

2018 PROPOSED RATES

1. This evidence outlines the development of the Company's 2018 rates and the recovery of the 2018 Allowed Revenue amount from the customer rate classes. This evidence also addresses housekeeping items to the Terms and Conditions of Service within the Rate Handbook.
2. The Company is seeking Board approval of each of the following:
 - a. recovery of the 2018 Allowed Revenue amount from all elements of the Company's rates;
 - b. the proposed 2018 rates for each customer class; and
 - c. the Rate Handbook filed under Exhibit H2, Tab 6, Schedule 1.

Components of the 2018 Revenues

3. The derivation of the Company's proposed 2018 Allowed Revenue amount excluding Cap and Trade Allowed Revenue is presented at Exhibit A1, Tab 3, Schedule 1, Appendix B, page 1, Row 22 and equals \$2,982.2 million for the 2018 Fiscal Year. The \$2,982.2 million (Allowed Revenue excluding Cap and Trade) is comprised of Enbridge's distribution revenue amount and Gas Cost to Operations forecast. The 2018 Gas Cost to Operations reflects pass-through of gas supply costs such as commodity, upstream transportation, load balancing, and contracted storage. The Gas Cost to Operations evidence is filed at Exhibit D1, Tab 2, Schedule 5.
4. The proposed 2018 revenue deficiency excluding Cap and Trade as outlined in Exhibit A1, Tab 3, Schedule 1, Appendix B at Row 28 is \$86.0 million. The proposed revenue deficiency as stated in the rate design exhibits can be found at

Witnesses: J. Collier
A. Kacicnik

Exhibit H2, Tab 2, Schedule 1 and is reproduced below.

2018 Revenue at Existing Rates including DPAC	\$2,897.6
<u>2018 Allowed Revenue Amount including DPAC</u>	<u>\$2,983.6</u>
2018 Gross Revenue Deficiency	\$ 86.0

Recovery of Forecast Allowed Revenue Excluding Cap and Trade Amount

5. The Company has designed rates to recover the proposed 2018 revenues of \$2,983.6 million including DPAC. Table 1 below provides a summary of the resulting average rate impacts by rate class. Rate impacts for customers taking service under bundled rates are expressed on a T-service basis (i.e., total bill excluding gas supply charges). Rate impacts for customers taking service under unbundled rates are expressed on a delivery basis.
6. The proposed rate impacts are relative to the July 1, 2017 QRAM Board approved rates approved under EB-2017-0181 (July 1, 2017 QRAM) and reflect the proposed 2018 revenue amount , the proposed 2018 customer and volumetric forecast, and the proposed 2018 Gas Cost to Operations forecast.

Witnesses: J. Collier
A. Kacicnik

Table 1: Proposed 2018 Average Rate Impacts

<u>Rate Class</u>	<u>T-Service Rate Impacts</u>
1	4.8%
6	4.5%
9	1.4%
100	0.5%
110	1.4%
115	0.8%
135	0.9%
145	0.8%
170	0.7%
200	2.5%
	<u>Delivery Rate Impact</u>
125	2.0%
300	2.0%

7. For the typical residential customer, the proposed rate impact translates / results in an increase of approximately \$29 annually excluding Cap and Trade charges.

Rate Design Exhibits

8. Rate design exhibits are filed at Exhibit H2, Tabs 1 to 7. The exhibits present the proposed recovery of the 2018 revenues. The schedules are organized in the following manner:
- a) Schedule 1 of Exhibit H2, Tab 1, page 1 summarizes, by rate class, and rate component, revenues at existing EB-2017-0181 (July 1, 2017 QRAM) rates and at proposed 2018 rates. Page 2 displays the revenues by rate class and component and by unit rate in conjunction with the associated volumes.
 - b) Tab 2, Schedule 1 summarizes the revenues shown in Tab 1, Schedule 1 and presents the unbilled revenues at existing and proposed rates.

Witnesses: J. Collier
A. Kacicnik

- c) Tab 3 compares the unit rates from EB-2017-0181 (July 1, 2017) to the proposed 2018 unit rates.
 - d) Tab 4, Schedule 1, pages 1 and 2 shows the derivation of gas supply commodity, transportation and load balancing rates from the costs allocated to the rate classes in the Fully Allocated Cost Study ("FACS") which is found at Exhibit G2. Page 3 depicts the generation of the seasonal and interruptible credits.
 - e) The schedules under Tab 5 show the detailed revenue calculations by rate class.
 - f) Tab 6 contains the proposed Rate Handbook.
 - g) Annual bill comparisons indicating the impact of the Company's proposed 2018 rates on typical rate class customers relative to the EB-2017-0181 (July 1, 2017 QRAM) rates are shown at Tab 7.
 - h) Annual bill comparisons indicating the impact of the Company's proposed 2018 rates on typical rate class customers relative to the EB-2017-0181 (July 1, 2017 QRAM) rates inclusive of cap and trade charges for Large Final Emitters are shown at Tab 8.
 - i) Annual bill comparisons indicating the impact of the Company's proposed 2018 rates on typical rate class customers relative to the EB-2017-0181 (July 1, 2017 QRAM) rates inclusive of cap and trade charges for Non-Large Final Emitters are shown at Tab 9.
9. The following paragraphs outline the Board-approved process the Company followed to design its commodity, transportation, load balancing, and delivery rates.

Witnesses: J. Collier
A. Kacicnik

Rate Design: Gas Supply Revenues

10. The gas supply revenues reflect the 2018 forecast of Gas Cost to Operations (at the EB-2017-0181 July 1, 2017 QRAM reference price) in the amount of \$1,754.9 million including changes to the Company's 2017 gas supply portfolio relative to the 2018 gas supply portfolio, as well as, storage and storage associated transportation costs. Changes to these elements are not captured through the Company's QRAM rate changes. This is consistent with the Company's QRAM methodology which adjusts rates in each quarter of a fiscal year to reflect changes in commodity, upstream transportation, and load balancing costs.
11. The Company's July 1, 2017 EB-2017-0181 rates have a Purchased Gas Variance Account ("PGVA") reference price of \$188.611 10³m³. The PGVA reference price is comprised of commodity, transportation and load balancing costs. Aligned with the Minimum Filing Requirements, in order to limit the impacts of the new gas supply portfolio on the proposed 2018 rates, the Company based the cost of the 2018 portfolio on the July 1, 2017 QRAM reference price of \$188.611 10³m³.
12. The development of the gas commodity, transportation and load balancing unit rates is based on the results of the FACS. The complete development of these unit rates is shown at Exhibit H2, Tab 4, Schedule 1, pages 1 and 2. Storage and unaccounted for gas (i.e., distribution commodity) costs are recovered through the Company's delivery rates.

The distribution costs are recovered in the Company's rates primarily from the delivery rates, however, some distribution related costs are recovered from the commodity and load balancing rates.

Witnesses: J. Collier
A. Kacicnik

Rate Design: Distribution Revenues

13. The allocation of the deficiency/sufficiency between the customer rates classes is carried out in three stages. In the first stage, the allocated gas commodity, transportation and load balancing costs are extracted from the Fully Allocated Cost Study and are used to develop, for each rate class, the new gas supply commodity, transportation and load balancing unit rates. The development of these unit rates is shown at Exhibit H2, Tab 4, Schedules 1 and 2.

14. The revenue generated by the new gas supply commodity, load balancing and transportation unit rates (Columns 14, 15, 16, and 17 of Exhibit H2, Tab 1, Schedule 1), is then compared to the revenue produced under the current rates (Columns 2, 3, 4 and 5 of Exhibit H2, Tab 1, Schedule 1), and the difference (i.e., deficiency /sufficiency) is determined. The distribution deficiency / sufficiency is then determined as the difference between the total deficiency / sufficiency and the sum of the gas supply commodity, transportation and load balancing deficiency / sufficiency components. In the second stage, the distribution deficiency / sufficiency is allocated to the rate classes based on the amount of rate base costs allocated to each rate class. In the third stage, the allocated deficiency/sufficiency is reviewed and may be adjusted based on various rate design objectives. These objectives include rate stability, continuity, revenue to cost ratios, market acceptance, avoidance of rate shock and continuance of competitive position.

Rider D – Site Restoration Costs (“SCR”)

The Company is proposing to discontinue the Rider D – Site Restoration Costs Clearance effective January 1, 2018. The rationale for discontinuing the SRC amount in 2018 is explained at Exhibit D2, Tab 2, Schedule 1. Annual bill comparisons indicating

Witnesses: J. Collier
A. Kacicnik

the impact of the Company's proposed 2018 rates on typical rate class customers including the discontinuation of the Site Restoration Clearance refund relative to the EB-2017-0181 (July 1, 2017 QRAM) rates are shown at Exhibit H2, Tab 7, Schedule 1, pages 1 to 8.

Rate Handbook: Housekeeping

The Company is proposing the following changes to its terms and condition of service and rate schedules to reflect updates to its current operating practices. The changes are identified in revision marking mode.

1) Unauthorized Overrun Charges

Within the rate schedules under Unauthorized Supply Underrun for Rates 125 and 300, the reference to the Noon day exchange rate quoted by the Bank of Canada will change to a Daily Average US exchange rate as quoted by the Bank of Canada. This change is necessary as the Bank of Canada is no longer quoting or publishing a Daily noon rate

2) Heat Content Reference

The Company has modified the heat content reference in its rate schedules to reflect an updated heat content of 38.42 MJ/m³ (versus the existing 37.69 MJ/m³). The update to the heat content was agreed to in the 2017 Settlement Agreement (EB-2015-0215) and is discussed in Exhibit D1, Tab 2, Schedule 3, Page 13, para. 36.

3) Section E of Terms and Conditions of Service - Disposition of Bank Gas Account Balances

The Company has updated to the text to reflect the wording approved in the EB-

2008-0106 Settlement and Decision for Enbridges's MDV Proposal. The Company had inadvertently missed to change the approved text in its terms and conditions of service from the EB-2008-0106 proceeding as it relates to its approved MDV proposal. However, the Company in practice implemented the changes in 2011 as was ordered by the Board in EB-2008-0106.

Witnesses: J. Collier
A. Kacicnik