

# **Presentation of reviewed evidence: Redesign of the supply, transportation and load-balancing services**

**(Exhibit B-0579, Gaz Métro-5, Document 12)**

**Séance de travail  
du 24 février 2021**

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**Gaz Métro-5, Document 17  
(20 pages)**

# Functionalization entire cycle



This simulation makes it possible to evaluate the impact of the new functionalization method on the cost of service, both through prospective data in the rate case and based on actual data contained in the closure file (annual report)

**Step C about cost allocation was not simulated and Step D about transportation and load-balancing rate setting was not fully replicated.** Year-end results of revenue were simulated with high level assumptions only, since Energir is not able to reconstruct the whole billing customer per customer

# A – Functionalization of supply, transportation and load balancing costs in the rate case



# Rate Case 2019-2020: Functionalization and Classification

## Step 1: Transportation costs

Current annual transportation sources 2019-2020		
Sources	10 <sup>3</sup> m <sup>3</sup> /day	Cost (000\$)
Primary FTLH (GMIT EDA & GMIT NDA)	2 243	9 190 \$
Purchases within the territory	17	115 \$
Transportation provided by customers	219	0 \$
FTSH (DAWN-GMIT EDA)	2 192	18 606 \$
Transmission via trade (Dawn-GMIT)	2 875	23 501 \$
FTSH (Parkway-GMIT EDA & NDA)	13 174	113 518 \$
<b>Total transportation capacity</b>	<b>20 720</b>	<b>164 930 \$</b>



Tools that meet average demand 2019-2020			
%	Sources	10 <sup>3</sup> m <sup>3</sup> /day	Cost (000\$)
79%	Primary FTLH (GMIT EDA & GMIT NDA)	1 774	7 267 \$
100%	Purchases within the territory	17	115 \$
100%	Transportation provided by customers	219	0 \$
79%	FTSH (DAWN-GMIT EDA)	1 733	14 713 \$
79%	Transmission via trade (DAWN-GMIT)	2 274	18 583 \$
79%	FTSH (Parkway-GMIT EDA & NDA)	10 418	89 766 \$
	<b>Total transportation capacity</b>	<b>16 434</b>	<b>130 444 \$</b>

- Including all tool costs (fixed/variable premiums and fuel) assessed by using 100% LF (average over peak consumption)
- Including the location differential on natural gas purchases at Empress

Each tool in equal proportion compared to current transportation capacity, except for in-franchise purchases and transportation provided by customers at 100%

# Rate Case 2019-2020: Functionalization and Classification

## Step 2: Seasonal load-balancing costs

Tools that meet total demand 2019-2020		
Sources	10 <sup>3</sup> m <sup>3</sup> /day	Cost (000\$)
Primary FTLH (GMIT EDA & GMIT NDA)	2 243	9 190 \$
Purchases within the territory	17	115 \$
Transportation provided by customers	219	0 \$
FTSH (DAWN-GMIT EDA)	2 192	17 727 \$
Transmission via trade (DAWN-GMIT)	2 875	23 501 \$
FTSH (Parkway-GMIT EDA & NDA)	13 174	109 426 \$
STS (Parkway-GMIT EDA & NDA)	5 705	44 784 \$
Transmission via trade (Parkway-GMIT)	21	193 \$
Pointe-du-Lac	1 624	5 720 \$
Saint-Flavien	1 543	12 870 \$
Interruptible offering (super interruptible)	1 586	396 \$
Peak service	0	0 \$
LSR plant (vaporization)	5 835	7 411 \$
Liquefaction interruptions, GM LNG	297	0 \$
Optimization revenues		0 \$
<b>Total supply tools</b>	<b>37 332</b>	<b>231 333 \$</b>
<b>minus: Transportation costs based on average demand</b>		<b>130 444 \$</b>
<b>Seasonal load-balancing costs</b>		<b>100 888 \$</b>

## Step 3: Load-balancing costs for operational flexibility

Tools for operational flexibility 2019-2020	
Sources	Cost (000\$)
Storage at Dawn	12 036 \$
Decrease in supply costs	-10 299 \$
STS (Parkway-GMIT EDA & NDA)	0 \$
Optimization revenues	0 \$
<b>Total supply tools</b>	<b>1 737 \$</b>

- Costs required to meet the needs of fluctuating demand throughout the day
- Including savings in supply from the use of Dawn storage (supply price differential between injections and withdrawals)

Costs under the filed supply plan :  
\$233,070

- Seasonal need based on tools to meet peak and extreme winter demand
- In 2019-2020 Rate Case, peak demand exceeds extreme winter demand
- Including all costs related to the evaluated tools based on their designated purpose

## Step 4: No required supply costs

No residual costs anticipated in Rate Case 2019-2020

# Rate Case 2019-2020

## Diagram – Cost functionalization using the three-tier method

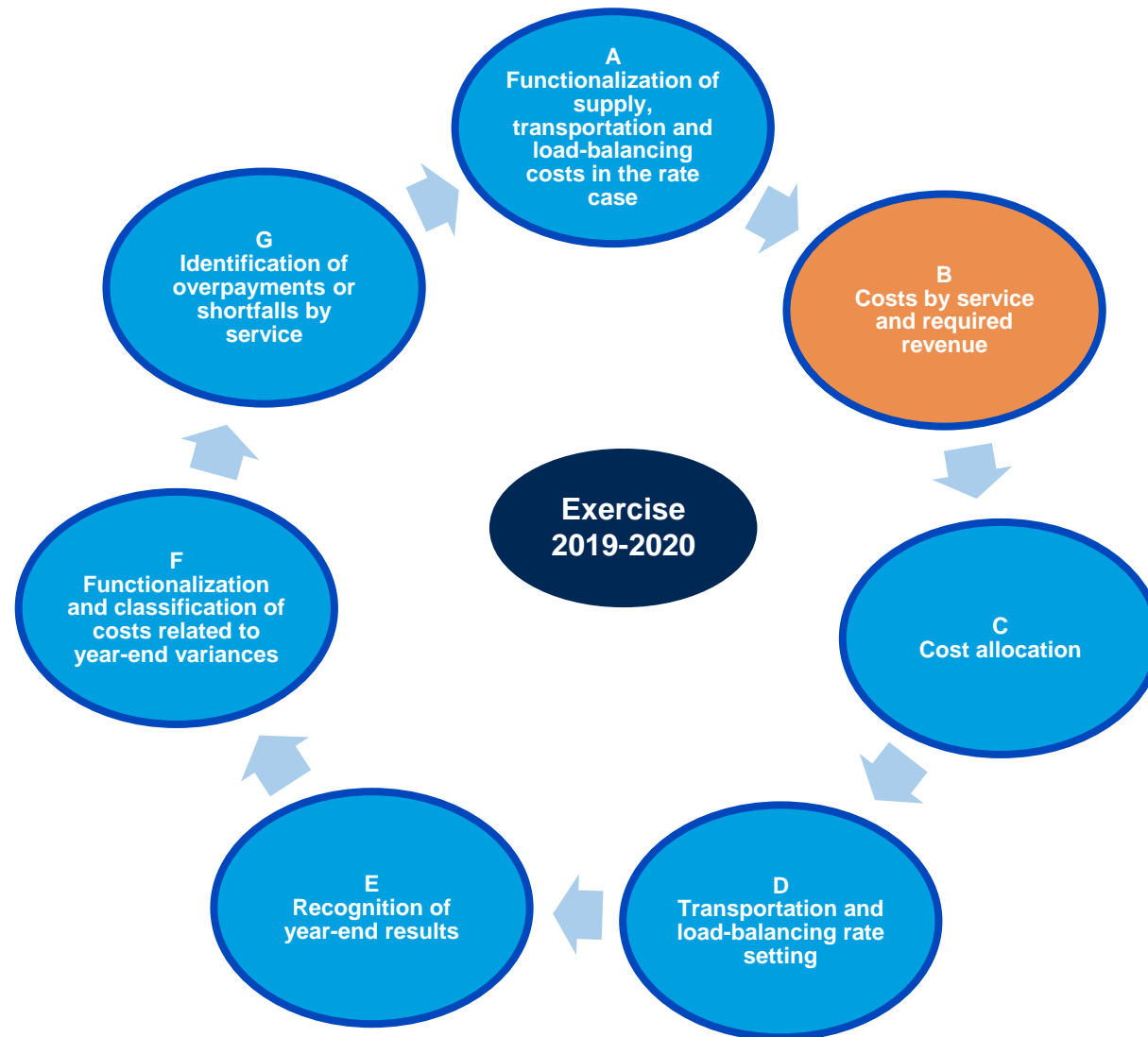
<b>A</b>	<b>Costs – Supply plan filed during rate case</b>	<b>233 070</b>
<b>B</b>	<b>Costs – Supply plan to meet average annual demand</b>	<b>130 444</b>
<b>C</b>	<b>Costs – Supply plan to meet total demand</b>	<b>231 333</b>
<b>D</b>	<b>Costs for operational flexibility</b>	<b>1 737</b>

**Costs functionalization**

Step 1	Step 2	Step 3	Step 4
Transportation	Seasonal load-balancing	Op. flex. load-balancing	Load-balancing not required
B	C – B	D	A – (C + D)
130 444	100 888	1 737	0



## B - Costs by service and required revenue



# Rate Case 2019-2020

## Costs by service and required revenue

		Step 1	Step 2	Step 3	Step 4	
Sources	Supply	Transportation costs	Seasonal load-balancing costs	Load-balancing costs for operational flexibility	No required supply costs	Total
Results from steps 1 to 4	0	130 444	100 888	1 737	0	233 069
Other cost items						
<i>Gas used in operations and lost gas</i>	0	-637	0	0	0	-637
<i>Competitive make-up gas</i>	0	379	0	0	0	379
<i>Transportation - Champion Pipeline</i>	0	4 788	0	0	0	4 788
<b>Transportation and balancing costs</b>	<b>0</b>	<b>134 974</b>	<b>100 888</b>	<b>1 737</b>	<b>0</b>	<b>237 599</b>
<i>Amortization of fixed assets</i>	0	0	1 328	0	0	1 328
<i>Amortization of deferred charges and intangible assets</i>	0	-29 400	18 906	0	0	-10 494
<i>Income Taxes</i>	0	-379	1 203	197	0	1 020
<i>Return on Rate Base</i>	0	-719	5 946	1 232	0	6 459
<b>Revenue required before GM LNG customer recharge for LSR plant</b>	<b>0</b>	<b>104 476</b>	<b>128 271</b>	<b>3 166</b>	<b>0</b>	<b>235 913</b>
<i>LSR plant operating cost reimbursed by GM LNG customer</i>	0	0	-4 465	0	0	-4 465
<b>Revenue Required from Regulated Clients</b>	<b>0</b>	<b>104 476</b>	<b>123 806</b>	<b>3 166</b>	<b>0</b>	<b>231 448</b>
Required income according to R-4076-2018 <sup>(1)</sup>	3 007	98 053	143 260			244 320
Variances	-3 007	6 423	-19 454	3 166	0	-12 872

<sup>(1)</sup> B-0326, Énergir-G, Document 5, p. 11, l. 15.

### HIGHLIGHTS

- No LB not required costs to meet customer needs
- Transfer of supply costs (taxes and returns) between transportation, seasonal load-balancing and operational flexibility services
- The variance in each of the services is caused by the application of the proposed method

The decrease of \$12.9M in the proposed revenue requirement is mainly explained by:

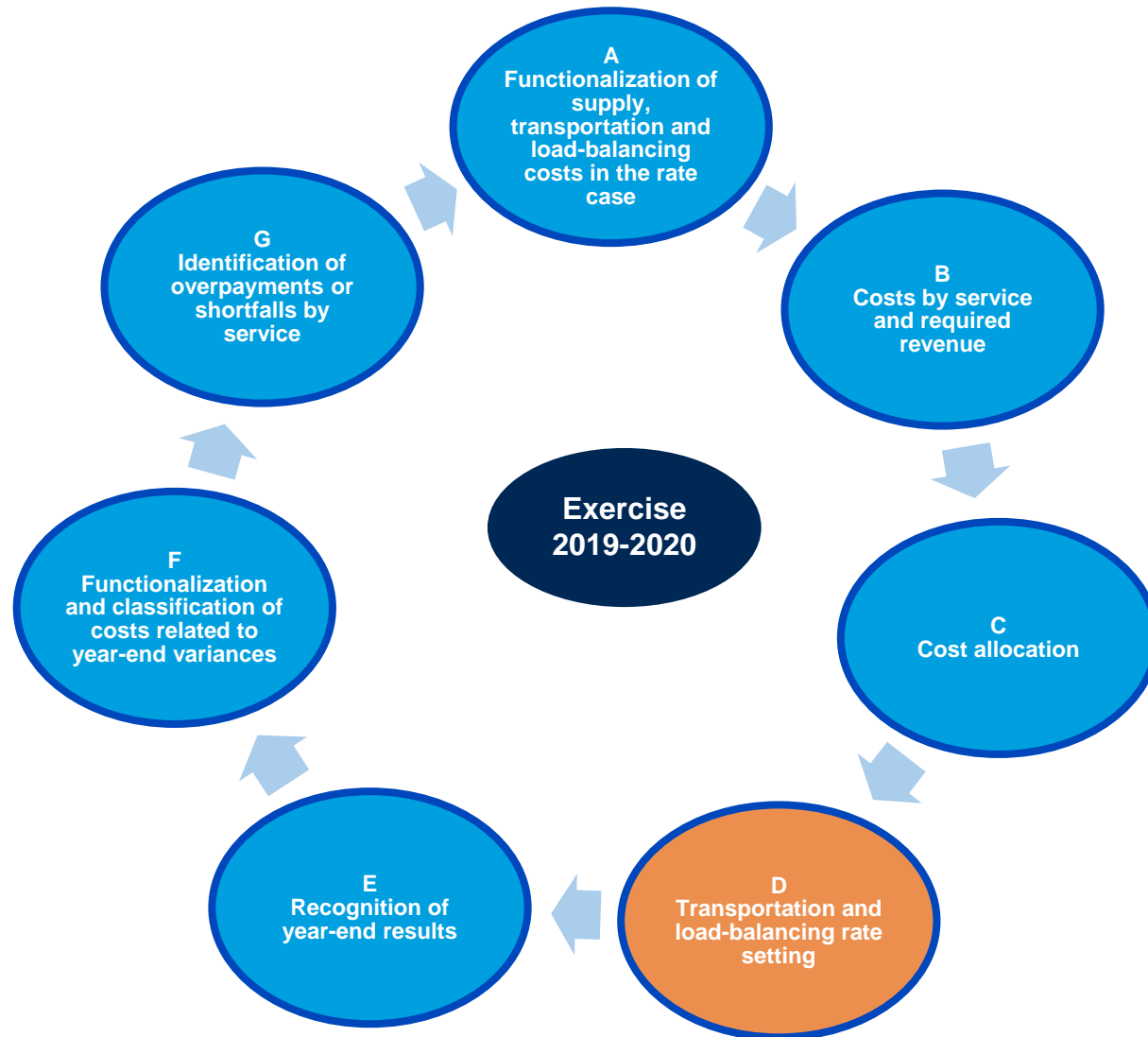
- The reduction of supply costs to operational flexibility (-\$10.3M);
- The abolition of inventory-related adjustments rates, which reduced costs by (-\$1.6M)
- A reduction in load-balancing costs following the removal of the deferred expense accounts related to transportation tools used for load-balancing (-\$1.4M)
- Integration of the interruptible offer to the proposed method (+\$0.4M)

Following Energir's proposal to abolish the DEA related to the fixed premiums for the Dawn storage site and the load-balancing transportation tools, an amount of \$32.7M would be amortized over a period to be determined

The balances of the DEA related to inventory adjustments of \$2.5M abolished under the proposed method would also have to be recovered from customers through amortization yet to be determined



# D – Transportation and load-balancing rate setting



# Rate Case 2019-2020

## Simulation of transportation and load-balancing rate setting

Establishing transportation rates	
Transportation costs according to required revenues (000 \$)	104 476 \$
Énergir transportation volumes (10 <sup>3</sup> m <sup>3</sup> ) <sup>1)</sup>	5 949 824
Distributor's freight rate (¢/m <sup>3</sup> )	1,756

CMUG transport volumes have not been separated for simplification purposes

<sup>1)</sup>Dossier R-4136-2020, pièce B-0047, Énergir-9, Document 1, p. 2, col. 1, l. 12 + l. 13 + l. 15

Rate setting and load-balancing revenues								
Rates	LF	Seasonal load-balancing rate (¢/m <sup>3</sup> ) *	Load-balancing rate ope. flex. (¢/m <sup>3</sup> ) **	Total load-balancing rate (¢/m <sup>3</sup> )	Volumes (10 <sup>3</sup> m <sup>3</sup> ) ***	Seasonal load-balancing revenues (000 \$)	Load-balancing revenues ope. flex. (000 \$)	Total load-balancing revenues (000 \$)
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Rate 1	29,3%	3,459	0,053	3,512	2 856 590	98 763 \$	1 507 \$	100 270 \$
Rate 3	63,8%	0,813	0,053	0,866	268 902	2 186 \$	142 \$	2 328 \$
Rate 4	64,3%	0,795	0,053	0,848	2 875 080	22 857 \$	1 517 \$	24 374 \$
Total					6 000 572	123 806 \$	3 166 \$	126 972 \$

\* Seasonal load-balancing rates are established based on the LF for each rate

\*\* The load-balancing rate related to operational flexibility is based on the load-balancing total volume.

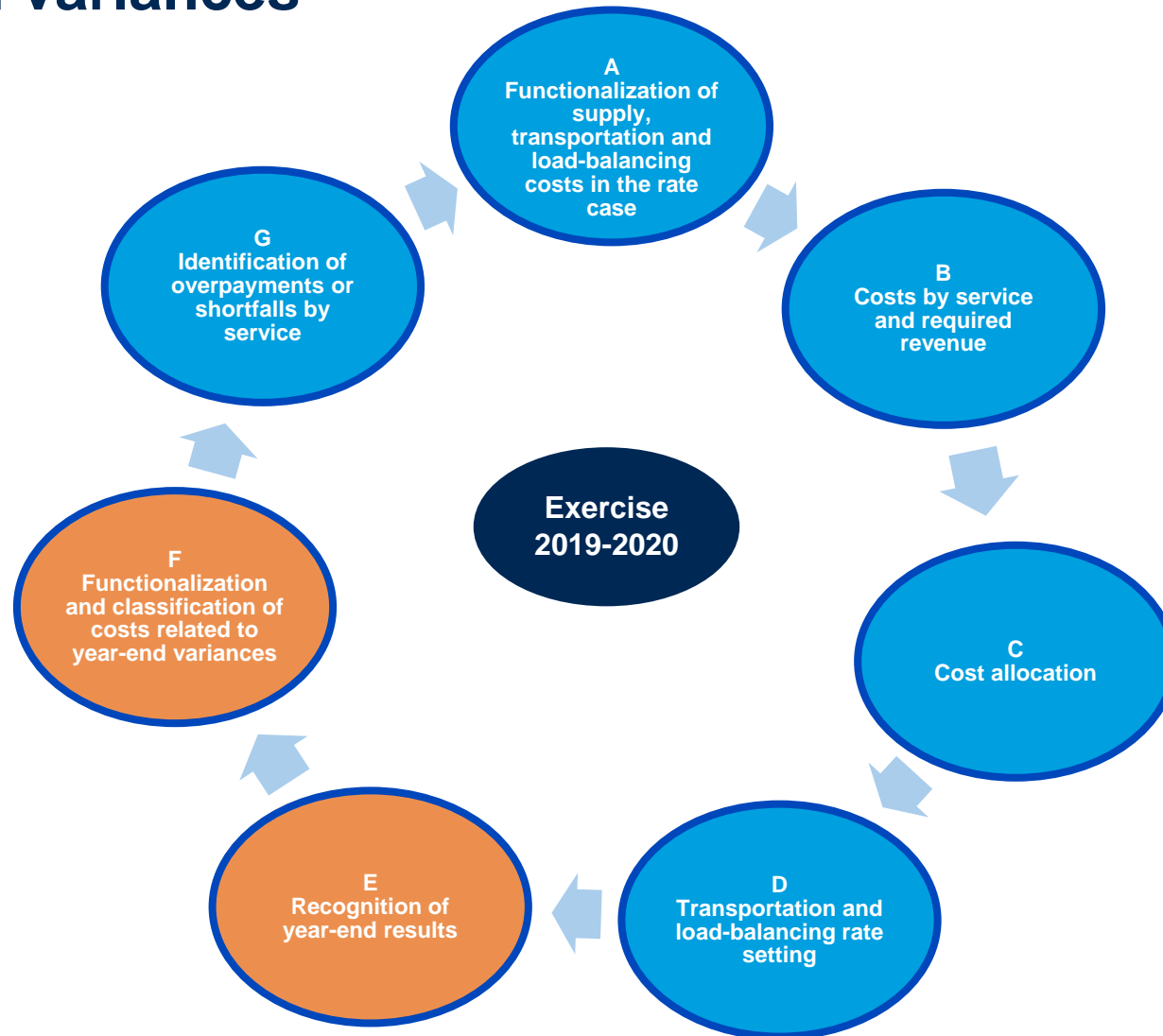
\*\*\* File R-4136-2020, pièce B-0047, Énergir-9, Document 1, p. 3, col. 1, l. 12 à 15. Rate 5 volumes have been equally split between Rate 1 and Rate 4 for the purposes of the simulation.

**The steps for cost allocation and the setting of transmission and load-balancing rates have not been fully restored**

The actual revenue simulation was developed with high level assumptions since Energir is not able to reconstruct the entire invoicing

## E – Recognition of year-end results

## F – Functionalization and classification of costs related to year-end variances



# Annual closure

## 1) Adjustments entailed in updating the supply plan tools at the beginning of the rate year

- Re-evaluation of the demand at the beginning of the year, required only if significant changes in demand call for modifications to transportation or storage tool (purchases/sales)

*No changes required at the beginning of the rate year for 2019-2020*

## 2) Adjustments entailed in updating the actual costs of the supply plan tools

- Actual costs update: transport/load-balancing tool prices, location differential, compression costs

**Pages 13 & 14**

## 3) Additional adjustments entailed in seasonal needs

- a) Transfer of variances related to seasonal consumption from the transportation service to seasonal load-balancing service
- b) Transfer of seasonal costs from supply to seasonal load-balancing service
- c) Adjustment related to calculating the supply savings resulting from operational flexibility needs affecting seasonal load-balancing

**a) Page 16  
b) Page 15  
c) Page 15**

# Actual 2019-2020 vs Rate case 2019-2020

## Transportation costs

Current annual transportation sources 2019-2020				
Sources	10 <sup>3</sup> m <sup>3</sup> /day	Actual Cost 2020 (000\$)	RC Cost 2020 (000\$)	Actual Variance VS RC (000\$)
Primary FTLH (GMIT EDA & GMIT NDA)	2 243	56 775 \$	9 190 \$	47 585 \$
Purchases within the territory	17	107 \$	115 \$	-8 \$
Transportation provided by customers	219	0 \$	0 \$	0 \$
FTSH (DAWN-GMIT EDA)	2 192	17 990 \$	18 606 \$	-616 \$
Transmission via trade (DAWN-GMIT)	2 875	22 614 \$	23 501 \$	-887 \$
FTSH (Parkway-GMIT EDA & NDA)	13 174	105 045 \$	113 518 \$	-8 473 \$
<b>Total transportation capacity</b>	<b>20 720</b>	<b>202 531 \$</b>	<b>164 930 \$</b>	<b>37 601 \$</b>



Tools that meet average demand 2019-2020					
%	Sources	10 <sup>3</sup> m <sup>3</sup> /day	Actual cost 2020 (000\$)	RC Cost 2020 (000\$)	Actual Variance VS RC (000\$)
79%	Primary FTLH (GMIT EDA & GMIT NDA)	1 774	44 895 \$	7 267 \$	37 628 \$
100%	Purchases within the territory	17	107 \$	115 \$	-8 \$
100%	Transportation provided by customers	219	0 \$	0 \$	0 \$
79%	FTSH (DAWN-GMIT EDA)	1 733	14 226 \$	14 713 \$	-487 \$
79%	Transmission via trade (DAWN-GMIT)	2 274	17 882 \$	18 583 \$	-701 \$
79%	FTSH (Parkway-GMIT EDA & NDA)	10 418	83 066 \$	89 766 \$	-6 700 \$
	Optimization revenues	-	-883 \$	0 \$	-883 \$
	<b>Total transportation capacity</b>	<b>16 434</b>	<b>159 294 \$</b>	<b>130 444 \$</b>	<b>28 849 \$</b>

### HIGHLIGHTS

#### Volumes:

- **No update on average demand required in 2019-2020. Therefore, volumes remain unchanged compared to the 2019-2020 Rate Case**

#### Costs:

- **Update of the following items:**
  - Fuel costs
  - TCPL/Enbridge rates
  - Calculation of the location differential on natural gas purchases at Empress
  - Integration of revenues from optimization transactions



# Actual 2019-2020 vs Rate case 2019-2020

## Seasonal load-balancing and operational flexibility costs

Tools that meet peak demand 2019-2020			
Sources	Actual Cost 2020 (000\$)	RC Cost 2020 (000\$)	Actual Variance VS RC (000\$)
Primary FTLH (GMIT EDA et GMIT NDA)	56 775 \$	9 190 \$	47 585 \$
Purchases within the territory	107 \$	115 \$	-8 \$
Transportation provided by customers	0 \$	0 \$	0 \$
FTSH (DAWN-GMIT EDA)	17 990 \$	17 727 \$	264 \$
Transport par échange (DAWN-GMIT)	22 614 \$	23 501 \$	-887 \$
FTSH (Parkway-GMIT EDA & NDA)	101 533 \$	109 426 \$	-7 894 \$
STS (Parkway-GMIT EDA & NDA)	43 300 \$	44 784 \$	-1 484 \$
Transmission via trade (Parkway-GMIT)	0 \$	193 \$	-193 \$
Pointe-du-Lac	5 835 \$	5 720 \$	116 \$
Saint-Flavien	12 682 \$	12 870 \$	-188 \$
Interruptible offering (super interruptible)	396 \$	396 \$	0 \$
Peak service	129 \$	0 \$	129 \$
LSR plant (vaporization)	9 064 \$	7 411 \$	1 653 \$
Liquefaction interruptions, GM LNG	0 \$	0 \$	0 \$
Optimization revenues	-1 229 \$	0 \$	-1 229 \$
Supply costs transferred to balancing related to the seasonality of natural gas purchases	19 059 \$	0 \$	19 059 \$
<b>Total supply tools</b>	<b>288 254 \$</b>	<b>231 333 \$</b>	<b>56 921 \$</b>
<b>minus : Transportation cost based demand</b>	<b>159 294 \$</b>	<b>130 444 \$</b>	<b>28 849 \$</b>
<b>Seasonal balancing costs</b>	<b>128 960 \$</b>	<b>100 888 \$</b>	<b>28 072 \$</b>

Tools for operational flexibility 2019-2020			
Sources	Actual Cost 2020 (000\$)	RC Cost 2020 (000\$)	Actual Variance VS RC (000\$)
Storage at Dawn	10 789 \$	12 036 \$	-1 247 \$
Decrease in supply costs	-1 281 \$	-10 299 \$	9 018 \$
STS (Parkway-GMIT EDA & NDA)	0 \$	0 \$	0 \$
Optimization revenues	-398 \$	0 \$	-398 \$
<b>Total of supply costs</b>	<b>9 110 \$</b>	<b>1 737 \$</b>	<b>7 374 \$</b>

### UPDATE OF THE FOLLOWING ITEMS:

- Updating of costs based on the actual use of the tools:
  - Fuel costs
  - TCPL/Enbridge rates
- Calculation of the location differential on natural gas purchases at Empress
- Cost of supply seasonality separated between seasonal load-balancing and operational flexibility (calculation on page 15)
- Optimization revenues separated depending on the nature of the transactions (transportation, seasonal load-balancing or operational flexibility)



# Actual 2019-2020 vs Rate case 2019-2020

## Annual closing adjustment

### Transfer of seasonal costs from supply to seasonal load-balancing service

Line	Description	Volumes 10 <sup>3</sup> m <sup>3</sup>	Costs (000\$)	Reference
1	Network gas and direct purchase with transfer of ownership	2 788 512	285 271 \$	Dossier R-4136-2020, B-0047, Énergir-9, Document 1, p. 2, l. 2, c. 2 et l. 2, c. 5
2	Change in supply cost variance	-	-6 593 \$	refer to DDR #2 de la Régie, dossier R-3867-2013, question 3.2
3	Inventory cost variance	-1 439	-1 426 \$	refer to DDR #2 de la Régie, dossier R-3867-2013, question 3.3
4	Actual cost of supply	-	277 252 \$	Lines 1 + 2 + 3
5	Cost of network gas at uniform price	2 787 073	259 473 \$	Cost based on uniform price of 2,457 \$/Gj <sup>(1)</sup> ou 9,31 ¢/m <sup>3</sup>
6	<b>Total cost of seasonality to be transferred from the supply price difference account to seasonal balancing and operational flexibility</b>	-	<b>17 778 \$</b>	<b>Line 4 - line 5</b>
7	<b>Breakdown of seasonality between seasonal balancing and operational flexibility</b>			
8	Savings in supply already integrated with the cost of operational flexibility	-	-1 281 \$	Variance in price of supply with Dawn between the time of injections/withdrawals
9	Cost of seasonality to be included in seasonal balancing	-	19 059 \$	Line 6 + line 7

<sup>(1)</sup> Obtained by dividing total of line 29 by line 23 in Dossier R-4136-2020, B-0049, Énergir-9, Document 2, page 5.

The seasonality is separated as follows:

- + \$19.1M to be transferred from the supply price differential to seasonal load-balancing
- - \$1.3M to be transferred from supply price variance to operational flexibility
- for a net impact of \$17.8M to the supply price variance account

Due to the implementation of Energir's proposal, the transfer of supply to load-balancing now reaches \$17.8M, an increase of \$4.1M as compared to the original transfer of \$13.7M as presented in file R-4136-2020, B-0049, Énergir-9, Document 2, page 5, line 30

The \$4.1M increase in the transfer is essentially due to the effect of seasonality, which occurs naturally between the time of purchases by customers using direct purchase with transfer and the time of sales to those same customers

Although these customers buy the molecule in a uniform way, their consumption is not. The volatility in the supply price from one month to another creates this seasonality, which is not reflected in the current method of calculating the transfer from supply to load-balancing

# Actual 2019-2020 vs Rate case 2019-2020

Transportation and load-balancing revenues/volumes; Seasonal consumption variance from transportation to seasonal load-balancing service

TRANSPORTATION	
Distributor's transportation rate (¢/m <sup>3</sup> )	1,756
Énergir Transportation Volumes (10 <sup>3</sup> m <sup>3</sup> ) *	5 780 353
Transportation revenues	101 500 \$
Seasonality adjustment to transportation service	22 \$
Adjusted transportation revenues	101 522 \$
Transportation revenues according to Rate Case	104 476 \$
Variance	-2 954 \$

\* Dossier R-4136-2020, pièce B-0047, Énergir-9, Document 1, p. 2, col. 2, l. 12 + l. 13 + l. 15

Transfer of the seasonal consumption variance for transportation service to seasonal load-balancing service	
Distributor's transportation rate(¢/m <sup>3</sup> )	1,756
Standardization volumes (10 <sup>3</sup> m <sup>3</sup> ) *	1 245
Seasonality adjustment to transportation service (000 \$)	22 \$

\* Dossier R-4136-2020, pièce B-0047, Énergir-9, Document 1, p. 2, col. 1, l. 21

LOAD-BALANCING							
Rates	Seasonal load-balancing rate (¢/m <sup>3</sup> ) *	Load-balancing rate ope. flex. (¢/m <sup>3</sup> ) **	Total load-balancing rate (¢/m <sup>3</sup> )	Volumes (10 <sup>3</sup> m <sup>3</sup> ) ***	Seasonal load-balancing revenues (000 \$)	Load-balancing revenues ope. flex. (000 \$)	Total load-balancing revenues (000 \$)
	(1)	(2)	(3)	(4)	(5)	(6)	(7)
Rate 1	3,457	0,053	3,510	2 855 347	98 720 \$	1 506 \$	100 226 \$
Rate 3	0,813	0,053	0,866	277 932	2 259 \$	147 \$	2 406 \$
Rate 4	0,795	0,053	0,848	2 696 161	21 435 \$	1 422 \$	22 857 \$
Total				5 829 441	122 414 \$	3 076 \$	125 490 \$
Seasonality adjustment to transportation service					-22 \$		-22 \$
Total balancing revenues				5 829 441	122 392 \$	3 076 \$	125 468 \$
Volumes and revenues according to Rate Case				6 000 572	123 806 \$	3 166 \$	126 972 \$
Variance				-171 131	-1 414 \$	-90 \$	-1 504 \$

\* Seasonal load-balancing rates are established based on the LF for each rate

\*\* The load-balancing rate related to operational flexibility is based on the total volume at load-balancing.

\*\*\* File R-4136-2020, pièce B-0047, Énergir-9, Document 1, p. 3, col. 2, l. 12 à 15. Rate 5 volumes have been equally split between Rate 1 and Rate 4 for the purposes of the simulation.

For the purposes of the simulation, rates applied as of October 1, 2019 without any difference due to a late application

Decrease in transportation and load-balancing revenues mainly explained by lower delivered volumes



# Actual 2019-2020

## Required revenue

### HIGHLIGHTS

- Transfer of supply costs (taxes and returns) between transportation, seasonal load-balancing and operational flexibility services
- The variance in each of the services is caused by the application of the proposed method

The proposed increase of \$1.3M in required revenue is mainly due to:

- The variance caused by the calculation of the transfer from supply to load-balancing as being suggested (+\$4.1M) including the reduction of supply costs to operational flexibility by \$1.3M
- Integration of the interruptible offer to the proposed method (+\$0.4M)

Offset by:

- The abolition of inventory-related adjustments rates, which reduced costs by \$1.7M
- A reduction in load-balancing costs (\$1.5M) following the removal of the deferred expense accounts related to transportation tools used for load-balancing

Sources	Supply	Transportation	Seasonal Load-balancing	Load-balancing Operational flexibility	Not required balancing	Total
Results of the functionalization charts (p. 10-12)	0	159 294	128 960	9 110	0	297 364
Other cost items						
<i>Gas used in operations and lost gas</i>	0	-801	0	0	0	-801
<i>Competitive auxiliary gas</i>	0	937	-852	0	0	85
<i>Transportation - Champion Pipeline</i>	0	4 417	0	0	0	4 417
<b>Transportation and balancing costs</b>	<b>0</b>	<b>163 847</b>	<b>128 108</b>	<b>9 110</b>	<b>0</b>	<b>301 065</b>
<i>Amortization of fixed assets</i>	0	0	1 262	0	0	1 262
<i>Amortization of deferred charges and intangible assets</i>	0	-29 195	18 591	0	0	-10 604
<i>Income Taxes</i>	0	-235	1 108	229	0	1 102
<i>Return on Rate Base</i>	0	-755	5 082	1 632	0	5 958
<b>Revenue required before GM LNG customer recharge for LSR plant</b>	<b>0</b>	<b>133 662</b>	<b>154 149</b>	<b>10 971</b>	<b>0</b>	<b>298 783</b>
<i>LSR plant operating cost reimbursed by GM LNG customer</i>	0	0	-4 615	0	0	-4 615
<i>Cost reimbursed by GM LNG customer for DTE services</i>	0	-54	-7	0	0	-61
<b>Revenue Required from Regulated Clients</b>	<b>0</b>	<b>133 608</b>	<b>149 527</b>	<b>10 971</b>	<b>0</b>	<b>294 107</b>
Required income according to R-4136-2020	2 346	137 936	152 570	0	0	292 852
Variance	-2 346	-4 328	-3 043	10 971	0	1 255



# G – Identification of overpayments or shortfalls by department



# Actual 2019-2020 vs Rate case 2019-2020

## Overpayments/Shortfall

Proposed Overpaid/Shortfall					
Service	Actual revenues	Actual costs	Overpaid/ (Shortfall)	Shortfall break down between:	
				Revenue variance	Cost variance
	(1)	(2)	(1)-(2)		
Transportation	101 522 \$	133 608 \$	-32 087 \$	-2 954 \$	29 133 \$
Seasonal load-balancing	122 392 \$	149 527 \$	-27 135 \$	-1 414 \$	25 721 \$
Operational flexibility load-balancing	3 076 \$	10 971 \$	-7 896 \$	-90 \$	7 805 \$
Total	226 988 \$	294 105 \$	-67 117 \$	-4 458 \$	62 659 \$

Overpaid/Shortfall as per Dossier R-4136-2020					
Service	Actual revenues	Actual costs	Overpaid/ (Shortfall)	Shortfall break down between:	
				Revenue variance	Cost variance
	(1)	(2)	(1)-(2)		
Transportation	102 336 \$	137 936 \$	-35 600 \$	4 283 \$	39 883 \$
Load-balancing	149 385 \$	152 570 \$	-3 185 \$	6 124 \$	9 309 \$
Total	251 721 \$	290 506 \$	-38 785 \$	10 407 \$	49 192 \$

Overpaid/Shortfall variances vs Dossier R-4136-2020					
Service	Actual revenues	Actual costs	Overpaid/ (Shortfall)	Shortfall break down between:	
				Revenue variance	Cost variance
	(1)	(2)	(1)-(2)		
Transportation	-814 \$	-4 328 \$	3 513 \$	-7 237 \$	-10 750 \$
Load-balancing	-23 917 \$	7 928 \$	-31 846 \$	-7 628 \$	24 217 \$
Total	-24 732 \$	3 601 \$	-28 332 \$	-14 865 \$	13 467 \$

### Shortfall explained by

Revenue variances mainly explained by decrease in delivered volumes

Cost variances mainly explained by:

- Higher transportation and load-balancing costs on natural gas purchases at Empress (location differential) (+\$48.7M)
- Increase in load-balancing costs related to the seasonality in the supply costs (+\$19.0M)
- Supply savings related to operational flexibility (+\$9.0M)

Offset by:

- Lower tool costs as a result of lower fixed premiums from TCPL and Enbridge combined with lower fuel costs (-\$12.0M)
- Revenues generated from optimization transactions (-\$1.6M)
- Lower supply-related costs (taxes and returns) that were transferred to transportation and load-balancing (-\$0.6M)

### Elements of variance vs. File R-4136-2020

Revenue variances explained mainly by simulation of the application of rates as of October 1, 2019, which did not generate any variance related to late application (-\$13.0M)

Cost variances explained mainly by:

- Supply savings related to operational flexibility (+\$9.0M)
- Changes in the transfer of seasonal supply costs to seasonal load-balancing calculation (+\$4.1M)
- Decrease in supply-related costs (taxes and returns) that were transferred to transportation and load-balancing (-\$0.6M)

These cost variances are reflected in lower costs for the supply service



# Conclusion

**The three-tier method allows a cost functionalization between Supply, Transport and Load-Balancing services that is more representative of their causality.**

## Transportation

The functionalized transportation cost equals the average cost to meet the average annual demand. Transportation revenues resulting from seasonality are transferred to the seasonal load-balancing service. These adjustments remove any seasonality effects from the transportation service to reflect only what supplying the average annual demand

## Seasonal load-balancing, operational flexibility and supply

Load-Balancing costs take into account:

- the cost of seasonality from direct purchase customers with transfer of ownership, whose counterparty is reflected in the supply service
- the cost-sharing of seasonality from supply acquisition between seasonal load-balancing and operational flexibility: the positive effect of the purchase profile from operational flexibility held storage is now isolated

