

RESPONSE OF GAZ MÉTRO LIMITED PARTNERSHIP (GAZ MÉTRO) TO THE REQUEST FOR INFORMATION NO. 1 OF THE CANADIAN FEDERATION OF INDEPENDENT BUSINESS - QUÉBEC DIVISION (CFIB) PRESENTED TO GAZ MÉTRO LIMITED PARTNERSHIP (GAZ MÉTRO)

Reference(s)

- i) R-3867-2013 phase 3, B-0144, GM-6 doc 1, Schedule A, Schedule 1, p. 1 of 3
- ii) R-3867-2013 phase 3, B-0144, GM-6 doc 1, Schedule A, p. 7 of 10
- iii) R-3867-2013 phase 3, B-0144, GM-6 doc 1, Schedule A, p. 9 of 10
- iv) R-3867-2013 phase 3, B-0144, GM-6 doc 1, Schedule A, p. 8 of 10, section 4
- v) R-3867-2013 phase 3, B-0144, GM-6 doc 2, tables 3 to 5.

Preamble

i)

1 **Note:**

2 This table does not take into consideration any additional preventive (\$0.22/meter) and corrective (\$0.34/meter) maintenance costs applicable
3 to the projects that will, according to the Revenue Required, require additional meters of service line. What is more, the maximum limit does
4 not take into consideration the preventive (\$12.88) and corrective (\$17.99) maintenance cost per additional connection required in the project.

iii)

Note : Contrary to the table on page 7, line 1, the table above includes the maintenance costs that apply to the meters of additional service line appearing in the Revenue Required. Given the significant number of service line meters included in the Major Industries projects considered for this analysis, the impact on the weighted average cost for this market is considerable.

Question(s):

- 1.1** Reference (i) details the residential market costs. For costs whose maximum is different than the minimum, please provide the various possible cost levels based on the classification parameters. For example, if the costs vary according to the type of meter, please present the cost associated with each type of meter. Please do the same for the CII and Major Industries markets.

Response:

Please see the response to question 1.1 of the Régie's request for information no. 5, in Exhibit Gaz Métro-8, Document 1.

- 1.2** Considering that the CII customers come in a wide variety of sizes, please indicate whether Gaz Métro intends to use, in operational mode, a marginal operating cost that is harmonized for all customers, or if it intends to use different marginal costs that reflect the characteristics of the customer?

Response:

Please refer to the response to question 1.1 of the Régie's request for information no. 5, in Exhibit Gaz Métro-8, Document 1.

- 1.3** Please assess the marginal operating cost for a CII customer whose meter is of the same type as those used for residential customers.

Response:

Please refer to the response to question 1.1 of the Régie's request for information no. 5, in Exhibit Gaz Métro-8, Document 1.

- 1.4** Please reproduce the tables in references (ii) and (iii) based on the recommendations of Dr. Overcast.

Response:

Reference ii) - Upper table - Cost summary

Market	Year 1		Year 2 and later	
	2014 costs Min	2014 costs Max	2014 costs Min	2014 costs Max
Residential	\$55.88	\$409.33	\$9.10	\$369.60
CII	\$90.41	\$452.93	\$10.11	\$370.61
Major Industries	\$390.70	\$735.21	\$326.74	\$702.12

The table above presents a summary of tables 2 to 4 on pages 9 to 11 of the study filed by Black & Veatch (B-0145, Gaz Métro-6, Document 2).

Reference ii) - Lower table - Costs for load additions

The marginal cost of service delivery for any load addition is \$0 according to Dr. Overcast's recommendations. Please refer to the response to question 2.3 of the Régie's request for information no. 5, in Exhibit B-0196, Gaz Métro-8, Document 1.

Reference iii) - Upper table - Weighted average cost per market

Please refer to the response to question 2.3 of the Régie's request for information no. 5, in Exhibit B-0196, Gaz Métro-8, Document 1.

Reference iii) - Lower table - Impact on profitability

By applying the method proposed by Black & Veatch, described in the response to question 1.1 of the Régie's request for information no. 5, in Exhibit B-0196, Gaz Métro-8, Document 1, the profitability results would be those presented in the following table:

Market segment	New approach (Black & Veatch)	New approach (CT 2015)	\$157	Before \$157
Residential	10.94%	9.92%	8.27%	9.97%
CII	21.31%	20.65%	21.13%	21.42%
Major Industries	7.71%	7.66%	7.87%	7.88%
Total	15.84%	15.13%	14.81%	15.58%

- 1.5 Please provide the detailed calculation of the weighting for the minimum and maximum costs that were used to obtain the weighted average costs, per market.

Response:

Note that the calculations were solely made for the purposes of preparing Gaz Métro's evidence. As is explained in the response to question 1.1 of the Régie's request for information no. 5 in Exhibit Gaz Métro-8, Document 1, when applying the method, the cost used for a new customer will correspond to the characteristics specific to that customer, not to a weighted average cost.

The table presented in Schedule 1 presents the weighting used for each of the costs.

- 1.6 For reference (i), please justify why the additional preventive and corrective maintenance costs for additional meters of service line were not included in the tables in that reference (i).

Response:

Please refer to the response to question 2.5 of the Régie's request for information no. 5 in Exhibit Gaz Métro-8, Document 1.

- 1.7 The CFIB does not fully understand the implications of the following affirmation: "Moreover, the maximum limit does not take into consideration the preventive (\$12.88) and corrective (\$17.99) maintenance costs per additional connection required in the project." Please elaborate and indicate under what circumstances an additional connection might be required.

Response:

This note was added in order to specify that the limits presented in the tables include the costs associated with connection maintenance. On very rare occasions, a customer might require more than one meter and more than one connection if, for example, several buildings consuming very different volumes need to be connected. In such a case, the maintenance costs associated with this additional connection would be added to the customer's marginal costs.

- 1.8 For reference (iii), please indicate the number of additional meters of service line that were used to include the maintenance costs that apply to the additional meters of service line, and explain how this number of meters was obtained.

Response:

Please refer to the response provided to question 1.5.

- 1.9** For reference (iv), please indicate the marginal cost that would be obtained if Gaz Métro were to use a method similar to that of the three other Canadian companies. Please indicate whether these companies use their long-term marginal costs for the purposes of their profitability analyses. If not, please indicate what it is used for.

Response:

Please refer to the response to question 7.2 of Option Consommateurs' (OC) request for information no. 1, Gaz Métro-8, Document 5.

- 1.10** Please indicate the total amount of operating expenses reflected in the marginal costs calculated in reference (v).

Response:

The methodology used by Gaz Métro was to identify and quantify the activities generating a marginal cost when a customer is added. Consequently, as opposed to a method that is based on average cost, there is no total operating expenses on which these costs are based.

It is therefore possible to identify the expenses of the sectors for which the activities were included in the marginal costs calculated in reference (v). The total actual operating expenses for 2013 in these sectors represents \$61.4 million.

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Application relating to the marginal costs of long-term service delivery
applied to the profitability analysis, R-3867-2013

Characteristics	Options	Costs - Year1	Costs - Year 2 and later	Residential			CII			Major Industries		
				Weighting used	Year 1	Year 2 and later	Weighting used	Year 1	Year 2 and later	Weighting used	Year 1	Year 2 and later
Type of market	Residential	\$55.88	\$9.10	100.00%	\$55.88	\$9.10	0.00%	\$-	\$-	0%	\$-	\$-
	CII	\$90.41	\$10.11	0.00%	\$-	\$-	100.00%	\$90.41	\$10.11	0%	\$-	\$-
	Major Industries	\$73.92	\$9.96	0.00%	\$-	\$-	0.00%	\$-	\$-	100%	\$73.92	\$9.96
Type of meters	Inspection of positive displacement meter, with radiometry	\$-	\$-	94.73%	\$-	\$-	75.61%	\$-	\$-	0%	\$-	\$-
	Inspection of turbine meter	\$31.68	\$31.68	0.07%	\$0.02	\$0.02	0.42%	\$0.13	\$0.13	100%	\$31.68	\$31.68
	Inspection of fixed-pressure factor (FPF) positive displacement meter, with radiometry	\$36.96	\$36.96	2.99%	\$1.10	\$1.10	7.85%	\$2.90	\$2.90	0%	\$-	\$-
	Inspection of rotary gas meter, with radiometry	\$42.24	\$42.24	1.88%	\$0.79	\$0.79	10.47%	\$4.42	\$4.42	0%	\$-	\$-
	Inspection of fixed-pressure factor (FPF) rotary gas meter, with radiometry	\$63.36	\$63.36	0.33%	\$0.21	\$0.21	5.65%	\$3.58	\$3.58	0%	\$-	\$-
	Inspection of spin test for turbines measuring less than 12 inches	\$79.20	\$79.20	0.07%	\$0.06	\$0.06	0.42%	\$0.33	\$0.33	25%	\$19.80	\$19.80
	Inspection of spin test for turbine measuring 12 inches and more	\$237.59	\$237.59	0.00%	\$-	\$-	0.00%	\$-	\$-	75%	\$178.19	\$178.19
Corrective and telemetry instruments	Inspection of corrective instruments	\$87.11	\$87.11	1.95%	\$1.70	\$1.70	0.42%	\$0.37	\$0.37	100%	\$87.11	\$87.11
	Inspection of telemetry	\$118.79	\$118.79	0.07%	\$0.09	\$0.09	0.42%	\$0.50	\$0.50	100%	\$118.79	\$118.79
RCP Application	Residential	\$23.83	\$-	85.00%	\$20.26	\$-	0.00%	\$-	\$-	0%	\$-	\$-
	Commercial	\$32.90	\$-	0.00%	\$-	\$-	62.00%	\$20.40	\$-	0%	\$-	\$-
Addition of a cellular line	Yes/no	\$186.12	\$186.12	0.00%	\$-	\$-	0.00%	\$-	\$-	5%	\$9.31	\$9.31
Meters of service line	Number of meters entered directly	\$0.59/m	\$0.59/m	6.70,m	\$3.96	\$3.96	151.64,m	\$89.47	\$89.47	6005.40,m	\$3,543.19	\$3,543.19
Total					\$84.07	\$17.03		\$212.51	\$111.81		\$4,061.98	\$3,998.02

Note 1
Note 2
Note 3
Note 4

Explanation of weightings

Note 1

Meters and corrective instruments

Residential and CII The proportions are based on the history of the 2013 sales news.

Major Industries Based on the sales history, the sales team estimated that all Major Industries customer are equipped with a turbine meter, with the allocation being 25% for those turbines measuring less than 12 inches, and 75% for those measuring 12 inches and more. Also, it was assumed that all meter assemblies for these customers include the corrective and telemetry instruments, given the significant volumes they consume.

Note 2

RCP Application

The proportions are based on the history of the 2013 sales news.

Note 3

Addition of a cellular line

Based on the sales history, the sales team estimated that the installation of a cellular line is rare and applies to very specific situations. It was assumed this applies to only 5% of the Major Industries' customers.

Note 4

Meters of service line

The number of meters of service line per market is based on the history of the 2013 sales news.