

SECTION 5.0
Market Based Rates

1 **5.0 Market Based Rates**

2 The market based distribution rates presented in this Application are based on the following
3 regulatory requirements:

- 4 1) the use of the market based method approved by the Board prior to January 1, 2012; and
5 2) in accordance with Section 4(2) of the Rates and Tariffs Regulation (“Regulation”) which
6 requires “In determining rates and tariffs for classes of customers under subsection (1)
7 utilizing the market based method or technique, the Board shall use electricity as the
8 alternative energy source and ensure a target savings level of 20% for the Small General
9 Service class, and use No. 2 Heating Oil as the alternative energy source and ensure a
10 target savings level of 15% for those classes of customers other than the Small General
11 Service class.”

12 On May 26, 2009, the Board issued its decision in the matter of a Review of Enbridge Gas New
13 Brunswick’s Market Based Formula (NBEUB 2009-002). In its decision, the Board accepted the
14 formula as proposed by EGNB and provided detailed steps regarding how the market-based
15 formula was to be used including that market data for each of the 12 months included in the
16 application would be collected each market day for two calendar months and an average of each
17 of the 12 months of prices would be calculated. This approach would be used for natural gas,
18 No. 2 Heating Oil and exchange rates for the purpose of deriving the rate for the appropriate
19 class.

20 Modifications to the No. 2 Heating Oil market based price spreads were approved in Matter 306
21 and continue to be used in this application.

22 For the purposes of this Application, market data for May, 2016 to June, 2016 has been used.
23 See Schedule 5.2 - Market Data January 2017 to December 2017.

24 The most recent twelve months of consumption data is used for the purpose of determining
25 Typical Annual Natural Gas Consumption profile. For the purposes of this Application, the
26 consumption data from June 2015 to May 2016 has been used. The complete consumption data
27 for each rate class has been provided in Schedule 5.5 - Summary Consumption Data June 2015
28 to May 2016.

1 Enbridge Utility Gas (“EUG”) prices have been determined for use in the derivation of the rates
2 as directed by the Board in its April 30, 2010 Decision. See Schedule 5.4 - EUG Price
3 Calculation, which is the commodity used for all of the rate classes. In calculating the EUG
4 price, EGNB relies upon a Board approved methodology which uses a combination of forecasts
5 and actuals and is in compliance with Section 4(1) and 4(2) of the Gas Distributor Marketing
6 Regulation - Gas Distribution Act, 1999.

7 The resulting derivation of the market based rates for the Small General Service, Mid-General
8 Service, Large General Service, Contract General Service and Industrial Contract General
9 Service classes can be found in Schedule 5.1 - Derivation Tables for Market Based Rates. The
10 alternative fuel calculations are provided in Schedule 5.3. EGNB has not included a proposed
11 rate design for these rate classes in this section as the Target Distribution Rate is used for the
12 purpose of comparing the market based rates to the cost of service based rates.

13 As approved in EGNB’s 2015 Rate Application, the SGS rate class now includes only residential
14 customers. The electricity pricing for the residential customers is presented in Schedule 5.3 -
15 Alternative Fuel Calculations and the SGS market based rate derived is provided in Schedule 5.1
16 - Derivation Tables for Market Based Rates.

17 The Off-Peak Service (OPS) market based rate has been established at 75% of the Mid-General
18 Service rate. This results in an OPS market based target distribution rate of \$9.4229/GJ.

19 Summary

20 For the purpose of this Application, the market based distribution rates for EGNB’s rate classes
21 were calculated using the approved market based formula adjusted for the target saving levels
22 and alternative energy sources prescribed in the Regulation. A target savings level of 20% and
23 the use of electricity as the alternative energy source were applied in the calculation of the
24 market based distribution rate for the Small General Service class. A target savings level of 15%
25 and No. 2 Heating Fuel as the alternative energy source were used in the calculation of the
26 market based distribution rates for all remaining classes. These market based distribution rates
27 will be compared against the distribution rates generated under the 2017 COS study for the rate
28 classes and the lower of the two will be applicable pursuant to Section 4(1) of the Regulation.

Rate Class	Distribution Rate (\$/GJ)
Small General Service	12.1121
Mid-General Service	12.5639
Large General Service	12.2944
Contract General Service	8.1141
Industrial General Service	8.0098
Off-Peak Service	9.4229

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2 The following information has been provided in support of the market based rates:

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- Schedule 5.1 - Derivation Tables for Market Based Rates

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- Schedule 5.2 - Market Data January 2017 to December 2017

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- Schedule 5.3 - Alternative Fuel Calculations

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- Schedule 5.4 - EUG Price Calculation

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- Schedule 5.5 - Summary Consumption Data June 2015 to May 2016