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# **Regulatory Update**

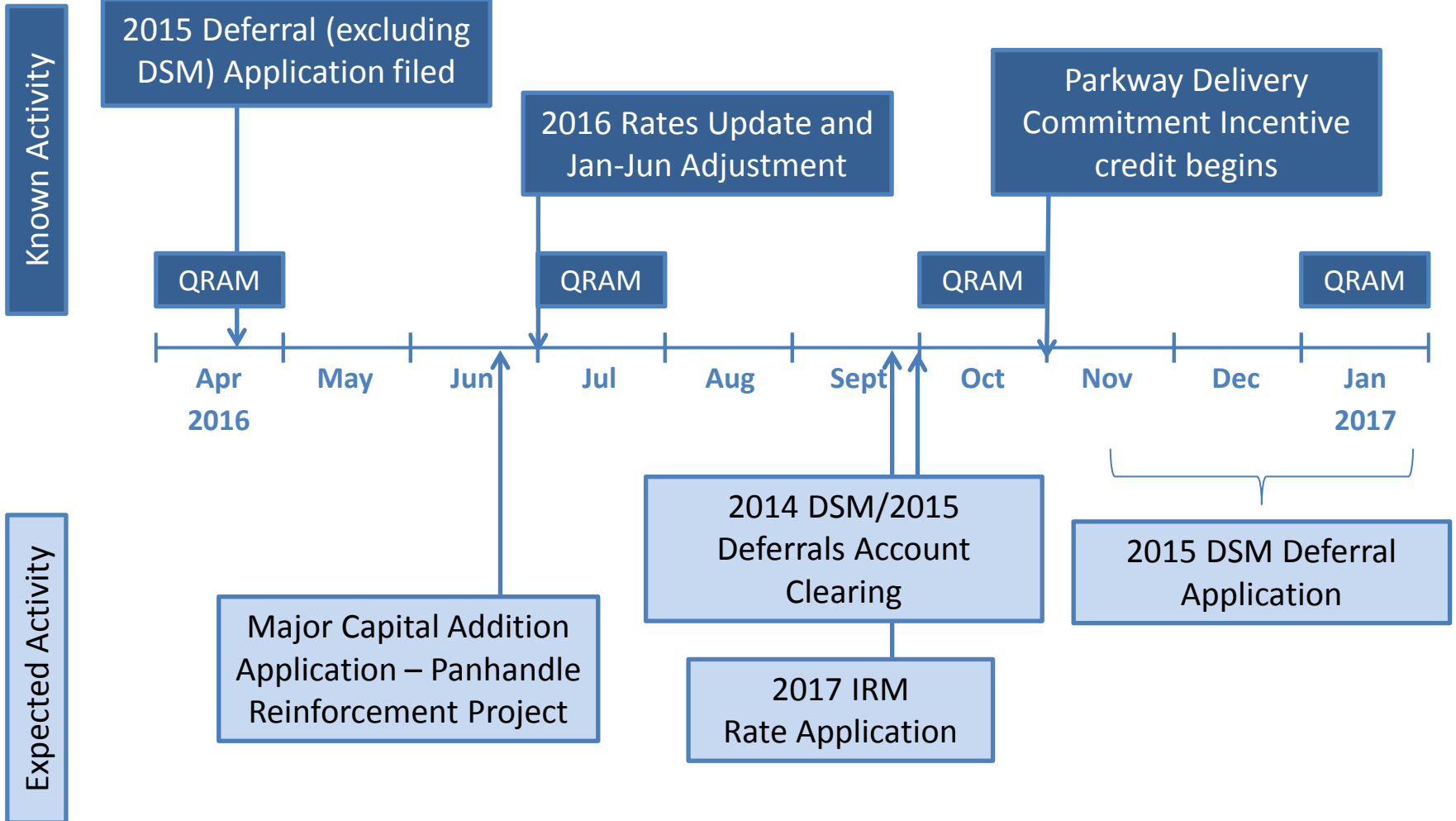
## A look ahead

Presenter: Robin Stevenson

# Agenda

- Incentive Regulation Mechanism (IRM) Framework
- 2016 Regulatory Outlook
  - IRM Rate Implementation
  - Deferrals Applications
  - DSM (Demand Side Management) Deferrals

# 2016 Regulatory Activity Timeline



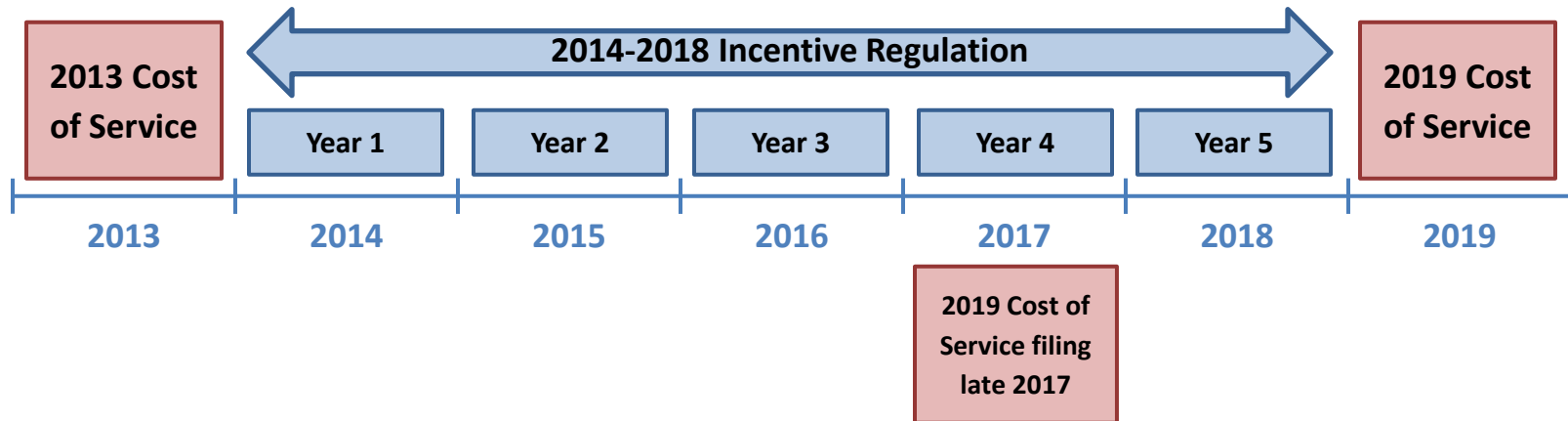


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## **Incentive Regulation Mechanism (IRM)**

# Incentive Regulation Mechanism



- Multi-year framework (5 years)
  - Pricing formula will be used each year during the 5 year term to determine change in prices for that year
- 2019 Cost of Service filing late 2017

# Incentive Regulation Mechanism Annual Price Adjustment Formula

$$\text{Annual Price Change} = (\text{Inflation} - X) + Y + Z$$

IRM Factor	Description
Inflation Factor	<p>Inflation</p> <ul style="list-style-type: none"><li>• Percentage change in inflation (GDP IPI FDD updated annually)</li></ul>
“X” Factor	<p>Productivity Offset</p> <ul style="list-style-type: none"><li>• fixed at 60% of inflation for each year of the 5 year term</li><li>• 2016 “X” Factor is 1.19% (1.99% x 60% = 1.19%)</li><li>• When combined (Inflation - X) = Price Cap Index (PCI) = 1.99% - 1.19% = 0.80%</li></ul>
“Y” Factor	<p>Items subject to deferral account treatment</p> <ul style="list-style-type: none"><li>• Cost of gas and upstream transportation costs</li><li>• Changes in DSM budget and DSM volume reductions</li><li>• Unaccounted for gas volume variances (subject to \$5 million dead-band)</li><li>• Major capital additions</li></ul>
“Z” Factor	<p>Non-routine adjustments</p> <ul style="list-style-type: none"><li>• Due to unusual/unforeseen costs outside of the formula</li><li>• Threshold of \$4.0 million</li></ul>



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## 2016 Regulatory Outlook

# 2016 Regulatory Outlook

## IRM Rate Implementation

- 2016 Rates implemented January 1, 2016
  - 2016-2020 DSM Plan approved in January 2016 and not reflected in 2016 Rates
  - Adjustment effective July 1, 2016 for the 2016 DSM Budget implementation
- 2017 Rates application to be filed in September 2016

## Deferrals Applications

- 2015 Deferrals – filed Q2 2016
- 2014 DSM Deferrals – filed Q4 2015 (pending Board Decision)
- 2015 DSM Deferrals – expected to be filed Q4 2016



# 2016 Rates Implementation

## 2016 Rates Timeline

Application filed	Sept 22, 2015
Settlement Agreement filed	Nov 24, 2015
Board approved	Dec 3, 2015
Rates implemented	Jan 1, 2016
2015-2020 DSM Plan approved	Jan 20, 2016
Updated 2016 Rates (for DSM Plan)	July 1, 2016
One-time adjustment for Jan-June	3 <sup>rd</sup> Quarter, 2016

## 2016 Rates Implementation Changes – Union South

	2015 Average Rate (cents/m <sup>3</sup> )	2016 Updated Average Rate (cents/m <sup>3</sup> )	Unit Change in Rates (cents/m <sup>3</sup> )	Average change in rates (%)
South Contract Customers - Delivery				
M4	3.2957	3.8913	0.5956	18.1%
M5A	2.5981	2.9739	0.3758	14.5%
M7	3.0518	3.5356	0.4839	15.9%
M9	1.2693	1.3480	0.0787	6.2%
T1	2.0522	2.0890	0.0368	1.8%
T2	0.9177	0.9891	0.0715	7.8%
T3	1.7482	1.8643	0.1161	6.6%

# Proposed 2015 Deferral Account Clearing

- Evidence filed on April 19, 2016
- DSM-related deferral clearance to be filed later in 2016
- No 2015 Earnings Sharing
- Proposed clearing these deferral balances with the October 2016 bills that contract customers receive in November 2016.

Rate T1 2015 Proposed Deferrals Example of debits & credits	(\$000s)
Short-Term Storage and Balancing	16
Conservation Demand Management	(12)
Tax Variance	(1)
Parkway West Project Costs	9
Brantford-Kirkwall/Parkway D Project Costs	9
Energy East Pipeline Consultation Costs	2
Lobo C Compressor/Hamilton-Milton Pipeline Costs	(5)
2015 Earnings Sharing	–
<b>Total</b>	<b>18</b>
2015 Annual Volume (10 <sup>3</sup> m <sup>3</sup> )	443,869
<b>Per Unit Charge (cents/m<sup>3</sup>)</b>	<b>(0.0040)</b>

# Proposed 2015 Deferral Account Clearing Rate Class Impact – Union South

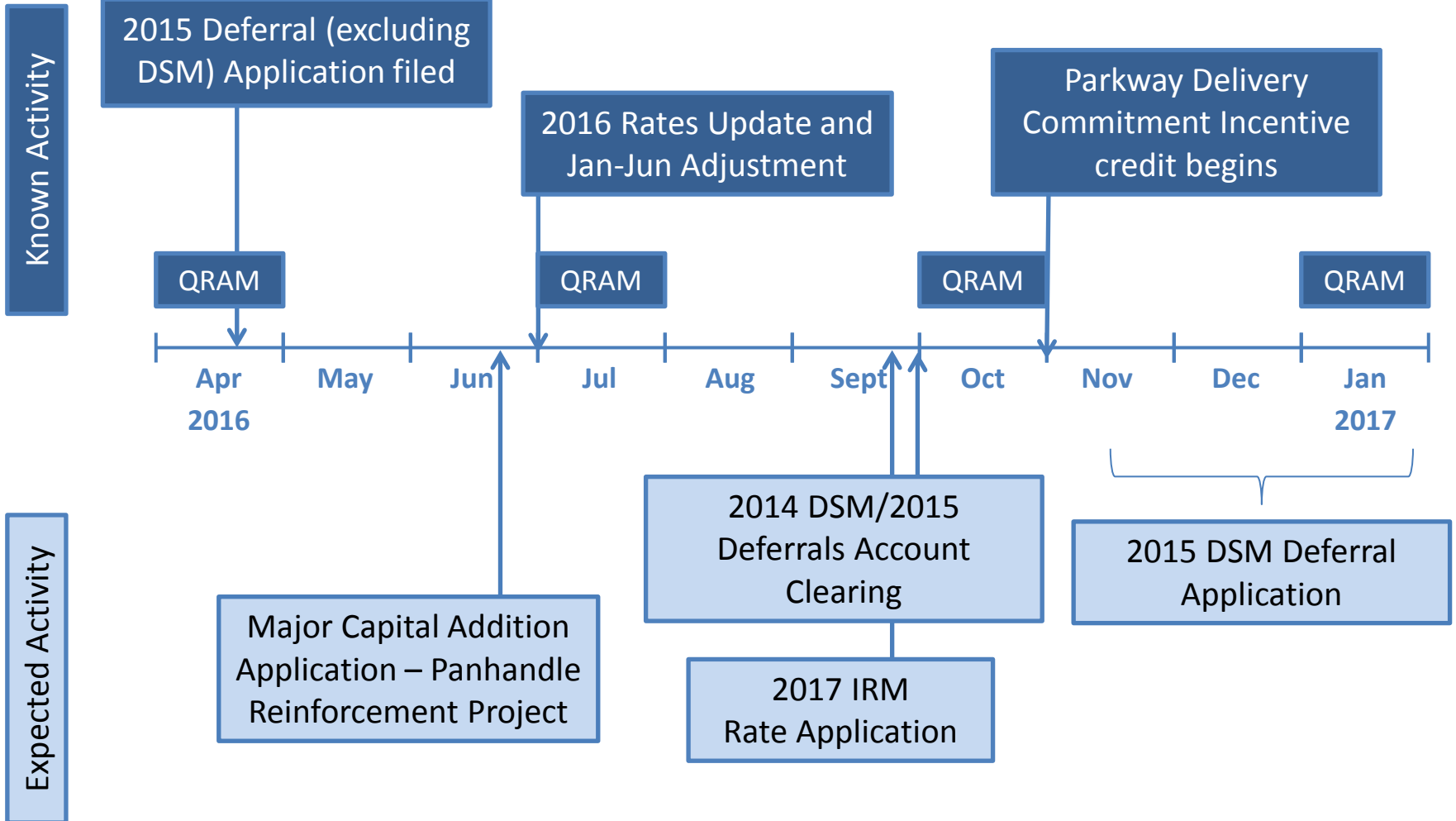
	Total Rate Class Impact (000's)	Total Volumes (10 <sup>3</sup> m <sup>3</sup> )	Per Unit Rate Class Impact (cents/m <sup>3</sup> )
<b>South Customers</b>			
M4	(\$14)	457,209	(0.0030)
M5A	(\$53)	208,864	(0.0255)
M7	(\$9)	427,949	(0.0020)
M9	(\$3)	66,511	(0.0044)
T1	\$18	443,869	0.0040
T2	\$161	4,365,603	0.0037
T3	\$19	263,235	0.0071

# Proposed 2014 DSM Deferral Account Clearing Rate Class Impact – Union South



	Total Rate Class Impact (000's)	Total Volumes (10 <sup>3</sup> m <sup>3</sup> )	Per Unit Rate Class Impact (cents/m <sup>3</sup> )
South Customers			
M4	1,769	484,166	0.3654
M5A	16	258,788	0.0061
M7	1,242	392,825	0.3162
T1	(\$738)	469,906	(0.1571)
T2	\$240	4,303,222	0.0056

# 2016 Regulatory Activity Timeline





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# Q&A

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