

RÉGIE DE L'ÉNERGIE

AUDIENCE CONCERNANT LA DEMANDE RELATIVE AU  
DOSSIER GÉNÉRIQUE PORTANT SUR L'ALLOCATION DES  
COÛTS ET LA STRUCTURE TARIFAIRE DE GAZ MÉTRO  
SUJET A : MÉTHODE DE DÉTERMINATION DES COÛTS  
MARGINAUX DE PRESTATION DE SERVICE DE LONG TERME

DOSSIER : R-3867-2013 Phase 3A

RÉGISSEURS : M. LAURENT PILOTTO, président  
Mme LOUISE PELLETIER  
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AUDIENCE DU 20 AVRIL 2017

VOLUME 4

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1 L'AN DEUX MILLE DIX-SEPT (2017), ce vingtième (20e)  
2 jour du mois d'avril :

3

4 PRÉLIMINAIRES

5

6 LA GREFFIÈRE :

7 Protocole d'ouverture. Audience du vingt (20) avril  
8 deux mille dix-sept (2017), dossier R-3867-2013  
9 Phase 3A. Audience concernant la demande relative  
10 au dossier générique portant sur l'allocation des  
11 coûts et la structure tarifaire de Gaz Métro Sujet  
12 3A : Méthode de détermination des coûts marginaux  
13 de prestation de service de long terme. Poursuite  
14 de l'audience.

15 LE PRÉSIDENT :

16 Bonjour à tous. Alors, je vois que maître Gertler  
17 est prêt à attaquer. La journée, j'entends. Ah!  
18 Oui, oui. Oui.

19 Me FRANKLIN S. GERTLER :

20 Bon. O.K. C'est bon. Je n'ai rien dit encore, c'est  
21 comme... on me prête déjà des intentions, mais...

22 LE PRÉSIDENT :

23 Non, non, non. Pas du tout.

1 PREUVE DU ROÉÉ  
2 Me FRANKLIN S. GERTLER :  
3 Bonjour Monsieur le Président, Madame la  
4 Régisseure, Monsieur le Régisseur. Nos témoins sont  
5 installés et... Avant, juste avant qu'on les  
6 assermente, je veux faire coter, ça a déjà été  
7 distribué, c'est la présentation ce matin de  
8 monsieur Chernick qui a été cotée le C-ROÉÉ-0091.  
9 Ça porte le titre « Evidence of Paul Chernick. »  
10 Évidemment, c'est la preuve, la présentation, il y  
11 a aussi son rapport d'expert, et c'est en date  
12 d'aujourd'hui.  
13  
14 C-ROÉÉ-0091 : Présentation intitulée « Evidence  
15 of Paul Chernick »  
16  
17 Maintenant, vous pouvez, si vous voulez, procéder  
18 avec l'assermentation.  
19  
20 L'AN DEUX MILLE DIX-SEPT (2017), ce vingtième (20e)  
21 jour du mois d'avril, ONT COMPARU :  
22  
23 BERTRAND SCHEPPER, Analyste en énergie, ayant une  
24 place d'affaires au 1085, rue Saint-Jean, Longueuil  
25 (Québec);

1 PAUL L. CHERNICK, President of Resource Insight  
2 Incorporated, place of business located at 5, Water  
3 Street, Arlington, Massachuset 02476 USA;

4

5 LESQUELS, après avoir fait une affirmation  
6 solennelle, déposent et disent :

7

8 INTERROGÉS PAR Me FRANKLIN S. GERTLER :

9 Monsieur le Président, on va procéder maintenant  
10 avec l'adoption de la preuve.

11 Q. [1] D'abord vous, Monsieur Schepper, je vous  
12 demande, je vous réfère à votre CV qui a été déposé  
13 au dossier sous la cote C-ROEÉ-0087 et votre  
14 rapport d'analyse ou la preuve du ROEÉ qui est  
15 cotée C-ROEÉ-0081. Est-ce que vous adoptez ces  
16 documents-là, ils ont été préparés par vous?

17 (9 h 07)

18 M. BERTRAND SCHEPPER :

19 R. Oui.

20 Q. [2] O.K. Puis est-ce que vous les adoptez comme  
21 valant votre témoignage ici?

22 R. Oui.

23 Q. [3] Et est-ce qu'il y a des corrections ou des  
24 ajouts?

25 R. Non.

1 Q. [4] Très bien. So now, Mr. Chernick, for the  
2 adoption of your evidence, we have first your CV  
3 which is under C-ROEÉ-0067; we have your expert  
4 report in the form of question and answer, C-ROEÉ-  
5 0082; and we have your responses to the  
6 interrogatory, the discovery of the Board and so  
7 it's the responses of Paul Chernick to the  
8 information request number 2 of the Régie which is  
9 C-ROEÉ-0089; and there was a further response or  
10 further portion which is for the question 1.1, I  
11 think it's the Excel sheet if I'm not, or Excel  
12 file, there's more than one sheet, which is in  
13 response to question 1.1 of that second information  
14 request of the Board, and that's C-ROEÉ-0090.

15 All those documents were prepared by you?

16 Mr. PAUL L. CHERNICK:

17 A. They were.

18 Q. [5] Okay. And do you adopt them as your evidence or  
19 part of your evidence here today?

20 A. Yes.

21 Q. [6] Okay. Are there any corrections or additions  
22 you wish to bring to the attention of the Board?

23 A. No.

24 Q. [7] Okay. So, sans plus tarder, Monsieur le  
25 Président, j'aimerais demander à monsieur Schepper



1 de présenter d'abord brièvement ses remarques par  
2 rapport à la participation et le positionnement du  
3 ROEÉ dans le présent dossier.

4 (9 h 09)

5 M. BERTRAND SCHEPPER :

6 R. Bonjour. Ça va être très bref, en fait, mon rôle  
7 consiste à deux choses, d'une part, faire cette  
8 petite introduction-là et ensuite trouver des  
9 pièces pour monsieur Chernick, donc  
10 essentiellement...

11 Q. [8] Tu es trop modeste.

12 R. Mais essentiellement, ce qu'on voulait dire ici,  
13 c'est que pour nous, on a fait le processus en  
14 Phase 3 qui est similaire à celui de la Phase 1  
15 pour nous, c'est-à-dire que le débat est complexe,  
16 beaucoup plus pour moi, personnellement, je vous  
17 dirais bien franchement, et on avait besoin de  
18 l'aide d'expertise...

19 Q. [9] Hum hum.

20 R. ... et donc on a voulu avoir... on a un intérêt  
21 prononcé à avoir un bon débat, je pense, en Phase  
22 4, sur la tarification. Et pour ça, pour nous,  
23 c'est important d'avoir des... partir sur des bases  
24 les plus solides possibles dans les autres phases.  
25 Et à ce moment-là, c'est aussi pourquoi nous avons

1 continué à travailler avec monsieur Chernick, là,  
2 vous pouvez voir dans mon mémoire que plus...  
3 spécifiquement plus le mandat qu'on avait donné à  
4 monsieur Chernick. Et donc, pour nous, on est  
5 dans... ici, dans une idée de philosophiquement  
6 parlant avoir le meilleur coût possible avant  
7 d'avoir à débattre en Phase 4. Donc c'est plutôt ce  
8 qu'on voulait dire, et à ce niveau-là, je pense  
9 qu'on est très contents d'adopter la preuve de  
10 monsieur Chernick comme la preuve officielle du  
11 ROEÉ. Donc ça complète mon témoignage à moins que  
12 vous ayez de nombreuses questions sur ces quelques  
13 lignes.

14 Q. [10] Très bien. So now, your turn Mister Chernick  
15 and it will be a bit longer, I think. Good morning.  
16 I'll speak in English so you shouldn't need your  
17 translator... I hope, anyway.

18 M. PAUL L. CHERNICK :

19 A. The sound is actually better through the headset.

20 Q. [11] Ah, O.K., alright, well, you get me in stereo,  
21 I guess. So I just, you know, the Board, as we've  
22 seen, has your CV and we don't need to... you  
23 discussed to some extent also your relevant  
24 experience in your evidence at pages 1-2 of C-ROEÉ-  
25 0082, but I just wanted to ask you and, you know,

1 to talk a little bit about in general, like your  
2 how many... what kind of hearings you've  
3 participated, but giving particular emphasis to  
4 your experience that's relevant to the task of the  
5 Régie in this Phase 3B and more broadly, the  
6 methodologies for... or methodology for assessing  
7 the profitability of system expansions.

8 A. I've been involved in the estimation of utility  
9 marginal costs and the economics of utility  
10 investments and contracts and a little long term  
11 commitments since the late nineteen seventies  
12 (1970). Of my three hundred (300) and some pieces  
13 of testimony, or dockets that I've been involved  
14 in, probably more than half have involved one or  
15 both of those issues. And that includes for both  
16 gas utilities and electric utilities for supply  
17 issues, for transmission and distribution,  
18 decisions and valuation for design of rates.

19 Q. [12] I think I'm going to let you go ahead with  
20 your presentation and then the board had certain  
21 questions and I have certain other questions that  
22 I'll bring you back to if we don't cover them  
23 sufficiently in your presentation. There's one  
24 thing, just... Monsieur le Président, je pense que  
25 j'aurais oublié une question supplémentaire, si

1 vous permettez, à monsieur Schepper. Monsieur  
2 Schepper, je pense que vous étiez pour, juste,  
3 commenter le processus de collaboration par rapport  
4 aux experts.

5 M. BERTRAND SCHEPPER :

6 R. Oui. Bien en fait, la position du ROÉÉ ici est  
7 assez... nous sommes plutôt d'avis que c'était une  
8 très bonne idée de la part de la Régie de faire ce  
9 qu'on a appelé à partir de maintenant le hot tub et  
10 on pense qu'à ce niveau-là, ça nous a permis, je  
11 pense, à nous et à d'autres intervenants aussi, de  
12 faire une bonne différenciation des pour et des  
13 contres et des... disons, des points de divergence  
14 entre les différents experts pour faciliter le  
15 travail et, en termes de position, disons, de  
16 groupe d'intervenants, on recommande ce type de  
17 d'exercice là si ça devait se refaire. Donc, bonne  
18 idée, bon flash et c'est tout. Je vais vous laisser  
19 au coeur de l'argumentaire.

20 Q. [13] Okay, go ahead Mr. Chernick.

21 Mr. PAUL L. CHERNICK:

22 A. I guess I'd like to start on page 2 of the handout.  
23 In terms of what I understand we're doing in this  
24 Phase 3, what the Régie's objectives were and I  
25 believe it's to set out the rules and methodologies

1 to be used in evaluating the long-term  
2 profitability of Gaz Métro's decisions to expand  
3 its service territory.

4 This proceeding, as I understand, it does  
5 not, at least this phase, does not have to do with  
6 setting revenue requirements or with doing rate  
7 design. The Régie split the phases into two parts  
8 or subphases. In Phase 3A, as I understand it,  
9 we're looking only at the long-term marginal  
10 operating and maintenance costs, in particular  
11 those for which standard values can be determined.  
12 There may be situations where there are special  
13 costs that have to be determined on a project  
14 specific, site specific basis but, obviously, those  
15 can't be set in advance.

16 Q. [14] Can I just ask, when you say standard values  
17 or, I guess, methodologies or approach for setting  
18 those standard values because they may change over  
19 time, wouldn't they?

20 A. Yes, they would be changing, as I understand it,  
21 they would be updated in annual rate cases so the  
22 values that are set here are just starting points  
23 and the details of the calculations, in addition to  
24 the current data on which the calculations are  
25 based, will obviously change over time.

1                   Then, as I understand it, all the other  
2                   issues having to do with the profitability analysis  
3                   would be in Phase 3B, which would look at all the  
4                   other inputs, the capital and the evaluation  
5                   framework: what discount rate will be used, how  
6                   long a period will be used for the analysis and a  
7                   number of other parameters and inputs that are  
8                   necessary in order to do a good analysis.

9                   So, Phase 3A specifically only sets the  
10                  values and methodologies for the O&M portion of  
11                  this analysis, which is a relatively small part of  
12                  the old picture in many cases. But it's also  
13                  important because some of the concepts, some of the  
14                  principles that the Régie settles on in this part  
15                  of the case, part of the proceeding, may be  
16                  important in determining how it approaches other  
17                  issues in Phase 3B and, for that matter, in other  
18                  issues having to do with costing of services and  
19                  evaluation of projects.

20                 So, some of the distinctions that I look at  
21                 later on between my approach which, by the way,  
22                 anytime I talk about "my approach", for the most  
23                 part, you should include Mr. Marcus and Mr.  
24                 Baudino's approach under that, our view points are  
25                 very similar on most of these issues.

1                   The differences between that set of  
2                   approach and those of Gaz Métro and its consultant,  
3                   Dr. Overcast, those are important things for the  
4                   Board to think about, even if they don't have a  
5                   huge financial effect specifically due to the  
6                   issues within the narrow confines of this case.

7                   There are a lot of differences in the  
8                   approaches and I've tried to organise them under  
9                   three conceptual umbrellas if you'd like: the scope  
10                  of the analysis, what groups of costs are included;  
11                  the granularity, how finely you look at the detail;  
12                  and the time frame.

13                  (9 h 19)

14                  In terms of the scape of the analysis over  
15                  on slide 4, Gaz Métro, for a project that involves  
16                  extension main and addition of service drops and  
17                  meters, acknowledges that you would want to include  
18                  the operating costs of... for that main extension,  
19                  for the service drops themselves and for the  
20                  meters, but would leave out a number of cross  
21                  categories. Even within those... even those that  
22                  are related to those additional investments whereas  
23                  my approach says well, first the analysis needs to  
24                  be broader in scope, you want to include the  
25                  upstream supply, the mains, the supply lines,

1 transmission, gate stations, whatever else has to  
2 be added because of the load that you're adding in  
3 this extension and others. And also, any cost that  
4 results from adding these customers and adding the  
5 revenues has to be included in the analysis.

6 And while I've shown this example for a  
7 fairly simple main extension with a few customers  
8 and their service connections and their meters, it  
9 would also apply to a situation in which you  
10 already had the line and you were just adding the  
11 customers along the line of even one where you were  
12 upgrading supply to a customer and perhaps putting  
13 in a larger service connection or replacing meter  
14 or changing the pressure of the gas supplied so  
15 that the customer could use more gas.

16 In all of those situations, you would want  
17 to take this kind of perspective reflecting the  
18 cost that actually applied in the situation.

19 Q. [15] Mister Chernick, just... we're only talking  
20 for the entire upstream supply, you're talking  
21 about O&M costs associated with, right?

22 R. Well again, in this...

23 Q. [16] Yes. Yes. Right.

24 R. In this part of this phase, we're talking about the  
25 O&M for those facilities and it's important to



1 recall, I think, where all... what analysis the  
2 results of this proceeding would be fitting into.

3 Moving onto the next area of difference in  
4 terms of the granularity of the analysis. I think  
5 it's fair to say that Gaz Métro has preferred to  
6 think in terms of very small additions such as one  
7 customer. We had one customer, does that cause us  
8 to add a meter reader, does that cause us to add a  
9 customer service representative. And to think about  
10 very large increments, an entire full time meter  
11 reader, an entire service representative, a whole  
12 new call centre. And when you look at it that way,  
13 an individual residential customer, for example, is  
14 not going to cause you to build a whole new call  
15 centre.

16 But in general, that's the wrong way of  
17 looking at utility decisions because we're not  
18 adding one customer, we're adding many customers in  
19 this project and in other projects. And on slide 6,  
20 I tried to illustrate that by showing you can have  
21 very small additions, you can have projects with  
22 larger additions and you have many of them. Maybe  
23 all in the same year, some of them this year, some  
24 of them the next year. And eventually, they're  
25 going to be enough so that you need to increase the

1 resources that you have available.

2 And in addition, the increments in which  
3 those resources are available are often much  
4 smaller than Gaz Métro and doctor Overcast have  
5 suggested. That... I think Mr. Marcus did a very  
6 nice job of laying this out, you... if your call  
7 centre's response times are getting too long, then  
8 the times that tend to be busy, you bring in  
9 somebody for a few more hours every day. You don't  
10 have to hire somebody full time, you certainly  
11 don't build a whole new cost centre. You juggle  
12 your workforce to address growing demand from  
13 customers.

14 (9 h 25)

15 Q. [17] But there is a cost associated with this.

16 A. And there are costs of doing that, you pay people  
17 by the hour, you go from having somebody who is  
18 working thirty (30) hours a week to have them  
19 working thirty-five (35) hours a week. You take  
20 somebody and pay them overtime, you bring in some  
21 additional part-time staff to cover, you take  
22 somebody away from another project and perhaps you  
23 have a contractor do some of that project because  
24 the distribution staff member who otherwise would  
25 have been doing something else is now driving

1 around doing some extra meter reads because you're  
2 a few hours short every month. You don't have to  
3 hire a whole new meter reader to cover an extra  
4 hour or two a month of meter reading.

5 The third area in which I think there's a  
6 difference in the perspective is in terms of time  
7 frame. And I have to say that in describing this, I  
8 have a hard time explaining exactly how Gaz Métro  
9 and Dr. Overcast are thinking about these issues  
10 because they don't really make sense to me.

11 But, as I understand it, they're basically  
12 looking at what do we spend right now, the first  
13 year, to establish service and also what are  
14 expenses that continue over time on a fairly  
15 consistent basis: every month we have to send out  
16 a bill, every few years we have to inspect the  
17 meter and so on. And they compare that to all the  
18 revenues over the analysis period.

19 In the perspective that I've taken and  
20 certainly Mr. Marcus has described, there are some  
21 of those expenses that recur periodically and there  
22 are the ones that happen all the time, there are  
23 the ones that happen every few years on a fairly  
24 regular basis and there are those that happen  
25 pretty much randomly, such as customers moving in

1 and out, having to establish a new billing file and  
2 dealing with collections, bad debt, other things  
3 that may never happen at some locations and may  
4 happen a couple of times over twenty (20) years at  
5 some other location.

6 And so, we would compare the revenues you  
7 expect over your time horizon to all of the  
8 expenses that you expect over that same period, a  
9 simple process of matching the costs and benefits.  
10 And on slide 9, I discuss that process a little  
11 bit. The objective is to compare your initial  
12 investment and initial expenses to the revenues  
13 over a long period of time minus the continuing  
14 expenses over that period of time.

15 And you can't get the continuing revenues  
16 without the continuing expenses. For example, if  
17 you said, well, we're not going to count when a new  
18 customer moves in to the property and we have some  
19 costs involved in managing that transition, we're  
20 not going to count that, then you can't count the  
21 revenues from that new customer either.

22 (9 h 29)

23 You're either counting the benefits, the  
24 revenues over the entire life and the costs over  
25 the entire life, or you're using some shorter time

1 horizon. If you mix and match, you're going to come  
2 up with the wrong answer, and I guess I said  
3 earlier, Gaz Métro tends to take an approach now of  
4 you make the initial investment, which is both a  
5 capital expenditure and some one-time operation  
6 maintenance expenses and then you get revenues over  
7 a long period and you don't count all of the  
8 expenses related to getting those revenues whereas  
9 we would say no, you have to count all the expenses  
10 that you expect. So that sort of brings up to the  
11 points that I would have covered, I think, if I put  
12 this presentation together before the hearing  
13 started. Dr. Overcast whirled a testimony, he  
14 raised some other points that I think... And to be  
15 honest, I think some of these were implicit in his  
16 earlier responses and even his report, but he  
17 certainly focused on some of these concepts that I  
18 would like to respond to here. And on page 11, I  
19 just list those for the convenience of anybody  
20 trying to figure out how if at all my presentation  
21 is structured.

22 So, on page 12, we deal with the question  
23 of short-run marginal costs versus the expected  
24 long term cost. And notice, I don't say short-run  
25 marginal cost versus long-run marginal cost. Long-

1 run marginal cost is an economic concept that's  
2 very hopeful in terms of some kinds of theoretical  
3 discussions, but doesn't really occur in the real  
4 world. It applies to a situation where your capital  
5 investment has completely adapted to the new demand  
6 level. And demand level and the capital investment  
7 are now in perfect balance, everything is ideally  
8 designed with no peculiarities left over from  
9 history. And that doesn't happen in the real world.  
10 We're never at equilibrium. We're always over built  
11 or under built or catching up or in some other kind  
12 of disequilibrium.

13 So, what we're really talking about is  
14 looking just at the short-run marginal cost versus  
15 looking at longer term, at your marginal cost, your  
16 incremental cost that will result over time. And  
17 applying short-run marginal cost may work pretty  
18 well if you're running a fruit stand and you're  
19 pricing your strawberries. If you're... I have a  
20 little graph here showing a short-run marginal cost  
21 curve, sort of imitating one that Dr. Overcast  
22 presented in his oral direct. So if we're at point  
23 A, strawberries are very cheap, you can price them  
24 very cheap, if you get anything above that low cost  
25 to you of buying the strawberries, you're making a

1 profit, you're happy. Six months from now,  
2 strawberries are expensive, the crop has been bad,  
3 you're at point B, your cost is much higher, your  
4 price so much higher, people will buy fewer  
5 strawberries from you, everything works out just  
6 fine with the short-run marginal costing.

7 (9 h 35)

8 In utility practice, though, we're often  
9 talking about much longer term decisions. And you  
10 can't put in a line extension based on the  
11 conditions at point A when marginal costs are low  
12 and say well, we'll just evaluate the project  
13 assuming that's the case and will be the case and  
14 then, when it turns out that we've gotten up to  
15 point B, say oh, well now, we want to re-evaluate  
16 the project and pull out that extension and get our  
17 money back. It doesn't work that way. You've spent  
18 the money, the costs are sunk, literally the pipe  
19 is sunk in the ground, you're not going to get it  
20 back. So, if we're at point A, we have to look  
21 forward and think about what are all the costs  
22 between now and the end of our analysis period.

23 And if the future looks like the present,  
24 and it looks like the costs are going to be at  
25 level A for twenty (20), thirty (30) years, fine.

1 And if we have information indicating that  
2 something different may happen, then we have to  
3 take that into account. And that the differences  
4 may come from changes in technology, from loads,  
5 environmental requirements, all kinds of things.

6 In on page 13, I give another example  
7 substituting spot gas for strawberries, but I like  
8 the strawberry example better.

9 Q. [18] Mr. Chernick, just to make this concrete, at  
10 page 12, you talk about future technology, loads,  
11 environmental constraints. That also includes,  
12 because you talked about in your evidence, you  
13 talked about, you know, bad debt, debt collection,  
14 cost of people moving. Those are the kinds of  
15 things as well?

16 A. Yes.

17 Q. [19] Okay.

18 A. So, something like we don't need to expand the  
19 upstream system this year as a result of the  
20 customers that we think we're adding this year. But  
21 sometime in the next two or three years, it's going  
22 to start getting tight and planning will have to  
23 start on some kind of reinforcement, that's one  
24 kind of example of a future cost that's not part of  
25 your short-run marginal cost. But if you ignore it,



1 you're going to wind up putting Gaz Métro in a  
2 situation where they have to spend that money and  
3 they didn't take it into account in deciding  
4 whether this extension was cost effective, whether  
5 it was profitable.

6 Another example would be if you leave out a  
7 whole category of costs such as the cost of  
8 replacing customers as they come and go or of  
9 losing revenues due to bad debt or, for that  
10 matter, just the possibility that an industrial  
11 facility may be shut down and vacant for a period  
12 of years.

13 You want to take into account a reasonable  
14 expectation of everything that you can get into  
15 your analysis in trying to decide: does this  
16 decision to expand the system make sense for the  
17 customers as a whole? Okay, I think I covered page  
18 13.

19 (9 h 39)

20 Another confusion that came up a couple of  
21 times is the difference between a cost per  
22 customer, for example, and the time trend in costs.  
23 And Dr. Overcast, a couple of times, argued that  
24 there can't be a marginal cost of adding a  
25 customer, say for a meter reading, because the

1 number of meter readers, the cost of meter reading  
2 has gone down over time from two thousand nine  
3 (2009) to two thousand fifteen (2015). And those  
4 two observations... those two conditions are really  
5 independent of one another. You can have a downward  
6 trend in costs but still have a cost for every  
7 customer you add for every meter of pipe that you  
8 add. Even though the cost of inspecting a meter of  
9 pipe may go down over time, and I give an example  
10 at the bottom of this page of the cost of gasoline  
11 has gone down over the last couple of years and so,  
12 you can drive more now and pay less. That does not  
13 mean that there's no cost of driving more. Every  
14 kilometer you drive will cost you some gasoline and  
15 that's real money, not as much money as it was a  
16 couple of years ago, but it will still cost you  
17 something.

18 And, if you have the projections, you can  
19 look out and say well, we don't want to use two  
20 thousand (2000) and two thousand fourteen (2014)  
21 analysis of driving if we knew what gaz prices were  
22 going to be, gazoline prices were going to be in  
23 two thousand sixteen (2016), we want to take that  
24 into account in our analysis but you don't say,  
25 'Oh! The price of gaz is going down', therefore the

1 world is going to pay me to drive more, because I  
2 can drive more in two thousand sixteen (2016) than  
3 I did in two thousand fourteen (2014) and yet pay  
4 less.

5 So, the newer observation that technology  
6 changes, market prices change, cost can go down  
7 over time, does not mean that the customers you've  
8 added, in the meantime, have not imposed additional  
9 costs and won't impose additional costs in the  
10 future.

11 On Slide 15, I take up the issue of what is  
12 the long term, what's the period over which we need  
13 to look at the cost and Dr. Overcast suggests that  
14 perhaps we can look out five years, because that's  
15 as far out as gaz distribution utilities usually  
16 look in doing their capacity planning, their  
17 infrastructure planning. The problem with that is  
18 that if you're going to count twenty (20) or thirty  
19 (30) or forty (40) years of revenue you want to  
20 have a realistic expectation of what the costs are  
21 going to be in that period and, if every part of  
22 your system required some reinforcement every  
23 fifteen (15) years, then, as you looked out at your  
24 expansion opportunities today, you would see, for  
25 two thirds (2/3) of your areas, you would see no

1 need for expansion of the supply, the upstream  
2 supply of equipment and operating cost in the next  
3 five years, but you might still have good reasons  
4 to believe that at some point in the future, you're  
5 likely to need to expand or perhaps there's a  
6 fifty-fifty (50/50) chance that you'll need to  
7 spend some money, in which case you should include  
8 that expected value, the average value because you  
9 don't know which areas are gonna grow the fastest  
10 and which areas will need reinforcement in the next  
11 ten (10), fifteen (15), twenty (20) years.

12 So, if you're going to use an evaluation  
13 period of say, thirty (30) years, you have to do  
14 your best to estimate your costs over the thirty  
15 (30) years, you can't take five (5) years of costs  
16 and compare it to thirty (30) years of reference.

17 On Page 16, I take up what I believe is the  
18 only place where I respond directly to something  
19 that Dr. Overcast said I did, I don't really like  
20 to get into this back and forth just about, who did  
21 what? Uh, but I really, really am baffled by his  
22 suggestion that I advocate the use of average cost,  
23 regardless of what the marginal cost is, in some  
24 cases, you don't have any estimate from Gaz Métro  
25 of marginal cost, they provided an average cost of

1 some sort and then, later said, 'No, maybe it's  
2 zero (0)'. So in those cases I said, 'No, let's use  
3 their average'. On, in other places I have talked  
4 about an average cost, meaning an average of the  
5 incremental cost, with the average of the marginal  
6 cost of serving a group of customers. For example,  
7 when you add a residential customer, you don't know  
8 whether this is somebody who will never bother the  
9 Customer Service line at all or whether it's  
10 somebody who's going to be calling three times a  
11 week with questions about his bill, or her bill,  
12 and, uh, and just to have somebody to talk to.  
13 (9 h 45)

14 We have all kinds of personalities out  
15 there and you have no idea when you're bringing on  
16 a customer, which kind they're going to be. And,  
17 the same is true when you run a service line, a  
18 connection to a customer, you don't usually know  
19 whether this is going to be a service line that's  
20 going to do fine for the next forty (40) years or  
21 whether due to the soils conditions or the, the  
22 machinery used by the landscapers, to find out that  
23 it's going to be a leak five (5) years from now. So  
24 you have to take an average marginal cost, an  
25 average incremental cost and I hope that's just a

1 clarification of my position, to the extent that  
2 your average cost, that is total cost divided by  
3 all your customers, is different than the cost of  
4 adding customers, you want to use the cost of  
5 adding the customers for evaluating projects in  
6 which you add customers, that may be higher than  
7 your average and maybe lower than your average.

8 And I agree with, with Dr. Overcast that  
9 historical averages don't, in themselves, represent  
10 the value you want to use. Unfortunately sometimes  
11 those are the values we have for something like the  
12 cost of customer service. We don't know how people  
13 are going to be using the customer service systems  
14 in five (5) years time, we know how they use it  
15 today, we know what we, how many people we need, we  
16 know what we pay them, we can work out a cost per  
17 customer. If you have better information about the  
18 future, you can use that but in many cases we have  
19 to default back to using historical averages.

20 Q. [20] Mr. Chernick I wonder whether it, is this the  
21 right time to ask you about the business of, what I  
22 understand or I sort of understand, the business  
23 about how the, by the time a new cost is required  
24 there have been numerous customer additions and  
25 that they can absorb the cost with no impact on

1 existing customers, are we getting there or in  
2 that, in that neighbourhood? You're about, you're  
3 about to treat that now?

4 A. I'll do.

5 Q. [21] Okay. Well I, any way I'll, I was just gonna  
6 give you, maybe you could help us out and just  
7 review quickly the response, the response, excuse  
8 me, I'm just gonna give you B-0225, which is the  
9 response of Gaz Métro to your Information Request.  
10 Maybe you could just take a minute to review it and  
11 then, and then explain why you don't agree with  
12 the, how you, whether you agree or not with the  
13 answer that was given I should say.

14 A. I don't have it in front of me but they can bring  
15 it up. I think in this response, what Gaz Métro is  
16 saying is that there are situations where there are  
17 lumpy costs in the first year adding a customer may  
18 not trigger that the next incremental unit of  
19 supply, you mean I have to hire another, bring on  
20 another meter reader in their perspective, and then  
21 when you do, over time when you do bring on the new  
22 meter reader, the revenues that you've received  
23 from the customers in the interim may pay for that  
24 new resource, may have more than paid for the cost  
25 of the resource.

1                   And that's only a possibility, that doesn't  
2                   mean you can ignore the cost of that resource,  
3                   you're including in your analysis all of the  
4                   revenues that you expect to get from these new  
5                   customers.

6                   (9h50)

7                   If ten (10) years from now these customers  
8                   and others that have come on require you to put in  
9                   some new resource of some sort, then you have to  
10                  include that cost as a cost of serving the  
11                  customers and that's one of your incremental costs  
12                  of expansion of the system. And then it's a matter  
13                  for the calculation for the analysis is to whether  
14                  these costs are being covered by the revenues that  
15                  you're getting from expansion. And in some cases it  
16                  will, and in some cases when you add together all  
17                  the costs that you need to add over time, and you  
18                  compare that to your revenues over time, you're  
19                  gonna find that you're not covering all your costs  
20                  and either the new customers have to pay a little  
21                  bit more to justify the extension of service or  
22                  it's just not profitable to do the extension.

23                  Q. [22] So would you, would you, what's your advice to  
24                  the Board about this, this concept of, that the  
25                  revenues, you just said that the revenues...



1 R. Absorb the costs.

2 Q. [23] Absorb the costs, is that an appropriate  
3 concept in...

4 R. Well it's not, it's not an appropriate assumption.  
5 It may in fact be the result of your analysis, you  
6 lay out your expected costs, by which I mean on a,  
7 a probabilistic basis, not cost that you expect to  
8 happen for every customer or expect every year but  
9 cost that will happen every five (5) years or ten  
10 (10) years on the average, you put those in, you  
11 look at your revenues, you look at all the costs  
12 that you've put together and you ask the question:  
13 Have those revenues absorb the cost, if you want to  
14 use that term. And that's an outcome of the  
15 analysis, it's not something that you can short  
16 circuit and just say: We can ignore all kind  
17 categories of cost because they might be absorbed,  
18 if we actually do the analysis. You do the analysis  
19 and reach a conclusion, you don't start with a  
20 conclusion before you do the analysis.

21 Q. [24] Alright, sorry for the interruption, that's  
22 helpful.

23 A. I appreciate the pop questions, it keeps me on my  
24 toes. Okay. The next couple of slides I've covered  
25 really in my earlier discussion. On Page 19, I come

1 back to something else that, that sort of baffles  
2 me and that's, I can't believe that Dr. Overcast  
3 told us that bad debt and collection expenses are  
4 not marginal cost because they are the results of  
5 social policies and I've seen that, that concept  
6 applied that a cost is, is really not a cost  
7 because it's something that's being done for social  
8 reasons. I've seen that applied to things like  
9 energy efficiency charges where it's not so much  
10 that it's a cost to the system that we're  
11 collecting it from, a new customer for example,  
12 it's a cost that the utility is undertaking because  
13 of a policy direction for the good of the customers  
14 as a whole and it just has to be collected some  
15 place or a cost in subsidizing low income  
16 customers, that subsidy has to come from some place  
17 and to say that if we add one new customer who's  
18 not low income, then the amount that they pay  
19 towards low income fund is a cost, I think there's  
20 good reason to question that assumption.

21 But I don't know of any social policy that  
22 says that bad debts and collection expenses are  
23 public policies, that we want to have bad debt, we  
24 want to have people who don't pay their bills and  
25 have to be pursued. I think those are just cost of

1 doing business. I think any business, in trying to  
2 figure out what it needs to charge in order to be a  
3 going concern has to take into account the fact  
4 that not all of its customers will pay their bills  
5 and some of them will require some additional  
6 effort to pay their bills.

7 (9 h 55)

8 So, it strikes me that those are just costs  
9 of operating the company and they're in no way a  
10 social cost that's being collected through Gaz  
11 Métro's rates.

12 Page 20, I highlight again the importance  
13 of matching the period for revenues and costs. Page  
14 21, Dr. Overcast criticised my analysis of gas  
15 supply expenses on a number of grounds but let me  
16 step back first and say: he started with sort of a  
17 theoretical, perhaps even philosophical position  
18 that the costs of managing gas supply had nothing  
19 to do with the amount of gas that you flow.

20 Well, that's an interesting position but  
21 it's one that can be tested empirically and I asked  
22 Gaz Métro how its gas supply expenses compare to  
23 those of other gas distributors and Gaz Métro had  
24 no information. So, we don't know whether customers  
25 much larger than Gaz Métro, whether companies much

1 larger than Gaz Métro like Enbridge in Ontario have  
2 the same number of people handling the gas supply  
3 or whether they have a much larger number because  
4 they have more contracts to deal with, more  
5 customer loads to balance and we don't know whether  
6 much smaller gas companies have much smaller staff  
7 to do the same thing.

8 I suspect that that's the case and I did a  
9 very simple analysis showing that there seemed to  
10 be a trend for more gas flowing through the system  
11 requiring higher costs and Dr. Overcast didn't like  
12 that because I used historical data and most  
13 marginal cost analysis rely on historical data but  
14 if Gaz Métro has some other way of approaching the  
15 question, they can do so. But simply saying, "We  
16 don't believe it." is not a reasonable basis for  
17 saying that there's no cost.

18 He also takes a position that throughput  
19 cannot cause the cost because the cost of hiring  
20 people to handle the throughput happens before the  
21 gas flows and I think that's true of most utility  
22 cost. You have to put the pipe in before you incur  
23 the costs of pumping gas through it. You have to  
24 sign the contract and be committed before you start  
25 taking gas.

1           There are, usually, commitments that happen  
2 before the actual event that you're, the action  
3 that you're paying for. In this case, if you want  
4 somebody to balance gas supply and to deal with  
5 contracting issues with direct service customers,  
6 then you're going to have to hire people to do that  
7 and get them trained and working in the system  
8 before the gas is flowing. So, I think that  
9 argument about what comes first in time really  
10 doesn't hold any water or any gas, if you prefer.

11           He also complained that I didn't use all  
12 the years of available data. In other situations,  
13 Dr. Overcast is quite clear that technology  
14 changes, systems become more automated, you can do  
15 more with fewer people and it looks like, something  
16 like that probably happened in the... around two  
17 thousand and six (2006) for Gaz Métro's gas supply  
18 function. I don't know because I only have a total  
19 number of dollars by year, I don't know what their  
20 staffing was, I don't know what changed about their  
21 operations, but their cost dropped a lot.

22           And again, Gaz Métro can probably do a much  
23 better analysis that I can because they've got  
24 access to the information and they have the  
25 history, they have people who were there in two

1 thousand and six (2006) and know how the system  
2 worked in two thousand and four (2004) and what  
3 they did differently in two thousand and eight  
4 (2008).

5 Dr. Overcast is concerned about the fact  
6 that I used throughput that is including third  
7 party gas and customer gas rather than sales in my  
8 analysis. Well, if you look at the breakdown of the  
9 staffing, something like forty percent (40 %) of  
10 the staff is in contract management, which Gaz  
11 Métro says is primarily related to dealing with all  
12 of these customers who have their own gas supplies  
13 and dealing with balancing what's coming in from  
14 each of the suppliers and working out the billing  
15 for all of them. And another big chunk of the staff  
16 has to do with just balancing the technical flow of  
17 gas which is the same, regardless of whether you're  
18 talking about gas owned by Gaz Métro or gas owned  
19 by a customer or a marketer.

20 And finally, he falls back on his argument  
21 that my result fails the test of common sense  
22 because costs fell from before two thousand and six  
23 (2006) to later years while the number of customers  
24 grew. Well, first of all, as I've discussed, you  
25 can have a decrease in the total cost while there's

1 still a cost for each additional cubic metre in  
2 this case. But anyway, his argument about the  
3 number of customers is irrelevant because I don't  
4 think anybody believes that the number of customers  
5 in itself affects the cost of gas supply  
6 management.

7 And that concludes my comments unless you  
8 have additional questions, Mr. Gertler.

9 Q. [25] I did want to make sure that you covered the  
10 question from the presiding member of the Board  
11 yesterday, I believe, and I'm referring... it's not  
12 going to do you much good because it's in French,  
13 but at page 52, 53 of the transcript of... and it's  
14 volume 3, I guess, the Chair asked you to... or  
15 asked us to ask you to make sure that you covered  
16 the issue, even if it's a relatively small cost,  
17 the issue of additions of load and how additions of  
18 load to existing customers should be treated.

19 And I think, someone will correct me if I'm  
20 wrong, but I think that the vision of Gaz Métro,  
21 originally, in their original proposal was to  
22 include the direct cost of those and I think Dr.  
23 Overcast would exclude them and I was just  
24 wondering how you... what you would advise the  
25 Board or answer to the question about the costs

1 associated with... it's O&M cost, right? And would  
2 increase load from existing customers.

3 A. Well, this point... we're only specifically dealing  
4 with the O&M cost, but the concept applies to  
5 capital as well.

6 Q. [26] Hum hum.

7 A. And an existing customer is just like a new  
8 location, an existing facility, building house, is  
9 just like a new one except for the fact that you  
10 probably don't have to put in a service line, a  
11 connection line. If a customer is enormously  
12 increasing their use of gas, you might need to put  
13 in a new line or you might need to change the  
14 pressure of the supply, or do other things, but  
15 conceptually the approach should be exactly the  
16 same as it would be for extending a main hooking up  
17 customers. What do we have to do now? What are we  
18 likely to have to do in the future? What do we do  
19 locally in terms of perhaps changing a meter,  
20 resetting a regulator, pressure regulator in the  
21 street? And what do we need to do upstream?

22 And, in some cases you may not really need  
23 to work through the numbers because it may be  
24 pretty obvious, on the back of the envelope basis,  
25 if you want, to determine that the revenues from



1 this customer are going to greatly exceed the  
2 additional costs and it's not necessary to spend as  
3 much time on it as he would on a, perhaps a much  
4 larger investment and where there's, there's more  
5 cost for the amount of revenue you're getting. But  
6 in principle you'd want to take the same factors  
7 into account.

8 Q. [27] Now finally, I think you've already answered  
9 to some extent but, we've heard talk about  
10 philosophy, theory, methodology and I just want to  
11 ask you what your, your understanding of the  
12 Board's task is here and why it's, why is it  
13 important to get this right, why is it important to  
14 make the right choice here?

15 A. Well, as I, I started out with what I think we're  
16 doing here which is to set up the analysis of  
17 adding new extensions to the company's service  
18 territory. Now in principle that includes just  
19 hooking up a customer who's already on an existing  
20 main, but more interesting questions involve  
21 extending mains, extending the supply lines and  
22 connecting larger numbers of customers.

23 And, if you do the analysis right, you'll  
24 be bringing on customers whom you expect to be  
25 profitable to reduce costs to the existing

1 customers, so it's good for the existing customers,  
2 and I would assume it's good for the new customers  
3 because they're signing up to take the gaz, so  
4 everybody winds up being better off.

5 If you do it wrong, you wind up, perhaps  
6 being doing something that's good for the new  
7 customers who get to connect but imposing  
8 additional costs on the existing customers and  
9 making them worse off that if you'd made the right  
10 decision.

11 And as I alluded to, I think, early in my  
12 presentation, many of these concepts spill over  
13 into other decisions that the Board has to deal  
14 with. This is, we're dealing with one little piece  
15 of your responsibilities here but many of these  
16 concepts of: What time frame do we look at? How do  
17 we think about what costs are marginal or  
18 incremental? Those affect a whole range of other  
19 subjects, even though they're not within the bounds  
20 of this proceeding.

21 Q. [28] Okay, thank you very much. Monsieur le  
22 Président les témoins sont prêts pour le contre-  
23 interrogatoire.

24 LE PRÉSIDENT :

25 Merci Maître Gertler. Maître Sarault?

1 ME GUY SARAULT :

2 Pas de question.

3 (10 h 10)

4 LE PRÉSIDENT :

5 Pas de question. Je ne vois pas maître Turmel... Je  
6 ne vois pas... Non, maître David, lui, il nous  
7 écoute puis il avait annoncé qu'il... Ah, oui?

8 Me GUY SARAULT :

9 Excusez-moi, j'ai quelqu'un qui me dit que j'ai  
10 peut-être oublié un élément important.

11 LE PRÉSIDENT :

12 Approchez-vous Maître Sarault.

13 CONTRE-INTERROGÉS PAR Me GUY SARAULT :

14 Je m'excuse pour le petit imbroglio.

15 Q. [29] Dr. Chernick, I'd like to go to your  
16 PowerPoint presentation, on the second slide,  
17 "planche" as we call them in French, where you  
18 establish the distinction between what is dealt  
19 with in Phase 3A versus 3B. I think you were there  
20 when I cross-examined the witnesses of Gaz Métro as  
21 well as Mr. Baudino yesterday about, you know, the  
22 distinctions to be made between Phase 3A and Phase  
23 3B and, more specifically, I asked them whether  
24 they agreed that we could find O&M costs not only  
25 in the marginal costs to be determined in Phase 3A,

1 but also in the capital costs, the overhead costs  
2 to be addressed in Phase 3B. Do you agree with  
3 that?

4 Mr. PAUL L. CHERNICK:

5 A. Well, there are overhead costs that are allocated  
6 to capital and would be in the capital projects  
7 that we're thinking about in 3B, there are overhead  
8 costs that should be allocated to expenses and they  
9 should conceptually, at least, be in Phase 3A.

10 Q. [30] Okay. I'm not sure that you fully understood  
11 my question. My question is: do you agree that  
12 there is an element of O&M costs that are  
13 capitalized and that those O&M capitalized will be  
14 addressed not in Phase 3A but in Phase 3B.

15 A. Yes, that's what I was answering. I mean, the  
16 direct O&M is at least conceptually in this case,  
17 then there's indirect or overhead costs,  
18 administration and benefits for the employees and  
19 so on, office space for them, that some of it  
20 should be included in the expenses that we're  
21 dealing with here and some would be capitalized.

22 Q. [31] Thank you, I have no further questions. Thank  
23 you.

24 LE PRÉSIDENT :

25 Merci Maître Sarault. Maître Turmel?

1 Me ANDRÉ TURMEL :

2 Je suis toujours pas loin.

3 LE PRÉSIDENT :

4 Oui, oui, vous avez d'autres locaux pas loin. Oui,  
5 c'est ça. Donc, maître David n'est pas là. Maître  
6 Neuman, Maître Sicard? Bon. Oui? J'étais rendu à  
7 vous.

8 Me HUGO SIGOUIN-PLASSE :

9 Oui, c'est bon.

10 LE PRÉSIDENT :

11 Mais c'est parce que vous vous cachez derrière le  
12 sténographe.

13 Me HUGO SIGOUIN-PLASSE :

14 Oui, bien écoutez, monsieur Morin, qu'est-ce que  
15 vous voulez. On ne se passera pas de lui pour  
16 autant, n'est-ce pas?

17 LE PRÉSIDENT :

18 Non.

19 Me HUGO SIGOUIN-PLASSE :

20 Je vais demander, avec votre permission, une pause,  
21 Monsieur le Président, pour consulter mes gens,  
22 dont le Dr. Overcast, là-dessus avant  
23 d'entreprendre possiblement, je dis bien, un  
24 contre-interrogatoire. On verra.

25

1 LE PRÉSIDENT :  
2 O.K. Quinze (15) minutes vous suffiront-elles ou  
3 vingt (20)?  
4 Me HUGO SIGOUIN-PLASSE :  
5 Oui, ça va, quinze (15) minutes.  
6 LE PRÉSIDENT :  
7 Quinze (15)?  
8 Me HUGO SIGOUIN-PLASSE :  
9 Oui.  
10 LE PRÉSIDENT :  
11 O.K.  
12 Me HUGO SIGOUIN-PLASSE :  
13 Merci.  
14 LE PRÉSIDENT :  
15 Bon, nous prendrons quinze (15). De retour à dix  
16 heures trente (10 h 30).  
17 SUSPENSION DE L'AUDIENCE  
18 REPRISE DE L'AUDIENCE  
19  
20 LE PRÉSIDENT :  
21 Maître Sigouin-Plasse, on vous a donné un petit  
22 extra.  
23 (10 h 37)  
24 Me HUGO SIGOUIN-PLASSE :  
25 C'est bien gentil. C'est bien gentil, mais vous

1           verrez que le résultat est que je vous annonce,  
2           Monsieur le Président, que je n'aurai pas de  
3           contre-interrogatoire à livrer... à exécuter.

4           LE PRÉSIDENT :

5           Tout ça pour rien.

6           Me HUGO SIGOUIN-PLASSE :

7           Bien, écoutez, on s'est entendu sur un quinze (15)  
8           minutes.

9           LE PRÉSIDENT :

10          Non, non. Non, mais on a mis à profit ce temps-là,  
11          n'en doutez pas.

12          Me HUGO SIGOUIN-PLASSE :

13          Je n'en doute pas un instant. Je n'en doute pas un  
14          instant. Alors voilà, je me retire donc, je n'ai  
15          pas de questions pour les témoins.

16          LE PRÉSIDENT :

17          Maître Cardinal.

18          Me AMÉLIE CARDINAL :

19          Je vous remercie, je n'aurai pas de questions.

20          LE PRÉSIDENT :

21          Merci. Alors et bien la Formation n'a pas de  
22          questions non plus. Alors Messieurs, merci  
23          beaucoup, Mr. Chernick, thank you very much. Maître  
24          Gertler, est-ce que vous avez un réinterrogatoire?

25

1 Me FRANKLIN S. GERTLER :

2 Bien, j'avais juste une petite chose.

3 LE PRÉSIDENT :

4 Oui, je ne les ai pas libérés encore.

5 RÉINTERROGÉS PAR Me FRANKLIN S. GERTLER :

6 Q. [32] Suite à la question de mon confrère maître  
7 Sarault, j'avais une question, si vous permettez.  
8 So I just had one little question to ask you, Mr.  
9 Chernick. Further to the question... Because I want  
10 to get a little more concrete, I wasn't sure I  
11 understood. But my colleague maître Sarault, asked  
12 you about whether there were certain O&M costs that  
13 would be... should be properly dealt with or are  
14 dealt... I'm not sure I understood. You explained  
15 it to me in the second phase, in 3B, and I wanted  
16 to suggest... refer you to the specific something  
17 because in the presentation of... you won't be able  
18 to read it, but anyway, in the presentation of IGUA  
19 or ACIG, which is C-ACIG-0070, Mr. Schepper,  
20 perhaps you could help get mister Chernick to that  
21 and specifically at page 9. And it's respecting  
22 costs that are related to meter reading and they  
23 say in their second bullet point that you propose  
24 to include costs linked to the fleet...

25



1 M. BERTRAND SCHEPPER :

2 R. Maitre Gertler.

3 Q. [33] Oui?

4 R. Vous parlez de la page 8 ou de la page 9?

5 Q. [34] Excusez-moi, 8. O.K. To the cost of the fleet  
6 to the... for the reading of meters and they say  
7 that these costs are related to the... their  
8 already taken account of in the general... the  
9 frais généraux, the general costs as under the  
10 heading of fleet and garage expenses. So I was just  
11 wondering whether... and they say they shouldn't be  
12 added to the cost of operation, I guess, in this  
13 phase 3A. And I just... I know they had a concern  
14 about double counting, I would just like, maybe you  
15 could clarify whether this is double counting,  
16 whether there's a problem of double counting here?

17 M. PAUL L. CHERNICK :

18 R. No, I think this is a different question than the  
19 one that I was asked...

20 Q. [35] O.K.

21 R. ... on cross, at least the way I understood it. But  
22 let me see if I can give a general answer that  
23 might help the board here.

24 Me HUGO SIGOUIN-PLASSE :

25 Je veux juste... je comprends que vous avez... Dans

1 la réponse, il vient de dénoncer un problème. Mon  
2 confrère est en réinterrogatoire, il lui pose une  
3 nouvelle question qui n'a pas été posée par mon  
4 confrère Sarault tout à l'heure. Alors là, on donne  
5 une occasion au témoin de compléter ses propos  
6 alors qu'on est en réinterrogatoire et on se  
7 devrait d'avoir une approche très restrictive dans  
8 le genre d'exercice auquel maître Gertler se prête.

9 Me FRANKLIN S. GERTLER :  
10 Monsieur le Président, je vous laisse le soin de...  
11 excusez-moi.

12 Me GUY SARAULT :  
13 Je seconde.

14 LE PRÉSIDENT :  
15 Vous secondez...

16 Me GUY SARAULT :  
17 L'objection.

18 Me FRANKLIN S. GERTLER :  
19 Ah oui. En tout cas, je... monsieur... I think, Mr.  
20 Chair, that the... I'm not... I'm trying to make  
21 sure the Board gets the benefit... if this is in  
22 the nature of a réouverture d'enquête or any  
23 supplementary question, I don't think we formalize  
24 ourselves with these things at this Board. I think  
25 this is a... the question of whether there's double

1 counting is an issue that's before you. If you  
2 don't want to hear the answer, I'm not going to...  
3 I'm not going to have an argument with my confrère.  
4 That's... you've heard the question, anyway.

5 (10 h 42)

6 LE PRÉSIDENT :

7 Je crois, en effet, qu'il n'est pas nécessaire  
8 d'argumenter sur cette question. On a entendu le  
9 témoignage de madame Falardeau hier, les questions  
10 de maître Sarault aujourd'hui. J'ai moi-même  
11 formulé un commentaire et j'ai donné des devoirs  
12 aux gens de Gaz Métro pour qu'ils clarifient leur  
13 position là-dessus. Je comprends que monsieur  
14 Chernick pourrait nous éclairer, mais il nous a  
15 déjà éclairés avec les questions qui ont été posées  
16 avant la pause. Je pense que ça va être complet  
17 avec ce que maître Sigouin-Plasse pourra nous  
18 compléter lors de sa plaidoirie.

19 Me FRANKLIN S. GERTLER :

20 O.K. Thank you very much. Merci.

21 LE PRÉSIDENT :

22 Merci. Donc, je crois que je peux libérer les  
23 témoins. Monsieur Schepper, Mister Chernick, thank  
24 you very much. Oui, Maître Neuman, vous pouvez vous  
25 approcher. J'ai libéré les témoins, Maître Gertler.

1 PREUVE DE SÉ/AQLPA

2 Me DOMINIQUE NEUMAN :

3 Bonjour, Monsieur le Président, Madame, Monsieur  
4 les Régisseurs. Dominique Neuman pour Stratégies  
5 énergétiques et l'Association québécoise de lutte  
6 contre la pollution atmosphérique. Nous avons comme  
7 témoin monsieur Jacques Fontaine qui est prêt à  
8 être assermenté.

9

10 L'AN DEUX MILLE DIX-SEPT (2017), ce vingtième (20e)  
11 jour du mois d'avril, A COMPARU :

12

13 JACQUES FONTAINE, Consultant en énergie, ayant une  
14 place d'affaires au 10946, Avenue de Rome, Montréal  
15 (Québec);

16

17 LEQUEL, après avoir fait une affirmation  
18 solennelle, dépose et dit :

19

20 INTERROGÉ PAR Me DOMINIQUE NEUMAN :

21 Q. [36] Bonjour Monsieur Fontaine. Je vous demanderais  
22 d'abord d'identifier le document suivant qui porte  
23 la cote C-SÉ/AQLPA-0036, SÉ/AQLPA-2, Document 1,  
24 qui est daté du dix-sept (17) mars deux mille dix-  
25 sept (2017) qui s'intitule « La méthode de

1 détermination des coûts marginaux de prestation de  
2 service de long terme de Gaz Métro ». Est-ce que  
3 vous reconnaissez ce rapport comme ayant été  
4 préparé par vous et sous votre supervision?

5 M. JACQUES FONTAINE :

6 R. Oui, je le reconnais.

7 Q. [37] O.K. Merci Monsieur Fontaine. Est-ce que vous  
8 pourriez d'abord expliquer pour quelle raison vous  
9 favorisez l'utilisation d'un coût marginal à long  
10 terme quant aux fins de la détermination de la  
11 rentabilité des ajouts en croissance sur le réseau  
12 de Gaz Métro?

13 R. Oui. Eh! Bien, essentiellement il y a quatre  
14 raisons. La première, c'est que nous nous appuyons  
15 sur Bonbright et en accord avec Bonbright, nous  
16 croyons que selon une approche régulatrice moderne,  
17 le vrai coût d'un service désigne normalement son  
18 coût moyen, et le coût marginal de long terme peut  
19 être utilisé afin d'assister la prise de décision  
20 quant aux ajouts de croissance.

21 Deuxièmement, nous nous appuyons sur Hydro-  
22 Québec qui, dans le dossier R-3972-2016, souligne,  
23 et je cite :

24 Bien que le niveau des tarifs de base  
25 doive être établi à partir des coûts

1                    moyens, il importe de tenir compte  
2                    dans la conception des tarifs du  
3                    signal tiré de la structure des coûts  
4                    marginaux. Par exemple, la pondération  
5                    entre les coûts d'énergie et de  
6                    puissance dans les coûts marginaux de  
7                    long terme peut servir d'indicateur  
8                    sur la façon de faire évoluer la  
9                    structure des tarifs comportant des  
10                    composantes de puissance et d'énergie.

11                    Troisièmement, sur la Régie de l'énergie qui, de  
12                    deux mille quatre (2004) à deux mille sept (2007),  
13                    encourage une structure tarifaire favorisant un  
14                    signal de prix basé sur le signal... sur le coût  
15                    marginal à long terme :

16                    Dans la décision D-2007-12, la Régie  
17                    réitérait le caractère prioritaire de  
18                    la modification des structures  
19                    tarifaires en ce sens. Elle demandait  
20                    au Distributeur...

21                    dans ce cas-là, Hydro-Québec

22                    ... de présenter, dans le dossier  
23                    tarifaire 2008, des propositions de  
24                    réforme tarifaire tenant compte de  
25                    l'importance des coûts marginaux de

1                           long terme et de la mise en oeuvre de  
2                           la stratégie énergétique du  
3                           gouvernement.

4           Et finalement, mardi, le témoin de Gaz Métro,  
5           madame Isabelle Lemay, présentait une étude de  
6           rentabilité qui porte sur quarante (40) ans. Alors,  
7           pour moi, quarante (40) ans, c'est du long terme.  
8           (10 h 48)

9           Q. [38] Monsieur Fontaine, pourquoi est-ce que vous  
10           vous étonnez que Gaz Métro se rallie à l'approche  
11           de son expert plutôt que de s'en tenir à sa propre  
12           vision en ce qui concerne les coûts marginaux,  
13           enfin en ce qui concerne le fait que l'on utilise  
14           les coûts marginaux à long terme?

15           R. Bien, nous croyons d'abord qu'un distributeur peut  
16           se distancer de son expert comme le montre  
17           l'exemple récent d'Hydro-Québec Distribution dans  
18           les dossiers R-3980-2016 et R-3986-2016 sur l'enjeu  
19           des coûts évités en réseau autonome. Nous avons été  
20           aussi impressionné par la démarche initiale de Gaz  
21           Métro qui a mis à contribution des représentants de  
22           quatorze (14) de ses unités internes. Nous avons  
23           donc à ce stade aucune raison de croire que  
24           l'information ainsi colligée serait erronée. Bien  
25           au contraire, le fait que les montants indiqués par

1 Gaz Métro dans sa proposition initiale proviennent  
2 de cette démarche auprès de son propre personnel,  
3 les valorise et affaiblit encore davantage les  
4 réductions de coûts marginaux proposées par son  
5 consultant.

6 Q. [39] Monsieur Fontaine, pourquoi malgré la réponse  
7 2.1 de Gaz Métro à la demande de renseignements  
8 numéro 8 de la Régie, et je vous cite la référence  
9 qui est B-236 (Gaz Métro-8, Document 10), page 5,  
10 pourquoi est-ce que, malgré cette réponse, vous  
11 êtes préoccupé par l'écart important entre les  
12 coûts marginaux minimums et maximums dans la preuve  
13 de Gaz Métro?

14 R. Bien, essentiellement parce que nous croyons que de  
15 tels écarts ne sont que de peu d'utilité  
16 méthodologique pour la Régie aux fins de la  
17 présente cause générique.

18 Q. [40] Est-ce que vous pourriez élaborer sur les  
19 différences que vous constatez entre la proposition  
20 initiale de Gaz Métro et la proposition du docteur  
21 Overcast en ce qui concerne la détermination des  
22 coûts marginaux pour les secteurs résidentiels et  
23 CII?

24 R. Les différences, les gens, les experts en ont parlé  
25 beaucoup. Premièrement, le coût de lire un compteur



1 est ignoré par le docteur Overcast. Deuxièmement,  
2 le coût minimal du traitement d'un appel  
3 téléphonique est mis à zéro par le docteur  
4 Overcast. Troisièmement, le coût des mauvaises  
5 créances est ignoré par le docteur Overcast. Et  
6 puis comme monsieur Chernick l'a dit avant moi, il  
7 y a toujours une probabilité que ça arrive. Puis la  
8 probabilité, elle n'est pas zéro, elle existe. Et  
9 si elle existe, il y a un coût associé à cette  
10 probabilité-là. Et comme le disait monsieur Antoine  
11 Gosselin, il y a une espérance en cette valeur-là,  
12 dans le sens d'espérance mathématique.

13 Quatrièmement, le docteur Overcast ne tient  
14 pas compte durant la première année du coût de  
15 l'entretien correctif et préventif des conduites de  
16 distribution. Il en situe le minimum à zéro après  
17 la première année. Et, finalement, le coût de  
18 l'entretien préventif et correctif des conduites  
19 principales n'est pas spécifié par le docteur  
20 Overcast. Nous recommandons à la Régie de l'énergie  
21 d'établir pour le secteur résidentiel les coûts  
22 marginaux de long terme, de l'ajout d'un client en  
23 se basant sur la proposition initiale de Gaz Métro,  
24 là, qui est comprise dans le document. De mémoire,  
25 je pense que c'est le B-0244.

- 1 Q. [41] 144.
- 2 R. 144. Je ne suis pas sûr. Les premières pages.
- 3 Q. [42] 144.
- 4 R. 144.
- 5 Q. [43] Je pense, de mémoire. Je ne l'ai pas devant  
6 moi. Et finalement je vous demande également si  
7 vous avez des commentaires quant à la détermination  
8 des coûts marginaux de prestation dans le  
9 secteur... de prestation de service dans le secteur  
10 industriel, les grandes industries?
- 11 R. Bien, nous avons été étonné que ni Gaz Métro ou son  
12 consultant ne propose de tenir compte d'un coût des  
13 mauvaises créances ou de recouvrement pour le  
14 secteur des grandes industries. Une telle demande  
15 pourtant a été formulée par Hydro-Québec  
16 Distribution dans le dossier R-3708-2009, pièce  
17 B-0001.
- 18 Q. [44] Oui, 3708-2009, oui, c'est ça.  
19 (10 h 53)
- 20 R. 2009, oui. HQD, Document 1, page 12, lignes 23 et  
21 25. Et réitérée dans le dossier R-3733-2010, pièce  
22 B-2 (HQD-2), document 1, page 19, lignes 4 et 5.
- 23 Q. [45] Finalement, Monsieur Fontaine, vous avez une  
24 expérience comme prévisionniste chez Hydro-Québec  
25 pendant... pendant plusieurs décennies. Et en

1           tenant compte un peu de cette expérience, je vous  
2           demanderais comment est-ce que vous voyez... en  
3           fait, la réponse à la question qui a été posée par  
4           la formation quant à savoir comment est-ce que l'on  
5           devrait tenir compte durant... des ajouts qui  
6           pourraient survenir durant la période de vie de  
7           quarante (40) ans d'un projet, des ajouts de  
8           charges soit par... soit des ajouts de charges des  
9           clients qui sont déjà là au début, soit des ajouts  
10          de charges par des... provenant de nouveaux  
11          clients? Comment est-ce qu'on devrait en tenir  
12          compte?

13        R. Bien, je pense qu'une bonne façon d'en tenir  
14          compte, c'est de faire des scénarios et de les  
15          probabiliser. Là, je vais y aller de mémoire, je  
16          n'ai pas les références exactes, mais dans le  
17          rapport sur l'addition de capacités de compression  
18          pour l'alimentation du Saguenay, le consultant du  
19          Distributeur, de Gaz Métro, qui est... de mémoire  
20          c'était KPMG, avait, de fait, probabilisé les  
21          additions de charges dans cette région et coté des  
22          entreprises selon un degré de probabilité. Et je  
23          crois que c'est la bonne façon de faire, d'établir  
24          des scénarios avec des probabilités et en espérant  
25          qu'un scénario, même à faible probabilité,

1           rencontre les critères de rentabilité.

2       Q. [46] De faible probabilité ou de faible charge vous  
3           voulez dire? De faible...

4       R. De probabilité...

5       Q. [47] Oui, oui.

6       R. ... de charges, d'addition de charges que celui qui  
7           a le moins... mettons les charges minimales  
8           rencontre quand même les critères de rentabilité.

9       Q. [48] O.K. Je vous remercie, Monsieur Fontaine, je  
10           n'ai pas d'autre question. Et monsieur Fontaine est  
11           prêt à répondre à d'autres questions.

12       LE PRÉSIDENT :

13           Merci Maître Neuman. Maître Sarault.

14       Me GUY SARAULT :

15           Pas de question.

16       LE PRÉSIDENT :

17           Maître Turmel.

18       Me ANDRÉ TURMEL :

19           Pas de question.

20       LE PRÉSIDENT :

21           Maître Gertler. Pas de question. Maître Sicard.

22       Me HÉLÈNE SICARD :

23           Pas de question.

24       LE PRÉSIDENT :

25           Maître Sigouin-Plasse.

1 Me HUGO SIGOUIN-PLASSE :

2 Pas de question.

3 LE PRÉSIDENT :

4 Maître Cardinal.

5 Me AMÉLIE CARDINAL :

6 Pas de question. Merci.

7 LE PRÉSIDENT :

8 Collègues. Non. Non. La formation n'aura pas de

9 question non plus. Merci beaucoup, Monsieur

10 Fontaine. Merci, Maître Neuman.

11 Me DOMINIQUE NEUMAN :

12 Je vous remercie beaucoup. Monsieur Fontaine a été

13 libéré?

14 LE PRÉSIDENT :

15 Oui. Monsieur...

16 Me DOMINIQUE NEUMAN :

17 Parce que...

18 LE PRÉSIDENT :

19 Oui, je veux...

20 Me DOMINIQUE NEUMAN :

21 ... s'il veut jouer au polygraphe...

22 LE PRÉSIDENT :

23 Je l'ai...

24 Me DOMINIQUE NEUMAN :

25 ... à un moment donné, il faudrait qu'il dise la

1 vérité.

2 LE PRÉSIDENT :

3 Je ne l'ai pas fait formellement. Alors, je le fais  
4 formellement.

5 Me DOMINIQUE NEUMAN :

6 Merci.

7 LE PRÉSIDENT :

8 Monsieur Fontaine, vous êtes libéré. Merci.

9 Me DOMINIQUE NEUMAN :

10 Merci.

11 DISCUSSION DE PART ET D'AUTRE

12 LE PRÉSIDENT :

13 Maître Sigouin-Plasse, vous aviez laissé entendre  
14 que peut-être vous auriez une contre-preuve.

15 Me HUGO SIGOUIN-PLASSE :

16 Bien, en fait, je voulais... je me suis réservé la  
17 possibilité...

18 LE PRÉSIDENT :

19 Oui.

20 Me HUGO SIGOUIN-PLASSE :

21 ... de l'examiner et je vous confirme que... en  
22 fait, je vous informe que nous ne ferons pas de  
23 contre-preuve, donc la preuve de Gaz Métro, elle  
24 est complète. Alors, voilà qui complète le tout et  
25 nous en sommes... nous en serions donc à

1 l'argumentation. C'est bien la démarche usuelle...

2 LE PRÉSIDENT :

3 Oui, habituellement.

4 Me HUGO SIGOUIN-PLASSE :

5 ... à moins que vous vouliez administrer une preuve  
6 vous-même, je ne sais pas.

7 LE PRÉSIDENT :

8 Non, c'est pas dans mon habitude. Alors, deux  
9 options s'offrent à nous. On peut commencer les  
10 plaidoiries dès cet après-midi, si vous êtes prêt à  
11 le faire, sinon on a la journée de demain au  
12 complet qui était prévue pour ça. Alors, ça vous  
13 appartient. Et je vous annonce tout de suite que si  
14 nous débutons les plaidoiries cet après-midi, on  
15 n'entendra que vous parce que mes collègues et moi  
16 avons d'autres engagements dans l'après-midi, donc  
17 on entendrait que Gaz Métro. Et là tous les  
18 intervenants suivraient demain ainsi que votre  
19 réplique.

20 Me HUGO SIGOUIN-PLASSE :

21 Je vais... Oui. Alors, devant l'offre ou, en fait,  
22 l'alternative que vous me présentez, je vais me  
23 rabattre sur le scénario initial. C'est-à-dire que  
24 de prendre l'occasion de travailler sur cette  
25 argumentation-là cet après-midi et pouvoir vous la

1 livrer demain matin, Monsieur le Président,  
2 puisqu'elle n'est pas complétée. Je dois vous le  
3 dire. Il y a des choses qui se sont dites ce matin  
4 que je dois ajouter.

5 LE PRÉSIDENT :

6 Oui.

7 Me HUGO SIGOUIN-PLASSE :

8 Alors, je ne serais pas prêt aujourd'hui.

9 LE PRÉSIDENT :

10 Parfait. Et même avec une heure de lunch allongée,  
11 ça ne serait pas suffisant?

12 Me HUGO SIGOUIN-PLASSE :

13 Malheureusement. Malheureusement. Alors, je...

14 LE PRÉSIDENT :

15 C'est correct, on est flexible.

16 Me HUGO SIGOUIN-PLASSE :

17 ... je saisis la proposition que vous me tendez.  
18 Puis comme je l'avais annoncé dans la lettre de  
19 planification d'audience...

20 LE PRÉSIDENT :

21 Hum, hum.

22 Me HUGO SIGOUIN-PLASSE :

23 ... le temps de préparation est peut-être une bonne  
24 chose, considérant que...

25



1 LE PRÉSIDENT :  
2 Oui.  
3 Me HUGO SIGOUIN-PLASSE :  
4 ... il y a beaucoup de preuve au dossier et tout  
5 ça, là.  
6 LE PRÉSIDENT :  
7 Et vous n'étiez pas le seul avocat à l'avoir  
8 mentionné.  
9 Me HUGO SIGOUIN-PLASSE :  
10 Oui. Bien, c'est ça.  
11 LE PRÉSIDENT :  
12 Maître Sarault, si je me souviens bien, avait...  
13 Oui, dans votre lettre, vous aviez laissé entendre  
14 que...  
15 Me GUY SARAULT :  
16 Un petit délai, c'est toujours bon.  
17 LE PRÉSIDENT :  
18 Oui, c'est ça.  
19 Me HUGO SIGOUIN-PLASSE :  
20 Mais, dans les scénarios qu'on évoque, pour maître  
21 Sarault, ça ne change rien parce qu'il aurait la  
22 journée, l'après-midi pour se préparer. Lui, il  
23 plaiderait de toute façon demain matin, si je  
24 comprends bien.  
25

1 LE PRÉSIDENT :

2 Oui, c'est ça.

3 Me HUGO SIGOUIN-PLASSE :

4 Alors, voilà!

5 LE PRÉSIDENT :

6 Oui. Donc, on va revenir demain. Mais, je vais en  
7 profiter, pendant qu'on parle de calendrier.

8 J'aimerais faire un commentaire général aux avocats  
9 à qui on demande, bien, on s'adresse aux avocats en  
10 général. Lorsqu'on envoie une lettre pour planifier  
11 l'audience, certains d'entre vous, nombreux d'entre  
12 vous, pas nécessairement juste ceux qui sont ici,  
13 mais d'autres qui répondent à ces lettres à la  
14 Régie, s'évertuent à réserver leur droit à contre-  
15 interroger tout le monde. Et nous, quand on prépare  
16 un calendrier, on tient compte de toutes ces  
17 annonces-là.

18 Ce qui fait que, lorsque nous avons préparé  
19 le calendrier de cette audience, l'heure de fin de  
20 la journée d'audience de mercredi et du jeudi était  
21 prévue à dix-sept heures vingt-cinq (17 h 25) dans  
22 un cas et dix-sept heures quinze (17 h 15) dans  
23 l'autre cas, ce qui, vous le savez bien, vous qui  
24 êtes habitué, n'arrive jamais.

25 Alors, je comprends que vous souhaitez

1 réserver vos droits de contre-interroger l'un et  
2 l'autre, mais dans les faits, ça n'arrive pas.  
3 Alors, employez une phrase générique pour réserver  
4 vos droits de contre-interroger chacun des témoins  
5 qui se présenteront devant nous, mais s'il vous  
6 plaît faites-nous des prévisions qui s'approchent  
7 de la réalité. Ça nous permettra de faire une  
8 meilleure planification des audiences. Voilà! Mon  
9 message est passé.

10 D'ailleurs, ma collègue Louise Rozon qui  
11 siège sur le comité de liaison, voilà, avec le  
12 Barreau de Montréal, abordera cette question avec  
13 vous. Je l'ai scoopée, mais... Voilà! C'était mon  
14 point.

15 Merci beaucoup. Donc, on se revoit demain  
16 matin, neuf heures (9 h 00). Merci.

17

18 AJOURNEMENT DE L'AUDIENCE

19

20

1 SERMENT D'OFFICE :

2 Je soussigné, Claude Morin, sténographe officiel,  
3 certifie sous mon serment d'office, que les pages  
4 qui précèdent sont et contiennent la transcription  
5 exacte et fidèle des notes recueillies par moi au  
6 moyen du sténomasque, le tout conformément à la  
7 Loi.

8

9 ET J'AI SIGNE:

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Sténographe officiel. 200569-7