

DECISION

QUÉBEC

RÉGIE DE L'ÉNERGIE

D-2013-106	R-3809-2012	July 15, 2013
------------	-------------	---------------

Phase 2

PRESENT:

Marc Turgeon
Françoise Gagnon
Commissioners

Gaz Métro Limited Partnership

Plaintiff

and

Intervenors, whose names appear below

Decision

*Request to approve the supply plan and to amend the
Conditions of Service and Tariff of Gaz Métro
Limited Partnership effective October 2012*

[...]

3.2 DEVELOPMENT PLAN

[14] Gaz Métro presents the profitability analysis of the 2012-2013 development plan and requests that the Régie take note thereof.

[15] The CFIB is concerned over several aspects of the profitability analysis, more specifically the residential profitability analysis. It questions the cost hypotheses (operation and maintenance, service lines, connections) and revenues (projected volumes, customer departures) used in the profitability analysis of the distributor's development plan. It also has questions regarding the validity of the profitability analysis presented by Gaz Métro.

[16] CFIB makes three recommendations to Gaz Métro, namely that it:

- demonstrate and explain in detail how the various cost and revenue hypotheses were established and their evolution over time;
- establish a profile for the customers it loses, more specifically in terms of volume and duration;
- have an independent profitability analysis carried out that is based on a long-term marginal cost and, until that analysis is ready, that it use the amount of \$157⁸ estimated by the expert retained by the Task Force⁹ in the context of Phase 2 of R-3693-2009.

[17] CFIB requests that the profitability of projects in the residential sector that do not include large condominiums be presented separately in a profitability analysis of that sector.

[18] Gaz Métro presents a revised version of the tables analyzing the costs of service lines and connections that were filed into evidence by the CFIB. It explains the evolution of costs over the last years, both in the residential sector as well as in the commercial, institutional and industrial sector (CII).

[19] Gaz Métro states it is unable to determine the numbers for and consumption characteristics of the customers lost in past years because it does not have adequate databases. However, the distributor states having made changes in 2013 so as to have access to data on lost customers. It specifies that information for the last year should be available in the 2014 rate case, but it will probably not be able to provide chronological data.¹⁰

[20] The Régie is of the opinion that it is appropriate to examine the profile on lost customers. As the CFIB mentions, this information would help validate the hypothetical 40-year consumption period used in the profitability analysis of the development plan. The Régie

⁸ R-3693-2009, Exhibit B-0032, p. 11.

⁹ Consisting of the distributor and intervenors recognized by the Régie that are mandated to assess the incentive mechanism.

¹⁰ Exhibit A-0139, p. 33.

considers that the distributor must provide chronological data and that, even if the results are imperfect, Gaz Métro will be able to specify the limits of the results obtained.

[21] The Régie asks Gaz Métro to present the characteristics of customers lost in 2012-2013 in the 2014 rate case. It also asks that an analysis be conducted of the chronological data available to draw a picture of the customers lost prior to 2012, and present the findings of this analysis in the 2014 rate case.

[22] The Régie notes that large condominiums have a considerable impact on the profitability of the residential sector. Consequently, Gaz Métro confirms that in 2012, of the 2,220 new customers in new residential constructions, 61 large condominium customers account for a consumption of over 3.5 million m³, whereas the remaining 2,160 customers (single family) account for a little over 2.2 million m³.¹¹

[23] To the question regarding the possibility of presenting the profitability of large condominium buildings separately, Gaz Métro replies that when one of these immoveables is part of a project that also contains single-family residences, Gaz Métro is unable to exclude that building from the project's profitability analysis. However, that building's profitability can be assessed separately if it is on the system.

[24] In light of these limitations, the Régie concurs with the CFIB's suggestion that it would be appropriate to present the profitability of residential sector investment projects separately if they only include small, single-family residential customers so as to obtain a more accurate picture of the profitability of this type of customer.

[25] The Régie asks Gaz Métro to present the profitability of projects in the residential sector separately if those projects include only small, single-family residential customers.

[26] The Régie concurs with the CFIB's opinion regarding the use of long-term marginal costs. As the profitability analysis of the development plan bears on a 40-year period, it would seem logical to use long-term costs. The Régie believes that in the absence of a precise evaluation of long-term marginal operating costs, it would be expedient to retain the value of \$157, as proposed by the CFIB.

[27] The Régie asks Gaz Métro to use a long-term marginal operating cost of \$157 in the profitability analysis of the residential and CII development plan. This value could be revised in a future rate case when the distributor produces an assessment of these costs.

[...]

¹¹ Exhibit A-0139, pp. 60 and 61.