

GAZIFÈRE INC.  
PRE-FILED EVIDENCE OF ANTON KACICNIK  
2005 RATE CASE

Q.1 Please state your full name, your current position with the Company, your professional qualifications and previous appearances before this or other regulatory tribunals.

A.1 Please refer to my curriculum vitae filed at Exhibit GI-12, Document 3.

Q.2 What is the purpose of this testimony?

A.2 I am presenting the Working Cash Study underpinning the 2005 Test

Year found at Exhibit GI-12, Document 2. The working cash requirement in rate base arising from the study is presented at Exhibit GI-8, Document 2.

Exhibit GI-12, Document 2 is the analysis that determines the revenue and expense lags to be applied to the gas cost, O&M, income and other tax expenses deriving the working cash requirement for the Test Year. This exhibit also determines the impact on working cash arising from the Goods and Services Tax ("GST") and the Québec Sales Tax ("QST").

Q.3 Are there any changes in methodology from the study presented in R-3514-2003?

A.3 No, the methodology is consistent with the Regie's finding in R3514-2003, D-2004-48 decision with the exception of the determination of the gas costs and taxes lag days which is explained under answer 5 below.

Q.4 Could you please summarize the effect of the study on the 2005 Test Year?

A.4 The requested working cash requirement in rate base arising from the results of this study is \$853.9 thousand. This amount includes the impact of the Goods and Services Tax ("GST"), the Québec Sales Tax ("QST"), and the Uncollectibles, which are not part of this study. The 2004 test year was the last time the working cash study was approved by the

Regie. Compared to the level approved in the 2004 Test Year, this corresponds to an increase in the working cash requirement of \$600.4 thousand.

This difference is due to variations in the net lag days for gas costs, O&M, Municipal Taxes and Other ("Taxes"), Income taxes, GST and QST amounts, level of Uncollectibles, and the forecast level of costs underpinning the 2005 Test Year.

The net lag variance for Gas costs, O&M, Income and Other Taxes accounts for a variation of \$348.3 thousand. Additionally, the price variance for these costs components is \$235.9 thousand, totaling a difference of \$584.2 thousand. A decrease in uncollectibles explains a variance of \$29.0 thousand. The balance is due to variations in the working cash requirement for GST and QST of \$(12.8) thousand.

Q.5 Can you please describe the changes in the revenue lag, gas costs, O&M and Taxes expense lag from the level approved in the 2004 Rate Case proceedings (D-2004-48 decision)?

A.5 The average revenue lag for all customers has increased from the level approved in D-2004-48. The billing lag has increased by .1 days while the collection lag has increased by 2.6 days. This results in a net revenue lag increase of 2.7 days compared to fiscal 2004.

The gas cost expense lag has decreased from 35.8 days in fiscal 2004 (the level approved in D-2004-48) to 35.4 days for fiscal 2005. The Company adjusted the payment date for the periods October 2002 to January 2003 and July 2003 to the 20<sup>th</sup> of the month following the current gas service delivery period. The lag days were then applied its 2003 actual gas cost expense lag to determine fiscal 2005 gas cost expense lag. The Company made changes to the payment periods indicated above to better reflect the

anticipated fiscal 2005 payment pattern.

The O&M expense lag has increased from the 2004 level of 19.9 days to the 2005 level of 22.3 days.

The taxes lag has changed from (52.3) days to (62.7) days. This is primarily a result of a change in the weights of the different tax components and their associated lag days. For the municipal tax lag day, the Company adjusted the early municipal tax payment made on February 7, 2003 to March 7, 2003. The lag days were then applied to fiscal 2003 municipal taxes to more accurately reflect the anticipated fiscal 2005 municipal tax payment lag day.

The working cash requirement for GST has changed from \$(234.2) thousand in fiscal 2004 to \$(240.1) for 2005. Similarly the level of QST has changed from \$(268.4) thousand to \$(275.3) thousand.

Q.6 Are you proposing any changes to the revenue lag and specific expense lag days presented in the 2003 Regulatory Closing of the Books proceedings?

A.6 With the exception of the gas costs and tax expense lags explained under answer 5, the revenue and expense lags are the same as filed and approved in the 2003 Regulatory Closing of the Books. These lag days reflect fiscal 2003 information, which corresponds to the most current history. No other significant changes in payment patterns have occurred or are anticipated to occur in the Test Year.