

FORECAST OF GAS COSTS

Purpose of Evidence

1. The Company is updating its forecast of gas costs effective July 1, 2017 in accordance with the Quarterly Rate Adjustment Mechanism pricing methodology in place and stemming from Settlement Agreements and Board Decisions in RP-2000-0040, RP-2002-0133, RP-2003-0203 and EB-2008-0106.
2. The Company recalculated the Utility Price based upon a 21-day average of various indices from May 3, 2017 to May 31, 2017 for 12 months commencing July 1, 2017 and applied these monthly prices to the 2017 forecasted annual volume of gas purchases as filed in EB-2016-0215 at Exhibit D1, Tab 2, Schedule 5.
3. In executing its gas supply plan to date Enbridge has entered into gas supply contracts with a number of counterparties for varying volumes and terms (i.e., annual and seasonal arrangements). These gas supply contracts have sometimes included premiums or discounts to actual natural gas market price indices. The Company has entered into an annual supply arrangement for its Niagara/Chippawa purchases at an average discount of \$0.400 US/Mmbtu relative to the Dawn index. Enbridge has reflected these discounts in the derivation of the reference price established as a part of the QRAM process.
4. The recalculated Utility Price is \$188.611/10³m³ (\$5.004/GJ) (as per Exhibit Q3-3, Tab 1, Schedule 1, p. 1). This represents a unit cost increase of \$7.064/10³m³ or \$0.187/GJ to the April 1, 2017 reference price of \$181.547/10³m³ (\$4.817/GJ) as shown at EB-2017-0092 Exhibit Q2-3, Tab 1, Schedule 1, page 1.

Witness: D. Small

5. The Company is proposing to change its Utility Price, effective July 1, 2017 to $\$188.611/10^3\text{m}^3$ and change rates accordingly.
6. The recalculated Utility Price of $\$188.611/10^3\text{m}^3$ represents an annual Western Canadian price of approximately $\$3.001/\text{GJ}$ at Empress (Exhibit Q3-3, Tab 1, Schedule 4, Column 1). This compares to the forecasted April 2017 Utility Price of $\$181.547/10^3\text{m}^3$ which represented an annual Western Canadian price of approximately $\$2.836/\text{GJ}$ at Empress. The forecasted April 2017 Utility Price was based upon a 21-day average of various prices, exchange rates and basis differential from January 31, 2017 to February 28, 2017 for the 12 month period April 2017 to March 2018.
7. Exhibit Q3-3, Tab 1, Schedule 2, page 1, is intended to serve a number of purposes. Column 6, Item 13 indicates that, based on the forecast of gas supply purchase volumes for the 12 months July 1, 2016 to June 30, 2017, the Company projects a $\$69.2$ million debit balance in the Purchased Gas Variance Account at the end of June 2017 relating to the Company's gas supply acquisition excluding the impact of any true-up of any over/under collection of Rider C amounts. Column 7, Item 13 provides the Forecasted Clearance amount from the April 2017 QRAM ($\$60.6$ million). Column 8, Item 13 represents the amount in the PGVA that will need to be cleared via a prospective Rider effective July 1, 2017 ($\$8.6$ million debit). Columns 9 through 12 break down that PGVA balance into Commodity, Transportation and Load Balancing components. Column 6, Item 26 indicates that, based on the 2016 forecast of annual gas supply purchase volumes for the 12 months commencing July 1, 2017, the Company projects a $\$(0.0)$ million balance in the Purchased Gas Variance Account at the end of June 2018.

Witness: D. Small

8. Included in Column 1 is an amount for Extraction Revenue of \$0.5 million for the period of July 1, 2016 to May 31, 2017 and represents a reduction to the Company's acquisition costs. For a monthly breakdown of this amount please see Exhibit Q3-3, Tab 1 Schedule 5, page 1.
9. Exhibit Q3-3, Tab 1 Schedule 2, page 2, Items 1.1 to 1.12 provides a monthly summary of the variances associated with the July 2016 to June 2017 purchases; Items 2.1 to 2.12 provide a summary of the variances provided in the April 2017 QRAM; and Items 3.1 to 3.12 represent the monthly variances to be cleared as part of the July 2017 QRAM. Exhibit Q3-3, Tab 1 Schedule 2, pages 3 and 4 provide the breakdown of the various monthly supplies of the Company by commodity, transportation and load balancing variance.
10. Exhibit Q3-3, Tab 1, Schedule 2, pages 5 through 7 and Exhibit Q3-3, Tab 1, Schedule 3, page 2 provide the calculation of differences between forecast and actual amounts recovered or refunded through Rider C. Exhibit Q3-3, Tab 1, Schedule 2, page 5, Item 6 provides a breakdown, by quarter, of the forecasted recovery amounts with each QRAM's Rider C amounts associated with the Commodity component of the PGVA. Exhibit Q3-3, Tab 1, Schedule 2, page 5, Item 12, represents the actual Rider C amounts refunded in the previous quarter(s). Exhibit Q3-3, Tab 1, Schedule 2, page 5, Item 13, Column 9, (\$2.2 million) represents the Rider C variances that need to be either collected or refunded to customers within the July 2017 QRAM.
11. Exhibit Q3-3, Tab 1, Schedule 2, page 6, Item 6 provides a breakdown, by quarter, of the forecasted recovery amounts with each QRAM's Rider C amounts associated with the Transportation component of the PGVA. Exhibit Q3-3, Tab 1,

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Schedule 2, page 6, Item 12 represents the actual Rider C amounts recovered in the previous quarter. Exhibit Q3-3, Tab 1, Schedule 2, page 6, Item 13, Column 9 (\$0.3 million) represents the Rider C variances that need to be either collected or refunded to customers within the July 2017 QRAM.

12. Exhibit Q3-3, Tab 1, Schedule 2, page 7, Item 6 provides a breakdown, by quarter, of the forecasted recovery amounts associated with each QRAM's Rider C amounts associated with the Load Balancing component of the PGVA. Exhibit Q3-3, Tab 1, Schedule 2, page 7, Item 12, represents the actual Rider C amounts recovered in the previous quarter. Exhibit Q3-3, Tab 1, Schedule 2, page 7, Item 13, Column 9 (\$0.8 million) represents the Rider C variances that need to be either collected or refunded to customers within the July 2017 QRAM.
13. Exhibit Q3-3, Tab 1, Schedule 3, page 1, provides the revaluation of gas inventory based on the 2017 forecast of volumes and the change in the PGVA Reference price. The total in Item 27, Column 6 (\$9.3 million) is used in the derivation of the July 1, 2017 Rider C unit rates as depicted at Exhibit Q3-3, Tab 4, Schedule 8.
14. Exhibit Q3-3, Tab 1, Schedule 3, page 2 Item 6 provides a breakdown, by quarter, of the forecasted recovery amounts associated with each QRAM the Rider C amounts associated with the inventory re-evaluation component of the PGVA. Exhibit Q3-3, Tab 1, Schedule 2, page 2, Item 12 represents the actual Rider C amounts recovered in the previous quarter. Exhibit Q3-3, Tab 1, Schedule 3, page 3, Item 13, Column 9 (\$1.5 million) represents the Rider C variances that need to be either collected or refunded to customers within the July 2017 QRAM.

15. The derivation of the July 1, 2017 Reference Price is based upon TCPL tolls effective November 1, 2015 the including updated abandonment surcharges pursuant to NEB order TG-011-0216. The toll embedded in the July 2017 reference price is \$76.214/10³m³ (\$2.022/GJ). This represents no change from the April 2017 QRAM.