

Conclusion

Based on our general and specific short-term recommendations and the above adjustments to the 2004 budget, it is our opinion that \$13.5M in EI Corporate cost allocations for 2005 is adequately supported.

Régie de l'énergie
DOSSIER: R-3537-2004
DÉPOSÉE EN AUDIENCE
Date: 18 JANVIER 2005
Pièces n°: OC-3

8. Overall Conclusion

Based on our analysis and evaluation, our overall conclusions to this study are:

- The Intercorporate Services Agreement between EI and EGD needs to be amended. As it is currently constituted it does not meet the requirement set out in the Affiliate Relationships Code for Gas Distributors. Indeed the agreement is not a “services agreement” but rather an agreement to allocate to EGD a portion of the costs of EI Corporate departments that provide services to EGD. This may be driven by the underlying approach of the EI Methodology (see below). Details on our recommendations are set out in Section 5 – Service Agreement
- The EI Methodology should be amended. It does not lend itself to an easy application of the three prong test and the allocators prescribed by the methodology do not in every case provide results that reflect the cost causality requirement of the three prong test. Detailed changes to the EI Methodology should be facilitated by a change in the overall perspective and underlying approach of the methodology from cost-centre costing to service based costing. Details on our recommendations are set out in Section 6 – Corporate Cost Allocation Methodology
- Based on the estimated impact of our recommendations on the specific costs allocated, EGD should be allowed to recover \$13.5 Million for Corporate cost allocations for 2005. Details of our recommendations are set out in Section 7 – Specific Cost Allocations.