RÉPONSES DE GAZIFÈRE INC. AUX DEMANDES DE RENSEIGNEMENTS Nº 2 DE L'ACIG DEMANDE RELATIVE AU RENOUVELLEMENT DU MÉCANISME INCITATIF, À LA FERMETURE RÉGLEMENTAIRE DES LIVRES POUR LA PÉRIODE DU 1ER JANVIER 2009 AU 31 DÉCEMBRE 2009, À L'APPROBATION DU PLAN D'APPROVISIONNEMENT POUR L'EXERCICE 2011 ET À LA MODIFICATION DES TARIFS DE GAZIFÈRE INC. À COMPTER DU 1ER JANVIER 2011

PHASE 2 – TAUX DE RENDEMENT

Demande #1

Référence : Preuve de Kathleen C. McShane, page 24.

Préambule :

"A small utility cannot diversify its risks to the same extent as larger utilities whose assets, geography and economic bases are less concentrated. Negative events are likely to have greater impact on the earnings or viability of a smaller company. The impact of smaller size for utilities with rated debt is frequently exhibited in lower debt ratings for these companies despite financial parameters that are stronger than their larger peers."

Questions :

1.1 Veuillez déposer toute analyse effectuée par Mme McShane pour appuyer ses dires à l'effet que Gazifère aurait souffert de son aspect de concentration de manière supérieure aux autres distributeurs canadiens au cours des dernières années.

Réponse 1.1 :

Ms. McShane has not performed a formal analysis. Excluding the greenfield gas distributors in New Brunswick, the Northwest Territories, and Nova Scotia, there are approximately 12 investor-owned natural gas distributors in Canada which are regulated as stand-alone entities, five relatively large (ATCO Gas, Enbridge Gas, Gaz Métro, Terasen Gas and Union Gas) and seven relatively small (AltaGas, Gazifère, Natural Resource Gas, Pacific-Northern Gas (N.E.) Pacific Northern Gas-West, Terasen Gas (Whistler), and Terasen Gas (Vancouver Island)). Of those, to Ms. McShane's knowledge, Gazifère is the only utility other than PNG-West which has had relatively high exposure to either a single industry and/or a relatively small number of large industrial

customers and has experienced the loss of such a high percentage of those volumes.

1.2 Dans l'éventualité où Mme McShane n'a pas effectué de telle analyse, veuillez indiquer et produire toutes informations utilisées par elle pour conclure que Gazifère a souffert de son prétendu haut niveau de concentration.

Réponse 1.2 :

Please see response to ACIG 1.1.

1.3 Est-il de l'opinion de Mme McShane que peu importe la qualité de la franchise, une plus petite franchise est automatiquement plus à risque ? Veuillez expliciter votre réponse en excluant de celle-ci toute justification ayant trait à l'accès au financement.

Réponse 1.3 :

No, whether a smaller utility would be more at risk depends not only on the characteristics of the utility in question, but also the comparators. Further, even with a similar customer base (e.g., in terms of proportions of residential, commercial and industrial customers), the smaller the utility, the greater the potential impact of a loss of a single customer within a customer class.

Demande #2

Référence : Preuve de Kathleen C. McShane, page 24.

Préambule :

"FortisBC, which had a rate base of over $900 million in 2009, despite better credit metrics than Terasen Gas, the benchmark BC utility, due to an allowed common equity ratio of 40% and an allowed ROE that is 40 basis points higher than Terasen Gas's, is rated BBB(High) by DBRS and Baa2 by Moody's. Terasen Gas, by comparison, has ratings of A by DBRS and A3 by Moody's."

Questions :

2.1 De l'opinion de Mme McShane, certaines caractéristiques particulières de Gazifère pourraient-elles limiter la portée de cette comparaison, comme par exemple :

2.1.1 La nature de la clientèle de Gazifère, qui est largement résidentielle, et donc considérée moins à risque qu'une franchise ayant un plus grand niveau de clientèle industrielle;

2.1.2 La région de Gatineau qui bénéficie largement de la présence gouvernementale tant pour les ventes institutionnelles que pour l'impact de ce secteur sur l'économie locale et donc sur la qualité de la clientèle résidentielle;

2.1.3 L'aspect urbain et dense du réseau de Gazifère, qui permet d'atteindre des économies d'échelle plus importantes que des réseaux en milieu rural et ayant une plus faible densité de population;

2.1.4 Une situation économique particulièrement impressionnante, ayant un niveau d'éducation supérieure à la moyenne québécoise et un niveau de chômage inférieur au reste du Québec.

Réponse 2.1:

Ms. McShane does not disagree in principle that differing characteristics between the utilities could limit the scope of the comparison. She would note, however, that, in its discussion of the strengths of FortisBC, DBRS noted in particular its diversified customer base in a growth-oriented franchise area. DBRS commented that electricity sales to stable residential customers accounted

for about 40% of total sales volume, while 23% of sales were to commercial customers and 29% to wholesale customers (which, in turn, sell primarily to residential and commercial customers). Only 8% of sales were to low-margin, economically sensitive industrial customers. DBRS concluded that FortisBC's level of diversification and low reliance on economically sensitive customers helps mitigate the potential negative impacts of an economic downturn. The circumstances of FortisBC which DBRS discusses are analogous to those of Gazifère.

2.2 De l'avis de Mme McShane, est-ce que la situation de risque de Gazifère est différente de la situation qu'elle avait estimé pour les fins du dossier tarifaire ayant mené à la décision D-99-09 ? Le cas échéant, veuillez expliciter les composantes du risque de Gazifère qui ont connu des modifications entre 1999 et aujourd'hui.

Réponse 2.2:

Yes, there have been changes to the risk profile since 1999; the most significant change has been the reduction in Gazifère's reliance on the industrial sector, particularly the pulp and paper industry, and greater reliance on residential and commercial sectors, as noted at lines 639 to 648 of her testimony. Please also see response to ACIG (Booth) 5 d).

Demande #3

Référence : Preuve de Kathleen C. McShane, page 25.

Préambule :
"In the Rate 2 class (largely residential), although Gazifère has experienced significant customer growth (close to 5% per year between 2000 and 2009), its deliveries to Rate 2 customers have only increased by 1.4% annually, as average customer usage has declined. The average Rate 2 per customer usage in 2009 was only 75% of what it was at the beginning of the decade. Reduction in per customer consumption reflects a combination of factors, including construction of more energy efficient homes, installation of more energy efficient appliances, a trend toward construction of more multi-family dwellings, and Gazifère's Demand Side Management (DSM) program. While Gazifère has a deferral account which provides protection from lost volumes arising from its DSM program, over the longer-term, lost deliveries lead to higher unit delivery costs, which make natural gas less competitive."

Questions :

3.1 Veuillez démontrer, dans un exemple chiffré, votre prétention à l'effet que pour le consommateur, le fait de consommer moins de gaz naturel pour répondre à ses besoins implique pour lui une baisse de l'aspect compétitif du gaz naturel.

Réponse 3.1 :

The following is simply an illustration of the referenced phenomenon, where a drop in usage by the customer necessitates an increase in the per unit cost to meet the fixed costs of service.

Fixed Costs of Service		**25,000,000**
Number of Customers		**35,000**
Use per Customer (m^3)		**2,000**
Total sales volumes		**70,000,000**
Fixed Cost per Unit		**0.357**
Total Fixed Cost recovery per Customer		**714**
Assume Usage Drops:	**-4.0%**	**1,920**
Fixed Cost recovery per Customer at 0.357 per unit		**685**
To Cover Fixed Costs - per unit rate must increase		**0.372**
Change in Cost per Unit		**4.2%**

3.2 Est-ce que Mme McShane a fait la comparaison des gains d'efficience des équipements et des impacts des programmes d'efficacité énergétique entre les sources d'énergie gaz naturel et électricité pour la période 2000-2009 ? Si oui, veuillez déposer cette comparaison.

Réponse 3.2:

Ms. McShane has not studied the relative efficiency gains in electric versus gas appliances or the relative impacts of energy efficiency programs of natural gas versus electricity.

3.3 Nous comprenons de l'opinion de Mme McShane que la croissance significative de la clientèle chez Gazifère est contrecarrée par la baisse du volume de consommation par consommateur. Ainsi, à son avis, le risque de Gazifère n'aurait pas changé entre 1999 et aujourd'hui, dû à ces deux éléments qui se compensent l'un et l'autre. Veuillez confirmer si vous êtes d'accord avec notre interprétation et, en cas de désaccord, expliciter les motifs pour lesquels vous ne pouvez partager ce point de vue.

Réponse 3.3:

Ms. McShane's evidence does not say (or imply) that the risk of Gazifère has not changed since 1999 because the growth in customers was offset by the decline in

per customer usage. The point was simply that, despite the high growth in customers, the decline in per customer usage resulted in significantly lower growth in deliveries relative to customer growth. With a continued decline in usage and a trend to more typical customer growth rates, Gazifère could reasonably be expected to experience a decline in total sales.

Demande #4

Référence : Preuve de Kathleen C. McShane, page 25 et 26.

Préambule :

"Gazifère competes with electricity for both residential and commercial customers and load. While natural gas has a price advantage to electricity in Gazifère's service area, the price advantage is smaller than in other provinces (e.g., Alberta and Ontario) due to Québec's relatively unique abundance of low cost hydroelectric generation capacity and a fixed price for heritage generation. The magnitude of the price advantage is dependent on the commodity price of natural gas, over which Gazifère has no control. The price of natural gas exhibits considerable volatility, with monthly "spot" prices (based on the Alberta Hub price) ranging from $2.55 per GJ to $10.80 per GJ in just the past two years. While at current commodity prices, natural gas enjoys a competitive advantage to electricity, during 2008, on average, the price differential between natural gas and electricity in Gazifère's residential sector was minimal. Gas price volatility creates uncertainty for consumers, which encourages them to take measures to permanently reduce energy consumption or to seek energy alternatives. A permanent increase in the commodity price of natural gas has the potential to erode the competitive advantage of natural gas in Gazifère's service area. Further, since electric heating is easier for developers to install in new construction, particularly in multi-unit dwellings, it has a built-in advantage in new construction."

Questions :

4.1 Veuillez indiquer, à la connaissance de Mme McShane, si d'autres éléments doivent être tenus en compte dans la mesure de la concurrence entre l'électricité et le gaz naturel dans la franchise de Gazifère. Si oui, lesquels.

Réponse 4.1 :

The key factors include price, end use customer attitudes (including safety, views of environmental impacts) toward electricity versus gas, ease and cost of appliance and installation, the types of construction that may favour one energy source over another, the impact of marketing efforts by the utilities and energy policy.

4.2 Vous discutez des éléments qui ont mené à l'ampleur de la volatilité du prix du gaz naturel sur la base des prix spot auxquels vous faites référence. Pourquoi Mme McShane s'est-elle limitée à évaluer uniquement les données des deux dernières années?

Réponse 4.2:

Ms. McShane relied on the past two years because they exemplified relatively recent conditions.

4.3 Veuillez déposer les données auxquelles vous faites références, sous forme de fichier excel.

Réponse 4.3:

With respect to the references to the Alberta Hub Price, while Ms. McShane referred to these as spot prices, they are in fact the Alberta Natural Gas Settlement Prices-Monthly Index. GI-31, Document 2.1 contains the prices referenced.

With respect to the statement that "While at current commodity prices, natural gas enjoys a competitive advantage to electricity, during 2008, on average, the price differential between natural gas and electricity in Gazifère's residential sector was minimal," the relationships were provided by Gazifère in summary form to Ms. McShane as contained in the table below.

	Gas vs Electricity
	%
RESIDENTIAL	
January 1st 2008	**-11.28**
April 1st 2008	**-5.61**
July 1st 2008	**13.71**
October 1st 2008	**7.68**
January 1st 2009	**-0.07**
April 1st 2009	**-17.06**
July 1st 2009	**-25.31**
October 1st 2009	**-27.39**
January 1st 2010	**-22.37**

4.4 Veuillez indiquer le lien entre le prix spot du gaz naturel et le prix payé par le consommateur résidentiel. Y-a-t-il une meilleure évaluation de l'effet de la volatilité du prix du gaz naturel selon vous ? Si oui, laquelle et pourquoi?

Réponse 4.4:

Gazifère receives its gas supply services through Enbridge Gas Distribution's (EGD) Rate 200. EGD calculates the Gas Supply component of all its' rate classes – including Rate 200 – following an OEB approved cost allocation and rate design methodology that encompasses a gas cost mechanism called the Quarterly Rate Adjustment Mechanism (QRAM). The QRAM incorporates a forecast of future monthly indices applied to EGD's board approved supply portfolio. To the extent that the actual prices paid by EGD for its gas supply varies from the reference price then the difference is captured in the Purchased Gas Variance Account (PGVA) which is cleared based upon the principles of the cost allocation and rate design methodology. EGD's requirements for gas supply are to fill existing pipeline contracts and for incremental supplies based upon demand. As a consequence EGD buys the vast majority of its supplies based upon a monthly index. The prices contained in Ms. McShane's evidence are, as indicated in response to ACIG 4.3, the Alberta Natural Gas Settlement Prices-Monthly Index. Thus the prices cited in Ms. McShane's testimony are measured in an equivalent manner to the way EGD purchases gas on behalf of Gazifère.

4.5 Veuillez déposer un tableau comparatif des prix spot avec les prix du gaz de réseau de Gazifère pour la période sous mécanisme incitatif.

Réponse 4.5:

Please see response to ACIG 4.4.

4.6 Lorsque l'on parle de risque pour une entreprise, on parle habituellement de manière prospective. D'un point de vue prospectif, est-ce qu'il est de l'avis de Mme McShane que la volatilité vécue dans la période mentionnée se reproduira dans le futur de manière importante et régulière. Veuillez expliciter votre réponse.

Réponse 4.6:

Ms. McShane is not able to predict what the volatility of natural gas prices will be over the longer-term. The volatility of natural gas prices is a function of a

number of factors, including production, demand, prices of alternative fuels, weather, levels of gas in storage, geopolitical conditions, and market speculation.

4.7 Veuillez indiquer s'il existe des éléments, de l'avis de Mme McShane, qui auront des effets négatifs sur la position concurrentielle de l'électricité au Québec au cours des prochaines années. Le cas échéant, veuillez expliciter et quantifier les facteurs qui pourraient influer de manière négative sur la position concurrentielle de l'électricité au Québec au cours des prochaines années.

Réponse 4.7:

The recent Québec budget announced a one cent per kWh increase in the price of Hydro-Québec's heritage generation to be phased in from 2014-2018. Ms. McShane has not quantified the impact of the proposed increase, but qualitatively, all other things constant, the increase in the price of the heritage generation would increase the price competitiveness of natural gas vis à vis electricity.

4.8 Veuillez qualifier, avec preuve à l'appui au besoin, la nature de l'approche commerciale actuelle d'Hydro-Québec dans l'obtention du chauffage dans le secteur résidentiel et commercial dans la franchise de Gazifère. Le cas échéant, veuillez indiquer si vous considérez la stratégie commerciale d'Hydro Québec comme agressive et expliciter les motifs au soutien de votre point de vue.

Réponse 4.8:

Ms. McShane understands Hydro-Québec's strategy to be focused on energy efficiency initiatives, including financial assistance. While Ms. McShane has no basis for characterizing these efforts as an aggressive strategy, she would note that, because all potential customers require electricity, Hydro-Québec has a built-in connection with potential customers, to whom it can offer financial support for installing energy saving measures (e.g., Novoclimat) and new technologies, particularly technologies (e.g., geothermal) which are viewed as greener than natural gas.

4.9 Veuillez indiquer la part de marché de Gazifère dans la nouvelle construction résidentielle dans la région de Gatineau (excluez les régions non desservies de la franchise de Gazifère).

a. Veuillez indiquer si cette situation est identique pour le Québec ou particulière à la franchise de Gazifère.

i. S'il s'agit d'un cas particulier, veuillez expliquer pourquoi.

Réponse 4.9 a) :

Ms. McShane understands that in the areas which have access to the distribution system, the capture rate in single family homes has been approximately 80%, but only approximately 30% of homes in the Gatineau service area are served by natural gas. In new construction, there has been a trend toward more multi-family housing relative to single-family dwellings, and in this market, Gazifère's capture rates have been much lower. This information is specific to Gazifère.

i. The situation is specific to Gazifère. Ms. McShane understands that residential natural gas rates are less competitive with electricity in Gaz Métro's service area and Gaz Métro's capture rates are lower.

b. Veuillez indiquer si cette situation est similaire à ce que l'on retrouve chez les autres grands distributeurs canadiens (excluant Gaz Métro). Sinon, veuillez indiquer quels sont les écarts entre les taux de pénétration entre les différents distributeurs et indiquer pourquoi il en est ainsi.

Réponse 4.9 b):

Ms. McShane does not have access to market capture rates for other gas utilities. Enbridge Gas indicates in its Annual Information Form that natural gas is the predominant fuel of choice in its service area. In 2007, approximately 73% of households in Ontario were served by natural gas as the heating source, according to data provided by Natural Resources Canada. With respect to ATCO Gas, in Alberta, the percentage is 95%. With respect to Terasen Gas, it has historically captured a high proportion of the single family market, but there has been a trend toward more multi-family dwellings in the new construction market (approximately 2/3 of the total) of which Terasen Gas captures approximately 20%. Overall, in British Columbia, just under 60% of homes use natural gas as their heating source.

4.10 Dans l'éventualité où Mme McShane a fait une évaluation de la situation concurrentielle entre l'électricité et le gaz naturel pour le secteur résidentiel et commercial afin de donner son opinion, veuillez la déposer.

Réponse 4.10:

Ms. McShane considered the data that were provided in response to question 4.3 above as well as those provided below in response to question 4.11, as well as the ease and cost of installation considerations noted in the preamble to the question, and the trend toward construction of more multi-family units as compared to single family homes, which are more likely to be constructed with electric heating. She also considered the competitive conditions faced by other major gas distributors in Canada. As per the 2009 cost of capital filing of Terasen Gas before the British Columbia Utilities Commission, the following competitive positions of natural gas versus electricity in the residential sector were estimated:

ATCO Gas	**-74%**
Enbridge Gas	**-63%**
Gaz Métro	**-2%**
Terasen Gas	**-32%**
Union Gas	**-57%**

A comparison with Gazifère indicates that, in the residential sector, Gazifère's competitive situation relative to electricity on a price basis is closest to that of Terasen Gas, which, like Gazifère, operates in a province whose major electric utility has relatively low prices, in large part due to its low cost hydroelectric generation capacity.

4.11 Mme McShane est-elle d'avis qu'il existe une différence importante entre le secteur résidentiel et le secteur commercial de la clientèle de Gazifère au chapitre de la situation concurrentielle avec l'électricité? Le cas échéant, veuillez expliciter toute différence constatée à ce chapitre entre ces deux secteurs de clientèle.

Réponse 4.11:

There has been a difference between the competitive price position of the commercial market versus electricity and the residential market. The commercial market has been more price competitive with electricity than the residential market. Nevertheless, competitive threats exist in the commercial market as well as in the residential market, as indicated in response to ACIG 4.8. The table below provides the gas versus electricity prices for the

commercial market that correspond to the residential comparisons provided in response to ACIG 4.3 above.

COMMERCIAL	**Gas vs electricity %**
January 1st 2008	**-26.57**
April 1st 2008	**-20.51**
July 1st 2008	**-1.51**
October 1st 2008	**-7.47**
January 1st 2009	**-16.75**
April 1st 2009	**-27.63**
July 1st 2009	**-35.55**
October 1st 2009	**-37.74**
January 1st 2010	**-32.96**

4.12 Veuillez indiquer pourquoi Mme McShane ne fait pas de différentiation entre le secteur commercial et résidentiel dans son témoignage sur le risque d'affaires de Gazifère.

Réponse 4.12:

Ms. McShane focused on the residential sector in the discussion of gas versus electricity competition, because the residential sector has been Gazifère's major source of growth.

4.13 Vous indiquez qu'une hausse permanente du prix du gaz naturel aurait pour effet d'éroder l'avantage concurrentiel du gaz naturel dans la franchise de Gazifère. Ce commentaire semble être prospectif. Veuillez élaborer au sujet des probabilités de réalisation de ce scénario prospectif en tenant compte des prévisions actuelles quant à l'évolution des prix du gaz naturel pour les prochaines années. Pour les fins de votre réponse, veuillez commenter l'incidence possible de l'émergence de quantités importantes de gaz de schiste sur le marché Nord-Américain au cours des prochaines années.

Réponse 4.13:

Please note that Ms. McShane's testimony states that a permanent increase in the price of gas has the potential to erode the competitive price advantage of natural gas in Gazifère's service area. The shale gas discoveries, which have materially improved the North American natural gas supply outlook, will potentially constrain the price of natural gas. However, the price of gas that will support the development and production of shale gas has been reported to be in the range of $6.50 to $7.50 per MMBbtu. The most recent (Annual Energy Outlook 2010) long-term reference case forecast of the U.S. Energy Information Agency shows the average real wellhead price of natural gas in the lower 48 rising from 2009 lows of approximately $3.25 U.S. per MMBtu to $5.00 U.S. per MMBtu in 2011, to just under $8.00 U.S. per MMBtu by the end of the forecast period (2035). The report also notes that there is a great deal of uncertainty about the future trend in gas prices due to the growing development of shale gas resources.

4.14 Veuillez déposer un tableau comparatif détaillé pour la période 2000 – 2010 avec les éléments suivants :

a. La situation concurrentielle du gaz naturel dans la franchise de Gazifère pour le secteur résidentiel;

Réponse 4.14 a):

Please refer to exhibit GI-31, document 1.2.

b. Le nombre de nouveaux clients.

i. Veuillez indiquer la conclusion que vous tirez de ce tableau.

ii. Veuillez indiquer si cette information a été évaluée par Mme McShane pour la production de son témoignage.

Réponse 4.14 b):

The number of new customers is presented in the table below.

	# of customer adds net of losses
2000	1,205
2001	927
2002	1,122
2003	1,402
2004	1,785
2005	1,121
2006	1,285
2007	1,377
2008	1,310

Réponse 4.14 b)i) & 4.14 b)ii):

While Ms. McShane did not have the full history of competitive relationships that were requested in question 4.14 a) above, she was aware of the growth in customers over the full period. The growth in customers is a reflection of the growth in the Gatineau region over the period, which reflects lower housing prices relative to Ottawa, combined with the competiveness of natural gas. Ms. McShane did take the growth in the Gazifère's service area and the relative competitiveness of natural gas into account in preparing her testimony.

4.15 Veuillez indiquer si l'avantage de l'électricité au niveau de la nouvelle construction, et plus particulièrement au niveau des unités multiples, est quelque chose de nouveau ou qui a toujours existé.

Réponse 4.15:

It has always existed; however, there has been a shift to the construction of more multi-family units relative to single family homes, where Gazifère's capture rate is lower than it is in the single family home construction market.

Demande #5

Référence : Preuve de Kathleen C. McShane, page 26.

Préambule :

"Energy policy also favours electricity and renewable energy technologies over natural gas."

Question

5.1 Veuillez indiquer et déposer toutes les sources d'informations utilisées ou consultées par Mme McShane aux fins de cette opinion (en identifiant les passages appropriés).

Réponse 5.1 :

Requested copies are attached as:

GI-31, document 2.2.

GI-31, document 2.3
An Act respecting the implementation of the Québec Energy Strategy and amending various legislative provisions.

GI-31, document 2.4.
Regulation respecting the annual duty payable to the Green Fund.

GI-31, document 2.5.
Regulation respecting the annual duty payable to the Green Fund.

Demande #6

Référence : Preuve de Kathleen C. McShane, page 27.

Préambule :

"Gazifère has also been subject to Revenue Cap per Customer Comprehensive Performance Based Regulation (CPBR) since 2006. The plan sets the test year revenue requirement as the prior year's revenue requirement per customer multiplied by a projected inflation less productivity and stretch factors, multiplied by projected test year customers. To this sum are added or subtracted a cost of capital adjustment, pass through items, exogenous factors and the customers' share of productivity earnings. The performance-based methodology gives the utility an opportunity to earn higher returns by providing incentives to control costs and achieve efficiencies. The mechanism includes an asymmetric sharing mechanism; customers are credited with a share of earnings in excess of the allowed return, but do not bear any short-fall. In comparison to the traditional cost of service methodology, which was based on a single year budget, the five-year term performance-based methodology exposes the utility to higher risk of not achieving the allowed return."

Questions :

6.1 Veuillez déposer les rendements autorisés et réels de l'actionnaire de Gazifère pour la période de l'actuel mécanisme incitatif.

6.2 Veuillez déposer les rendements autorisés et réels de l'actionnaire de Gazifère pour la période du mécanisme incitatif partiel de la période précédente (début des années 2000).

6.3 Veuillez déposer les rendements autorisés et réels de l'actionnaire de Gazifère pour la période avant 2000, soit la période en situation de coût de service (si possible produisez les données sur une période de 10 ans) ainsi que pour l'année 2006 qui était également sous le coût de service.

Réponse 6.1 à 6.3:

Veuillez vous référer à la pièce GI-31, document 1.1 et à la pièce GI-32, document 1.5.

Demande #7

Préambule :

Mme McShane indique que Gazifère est plus à risque avec son mécanisme incitatif que sous un mode de réglementation au coût de service. Or, dans sa preuve sur son mécanisme incitatif, à la pièce GI-2, document 1, page 1, Gazifère indique :

> "For Gazifère, which is a small utility with fewer than 40,000 customers, Revenue Cap per Customer model provides a fair and transparent regulatory framework that allows the Company to maintain a safe and reliable distribution system, satisfy customer service quality levels, and continue to attach new customers. The formula based distribution revenue requirement methodology combined with cost of service treatment of pass-through items (Y factors) and an earnings sharing mechanism adopts the best aspects of both cost of service and incentive based regulation." (nos soulignés)

Questions :

7.1 Si, de l'aveu même de Gazifère, l'actuel mécanisme incitatif adopte les meilleures pratiques des modèles du coût de service et des mécanismes incitatifs, comment Mme McShane peut-elle arriver à conclure que le mécanisme incitatif de Gazifère est plus risqué qu'un modèle au coût de service.

Réponse 7.1 :

There is nothing inconsistent with the conclusion that Gazifère's incentive mechanism adopts the best practices of cost of service and incentive mechanism models and the conclusion that an incentive model exposes the utility to greater risk than a cost of service model. As stated in the same document to which the question refers, GI-2, Document 1, Page 12 de 24, "While incentive regulation offers incentive to earn a higher return it has more risks also."

7.2 Est-ce que Mme McShane considère que des éléments de coûts hors du contrôle de Gazifère font partie des éléments qui ne sont pas soumis à des facteurs exogènes. Si oui, veuillez indiquer lesquels et les impacts potentiels de ces éléments sur le coût de service de Gazifère.

Réponse 7.2:

Ms. McShane considers that the costs over which Gazifère has no control (e.g., impact of regulatory decisions) are treated as exogenous (Z factors) under the incentive mechanism. The plan is designed to incent Gazifère to control those costs over which it has control. Please see response to 7.3 below.

7.3 Veuillez soumettre tout élément analysé, étudié ou consulté qui a amené Mme McShane à soumettre son avis à l'effet que le mécanisme incitatif de Gazifère est plus risqué qu'une situation de coût de service.

Réponse 7.3:

Ms. McShane has not conducted a study. The conclusion was based on her understanding of how cost of service regulation operates versus Gazifère's incentive mechanism. Under cost of service regulation, a utility can apply for new rates each year based on its forecast cost of service for the following year. Under the incentive mechanism, Gazifère's rates are constrained for a five year period by the rate of inflation and the productivity factors built into the incentive formula. If management is not successful in containing costs within the constraints of the incentive mechanism, and costs increase faster than revenues, under a cost of service model, this has a single year negative impact on earnings. In contrast, under the multi-year incentive mechanism, this could have a multiple year negative impact on earnings. Further, the earnings sharing mechanism is asymmetric, which means Gazifère shares with customers the earnings in excess of the allowed ROE, but bears 100% of the shortfalls.

Demande #8

Référence : Preuve de Kathleen C. McShane, page 28.

Préambule :

"In summary, Gazifère is a very small gas utility, with higher exposure to a single resource-based industry than most of the major Canadian gas distributors (ATCO Gas, Enbridge Gas, Terasen Gas, and Union Gas), and operating in an environment characterized by significant competition with alternative sources of energy, particularly electricity. With regard to the latter, only two of the five major gas distributors (Gaz Métro and Terasen Gas) face material competitive pressure with alternative energy sources in their core (residential and commercial markets). Gazifère faces higher business risks relative to the major Canadian gas distribution utilities, which translate into a higher required common equity ratio and/or a higher common equity return."

Questions :

8.1 Veuillez confirmer que lorsque Mme McShane parle d'une exposition à un secteur industriel limité à un seul type de production, elle considère uniquement le secteur des pâtes et papiers.

Réponse 8.1 :

Confirmed.

8.2 Veuillez préciser le secteur d'activité de chaque client industriel de Gazifère depuis 2005. Selon notre compréhension, il y aurait eu entre 11 et 13 clients industriels dans la franchise de Gazifère depuis 2005.

Réponse 8.2:

Voici le secteur d'activité de chaque client industriel de Gazifère :

1 Transformation de poteaux
1 Fabrication de chaudières industrielles
1 Fabrication de papier absorbant
3 Fabrication d'asphalte (déterminer en fonction du nombre de compteurs, correspond à 2 clients seulement)
1 Fabrication de ciment
1 Usine d'épuration

5 Pâtes et papier (déterminer en fonction du nombre de compteurs et différents tarifs (service continu ou service interruptible), correspond à 4 clients durant la période 2005 à aujourd'hui).

8.3 Veuillez indiquer les volumes consommés et les revenus générés par la clientèle industrielle de 2006 à 2009, en séparant la clientèle du secteur des pâtes et papiers du reste de la clientèle industrielle.

Réponse 8.3:

Veuillez vous référer à la pièce GI-31, document 2.6.

8.4 Veuillez indiquer si Mme McShane a effectué une analyse chiffrée du poids de la clientèle industrielle entre les différents distributeurs canadiens. Si oui, veuillez déposer les données utilisées pour émettre votre opinion sur cet élément de risque.

Réponse 8.4:

For ATCO Gas, less than 2% of its gross margin is industrial. For EGD, less than 4% of gross margin is industrial/large volume. Industrial volumes are attributable to approximately 15 industries, with three industries accounting for over 15% each (pulp and paper/wood, food and beverage and transportation). Terasen Gas' large volume customers, who account in total for approximately 9% of total margin, are a mix of industrial and large commercial customers (e.g., hospitals, government buildings). The single largest industry is pulp and paper/wood which accounts for 28% of total industrial volumes. For Union Gas, approximately 14% of margin is attributable to large volume customers, which includes industrials and utilities. Ms. McShane does not have recent industry-specific data for Union. Historically, approximately 75% of its industrial volumes were accounted for by 5 industries, steel, chemicals, pulp and paper, cogeneration and oil refining.