

[Translation of French Original]

INFORMATION REQUEST No. 2 FROM ROEÉ TO ELENCHUS

Énergir — Application re the rulemaking proceeding on cost allocation and the rate structure of Énergir

RÉGIE DE L'ÉNERGIE — MATTER R-3867-2013, Phase 2B Component 1A

PRESENTATION OF THE REVISED EVIDENCE ON THE REFORM OF SUPPLY, TRANSPORT AND LOAD-BALANCING SERVICES

1. Reference

- i. B-0601(B-602), page 20

Preamble:

Ref. i): Reference i) presents the « Differences between Elenchus' method and Énergir's proposed method ».

Questions:

1.1 Please indicate if you consider there are other differences between your method in addition to those presented in reference i).

1.1.1 If so, please specify.

1.2 Do you agree with Energir's conclusion in reference i) that the “differences are not strong enough to claim that the two approaches are fundamentally distinguishable. Energir proposes the most representative method of that of the expert considering the context in which it operates and the constraints it faces.”?

1.3 Considering this dossier and from a conceptual point of view, does Elenchus perceive any other steps that the distributor would not be considering to ensure capture of cost causation?

1.4 In your understanding, compared to the prior method, could the new method proposed by Énergir have positive or negative effects on the price signal perceived by the various consumers and on the increase or decrease in natural gas consumption in Quebec?

Responses:

- 1.1 Elenchus has not identified any additional differences.
- 1.2 Elenchus agrees with Énergir's conclusion that the "differences are not strong enough to claim that the two approaches are fundamentally distinguishable" The differences appear to relate to implementation details that are consistent with the principles and conceptual approach proposed by Elenchus. Hence, in Elenchus view, Énergir's methodology is a reasonable approach to implementing the Elenchus proposals "considering the context in which it [Énergir] operates and the constraints it faces".
- 1.3 Elenchus has no further suggestions at this time based on Énergir's description of its revised methodology. Elenchus has not conducted a detailed audit of the models that Énergir will be using in the future to confirm that the future cost allocation model will be consistent with the Énergir's description.
- 1.4 There are many possible perspectives that could be used in commenting on the "positive or negative effects on the price signal perceived by the various consumers and on the increase or decrease in natural gas consumption in Quebec". For example, to some parties any increase in rates for their class will be viewed as negative and any decrease will be viewed as positive, regardless of the reasons for the changes. Other parties will view any increase in total natural gas consumption as positive (increased consumer surplus) while others will view the same increase as negative (environmentally). From an economic efficiency perspective, the relevant consideration may be whether or not rates move closer to marginal cost.

For purposes of the current proceeding, Elenchus considers it appropriate to address this question within the framework of generally accepted cost causality principles for regulated rates. Hence, the determining factor is whether or not the changes result in rates that more closely reflect causal (fully allocated) costs. Given that the fundamental rationale for the recommendations of Elenchus was to achieve closer alignment of Énergir's methodology with causal cost within the current natural gas market structure that is available to Énergir in its gas supply planning, Elenchus considers Énergir's revised proposed methodology to be consistent with that goal. The impact on price signals and consumption are "positive" in that the revised method better reflects the objectives of the Régie's rate setting processes.