

SECTION 2.0
Summary of Evidence

2.0 Summary of Evidence

Enbridge Gas New Brunswick Limited Partnership, as represented by its general partner Enbridge Gas New Brunswick (“EGNB”) has filed this rate application (“Application”) in accordance with the *Gas Distribution Act, 1999* (“GDA”), the *Energy and Utilities Board Act* and the *Rates and Tariffs Regulation* (“Regulation”) and its 2013 Regulatory Financial Statements in accordance with prior decisions of the New Brunswick Energy and Utilities Board (“Board”).

Minimum Filing Requirements

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

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

At the time of filing this Application, EGNB has not received formal direction from the Board with regards to MFR. In an effort to be proactive, facilitate a more timely filing process, and eliminate a second round of interrogatories, EGNB has compiled an additional section of evidence. These additional filings can be found in Section 9 - Additional Evidence. In compiling the proposed additional information, EGNB took into consideration evidence prepared by Robert Knecht, expert for the Public Intervenor in EGNB’s last rate application, suggestions from Board staff, as well as previous interrogatories.

Budget 2015

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

The revenue requirement used to determine the rates in this Application is based on EGNB’s 2015 Budget. The 2015 Budget and supporting documentation can be found in Section 3.

2013 Regulatory Financial Statements

EGNB's 2013 Regulatory Financial Statements have been included in this Application and EGNB is applying for approval of them by the Board. The 2013 Regulatory Financial Statements can be found in Section 4.

Market Based Rates

The market based rates and tariffs presented in this Application are based on (a) the current market based methodology approved by the Board prior to January 1, 2012 and (b) Section 4(2) of the Regulation. Section 4(2) provides that in determining rates and tariffs when utilizing the market based method or technique, the Board shall use electricity as the alternative energy source and ensure a target annual savings level of 20% at the time of setting rates for the Small General Service class, and use No.2 Heating Oil as the alternative energy source and ensure a target annual savings level of 15% at the time of setting rates for those classes of customers other than the Small General Service class.

In the 2015 Rate Application, EGNB is proposing a change to the composition of customers in the Small General Service class as a result of the following direction from the Board in the April 17, 2014 Decision, at pages 21 and 22:

“... EGNB is directed to re-examine how the SGS rate will be set in the future. Clearly the composition of the members in this class creates a difficulty in accomplishing the stated legislative and regulatory objective.... As a result, EGNB is directed to develop a proposal, reflecting a division of the SGS class into sub-classes, so that this issue can be resolved. In the event EGNB wishes to propose an alternative solution, in addition to the one described herein, the Board will consider the same.”

This application includes a re-examination of the SGS class along with a proposed rate class design. EGNB has proposed the removal of all commercial customers from the SGS rate class which will create a more homogenous SGS class, with only residential customers. This allows for better alignment to the residential electric rate and a target annual 20% savings against electricity for the typical residential customer at the time of setting rates. This eliminates the need to use a blended rate approach, as was submitted to the Board in EGNB's 2014 Rate

Application. EGNB believes this proposal will address all of the concerns outlined by the Board and provide further support for the elimination of rate riders.

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

Cost of Service Rates

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

The COS distribution rates have been determined for EGNB's rate classes and the results of the 2015 COS study are presented in Section 6.

Market Based vs. COS Rates

EGNB is proposing the following process, which is consistent with the 2014 Rate Application, for comparing market based rates to COS rates and establishing distribution rates commencing January 1, 2015.

The distribution rates for each of EGNB's rate classes have been calculated using the market based formula and determined using the 2015 COS study. In the table below, the COS distribution rates are compared to the market based distribution rates calculated for the EGNB rate classes. The 2015 COS study indicates that the distribution rates for the Small General Service class far exceed the market based rates. Therefore, the SGS market based rate has been proposed. The distribution rates for all other classes are based on the 2015 COS study and rate design (discussed below) as those rates are lower than the applicable market based rates.

Rate Class	Market Based Rate (\$/GJ)	Cost of Service Study Rate (\$/GJ)	Adjusted COS Rate (incl. Rate Design) (\$/GJ)	Filed Rate (\$/GJ)
Small General Service	7.4045	24.7524	-	7.4045
Mid-General Service	15.3435	12.7762	13.4150	13.4150
Large General Service	15.0374	4.8065	8.7472	8.7472
Contract General Service	9.6033	5.3068	7.0581	7.0581
Industrial Contract General Service	9.4689	2.7210	3.9727	3.9727
Off-Peak Service	11.5076	2.5294	5.0588	5.0588

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 2015 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 2015 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 2015 revenue requirement that would otherwise result.

A comparison of the 2014 approved rates (effective May 1, 2014) to 2015 proposed rates indicates significant reductions in the overall bills for the typical customers in the Small General Service and Mid-General Service classes and a modest increase in the overall bills for the typical customers in all other classes. The table below outlines the percent changes expected for the typical customer in each class.

Class	Profile (GJs)	Current Rate (Annual Cost)	2015 Proposed Rate (Annual Cost)	% Change
SGS	85	\$ 2,137	\$ 1,725	-19.3%
MGS	505	\$ 14,062	\$ 13,074	-7.0%
LGS	3653	\$ 80,507	\$ 83,161	3.3%
CGS	8477	\$ 163,000	\$ 169,139	3.8%
ICGS	196543	\$3,271,575	\$ 3,298,598	0.8%

Based on 2015 Forecasted EUG

Rate Rider

When the use of rate riders was initially approved in the Board's June 23, 2000 Decision, all of EGNB's distribution rates were determined using the market based method and EGNB had a fully functioning deferral account. In its September 20, 2012 Decision, the Board ruled that it would no longer permit the use of rate riders in classes where rates have been set using the cost of service method. However, the Board continued to permit the use of rate riders for classes whose rates have been set using the market based method.

Since the enactment of the Regulation, the distribution rates requested by EGNB in a rate application are based on a forward looking calendar year and are designed to allow EGNB to recover its revenue requirement over that period of time. Any decrease in the approved distribution rates during that calendar year would result in a revenue shortfall that EGNB no longer has any way to recover. As a result, in EGNB's 2014 Rate Application, EGNB took the position that the use of rate riders is no longer appropriate and proposed to discontinue the use of rate riders. The Board responded to EGNB's request at page 30 of its April 17, 2014 Decision:

“Until the SGS class has been redefined, it is difficult to determine if natural gas continues to be a competitive energy source for these customers. Redefining the SGS class may, in effect, result in a situation where rate riders no longer have a useful role.”

Proposed changes to the EUG price calculation facilitate a more timely recovery of the Purchase Gas Variance Account. The EUG price used in this application to determine market based rates is more reflective of market pricing pressures historically seen in winter months, resulting in a

slightly higher average EUG rate, and therefore lower market based rates. As a result of that change, together with the proposed changes to the SGS rate class composition, the creation of a residential only class, the elimination of the blended SGS rate class approach, and the Board's decision to now require EGNB to make annual rate filings which ensures SGS rates are reassessed on an annual basis, EGNB believes that it has satisfied the Board's concerns and is requesting that going forward the use of rate riders be discontinued.

Revenue Smoothing Mechanism ("RSM")

In order to provide EGNB a better opportunity to achieve its 2015 revenue requirement, while also safeguarding customers against EGNB over-earning in 2015 as a result of events such as colder than forecasted weather, a RSM is being proposed. This mechanism would consist of adjusting the authorized rates upwards or downwards the following month in order to generate the authorized level of revenue per rate class for the 2015 test year. This mechanism would be used in the SGS, MGS and LGS rate classes. Additional information on the RSM can be found in Section 7.

Agent Billing and Collections ("ABC") Revenue

EGNB continues to provide Agent Billing and Collection services to any service provider applying to use EGNB's billing and/or collection services. EGNB is proposing to increase the current rates by a modest percentage (equivalent to the budget assumed cost of living increase of 1.9%) to recognize the increases in costs to provide these services. The table below outlines the proposed changes to the current ABC rates:

ABC Billing Rates	2015 Rates	Current rates	Rate Increase
SGS	\$ 1.32	\$ 1.30	\$ 0.02
MGS	2.29	2.25	0.04
LGS	5.35	5.25	0.10
CGS	4.38	4.30	0.08
ICGS	4.38	4.30	0.08
OPS	4.38	4.30	0.08

Curriculum Vitae

The information prepared and presented in the documents filed in support of the Review of 2013 Regulatory Financial Statements/2015 Rate Application is the written direct testimony of Gilles Volpé, Lori A. Stickles and H. Edwin Overcast. The Curriculum Vitae for Gilles Volpé, Lori A. Stickles and H. Edwin Overcast are provided in Section 8.