

Written Direct Testimony of David B. Charleson and Lori A. Stickles

Q 1: Please state your names and positions.

A 1: My name is David Bryce Charleson. I am the General Manager of Enbridge Gas New Brunswick Inc., the general partner of Enbridge Gas New Brunswick Limited Partnership (“EGNB”). My Curriculum Vitae is attached as Exhibit A, Schedule 1.

My name is Lori Ann Stickles. I am the Manager, Financial Services for EGNB. My Curriculum Vitae is attached as Exhibit A, Schedule 2.

Q 2: What is the purpose of this pre-filed evidence?

A 2: In its June 23, 2000 decision on an application by EGNB for approval of its rates, the then Board of Commissioners of Public Utilities of New Brunswick, now the New Brunswick Energy and Utilities Board, (“Board”) approved EGNB’s market-based approach for setting its distribution rates during the development period. In a decision dated April 30, 2010 (as supplemented by Addendum dated May 14, 2010), the Board approved EGNB’s current distribution rates for the Small General Service Residential Electric (“SGSRE”), Small General Service Residential Oil (“SGSRO”), Small General Service Commercial (“SGSC”), General Service (“GS”), Contract General Service (“CGS”), Contract Large General Service Heavy Fuel Oil (“HFO”), Off Peak Service (“OPS”), Contract Large Volume Off Peak Service (“CLVOPS”) and Natural Gas Vehicle Fueling (“NGVF”) rate classes. In a decision dated June 3, 2010, the Board approved EGNB’s current Contract Large General Service Light Fuel Oil (“LFO”) distribution rate.

On November 23, 2010, EGNB filed an application to change its market-based distribution rates for the SGSRE, SGSRO, SGSC, GS, CGS, LFO, HFO, OPS,

CLVOPS and NGVF rate classes. This evidence presents the proposed distribution rates which are filed at Exhibit A, Schedule 3, as well as supporting data, assumptions and methodology used in generating them.

Q 3: Could you review the Board approved methodology for setting distribution rates?

A 3: On May 26, 2009, the Board issued its decision in the matter of a Review of Enbridge Gas New Brunswick's Market Based Formula (NBEUB 2009-002). This proceeding was ordered by the Board for the purpose of identifying and examining all elements of the formula as well as the data sources for all rate classes. In its decision, the Board accepted the formula as proposed by EGNB and provided detailed steps regarding how the market-based formula was to be used. In its April 30, 2010 decision regarding EGNB's 2010 Rate Application, the Board provided further clarification on the customers to be included for the determination of the typical customer profile.

In general, the methodology for establishing distribution rates is as follows:

- Establish a relevant retail price for the alternate commodity used as the basis of comparison for typical customers in each rate class. With the exception of the SGSRE rate class, the retail oil price is used.
- Calculate the annual commodity cost for a typical customer in each rate class.
- Discount the annual cost by the appropriate amount to establish a target annual natural gas cost.
- Calculate the target burner tip natural gas unit price by dividing the target annual natural gas cost by the expected natural gas consumption.

- Calculate the distribution rate by subtracting the commodity price for natural gas.

The following tables that derive EGNB's proposed rates have been updated in accordance with the Board's May 26, 2009 decision.

Derivation of Distribution Rates- Oil								
	Units	Calculation	SGSRO	SGSC	GS	CGS	CLGS_LFO	HFO
1 Alternative Energy Price	CAN\$/l	Retail Oil Price	\$0.8634	\$0.8441	\$0.8336	\$0.8225	\$0.8055	\$0.3978
2 Assumed Efficiency factor		Assigned	78.16%	78.16%	81.25%	81.25%	100%	100%
3 Typical Annual Oil Consumption	GJs/year	Line 10 / Line 2	109	224	987	5,222	28,520	131,638
4 Conversion Factor	l/GJ	Assigned	25.8532	25.8532	25.8532	25.8532	25.8532	23.9636
5 Typical Annual Consumption	in litres	Line 3 x Line 4	2,818.00	5,791.12	25,517.11	135,005.41	737,333.26	3,154,520.38
6 Total Alternative Energy Cost	\$/ year	Line 1 x Line 5	\$2,433.06	\$4,888.28	\$21,271.06	\$111,041.95	\$593,921.94	\$1,254,868.21
7 Target Savings Level	%	Assigned	20%	20%	15%	15%	10%	5%
8 Target Savings Amount	\$	Line 6 x Line 7	\$486.61	\$977.66	\$3,190.66	\$16,656.29	\$59,392.19	\$62,743.41
9 Target Natural Gas Cost	\$	Line 6 - Line 8	\$1,946.45	\$3,910.62	\$18,080.40	\$94,385.66	\$534,529.75	\$1,192,124.80
10 Typical Annual Natural Gas Consumption	GJs/ year	Typical Customer	85	175	802	4,243	28,520	131,638
11 Target Burner Tip Price	\$/GJ	Line 9 / 10	\$22.8994	\$22.3464	\$22.5441	\$22.2450	\$18.7423	\$9.0561
12 Commodity Cost	\$/GJ	EUG or EVP price	\$6.9898	\$6.9898	\$6.9898	\$6.9898	\$6.8241	\$7.0406
13 Target Distribution Rate	\$/GJ	Line 11 - Line 13	\$15.9096	\$15.3566	\$15.5543	\$15.2552	\$11.9182	\$2.0155
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14 Target Annual Distribution Charge	\$	Line 13 x Line 10	\$1,352.32	\$2,687.41	\$12,474.55	\$64,727.81	\$339,907.06	\$265,316.39
15 Monthly Customer Charge	\$	Assigned	\$16.00	\$16.00	\$16.00			
16 Annual Customer Charge	\$	Line 15 * 12	\$192.00	\$192.00	\$192.00			
17 Average Contract Demand	GJs	Average				38	258	975
18 Contract Demand Charge	\$	Assigned				\$5.20	\$5.20	\$3.90
19 Revenue from Demand Charge	\$	Line 17 * Line 18 * 12				\$2,371.20	\$16,099.20	\$45,630.00
20 Target Revenue From Delivery Charge	\$	Line 14 - Lines 16 or 19	\$1,160.32	\$2,495.41	\$12,282.55	\$62,356.61	\$323,807.86	\$219,686.39
21 Distribution Delivery Charge	\$/GJ	Line 20/Line 10	\$13.6508	\$14.2595	\$15.3149	\$14.6964	\$11.3537	\$1.6689

Derivation of Distribution Rates- Electricity			
	Units	Calculation	SGSRE
1 Lines 1 - 5 not used			
6 Total Alternative Energy Cost	\$/ year	Retail Electricity Cost	\$2,405.85
7 Target Savings Level	%	Assigned	20%
8 Target Savings Amount	\$	Line 6 x Line 7	\$481.17
9 Target Natural Gas Cost	\$	Line 6 - Line 8	\$1,924.68
10 Typical Annual Natural Gas Consumption	GJs/ year	Typical Customer	99
11 Target Burner Tip Price	\$/GJ	Line 9 / 10	19.4412
12 Commodity Cost	\$/GJ	EUG Price	6.9898
13 Target Distribution Rate	\$/GJ	Line 11 - Line 13	12.4514
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14 Target Annual Distribution Charge	\$	Line 13 x Line 10	\$1,232.69
15 Monthly Customer Charge	\$	Assigned	\$16.00
16 Annual Customer Charge	\$	Line 15 * 12	\$192.00
17 Average Contract Demand	GJs	Average	
18 Contract Demand Charge	\$	Assigned	
19 Revenue from Demand Charge	\$	Line 17 * Line 18 * 12	
20 Target Revenue From Delivery Charge	\$	Line 14 - Lines 16 or 19	\$1,040.69
21 Distribution Delivery Charge	\$/GJ	Line 20/Line 10	\$10.5120

The rate schedules filed as Exhibit A, Schedule 3 also include rates for OPS, CLVOPS and NGVF classes. The calculation of these rates is consistent with the methodology approved by the Board in 2000 and confirmed in the Addendum dated May 14, 2010 to the Board's April 30, 2010 decision in EGNB's application to change its rates in various rate classes and is simply a function of the GS and CGS rates. The OPS and CLVOPS rates are set at 75% of the proposed GS and CGS rates, respectively. The NGVF rate is set at the same level as the GS rate.

Q 4: In its May 26, 2009 decision the Board accepted EGNB's proposal that market data for each of the 12 months included in the application would be collected each market day for two calendar months and an average of each of the 12 months of prices would be calculated. This approach would be used for No. 2 Oil, West Texas Intermediate Crude Oil ("WTI"), natural gas and exchange rates for the purpose of deriving the rates. Which calendar months of data has EGNB used?

A 4: EGNB has used the most recent two calendar months of September and October 2010 for No. 2 Oil, WTI, natural gas and exchange rates. The data and resulting averages can be found in Exhibit A, Schedule 4.

Q 5: Have the retail oil prices been derived in a manner that is consistent with the May 26, 2009 decision?

A 5: Yes. The No. 2 oil prices have been converted to Canadian dollars and the market spreads approved by the Board have been added to them. The WTI oil prices have been converted to Canadian dollars and the percentage factor approved by the Board has been applied to them. These calculations can be found in Exhibit A, Schedule 5.

Q 6: What forecast assumption has EGNB used to determine the alternative fuel costs for the SGSRE rate class?

A 6: EGNB has not assumed any change to NB Power's currently approved rate for residential customers. The derivation of the alternative fuel cost for the SGSRE rate can be found in Exhibit A, Schedule 6.

Q 7: What was the basis for the assumption regarding NB Power's rates?

A 7: During the recent provincial election campaign, the Progressive Conservative party made a commitment to not increase NB Power rates for a three year period. Since being elected, the government has reiterated this commitment.

Q 8: The May 26, 2009 decision directed EGNB to use the most recent 12 months of actual consumption data for the purpose of determining Typical Annual Natural Gas Consumption and Contract Demand. The figures and supporting data are to be filed with the Board. Has this information been provided?

A 8: EGNB has used the consumption data for the period of November 2009 to October 2010 for the purpose of determining Typical Annual Natural Gas Consumption and Contract Demand. EGNB has included the customers as proposed in its evidence in the NBEUB 2009-002 proceeding and subsequently clarified by the Board in its April 30, 2010 NBEUB 2009-017 decision. The consumption data used can be found in Exhibit A, Schedule 7.

Q 9: Has EGNB used the 12 month forward expected Enbridge Utility Gas ("EUG") price for the SGSRE, SGSRO, SGSC, GS and CGS rates and the Enbridge Variable Product ("EVP") price for the LFO and HFO rates?

A 9: Yes.

Q 10: How does EGNB propose that the EUG and EVP prices be evaluated?

A 10: EGNB proposes that it submit the forecasts and estimates supporting these calculations to the Board in confidence for independent verification.

Q 11: Has a weighted average price for EUG been used?

A 11: Yes. A weighted average price was calculated using the usage profiles for SGSRE, SGSRO, SGSC, GS and CGS found in Exhibit A, Schedule 5 to determine a weighted average price for each class. The highest weighted average EUG price has then been used for the SGSRE, SGSRO, SGSC, GS and CGS classes. This calculation can be found in Exhibit A, Schedule 8.

Q 12: Has EGNB provided a calculation of the EVP price?

A 12: Yes. EGNB has determined two 12 month forecast EVP prices. A simple 12 month average has been determined for use in the derivation of the LFO rate and a 12 month weighted average EVP price has been determined for use in the derivation of the HFO rate as directed by the Board in its April 30, 2010 decision. These calculations can be found in Exhibit A, Schedule 9.

Q 13: Why is EGNB filing this application at this time?

A 13: EGNB is looking to establish its maximum delivery rates to be effective April 1, 2011 based on the market-based rates formula that was approved by the Board in its May 26, 2009 decision and subsequently clarified in its April 30, 2010 decision. Establishing the maximum distribution rates enables EGNB to minimize additions to the deferral account, while still providing the flexibility to apply rate riders as market conditions dictate to provide customers the appropriate level of savings.

Q 14: The June 3, 2010 decision specified that the first block of the LFO rate is to increase to \$8.7786 / GJ effective July 1, 2011. Why then is EGNB applying for an increase to the LFO rate at this time?

A 14: In the June 3, 2010 decision, the Board indicated that the decision did not preclude EGNB from making application for new maximum rates. Since changes in commodity markets support an increase beyond the \$8.7786 already approved by the Board, EGNB believes it is appropriate to bring forward an application to increase the maximum LFO rate for the first 22,000 GJ delivered per month.

*** I have no further questions.