

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 (“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 2014 Regulatory Financial
6 Statements in accordance with prior decisions of the New Brunswick Energy and Utilities Board
7 (“Board”).

8 **Minimum Filing Requirements**

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

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

13 In the filing for Matter 253, EGNB proactively prepared additional evidence based on input from
14 previous Hearings in an attempt to develop Minimum Filing Requirements. As feedback on the
15 additional evidence was well received from all parties involved in the Hearing, EGNB has
16 provided an expanded section of additional evidence in Section 11.

17 **Budget 2016**

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

22 The revenue requirement used to determine the rates in this Application is based on EGNB’s
23 2016 Budget. The 2016 Budget includes a proposed Incentive Program to stimulate the existing
24 infill opportunities and a Customer Retention Program to defend the public utility’s revenue and
25 customer base and protect rates for remaining customers.

26 EGNB has adjusted certain inputs which affect the 2016 Budget as a result of two studies that
27 were completed during 2015. A depreciation study and capitalization study were completed in

1 order to better assess and improve the accuracy of budget inputs. The 2016 Budget, the Gannett
2 Fleming Depreciation Study, the EGNB Capitalization Study and other supporting
3 documentation for the items mentioned above can be found in Section 3.

4 2014 Regulatory Financial Statements

5 EGNB's 2014 Regulatory Financial Statements have been included in this Application and
6 EGNB is applying for their approval by the Board. The 2014 Regulatory Financial Statements
7 can be found in Section 4.

8 Market Based Rates

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

17 For the 2016 Budget, an examination of the market based rates methodology was completed.
18 Adjustments were made to the oil price spreads based on recent Board decisions. Details of the
19 changes can be found in Section 5.

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

22 Cost of Service Rates

23 The Cost of Service ("COS") distribution rates and tariffs presented in this Application are based
24 on (a) the COS methodology approved by the Board in the December 21, 2010 COS Study
25 Decision with adjustments to reflect decisions of the Board since that time; and (b) Section 4(1)
26 of the Regulation. Section 4(1) requires the adoption of the cost of service method or technique,

1 provided that the rates and tariffs for any class of customers shall not exceed the rates and tariffs
 2 that would apply to that class of customers if determined through the application of the market
 3 based method or technique.

4 The COS distribution rates have been determined for EGNB’s rate classes and the results of the
 5 2016 COS study are presented in Section 6.

6 Market Based vs. COS Rates

7 EGNB is proposing the following process, which is consistent with the 2015 Rate Application,
 8 for comparing market based rates to COS rates and establishing distribution rates commencing
 9 May 1, 2016.

10 The distribution rates for each of EGNB’s rate classes have been calculated using the market
 11 based formula and determined using the 2016 COS study. In the table below, the COS
 12 distribution rates are compared to the market based distribution rate calculated for the EGNB rate
 13 classes. The 2016 COS study indicates that the distribution rates for the Small General Service
 14 class far exceed the market based rate. Therefore, the SGS market based rate has been proposed.
 15 As oil prices have decreased considerably since the last Hearing, this has had an impact on
 16 commercial rates. As shown in Table 1, the 2016 COS study indicates that the distribution rate
 17 for the Mid General Service class also exceeds the market based rate. As a result, a market based
 18 rate has also been proposed for the MGS rate class. The distribution rates for all other classes
 19 are based on the 2016 COS study and rate design (discussed below) as those rates are lower than
 20 the applicable market based rates.

21 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 Small General Service	9.7188	24.7789	-	9.7188
2 Mid-General Service	11.3094	11.9579	11.3094	11.3094
3 Large General Service	11.0883	4.9573	8.9821	8.9821
4 Contract General Service	6.7763	4.5067	6.7088	6.7088
5 Industrial Contract General Service	6.6755	2.6704	3.5614	3.5614
6 Off-Peak Service	8.4821	2.7699	6.2717	6.2717

1 Rate Design

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

4 The proposed rate design allows EGNB to fully recover its 2016 revenue requirement. The
5 rationale for the rate design can be found in Section 7. In the event that the Board determines
6 that less of EGNB’s 2016 revenue requirement is to be recovered from one or more of EGNB’s
7 rate classes, the rates for one or more of the other rate classes must be increased to allow
8 recovery of any shortfall in its 2016 revenue requirement that would otherwise result.

9 A comparison of the 2015 approved rates (effective January 1, 2015) to 2016 proposed rates
10 indicates significant reductions in the annual overall bills for the typical customers in all the
11 commercial rate classes. The 2016 SGS distribution rate results in a modest increase in the
12 annual overall bills for the typical residential customer which is similar to the electricity
13 increases approved for this rate class by the Board effective October 1, 2015 for NB Power.

14 Table 2

Total annual price of natural gas: 2015 Current Rates VS 2016 Proposed Rates				
	Customer profile (Annual GJs)	Current 2015 Rates (\$)	Proposed 2016 Rates (\$)	% change
SGS	87	1,768	1,785	0.9%
MGS	520	13,779	11,612	-15.7%
LGS	3617	82,045	73,538	-10.4%
CGS	10759	208,886	186,418	-10.8%
ICGS	203302	3,385,283	2,952,939	-12.8%

15
16 (Based on 2015 budgeted EUG and approved distribution rates versus 2016 budgeted EUG and distribution rates)

1 Development Period

2 In the Board’s December 23, 2014 Decision, EGNB was ordered to file an application to
 3 determine whether or not the development period is over. EGNB’s evidence relating to the
 4 Development Period is found in Section 8.

5 Agent Billing and Collections (“ABC”) Revenue

6 EGNB continues to provide Agent Billing and Collection services to any service provider
 7 applying to use EGNB’s billing and/or collection services. EGNB is proposing to increase the
 8 current rates by a modest percentage (equivalent to the budget assumed Consumer Price Index
 9 (CPI) increase of 2.4%) to recognize the increases in costs to provide these services. Table 4
 10 outlines the proposed changes to the current ABC rates:

11 Table 4

	2016	Current	Rate
1 ABC Billing Rates	Rates	rates	Increase
2 SGS	\$ 1.35	\$ 1.32	\$ 0.03
3 MGS	2.34	2.29	0.05
4 LGS	5.47	5.35	0.12
5 CGS	4.48	4.38	0.10
6 ICGS	4.48	4.38	0.10
7 OPS	4.48	4.38	0.10
7 Additional Line item charge	0.78	0.76	0.02

13 Curriculum Vitae

14 The information prepared and presented in the documents filed in support of the Review of 2014
 15 Regulatory Financial Statements/2016 Rate Application is the written direct testimony of Gilles
 16 Volpé, David T. Lavigne, H. Edwin Overcast and Larry E. Kennedy. The Curriculum Vitae for
 17 Gilles Volpé, David T. Lavigne, Pamela Mayo, H. Edwin Overcast and Larry E. Kennedy are
 18 provided in Section 9.