

GAZIFÈRE INC.
PRE-FILED EVIDENCE OF JACKIE COLLIER
2009 RATE CASE

Q.1 Please state your full name, and your current position.

A.1 My name is Jackie Collier, I am Manager Rate Design, at Enbridge Gas Distribution Inc. (“EGD”).

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-19, document 2.

Q.3 What is the purpose of this testimony?

A.3 This testimony addresses Gazifère’s (the “Company”) proposed allocation of the 2009 forecast distribution revenue requirement to the different customer rate classes and the development of the 2009 distribution rates. In addition, Gazifère is proposing two changes to its rate design:

- 1) the removal of the seasonality component in its large volume delivery Rates and,
- 2) the recovery of the distribution related deficiency from all components of the delivery charges including the monthly fixed charge.

Q.4 Why is the Company proposing to eliminate the seasonal differential from its large volume rate classes?

A.4 Currently, Gazifère’s rate classes 3, 4, 5 and 9 have a higher winter rate (December to March) and a lower summer delivery rate. This seasonal differential has been in place since 1994 for large volume customers only. General service customers pay the same delivery unit rates year round. Gazifère introduced the seasonal differential in 1994 to correspond with the seasonal rates Gazifère was being charged under EGD’s Rate 200. Gazifère receives its upstream gas supply service from EGD’s Rate 200. In 2005, EGD removed the seasonal differential from all of its rate classes including Rate 200.

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Given that Gazifère is being charged the same Rate 200 rate in the winter and summer months, having a seasonal rate for the large volume rate classes is no longer warranted. In addition removing the seasonality component from the rates will reduce the added complexity and administrative burden of having two sets of rates which vary by season. The removal of the seasonality is revenue neutral at a rate class level and has no impact on the level of Gazifère's proposed distribution revenue requirement.

Q.5 Why is the Company proposing to recover the distribution deficiency from all components of its delivery rates including the monthly fixed charge?

A.5 The Company has not increased its monthly fixed charge for Rates 1 and 2 since 1998. The large volume customer's monthly fixed charges have not been adjusted for an even longer period of time. The Company has reflected changes in its revenue requirement solely from variable charges while leaving fixed charges constant. The Company is now proposing to recover the distribution related deficiency from its fixed and variable delivery charges. In order to maintain a level of fixed cost recovery over time for all rate classes, the Company is proposing to increase the monthly fixed charges and demand charges (where applicable) by the proposed increase in the distribution related revenue requirement for each rate class in every test year rate case.

Q.6 How is the distribution revenue deficiency recovered from each rate class?

A.6 The distribution revenue deficiency is the difference between the distribution revenue requirement for the test year determined by the CPBR formula and the revenues derived from applying the current distribution rates following the decision D-2007-130 to the 2009 test year volumes. This evidence addresses the derivation of the 2009 distribution rates based on the results of the 2009 fully allocated cost study. This evidence does not address the derivation of the gas supply, load balancing and transportation charges. These charges will continue to be determined within Gazifère's quarterly rate

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change mechanism.

Q.7 Please provide an overview of the organization of the documents contained under Tab GI-19, documents 1.1 to 1.3. In addition, please provide a summary of the content of these documents.

A.7 Certainly. Document 1.1 (Revenue Comparison – Current Distribution Revenue vs. Proposed Distribution Revenue), contains by rate class a summary of fiscal 2009 volumes (Col. 2), associated distribution revenues under the current distribution rates (Col.3), associated revenues under the proposed rates (Col. 5), and the corresponding revenue deficiency of \$1,123.0 thousand (Col. 4).

Document 1.2 provides a summary of the proposed unit rate change by rate class. The unit rates currently in effect including the existing seasonal differentials for rates 3, 4, 5 and 9, the unit rate changes necessary to recover the proposed distribution revenue deficiency, removal of the seasonal differentials for large volume rates and the proposed unit rates are provided in this document on a rate class basis.

Document 1.3, page 1, provides the current and proposed average unit rates for the commodity, load balancing and distribution for each rate class in Columns 1 and 3 respectively. The commodity and load balancing revenues are based on the July 1, 2008 Pass-on rates and therefore do not include the forecast 2009 change in gas costs as outlined at Exhibit GI-20. As was the case for 2006, 2007 and 2008, the impact from the change in 2009 gas costs will be incorporated into the rates following the implementation of the Régie's 2009 final decision. 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.

Q.8 Please explain how the deficiency is allocated to the rate classes and how the proposed rates are derived.

A.8 The proposed rates were determined in two stages. In stage 1, the

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distribution deficiency is allocated to the rate classes pro rata to their rate base allocations on a preliminary basis.

In the second stage, the distribution deficiency 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 4 of GI-19, document 1.1.

Q.9 Please describe the adjustments made to the distribution deficiency at the rate class level in stage 2.

A.9 Adjustments are made to the revenue responsibilities of each rate class if the initial allocation of deficiency in stage 1 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. Table 1 below depicts the proposed distribution revenue to costs ratios for each rate class as well as the 2008 distribution revenue to cost ratios. Typically, the Company quotes a revenue to cost ratio including commodity and load balancing costs and revenues. As this filing only isolates the distribution revenue requirement, the revenue to cost ratios have been stated on a distribution only basis.

Gazifère is proposing to make no adjustments to the allocated deficiency for each rate class. The outcome of the fully allocated cost study and the allocation of the revenue deficiency pro rata to rate base results in an improvement in revenue to costs ratios for all rate classes which brings their revenue to cost ratios closer to 1.0. Although Rate 2's increase is higher relative to the other rates, its revenue to cost ratio has improved. Further, given the size of the Rate 2 revenue requirement, any downward adjustment to its revenue to cost ratios or rate increase would cause a deterioration of the revenue to costs ratios and considerably higher rate impacts for the other rate classes. Gazifère submits that the revenue to costs ratios and resulting rate impacts are appropriate for the 2009 test year and therefore no adjustments should be made.

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The rate impacts depicted in the chart below are relative to the 2008 final distribution rates (including the July 1, 2008 Pass-On).

Table 1: Proposed Adjustments and Rate Increase for 2009

	<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	0.0	0.0	0.0	0.0	0.0	0.0
Proposed 2009 R/C Ratio – Distribution Only	1.00	1.47	0.85	2.45	2.01	1.61	2.01
Fiscal 2008 R/C Ratio – Distribution Only	1.00	1.48	0.83	2.57	2.10	1.77	2.10
% increase on total bill of a T-service customer	3.3%	2.0%	4.3%	1.0%	1.3%	1.3%	1.3%
% increase on total bill of a sales customer	1.2%	0.7%	1.8%	0.3%	n/a	n/a	n/a
2009 Delivery Volumes (10 ⁶ m ³)	148.8	56.3	68.7	.4	1.4	14.0	7.9
2008 Delivery Volumes (10 ⁶ m ³)	148.2	56.9	67.4	.4	1.7	14.0	7.8

Q.10 Does this conclude your evidence?

A.10 Yes, it does.