

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 utility reference price reflects a higher cost of gas purchases and higher upstream transportation and load balancing related costs as compared to the EB-2017-0281 October 1, 2017 QRAM rates currently in effect.
2. As part of this QRAM, the Company is also implementing 2018 Final rates (EB-2017-0086) approved by the Board on December 7, 2017. As per the EB-2017-0086 Decision, Rider D - Site Restoration Cost Clearance is discontinued as of December 31, 2017. The Cap and Trade Unit Rates remain unchanged from the 2017 Final cap and trade rates currently in effect as was directed from the Board under EB-2017-0224 on November 30, 2017.
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, 2017 QRAM rates inclusive of the impacts of the EB-2017-0086 Final rates. Schedule 6 shows customer bill impacts for various rate classes relative to the EB-2017-0281 October 1, 2017 QRAM rates currently in effect (i.e., the current bill the customer sees). Consequently, these bill impacts encompass the effects of the EB-2017-0086 Final 2018 rates and the EB-2017-0347 January 1, 2018 QRAM rate change. Schedule 7 shows customer bill impacts for various rate classes relative to the EB-2017-0281 October 1, 2017 QRAM rates which depict the January 1, 2018 QRAM and 2018 Final rates 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-2017-0281 October 1, 2017 QRAM rates which depict the January 1, 2018 QRAM and 2018 Final rates 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

4. The utility price for the fourth quarter of 2017 is \$164.267/10³m³ (\$4.358/GJ @ 37.69 MJ/m³). Enbridge recalculated the utility price for the first quarter of the 2018 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 \$169.446 10³m³ (\$4.410/GJ @ 38.42 MJ/m³) as outlined at Exhibit Q1-3, Tab 1, Schedule 1. The change in heat content from 37.69 MJ/m³ to 38.42 MJ/m³ was approved in EB-2017-0086 2018 Final Rates. Enbridge is proposing to adjust its rates accordingly effective January 1, 2018.
5. The increased utility price translates into an increase in the revenue requirement totaling approximately \$43.498 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 \$169.446/10³m³ and the October 1, 2017 reference price of \$164.267/10³m³. This differential of \$5.179/10³m³ is then applied to the 2018 forecast of sales volumes, Company use, Unbilled and Unaccounted For (“UUF”), and Lost and Unaccounted For (“LUF”) volumes.
6. The increase in carrying cost on inventory and working cash requirements were also considered in the change in the revenue requirement calculation.

Customer Impacts

7. Exhibit Q1-3, Tab 4, Schedule 6 depicts the typical customer bill impacts relative to the EB-2017-0281 October 1, 2017 QRAM bills. The impacts vary by rate class and are a function of the Final 2018 rates and the proposed utility price which is comprised of commodity, transportation and load balancing costs.
8. 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, 2017 (\$97.8095 /10³m³) to January 1, 2018 (\$100.6764 /10³m³) is an increase of \$2.8669 /10³m³. These costs are recovered from system gas customers through the Company's gas supply commodity charge which will increase from 9.8252 ¢/m³ to 10.0943 ¢/m³ for the January 1, 2018 QRAM. Transportation charges will increase due to an increase in the basis differential, load balancing charges will increase due to an increase in peak and seasonal related costs and an increase in carrying costs of gas in inventory.
9. The change in the utility price increases the cost of lost and unaccounted for gas which is combined with changes approved in the EB-2017-0086 Final 2018 Rates and results in an increase in delivery charges.
10. 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 4.4%, or \$36.44. The customer's new annual bill is \$860. On a T-service basis (total bill excluding commodity charges), a typical residential customer will see a increase of approximately 5.1% or \$29.98 annually. As a result of the discontinuance of Rider D – Site Restoration Cost Clearance, a typical

residential customer's bill will increase by an additional \$27 (approximately) annually.

PGVA Clearing

11. 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 and Dawn T-Service customers. The PGVA balances attributable to commodity, transportation and load balancing for the January 1, 2018 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.

12. Effective from January 1, 2018 to December 31, 2018, the Rider C unit rate for residential customers on sales service is 0.4107 ¢/m^3 , for Western T-service is $(0.1449) \text{ ¢/m}^3$ and for Ontario T-service and Dawn T-Service is $(0.0080) \text{ ¢/m}^3$.