

2011 ITS – Schedule B

Transportation Revenue Variance Calculation

Schedule B - Transportation Revenue Variance Calculation Example

Transportation Revenue Variance (TRV) represents the revenue that has not been generated in the previous year from the Base Toll because of unused capacity on the Enbridge Core System, less the power associated with that space. The TRV is calculated in a manner that is similar to the methodology set forth in the 2005 ITS and the toll design approved by the NEB in RHW-1-89 and reflecting the use of Actual Mill Rates. The TRV is included in the Net Revenue Requirement as a Prior Year Adjustment.

The Transportation Revenue Variance shall be calculated annually as follows:

$$\text{TRV} = \text{Forecast Transportation Revenue} - (\text{Actual Transportation Revenue} - \text{Terrace Surcharge Revenue}) - \text{TRV Power Allowance}$$

The following defines each term in more detail.

Forecast Transportation Revenue

Enbridge Core System Tolls have two components: a Base Toll and a Terrace Surcharge. The Forecast Transportation Revenue equals the Base Toll multiplied by the Deliveries at Terrace III Capacity. The Deliveries at Terrace III Capacity is attached as Schedule G.

Actual Transportation Revenue

Actual Transportation Revenue means transportation revenue generated in the year derived from tolls for the Enbridge Core System excluding revenue generated from facilities tolled on a stand-alone basis pursuant to Deficiency Agreements.

TRV Power Allowance

TRV Power Allowance means an amount equal to the difference between actual power costs and Terrace III At Capacity Power Costs.

Terrace III At Capacity Power Costs for each year is the sum of Terrace III DRA & Fuel plus the product of multiplying the Actual Mill Rate by 2778 GWh, i.e., the Terrace III At Capacity Power Consumption.

Example 1: Actual Deliveries Are Above Deliveries at Post SEP II Capacity

(Illustrative Numbers)

Assumptions:

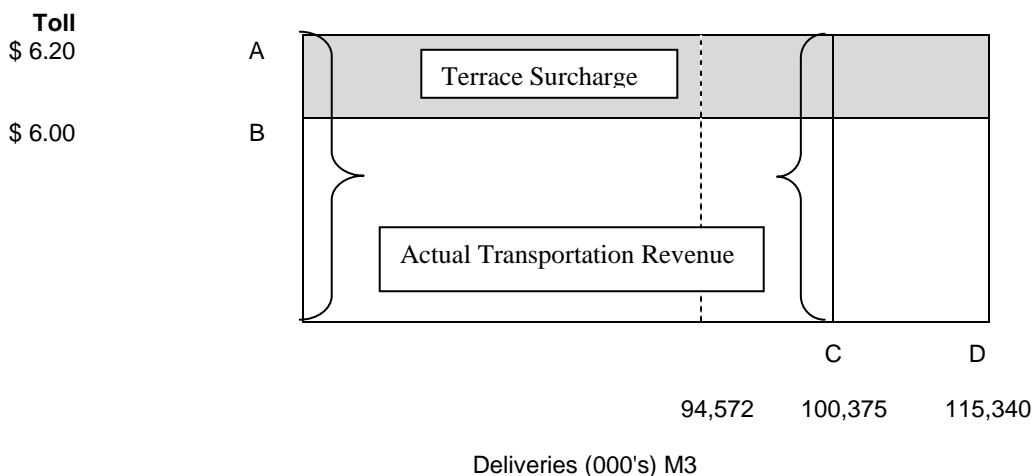
	000's of m ³	\$/m ³
<u>Deliveries</u>		
• Actual Annual Deliveries	100,375	
• Annual Deliveries at Terrace III Capacity (316,000 m ³ /day)	115,340	
• Annual Deliveries at Post SEP II Capacity Used For Calculations of Base Toll (259,100 m ³ /day)	94,572	
<u>Tolls (\$/m³)</u>		
• Base Toll		\$6.00
• Terrace Surcharge		\$0.20
<u>Power</u>		
• Actual Mill Rate (\$/MWh)		\$60.00
• Actual Consumption (GWh)		2,740
• Actual DRA and NG Costs		\$1.5 MM
• Terrace DRA and NG		\$3.6 MM
• SEP II DRA and NG		\$9.0 MM

Calculation of TRV

TRV = Forecast Transportation Revenue – (Actual Transportation Revenue - Terrace Surcharge Revenue) - TRV Power Allowance

TRV = ((Base Toll * Deliveries at Terrace III Capacity) - [(Base Toll + Terrace Surcharge) * Actual Deliveries] - (Terrace Surcharge * Actual Deliveries)) - TRV Power Allowance

A) Forecast Transportation Revenue – (Actual Transportation Revenue - Terrace Surcharge Revenue)



Base Toll * Deliveries at Terrace III Capacity = B * D

((Base Toll + Terrace Surcharge) * Actual Deliveries) - (Terrace Surcharge * Actual Deliveries) = (A * C) - ((A - B) * C)

= (B * D) - [(A * C) - ((A - B) * C)]

= (6.00 * 115,340) - [(6.20 * 100,375) - ((6.20 - 6.00) * 100,375)]

= \$89.8MM

This Schedule is provided for illustrative purposes only and is based upon various assumptions, which may differ from those experienced during the term of the 2010 ITS.

B) TRV Power Allowance

		\$ MM
SEP II at Capacity		E 172.6
Terrace III at Capacity		F 170.3
Actual Power Costs Adjusted for Consumption Savings		F 58
Actual Power Costs		G 133.5

$$E = (2726 \text{ GWh} * 1000 * \$60/\text{MWh}) + \$9.0 \text{ MM} = \$172.6\text{MM}$$

$$F = (2778 \text{ GWh} * 1000 * \$60/\text{MWh}) + \$3.6 \text{ MM} = \$170.3\text{MM}$$

$$G = (2740 \text{ GWh} * 1000 * \$60/\text{MWh}) + \$1.5 \text{ MM} = \$165.9\text{MM}$$

$$\text{TRV Power Allowance} = F - G$$

$$\text{TRV Power Allowance} = \$170.3\text{MM} - \$165.9\text{MM}$$

$$\text{TRV Power Allowance} = \$4.4\text{MM}$$

TRV

TRV = Forecast Transportation Revenue – (Actual Transportation Revenue - Terrace Surcharge Revenue) - TRV Power Allowance

$$\text{TRV} = \$89.8\text{MM} - \$4.4\text{MM}$$

$$\text{TRV} = \$85.4\text{MM}$$

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Example 2: Actual Deliveries Are Below Deliveries at Post SEP II Capacity

(Illustrative Numbers)

Assumptions:

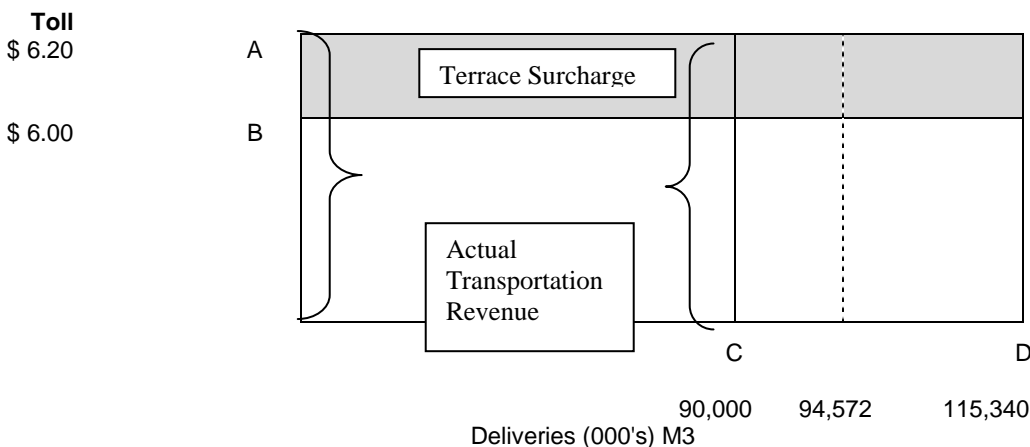
	000's of m ³	\$/m ³
<u>Deliveries</u>		
• Actual Annual Deliveries	90,000	
• Annual Deliveries at Terrace III Capacity (316,000 m ³ /day)	115,340	
• Annual Deliveries at Post SEP II Capacity Used For Calculations of Base Toll (259,100 m ³ /day)	94,572	
<u>Tolls (\$/m³)</u>		
• Base Toll		\$6.00
• Terrace Surcharge		\$0.20
<u>Power</u>		
• Actual Mill Rate (\$/MWh)		\$60.00
• Actual Consumption (GWh)		2,640
• Actual DRA and NG Costs		\$1.5 MM
• Terrace DRA and NG		\$3.6 MM
• SEP II DRA and NG		\$9.0 MM

Calculation For TRV

TRV = Forecast Transportation Revenue – (Actual Transportation Revenue - Terrace Surcharge Revenue) - TRV Power Allowance

TRV = ((Base Toll * Deliveries at Terrace III Capacity) - (((Base Toll + Terrace Surcharge) * Actual Deliveries) - (Terrace Surcharge * Actual Deliveries))) - TRV Power Allowance

A) Forecast Transportation Revenue – (Actual Transportation Revenue - Terrace Surcharge Revenue)



Base Toll * Deliveries at Terrace III Capacity = B * D

((Base Toll + Terrace Surcharge) * Actual Deliveries) - (Terrace Surcharge * Actual Deliveries) = (A * C) - ((A - B) * C)

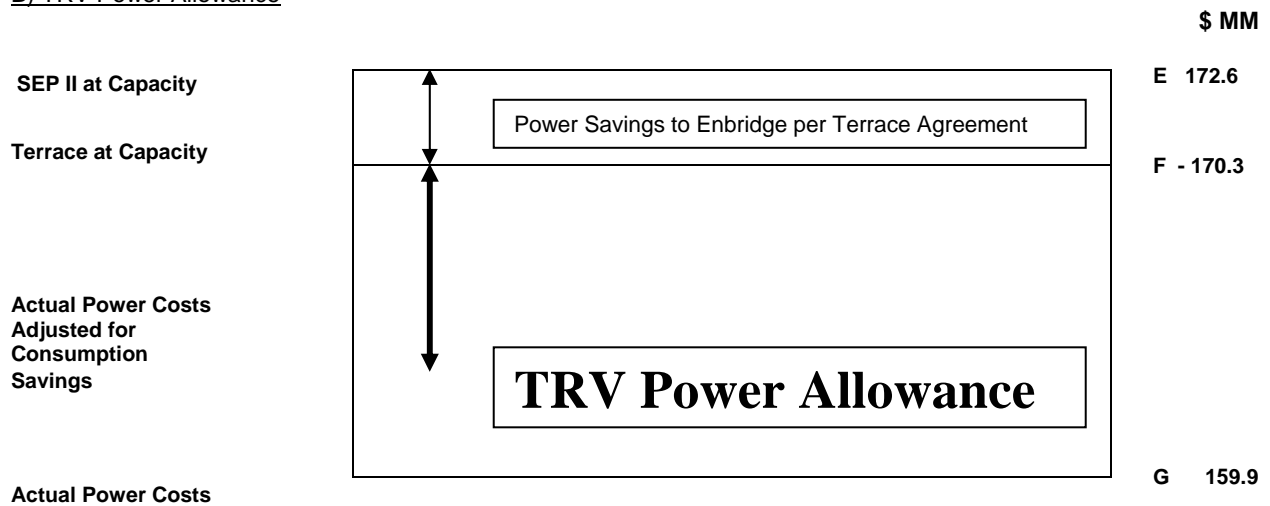
= (B * D) - [(A * C) - ((A - B) * C)]

= (6.00 * 115,340.0) - [(6.20 * 90,000) - ((6.20 - 6.00) * 90,000)]

= \$152.0MM

This Schedule is provided for illustrative purposes only and is based upon various assumptions, which may differ from those experienced during the term of the 2010 ITS.

B) TRV Power Allowance



$$E = (2726 \text{ GWh} * 1000 * \$60/\text{MWh}) + \$9.0 \text{ MM} = \$172.6\text{MM}$$

$$F = (2778 \text{ GWh} * 1000 * \$60/\text{MWh}) + \$3.6 \text{ MM} = \$170.3\text{MM}$$

$$G = (2640 \text{ GWh} * 1000 * \$60/\text{MWh}) + \$1.5 \text{ MM} = \$159.9\text{MM}$$

$$\text{TRV Power Allowance} = F - G$$

$$\text{TRV Power Allowance} = \$170.3\text{MM} - \$159.9\text{MM}$$

$$\text{TRV Power Allowance} = \$10.4\text{MM}$$

Final TRV Calculation

TRV = Forecast Transportation Revenue – (Actual Transportation Revenue - Terrace Surcharge Revenue) - TRV Power Allowance

$$\text{TRV} = \$152.0\text{MM} - \$10.4\text{MM}$$

$$\text{TRV} = \$141.6\text{MM}$$

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