2017. As a result of the quarterly gas cost unit rate adjustment within this application, the Company's revenue requirement would decrease by \$6.8 million on an annualized basis. This decrease is the result of a decrease in the purchase cost of gas, partially offset by an increase in TransCanada Pipelines Ltd. ("TransCanada") abandonment charge tolls, effective January 1, 2017, and a decrease in the gross carrying cost of gas in storage and working cash related elements of rate base. The details of the components of this decrease are listed at Exhibit Q1-3, Tab 2, Schedule 1, and are examined further in the balance of this exhibit.
2. The annualized impact of the gas cost decrease, in the amount of \$6.5 million, is determined by applying the decrease in the gas cost reference price against the applicable volumes, and then incorporating the impact of the TransCanada abandonment charge toll increases to the T-Service transportation cost forecast. The volumes used within this QRAM application are the Board Approved 2017 volumes, from the EB-2016-0215 proceeding, found at Exhibit D1, Tab 2, Schedule 5, page 2, Filed: 2016-10-04. The use of these volumes is consistent with the QRAM approved guidelines as filed at Exhibit Q1-1, Tab 2, Schedule 1, Appendix A. The change in the unit rates and the volumes against which they are applied is examined in evidence at Exhibit Q1-3, Tab 2, Schedule 1. The calculations in support of the \$6.5 million decrease in the purchase cost of gas are

found on Lines 1 through 8, and summarized at Line 9, of Exhibit Q1-3, Tab 2, Schedule 1.

3. Exhibit Q1-3, Tab 2, Schedule 2, details the impact of the annualized decrease on the gas in storage and working cash elements of Rate Base, and the associated carrying cost which is calculated to be \$0.2 million and is included at Exhibit Q1-3, Tab 2, Schedule 1, at Line 10. The decrease in the PGVA unit rate results in a decrease in the gas in storage inventory value in the amount of \$1.8 million, calculated at Line 2 of Schedule 2. The decrease is calculated by multiplying the Company's average-of-monthly-averages ("AOA's") storage volume of 1,753,831.8  $10^3\text{m}^3$ , which can be found at Exhibit Q1-3, Tab 2, Schedule 5, by the decrease in the PGVA reference price in the amount of \$1.041/ $10^3\text{m}^3$ . The decrease in the working cash allowance is calculated by applying 2.1 net lag days to the annualized decrease in gas costs of \$6.5 million, resulting in a decrease of \$0.03 million. The working cash allowance calculations are found at Lines 3.1 through 3.4 of Schedule 2. The details of the decrease in the HST amount of \$1.0 million, shown at Line 4 of Schedule 2, can be found in evidence at Exhibit Q1-2, Tab 3, Schedule 1.
4. As shown at Lines 5 through 7 of Exhibit Q1-3, Tab 2, Schedule 2, the \$2.8 million decrease in the valuation of the components of gas in storage and working cash is multiplied by a gross return component of 7.36% (filed at Exhibit Q1-3, Tab 2, Schedule 3) causing a \$0.2 million decrease in carrying costs.
5. The details supporting the calculation of the Company's grossed up rate of return are found at Exhibit Q1-3, Tab 2, Schedule 3. The capital structure components, cost rates, and return rate(s), in Columns 1 through 3, are the 2017 Board Approved

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values found in the EB-2016-0215 Draft Rate Order, Appendix A, Schedule 2, page 6, Dated: 2016-11-28, which was approved by the Board through its oral Decision on November 30, 2016. The calculation of the grossed up rate of return in Columns 4 and 5 has utilized the Company's Board Approved 2017 forecast corporate tax rate of 26.5%, as was determined within EB-2012-0459.

6. Exhibit Q1-3, Tab 2, Schedule 4 details the calculation of the forecast inventory valuation adjustment in the amount of (\$2.4) million. The inventory adjustment is related to the change in the unit cost of gas. The forecast inventory adjustment represents the forecast volume of inventory at January 1, 2017 revalued at the new PGVA reference price arising from this quarterly rate adjustment proceeding.
7. Exhibit Q1-3, Tab 2, Schedule 5 shows the month end and AOA volume of gas in storage as approved within the EB-2016-0215 proceeding.