INDEX OF DISTRIBUTION COST

ALLOCATION FACTORS

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FB01D – FORECASTED ANNUAL SALES VOLUMES

DEFINITION

Share of forecasted distribution volumes in the rate case attributable to each rate and rate level, expressed as a percentage.

DETERMINATION

The share is calculated by dividing the forecasted volumes for each rate and rate level by the forecasted total volumes.

APPLICATION

Distribution costs

- Distribution expenses
    - Lost and unaccounted for gas
    - Delivery station, transportation service
- Deferred cost amortization expense
    - Duties to the Régie
- Taxes and duties
    - Duty to the Régie du bâtiment/énergie

Rate base

- Unamortized costs
    - Lost and unaccounted for gas smoothing
    - Duties to the Régie

REFERENCE

G-429

FB01D' – FORECASTED ANNUAL SALES VOLUMES

DEFINITION

Share of distribution volumes forecasted in the rate case for customers connected to mains containing mercaptan attributable to each rate and rate level, expressed as a percentage. Some high-volume customers withdraw the gas before the mercaptan is injected and are not assigned any mercaptan-related cost.

DETERMINATION

The share is calculated by dividing the forecasted volumes of customers connected to mains containing mercaptan for each rate and rate level by the total forecasted volumes.

APPLICATION

Distribution costs

- Distribution expenses
    - Mercaptan and others

REFERENCE

G-429

FB01FV – GREEN FUND

DEFINITION

Share of distribution volumes forecasted in the rate case for each rate and rate level, expressed as a percentage, except for volumes exempt from the Green Fund.

DETERMINATION

The share is calculated by dividing the forecasted volumes for each rate and rate level by the total forecasted volumes, except for forecasted volumes exempt from the Green Fund.

APPLICATION

Distribution costs

- Distribution expenses
    - Green Fund
- Deferred cost amortization expense
    - Green Fund

Rate base

- Unamortized costs
    - Green Fund

REFERENCES

R-3690-2009, Gaz Métro-12, Document 11

FB07D – FORECASTED DISTRIBUTION REVENUES IN BUDGET

DEFINITION

Share of forecasted distribution revenues in the budget attributable to each rate and rate level, expressed as a percentage.

DETERMINATION

The share is calculated by dividing the forecasted distribution revenues of each rate and rate level by the total forecasted revenues.

APPLICATION

Distribution costs

- Distribution expenses
    - Amortization of deferred costs
- LNG cost

REFERENCES

D-2002-196 (R-3484-2002, SCGM-14, Document 10)

FB08 – FORECASTED NUMBER OF CUSTOMERS

DEFINITION

Share of forecasted customers attributable to each rate and rate level, expressed as a percentage.

DETERMINATION

The share is calculated by dividing the forecasted number of customers for each rate and rate level by the total number of customers.

APPLICATION

Distribution costs

- Operating expenses
    - Engineering and planning
    - Credit and collection
    - Billing and meter reading
    - Regulatory affairs, accounting, public and government affairs, demand forecast

REFERENCES

G-429

FB09CL – TOTAL REVENUE

DEFINITION

Share of the supply, compression, transportation, load balancing and distribution revenues attributable to each rate and rate level, expressed as a percentage.

DETERMINATION

This factor allocates the costs based on the budgeted breakdown of total revenues (supply, compression, transportation, load balancing, distribution and return on inventory-related adjustment) by rate and rate level. It takes into account both Gaz Métro's forecasted revenues and revenues from services provided by the customer (calculated assuming Gaz Métro's service is used). This factor reflects that some customers provide their own transportation service but that the gains associated with these expenses are spread across all the customer's services whether or not they are provided by Gaz Métro.

APPLICATION

This factor comes into play when calculating certain factors.

REFERENCES

D-2005-173 (R-3559-2005, SCGM-12, Document 11)

FB10 – TRANSPORTATION, LOAD BALANCING AND DISTRIBUTION REVENUES

DEFINITION

Share of transportation, load balancing and distribution revenues attributable to each rate and rate level, expressed as a percentage.

DETERMINATION

The share is calculated by dividing the transportation, load balancing and distribution revenues and revenue relating to the return on inventory-related adjustment attributable to each rate and rate level by the corresponding revenues from all customers.

APPLICATION

This factor comes into play when calculating certain factors.

REFERENCES

G-429

FB11 – FORECASTED NUMBER OF CONNECTIONS

DEFINITION

Share of connections attributable to each rate and rate level, expressed as a percentage.

DETERMINATION

The share is calculated by dividing the forecasted number of connections for each rate and rate level by the total number of connections.

APPLICATION

This factor comes into play when calculating certain factors.

REFERENCES

R-3867-2013

FS21 – VALUE OF CONNECTIONS

DEFINITION

Relative share of the value of connections for each rate and rate level in relation to total customers, expressed as a percentage.

DETERMINATION

First, the connection unit cost by type of meter installed is calculated using information from the fixed assets ledger. The unit cost per connection is then determined for each rate class and rate level based on the weighted average cost per connection by meter type. To obtain the total connection value for each rate class, the weighted average cost is multiplied by the corresponding number of connections. A meter installation cost is added for each meter without a connection.

Equation:

$$Valeur\ B_A = \sum_i \left[\left(Co\hat{u}t\ B_{Ai} \times \frac{N_{Ai}}{N_A}\right) + \left(Co\hat{u}t\ P_{Ai} \times (N_A - N_{BA})\right)\right]$$

Where:

C = Connection
A = Rate class
i = Meter type (diaphragm, rotary, turbine) and model
P = Meter installation

The value of connections thus determined for each rate class makes it possible to arrive at the total value of connections. Allocation factor F21 reflects the share of the connection value for each rate class in relation to the total value for all rate classes.

APPLICATION

Distribution costs

- Operating expenses
  - Operation and maintenance of connections
- Amortization expenses
  - Connections and deviations

Rate base

- Fixed assets
  - Connections and deviations

REFERENCES

G-429, D-90-44, D-92-36

FS22 – VALUE OF METERS

DEFINITION

Relative share of the value of meters purchased and recycled for each rate and rate level in relation to total customers, expressed as a percentage.

DETERMINATION

The cost of meter acquisition and recycling is divided by the number of meters purchased and recycled to obtain the annual unit cost. The average unit cost of the last three years is used, and the amount is adjusted to offset the lifespans of the different types of meters. A 20-year lifespan is assumed to calculate the average unit cost. The following equation summarizes the method used to calculate the unit cost by meter type.

Equation:

*Unit cost= [(Average Unit Cost(t, t-1, t-2) * 20 years) / lifespan] + Metering Equip.*

Where:

Average Unit Cost (t, t-1, t-2) = average unit cost for meter acquisition and recycling for the last three years;

Lifespan: estimated lifespan for this type of meter;

Metering Equip. = Unit cost of metering equipment.

When the unit cost by meter type is established, the total cost incurred for meter acquisition and recycling can be calculated for each rate class and rate level by multiplying the number of meters for each type by its corresponding unit cost.

APPLICATION

Distribution costs

- Operating expenses
  - Meter operation and maintenance
- Amortization expenses
  - Meters and regulators

Rate base

- Fixed assets
  - Meters and regulators

REFERENCES

G-429, D-90-44, D-90-66

FS26 – BAD DEBTS

DEFINITION

Share of the value of bad debts by rate and rate level.

DETERMINATION

Amounts assumed to be non-recoverable are allocated directly to the rates and rate levels to which they relate. The share equals the value of the bad debt for each rate and rate level in relation to the total value.

APPLICATION

Distribution cost

- Operating expenses
    - Bad debts

REFERENCES

G-429, D-90-44, R-3867-2013

FS27 – SALES FORCE

DEFINITION

Share of expenses associated with selling and entertainment expenses attributable to each rate and rate level, expressed as a percentage.

DETERMINATION

Selling expenses are identified for the following categories:

- Expenses specific to low-volume customers (D_1 residential)
- Expenses specific to medium-volume customers (D_1 commercial and industrial, D_3)
- Expenses specific to large-volume customers (D_4 and D_5)
- General expenses

The amounts thus established, except for general expenses, are allocated to each rate class based on number of customers and distribution volumes, equally weighted. General expenses are allocated according to base factor FB09-CL.

APPLICATION

Distribution cost

- Operating expenses
    - Sales force

REFERENCES

G-429, D-90-44, D-90-66

FS28 – ADVERTISING EXPENSE

DEFINITION

Share of advertising and promotion expenses attributable to each rate and rate level, expressed as a percentage.

DETERMINATION

Advertising and promotion expenses are identified for the following categories:

- Expenses specific to low-volume customers (D_1 residential)
- Expenses specific to medium-volume customers (D_1 commercial and industrial, D_3)
- Expenses specific to large-volume customers (D_4 and D_5)
- General expenses

The amounts thus established, except for general expenses, are allocated to each rate class based on number of customers and distribution volumes, equally weighted. General expenses are allocated according to base factor FB09-CL.

APPLICATION

Distribution cost

- Operating expenses
    - Advertising and promotion of natural gas

REFERENCES

G-429, D-90-44, D-90-66

FS31 – INTERVENOR EXPENSES

DEFINITION

Share of intervenor expenses attributable to each rate and rate level, expressed as a percentage.

DETERMINATION

Intervenor expenses for the previous budget year are allocated to the various rates and rate levels:

- Intervenor expenses associated with small-volume customers (D_1 small)
- Intervenor expenses associated with medium-volume customers (D_1 large, D_3)
- Intervenor expenses associated with large-volume customers (D_4 and D_5)

The amounts thus established are allocated by rate and rate level based on total revenues (supply, compression, transportation, load balancing, distribution and return on inventory-related adjustment – FB09CL).

Costs associated with intervenors representing the public interest are allocated to all customers prorata to volumes (FB01D) and total revenues (FB09CL), equally weighted.

APPLICATION

Distribution costs

- Deferred cost amortization expense
    - Intervenor expenses

Rate base

- Unamortized costs
    - Intervenor expenses

REFERENCES

D-2001-109 (R-3444-2000, SCGM-11, Document 8), D-2001-232 (R-3463-2001, SCGM-11, Document 1)

CAU – CAPACITY ATTRIBUTED AND USED

DEFINITION

Allocation among the rates and rate levels based on a combination of coincident peak demand and volumes consumed.

DETERMINATION

CAU is a mixed factor derived from capacity attributed and capacity used. Capacity attributed equals the maximum daily demand, which is the estimated consumption on the peak day, i.e. on 39 degree days (-26 degrees Celsius). An adjustment is made based on excess and deficit volume consumption in relation to the CA. According to this capacity measurement, interruptible service customers contribute to the capacity up to the volumes they consume rather than based on their peak volume as is the case for uninterruptible customers.

Equation 1:

$CAU_{rc} = CA_{rc} \pm$ Adjust. CU_{rc}

Where:

rc = rate class

Adjust. CU_{rc} = Adjustment factoring in CU

Equation 2:

Adjust. CU_{rc}= Max(CU_{rc}-CA_{rc};0) - Max (CA_{rc}-CU_{rc};0) * (Total excess/Total deficit)

Where:

rc = rate class

Surplus = Sum of (Max (CU_{rc}-CA_{rc};0))

Deficit = Sum of (Max (CA_{rc}-CU_{rc};0))

APPLICATION

Distribution costs

- Taxes and duties
  - Property tax – transmission system

Rate base

- Fixed assets
  - Transmission mains
  - Transmission contribution

REFERENCES

G-429 D-90-44, D-97-47

CA – CAPACITY ATTRIBUTED

DEFINITION

System peak capacity for each rate class in relation to the total number of customers.

DETERMINATION

Capacity attributed is calculated based on maximum daily demand (MDD).

CA = MDD * 365 days

For customers on a monthly reading cycle (Rates D_1 and D_3 with monthly readings), the maximum daily demand is determined by extrapolating from the results of a linear regression linking the monthly volumes and degree days.

Equation 1:

$C = \beta 0 + \beta 1 DD$

Where:

C = Monthly consumption

β_0 = Base volume per month

β_1 = Sensitivity to an additional degree day of heating

DD = Degree days per month

The MDD value is obtained by extrapolation, by applying the value of 39 to the number of degree days, which is the number of degree days of heating for the peak day, defined at -26° Celsius.

For customers on a daily reading cycle (Rates D_4 and D_5, the peak is estimated based on the maximum hourly demand (MHD) established in the contract. The MHD is multiplied by 24 to obtain the MDD of these rate classes.

APPLICATION

Comes into play when calculating factors.

REFERENCES

G-429, D-90-44, D-97-47, R-3867-2013

CONDPRIND – DISTRIBUTION SYSTEM

DEFINITION

A mixed factor reflecting the customer and demand components of the cost of mains. This factor makes it possible to determine the share of distribution system costs attributable to each rate and rate level, expressed as a percentage.

DETERMINATION

Distribution system costs include a demand component and a customer component. The latter is allocated based on the number of connections while the former is allocated based on capacity attributed.

The shares applied to the rate classes are calculated using the following equation:

$$\%CONPRIND_i = (\%\ Customer\ (\%\ Connection_i) + (\%\ Demand\ (\%\ CA_i))$$

Where:

%CONDPRINDi = Share of distribution mains cost associated with rate class i;

% Customer = Relative weight of the customer component of mains cost;

% $Connections_i$ = Relative number of connections associated with rate class i;

% Demand = Relative weight of the demand component of mains cost;

% CA_i = Share of capacity attributed associated with rate class i.

APPLICATION

Rate base

- Fixed assets
  - Mains and deviations
  - Contribution, infrastructure
  - Government subsidies
  - Contribution, construction
  - Contribution, P.E.R.D.

Comes into play when calculating CONDPRIN.

REFERENCES

G-429, D-90-44, D-97-47, R-3867-2013

CONDPRIN – DISTRIBUTION AND TRANSMISSION SYSTEM

DEFINITION

A mixed factor reflecting the customer and demand components of the cost of mains. This factor makes it possible to determine the share of distribution and transmission system costs attributable to each rate and rate level, expressed as a percentage.

DETERMINATION

Distribution system costs include a demand component and a customer component. The latter is allocated based on the number of connections while the former is allocated based on capacity attributed. Transmission system costs only comprise a demand component, which is measured by CAU. Weighting is used when calculating the CONPRIN factor to reflect the relative size of the distribution and transmissions systems.

The shares applied to the rate classes are calculated using the following equation:

$CONDPRIN_i$ = % Distribution (% Customer (% $Connection_i$) + (% Demand (% CA_i)) + (% Transmission (% CAU_i))

Where:

$CONDPRIN_i$ = Share of mains cost associated with the rate class i in %;

% Distribution = Proportion of total system composed of distribution mains

% Customer = Relative weight of the customer component of mains cost in percentage

% $Connections_i$ = Relative number of connections associated with rate class i

% Demand = Relative weight of the demand component of mains cost

% CA_i = Proportion of the capacity attributed associated with rate class i.

% Transmission = Proportion of total system composed of transmission mains

% CAU_i = Proportion of capacity attributed and used associated with rate class i

APPLICATION

Distribution costs

- Operating expenses
    - Operation and maintenance of mains
- Amortization expenses
    - Distribution system; contribution

  - Distribution system; mains
  - Distribution system; land and rights-of-way
  - Distribution system; civil portion of gates
  - Delivery and regulation stations (regulation equipment)
- Taxes and duties
  - Gas system tax

Rate base

- Fixed assets
  - Land, rights-of-way, structures
  - Access and other roads
  - Work in progress

REFERENCES

G-429, D-90-44, D-97-47, R-3867-2013

EXPLOITD – DISTRIBUTION OPERATING EXPENSES

DEFINITION

A derivative allocation factor used to calculate the share of operating expenses attributable to each rate and rate level, expressed as a percentage.

DETERMINATION

The share is calculated by dividing the operating expenses for each rate and rate level by total operating expenses.

APPLICATION

Distribution costs

- Operating expenses
    - Support service
- Amortization expenses
    - General plant
- Deferred cost amortization expense
    - Severance pay
    - Vacations payable
- Taxes and duties
    - Property taxes, place of business

Rate base

- Unamortized costs
    - Severance pay
    - Vacations payable
- Fixed assets
    - Land, structures and improvements
    - Miscellaneous equipment and material
    - Rolling stock and machinery
- Working capital
    - Cash and materials, Lead-lag study
    - Cash and materials, Lead-lag study, Green Fund
    - Cash and materials, materials and procurement

REFERENCES

G-429, D-2002-196, R-3867-2013

TEMPER – TEMPERATURE SMOOTHING

DEFINITION

Share of amounts associated with the temperature smoothing account attributable to each rate and rate level, expressed as a percentage.

DETERMINATION

Gaz Métro normalizes the natural gas volumes distributed and then reflects this adjustment in its revenues using a rate stabilization account, the amount of which is either recovered from or reimbursed to customers over a period of five years starting in the second subsequent fiscal year.

The calculation of this account produces the variations classified by rate class. The allocation by level to Rate D_1 is established based on tranportation, load balancing and distribution revenues (FB10).

APPLICATION

Rate base

- Unamortized costs
    - Recovery - stabilization account

REFERENCES

D-92-36

TEMPER-A – TEMPERATURE SMOOTHING

DEFINITION

Share of the amortizations amounts associated with the temperature smoothing account attributable to each rate and rate level, expressed as a percentage.

DETERMINATION

The amortization calculation for this account produces the variations classified by rate class. The allocation by level to Rate D_1 is established based on tranportation, load balancing and distribution revenues (FB10).

APPLICATION

Distribution costs

- Deferred cost amortization expense
    - Recovery – stabilization account

REFERENCES

D-92-36

BASETARD – DISTRIBUTION RATE BASE

DEFINITION

Share of distribution rate base amounts attribuable to each rate and rate level, expressed as a percentage.

DETERMINATION

The share is calculated by dividing the total distribution rate base cost for each rate and rate level by the total rate base value.

APPLICATION

Distribution costs

- Operating expenses
    - Treasury
- Deferred cost amortization expense
    - Self-insurance allowance
    - IT development - amortization
    - NTGC patent
    - Income tax assessments
    - Expenses - 1st establishment
    - Overpayment
    - Gain/Loss on disposal of assets
- Income tax related to return
    - Income tax
    - Tax related to sharing of productivity gain
- Income tax not related to return
    - Tax on temporary and other differences
- Return on rate base

Rate base

- Unamortized costs
    - Expenses - 1st establishment
    - Self-insurance allowance
    - IT development
    - Bond issue costs

  - Securitization of accounts receivable
  - Provincial/Federal tax assessment
  - NTGC patents
  - Overpayment
  - Gain/Loss on disposal of assets
  - Revenue recovery gap
- Working capital
  - Lead/lag – income tax
  - Self-insurance

REFERENCES

G-429, D-2002-196

BIOGAS

DEFINITION

Share of biogas costs by rate and rate level, expressed as a percentage.

DETERMINATION

Biogas costs are allocated directly to customers using this energy source.

APPLICATION

Distribution costs

- Distribution expenses
    - Biogas transmission/compression
- Amortization expenses
    - Biogas

Rate base

- Fixed assets
    - Biogas

REFERENCES

D-2007-116 (R-3630-2007, Gaz Métro-13, Document 10)

PGEÉ – GLOBAL ENERGY EFFICIENCY PLAN

DEFINITION

Share of costs related to the Global Energy Efficiency Plan by rate and rate level, expressed as a percentage.

DETERMINATION

Global Energy Efficiency Plan expenses are identified for the following categories:

- Financial assistance amounts;
- Operating budget, including development, training, marketing, monitoring and evaluation costs;
- Operating budget, including other activities (studies, consulting and administration).

Regarding financial assistance, the share is calculated by dividing the forecasted amount for each rate and rate level by the total amount of the financial assistance.

Regarding the operating budget, including development, marketing, monitoring and evaluation costs, the expenses are assigned by type of customer:

- Small-volume customers (D_1 residential);
- Medium-volume customers (D_1 commercial and industrial, D_3);
- Large-volume customers (D_4 and D_5).

The amounts thus established are allocated to each rate class based on total revenues and relative distribution volumes, equally weighted.

Regarding the operating budgets including other activities (studies, consulting and administration), a relative weighting defined based on the administrative cost of file processing is allocated to each program in order to assign the expenses by customer type:

- Small-volume customers (D_1 residential);
- Medium-volume customers (D_1 commercial and industrial, D_3);
- Large-volume customers (D_4 and D_5).

The amounts thus established are allocated to each rate class based on total revenues and relative distribution volumes, equally weighted.

APPLICATION

Distribution costs

- Distribution expenses
    - Global Energy Efficiency Plan

- Deferred cost amortization expense
    - GEEP - Incentives

Rate base

- Unamortized costs
    - Subsidy programs - Global Energy Efficiency Plan

REFERENCES

D-2000-211, D-2001-109, D-2001-232 (R-3463-2001, SCGM-11, Document 1), D-2008-140 (R-3662-2008, Gaz Métro-13, Document 11), R-3867-2013

PGEÉ-FR – AMORTIZATION OF GLOBAL ENERGY EFFICIENCY P

LAN

DEFINITION

Share of deferred costs related to the Global Energy Efficiency Plan by rate and rate level, expressed as a percentage.

DETERMINATION

The share is calculated by dividing the forecasted amount for each rate and rate level by the total deferred costs.

APPLICATION

Distribution costs

- Deferred cost amortization expense
    - Subsidy programs - Global Energy Efficiency Plan

REFERENCES

D-2008-140 (R-3662-2008, Gaz Métro-13, Document 11), R-3867-2013

PRC – CONSUMPTION REBATE

DEFINITION

Share of amounts granted under the Consumption Rebate Program by rate and rate level, expressed as a percentage.

DETERMINATION

The share is calculated by dividing the amount granted by rate and rate level by the total amounts granted.

APPLICATION

Distribution costs

- Consumption and other rebates
    - Consumption rebate

REFERENCES

D92-36

PRCA – CONSUMPTION REBATE

DEFINITION

Share of amounts granted under the Consumption Rebate Program by rate and rate level, expressed as a percentage.

DETERMINATION

The share is calculated by dividing the amount granted by rate and rate level by the total amounts granted.

APPLICATION

Distribution costs

- Deferred cost amortization expense
    - Subsidy - PRC

REFERENCES

D-92-36

PRCVN – NET VALUE OF CONSUMPTION REBATE PROGRAM

DEFINITION

Share of the net value of amounts granted under the Consumption Rebate Program attributable to each rate and rate level, expressed as a percentage.

DETERMINATION

The share is calculated by dividing the net value of the amounts granted by rate and rate level by the net value of the total amounts granted.

APPLICATION

Rate base

- Subsidy programs
    - Subsidy – CRP – CRRP 5 years
    - Subsidy – CRP – CRRP 10 years

REFERENCES

D-92-36

FEÉ--FR – ENERGY EFFICIENCY FUND

DEFINITION

Share of deferred costs related to the Global Energy Efficiency Plan by rate and rate level, expressed as a percentage.

DETERMINATION

Allocated between small- and medium-volume customers (D_1, D_3) based on the revenues (FB07D) relating to each rate and rate level.

APPLICATION

Distribution costs

- Deferred cost amortization expense
    - FEÉ

Rate base

- Unamortized costs
    - Subsidy programs – Energy Efficiency Fund

REFERENCES

D-2012-076

CASEP – CLEAN ENERGY SUBSIDY PROGRAM

DEFINITION

Share of CASEP-related amounts attribuable to each rate and rate level, expressed as a percentage.

DETERMINATION

The amount granted to each customer is determined and classified by rate and rate level.

APPLICATION

Distribution costs

- Consumption and other rebates
    - Clean Energy Subsidy account

REFERENCE

D-2001-232

AEÉ – ENERGY EFFICIENCY

DEFINITION

Share of amounts relating to the Bureau de l'efficacité et de l'innovation énergétique or its predecessor, the AEÉ, attribuable to each rate and rate level, expressed as a percentage.

DETERMINATION

Costs are allocated to each rate and rate level according to the allocation keys defined for each program.

APPLICATION

Distribution costs

- Deferred cost amortization expense
    - Bureau de l'efficacité et de l'innovation énergétique (previously the AEÉ)

REFERENCE

D-2001-232

AEÉ-FR – ENERGY EFFICIENCY

DEFINITION

Share of deferred costs associated with amounts paid to the Bureau de l'efficacité et de l'innovation énergétique or its predecessor, the AEÉ, attribuable to each rate and rate level, expressed as a percentage.

DETERMINATION

Costs are allocated prorata to the AEÉ allocation key only for Rate D_4 and D_5 customers.

APPLICATION

Rate base

- Unamortized costs
    - Duties to the AEÉ

REFERENCE

D-2001-232