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M^e Véronique Dubois

Secretary

RÉGIE DE L'ÉNERGIE

Tour de la Bourse

800 Place Victoria, Suite 2.55

Montréal, QC H4Z 1A2

Subject: Application regarding the generic file on Énergir's cost allocation and rate structure – Phase 2B

Our file: 312-00669

Régie application: R-3867-2013

Dear Ms. Dubois:

As required by the Régie in its decision D-2020-006 (the Decision), Énergir is submitting below the information requested with respect to paragraph 87:

[Translation] “[87] Furthermore, following the most recent work session, the Régie is asking Énergir to provide it with a list of points of convergence and divergence between Énergir's evidence and the Elenchus report, as well as the impact of the work sessions on the evidence.”

1. Points of convergence and divergence between Énergir's evidence and the Elenchus report

In its correspondence dated December 4, 2019, Énergir stated that, from reading the Elenchus report (“Report”), it noted that the consultant appeared to agree with a number of pieces of its evidence, that the main difference it noted pertained to implementation of the conceptual framework, and that it would be desirable for certain elements to be clarified.

The work sessions on February 17 and March 2 gave Énergir an opportunity to clarify its understanding of the Report. Énergir was able to confirm that the expert selected by the Régie shared its basic vision with respect to functionalization and cost allocation for the supply tools.

The work sessions also revealed a shared vision of the elements to be clarified that were raised in the December 4 correspondence.

The points of convergence between the Report and Énergir's evidence are as follows:

- An overall vision of the functionalization and allocation of supply costs.
- The importance of analyzing the nature of overpayments or shortfalls at the end of the year in order to further functionalize them (in rate cases) to the right services.

Énergir did not note any fundamental discrepancies between its evidence and the position of the Régie's expert. However, one element emerged with regard to enhancing interruptible service: Énergir is proposing that compensation be set in advance in order to obtain customer commitments based on the interest they show during consultations, whereas the Report suggests that the distributor should seek the lowest possible cost, potentially through tender solicitation. In Énergir's opinion, its proposal is simpler to apply, without necessarily increasing costs for customers. Therefore, Énergir does not see a need to reconsider its position on this matter.

2. Impact of work sessions on Énergir's evidence

Beyond the points of convergence and divergence, the expert selected by the Régie pointed out that Énergir's proposal did not contain the necessary elements to determine whether the proposed functionalization method would adhere to the cost causation principle. According to the consultant, it is difficult to judge Énergir's proposal as it attempts to reconcile a new approach with the results obtained through the current approach. A new conceptual framework that clearly lays out the basis for the new proposed approach and that is supported by analyses specific to it, i.e. the three-tiered approach proposed in the Report, would be required.

In addition, throughout the report the expert sets out discussion points that have not been addressed in the evidence submitted by Énergir. For example, when setting the cost of the transportation service, should the purchase of seasonal storage be considered? While Énergir does not believe that all of the discussion points set out by the expert are necessary, regulatory treatment of the file will be quicker if these points are in fact addressed.

At the meeting, Énergir presented its interpretation of the three-tiered approach proposed in the Report. This exercise validated Énergir's understanding and showed that its concerns regarding the complexity of its application were unfounded. Discussions with the expert enabled Énergir to see that the objective of the expert's proposal was the same as that proposed in the distributor's evidence.

In light of this finding, Énergir concludes that it would be necessary to adjust its initial proposal regarding the method of functionalizing supply costs in order to propose that the three-tiered method proposed by Elenchus be applied.

Given the current situation with Covid-19 and the scope of the evidence in the file, Énergir believes that the time required to proceed with such an amendment to its evidence will be considerable. Énergir might be able to update its main evidence in summer 2020. That said, if the Régie deemed it appropriate, Énergir would be available to discuss details of the amendment to its evidence at a preparatory meeting regarding the sequence and the timeline for the continuation of the steps under Phase 2B.

Lastly, in accordance with the request made in its decision D-2017-092, Énergir will be submitting an English translation of this document within the coming days.

Yours truly,

(s) Hugo Sigouin-Plasse

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HSP/mb