

No.: R-3867-2013 – PHASE 3

**GAZ MÉTRO LIMITED PARTNERSHIP**, a duly incorporated partnership having its principal place of business at 1717 du Havre Road, in the city and district of Montréal, province Québec,

(hereinafter "Gaz Métro")

---

**AMENDED APPLICATION REGARDING PHASE 3**  
**OF THE GENERIC MATTER BEARING ON THE ALLOCATION OF COSTS AND RATE**  
**STRUCTURE OF GAZ MÉTRO**  
**[Sections 31(1), 31(5), 32(3), 49(6) and 51 of the *Act Respecting the Régie de l'énergie*,**  
**CQLR c. R-6.01 (the "Act")]**

---

**IN SUPPORT OF ITS APPLICATION, GAZ MÉTRO RESPECTFULLY SUBMITS THE FOLLOWING:**

**I. HISTORY AND BACKGROUND**

1. On January 30, 2014, the Régie rendered its decision D-2014-011, which recognised the intervenors and specified the procedural framework of this case;
2. In this decision, the Régie more specifically:
  - (a) split the matter in two phases, the first bearing on the examination of cost allocation methods, the second focusing on the rate structure, cross-subsidization and rate strategy;
  - (b) requested that Gaz Métro schedule three working sessions bearing on the subject of the first phase;
  - (c) asked Gaz Métro to adduce evidence, following the working sessions, integrating all of its cost allocation proposals.
3. The working sessions of phase 1 were held April 3 and 17, 2014 and May 7, 2014;
4. Gaz Métro presented its cost allocation proposals in the context of phase 1, as appears more specifically from Exhibit Gaz Métro-2, Document 1;
5. The phase 1 hearings took place from April 13 to 17, 2015, date on which the Régie took the applications formulated by Gaz Métro regarding cost allocation methods under advisement;
6. Since the Régie handed down its procedural decision D-2014-011 in this case, it has handed down a series of decisions in several cases postponing the examination of

various subjects in the context of phase 2 of this matter, as appears more specifically from the list of follow-ups reproduced on page 9 of the Exhibit Gaz Métro-5, Document 1;

7. According to Gaz Métro, the greater number of subjects to be dealt with in this matter requires the creation of new phases so that the Régie can effectively dispose of the applications regarding these numerous subjects, and so that Gaz Métro can take the decisions handed down by the Régie into consideration when developing its subsequent applications;
8. Consequently, upon filing its phase 2 application on April 28, 2016, Gaz Métro proposed that this generic matter be split into four phases, namely:
  - (a) phase 1 pertaining to the cost allocation methods, [...] the final decision for which was handed down June 23, 2016 (D-2016-100);
  - (b) phase 2 regarding the review of the supply, transmission and balancing services, as well as the consolidation of the interruptible service, in respect of which a filing was presented in April of 2016;
  - (c) phase 3 regarding the fixing of the marginal costs of the long-term service deliveries (“marginal costs”) that are contemplated by this filing;
  - (d) phase 4 pertaining to a review of the distribution service;
9. On August 4, 2016, the Régie handed down a procedural decision during phase 2 (D-2016-126), in which it indicated, among other things, that in the absence of evidence regarding the fixing of marginal costs, it reserved its decision on the subject “[TRANSLATION] as well as on the relevance of handling the matter separately in a phase dedicated to that subject;
10. [...]
11. On October 5, 2016, Gaz Métro filed its application with respect to the fixing of the marginal costs;
12. On November 8, 2016, following a preliminary meeting, the Régie handed down its decision D-2016-169, by which it created phase 3 of this matter regarding marginal costs (Subject A) and the review of the methodology for the assessment of the profitability of network extension projects (Subject B);
13. In the aforementioned decision (para. 46), the Régie asked Gaz Métro to adduce, by noon on January 19, 2017, its evidence with respect to Subject B;
14. On January 19, the Régie granted Gaz Métro an extension of time, namely until 4 p.m. on January 20, to adduce its evidence with respect to Subject B;
15. Gaz Métro hereby adduces its evidence with respect to Subject B, the whole without prejudice to its rights and representations in the context of case R-3998-2017;
- II. **Study on the Marginal Costs of the Long-Term Service Deliveries applied to the Profitability Analysis (Exhibit Gaz Métro-6, Documents 1 and 2)**
16. During the 2015 rate case (R-3879-2014), Gaz Métro filed the results of its study seeking to fix the marginal costs of long-term service deliveries (“marginal costs”)

applied to the profitability analysis, which analysis is attached to Exhibit Gaz Métro-6, Document 1 as Schedule A;

17. More specifically recognizing the complexity of the subject, in its procedural decision D-2015-048 (paras 13 to 16) regarding the 2015 rate case, the Régie postponed its handling of the study to determine marginal costs in this matter in order to, among other things, allow the parties to seek the services of an expert in this area;
18. For the purposes of preparing this application, Gaz Métro retained the services of Dr. Edwin Overcast from the firm Black & Veatch;
19. In Exhibit Gaz Métro-6, Document 2, Gaz Métro adduced the results of the study conducted by Dr. Overcast;
20. Gaz Métro concurs with the conclusions of Dr. Overcast and requests that the Régie approve the method he proposes (Exhibit Gaz Métro-6, Document 2) to determine the marginal cost of the long-term service deliveries specific to each project and to authorize Gaz Métro to use it in its analysis of the profitability of a customer connection project, an additional load applied to an existing customer, as well as in the analysis of the overall profitability of the development plan, as appears from Exhibit Gaz Métro-6, Document 1;

**III. Methodology for the Assessment of the Profitability of Network Extension Projects (Exhibit Gaz Métro-7, Document 1)**

21. Following decisions D-2016-090 and D-2016-169, Gaz Métro adduces its evidence with respect to the methodology for the assessment of the profitability of network extension projects et respectfully asks the Régie to:
  - (a) acknowledge the follow-up required under decisions D-2016-090 and D-2016-169 with respect to network extension projections for a 5-year and a 10-year term and with respect to the preparation of a benchmarking report of the existing approaches in other provinces regarding acceptability criteria for network extension projects;
  - (b) acknowledge the methodology for the assessment of the profitability of network extension projects.

as appears from Exhibit Gaz Métro-7, Document 1;

22. This application is well-founded in facts and in law.

**FOR THESE REASONS, MAY IT PLEASE THE RÉGIE:**

**ALLOW** this application;

**In respect of the procedural handling of this matter**

[...]

**In respect of fixing the marginal costs of long-term service deliveries (Exhibit Gas Métro-6, Documents 1 and 2)**

**APPROVE** the method proposed by Dr. Edwin Overcast to determine the marginal cost of the long-term service deliveries specific to each project, as described in Exhibit Gas Métro-6, Documents 1 and 2)

**AUTHORIZE** Gaz Métro, from the moment the decision is rendered, to use this method in the profitability analysis of a customer connection project, an additional load applied to an existing customer, as well as in the analysis of the overall profitability of the development plan;

**In respect of the methodology for the assessment of the profitability of network extension projects**

**ACKNOWLEDGE** the follow-up required under decisions D-2016-090 and D-2016-169 with respect to network extension projections for a 5-year and a 10-year term and with respect to the preparation of a benchmarking report of the existing approaches in other provinces regarding acceptability criteria for network extension projects;

**ACKNOWLEDGE** the methodology for the assessment of the profitability of network extension projects.

Montréal, January 20, 2017

(s) *Hugo Sigouin-Plasse*

---

M<sup>re</sup> Hugo Sigouin-Plasse  
Counsel for Applicant  
1717 du Havre Road  
Montréal, Québec H2K 2X3  
Telephone: (514) 598-3767  
Fax: (514) 598-3839  
email for this matter:  
dossiers.reglementaires@gazmetro.com