

SECTION 2.0
Summary of Evidence

1 **2.0 Summary of Evidence**

2 Enbridge Gas New Brunswick Limited Partnership, as represented by its general partner
3 Enbridge Gas New Brunswick Inc. (“EGNB”) has filed this rate application (“Application”) in
4 accordance with the *Gas Distribution Act, 1999* (“GDA”), the *Energy and Utilities Board Act*
5 and the *Rates and Tariffs Regulation* (“Regulation”) and its 2015 Regulatory Financial
6 Statements in accordance with prior decisions of the New Brunswick Energy and Utilities Board
7 (“Board”).

8 **Budget 2017**

9 A utility’s cost of service rates are typically established to align with the fiscal year of the utility.
10 This allows the utility to properly prepare annual forward year projections of costs and
11 throughput, which are the key inputs to establish cost of service rates, and thereby align such
12 projections with the rate setting period.

13 The revenue requirement used to determine the rates in this Application is based on EGNB’s
14 2017 Budget. The 2017 Budget includes a proposed Incentive Program to stimulate the existing
15 infill opportunities and a Customer Retention Program to defend the public utility’s revenue and
16 customer base and protect rates for remaining customers. The 2017 Budget can be found in
17 Section 3.

18 **2015 Regulatory Financial Statements**

19 EGNB’s 2015 Regulatory Financial Statements have been included in this Application and
20 EGNB is applying for their approval by the Board. The 2015 Regulatory Financial Statements
21 can be found in Section 4.

22 **Market Based Rates**

23 The market based rates and tariffs presented in this Application are based on (a) the current
24 market based methodology approved by the Board prior to January 1, 2012 and (b) Section 4(2)
25 of the Regulation. Section 4(2) provides that in determining rates and tariffs when utilizing the
26 market based method or technique, the Board shall use electricity as the alternative energy

1 source and ensure a target annual savings level of 20% at the time of setting rates for the Small
2 General Service class, and use No. 2 Heating Oil as the alternative energy source and ensure a
3 target annual savings level of 15% at the time of setting rates for those classes of customers other
4 than the Small General Service class.

5 The market based rates and tariffs have been calculated for EGNB's rate classes and the
6 supporting documents for the market based rate calculations can be found in Section 5.

7 Cost of Service Rates

8 The Cost of Service ("COS") distribution rates and tariffs presented in this Application are based
9 on (a) the COS methodology approved by the Board in the December 21, 2010 COS Study
10 Decision with adjustments to reflect decisions of the Board since that time; and (b) Section 4(1)
11 of the Regulation. Section 4(1) requires the adoption of the cost of service method or technique,
12 provided that the rates and tariffs for any class of customers shall not exceed the rates and tariffs
13 that would apply to that class of customers if determined through the application of the market
14 based method or technique.

15 The COS distribution rates have been determined for EGNB's rate classes and the results of the
16 2017 COS study are presented in Section 6.

17 Market Based vs. COS Rates

18 EGNB is proposing the following process, which is consistent with the 2016 Rate Application,
19 for comparing market based rates to COS rates and establishing distribution rates commencing
20 January 1, 2017.

21 The distribution rates for each of EGNB's rate classes have been calculated using the market
22 based formula and determined using the 2017 COS study. In the table below, the COS
23 distribution rates are compared to the market based distribution rate calculated for the EGNB rate
24 classes. The 2017 COS study indicates that the distribution rates for the Small General Service
25 class far exceed the market based rate. Therefore, the SGS market based rate has been proposed.
26 The distribution rates for all other classes are based on the 2017 COS study and rate design
27 (discussed below) as those rates are lower than the applicable market based rates.

Table 1

Rate Class	Market Based Rate (\$/GJ)	Cost of Service Study Rate (\$/GJ)	Adjusted COS Rate (incl. Rate Design) (\$/GJ)	Filed Rate (\$/GJ)
1				
2 Small General Service	12.1121	27.0409	-	12.1121
3 Mid-General Service	12.5639	12.4888	12.4888	12.4888
4 Large General Service	12.2944	4.6229	8.3117	8.3117
5 Contract General Service	8.1141	4.7203	6.4391	6.4391
6 Industrial Contract General Service	8.0098	2.7001	3.4606	3.4606
7 Off-Peak Service	9.4229	2.5766	6.2006	6.2006

Rate Design

In order for rates to be just and reasonable, they have to allow EGNB the opportunity to fully recover its revenue requirement, including its approved rate of return.

The proposed rate design allows EGNB to fully recover its 2017 revenue requirement. The rationale for the rate design can be found in Section 7. In the event that the Board determines that less of EGNB's 2017 revenue requirement is to be recovered from one or more of EGNB's rate classes, the rates for one or more of the other rate classes must be increased to allow recovery of any shortfall in its 2017 revenue requirement that would otherwise result.

A comparison of the 2016 approved rates (effective May 1, 2016) to 2017 proposed rates indicates reductions in the annual overall bills for the typical customers in all the commercial rate classes. The 2017 SGS distribution rate results in a modest increase in the annual overall bills for the typical residential customer which is similar to the electricity increases approved for this rate class by the Board effective July 1, 2016 for NB Power.

Table 2

1 Bill Comparison - 2016 Current Rates vs. 2017 Proposed Rates					
	Profile	Current Rates	Proposed 2017 Rates	% change	
3	SGS	81	1,673	1,685	0.7%
4	MGS	490	10,982	10,700	-2.6%
5	LGS	3133	64,769	57,125	-11.8%
6	CGS	9397	164,935	145,376	-11.9%
7	ICGS	200702	2,913,166	2,503,759	-14.1%
8	OPS	299	5,305	4,749	-10.5%

(Based on 2016 budgeted EUG and approved distribution rates versus 2017 budgeted EUG and distribution rates)

4 Corporate Allocations

5 In its Decision dated July 7, 2016 for Matter 306, the Board directed EGNB to establish a filing
6 requirement to review intra company transactions on a more aggregated basis. EGNB's attempt
7 to provide a more concise, aggregate view of the affiliate transactions is presented in Schedule
8 3.7 – Corporate Allocations Report.

9 Minimum Filing Requirements

10 In its April 17, 2014 Decision, the Board addressed the issue of Minimum Filing Requirements
11 (“MFR”) at page 30:

12 “The Board has carefully considered the submissions of the parties. EGNB is ordered to
13 propose minimum filing requirements to the Board at a date to be set by the Board.”

14 In the filing for Matter 253, EGNB proactively prepared additional evidence based on input from
15 previous Hearings in an attempt to develop Minimum Filing Requirements. As feedback on the
16 additional evidence has been well received, EGNB continues to provide additional evidence in
17 Section 9.

18 Retention and Incentive Programs

19 In the last Application, the Board approved two customer focused programs. EGNB is providing
20 a report on both which can be found in Schedule 3.8.

1 Agent Billing and Collections (“ABC”) Revenue

2 EGNB continues to provide Agent Billing and Collection services to any service provider
 3 applying to use EGNB’s billing and/or collection services. EGNB is proposing to increase the
 4 current rates by a modest percentage (equivalent to the budget assumed Consumer Price Index
 5 (CPI) increase of 2.1%) to recognize the increases in costs to provide these services. Table 3
 6 outlines the proposed changes to the current ABC rates:

7 Table 3

	2017	Current	Rate
ABC Billing Rates	Rates	rates	Increase
1 SGS	\$ 1.38	\$ 1.35	\$ 0.03
2 MGS	2.39	2.34	0.05
3 LGS	5.58	5.47	0.11
4 CGS	4.57	4.48	0.09
5 ICGS	4.57	4.48	0.09
6 OPS	4.57	4.48	0.09
7 Additional Line item charge	0.80	0.78	0.02

8
 9 Curriculum Vitae

10 The information prepared and presented in the documents filed in support of the Review of 2015
 11 Regulatory Financial Statements/2017 Rate Application is the written direct testimony of Gilles
 12 Volpé, David T. Lavigne, Pamela Mayo and H. Edwin Overcast. The Curriculum Vitae for
 13 Gilles Volpé, David T. Lavigne, Pamela Mayo and H. Edwin Overcast are provided in Section 8.