

RATE DESIGN – QUARTERLY RATE ADJUSTMENT MECHANISM

1. The purpose of this evidence is to describe the effect on rates from a change in the gas cost revenue requirement as part of the Ontario Energy Board (“Board”) approved Quarterly Rate Adjustment Mechanism (“QRAM”). The decreased utility reference price reflects a higher cost of gas purchases and lower upstream transportation and load balancing related costs as compared to the EB-2016-0260 October 1, 2016 QRAM rates currently in effect. The January 1, 2017 QRAM incorporates the effects from TransCanada Pipelines tolls effective January 1, 2017 which reflect higher abandonment costs.
2. As part of this QRAM, the Company is also implementing 2017 Final rates (EB-2016-0215) approved by the Board on November 30, 2016 and Cap and Trade Unit Rates approved by the Board under the EB-2016-0300 Interim Rate Order on November 24, 2016.
3. The rate design exhibits supporting this QRAM application are found at Exhibit Q1-3, Tab 4. Schedules 1 to 5 present the effect of the proposed utility price on revenues and rates when compared with October 1, 2016 QRAM rates inclusive of the impacts of the EB-2016-0215 Final rates. Schedule 6 shows customer bill impacts for various rate classes relative to the EB-2016-0260 October 1, 2016 QRAM rates currently in effect (i.e., the current bill the customer sees). Consequently, these bill impacts encompass the effects of the EB-2016-0215 Final 2017 rates and the EB-2016-0260 January 1, 2017 QRAM rate change. Schedule 7 shows customer bill impacts for various rate classes relative to the EB-2016-0260 October 1, 2016 QRAM rates which depict the January 1, 2017 QRAM, 2017 Final rates and the impact of cap and trade charges for Non-Large Final Emitters. Schedule 8 shows customer bill impacts for various rate classes

relative to the EB-2016-0260 October 1, 2016 QRAM rates including depict the January 1, 2017 QRAM, 2017 Final rates and the impact of cap and trade charges for Large Final Emitters. Schedule 9 contains the rate handbook. The derivation of the Rider C unit rates can be found at Schedule 10.

Utility Price

4. As highlighted above, the Company is implementing 2017 Final rates as part of this QRAM. Consequently, additional steps were needed to be taken in the derivation of January 1, 2017 QRAM rates. These additional steps are described in the following paragraphs.

5. The 2017 Final (EB-2016-0215) rates reflect a PGVA reference price of \$166.901 10^3 m^3 which reflects the July 1, 2016 QRAM prices applied to the 2017 forecast of volumes and gas supply portfolio mix. (Note: As per the Board-approved minimum filing requirements, the approach where the most recent Board-approved QRAM prices are applied to the new forecast volumes and gas supply portfolio mix in annual rate change applications has been in place since the Company's 2007 rate application. This approach is not new and/or specific to the Company's 2017 rate application.) The July 1, 2016 QRAM PGVA reference price equaled \$166.527 10^3 m^3 and was based on 2016 gas supply portfolio mix (and 2016 forecast of volumes). The difference between the two PGVA reference prices is approximately \$0.374 10^3 m^3 which is due to year-over-year changes in the gas supply portfolio mix.

6. January 1, 2017 QRAM impacts and rates, however, need to be compared to customers' current bills, which are based on October 1, 2016 QRAM rates,

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a PGVA reference price of \$181.866 10³m³, and 2016 volumes and 2016 gas supply portfolio mix.

7. Therefore, given that the gas costs within the Company's Final 2017 rates are based off July 1, 2016 QRAM prices applied to 2017 gas supply portfolio mix, an adjusted October 1, 2016 QRAM PGVA reference price needs to be developed based on the 2017 gas supply portfolio mix. This adjusted October 1, 2016 PGVA reference price then provides an appropriate benchmark against which the change between January 1, 2017 and October 2016 QRAM PGVA reference prices can be determined.
8. The Company developed the adjusted October 1, 2016 PGVA reference price of \$182.240 10³m³ by adding the change to the PGVA reference price that took place in the October 2016 QRAM application to the PGVA reference price of \$166.901 10³m³ embedded in the 2017 Final rates. The table below lays out this derivation and provides references to the Board-approved evidence.

	\$/103m3	
2017 Final Decision July Reference Price	166.901	EB-2016-0215, Exhibit D1, Tab 2, Schedule 5, Page 1.
Add: October 1, 2016 change in reference Price	15.339	EB-2016-0260, Exhibit Q4-3, Tab 2, Schedule 1
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2017 Final Decision with October 2016 Gas Costs	182.240	

9. Applying the difference between the July 1, 2016 QRAM PGVA reference price and the 2017 Final PGVA reference price (underpinned by the July 1, 2016 QRAM) to the October 1, 2016 QRAM verifies the above approach by producing the same adjusted PGVA reference price of \$182.240 10³m³ (\$0.374 10³m³ +\$181.866 10³m³).

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10. Using this approach, the revenue requirement change calculated as part of the January 1, 2017 QRAM application captures the price change impacts only (as impacts of the year-over-year change in the gas supply mix are already reflected in the 2017 final rates).

11. Please note that the derivation of the adjusted October 1, 2016 QRAM PGVA reference price would not be needed if the Company's 2017 rate adjustment application, and subsequently 2017 Final rates, were based off October 1, 2016 QRAM prices (i.e., the last Board-approved QRAM). If the Company's 2017 rate change application were indeed based off October 2016 QRAM, then the Company would have applied October 1, 2016 QRAM prices to the 2017 gas supply portfolio mix, which would have resulted in a PGVA reference price of \$182.240 10^3m^3 in the 2017 Final rates. The change in revenue requirement for January 2017 QRAM would then simply be calculated as the change between the PGVA reference price in the 2017 Final rates (\$182.240 10^3m^3) and January 1, 2017 PGVA reference price from below (\$181.199 10^3m^3). In other words, the change in the revenue requirement for January 2017 QRAM would be the same using either approach. This same approach to derive an adjusted PGVA reference price was utilized in the Company's January 1, 2013 QRAM application under EB-2012-0428 and subsequently approved by the Board as well as in the Company's January 1, 2016 QRAM application under EB-2015-0327.

12. Subsequent to the steps from above, Enbridge recalculated the utility price for the first quarter of the 2017 Test Year using the prescribed methodology set forth Exhibit Q1-1, Tab 2, Schedule 1, Appendix A. The recalculated utility price for the first quarter is \$181.199 10^3m^3 (\$4.808/GJ @ 37.69 MJ/ m^3) as outlined at Exhibit Q1-3, Tab 1, Schedule 1.

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Enbridge is proposing to adjust its rates accordingly effective January 1, 2017.

13. The decreased utility price translates into a decrease in the revenue requirement totaling approximately \$6.758 million, as seen at Exhibit Q1-3, Tab 2, Schedule 1, Line 11. As shown in the above referenced exhibit, this impact is derived by calculating the difference between the recalculated reference price of \$181.199/10³m³ and the adjusted October 1, 2016 reference price \$182.240/10³m³. This differential of \$(1.041)/10³m³ is then applied to the 2017 forecast of sales volumes, Company use, Unbilled and Unaccounted For (“UUF”), and Lost and Unaccounted For (“LUF”) volumes.
14. The decrease in carrying cost on inventory and working cash requirements were also considered in the change in the revenue requirement calculation.

Customer Impacts

15. Exhibit Q1-3, Tab 4, Schedule 6 depicts the typical customer bill impacts relative to the EB-2016-0260 October 1, 2016 QRAM bills. The impacts vary by rate class and are a function of the Final 2017 rates and the proposed utility price which is comprised of commodity, transportation and load balancing costs.
16. For rate design purposes, the Company uses the Empress reference price inclusive of fuel to determine the variable unit rate for costing its commodity purchases and receipts. The change in the Empress reference price from October 1, 2016 (\$109.0307 /10³m³) to January 1, 2017 (\$112.1149 /10³m³) is an increase of \$3.0842 /10³m³. These costs are recovered from system gas customers through the Company's gas supply commodity charge which will increase from 11.179 ¢/m³ to 11.446 ¢/m³ for the January 1, 2017 QRAM. Transportation charges and load balancing charges will decrease primarily due to a shift in transportation

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arrangements from long haul to short haul transportation offset by a slight increase in TCPL tolls.

17. The change in the utility price decreases the cost of lost and unaccounted for gas which is combined with changes approved in the EB-2016-0215 Final 2017 Rates and results in an increase in delivery charges.
18. The impact of the price changes discussed above (excluding all riders) on a typical residential customer on sales service (system gas) is an annualized increase of approximately 0.7%, or \$5.63. The customer's new annual bill is \$865. On a T-service basis (total bill excluding commodity charges), a typical residential customer will see a decrease of approximately 0.1% or (\$0.78) annually.
19. The Company has included new exhibits under Q1-3, Tab 4, Schedule 7 and 8 which depict the impact of the January 1, 2017 QRAM, 2017 Final Rates as well as the impact of the Cap and Trade charges compared to the October 1, 2016 QRAM rates currently in effect. Schedule 7 depicts the impact of the cap and trade charges for Non-Large Final Emitters and Schedule 8 depicts the impact of the cap and trade charges for Large Final Emitters. The impact of the cap and trade charge has been included in the Delivery charge line item in the annual bill comparisons.

PGVA Clearing

20. Effective January 1, 2010, Enbridge adopted its new PGVA clearing methodology as approved by the Board in the EB-2008-0106 QRAM generic proceeding. Through the new methodology, Enbridge identifies components of its PGVA that are attributable to commodity, transportation and load balancing costs. Based on this breakdown, individual riders are determined and applied (where applicable) to Sales, Western T-service and Ontario T-service customers. The PGVA balances

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attributable to commodity, transportation and load balancing for the January 1, 2017 QRAM can be found at Exhibit Q1-3, Tab 1, Schedule 2.

Exhibit Q1-3, Tab 4, Schedule 10, pages 1 to 16 depicts the schedules supporting the derivation of each of the Rider C unit rates for commodity, transportation and load balancing.

21. Effective from January 1, 2017 to December 31, 2017, the Rider C unit rate for residential customers on sales service is (0.7878) ¢/m³, for Western T-service is 0.1299 ¢/m³ and for Ontario T-service is 0.1761 ¢/m³.

Rider D – Site Restoration Cost Clearance

22. As part of its EB-2016-0215 2017 Final Rates implementation, the Company will be implementing the 2017 Rider D unit rates effective from January 1, 2017 to December 31, 2017. The 2017 Rider D unit rates are contained in the Rider D rate schedule.