

**RESPONSE OF GAZ MÉTRO LIMITED PARTNERSHIP (GAZ MÉTRO)
TO THE REQUEST FOR INFORMATION OF ROEE
SECTION A**

Methodology

1. References:

- (i) R-3867-2013, B-0144, Gaz Métro-6, document 1, section 2014.10.08, page 5 lines 24 to 28;
- (ii) R-3867-2013, B-0144, Gaz Métro-6, document 1, section 2014.10.08, page 6 lines 1 to 6;
- (iii) R-3867-2013, B-0145, Report of Black and Veatch, page 4;
- (iv) R-3867-2013, B-0145, Report of Black and Veatch, page 9, table 2;
- (v) R-3867-2013, B-0145, Report of Black and Veatch, page 10, table 3;
- (vi) R-3867-2013, B-0145, Report of Black and Veatch, page 11, table 4;
- (vii) R-3867-2013, B-0144, Gaz Métro-6, document 1, section 2014.10.08, schedule 1.

Preamble

- (i) "A series of interviews of the cost centre managers was carried out in order to identify, for the different markets, the activities generated by a new customer or the addition of a load with an existing customer. Each activity was quantified then valorised based on the time devoted to its completion."
- (ii) "The costs associated with maintaining the meter, connection and, where applicable, the additional service line installed at the customer's were also taken into consideration. As for the meters, an analysis of the maintenance programs was carried out in order to establish the hours of maintenance per type of equipment, to which was applied the cost of the personnel assigned to these duties. In the case of connections and service lines installed at the customer's, an average cost was calculated based on the history of corrective and preventive maintenance costs."
- (iii) The Black and Veatch report considers that the costs of new customers belonging to category 2, notably meter readings, have the indirect effect of increasing costs.
- (iv) Table 2 illustrates that Black and Veatch's proposal establishes at \$0 the costs associated with meter readings, whereas Gaz Métro's initial proposal set these at \$6.71. The table also shows the difference between Gaz Métro's initial proposal and that of Black and Veatch for the residential sector, for a group of residential market expenses.
- (v) Table 3 presents the differences between Gaz Métro's initial proposal and that presented by Black and Veatch for the CII market.
- (vi) Table 4 presents the differences between Gaz Métro's initial proposal and that presented by Black and Veatch for the Major Industries market.
- (vii) Schedule 1 presents details on the cost, per market.

Questions:

1.1. Please indicate whether a report summarizing the interviews mentioned in reference 1 was produced by Gaz Métro ?

1.1.1. If so, please provide it.

1.1.2. If not, please indicate why?

Response:

Yes, a report summarizing the interviews was produced. Please see the table presented in Schedule 1.

1.2. Please indicate whether the \$6.71 amount mentioned in reference 4 comes from the study and analysis of the series of interviews of the cost centre managers?

1.2.1. If so, please indicate whether all of the amounts presented in table 2 (ref. 4) taken from Gaz Métro's initial proposal came from the study and analysis of the series of interviews of the cost centre managers?

Response:

The interviews of and meetings with the managers allowed information to be gathered for the purposes of developing the method proposed by Gaz Métro and conducting the calculations needed to determine the costs presented in the table cited in reference, as well as all tables in Schedule 1 cited in reference (vii).

Gaz Métro refers you to question 1.1 of the Régie's request for information no. 5, Gaz Métro-8, Document 1, which explains the methodology used to calculate each of the costs presented.

1.2.2. If so, please indicate whether all of the costs in Schedule 1 (ref. vii) also comes from the study and analysis of the series of interviews of the cost centre managers?

Response:

Please refer to the response provided to question 1.2.1.

1.2.3. If not, please indicate how the series of interviews is reflected in Gaz Métro's initial proposal and in the new proposal of Black and Veatch ?

Response:

Please refer to the response provided to question 1.2.1.

1.2.4. Please indicate whether the responses to questions 1.2, 1.2.1 and 1.2.2 also apply to the data provided in tables 3 and 4, as defined in references v and vi.

Response:

Please refer to the response provided to question 1.2.1.

2. Reference:

R-3867-2013, B-0144, Gaz Métro-6, document 1, section 2014.10.08, page 8, lines 10 to 19.

Preamble:

- Gaz Métro states having surveyed three large Canadian gas distributors to understand their method for establishing their marginal costs. Gaz Métro realized that the other distributors' method is more of an average cost than a marginal cost, whereas Black and Veatch's model focuses more on marginal costs specific to new customers and on the impact of this increase on labour.

Questions:

2.1. Please indicate whether a report exists on the survey of these 3 large distributors.

2.1.1. If so, please provide it.

Response:

Please refer to the response provided to question 2.1.2.

2.1.2. If not, please explain why.

Response:

Please refer to the response provided in question 7.1 of the request for information no. 1 of Option consommateurs (OC) in Exhibit Gaz Métro-8, Document 5.

2.2. Please explain the reasons why these three large distributors chose a method that is more of an average cost than a calculation of the marginal cost.

Response:

Gaz Métro was not informed of this and cannot presume the reasons justifying the choices adopted by its peers.

Summary of internal interviews

Individuals met	Summary of topics discussed
VP - Operations	Costs associated with connecting an immovable Main industry sectors of Operations
Chief of metering engineering department	Maintenance program - instrumentation Operations and segmentation by customer
Head of instrumentation group	Maintenance program - instrumentation Types of meters and frequency of inspections
Head of the asset management and system integrity department	Engineering projects underway Inspection program for meters installed at the customer's Inspection program / Verification of regulators
Head of the customer information department	Type of customers Work of customer service agents Quality requirements Average cost of a call
Head of invoicing and meter reading	Meter reading Invoicing Invoicing clerks' duties Cost of producing invoices Letter of confirmation to new customer
Head of the accounts receivable management department	Recovery Collection, credit assessment, legal action
Head of the collections department	Types of payments received from customers Costs of various types of payments
Deputy Director- Major Industries	Categories of customers Major Industries customers (number and profile) Work and costs of representatives
Head of the administrative services department	Activities and responsibilities of administrative department Financial assistance programs Customer maintenance costs Categories of customers Rates Revenues Required (operations and use)
Instrumentation and metering advisor	Telemetry (use and costs) Type of customer
Senior advisor - Sales development monitoring	Estimate of construction and required revenues
Director - Customer service	Annual collection costs
Senior Advisor - Demand forecast, marketing strategy	Calculation of global profitability and impact of methods Sales data