

SECTION 5.0  
Market Based Rates

## **5.0 Market Based Rates**

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

- 1) the use of the market based method approved by the Board prior to January 1, 2012; and
- 2) in accordance with Section 4(2) of the Regulation which requires “In determining rates and tariffs for classes of customers under subsection (1) 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.”

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). 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 including 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 natural gas, No. 2 Heating Oil and exchange rates for the purpose of deriving the rate for the appropriate class. For the purposes of this Application, market data for June 2013 and July 2013 has been used. See Schedule 5.2 - Market Data January 2014 to December 2014.

The most recent twelve months of consumption data is used for the purpose of determining Typical Annual Natural Gas Consumption profile. For the purposes of this Application, the consumption data from August 2012 to July 2013 has been used. The complete consumption data for each rate class has been provided in Schedule 5.6 - Summary Consumption Data August 2012 to July 2013.

The 12-month weighted average Enbridge Variable Product (“EVP”) and Enbridge Utility Gas (“EUG”) prices have been determined for use in the derivation of the rates as directed by the Board in its April 30, 2010 decision. See Schedule 5.4 - EUG Price Calculation and Schedule

5.5- EVP Price Calculation. EUG is the commodity used for all of the rate classes excluding the Industrial Contract General Service class, which uses EVP.

The resulting derivation of the market based rates for the Mid-General Service, Large General Service, Contract General Service and Industrial Contract General Service classes can be found in Schedule 5.1 - Derivation Tables for Market Based Rates. EGNB has not included a proposed rate design for these rate classes as the Target Distribution Rate is used for the purpose of comparing the market based rates to the cost of service based rates. EGNB would propose customer and demand charges applicable to these rate classes under the market based methodology should the need to utilize the market based rates arise in the future.

The Off-Peak Service (OPS) rate has been established at 75% of the Mid-General Service rate. This results in an OPS market based target distribution rate of \$12.0816/GJ.

The SGS class, which uses electricity as the alternative energy source, consists of residential customers and commercial customers. NB Power rates differ significantly for residential and commercial customers. The electricity pricing for the residential and commercial customers are presented in Schedule 5.3 - Alternative Fuel Calculations.

In its 2013 Rate Application, EGNB used the lesser of the residential and commercial customers' market based rate to set the market based rate for the Small General Service class. However, EGNB believes that a more appropriate approach for establishing a market based rate for the Small General Service class is to calculate a blended electricity cost that reflects both the residential and commercial customers within the rate class. The blended electricity cost was derived using a weighted average based on the residential (500,631 GJs) and commercial (180,425 GJs) annual throughput within the class. The Small General Service class market based rate derived is provided in Schedule 5.1 - Derivation Tables for Market Based Rates.

### Summary

For the purpose of this Application, the market based distribution rates for EGNB's rate classes were calculated using the approved market based formula adjusted for the target saving levels and alternative energy sources prescribed in the Regulation. A target savings level of 20% and the use of electricity as the alternative energy source were applied in the calculation of the

market based distribution rate for the Small General Service class. A target savings level of 15% and No. 2 Heating Fuel as the alternative energy source were used in the calculation of the market based distribution rates for all remaining classes. The table below provides the market based distribution rates for EGNB's rate classes. These market based distribution rates will be compared against the distribution rates generated under the 2014 COS study for the rate classes and the lower of the two will be applicable pursuant to Section 4(1) of the Regulation.

<b>Rate Class</b>	<b>Distribution Rate (\$/GJ)</b>
Small General Service	12.8722
Mid-General Service	16.1088
Large General Service	15.8295
Contract General Service	10.8536
Industrial Contract General Service	14.0659
Off-Peak Service	12.0816

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

- Schedule 5.1 - Derivation Tables for Market Based Rates
- Schedule 5.2 - Market Data January 2014 to December 2014
- Schedule 5.3 - Alternative Fuel Calculations
- Schedule 5.4 - EUG Price Calculation
- Schedule 5.5 - EVP Price Calculation
- Schedule 5.6 - Summary Consumption Data August 2012 to July 2013