



uniongas

A Spectra Energy Company

Regulatory Update

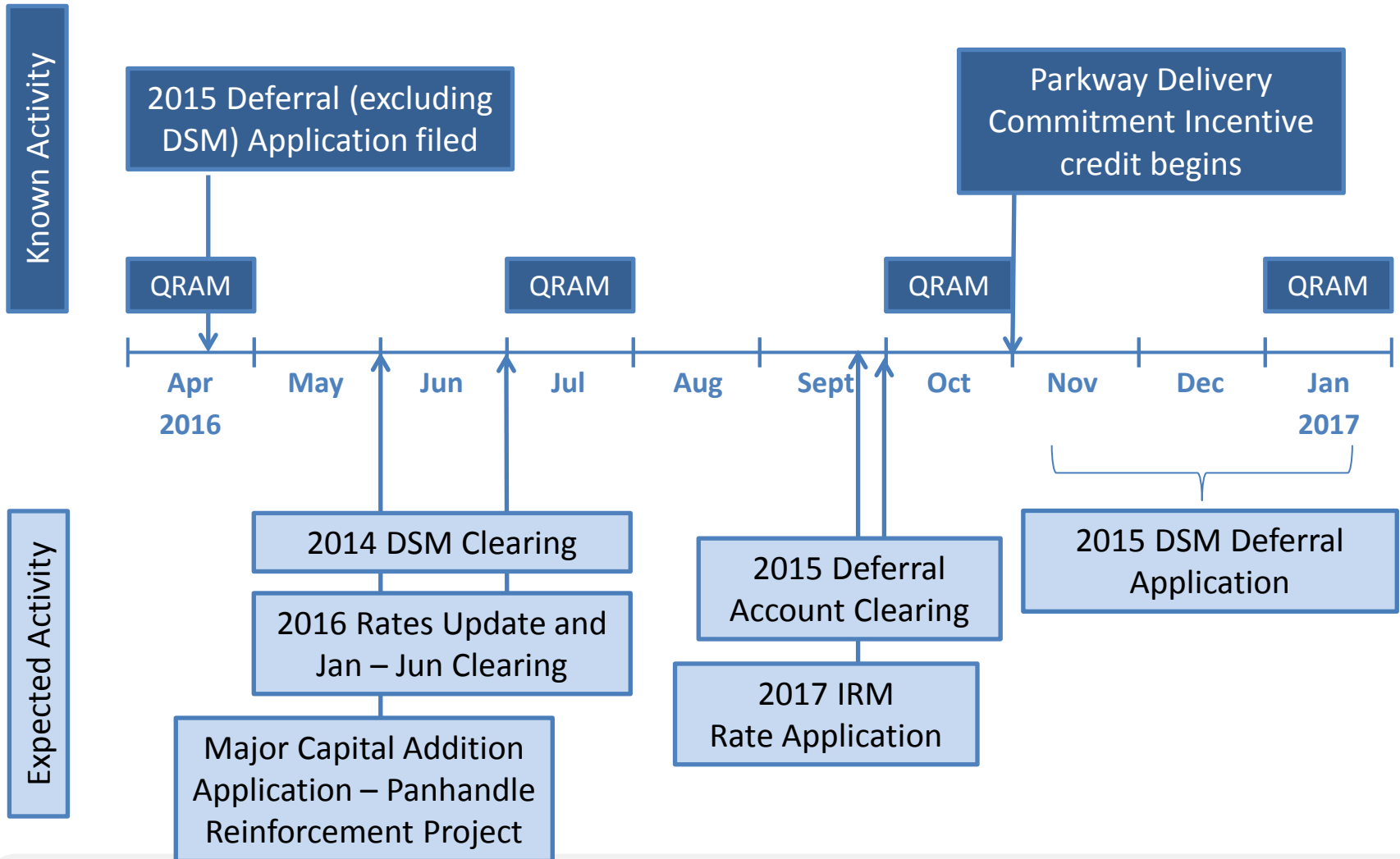
A look ahead

Joe Lee

Agenda

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

2016 Regulatory Activity Timeline



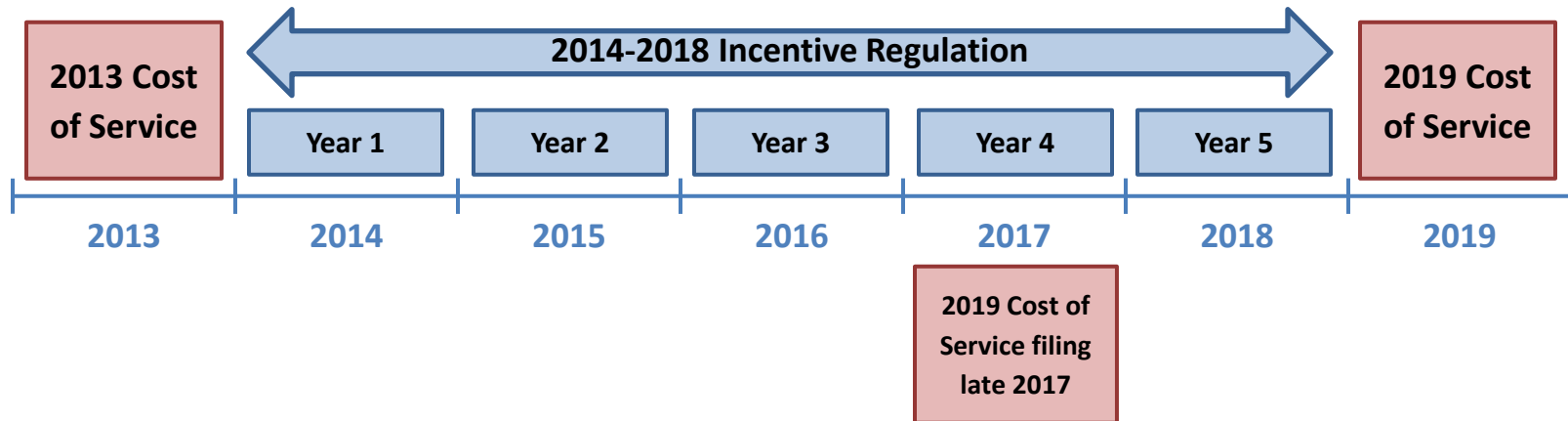


uniongas

A Spectra Energy Company

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



uniongas

A Spectra Energy Company

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 OEB 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 rd Quarter, 2016

2016 Rates Implementation Changes – Union South

	2015 Average Rate (cents/m ³)	2016 Updated Average Rate (cents/m ³)	Unit Change in Rates (cents/m ³)	Average change in rates (%)
South Contract Customers - Delivery				
M2	4.4689	4.8630	0.3942	8.8%
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%

2016 Rates Implementation Changes – Union North

	2015 Average Rate (cents/m ³)	2016 Approved Average Rate (cents/m ³)	Unit Change in Rates (cents/m ³)	Average change in rates (%)
North Contract Customers - Delivery				
10	5.7399	5.8206	0.0806	1.4%
20	2.1746	2.3247	0.1501	6.9%
25	2.7980	2.7662	(0.0319)	-1.1%
100	0.8361	0.8596	0.0235	2.8%

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 M4 2015 Proposed Deferrals Example of debits & credits	(\$000s)
Short-Term Storage and Balancing	19
Conservation Demand Management	(11)
Tax Variance	(1)
Parkway West Project Costs	10
Brantford-Kirkwall/Parkway D Project Costs	13
Energy East Pipeline Consultation Costs	2
Unaccounted for Gas Price Variance	(38)
Lobo C Compressor/Hamilton-Milton Pipeline Costs	(8)
2015 Earnings Sharing	–
Total	(14)
2015 Annual Volume (10 ³ m ³)	457,209
Per Unit Charge (cents/m³)	(0.0030)

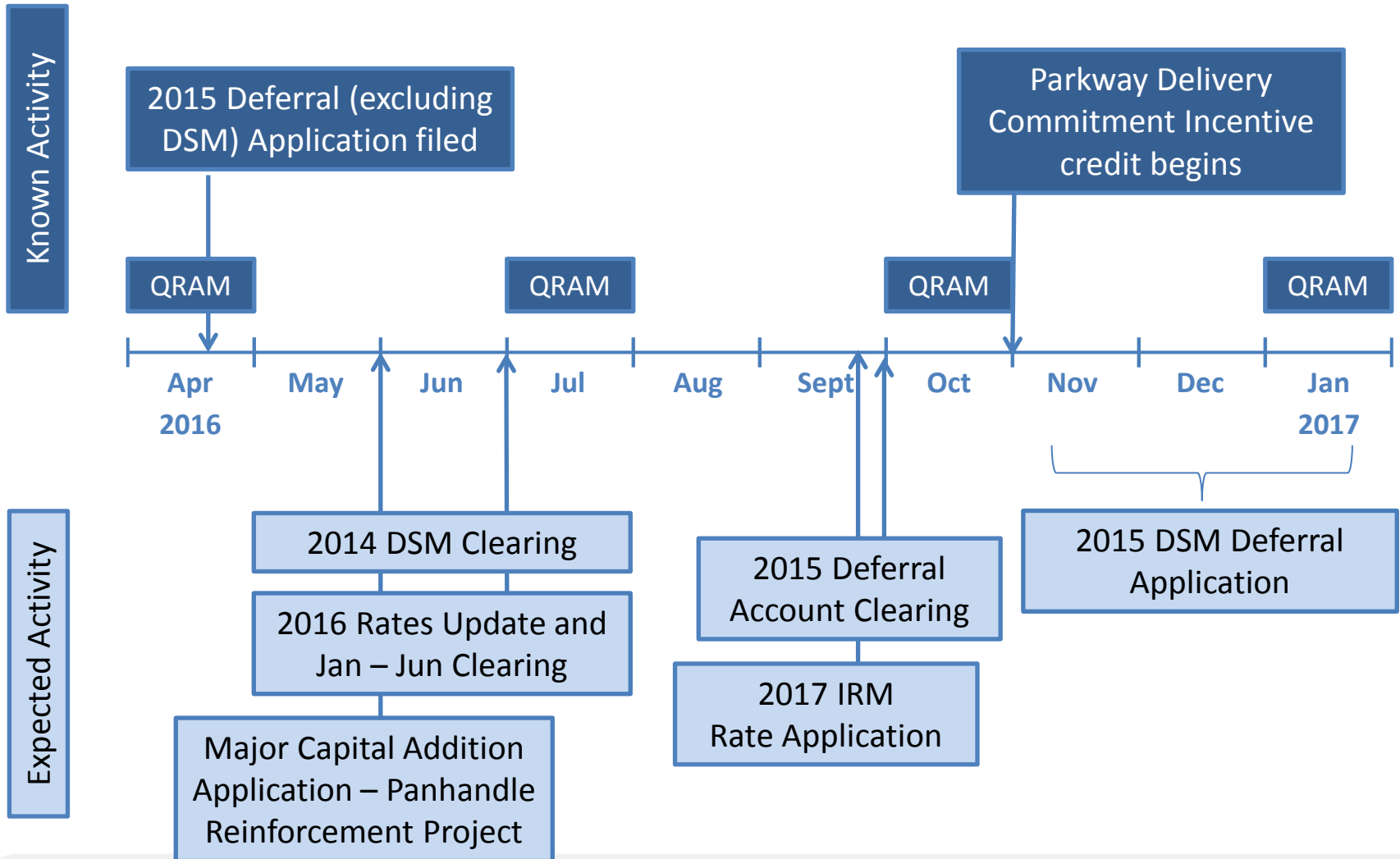
Proposed 2015 Deferral Account Clearing Rate Class Impact – Union South

	Total Rate Class Impact (000's)	Total Volumes (10 ³ m ³)	Per Unit Rate Class Impact (cents/m ³)
South Customers			
M2	\$1,439	882,624	0.1630
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 2015 Deferral Account Clearing Rate Class Impact – Union North

	Total Rate Class Impact (000's)	Total Volumes (10 ³ m ³)	Per Unit Rate Class Impact (cents/m ³)
North Customers - Delivery			
10	\$1,219	258,683	0.4713
20T	(\$2)	438,518	(0.0005)
20BT	(\$1)	102,074	(0.0005)
100T	\$0	1,398,188	0.0000
25	\$5	147,757	0.0034
North Contract Customers - Gas Supply Transportation			
10	\$1,356	257,433	0.5268
20	\$319	5,688	5.6135
25	\$103	97,426	0.1054

2016 Regulatory Activity Timeline





uniongas

A Spectra Energy Company

Q&A

<https://www.uniongas.com/business/communication-centre/newsletter>

www.uniongas.com

