

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 2012 Regulatory Financial Statements in accordance with prior decisions of the New Brunswick Energy and Utilities Board (“Board”).

### **Budget 2014**

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 2014 Budget. The 2014 Budget and supporting documentation can be found in Section 3.

### **2012 Regulatory Financial Statements**

EGNB’s 2012 Regulatory Financial Statements have been included in this Application and EGNB is applying for approval of them by the Board. The 2012 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 savings level of 20% for the Small General Service class, and use No.2 Heating Oil as the alternative energy source and ensure a target savings level of 15% for those classes of customers other than the Small General Service class.

EGNB has proposed a change to the methodology for establishing the market based rate for the Small General Service class, to reflect the two distinct types of customers that fall within this class. The SGS class, which uses electricity as the alternative energy source, consists primarily of residential customers, but also includes a large number of commercial customers. NB Power rates differ significantly for residential and commercial customers. EGNB is proposing that the market base rate for the Small General Service class be calculated based on a blended electricity cost derived using a weighted average based on the residential and commercial annual throughput within the class.

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 2014 COS study are presented in Section 6.

#### Market Based vs. COS Rates

EGNB is proposing the following process for comparing market based rates to COS rates and establishing distribution rates commencing January 1, 2014.

The distribution rates for each of EGNB's rate classes have been calculated using the market based formula and determined using the 2014 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 2014 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 2014 COS study and rate design (discussed below) as those rates are lower for those rate classes than the applicable market based rates.

<b>Rate Class</b>	<b>Market Based Rate (\$/GJ)</b>	<b>Cost of Service Study Rate (\$/GJ)</b>	<b>Adjusted COS Rate (incl. Rate Design) (\$/GJ)</b>	<b>Filed Rate (\$/GJ)</b>
<b>Small General Service</b>	12.8722	25.7648	-	12.8722
<b>Mid-General Service</b>	16.1088	9.4381	13.5338	13.5338
<b>Large General Service</b>	15.8295	5.3665	8.0497	8.0497
<b>Contract General Service</b>	10.8536	3.7036	5.5465	5.5465
<b>Industrial Contract General Service</b>	14.0659	2.2334	3.2363	3.2363
<b>Off-Peak Service</b>	12.0816	1.8587	4.0760	4.0760

### Rate Design

EGNB is proposing to maintain the 2013 underlying billing determination factors and 2013 customer charges approved in the September 20, 2012 (as supplemented on September 26, 2012) Board Decision. The overall level of the 2014 fixed cost recovery from the monthly fixed charges (customer and contract demand) is approximately the same as in 2013.

In order to be just and reasonable, rates 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 2014 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 2014 revenue requirement is to be recovered from one or more of EGNB's proposed rate classes, the rates for one or more of the other rate classes must be increased to allow recovery of any shortfall in its 2014 revenue requirement that would otherwise result.

A comparison of the 2013 approved rates (August 1, 2013) to 2014 proposed rates indicates a small reduction in the overall bill for the typical customer in the Small General Service class and

a slight increase in the overall bill for the typical customers in all other classes. Refer to the table below for the percent changes expected for the typical customer in each class.

<b>Class</b>	<b>Profile (GJs)</b>	<b>Current Rate (Annual Cost)</b>	<b>2014 Proposed Rate (Annual Cost)</b>	<b>% Change</b>
<b>SGS</b>	117	\$2,603	\$2,550	-2.0%
<b>MGS</b>	686	\$16,032	\$16,094	0.4%
<b>LGS</b>	2886	\$50,860	\$52,050	2.3%
<b>CGS</b>	12547	\$178,196	\$185,922	4.3%
<b>ICGS</b>	231513	\$2,099,213	\$2,112,330	0.6%

\*Based on 2014 Forecasted EUG/EVP

### Rate Rider

When the use of rate riders was initially approved in the Board's June 23, 2010 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, the use of rate riders is no longer appropriate and EGNB proposes to discontinue the use of rate riders. EGNB has removed all references to rate riders from its Rate Schedules.

### Curriculum Vitae

The information prepared and presented in the documents filed in support of the Review of 2012 Regulatory Financial Statements/2014 Rate Application is the written direct testimony of Lori A. Stickles, Gilles Volpé and H. Edwin Overcast. The Curriculum Vitae for Gilles Volpé, Lori A. Stickles and H. Edwin Overcast are provided in Section 8.