

# 2026 Rate Case: Cost Allocation and Rate Design



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# Proposed 2026 Revenue Requirement

## 2026 Revenue Requirement

- 2026 rates designed on a cost-of-service (COS) basis
- 2026 revenue requirement (RR) reflects forecast of costs that Enbridge Gaz Quebec will incur to provide distribution and upstream services to customers
- Reference for the table below: EGQ-26, Doc. 1.1, Page 1, Col. 5, Item 6, and EGQ-26 Doc 2.1, Page 1, Col. 18, Item 6

	Revenue
Distribution	\$49,015 K
Gas Cost (Upstream)	\$38,476 K
Total	\$87,491 K

Enbridge Gaz Quebec rates to recover distribution and gas costs are designed on a stand alone / separate basis

# Distribution: 2026 Revenue Deficiency

## 2026 Distribution Revenue Deficiency

- 2026 revenue Deficiency = \$3,840 K
- Reference for table below: EGQ-26, Document 1.1, Page 1

### REVENUE COMPARISON - CURRENT DISTRIBUTION REVENUE VS PROPOSED DISTRIBUTION REVENUE

	Col. 1	Col. 2	Col. 3	Col. 4	Col. 5
Item No.	Rate No.	2026 Budget Volume (10 <sup>3</sup> m <sup>3</sup> )	Current Revenue D-2025-052 (000\$)	Revenue Deficiency R-4303-2025 (000\$)	Proposed Revenue R-4303-2025 (000\$)
1.	Rate 1	82,798.8	12,698.0	1,339.0	14,037.0
2.	Rate 2	63,045.4	30,966.4	2,326.1	33,292.5
3.	Rate 4	3,613.8	165.9	10.9	176.7
4.	Rate 5	18,300.0	591.3	67.8	659.1
5.	Rate 9	29,187.3	753.5	96.4	849.9
6.	TOTAL	196,945.2	45,175.1	3,840.2	49,015.3

# Distribution: 2026 Results

## 2026 Revenues, Costs, Revenue to Cost Ratios and Bill Impacts

- Reference for the table below:
  - > EGQ-25, Document 2.1, Page 2, Items 1, 2, 3
  - > EGQ-26, Document 1, Page 6, Table 1
  - > EGQ-26, Document 1.1, Page 4, Col. 6

DESCRIPTION	TOTAL	TARIF 1	TARIF 2	TARIF 4	TARIF 5	TARIF 9
Revenues	49,015.3	14,037.0	33,292.5	176.7	659.1	849.9
Costs of Service	49,015.3	13,975.1	33,129.8	129.7	662.4	1,118.3
Over/Under Contribution	-	61.9	162.7	47.0	(3.3)	(268.4)
Proposed 2026 R/C Ratio	1.0	1.0	1.0	1.36	1.0	0.76
Approved 2025 R/C Ratio	1.0	1.0	1.0	1.41	1.0	0.75
% Impact of Distribution Bill	8.5%	10.5%	7.5%	6.5%	11.5%	12.8%
% Impact of Total Bill	4.1%	3.9%	4.9%	1.2%	1.6%	1.4%

# Total 2026 Revenue Deficiency

## 2026 Revenue Deficiency

- Distribution revenue deficiency = \$3,840.2 K
  - Gas cost revenue deficiency = \$ 400.0 K
  - Total revenue deficiency = \$4,240.2 K
- Reference for the table below: EGQ-26, Doc. 2.1, Page 1, Items 1 – 6, Col. 6,12 & 18

No.	No.	Current Revenue April 2025 Pass-On D-2025-052 (000\$)	Revenue Deficiency R-4303-2025 (000\$)	Proposed Revenue R-4303-2025 (000\$)
1.	Rate 1	30,631.5	1,493.4	32,125.0
2.	Rate 2	47,320.6	2,544.7	49,865.3
3.	Rate 4	272.1	15.8	287.9
4.	Rate 5	1,061.6	89.4	1,151.0
5.	Rate 9	3,965.3	96.9	4,062.2
6.	TOTAL	83,251.2	4,240.2	87,491.4

# Total Revenues and Costs: 2026 Results

## 2026 Total Revenues, Costs, and Bill Impacts

- Reference for the table below:
  - > EGQ-25, Document 2.1, Page 1, Items 1, 2, 3
  - > EGQ-26, Document 2.1, Page 6, Col. 6

DESCRIPTION	TOTAL	TARIF 1	TARIF 2	TARIF 3	TARIF 4	TARIF 5	TARIF 9
Revenues	87,491.4	32,125.0	49,865.3	-	287.9	1,151.0	4,062.2
Costs of Service	87,491.4	32,063.1	49,702.5	-	240.9	1,154.3	4,330.6
Over/Under Contribution	(0.0)	61.9	162.7	-	47.0	(3.3)	(268.4)
% Impact of Distribution Bill	8.5%	10.5%	7.5%	0.0%	6.5%	11.5%	12.8%
% Impact of Total Bill	4.4%	4.3%	5.3%	0.0%	1.5%	1.8%	1.3%

Note 1: Gas supply, transportation, and load balancing rates are entirely cost based. They reflect results of the cost allocation study and contain no adjustments.

# Rate Design Proposals – Fixed Cost Strategy

## Rate 1 & Rate 2 Proposals

- Proposals in the 2026 Rate Case are a continuation of the strategy from the 2025 Rate Case which aims to gradually increase the fixed component of customer bills
- Increasing the fixed cost recovery provides EGQ with additional stability in terms of cost recovery and provides better alignment with the costs to serve a customer and who is paying for those costs.
- Gradual increases will minimize the impact to various subsets of customers within Rate 1 and Rate 2 and is an interim step to manage the potential future impacts of volume decreases and energy transition
- Adjustments to the level of fixed cost recovery do not impact the average total bill impacts for a rate class, however it does affect the bill impacts for customers within a rate class
- Without adjustments, customers with consumption above the rate class average will continue to pay a higher proportional share of costs

# Rate Design Proposals – Fixed Cost Strategy

## Rate 1 & 2 Proposals

- The table below summarizes the proposed changes to the fixed cost recovery of Rate 1 and Rate 2 for 2026:

	\$ Amount		Fixed Recovery	
	Tarif 1	Tarif 2	Tarif 1	Tarif 2
2025 Fixed Monthly Charge	\$ 32.00	\$ 12.00	11.02%	19.19%
2026 Proposed Fixed Monthly Charge	\$ 47.00	\$ 14.00	14.65%	20.95%
2025 Maintain Fixed Monthly Charge	\$ 32.00	\$ 12.00	9.97%	17.95%

- Analyzed 6 scenarios for each rate class to determine the level of the increase and the associated bill impacts
- Multiple revenue classes were reviewed within each rate class to understand the impacts for different typical customer consumption profiles.
- Reference: EGQ-26 Doc. 1, A. 9 and EGQ-26 Doc 1.2

# Rate Design Proposals – Fixed Cost Recovery

## Rate 1 & 2 Proposals

- Fixed and variable components proposed for 2026:

Volumes	% Vol	Distribution Revenue (D_2025-052)	Rev %	Distribution Fixed Revenue					Distribution Variable Revenue		Distribution Deficiency Revenue	
				Fixed Monthly Charge (D-2025-052)	2026 Fixed Monthly Charge Increase	% Increase	Impact on Distribution	Portion of Deficiency (\$000's)	Impact on Distribution	Portion of Deficiency (\$000's)	Distribution Revenue Impact (%)	Total Revenue Impact (%) with 2026 Gas Costs
(a)	(b)	(c)	(d)	(e)	(f)	(g) = (f/e)	(h) = (i/l+k)*l	(i)	(j) = (k/i+k)*l	(k)	(l)	(m)
82,799	42%	12,698	28%	\$ 32.00	15.00	47%	5%	656.1	5%	682.9	10.5%	4.3%
63,045	32%	30,966	69%	\$ 12.00	2.00	17%	3%	996.3	4%	1,329.9	7.5%	5.3%
-	0%	-	0%	\$ 20.68	-	0%	0%	-	0%	-	-	-
3,614	2%	166	0%	\$ 20.94	-	0%	0%	-	7%	10.9	6.5%	1.5%
18,300	9%	591	1%	\$ 31.76	-	0%	0%	-	11%	67.8	11.5%	1.8%
29,187	15%	754	2%	\$ 3.15	-	0%	0%	-	13%	96.4	12.8%	1.3%
196,945	100%	45,175	100%					1,652.4		2,187.8	8.5%	4.4%

3,840.2

# Rate Design Proposals – Intervenor Comments

## Rate 1 & 2 Proposals

- The FCEI has requested that EGQ present bill impacts for sub-groups within specific classes. In response, EGQ has calculated bill impacts for a Rate 1 customer in class 43 with annual consumption of 2,000 m<sup>3</sup> and a customer in class 79 with annual consumption of 5,000 m<sup>3</sup>

**Table 1**

**Rate 1 - Distribution Only**

Revenue Class	Average Use m3	Existing		Proposed		Distribution Impact		Total Bill Impact	
		D-2025-052 2025		R-4303-2025 2026		(\$)	(%)	(\$)	(%)
79	9,045	\$ 1,930		\$ 2,203	\$ 273	14.2%	\$ 289	6.8%	
<b>79</b>	<b>5,000</b>	<b>\$ 1,269</b>		<b>\$ 1,502</b>	<b>\$ 233</b>	<b>18.4%</b>	<b>\$ 242</b>	<b>9.5%</b>	
43	9,527	\$ 1,970		\$ 2,246	\$ 276	14.0%	\$ 292	6.6%	
<b>43</b>	<b>2,000</b>	<b>\$ 748</b>		<b>\$ 950</b>	<b>\$ 202</b>	<b>27.0%</b>	<b>\$ 205</b>	<b>16.3%</b>	
78	21,896	\$ 3,904		\$ 4,297	\$ 393	10.1%	\$ 430	4.5%	
87	28,432	\$ 4,879		\$ 5,330	\$ 452	9.3%	\$ 500	4.1%	
32	33,424	\$ 5,399		\$ 5,883	\$ 483	8.9%	\$ 541	3.9%	
71	54,183	\$ 8,110		\$ 8,757	\$ 647	8.0%	\$ 740	3.4%	
49	91,673	\$ 12,218		\$ 13,113	\$ 895	7.3%	\$ 1,053	2.9%	

# Rate Design Proposals – Intervenor Comments

## Rate Adjustment for Rates 4 and 9

- The FCEI has stated that they disagree with the proposed rate adjustments for Rate 4 and Rate 9 and that no adjustment should be made for Rate 9. In this case, the excess revenue of \$11.9k would be transferred back to Rate 4. The table below shows the resulting bill impacts of this proposed change:

	Col. 1	Col. 2	Col. 3	Col. 5	Col. 6	Col. 7
	TOTAL	TARIF 1	TARIF 2	TARIF 4	TARIF 5	TARIF 9
Revised adjustment	49,015.3	14,037.0	33,292.5	164.8	659.1	861.8
Costs of Service	49,015.3	13,975.1	33,129.8	129.7	662.4	1,118.3
Over/Under Contribution	-	61.9	162.7	35.2	(3.3)	(256.5)
Proposed 2026 R/C Ratio	1.0	1.0	1.0	1.27	1.0	0.77
Approved 2025 R/C Ratio	1.0	1.0	1.0	1.41	1.0	0.75
% Impact of Distribution Bill	8.5%	10.5%	7.5%	-0.6%	11.5%	14.4%
% Impact of Total Bill	4.1%	3.9%	4.9%	-0.1%	1.6%	1.6%