

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 increase in the utility reference price reflects higher costs for gas purchases, slightly higher load balancing related costs and slightly lower upstream transportation costs as compared to rates approved in EB-2017-0092 April 1, 2017 QRAM.
2. The rate design exhibits supporting this QRAM application are found at Exhibit Q3-3, Tab 4. Schedules 1 to 5 present the effect of the proposed utility price on revenues and rates when compared with April 1, 2017 QRAM rates. Schedule 6 shows customer bill impacts for various rate classes relative to the EB-2017-0092 April 1, 2017 QRAM rates currently in effect (i.e. the current bill the customer sees). Schedule 7 shows customer bill impacts for various rate classes relative to the EB-2017-0092 April 1, 2017 QRAM rates currently in effect inclusive of cap and trade charges for Non-Large Final Emitters. Schedule 8 shows customer bill impacts for various rate classes relative to the EB-2017-0092 April 1, 2017 QRAM rates currently in effect inclusive 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

3. The utility price during the second quarter of 2017 is \$181.547/10³m³ (\$4.817/GJ @ 37.69 MJ/m³). Enbridge has recalculated the utility price for the third quarter of the 2017 Test Year using the prescribed methodology set forth Exhibit Q3-1, Tab 2, Schedule 1, Appendix A. The recalculated utility price for the third quarter is

\$188.611/10³m³ (\$5.004/GJ @ 37.69 MJ/m³) as outlined at Exhibit Q3-3, Tab 1, Schedule 1. Enbridge is proposing to adjust its rates accordingly effective July 1, 2017.

4. The increased utility price translates into an increase in the revenue requirement of approximately \$58.5 million, as seen at Exhibit Q3-3, 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 \$188.611/10³m³ and the April 1, 2017 reference price of \$181.547/10³m³. This differential of \$7.064/10³m³ is then applied to the 2017 forecast of sales volumes, Company use, Unbilled and Unaccounted For (“UUF”), and Lost and Unaccounted For (“LUF”) volumes.
5. The change in carrying cost on inventory and working cash requirements were also considered in the change in the revenue requirement calculation.

Customer Impacts

6. Exhibit Q3-3, Tab 4, Schedule 6 depicts the typical customer rate impacts relative to the EB-2017-0092 April 1, 2017 QRAM rates. The impacts vary by rate class and are a function of the proposed utility price which is comprised of commodity, transportation and load balancing costs.
7. 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 April 1, 2017 (\$111.4168 /10³m³) to July 1, 2017 (\$118.2320 /10³m³) is an increase of \$6.8152 /10³m³. These costs are recovered from system gas customers through the Company’s gas supply commodity charge which will increase from 11.3759 ¢/m³ to 12.0636 ¢/m³ for the July 1, 2017 QRAM. Transportation rates have decreased slightly due to a small

decrease in the basis differential. Load balancing charges will increase due to an increase in seasonal and peak load balancing related costs and an increase in carrying costs of gas in inventory. The change in the utility price increases the cost of lost and unaccounted for gas and results in an increase in delivery charges.

The impact of the price changes discussed above on a typical residential customer on sales service (system gas) is an annualized increase of approximately 2.0%, or \$17.41. The customer's new annual bill is approximately \$883 (excluding all Riders and Cap and Trade charges). The customer's new annual bill including Cap and Trade charges is approximately \$964 (excluding all Riders). On a T-service basis (total bill excluding commodity charges), a typical residential customer will see an increase of approximately 0.2% or \$0.90 annually.

PGVA Clearing

8. 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 attributable to commodity, transportation and load balancing for the July 1, 2017 QRAM can be found at Exhibit Q3-3, Tab 1, Schedule 2. Exhibit Q3-2, Tab 1, Schedule 1, pages 2 to 6 provides an explanation of the amounts in the PGVA balance which are forecast to be cleared. Exhibit Q3-3, Tab 4, Schedule 10, Pages 1-16 depicts the schedules supporting the derivation of each of the Rider C unit rates for commodity, transportation and load balancing.

9. Effective from July 1, 2017 to June 30, 2018, the Rider C unit rate for residential customer's on sales service is 0.3080 ¢/m^3 , for Western T-service is $(0.0529) \text{ ¢/m}^3$ and for Ontario T-service is 0.0385 ¢/m^3 .