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"). I am Anton Kacicnik, I am Manager Rate Research and Design at EGD.

Q.2 What are your professional qualifications, experience, and previous appearances before this or other regulatory tribunals?

A.2 Please refer to our Curriculum Vitae filed at Exhibit GI-21, document 2 and document 3.

Q.3 What is the purpose of this testimony?

A.3 This testimony addresses Gazifère's (the "Company") proposed allocation of the 2013 forecast distribution revenue requirement to the various customer rate classes and the development of the 2013 distribution rates. The 2013 distribution rates are derived using the results of the 2013 fully allocated cost study as a guide. 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 change mechanism. This testimony also addresses the change to the eligibility for service under Rate 1 and Rate 2 Application section in the *Conditions of Service and Tariff* and the associated migration of institutional customers from Rate 2 to Rate 1.

Q4. How is Gazifère proposing to change the eligibility for Rates 1 and 2?

A.4 Currently, Gazifère's Rate 1 is a General Service rate and Rate 2 provides service to Residential and Institutional customers. Gazifère is proposing to change the Rate 2 to a Residential only rate. Gazifère proposes to communicate the change in Rate 2 eligibility to institutional customers following the Régie's decision and to re-assign them to the Rate 1 rate class.

If the Régie approves this proposal, effective January 1, 2013 these customers will be billed using the approved Rate 1 rate schedule.

Gazifère proposes to adjust the application section of Rates 1 and 2, under Articles 12.1 and 13.1 of the *Conditions of service and Tariff* as follows:

12.1 APPLICATION

For any withdrawal of natural gas in firm service with the exception of withdrawal of natural gas for domestic use measured at one metering point.

This rate is not applicable to a customer that withdraws natural gas under another rate at the same metering point while its contract is in effect.

13.1 APPLICATION

For any withdrawal of natural gas in firm service measured at one metering point where the volume withdrawn for domestic use is measured by means of a single metering device.

The "Domestic use" definition will be modified to include a provision on the limited number of units in a multi-dwelling building to be considered a residential customer, in accordance with the Rate Schedule of EGD.

DOMESTIC USE

Utilization of the natural gas service for applications related exclusively to the occupation of a personal residence or of apartments in a housing cooperative or non-profit housing organization, or to the use of common areas in a condominium, each containing no more than six dwelling units.

Q.5 Why is Gazifère proposing to change the eligibility requirements for service under Rate 1 and Rate 2?

A.5 Historically, all customers taking service under Rate 2 had a price advantage relative to Rate 1. Recently however the price advantage differential has decreased for the larger volume customers within Rate 2. The existing Rate 2 combines both residential and institutional customers. Institutional customers represent larger customers and include schools, hospitals, and other nonprofit organizations. Gazifère is proposing to transfer those customers from Rate 2 to Rate 1 who will then benefit from lower bills given the size of their annual volume. This proposal is in line with Gazifère's *Conditions of Service and Tariff*, Article11.1.1, Right to Most Advantageous

Rate – "A customer is entitled to the most advantageous rate" and compatible with the size and consumption characteristics of other Rate 1 customers.

Q.6 Why has the price differential changed between Rates 1 and 2?

A.6 The price differential between Rates 1 and 2 has gradually been decreasing over time. There are a number of recent factors leading to this decline such as:

- An improvement in the revenue to cost ratio for Rate 2 (ie. bringing the ratio closer to 1.0 thereby reducing the subsidy from other rate classes);
- recovery of the additional revenue requirement by increasing each block by the same percentage versus the same unit rate (this made increases in the lower blocks of Rate 1 smaller and therefore reduced the price differential for larger customers on Rate 2 versus Rate 1);
- a relatively larger proportion of the additional revenue requirement is allocated and recovered from Rate 2 customers because Rate 2 has experienced the most growth in the last few years. This results in a higher increase for Rate 2 versus other rates and reduced price differential between Rate 1 and 2.

Q.7 Is Gazifère proposing any other changes to Rates 1 and 2?

A.7 No, Gazifère is proposing no other changes to the existing Rates 1 and 2 structures. In addition to addressing the most advantageous bill for institutional customers, the proposed change to the eligibility requirements provides a clean separation between the service provided to residential versus commercial/institutional customers and improves rate class characteristics (such as cost and consumption characteristics) of each of the two rate classes.

Q.8 How many customers are concerned by this proposed transfer from Rate 2 to Rate 1?

A.8 Based on the 2013 forecast, approximately 305 institutional customers representing a volume of 6,537.8 10^3m^3 would be transferred.

Q.9 What is the distribution revenue deficiency and how much is it for the test year?

A.9 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 from the Régie's Decision D-2011-186 (2012 rates) to the 2013 test year volumes. It is $1,639.0 thousand for 2013.

Q.10 Does the proposed transfer of institutional customers from Rate 2 to Rate 1 have an impact on the distribution revenue deficiency?

A.10 Yes, the impact on the distribution revenue deficiency resulting from the proposed transfer of institutional customers from Rate 2 to Rate 1 is approximately $187.6 thousand. The impact is the result of revenue at current rates being less by approximately $187.6 thousand due to institutional customers paying less under Rate 1 service versus Rate 2 service. There is no impact on the determination of the proposed distribution revenue requirement for 2013. The 2013 Distribution revenue requirement of $25,298.1 thousand is the same with or without the proposed migration of institutional customers to Rate 1.

Q.11 Please provide an overview of the organization of the documents contained under Tab GI-21, documents 1.1 to 1.3. In addition, please provide a summary of the content of these documents.

A.11 Certainly. Document 1.1 (Revenue Comparison – Current Distribution Revenue vs. Proposed Distribution Revenue), contains by rate class a summary of test year 2013 volumes (Col. 2), associated distribution revenues under the current 2012 distribution rates (Col.3), associated revenues under the proposed 2013 rates (Col. 5), and the corresponding 2013 revenue deficiency of $1,639.0 thousand (Col. 4).

Document 1.2 provides a summary of the proposed unit rate changes by rate class. The unit rates currently in effect, the unit rate changes, 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, transportation and distribution for each rate class in Columns 1 and 3 respectively. The commodity, load balancing and transportation revenues are based on the July 1, 2012 Pass-on rates and therefore do not include the forecast change in gas costs for 2013 as outlined at Exhibit GI-22. The impact from the change in 2013 gas costs will be incorporated into the rates following the implementation of the Régie's 2013 final decision. The associated revenues are in Columns 2 and 4 respectively. The forecast distribution revenue deficiency is in Column 5. The percentage change in the unit rates is shown in Column 6.

Q.12 Please explain how the deficiency is allocated to the rate classes and how the proposed rates are derived.

A.12 The proposed rates are determined in two stages. In stage 1, the distribution deficiency is allocated to the rate classes pro rata to their rate base allocations on a preliminary basis.

In the stage 2, 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 by rate class and proposed revenues are shown in Columns 4 and 5 of GI-21, document 1.1.

Q.13 Please describe the adjustments made to the distribution deficiency at the rate class level in stage 2.

A.13 Adjustments are made to the revenue responsibilities of each rate class if the initial allocation of deficiency in stage 1 does not 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 2013 distribution revenue to costs ratios for each rate class as well as the 2012 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.

The transfer of the larger volume institutional customers from Rate 2 to Rate 1 has eroded the revenue to cost ratios from the 2012 levels. The Company is proposing to make an upward adjustment of $152.7K in revenues to Rate 2 and a $127.3K downward adjustment to Rate 1 relative to the allocated deficiency in Stage 1 for each rate class to begin the improvement to the revenue to cost ratios. A downward adjustment to revenues of 0.5K to Rate 3 and 10K to Rate 5 brings down their revenue to cost ratios closer to the 2012 level. Rate 9 revenue to cost ratio has improved to 1.41 from the 2012 level of 1.52 following a downward adjustment of 15K.

The rate impacts depicted in the chart below are relative to the July 1, 2012 Pass-On rates which are based on the 2012 final distribution rates and July 1, 2012 gas costs.

Table 1: Proposed Adjustments and Rate Increase for 2013

	Total	Rate 1	Rate 2	Rate 3	Rate 4	Rate 5	Rate 9
Adjustments ($'000)	0.0	-127.3	152.7	-0.5	0.0	-10.0	-15.0
Proposed 2013 R/C Ratio – Distribution Only	1.00	1.52	0.83	2.11	n/a	1.96	1.41
Fiscal 2012 R/C Ratio – Distribution Only	1.00	1.46	0.86	1.98	n/a	1.68	1.52
% increase on total bill of a T-service customer	4.2%	1.8%	6.3%	0.4%	n/a	1.0%	0.8%
% increase on total bill of a sales customer	2.9%	1.2%	4.8%	0.2%	n/a	n/a	n/a

2013 Delivery Volumes (10^6m^3)	164.0	67.7	63.5	.4	n/a	14.2	18.3
2012 Delivery Volumes (10^6m^3)	162.6	59.5	70.3	.4	n/a	14.2	18.3

Q.14 Are you proposing any changes to the monthly fixed charges?

A.14 No, the Company is proposing to maintain the 2012 level of monthly fixed charges. The overall level of the 2013 fixed cost recovery from the monthly fixed charges is approximately the same as prior years.

Q.15 Does this conclude your evidence?

A.15 Yes, it does.