



Direct Energy

Quarterly Rate Adjustment Mechanism (“QRAM”) - Enbridge Gas Distribution and Union Gas

A Presentation to the Regulated Price Plan Working Group

Government & Regulatory Affairs

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centrica

taking care of the essentials

Former Methodology - EGD

- Trigger methodology:
 - “Reporting trigger”: PGVA > \$20 per typical residential customer
 - would prompt the utility to report the forecast year-end balance to the OEB
 - “Action Trigger”: PGVA > \$35 per typical residential customer
 - would prompt the utility to file an application to adjust their rates prospectively and clear the PGVA or justify status quo
- QRAM replaced the trigger methodology in fiscal 2002

QRAM Principles – Enbridge Gas Distribution (“EGD”)

- Guiding principles:
 - Prices more reflective of market prices on an ongoing basis
 - Enhanced price transparency
 - Regular quarterly review
 - Promote customer awareness, acceptance and minimize customer confusion
 - Mitigate large billing adjustments
 - Fairness and equity among all customer groups
 - Cost effective
 - Reduce regulatory burden relative to former methodology

QRAM Process – Utility Price

- Utility price: weighted average cost of the supply portfolio
- Change in utility price drives changes in delivery, gas supply load balancing and gas supply charges
- Utility price is re-calculated every quarter:
 - Based on a 12-month forward period
 - Average of future market prices at Empress over a 21-day period
 - Last day of 21-day strip precedes beginning of the quarter by no more than 45 days
- Rates adjusted if change in the utility price (net of upstream tolls) is greater than $0.5\text{¢}/\text{m}^3$

QRAM Process – Purchase Gas Variance Account (“PGVA”)

- PGVA: captures the difference between the actual cost of gas (including upstream transportation) and the forecast utility price underpinning rates
- PGVA will be cleared if impact exceeds $0.5\text{¢}/\text{m}^3$ based on forecast consumption for remainder of the fiscal year
- Clearing is done through a rate rider (separate component on the bill) in effect from beginning of the quarter through to the end of the fiscal year
- Discretion can be used in the fourth quarter to extend the period in which the PGVA will be cleared. Onus is on the utility

QRAM Process – PGVA (Cont'd)

- Price variances are deemed to be commodity related hence are typically cleared to customers on system supply (except for toll change)
- Final true-up at the end of the fiscal year to reflect:
 - Actual/most recent annualized volumes by type of service arrangement
 - Actual/most recent composition of the PGVA
- Variance between final year-end amount and amount recovered through rate riders is charged/remitted as a one-time adjustment (after prudence review)

QRAM – Union Gas

- Main differences from EGD:
 - Automatic quarterly rate change and clearing of PGVA: no thresholds
 - Clearing of PGVA included in Gas Commodity Charge (not a separate line item on the bill)
 - Clearing of the PGVA based on prospective 12-month volumetric forecast. Amounts to clearing previous quarter variances (actual and forecast), including previous forecasting error over 12 months
 - No final true-up mechanism