

SECTION 5.0
Market Based Rates

1 **5.0 Market Based Rates**

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

- 4 1) the use of the market based method approved by the Board prior to January 1, 2012; and
5 2) in accordance with Section 4(2) of the Rates and Tariffs Regulation (“Regulation”) which
6 requires “In determining rates and tariffs for classes of customers under subsection (1)
7 utilizing the market based method or technique, the Board shall use electricity as the
8 alternative energy source and ensure a target savings level of 20% for the Small General
9 Service class, and use No. 2 Heating Oil as the alternative energy source and ensure a
10 target savings level of 15% for those classes of customers other than the Small General
11 Service class.”

12 On May 26, 2009, the Board issued its decision in the matter of a Review of Enbridge Gas New
13 Brunswick’s Market Based Formula (NBEUB 2009-002). In its decision, the Board accepted the
14 formula as proposed by EGNB and provided detailed steps regarding how the market-based
15 formula was to be used including that market data for each of the 12 months included in the
16 application would be collected each market day for two calendar months and an average of each
17 of the 12 months of prices would be calculated. This approach would be used for natural gas,
18 No. 2 Heating Oil and exchange rates for the purpose of deriving the rate for the appropriate
19 class.

20 Modifications to the No. 2 Heating Oil market based price spreads have been made for 2016.
21 Building on the MJ Ervin report submitted to the Board on January 9, 2009 and subsequent May
22 26, 2009 Decision which approved the market based rates methodology, the market based
23 spreads have been modified as a result of other Board decisions relating to No. 2 Heating Oil
24 prices in the Province since that time. In the Decisions for Matters 214 and 181, the Board
25 approved increases to the No. 2 Heating Oil prices that have resulted in total increases to margins
26 of 5.7 cents per litre (cpl). EGNB has increased the market based oil margins by 5.5 cpl as a
27 result.

1 For the purposes of this Application, market data for September 2015 and October 2015 has been
2 used. See Schedule 5.2 - Market Data January 2016 to December 2016.

3 The most recent twelve months of consumption data is used for the purpose of determining
4 Typical Annual Natural Gas Consumption profile. For the purposes of this Application, the
5 consumption data from October 2014 to September 2015 has been used. The complete
6 consumption data for each rate class has been provided in Schedule 5.5 - Summary Consumption
7 Data October 2014 to September 2015.

8 Enbridge Utility Gas (“EUG”) prices have been determined for use in the derivation of the rates
9 as directed by the Board in its April 30, 2010 Decision. See Schedule 5.4 - EUG Price
10 Calculation, which is the commodity used for all of the rate classes. In calculating the EUG
11 price, EGNB relies upon a Board approved methodology which uses a combination of forecasts
12 and actuals and is in compliance with Section 4(1) and 4(2) of the Gas Distributor Marketing
13 Regulation - Gas Distribution Act, 1999.

14 The resulting derivation of the market based rates for the Small General Service, Mid-General
15 Service, Large General Service, Contract General Service and Industrial Contract General
16 Service classes can be found in Schedule 5.1 - Derivation Tables for Market Based Rates. The
17 alternative fuel calculations are provided in Schedule 5.3. EGNB has not included a proposed
18 rate design for these rate classes in this section as the Target Distribution Rate is used for the
19 purpose of comparing the market based rates to the cost of service based rates.

20 As approved in EGNB’s 2015 Rate Application, the SGS rate class now includes only residential
21 customers. The electricity pricing for the residential customers is presented in Schedule 5.3 -
22 Alternative Fuel Calculations and the SGS market based rate derived is provided in Schedule 5.1
23 - Derivation Tables for Market Based Rates.

24 The Mid-General Service rate will now be a market based rate and will maintain the current
25 design which includes a small and large customer charge of \$20/mth or \$50/mth depending on
26 the maximum consumption threshold of 60 GJs per month.

27 The Off-Peak Service (OPS) rate has been established at 75% of the Mid-General Service rate.
28 This results in an OPS market based target distribution rate of \$8.4821/GJ.

1 Summary

2 For the purpose of this Application, the market based distribution rates for EGNB’s rate classes
 3 were calculated using the approved market based formula adjusted for the target saving levels
 4 and alternative energy sources prescribed in the Regulation. A target savings level of 20% and
 5 the use of electricity as the alternative energy source were applied in the calculation of the
 6 market based distribution rate for the Small General Service class. A target savings level of 15%
 7 and No. 2 Heating Fuel as the alternative energy source were used in the calculation of the
 8 market based distribution rates for all remaining classes. These market based distribution rates
 9 will be compared against the distribution rates generated under the 2016 COS study for the rate
 10 classes and the lower of the two will be applicable pursuant to Section 4(1) of the Regulation.

11 The table below provides a comparison of the Market Based Rates as derived in this Section and
 12 the Cost of Service Study rates from Section 6.0:

	Rate Class	Market Based Rate (\$/GJ)	Cost of Service Study Rate (\$/GJ)
1			
2	Small General Service	9.7188	24.7789
3	Mid-General Service	11.3094	11.9579
4	Large General Service	11.0883	4.9573
5	Contract General Service	6.7763	4.5067
6	Industrial Contract General Service	6.6755	2.6704
7	Off-Peak Service	8.4821	2.7699

13
 14 The following information has been provided in support of the market based rates:

- 15 • Schedule 5.1 - Derivation Tables for Market Based Rates
- 16 • Schedule 5.2 - Market Data January 2016 to December 2016
- 17 • Schedule 5.3 - Alternative Fuel Calculations
- 18 • Schedule 5.4 - EUG Price Calculation
- 19 • Schedule 5.5 - Summary Consumption Data October 2014 to September 2015