

GAZIFÈRE INC.
PRE-FILED EVIDENCE OF MALINI GIRIDHAR
2004 RATE CASE

- Q.1 Please state your full name, and your current position with the Company.
- A.1 My name is Malini Giridhar, and I am Manager Rate Design, at Enbridge Gas Distribution.
- Q.2 What are your professional qualifications, experience, and previous appearances before this or other regulatory tribunals?
- A.2 Please refer to my Curriculum Vitae filed at Exhibit GI-14, Document 8.
- Q.3 What is the purpose of this testimony?
- A.3 This testimony deals with the Company's proposed allocation of the forecast revenue deficiency to the different customer rate classes. The revenue deficiency is the difference between the revenue requirement for the test year and revenues derived from applying the current rates (D-2002-283-July 2003 Rates) to test year volumes. The detailed evidence is filed under Tab GI-14.
- Q.4 Please provide an overview of the organization of the documents contained under Tab GI-14. In addition, please provide a summary of the content of these documents.
- A.4 Certainly. Document 2 (Revenue Comparison – Current Revenue vs. Proposed Revenue), contains by rate class a summary of fiscal 2004 volumes, associated revenues under the current pass-on rates (D-2002-283-July 2003 Rates in Col. 3), associated revenues under proposed rates (Col. 5), and the corresponding revenue deficiency of \$231.0 thousand (Col. 4).

Document 3 (Proposed Revenue Recovery by Rate Class) provides the breakdown of revenues and the deficiency/(sufficiency) by customer rate class and rate component: distribution, gas supply load balancing, and gas supply commodity. The distribution and gas supply load balancing components are combined to make up the Delivery Charge component in Gazifère's rates. Revenues under the current rates are shown in Columns 1 through 4. The revenues derived from the proposed

rates are shown in Columns 9 through 12. Columns 5, 6, 7 and 8 indicate the forecast revenue deficiency/(sufficiency).

Document 4 (Summary of Proposed Revenue) shows the associated volumes and proposed revenues for the 2004 test year by rate class and rate component.

Document 5 provides a summary of the proposed unit rate change by rate class. The unit rates currently in effect, the unit rate change, and the proposed unit rates are provided in this document on a rate class basis.

Document 6 contains the calculation of the gas supply, and gas supply load balancing charges by rate class, which is derived directly from the Fully Allocated Cost Study evidence found in Tab GI-13, Documents 11, and 12.

Document 7, page 1 provides the current and proposed unit rates for the distribution, gas supply load balancing, and gas supply charges for each rate class in Columns 1 and 3 respectively. The associated revenues are in Columns 2 and 4 respectively. The forecast revenue deficiency is in Column 5. The percentage change in the unit rates is shown in Column 6. Pages 2 and 3 of Document 7 provide a graphical depiction of the data contained in the table, found on page 1.

- Q.5 Please explain how the deficiency/sufficiency is allocated to the rate classes and how the proposed rates are derived.
- A.5 The proposed rates are determined in four stages. In stage 1, the allocated gas commodity, and gas supply load balancing costs are extracted from the Fully Allocated Cost of Service Study (GI-13, Documents 11 and 12) and are used to develop, for each rate class, the new gas supply, and gas supply load balancing unit rates. These are shown at GI-14, Document 6, items 7 and 8 respectively.

In stage 2, the deficiency associated with each rate component i.e., gas supply, load balancing and distribution is determined. A preliminary allocation of the distribution deficiency is also made.

The load balancing and gas supply deficiencies are shown at Document 3, Columns 6 and 7. They are determined as the difference between the allocated cost (Columns 10 and 11) and the revenue produced under the current rates (Columns 2 and 3). The total distribution deficiency/(sufficiency) is the difference between the total deficiency/(sufficiency), and the sum of the gas supply and gas supply load balancing deficiency/(sufficiency) components. This distribution deficiency/(sufficiency) is allocated to the rate classes pro rata to their rate base allocations on a preliminary basis.

In the third stage, the distribution deficiency/(sufficiency) allocation is reviewed and further adjustments may be performed to the distribution revenue component of the various rate classes. The final distribution deficiency is shown in Column 9 of Document 3.

In stage four, the proposed rates are calculated by adding the unit rate gas supply and delivery adjustments to the current Board approved rates. The gas supply unit rate adjustment, as described in stage 1 is calculated in Document 6. The unit delivery charge adjustment equals the sum of distribution and load balancing deficiencies/(sufficiencies) divided by the delivery volumes. Document 5 lays out the adjustments and the proposed rates.

- Q.6 Please describe the adjustments made to the distribution deficiency at the rate class level in stage 3.
- A.6 Adjustments are made to the revenue responsibilities of each rate class if the initial allocation of deficiency fails to achieve important rate design objectives. These objectives include avoidance of rate shock, market acceptance, competitive position, appropriate relationships between rates, and acceptable

revenue to cost “(R/C)” ratios.

As seen in Table 1 below, the revenue to cost ratios vary significantly between rate classes. In Fiscal 2001 the Company proposed a three year horizon over which to bring the R/C ratios for the different rate classes closer to one. In Fiscal 2002 the Company moderated the increase for Rate 2, and retained a R/C ratio of 0.92 as directed by the Regie. In 2003 the Company did not have a rate case proceeding. The current proceeding is the final year of the then envisaged three year horizon, however the Company is not proposing a one time adjustment to bring the R/C ratios closer to unity. Rather, the Company is proposing to maintain a gradual approach to improving revenue to cost ratios, with a view to moderating rate increases for residential customers around or below forecast CPI. For instance, a revenue to cost ratio of 0.99 for the residential rate class would require an increase of 16.5% in delivery charges, or 7.5% including commodity charges. This position is also supported by the fact that residential customers have been exposed to significant price volatility as it relates to their commodity costs since the last two years.

Table 1: Proposed adjustments and rate increase for 2004

	<u>Total</u>	<u>Rate 1</u>	<u>Rate 2</u>	<u>Rate 3</u>	<u>Rate 4</u>	<u>Rate 5</u>	<u>Rate 9</u>
Adjustments (\$'000)	0.0	9.20	31.9	-0.2	-10.0	0.0	-30.9
Proposed R/C Ratio	1.00	1.09	0.93	1.13	1.14	1.12	1.02
Fiscal 2002 R/C Ratio	1.00	1.11	0.92	1.16	1.38	1.03	0.98
% increase for T customer		0%	1.7%	0%	1.5%	-1%	0%
% increase for sales customer		0%	1%	0%	0%	n/a	n/a

The table above shows that the company’s proposal results in an

improvement in the revenue to cost ratios relative to Fiscal 2002 for all rate classes except Rate 5. Rates 1, 3 and 9 benefit from a delivery rate freeze. Sales customers on Rate 2 would see an increase in rates of 1% which is below the projected CPI of 2% for 2004. T service customers on Rates 2 and 4 would also see an increase less than projected CPI, while the customer on Rate 5 would see a decrease of 1% due to an improvement in load factor. The increase in the revenue to cost ratio for Rate 5 from 1.03 to 1.12 occurs because the customer taking service on Rate 5 has migrated from sales service to T service. In both fiscal 2002 and 2003 the unit revenue exceeded unit cost by 1 cent/m³, however the migration to T service results in a higher percentage difference between revenue and costs.

Q.7 Does this conclude your evidence?

A.7 Yes, it does.