

FRPO INTERROGATORY #2

INTERROGATORY

REF: Exhibit C1, Tab 2, Schedule 1, Figures 2 and 3

Preamble: Absent similar actual observations, we understand that 2016 actuals are anomalous, we would like to explore the impact of a simpler approach to forecasting the Normalized Average Use for the general rate classes. Page 8-9 of Schedule states: "average use decline in 2016 was an anomaly as it was not consistent with the historical trend, declining from 2015 by -3.2%. No significant development occurred in 2016 that would allow direct causal inference with 2016 results. As a result, the Company is inclined to treat the 2016 experience as an anomaly until additional, similar actual observations constitute an indication of trend."

Please produce a linear regression extrapolation of the Actual Average Use values in Figure 2 from 2007 to 2015 to project a forecasted value for 2018.

- a) Please provide the resulting rate impact of using the linear regression forecast value as compared to the econometric value of 2,363.

RESPONSE

The Company's average use methodology was first proposed and approved in RP-2000-0040 and has since been applied consistently for volumetric forecasting in the Company's Rate Applications. The approved methodology (which are linear regression models) utilizes long term historical data and the relationships between average use and the driver variables, as described in Exhibit C2 Tab1 Schedule 3, to derive average use forecasts. The statistical tests conducted on the regression models indicate that the driver variables included in each model have an impact on average use.

Figure 2 shows the trend of normalized residential average use for illustration purposes only. The Company believes that it is necessary to utilize a full sample of the data available to it when estimating the average use models and thus deriving the volumetric forecast. For the 2018 forecast, actual data from 1985 up to and including 2016 were utilized.

Enbridge interprets FRPO's request in this interrogatory as follows: To utilize the actual normalized average use presented in Figures 2 & 3 as the dependent variable (excluding 2016 in the sample), to insert a trendline through these data and to use this trendline to

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project an average use value for 2018.

It is the Company's position that excluding the latest available actual data or shortening the sample period is not appropriate. The methodology suggested by FRPO is a significant departure from the approved forecasting method currently used by Enbridge and has not been tested. Further, a simple trend does not capture the impacts of the driver variables that have been shown to impact average uses (degree days, gas prices etc...).