ANNUALIZED IMPACT OF THE APRIL 1, 2018
QUARTERLY RATE ADJUSTMENT ON THE COMPANY'S
FISCAL 2018 RATES AND REVENUE REQUIREMENT

1. The evidence found at Exhibit Q2-3, Tab 2, Schedules 1 through 5, details the annualized revenue requirement impact which would occur upon applying an anticipated gas reference unit price change to the forecast volumes for 2018. As a result of the quarterly gas cost unit rate adjustment within this application, the Company's revenue requirement would decrease by $134.0 million on an annualized basis. This decrease is the result of a decrease in the purchase cost of gas, a decrease in the T-Service transportation cost forecast, and a decrease in the gross carrying cost of gas in storage and working cash related elements of rate base. The details of the components of this decrease are listed at Exhibit Q2-3, Tab 2, Schedule 1, and are examined further in the balance of this exhibit.

2. The annualized impact of the gas cost decrease, in the amount of $132.1 million, is determined by applying the decrease in the gas cost reference price against the applicable volumes, and then incorporating the decrease in the T-Service transportation cost forecast which resulted primarily from incorporating the interim TransCanada tolls effective January 1, 2018, inclusive of updated abandonment surcharges. The volumes used within this QRAM application are the Board Approved 2018 volumes from the EB-2017-0086 Decision and Rate Order. The use of these volumes is consistent with the QRAM approved guidelines as filed at Exhibit Q2-1, Tab 2, Schedule 1, Appendix A. The change in the unit rates and the volumes against which they are applied is examined in evidence at Exhibit Q2-3, Tab 2, Schedule 1. The calculations in support of the $132.1 million decrease in the purchase cost of gas are found on Lines 1 through 8, and summarized at Line 9, of Exhibit Q2-3, Tab 2, Schedule 1.

Witness: R. Small

3. Exhibit Q2-3, Tab 2, Schedule 2, details the impact of the annualized decrease on gas in storage and working cash elements of rate base and the associated carrying cost which is calculated to be $1.9 million and is included at Exhibit Q2-3, Tab 2, Schedule 1, at Line 10. The decrease in the PGVA unit rate results in a decrease in the gas in storage inventory value in the amount of $25.6 million, calculated at Line 2 of Schedule 2. The decrease is calculated by multiplying the Company's average-of-monthly-averages ("AOA's") storage volume of 1,610,410.7 10^3m^3, which can be found at Exhibit Q2-3, Tab 2, Schedule 5, by the decrease in the PGVA reference price in the amount of $15.871/$10^3m^3$. The decrease in the working cash allowance is calculated by applying 2.3 net lag days to the annualized decrease in gas costs of $132.1 million, resulting in a decrease of $0.8 million. The working cash allowance calculations are found at Lines 3.1 through 3.4 of Schedule 2. The details of the increase in the HST amount of $0.0 million, shown at Line 4 of Schedule 2, can be found in evidence at Exhibit Q2-2, Tab 3, Schedule 1.

4. As shown at Lines 5 through 7 of Exhibit Q2-3, Tab 2, Schedule 2, the $26.4 million decrease in the valuation of the components of gas in storage and working cash is multiplied by a gross return component of 7.38% (filed at Exhibit Q2-3, Tab 2, Schedule 3) causing a $1.9 million decrease in carrying costs.

5. The details supporting the calculation of the Company's grossed up rate of return are found at Exhibit Q2-3, Tab 2, Schedule 3. The capital structure components, cost rates, and return rate(s), in Columns 1 through 3, including the rate of return on common equity, are the 2018 Board Approved values found in the EB-2017-0086 Decision and Rate Order, Schedule 4, page 8, Columns 2 to 4, Dated: 2017-12-07. The calculation of the grossed up rate of return in Columns 4 and 5 has utilized the

Company's Board Approved 2018 forecast corporate tax rate of 26.5%, as was determined within EB-2012-0459.

6. Exhibit Q2-3, Tab 2, Schedule 4 details the calculation of the forecast inventory valuation adjustment in the amount of $10.1 million. The inventory adjustment is related to the change in the unit cost of gas. The forecast inventory adjustment represents the forecast volume of inventory at March 31, 2018 revalued at the new PGVA reference price arising from this quarterly rate adjustment proceeding.

7. Exhibit Q2-3, Tab 2, Schedule 5 shows the month end and AOA volume of gas in storage as approved within the EB-2017-0086 proceeding.