

C A N A D A

RÉGIE DE L'ÉNERGIE

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PROVINCE OF QUÉBEC  
District of Montréal

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 of Québec,

(hereinafter "Gaz Métro"),

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**2<sup>nd</sup> RE-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<sup>o</sup>), 49(6<sup>o</sup>) and 51 of the *Act Respecting the Régie de l'énergie*,  
CQLR c. R-6.01 (the "Act")]**

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**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 matter;
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 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 filed 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 under advisement the applications formulated by Gaz Métro regarding cost allocation methods;
6. Since the Régie handed down its procedural decision D-2014-011 in this matter, it has handed down a series of decisions in several matters postponing the examination of

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- 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 to allow the Régie to effectively dispose of the applications regarding these numerous subjects, and to allow Gaz Métro to take into consideration the decisions handed down by the Régie 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, whereby it created Phase 3 of this matter regarding marginal costs (Subject A) and the review of the methodology for evaluating the profitability of system extension projects (Subject B);
  13. In the aforementioned decision (para. 46), the Régie asked Gaz Métro to adduce its evidence with respect to Subject B no later than by noon on January 19, 2017;
  14. On January 19, the Régie granted Gaz Métro an extension until 4 p.m. on January 20, to adduce its evidence with respect to Subject B;
  15. [...] On January 20, 2017, Gaz Métro adduced its evidence with respect to Subject B, the whole without prejudice to its rights and representations in the context of case R-3998-2017;
  16. [...] On February 1, 2017, the Régie rendered its decision D-2017-009 in which it requested notably that Gaz Métro file complementary evidence with respect to Subject B;

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17. On February 16, 2017, Gaz Métro filed a re-amended application as well as the complementary evidence required by the Régie;
  18. On March 7, 2017, the Régie rendered its procedural decision D-2017-026 determining the procedural timetable with respect to the handling of Subject B of Phase 3;
  19. On March 24 and 27, 2017, Gaz Métro received the requests for information from the Régie and the intervenors with respect to Subject B of Phase 3;
  20. On April 4, 2017, Gaz Métro proposed (B-0237) a new procedural approach allowing it to retain the services of an expert, respond to information requests and file new evidence;
  21. On April 7, 2017, la Régie accepted Gaz Métro's proposal and modified the procedural timetable accordingly with respect to Subject B of Phase 3;
  22. Gaz Métro hereby files an expert report produced by the firm Black and Veatch, as well as new evidence.
- 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)**
23. [...]
- III. Methodology for Evaluating the Profitability of System Extension Projects (Exhibit Gaz Métro-7, Documents 1 to 5 and Gaz-Métro 9, Documents 1 to 8)**
24. Following decisions D-2016-090 and D-2016-169, Gaz Métro adduced, in its request filed on January 20, 2017 (B-0176), its evidence with respect to the methodology for evaluating the profitability of system extension projects and respectfully asked the Régie to:
    - a) acknowledge the follow-up required under decisions D-2016-090 and D-2016-169 with respect to system extension projections for a 5-year term 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; and
    - b) acknowledge the methodology for evaluating the profitability of system extension projects,as appears from Exhibit Gaz Métro-7, Document 1;
  25. Following decision D-2017-009, Gaz Métro filed complementary evidence with respect to the methodology for evaluating the profitability of system extension projects and respectfully asks the Régie to acknowledge this follow-up, as appears from Exhibit Gaz Métro-7, Document 2;
  26. Gaz Métro hereby files, as Gaz Métro-7, Document 5, an expert report produced by the firm Black & Veatch with respect to Subject B of Phase 3;
  27. On the basis of the findings and recommendations contained in the expert report, Gaz Métro files additional evidence describing a modified methodology for evaluating the profitability of and acceptability criteria for development projects, and asks the Régie to take note of said evidence, as appears from Exhibit Gaz Métro-7, Document 4;
  28. This application is well-founded in fact and in law.

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

**ALLOW** this application;

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

[...]

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

[...]

***In respect of the methodology for evaluating the profitability of system extension projects I (Exhibit Gaz Métro-7, Documents 1 to 5 and Exhibit Gaz-Métro 9, Documents 1 to 8)***

**TAKE NOTE** of the follow-up required under decisions D-2016-090 and D-2016-169 with respect to system extension projections for a 5-year term 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;

**TAKE NOTE** of the modified methodology for evaluating the profitability and the acceptance criteria of the development projects described in Exhibit Gaz Métro-7, Document 4;

[...]

**PROHIBIT** for an indeterminate period, the disclosure, publication and dissemination of the redacted information contained in Exhibit B-0253, Gaz Métro-9, Document 1, p. 36, which is filed on a confidential basis

Montréal, June 28, 2007

(s) *Hugo Sigouin-Plasse*

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