

FORECAST OF GAS COSTS

Purpose of Evidence

1. The Company is updating its forecast of gas costs effective April 1, 2018 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 January 31, 2018 to February 28, 2018 for 12 months commencing April 1, 2018 and applied these monthly prices to the 2018 forecasted annual volume of gas purchases as filed in EB-2017-0086 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 \$0.140 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 \$153.575/10³m³ (\$3.997/GJ) (as per Exhibit Q2-3, Tab 1, Schedule 1, p. 1). This represents a unit cost decrease of \$15.871/10³m³ or \$0.413/GJ to the January 1, 2018 reference price of \$169.446/10³m³ (\$4.410/GJ) as shown at EB-2017-0347 Exhibit Q1-3, Tab 1, Schedule 1, page 1.

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5. The Company is proposing to change its Utility Price, effective April 1, 2018 to $\$153.575/10^3\text{m}^3$ and change rates accordingly.
6. The recalculated Utility Price of $\$153.575/10^3\text{m}^3$ represents an annual Western Canadian price of approximately $\$2.327/\text{GJ}$ at Empress (Exhibit Q2-3, Tab 1, Schedule 4, Column 1). This compares to the forecasted January 2018 Utility Price of $\$169.446/10^3\text{m}^3$ which represented an annual Western Canadian price of approximately $\$2.520/\text{GJ}$ at Empress. The forecasted January 2018 Utility Price was based upon a 21-day average of various prices, exchange rates and basis differential from November 2, 2017 to November 30, 2017 for the 12 month period January 2018 to December 2018.
7. Exhibit Q2-3, 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 April 1, 2017 to March 31, 2018, the Company projects a $\$49.1$ million credit balance in the Purchased Gas Variance Account at the end of March 2018 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 January 2018 QRAM ($\$67.4$ million debit). Column 8, Item 13 represents the amount in the PGVA that will need to be cleared via a prospective Rider effective April 1, 2018 ($\$18.3$ 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 2018 forecast of annual gas supply purchase volumes for the 12 months commencing April 1, 2018, the Company projects a $\$(0.0)$ million balance in the Purchased Gas Variance Account at the end of March 2019.

8. Included in Column 1 is a forecasted amount for Extraction Revenue of \$0.3 million for the period of April 1, 2017 to February, 2018 and represents a reduction to the Company's acquisition costs. For a monthly breakdown of this amount please see Exhibit Q2-3, Tab 1 Schedule 5, page 1.
9. Exhibit Q2-3, Tab 1 Schedule 2, page 2, Items 1.1 to 1.12 provides a monthly summary of the variances associated with the April 2017 to March 2018 purchases; Items 2.1 to 2.12 provide a summary of the variances provided in the January 2018 QRAM; and Items 3.1 to 3.12 represent the monthly variances to be cleared as part of the April 2018 QRAM. Exhibit Q2-3, 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 Q2-3, Tab 1, Schedule 2, pages 5 through 7 and Exhibit Q2-3, Tab 1, Schedule 3, page 2 provide the calculation of differences between forecast and actual amounts recovered or refunded through Rider C. Exhibit Q2-3, 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 Q2-3, Tab 1, Schedule 2, page 5, Item 12, represents the actual Rider C amounts recovered or refunded in the previous quarter(s). Exhibit Q2-3, Tab 1, Schedule 2, page 5, Item 13, Column 9, (\$0.9 million) represents the Rider C variances that need to be either collected or refunded to customers within the April 2018 QRAM.
11. Exhibit Q2-3, 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 Q2-3, Tab 1, Schedule 2, page 6, Item 12 represents the actual Rider C amounts recovered or refunded in

the previous quarter. Exhibit Q2-3, Tab 1, Schedule 2, page 6, Item 13, Column 9 (\$1.0 million) represents the Rider C variances that need to be either collected or refunded to customers within the April 2018 QRAM.

12. Exhibit Q2-3, 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 Q2-3, Tab 1, Schedule 2, page 7, Item 12, represents the actual Rider C amounts recovered or refunded in the previous quarter. Exhibit Q2-3, Tab 1, Schedule 2, page 7, Item 13, Column 9 (\$0.2 million) represents the Rider C variances that need to be either collected or refunded to customers within the April 2018 QRAM.
13. Exhibit Q2-3, 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 (\$8.8 million) is used in the derivation of the April 1, 2018 Rider C unit rates as depicted at Exhibit Q2-3, Tab 4, Schedule 10.
14. Exhibit Q2-3, 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 Q2-3, Tab 1, Schedule 3, page 2, Item 12 represents the actual Rider C amounts recovered or refunded in the previous quarter. Exhibit Q2-3, Tab 1, Schedule 3, page 2, Item 13, Column 9 (\$4.0 million) represents the Rider C variances that need to be either collected or refunded to customers within the April 2018 QRAM.
15. The derivation of the April 1, 2018 Reference Price is based upon TCPL interim tolls effective January 1, 2018 the including updated abandonment surcharges

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pursuant to NEB order TG-003-2017. The toll embedded in the April 2018 reference price is $\$74.213/10^3\text{m}^3$ ($\$1.932/\text{GJ}$) as compared to the embedded toll in the January 2018 reference price of $\$77.694/10^3\text{m}^3$ ($\$2.022/\text{GJ}$). This represents a decrease of $\$3.481/10^3\text{m}^3$ ($\$0.091/\text{GJ}$).

16. Coincident with the change in the TCPL tolls, the forecasted Dawn T-Service transportation costs have also been updated. The updated Dawn T-Service unit rate for April 1, 2018 is $\$11.587/10^3\text{m}^3$ ($\$0.302/\text{GJ}$) compared to the January 1, 2018 unit rate of $\$12.206/10^3\text{m}^3$ ($\$0.318/\text{GJ}$).