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 decrease in the utility reference price reflects lower costs for gas purchases and lower transportation and load balancing related costs as compared to rates approved in EB-2017-0347 January 1, 2018 QRAM. The April 1, 2018 QRAM rates incorporate the impact from TransCanada PipeLines ("TCPL") TG1-003-2017 Order dated December 19, 2017 for tolls effective January 1, 2018.

2. The rate design exhibits supporting this QRAM application are found at Exhibit Q2-3, Tab 4. Schedules 1 to 5 present the effect of the proposed utility price on revenues and rates when compared with January 1, 2018 QRAM rates. Schedule 6 shows customer bill impacts for various rate classes relative to the EB-2017-0347 January 1, 2018 QRAM rates currently in effect (i.e., the current bill the customer sees). Schedule 7 shows customer bill impacts for various rate classes relative to the EB-2017-0347 January 1, 2018 QRAM rates currently in effect 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-2017-0347 January 1, 2018 QRAM rates currently in effect 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

3. The utility price during the first quarter of 2018 is $\$169.446/10^3m^3$ ($\$4.410$/GJ @ $38.42MJ/m^3$). Enbridge has recalculated the utility price for the second quarter of the 2018 Test Year using the prescribed methodology set forth Exhibit Q2-1, Tab 2,

Schedule 1, Appendix A. The recalculated utility price for the second quarter is $153.575/10³m³ ($3.997/GJ @ 38.42 MJ/m³) as outlined at Exhibit Q2-3, Tab 1, Schedule 1. Enbridge is proposing to adjust its rates accordingly effective April 1, 2018.

4. The decreased utility price translates into a decrease in the revenue requirement of approximately $134.0 million, as seen at Exhibit Q2-3, 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 $153.575/10³m³ and the January 1, 2018 reference price of $169.446/10³m³. This differential of ($15.871)/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.

5. The change in carrying cost on inventory and working cash requirements were also considered in the change in the revenue requirement calculation.

<u>Customer Impacts</u>

6. Exhibit Q2-3, Tab 4, Schedule 6 depicts the typical customer rate impacts relative to the EB-2017-0347 January 1, 2018 QRAM rates. The impacts vary by rate class and are a function of the proposed utility price which is comprised of commodity, transportation and load balancing costs.

7. 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 January ($100.6764 /10³m³) to April 1, 2018 ($92.9441 /10³m³) is a decrease of $7.7323/10³m³. These costs are recovered from system gas customers through the Company's gas supply

commodity charge which will decrease from 10.0943 ¢/m^3 to 9.4452 ¢/m^3 for the April 1, 2018 QRAM. Transportation charges will decrease due to a decrease in TCPL tolls approved by the NEB under TG1-003-2017, a decrease in the basis differential and a decrease in the US exchange rate. Load balancing charges will decrease due to a decrease in seasonal and peak load balancing related costs and a decrease in carrying costs of gas in inventory. The change in the utility price also decreases the cost of lost and unaccounted for gas and results in decrease in delivery charges.

8. The impact of the price changes discussed above on a typical residential customer on sales service (system gas) is an annualized decrease of approximately 4.3%, or $36.94. The customer's new annual bill is approximately $824 (excluding all Riders and Cap and Trade charges). The customer's new annual bill including Cap and Trade charges is approximately $904 (excluding all Riders). On a T-service basis (total bill excluding commodity charges), a typical residential customer will see a decrease of approximately 3.5% or $21.37 annually.

PGVA Clearing

9. 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 customers. The PGVA balances attributable to commodity, transportation and load balancing for the April 1, 2018 QRAM can be found at Exhibit Q2-3, Tab 1, Schedule 2. Exhibit Q2-2, Tab 1, Schedule 1, pages 2 to 6 provides an explanation of the amounts in the PGVA balance which are forecast to be cleared. Exhibit Q2-3, Tab 4, Schedule 10,

pages 1-16 depicts the schedules supporting the derivation of each of the Rider C unit rates for commodity, transportation and load balancing.

10. Effective from April 1, 2018 to March 31, 2019, the Rider C unit rate for residential customer's on sales service is (0.0885) ¢/m^3, for Western T-service is 0.1221 ¢/m^3 and for Ontario T-service and Dawn T-service it is 0.2340 ¢/m^3.