RESPONSE OF GAZ METRO LIMITED PARTNERSHIP (GAZ METRO) TO THE REQUEST FOR INFORMATION NO. 3 OF THE CANADIAN FEDERATION OF INDEPENDENT BUSINESS - QUÉBEC DIVISION (CFIB) TO GAZ METRO (GAZ METRO)

Development objectives

Question 1

References

(i) R-3867-2013 phase 3, B-0253, GM-9 doc 1, p. 3

Preamble

(i) "[TRANSLATION] For fiscal year 2016-2017, here are the minimum profitability objectives:
- 6.28% for the residential market;
- 14.13% for the business market; and
- 6.28% for the Sales Major Industries market."

Questions

1.1 Why require a higher minimum profitability objective for the business market?

Response:

The business market's past performances and the scope of its investments and revenues are such that the proportionally higher income generated by this market counterbalances non-income-generating investments in the residential and Sales Major Industries markets. Trying to achieve higher profitability in the residential and Sales Major Industries markets and lower profitability in the business market would not allow Gaz Métro to generate enough income to counterbalance the costs associated with income-generating and non-income-generating investments, and would therefore exert an upward pressure on rates for all customers.

1.2 How were the minimum profitability objectives determined for each market?

Response:

As explained in the response to question 1.12 of the Régie's request for information No. 9 (B-0253, Gaz Métro-9, Document 1), the overall profitability objective is determined based on the relative importance of income-generating and non-income-generating investments and the PCC. Once the overall profitability that the development plan requires has been established, Gaz Métro weighs the objective per market based on the historic proportion of investments as well as their past profitability.

As for the residential and Sales Major Industries markets, the objective was established at PCC +1% in order to ensure a target profitability that generates rate decreases. For the residential market, the target profitability was set at this level seeing as, in the past, investments and profitability were lower than for other markets. In the case of the Sales Major Industries market, investments and profitability are highly variable, making it difficult to determine such a target. On the other hand, the profitability of the business market was set so as to allow the overall profitability of the development plan to be achieved.

Note that the objectives are all lower than the past profitability observed for each market. As explained in the response to question 1.3 below, objectives are not binding, but serve more as a governance and monitoring tool to ensure that the development sufficiently counterbalances non-income-generating investments and thus prevent any upward pressure on rates.

1.3 Can the business market's minimum profitability objectives affect the acceptance of an individual project or the level of contribution required for a project?

Response:

No. Even if profitability targets are set, a project's acceptance is not affected by that target. A target is more of a governance and monitoring tool that helps anticipate whether development investments will generate sufficient revenues to counterbalance non-income-generating investments and help prevent an upward pressure on rates.

1.4 If so, please justify the refusal of a profitable project or a request that a financial contribution be made for a profitable project.

Response:

Please refer to the response to question 1.3.

1.5 If not, what is the relevance of establishing these objectives by market?

Response:

Please refer to the response to question 1.3.

Project profitability analysis

Question 2

References

(i) R-3867-2013 phase 3, B-0277, GM-7 doc 4, Table 1

ii) R-3867-2013 phase 3, B-0277, GM-7 doc 4, p. 8

iii) http://publicsde.regie-energie.qc.ca/projets/394/DocPrj/R-3991-2016-B-0010-Demande-Piece-2016_12_16.pdf

Preamble

(ii)

"[TRANSLATION] Indirect development costs

Indirect development costs are those costs that cannot be directly attributed to a new customer, but are common to all new projects due to the fact that they support the activities of connecting new customers to Gaz Métro. For Gaz Métro, indirect development costs are the general corporate and contractor expenses. According to Black & Veatch, given that these costs remain relatively stable for a certain group of projects authorized annually, are incurred on an annual basis and are not directly impacted by the number of new customers or new projects, they must be considered in the overall profitability of the development plan."

Questions

2.1 Please break down the actual general corporate expenses for 2016 and indicate, for each component, the amount capitalized. Please elaborate on the nature of costs for each component.

Response:

The general corporate expenses consist of the general administrative fees (accounting, cost control, engineering, the environment, etc.) and the administrative fees associated with various business offices, technical departments and construction services in each region. The following table presents the general corporate expenses capitalized by cost centre.

The nature of the costs corresponds to the operating expenses of the cost centres. Note that for those cost centres where labour hours are capitalized in the investment projects at the standard rate, Gaz Métro excludes internal labour. These cost centres indicated in the following table are part of the administrative fees of business offices as well as the technical and construction departments.

Cost centre	Description	Subjected expenses	% GCE	$GCE
10018	Control Bureau — Allocation	$1,593,237	-53.70%	$(855,568)
10019	Control Bureau — Allocation - Western Zone	$3,168,091	-24.40%	$(773,014)
10026	Accounting	$1,205,251	-16.20%	$(195,251)
10027	Control of capital expenditures	$1,662,437	-76.80%	$(1,276,752)
12203	Service centre — Coordination of customer acquisition	$1,330,864	-80.00%	$(1,064,691)
14002	Engineering and environment	$2,051,820	-41.50%	$(851,505)
14007	Regional engineering and special projects	$1,706,590	-70.60%	$(1,204,852)
14012	Fleet and garage management	$8,851,636	-35.50%	$(3,142,331)
14013	Administration of corporate contracts	$966,000	-85.00%	$(821,100)
14014	Procurement of corporate goods and services	$807,406	-43.10%	$(347,992)
14015	Receipt and distribution centre	$2,424,542	-70.90%	$(1,718,988)
14016	Logistics	$654,742	-71.80%	$(470,105)
14039	Business office administration — Abitibi	$333,215	-18.50%	$(61,645)
14049	Assembly prefabrication workshop	$69,933	-100.00%	$(69,933)
14055	Management of assets and system integration	$2,191,745	-35.00%	$(767,111)
14057	Business office administration — Québec City	$1,616,266	-19.60%	$(316,788)
14075	Administration — Metering	$974,125	-20.60%	$(200,670)
16013	Telephony and user support	$2,476,927	-6.40%	$(158,523)
16016	Administration of contractor agreements	$484,552	-85.00%	$(411,869)
	Sub-total - General administrative expenses	**$34 569 378**		**$(14 708 688)**
12037	Construction — Customer acquisition	$148,866	-90.45%	$(134,649)
14003	Engineering — Major projects	$313,592	-29.04%	$(91,067)
14005	Administration — Geomatics	$68,915	-47.99%	$(33,072)
14009	Instrumentation	$154,515	-31.99%	$(49,429)
14010	Planning and control	$95,000	-95.97%	$(91,172)
14020	Operations and acquisition — Mtl East Group 1	$239,905	-17.96%	$(43,087)
14021	Operations and acquisition — Mtl East Group 2	$94,855	-18.66%	$(17,700)
14024	Montérégie system	$322,899	-18.75%	$(60,544)
14025	Acquisition — Montérégie	$58,440	-18.61%	$(10,876)
14028	Montérégie system	$239,434	-19.72%	$(47,216)
14029	Technical services - Estrie	$56,111	-30.61%	$(17,176)
14033	Operations and acquisition — Mtl West Group 1	$132,579	-20.45%	$(27,112)
14034	Operations and acquisition — Mtl West Group 2	$118,662	-19.71%	$(23,388)
14037	Laurentians system	$224,826	-13.85%	$(31,138)
14038	Technical department — Laurentians	$94,099	-25.21%	$(23,722)
14041	Abitibi system	$111,143	-29.25%	$(32,509)
14044	Connection	$319,040	-67.59%	$(215,639)
14045	Technical services — system	$111,365	-85.73%	$(95,473)
14046	Welding workshop	$103,133	-80.06%	$(82,568)
14048	System construction and improvement	$51,952	-90.16%	$(46,840)
14051	Meter installers	$31,297	-86.38%	$(27,035)
14052	Cathodic protection	$134,081	-77.85%	$(104,382)
14053	Transmission	$1,447,211	-21.18%	$(306,519)
14059	Québec City system	$421,345	-27.95%	$(117,766)
14060	Technical department — Québec City	$48,345	-33.78%	$(16,331)
14063	Mauricie system	$219,835	-19.33%	$(42,494)
14064	Technical department — Mauricie	$39,615	-30.52%	$(12,091)
14067	Saguenay-Lac St-Jean system	$234,552	-26.35%	$(61,804)
14068	Technical department — Saguenay-Lac St-Jean	$6,106	-29.00%	$(1,771)
14080	Operations and acquisition — Mtl East Group 3	$106,872	-18.84%	$(20,135)
14081	Major projects management	$1,749	-94.68%	$(1,656)
14085	Operations and acquisition — Mtl West Group 3	$67,438	-21.47%	$(14,479)
	Sub-total − Administrative expenses associated with the business offices and with the technical and construction departments	**$3,892,668**		**$(1,900,842)**
	Grand Total			**$(16,609,530)**

2.2 How are general corporate expenses established in the rate case? What parameters can make them vary? Will the projected investment level, among other things, have an impact on the projected level of corporate expenses?

Response:

Please refer to Exhibit R-3871-2013, B-0126, Gaz Métro-52, Document 1, pages 38-39 for an explanation of the theories underlying the methodology used to calculate the general expenses attributed to investment projects.

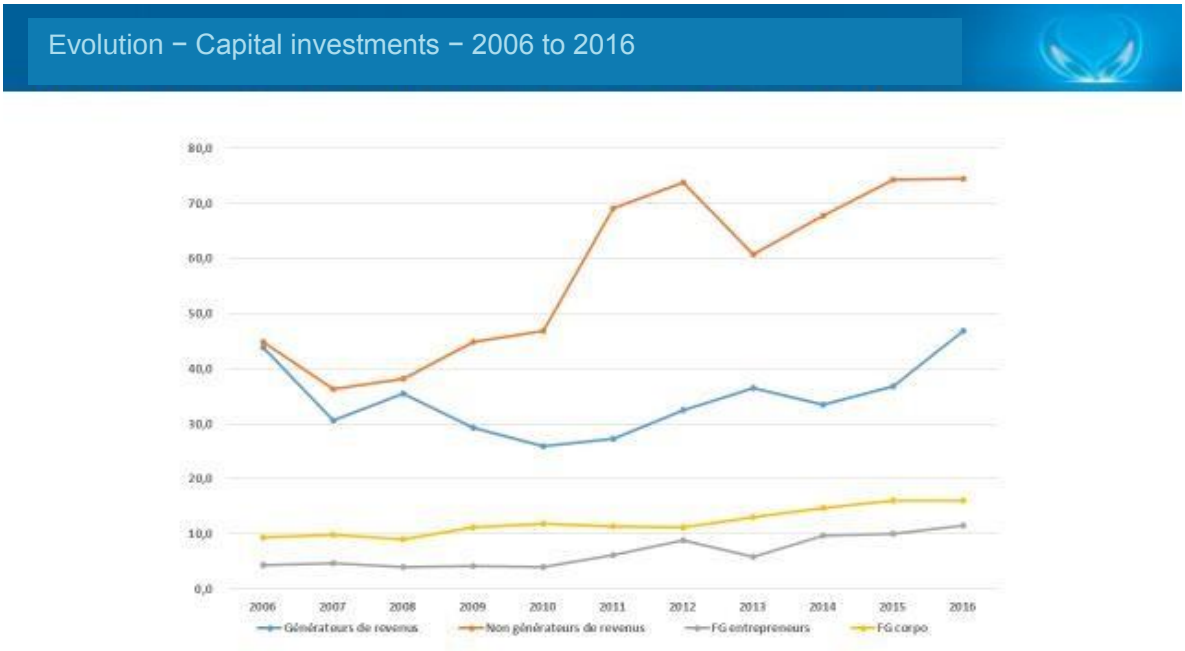
Given the regulatory timetable, the operating expenses considered when establishing the general corporate expenses for the rate case are estimated using data from the previous year. An increase based on the inflation of wages and other expenses is applied. The capitalization rate may be updated if changes are observed in the activities of the sectors in question.

Owing to the nature of the cost centres, the individuals working there have an indirect impact on projects, in other words they cannot directly identify what project they are working on. Consequently, the investment level projected for the projects does not directly influence the budget forecasts for these cost centres over the short- or medium-term horizon.

2.3 Please confirm that the total actual level of capitalized general corporate expenses depends on the number and scope of projects completed. For example, is it true that if no investment is made, no general corporate expense will be capitalized?

Response:

The actual level of general corporate expenses will depend on the activities of the cost centres included in the amount's determination. These costs vary little over time, as they primarily consist of labour costs that are relatively stable over the short and medium terms. The following table reveals that the general corporate expenses do not fluctuate based on the projects completed. The factors that do make them vary are mainly wage inflation and other expenses, including costs associated with fringe benefits.



Legend:
Génération de revenus = Income generating
Non générateurs de revenus = Non-income generating
FG entrepreneurs = GE ─ contractors
FG corpo = GE ─ corpo

Besides, it is theoretically accurate to maintain that if no capitalizable project is completed, no general corporate expense can be capitalized seeing as there would be no project in respect of which these costs could be capitalized. Naturally this is purely theoretical, seeing as capitalizable projects are necessary in order to maintain a safe and reliable system. However, for certain groups of projects, general expenses are fixed for a given year.

2.4 From an accounting perspective, what justifies capitalizing the general corporate expenses when an investment project is carried out? What standards apply?

Response:

The capitalized overhead costs consist of various administrative, general management, planning and other expenses. The regulatory treatment therefor is set out in the Régie's GC-24 order and it meets the requirements of the U.S. GAAP regarding the establishment of fixed asset costs. Here are the main relevant excerpts:

[ORIGINAL ENGLISH]
FASB ASC 360-10-30 – Property, plant and equipment – Initial Measurement

"30-1 Paragraph 835-20-05-1 states that the historical cost of acquiring an asset includes the costs

necessarily incurred to bring it to the condition and location necessary for its intended use. As indicated in that paragraph, if an asset requires a period of time in which to carry out the activities necessary to bring it to that condition and location, the interest cost incurred during that period as a result of expenditures for the asset is a part of the historical cost of acquiring the asset. "

The section *FASB ASC 360-10-20 – Property, plant and equipment - Glossary* indicates that the activities needed to bring an asset to the conditions and locations necessary for its intended use as provided for by management are the following:

"[ORIGINAL ENGLISH]

[…] *The term activities is to be construed broadly. It encompasses physical construction of the asset. In addition, it includes all the steps required to prepare the asset for its intended use. For example, it includes administrative and technical activities during the preconstruction stage, such as the development of plans or the process of obtaining permits from governmental authorities. It also includes activities undertaken after construction has begun in order to overcome unforeseen obstacles, such as technical problems, labor disputes, or litigation.*[…]"

Moreover, the "Guide to Accounting for Utilities and Power Companies" of PWC provides for the following in sections 12.2 and 18.2:

[ORIGINAL ENGLISH]

"*12.2.1.3 During the construction phase, a reporting entity should capitalize direct and incremental costs of construction in accordance with its capitalization policies. In general, indirect costs should continue to be expensed during construction.* […] *In addition, regulated utilities may be able to include construction-related costs in rate base that would otherwise be expensed. To capitalize such costs, a regulated utility should ensure that it is probable such amounts will be included in future rate base (see UP 18.2)."*

"18.2 UP 12.2 discusses key considerations in accounting for plant construction, including capitalization of interest and other costs. In addition to considering that guidance, a regulated utility may have unique considerations in developing capitalization policies, because regulators often permit recovery of costs that would otherwise be charged to expense. Regulated utilities generally capitalize the costs of planning and constructing a plant based on their expectation of regulatory recovery."

"Only those incurred costs that are probable of recovery through future rates should be capitalized ***as part of utility plant*** *(construction work in progress). Examples of expenses that regulated utilities may be able to recover that would otherwise be charged to expense include amounts relating to feasibility and engineering studies, contract negotiations, license applications, and related legal costs, along with the costs of engineering, planning and construction, operations and maintenance, financing, power purchase agreements, and other similar preconstruction and development costs. Factors to consider in determining whether these amounts should be capitalized are similar to those used to evaluate regulatory assets in general (see UP 17.3)."*

2.5 Please explain, for general corporate expenses, what you mean by "[TRANSLATION] these costs remain relatively stable for a certain group of projects authorized annually, are incurred on an annual basis, and are not directly impacted by the number of new customers or new projects."

Response:

As can be seen from the background presented in the response to question 2.3, the general corporate expenses did not fluctuate based directly on the number of capitalizable projects between 2006 and 2016. This is coherent with the citation presented in this question, and can be explained by the fact that the activities of these cost centres are indirect. They serve to support capitalizable and non-capitalizable projects. They therefore cannot be attributed to one project in particular, given their general nature. Consequently, an upward or downward variation in the number of new customers or new projects will have no direct impact on these costs over the short and medium term.

2.6 Please elaborate on the nature of the cost included in the general contractor expenses. If labour costs are included, please indicate the tasks completed by that labour.

Response:

All of the fixed costs that are required to complete the general contract (scope of work: *"[TRANSLATION] The Work consists, without limitation, of the installation and/or replacement of the Main Lines classed under 4,000 kPa and/or Connections of the immoveable within the territorial confines, and all tasks associated with the development, improvement and integrity of the system, for the purposes of delivering natural gas to Gaz Métro's customers"*) must be included in the maintenance expenses (general contractor expenses). The Contractor must not provide for any amount associated with the costs set in the Action Requests provided for the completion of the Work (price schedule submitted during the call for tenders, depending on the nature of the work). The general contractor expenses provided for in the General Contract, billed quarterly, consist of two main categories: operating expenses and wages.

The fixed operating expenses break down as follows:

- Costs incurred by the contractor in respect of the place of business (rent, electricity, heating, maintenance, insurance, property taxes, telephony, computers, etc.);
- Costs associated with storage areas;
- Depreciation (immoveables, computer equipment, rolling stock (trucks), specialized equipment etc.);
- Long-term equipment leasing contract (rolling stock);
- Costs associated with training workers in gas activities;

Fixed wages break down into four categories:

- Management wages (president, V.-P., operations directors, project managers, others);
- Field operation wages (superintendents, general foremen, pipefitter foremen, project leaders, planners, health and safety co-ordinators);
- Office staff wages (clerks, accounting, billing, metering, quality planning, ISO);
- Warehouse staff wages (dispatcher, warehouse keeper, yardman).

2.7 In respect of reference (iii), please confirm that based on Gaz Métro's proposal, the lines "Line costs ─ Contractor's expenses" and "Connection costs ─ Contractor expenses" are set at zero.

Response:

Gaz Métro confirms this.

2.8 Please reproduce reference (iii) based on the assumption that Gaz Métro's proposal is accepted. If one has already been produced based on that assumption, please produce it again assuming that the Régie refused to exclude the general expenses from the profitability analyses.

Response:

The reference (iii) that was produced did not suppose that Gaz Métro's proposal was accepted. The Drummondville project was analysed using the Current Method, which takes into consideration the "contractor expenses" and "general expenses" in the project's costs. The IRR of 6.01% presented therein corresponds to a PI of 1.1.

For comparison purposes, please see the Excel file attached hereto as Schedule Q-2.8, which presents the same project based on the New Method. The "general expenses" and "contractor expenses" are therefore stricken therefrom. The resulting IRR rises to 8.53%, which corresponds to a PI of 1.46.

2.9 Regarding reference (iii), please explain the nature of the costs included in the lines "Line costs ─ Base" and "Connection costs ─ Base". Do these costs include the labour and equipment expenses associated with installing the service lines?

Response:

The *Line costs─ Base* include the costs associated with the contractor's direct labour, the direct internal labour of Gaz Métro, pipes, materials and all external services associated with installing the service line.

The *Connection costs─ Base* include the costs associated with the direct labour of a contractor, the direct internal labour of Gaz Métro, materials and all other external services associated with the construction and installation of the connection.

2.10 Please explain, for the general contractor expenses, what is meant by "[TRANSLATION] these costs remain relatively stable for a certain group of projects authorized annually, are incurred on an annual basis and are not directly impacted by the number of new customers or new projects." Among other things, explain the use of the words "relatively" and "directly" underlined in the citation.

Response:

The general contractor expenses are fixed in the General Contract between Gaz Métro and the contractors based on the contractors' fixed costs, and pertain to their fixed operating expenses and wages. They are established in the context of the call for tenders for the General Contract and are part of the price schedule for which contractors are required to bid prices.

There is no adjustment of that amount when the year comes to an end and Gaz Métro knows how many projects have been completed (number of kilometers of service lines installed and number of connections completed), as illustrated in the response to question 2.18. There is no direct correlation between the fixed costs and volume of activity; consequently, the general contractor expenses provided for are those that have been paid, and this even if the investment amount fluctuated between the forecasted and the actual amount. Those variations in general expenses that might arise in subsequent years are explained in detail in question 2.11 below.

2.11 Are the general contractor expenses adjusted if the actual number of projects is less than the projected group? Greater than the projected group?

Response:

In neither case is an adjustment made to the amount of general expenses anticipated in the course of a contractual year. However, these amounts are indexed annually throughout the contract's term using a pre-established formula.

What is more, the contract contains a clause allowing for an annual renegotiation should circumstances arise that would likely change the Contractor's cost structure (significant fluctuation in the number of anticipated projects, changes to the technical specifications, new OSH/municipal/other requirements, amendments to standards or regulations). This clause allows Gaz Métro and/or the contractors to present a request (supported by numbers and documentation) in order to justify a request for a change of price (both fixed and certain entries in the schedule). However, in order for the general contractor expenses to change, the fluctuation in the number of anticipated projects must be very significant, and no such exceptional situation has taken place in the latest contracts.

2.12 Please file the agreements specifying the establishment of the general expenses agreed on with the contractors for 2017.

Response:

The agreements specifying the establishment of general expenses agreed on with the contractors are part of an overall price schedule containing the prices for close to 500 action requests. These prices are confidential and cannot be made public to avoid adversely affecting future calls for tenders. However, Gaz Métro refers to the responses to questions 2.3 and 2.18, which present (among other things) the evolution of the total general contractor expenses (though these are not broken down by contractor).

2.13 How are the general contractor expenses attributed to specific projects?

Response:

This is how the Current Method attributes the general contractor expenses to projects valued at less than $1.5 million:

Under the current methodology for evaluating the profitability of a development project, Gaz Métro allocates 27.1% of the general contractor expenses in the calculation of the project cost. This allocation to a project is used to evaluate, *a priori*, the profitability of the development project in order to determine whether or not it will be approved.

Once the project is approved and completed, there is no attribution of general contractor expenses to each development project in Gaz Métro's accounting books. The general contractor expenses payed by Gaz Métro represent a fixed annual amount per contractor initially established in the general contract, and this amount is fully capitalized regardless of the number of projects carried out.

And this is how the general contractor expenses are handled for specific projects valued at over $1.5 million:

The general expenses of specific projects are processed separately from the General Contract. In the course of calls for tenders for specific contracts, the prices bid for each of these projects contain a portion of the general costs that cover the expenses (administrative, operations) generated by the project that are independent of the current activities of the General Contract.

2.14 What happens if a portion of the general expenses is not attributed to any project? Is it possible that a portion of the general contractor expenses will not be capitalized?

Response:

Please refer to the response to question 2.13.

2.15 What happens if all of the general contractor expenses provided for in the agreement have been depleted and a new project materializes?

Response:

In the context of the General Contract, this situation will not arise. The amount of general expenses is submitted contractually by the contractor, and the latter must comply therewith. Should any exceptional circumstances arise that are likely to change the Contractor's fixed cost structure, a renegotiation process for the following year is provided for (see responses to questions 2.11 and 2.13).

2.16 For any given contractor, how and based on what parameters are the general contractor expenses established at the beginning of the year?

Response:

The general contractor expenses are not established at the beginning of the year. Indeed, it is in the price schedule itself at the time of the call for tenders that the Contractor submits the annual amount of maintenance expenses associated with its gas operations, evaluated by territory. The only annual adjustment that is possible in the course of a contract (other than the annual indexation) is explained in question 2.11.

2.17 What parameters can cause the general contractor expenses to fluctuate over the course of the years.

Response:

The general expenses do not vary in the course of the year. In question 2.11, Gaz Métro provides the parameters that might justify a variation in general expenses beyond the indexation provided for and what procedure to take.

2.18 For 2014 to 2016 and for each general contractor, please present those general contractor expenses that were negotiated at the beginning of the year, the general contractor expenses that were actually disbursed, the number of projects anticipated, the number of projects completed, the amount of anticipated investments and the amount of actual investments.

Response:

The table indicates the general contractor expenses, the number of connections and pipelines in kilometers (that are representative of the work carried out by the contractors) as well as the development investments for 2014 to 2016. As specified in the response to question 2.12, the amounts stipulated in the General Contract are confidential, which is why Gaz Métro provides data globally, and not by contractor.

	Construction Year April 1 to March 31					
	2014		2015		2016	
	Forecast	Actual	Forecast	Actual	Forecast	Actual
General contractor expenses ($M)	9.0	9.0	10.4	10.4	10.5	10.5
% of increase/(decrease)		*0%*		*0%*		*0%*
Number of connections	2,888	2,744	2,656	2,584	2,498	2,177
% of increase/(decrease)		*-5%*		*-3%*		*-13%*
Number of km of pipelines	77	65	73	68	58	71
% of increase/(decrease)		*-16%*		*-7%*		*22%*
Investments - Development ($M)	26.5	27.2	26.4	31.9	25.6	31.4
% of increase/(decrease)		*3%*		*21%*		*23%*

(1) Note that the general contractor expenses apply to development projects and system improvements.

As illustrated in the table above, the difference between the forecasted and actual number of connections and kilometers of main lines has no impact on the amount of general contractor expenses paid.

2.19 Please break down the investments in the 2017 development plan by costs that were included in the individual project analysis and the costs that were considered in the portfolio analysis.

Response:

Please refer to Schedule Q-2.19.

Anticipated profitability

Question 3

References

(i) R-3867-2013 phase 3, B-0257, GM-9 doc 3, response 1.7

ii) R-3867-2013 phase 3, B-0277, GM-7 doc 4, Table 1

Questions

3.1 Please confirm that the evaluation of the existence of an anticipated future profitability in the context of the new Gaz Métro's proposal is similar to the one described in reference (i). If not, please explain.

Response:

Gaz Métro confirms this. For more details on the governance process, please refer to the response in Schedule Q-18.1 of the Régie's request for information no. 11 (Gaz Métro-9, Document 9).

3.2 Other than the number of customers, please indicate if other factors would be taken into consideration to establish whether or not any potential for profitability over time exists. For example, the nature of the potential customers, potential volumes, and the anticipated time of connection.

Response:

Among other things, Gaz Métro takes into consideration the volume (in cubic meters) for each gas application based on the type of building, the anticipated time of the building's construction, the market and the customer's consumption history, when available.

3.3 Please explain, using concrete terms and supporting your response with the most complex actual examples from 2017, how the achievement of this criterion has been evaluated until now.

Response:

Gaz selected the residential project of the municipality of Senneville and the industrial park of Saint-Jean-sur-Richelieu.

Residential market: Project of the municipality of Senneville

For this residential project with an *a priori* profitability lower than the PCC, Gaz Métro first evaluated the project's potential (phase 1 of the governance process). The project of the municipality of Senneville has a total potential of 83 single family homes over time.

Afterwards, Gaz Métro conducted a sensitivity analysis (phase 2 of the governance process) based on the estimated costs of the project's phase 1. The result of this analysis indicates that the addition of 38 single family homes will allow the PCC to be achieved for the project of the municipality of Senneville.

Afterwards, Gaz Métro compared the number of customers included in the potential and the number of additional customers needed to achieve a profitability equal to the PCC (phase 3: reconciliation between the potential and sensitivity analysis). Considering that the project of the municipality of Senneville has a remaining potential of 54 (83-29) single-family homes, and that the number of homes needed to achieve the PCC is 38, Gaz Métro believes it is more likely than not that the project will achieve the PCC over time.

Commercial market: Industrial park of Saint-Jean-sur-Richelieu

For this industrial park project the profitability of which was, *a priori*, lower than the PCC, Gaz Métro first determined the potential volume and the number of potential customers (phase 1 of the governance process). The total potential over time is approximately 4 customers.

Afterwards, Gaz Métro conducted a sensitivity analysis (phase 2 of the governance process) which allowed to determine that the arrival of two of the four customers would allow for a profitability in excess of the PCC to be achieved.

Gaz Métro then compared the number of customers included in the potential (4 customers) and the number of additional customers (2 customers) needed to achieve a profitability equal to the PCC (phase 3: reconciliation between the potential and the sensitivity analysis). Consequently, Gaz Métro believes it is more likely than not that the project will achieve the PCC over time.

3.4 Please confirm that the information in Schedule Q-1.14 constitutes the entire project file that was submitted to the manager.

Response:

The entire file includes not only the information contained in Schedule Q-1.14, but also details on the required revenue.

3.5 Please justify the 70% rate applied to determine the heating area of the industrial project.

Response:

Gaz Métro specifies that the 70% rate corresponds to 0.7 m^3/ft^2 In this manner, the phrase appearing in the second example of Schedule Q-1.14[1] might also have read as follows:

[1] B-0257, Gaz Métro-9, Document 3.

[TRANSLATION]

" […] *Of this area, Gaz Métro considers a consumption of 0.7 m³/ft², namely a heating volume of 131,250 m³.* […]"

The 0.7 m^3/ft^2 is a general rule established based on data provided by Natural Resources Canada (*Comprehensive Energy Use Database Tables, CI sectors, Québec*) and Gaz Métro.

3.6 For the residential and commercial markets, please provide the complete file of the project having the lowest profitability.

Response:

For the commercial market, please refer to example 2 of the industrial park in Schedule Q-1.14 of Exhibit B-0257, Gaz Métro-9, Document 3, as well as Schedule Q-3.6a which indicates the required revenue.

For the residential market, please refer to schedules Q-3.6b and Q-3.6c.

3.7 Can a notion of probability be associated with potential profitability?

Response:

In the third phase of the governance process,[2] Gaz Métro reconciles the evaluation of the potential for future densification and the sensitivity analyses conducted in the second phase. Gaz Métro applies a balance of probabilities approach, which means that the extension project is authorized where it is more likely than not that future densification will make it possible to achieve a profitability index of 1. Where the data show a reasonable possibility of future profitability (profitability index of 1), the extension project is authorized.

3.8 What is the minimum probability of achieving profitability that is required to satisfy the profitability potential criterion?

Response:

Please, refer to the response to question 3.7.

3.9 Please complete the table of reference (ii) by indicating, for each method, Gaz Métro.s application commencement and termination dates in its operations.

[2] For more dtails on the governance process, please refer to Schedule Q-18.1 of the Régie's request for information No. 11 de la Régie (Gaz Métro-9, Document 9).

Response:

The Current Method was applied up to the official implementation of the AMT Method that began in November of 2015. The AMT Method will be applied until the New Method comes into force. Besides, Gaz Métro indicated in Section 3 of its evidence[3] that it tends to implement changes resulting from the New Method as soon as it receives the Régie's decision and makes the necessary computer adjustments.

3.10 Please indicate the approach considered for each of the development plans between 2014-2015 and 2017-2018.

Response:

The so-called Current Method approach was applied for the development plans of the 2014-2015 to 2016-2017 rate cases. The so-called AMT Method approach was applied for the development plan of the 2017-2018 Rate Case.

Contributions

Question 4

References

(i) R-3867-2013 phase 3, B-0277, Gaz Métro-7 Document 4, pp. 10 and 11

Preamble

(i) In the New Method, Gaz Métro may demand a contribution under two circumstances:

1. If the *a priori* profitability of a potentially profitable development project fails to achieve a PI of 0.8. In such a situation, Gaz Métro may demand a contribution so as to achieve a PI of 0.8. Such development projects must have a potential for future densification allowing for a PI of 1 to be achieved.

2. If the *a priori* profitability of a development project does not reach a PI of 1, and the potential for future densification does not allow for a PI of 1 to be achieved, Gaz Métro may demand a contribution, as the extension project is deemed unprofitable. The amount of the contribution makes up for the difference between the *a priori* profitability and a PI of 1.

Questions

[3] B-0277, Gaz Métro-7, Document 4.

4.1 If a project presents a PI of 0.75 with a very high densification potential allowing a PI of 1 to be achieved without contribution, please explain why a contribution would be required from the customer.

Response:

Please, refer to the response to question 4.3 of the Régie's request for information no. 11 (Gaz Métro-9, Document 9).

4.2 If a project presents a PI de 0.8 with a densification potential, but that potential is insufficient to achieve a PI of 1, please why a contribution covering the entire difference between the PI of 0.8 and the PI of 1.0 would be required from the customer?

Response:

Please, refer to the response to question 4.3 of the Régie's request for information no. 11 (Gaz Métro-9, Document 9).

4.3 Must it be understood from Gaz Métro's use of the conditional in point 2 of reference (i) that it might not require a contribution and yet still carry out a project with a PI of 0.8 without any profitability potential?

Response:

Please refer to the response to question 4.3 of the Régie's request for information no. 11 (Gaz Métro-9, Document 9).

Reinvestment

Question 5

References

(i) R-3867-2013 phase 3, B-0277, Gaz Métro-7 Document 4, p.10

Questions

5.1 Considering that the depreciation expense of an asset whose useful life exceeds the horizon of the analysis is not taken into consideration in the profitability analysis, please explain how the fact that this asset has a useful life that is longer than the analysis horizon justifies not providing for a reinvestment in an asset whose useful life is shorter than the horizon analysis period.

Response:

Please, refer to the response to question 13.1 of the Régie's request for information no. 11 (Gaz Métro-9, Document 9).

Impact of proposal

Question 6

References

(i) R-3867-2013 phase 3, B-0220, Gaz Métro-7 Document 4, p.7

Preamble

(i)

"[TRANSLATION] Contrary to what is the case with the Current Method, Gaz Métro only considers the revenues of customers having made contractual commitments when evaluating a project's profitability using the AMT Method or the New Method."

Questions

6.1 Please identify the last development plan carried out that used the Current Method. In order to illustrate the impact of your proposal on profitability, please re-evaluate that plan using the New Method instead.

Response:

The last *a priori* development plan presented in the annual report completed using the so-called Current Method approach is the one presented for 2014-2015. Data on the customers that have contractually committed themselves are not readily available on Gaz Métro's systems and are mostly found in the individual files of the various projects. This notwithstanding, all customers from the residential markets are contractually committed. As for the CII markets, customers for the years 1 and 2 were essentially contractually committed, while those for years 3 to 5 were sometimes contractually committed, but more rarely so. The removal of customers, volumes, investments and revenues for years 3 to 5 should help with an appreciation of the impact of including only those customers that are contractually committed, as proposed under the New Method. Note that under the New Method, the general expenses would be evaluated in the development plan globally, but that this modification was omitted in order to better illustrate the impact of the contractually committed customers.

Please refer to Schedule Q-6.1 for more information.

PI

Question 7

References

(i) R-3867-2013 phase 3, B-0220, Gaz Métro-7 Document 4, p.13

Preamble

[TRANSLATION]

> "1. If the *a priori* profitability of a potentially profitable development project fails to achieve a PI of 0.8. In such a situation, Gaz Métro may demand a contribution so as to achieve a PI of 0.8. Such development projects must have a potential for future densification allowing for a PI of 1 to be achieved.
>
> "2. If the *a priori* profitability of a development project does not reach a PI of 1, and the potential for future densification does not allow for a PI of 1 to be achieved, Gaz Métro may demand a contribution, as the extension project is deemed unprofitable. The amount of the contribution makes up for the difference between the *a priori* profitability and a PI of 1."

Questions

7.1 Please justify the choice of a PI of 0.8 for projects with densification potential.

Response:

Please refer to the response to question 3.6 of the IGUA's request for information no. 3 (Gaz Métro-9, Document 10).

7.2 Does the overall targeted PI of 1.1 takes into consideration the anticipated densification or only the signed customers?

Response:

Gaz Métro does not take into consideration the anticipated densification for achieving the overall targeted PI of 1.1 in the New Method.[4]

7.3 Please provide an example of the overall PI calculation, including a project in each of the following categories:

- A project the PI of which is greater than 1.0 before the anticipated profitability

[4] Methodology presented in Exhibit B-0277, Gaz Métro-7, Document 4.

- A project the PI of which is between 0.8 and 1.0, with the anticipated profitability
- A project the PI of which is between 0.8 and 1.0, without the anticipated profitability but with customer contributions
- A project the PI of which is less than 0.7, with a contribution up to a PI of 0.8 and anticipated profitability
- A project the PI of which is less than 0.7, with a contribution up to a PI of 1.0

For each project, please indicate the PI project used for the purposes of calculating the overall PI.

Response:

Please refer to Schedule Q-7.3.

Role of the Régie

Question 8

Questions

8.1 According to Gaz Métro, does the Régie have the power to establish parameters for the conditions that must be satisfied in order for a project to be carried out?

Response:

This question is not so much a request for information as it is a request for legal opinion.

8.2 According to Gaz Métro,. what information would be enough for the Régie to adequately judge the prudence of past investments in a rate case when it has already taken note of those investments in the file pertaining to the annual report and granted a performance bonus on that basis.

Response:

It is up to the Régie to determine what it considers to be enough information to judge the prudence of investments. This being said, Gaz Métro refers to the response to question 5.3 of the IGUA's request for information no. 3 identifying the approach that the OEB proposes to take as regards to the portfolio approach.

8.3 Considering the high number of investment projects that Gaz Métro carried out annually, is it realistic to ask the Régie to ensure the prudence of each investment? Would it not be simpler, legislatively speaking, to authorize the parameters that are to be met rather than simply taking note of the rules presented by Gaz Métro solely as a courtesy?

Response:

Gaz Métro believes it is crucial that it be able to enjoy an operational flexibility and discretionary leeway in the context of the business decisions it makes in the normal course of its business operations. This is why Gaz Métro asks the Régie to take note of the modified methodology for evaluating the profitability and acceptance criteria for development projects described in Exhibit Gaz Métro-7, Document 4. Please also refer to the response to question 4.3 of the Régie's request for information no. 11.

Evidence of Black and Veach

System reinforcements

Question 9

References

(i) R-3867-2013 phase 3, B-0178, Gaz Métro-7 Document 5, p. 8

Preamble

[ORIGINAL ENGLISH]
"For capacity-related costs such as the investment expenditures incurred by the gas utility to provide additional gas transmission and/or distribution system capacity, it is important to consider the lumpy nature of capital expenditures that are made to accommodate load growth. Even though gas load may grow gradually each month, capital expenditures to build upstream gas transmission or distribution projects are typically done less frequently reflecting the fact that economies of scale exist in upstream projects (i.e., it is more cost-effective on a unit basis when larger projects are undertaken compared to smaller projects). The decision of how much investment, the location, and the timeframe for completing these types of projects is typically made by the gas utility's distribution system planning area as part of the ongoing review of its future capacity needs. Multiple factors are considered by system design and planning professionals including the current gas loads, estimates of short-term and long-term growth in load, right of ways, material costs, gas supply considerations, and modeling of current system capacity. There is not a direct relationship between adding a new customer or undertaking a development project and adding a unit of upstream capacity."

Questions

9.1 When does Gaz Métro believe that the economic justification for system reinforcements should be analyzed and what factors should be taken into consideration at that time?

Response:

The economic analysis of system reinforcement investments is carried out in the year they are supposed to be carried out, depending on the needs. Moreover, Gaz Métro prepares a budgetary projection for system reinforcements, for projects valued at less than $1.5 million, during the annual rate case, as illustrated in Exhibit B-0196, Gaz Métro-7, Document 2 of R-3987-2016. For system reinforcement projects valued at over $1.5 million, these are filed individually before the Régie for approval, as was the case for the Saguenay reinforcement project (R-3919-2015).

Gaz Métro will carry out reinforcement investments if they meet the main targeted objections set forth below:

- Compliance with the obligation to serve existing customers and new customers. Gaz Métro's role is to make natural gas accessible to and easier to use by Québec consumers;
- Ensure that existing customers are reliably supplied. In decision D-2012-158, the Régie mentions that Gaz Métro had the obligation to ensure "[TRANSLATION] *the security of its system and, to that end, it must take all necessary measures to ensure that the customers of its system are supplied*";
- Ensure compliance with the requisite measures resulting from the asset management strategy.

Gaz Métro must also ensure that the system reinforcement investments are necessary, properly calibrated and that the new available capacity is realistic based on the demand growth.

For projects valued at less than $1.5 million, Gaz Métro also ensures that all distribution systems reinforcement investments do not compromise the achievement of the overall portfolio's profitability target (in the New Method, this target is a PI of 1.1). For projects valued at over $1.5 million, the files are presented to the Régie on a case by case basis and are generally projects involving supply and transmission systems such as Pétromont (R-3833-2013 and R-3941-2015), Pont Jacques-Cartier (R-3763-2011) and Saguenay (R-3919-2015).

9.2 Do you believe it is appropriate for a gas distributor to add gas sales in excess of what its existing system can supply in a manner that is certain, without first evaluating the profitability of the system's reinforcement over the long term?

Response:

No. Please, refer to the response to question 9.1.

Benchmarking

Question 10

References

(i) R-3867-2013 phase 3, B-0278, Gaz Métro-7 Document 5, p. 14

Preamble

[ORIGINAL ENGLISH]
"To create the Peer Group, utilities were selected by Gaz Métro and Black & Veatch based on various high-level characteristics such as geographic location, number of customers, service area size, and customer density. To better focus on utilities with system extension policies comparable to Gaz Métro, Black & Veatch excluded utilities that did not employ any sort of revenue or economic test in its system extension policies and practices. As a result of those exclusions and with an aim to survey 10-12 utilities the resulting Peer Group was fairly geographically diverse. This illustrates that numerous gas utilities do not utilize a revenue or economic test in their main extension policies."

Questions

10.1 Please provide a list of all public utilities considered at the outset, and provide details on the exclusion process used to create the final peer group, including the criteria applied for each variable.

Response:

Canadian utilities (Gaz Métro)

The list of Canadian utilities was provided by Gaz Métro. It stems from decision D-2011-182 in which the Régie summarized some of the considerations it took into account when determining the relevant comparables:

> [TRANSLATION]
>
> "*[264]* […] *rather, the adequate comparables of Gaz Métro are ATCO Gas, Terasen Gas, Union Gas and Enbridge*
>
> […]
>
> *[266] The Régie is of the opinion that it is preferable to have a sample of several comparable companies. However, it believes that the inclusion (or exclusion) of companies in the sample for the purposes of a comparative evaluation must take into consideration, among other things, market size, risk levels, regulatory framework and other such variables."*

American utilities (Black & Veatch)

[ORIGINAL ENGLISH]

Please refer to Annex 1 to Gaz Métro – 9, Document 14, for a list of the investor owned gas utilities in the U.S. Please also refer to Section 3.2 "Peer Group of Gas Utilities" of Gaz Métro-7 Document 5 for a discussion of this issue. The selection process for the American gas utilities began with Black & Veatch compiling a list of all U.S. gas distribution utilities from Energy Velocity (ABB Enterprise

Software). Each utility was compared to Gaz Métro based on four criteria: (1) service area size (as measured in square miles); (2) customer count; (3) customer density; and (4) proximity to Gaz Métro's service territory. The members of the Peer Group were selected based on those utilities that satisfied one or more of the above criteria, the utilities in which Black & Veatch had staff contacts to help facilitate the utility interview process (if needed) and the utilities that currently employ some form of revenue test similar to the method currently used by Gaz Métro.

10.2 Was the penetration rate of natural gas considered as a determinative factor?

Response:

Canadian utilities (Gaz Métro)

Please refer to the response to question 10.1.

American utilities (Black & Veatch)

The natural gas penetration rate was not used by Black & Veatch as a factor in determining the members of the Peer Group.

10.3 Please define and indicate how the notion of "service area size" is measured.

Response:

Canadian utilities (Gaz Métro)

Please refer to the response to question 10.1.

American utilities (Black & Veatch)

Service area size is measured in square miles and is based on the data available to Black & Veatch from Energy Velocity (ABB Enterprise Software).

General Expenses

Question 11

References

(i) R-3867-2013 phase 3, B-0278, Gaz Métro-7 Document 5, p. 26

Preamble

[ORIGINAL ENGLISH]
"The Capitalized General Contractors Fees are an agreed amount paid to Gaz Métro's primary contractors to cover the Contractors' G&A expenses. The rate for 2017 is currently allocated at 27.1% Neither the Capitalized General Expenses nor the Capitalized General Contractors Fees varies directly based on the number and size of Gaz Métro's development projects."

Questions

11.1 What share of work is carried out by the "primary contractors"?

Response:

All of the work that meets the criteria defined in the General Contract is carried out by "primary contractors". Excluded from the general contract's scope is any work on delivery points and/or compressor stations, all work on projects for which the estimated cost of the Contractor is over $1 million, and system extension projects, deviations or loopings of Main Lines of a class equal to or greater than 4,000 kPa. In the case of these specific projects, a call for tenders is launched (in which the "primary contractors" participate).

11.2 What happens if the number of projects forecast at the beginning of the year is exceeded? Are there any additional fees? Does Gaz Métro then turn to "non-primary contractors"?

Response:

Even if the number of projects forecast at the beginning of the year is exceeded, there are no additional fees in terms of general contractor expenses, question 2.11 explaining in detail the mechanisms prescribed. It is the "primary contractors" that perform the work within the territory attributed to them, and this even if the forecasted number is exceeded.

11.3 You maintain that the general contractor expenses are established annually. Based on which parameters are the expenses established, to the knowledge of Black and Veach?

Response:

Please refer to the responses to questions 2.6, 2.10 and 2.11.

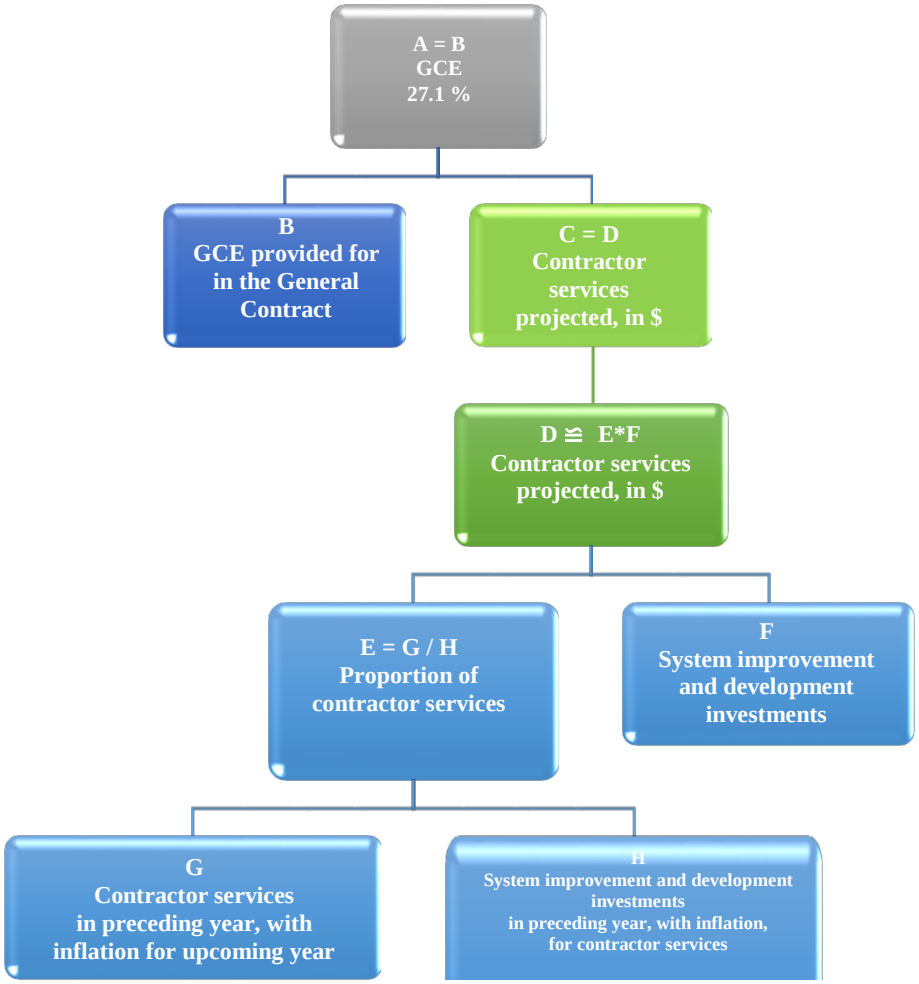
11.4 Please explain what the 27.1% rate applies to? How was that rate established?

Response:

The "general contractor expenses" rate applies to the "contractor services" amounts included in the service line and connection investments. The "contractor services" represent all direct costs incurred by the contractors to carry out a project.

The "general contractor expenses" rate represents the rate that applies (when analysing a project's profitability) to the "Contractor Services" for the year underway to cover the amount of "General Contractor Expenses" to be paid, as established in the General Contract.

Here is how the rate is determined.



11.5 Did Black and Veach analyze the historical correlation between the general contractor expenses and investment level? If such a correlation does exist, does this not suggest that the investment level affects the level of general expenses?

Response:

No. A correlation analysis is irrelevant seeing as the general contractor expenses are fixed and do not vary based on the level of investment. Please refer to the responses to questions 2.6, 2.10 and 2.11.

Profitability

Question 12

References

(i) R-3867-2013 phase 3, B-0278, Gaz Métro-7 Document 5, p. 11

Preamble

"[ORIGINAL ENGLISH]
If LRIC is used as the cost basis in a gas utility's economic evaluation of system extension projects, new customers could subsidize existing customers because the gas utility's revenue requirement and current rates are based on historical, embedded costs while the costs in the profitability model would be based on LRIC – which could be higher than the level of embedded costs underlying the gas utility's current rates."

Questions

12.1 Why would it be a problem if the cost of adding a customer were to be greater than the "embedded cost"? Is this not the primary goal behind a profitability analysis?

Response:

Black & Veatch

The primary goal behind the profitability analysis is to provide an economic test that ascertains if revenues from a new customer will offset the incremental costs of serving that new customer. There are concerns that can arise, however, in conducting an accurate test when the level of LRIC is pre-determined (i.e., as derived in a LRIC study) and used as the cost basis in the profitability analysis, irrespective of the actual costs that will be incurred to expand the utility's existing gas distribution system to connect new customers. This consideration is further explained in the responses to questions 4 and 5 to the Information Request No 3 from ROEÉ expert, (Gaz Métro-9, Document 14).

Schedule Q-2.8 is filed as a separate Excel file.

PROFITABILITY OF THE 2016-2017 DEVELOPMENT PLAN

Line	Description	LOW AND MEDIUM OUTPUT (LMO)									LARGE CORPORATIONS			TOTAL				
		RESIDENTIAL			COMMERCIAL			TOTAL LMO										
		New customers	Additional loads	Total	New customers	Additional loads	Total	New customers	Additional loads	Total	New customers	Additional load	Total	New customers	Additional loads	Fixed and general expenses	System reinforcement	Total
		(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)		(15)	(16)
1	**Number of customers year 1**	1,963	259	2,221	2,218	673	2,891	4,181	931	5,112	1	2	3	4,182	933	-	-	5,115
2	Number of customers year 2 (cumulative)	2,418	259	2,677	2,217	673	2,890	4,636	931	5,567	1	2	3	4,637	933	-	-	5,570
3	Number of customers year 3 (cumulative)	2,845	259	3,104	2,236	673	2,909	5,082	931	6,013	1	2	3	5,083	933	-	-	6,016
4	Number of customers year 4 (cumulative)	3,056	259	3,315	2,241	673	2,913	5,297	931	6,228	1	2	3	5,298	933	-	-	6,231
5	Number of customers year 5 (cumulative)	3,146	259	3,405	2,244	673	2,917	5,390	931	6,322	1	2	3	5,391	933	-	-	6,325
6	**Volume (10^3m^3) year 1**	6,250	210	6,460	51,321	19,553	70,874	57,570	19,763	77,334	25,550	2,272	27,822	83,120	22,035	-	-	105,155
7	Volume (10^3m^3) year 2 (cumulative)	5,301	210	5,511	47,188	19,553	66,742	52,490	19,763	72,253	25,550	3,342	28,892	78,040	23,105	-	-	101,145
8	Volume (10^3m^3) year 3 (cumulative)	6,355	210	6,565	47,534	19,553	67,088	53,889	19,763	73,653	25,550	3,342	28,892	79,439	23,105	-	-	102,545
9	Volume (10^3m^3) year 4 (cumulative)	6,876	210	7,086	47,715	19,553	67,268	54,591	19,763	74,354	25,550	4,474	30,024	80,141	24,238	-	-	104,378
10	Volume (10^3m^3) year 5 (cumulative)	7,098	210	7,308	47,874	19,553	67,428	54,972	19,763	74,736	25,550	4,474	30,024	80,522	24,238	-	-	104,760
11	**Capital assets ($000), year 0**	7,865	15	7,880	24,543	2,402	26,945	32,408	2,418	34,825	250	449	699	32,658	2,867	11,657	1,168	48,350
12	Capital assets ($000), year 1	806	-	806	468	-	468	1,273	-	1,273	-	-	-	1,273	-	387	-	1,660
13	Capital assets ($000), year 2	670	-	670	262	-	262	932	-	932	-	-	-	932	-	277	-	1,209
14	Capital assets ($000), year 3	331	-	331	58	-	58	389	-	389	-	-	-	389	-	115	-	504
15	Capital assets ($000), year 4	141	-	141	49	-	49	190	-	190	-	-	-	190	-	57	-	247
16	Capital assets ($000), year 5	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
17	***(including gen. expenses and UMQ fees)***	3,077	168	3,245	5,503	1,276	6,779	8,580	1,444	10,024	-	-	-	8,580	1,444	-	-	10,024
18	**CRP grants ($000), year 1**	893	-	893	193	-	193	1,087	-	1,087	-	-	-	1,087	-	-	-	1,087
19	CRP grants ($000), year 2	743	-	743	31	-	31	773	-	773	-	-	-	773	-	-	-	773
20	CRP grants ($000), year 3	367	-	367	16	-	16	383	-	383	-	-	-	383	-	-	-	383
21	CRP grants ($000), year 4	157	-	157	14	-	14	171	-	171	-	-	-	171	-	-	-	171
22	CRP grants ($000), year 5	(147)	(2)	(149)	(1,598)	(26)	(1,624)	(1,745)	(28)	(1,773)	-	-	-	(1,745)	(28)	-	-	(1,773)
23	**Customer contributions[1] ($000), year 0**	(1,087)	(4)	(1,091)	(803)	(2)	(805)	(1,890)	(6)	(1,896)	-	-	-	(1,890)	(6)	-	-	(1,896)
24	customer contributions ($000), year 1	(146)	-	(146)	(5)	-	(5)	(152)	-	(152)	-	-	-	(152)	-	-	-	(152)
25	customer contributions ($000), year 2	(122)	-	(122)	(2)	-	(2)	(123)	-	(123)	-	-	-	(123)	-	-	-	(123)
26	customer contributions ($000), year 3	(60)	-	(60)	(0)	-	(0)	(61)	-	(61)	-	-	-	(61)	-	-	-	(61)
27	customer contributions ($000), year 4	(26)	-	(26)	(0)	-	(0)	(26)	-	(26)	-	-	-	(26)	-	-	-	(26)
28	customer contributions ($000), year 5	7,717	13	7,731	22,945	2,376	25,321	30,662	2,390	33,052	250	449	699	30,912	2,839	11,657	1,168	46,576
29	**Total investments ($000), year 0**	2,796	164	2,959	5,167	1,274	6,441	7,963	1,438	9,401	-	-	-	7,963	1,438	387	-	9,788
30	Total investments ($000), year 1	1,417	-	1,417	450	-	450	1,867	-	1,867	-	-	-	1,867	-	277	-	2,144
31	Total investments ($000), year 2	952	-	952	87	-	87	1,039	-	1,039	-	-	-	1,039	-	115	-	1,154
32	Total investments ($000), year 3	448	-	448	65	-	65	513	-	513	-	-	-	513	-	57	-	570
33	Total investments ($000), year 4	131	-	131	14	-	14	145	-	145	-	-	-	145	-	-	-	145
34	Total investments ($000), year 5	(53)	(3)	(56)	(5,487)	(2,085)	(7,571)	(5,539)	(2,088)	(6,223)	(628)	(9)	(637)	(6,167)	(2,097)	1,417	120	(6,727)
35	**Impact on rates**	(245)	(13)	(258)	(21,943)	(9,063)	(31,004)	(22,186)	(9,076)	(25,604)	(2,701)	(276)	(2,977)	(24,886)	(9,352)	5,707	463	(28,069)
36	For the first year ($000)	10.77%	16.12%	10.83%	23.06%	61.08%	26.99%	19.37%	59.57%	17.36%	193.45%	19.93%	79.52%	20.54%	54.02%	0.00%	0.00%	17.79%
37	For the first 5 years ($000)	3.02	1.00	2.85	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1,00	1.00	1.00	-	-	1.00
38	**Internal rate of return**																	
39	**Break-even rate (years)**																	

1 Customer contributions include the $300 connection contribution as well as all other contributions made by customers

GazMétro la vie en bleu

GAS MÉTRO LIMITED PARTNERSHIP
CALCULATION OF REQUIRED INCOME
BUDGET

REQUIRED INCOME

SRR-VERSION 17.0

10-7448 RR Pierre Caisse	Type of project	Extension - Estimate	Representative PIERRE-ALEXANDRE POITEVIN
	Region	Montérégie	Consultant CHARLES LABERGE MILOT
x1	Type of customer	COMM. - Major accounts	OTP 10-007448
	Capital cost D-2016-156	6.42%	Municipality St-Jean
	Weighted prospective capital cost	5.28%	Length in linear meters 300 meters

	Total	0	1	2	3	4	5
Number of customers			0	0	0	0	0
Volume, in 1,000 m³			0,0	0,0	0,0	0,0	0,0
Line costs - Base	44,756	44,756	0	0	0	0	0
Line costs - Contractor expenses	8,248	8,248	0	0	0	0	0
Line costs	53,004	53,004	0	0	0	0	0
Connection costs - Base		0	0	0	0	0	0
Connection costs - Contractor expenses		0	0	0	0	0	0
Connection costs - Cost of meter(s)		0	0	0	0	0	0
Connection costs		0	0	0	0	0	0
UMQ fees (2.00%)	895	895	0	0	0	0	0
General corporate expenses (14.53%)	7,832	7,832	0	0	0	0	0
CRP - 5 years			0	0	0	0	0
CRP - 10 years			0	0	0	0	0
AASPES - CRP (10 years)			0	0	0	0	0
Non-depreciable asset		0	0	0	0	0	0
Sys. conn. contrib./Timeframe/Location		0	0	0	0	0	0
AASPES - Capital assets		0	0	0	0	0	0
External subsidies		0	0	0	0	0	0
Customer contributions		0	0	0	0	0	0
Total investments	61,731	61,731	0	0	0	0	0
Operating costs			0	0	0	0	0
Accounting depreciation			1,391	1,391	1,391	1,391	1,391
Tax on utilities			905	884	863	842	822
Royalties			0	0	0	0	0
Taxes			674	15	75	130	181
Turn on investment			3,223	3,149	3,076	3,002	2,929
Required income			6,193	5,439	5,405	5,366	5,323
Revenues			0	0	0	0	0
Distribution rate (¢/m³)			0,0000	0,0000	0,0000	0,0000	0,0000
Discount rate (¢/m³)			0,0000	0,0000	0,0000	0,0000	0,0000
Distribution revenue (¢/m³)			0,0000	0,0000	0,0000	0,0000	0,0000
Distribution revenue ($)			0	0	0	0	0
Annual rate contribution			6 193	5 439	5 405	5 366	5 323

	6	7	8	9	10
Annual rate contribution	5,275	5,223	5,168	5,109	5,047

Rate contribution (3 years)	15,422	Rate contribution (15 years))	53,528
Rate contribution (5 years)	23,905	Rate contribution (20 years))	62,383
Rate contribution (10 years)	41,079	Rate contribution (40 years))	77,385
Break-even rate (years)	0,00	**Grid used**	**--- > COMM. - Major accounts** **Level 4**
Internal rate of return (IRR 40 years)	0.00%	**Senior signatory- Sales**	**--- > Vice-president, Sales and market development**

SALES

Representative Date____/____/____	Sales Director Date____/____/____	Senior Director, Sales Date____/____/____
Vice-president, Sales and market development Date____/____/____		

CONDITIONS OF COMPLETION

GAS MÉTRO LIMITED PARTNERSHIP
CALCULATION OF REQUIRED INCOME
BUDGET

REQUIRED INCOME

SRR-VERSION 17.0

PROJECT **10-7448 RR Pierre Caisse**	Type of project	Extension - Estimate	Representative PIERRE-ALEXANDRE POITEVIN
x1	Region	Montérégie	Consultant CHARLES LABERGE MILOT
	Type of customer	COMM. - Major accounts	OTP 10-007448
	Capital cost D-2016-156	6.42%	Municipality St-Jean
	Weighted prospective capital cost	5.28%	Length in linear meters 300 meters

	5	6	7	8	9	10
Number of customers	0	0	0	0	0	0
Volume, in 1000 m³	0	0	0	0	0	0
Line costs - Base	0	0	0	0	0	0
Line costs - Contractor expenses	0	0	0	0	0	0
Line costs	0	0	0	0	0	0
Connection costs - Base	0	0	0	0	0	0
Connection costs - Contractor expenses	0	0	0	0	0	0
Connection costs - Cost of meter(s)	0	0	0	0	0	0
Connection costs	0	0	0	0	0	0
UMQ fees (2.00%)	0	0	0	0	0	0
Gen. corp. expenses (14.53%)	0	0	0	0	0	0
CRP - 5 years	0	0	0	0	0	0
CRP - 10 years	0	0	0	0	0	0
AASPES - CRP (10 years)	0	0	0	0	0	0
Non-depreciable asset	0	0	0	0	0	0
Sys. conn. contrib./Timeframe/Location	0	0	0	0	0	0
AASPES - Capital assets	0	0	0	0	0	0
External subsidies	0	0	0	0	0	0
Customer contributions	0	0	0	0	0	0
Total investments						
Operating costs	0	0	0	0	0	0
Accounting depreciation	1,391	1,391	1,391	1,391	1,391	1,391
Tax on utilities	822	801	780	759	738	717
Royalties	0	0	0	0	0	0
Taxes	181	227	270	309	345	377
Return on investment	2,929	2,855	2,782	2,708	2,635	2,562
Required income	5,323	5,275	5,223	5,168	5,109	5,047
Revenues	0	0	0	0	0	0
Distribution rate (¢/m³)	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
Discount rate (¢/m³)	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
Distribution revenue (¢/m³)	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
Distribution revenue ($)	0	0	0	0	0	0
Annual rate contribution	5,323	5,275	5,223	5,168	5,109	5,047

	11	12	13	14	15
Annual rate contribution	4,982	4,914	4,843	4,769	4,694

Rate contribution (3 years)	15,422	Rate contribution (15 years)	53,528
Rate contribution (5 years)	23,905	Rate contribution (20 years)	62,383
Rate contribution (10 years)	41,079	Rate contribution (40 years)	77,385
Break-even rate (years)	0.00		
Internal rate of return (IRR 40 years)	0.00%		

SALE

Representative Date____/____/____	Sales Director Date____/____/____	Senior Director, Sales Date____/____/____
Vice-president, Sales and market development Date____/____/____		

CONDITIONS OF COMPLETION

PROJECT **10-7448 RR Pierre Caisse**	Type of project	Extension - Estimate	Representative PIERRE-ALEXANDRE POITEVIN
x1	Region	Montérégie	Consultant CHARLES LABERGE MILOT
	Type of customer	COMM. - Major accounts	OTP 10-007448
	Capital cost D-2016-156	6.42%	Municipality St-Jean
	Weighted prospective capital cost	5.28%	Length in linear meters 300 meters

	10	11	12	13	14	15
Number of customers	0	0	0	0	0	0
Volume, in 1000 m³	0	0	0	0	0	0
Line costs - Base	0	0	0	0	0	0
Line costs - Contractor expenses	0	0	0	0	0	0
Line costs	0	0	0	0	0	0
Connection costs - Base	0	0	0	0	0	0
Connection costs - Contractor expenses	0	0	0	0	0	0
Connection costs - Cost of meter(s)	0	0	0	0	0	0
Connection costs	0	0	0	0	0	0
UMQ fees (2.00%)	0	0	0	0	0	0
Gen. corp. exp. (14.53%)	0	0	0	0	0	0
CRP - 5 years	0	0	0	0	0	0
CRP - 10 years	0	0	0	0	0	0
AASPES - CRP (10 years)	0	0	0	0	0	0
Non-depreciable asset	0	0	0	0	0	0
Sys. conn. contrib./Timeframe/Location	0	0	0	0	0	0
AASPES - Capital assets	0	0	0	0	0	0
External subsidies	0	0	0	0	0	0
Customer contributions	0	0	0	0	0	0
Total investments	0	0	0	0	0	0
Operating costs	0	0	0	0	0	0
Accounting depreciation	1,391	1,391	1,391	1,391	1,391	1,391
Tax on utilities	717	696	676	655	634	613
Royalties	0	0	0	0	0	0
Taxes	377	406	432	456	477	495
Return on investment	2,562	2,488	2,415	2,341	2,268	2,194
Required income	5,047	4,982	4,914	4,843	4,769	4,694
Revenues	0	0	0	0	0	0
Distribution rate (¢/m³)	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
Discount rate (¢/m³)	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
Distribution revenue (¢/m³)	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
Distribution revenue ($)	0	0	0	0	0	0
Annual rate contribution	5,047	4,982	4,914	4,843	4,769	4,694

	16	17	18	19	20
Annual rate contribution	4,615	4,535	4,453	4,369	4,283

Rate contribution (3 years)	15,422	Rate contribution (15 years)	53,528
Rate contribution (5 years)	23,905	Rate contribution (20 years)	62,383
Rate contribution (10 years)	41,079	Rate contribution (40 years)	77,385
Break-even rate (years)	0.00		
Internal rate of return (IRR 40 years)	0.00%		

SALE

Representative Date____/____/____	Sales Director Date____/____/____	Senior Director, Sales Date____/____/____

Vice-president, Sales and market development Date____/____/____

CONDITIONS OF COMPLETION

PROJECT **10-7448 RR Pierre Caisse** **x1**	Type of project: Extension - Estimate Region: Montérégie Type of customer: COMM. - Major accounts Capital cost D-2016-156: 6.42% Weighted prospective capital cost: 5.28%	Representative: PIERRE-ALEXANDRE POITEVIN Consultant: CHARLES LABERGE MILOT OTP: 10-007448 Municipality: St-Jean Length in linear meters: 300 meters

	15	16	17	18	19	20
Number of customers	0	0	0	0	0	0
Volume, in 1000 m³	0	0	0	0	0	0
Line costs - Base	0	0	0	0	0	0
Line costs - Contractor expenses	0	0	0	0	0	0
Line costs	0	0	0	0	0	0
Connection costs - Base	0	0	0	0	0	0
Connection costs - Contractor expenses	0	0	0	0	0	0
Connection costs - Cost of meter(s)	0	0	0	0	0	0
Connection costs	0	0	0	0	0	0
UMQ fees (2.00%)	0	0	0	0	0	0
Gen. corp. exp. (14.53%)	0	0	0	0	0	0
CRP - 5 years	0	0	0	0	0	0
CRP - 10 years	0	0	0	0	0	0
AASPES - CRP (10 years)	0	0	0	0	0	0
Non-depreciable asset	0	0	0	0	0	0
Sys. conn. contrib./Timeframe/Location	0	0	0	0	0	0
AASPES - Capital assets	0	0	0	0	0	0
External subsidies	0	0	0	0	0	0
Customer contributions	0	0	0	0	0	0
Total investments	0	0	0	0	0	0
Operating costs	0	0	0	0	0	0
Accounting depreciation	1,391	1,391	1,391	1,391	1,391	1,391
Tax on utilities	613	592	571	550	529	509
Royalties	0	0	0	0	0	0
Taxes	495	511	525	538	548	556
Return on investment	2,194	2,121	2,047	1,974	1,900	1,827
Required income	4,694	4,615	4,535	4,453	4,369	4,283
Revenues	0	0	0	0	0	0
Distribution rate (¢/m³)	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
Discount rate (¢/m³)	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
Distribution revenue (¢/m³)	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
Distribution revenue ($)	0	0	0	0	0	0
Annual rate contribution	4,694	4,615	4,535	4,453	4,369	4,283

	21	22	23	24	25
Annual rate contribution	4,196	4,106	4,016	3,924	3,831

Rate contribution (3 years)	15,422	Rate contribution (15 years)	53,528
Rate contribution (5 years)	23,905	Rate contribution (20 years)	62,383
Rate contribution (10 years)	41,079	Rate contribution (40 years)	77,385
Break-even rate (years)	0.00		
Internal rate of return (IRR 40 years)	0.00%		

SALE

Representative Date____/____/____	Sales Director Date____/____/____	Senior Director, Sales Date____/____/____
Vice-president, Sales and market development Date____/____/____		

CONDITIONS OF COMPLETION

PROJECT **10-7448 RR Pierre Caisse**	Type of project	Extension - Estimate	Representative PIERRE-ALEXANDRE POITEVIN
x1	Region	Montérégie	Consultant CHARLES LABERGE MILOT
	Type of customer	COMM. - Major accounts	OTP 10-007448
	Capital cost D-2016-156	6.42%	Municipality St-Jean
	Weighted prospective capital cost	5.28%	Length in linear meters 300 meters

	20	21	22	23	24	25
Number of customers	0	0	0	0	0	0
Volume, in 1000 m³	0	0	0	0	0	0
Line costs - Base	0	0	0	0	0	0
Line costs - Contractor expenses	0	0	0	0	0	0
Line costs	0	0	0	0	0	0
Connection costs - Base	0	0	0	0	0	0
Connection costs - Contractor expenses	0	0	0	0	0	0
Connection costs - Cost of meter(s)	0	0	0	0	0	0
Connection costs	0	0	0	0	0	0
UMQ fees (2.00%)	0	0	0	0	0	0
Gen. corp. exp. (14.53%)	0	0	0	0	0	0
CRP - 5 years	0	0	0	0	0	0
CRP - 10 years	0	0	0	0	0	0
AASPES - CRP (10 years)	0	0	0	0	0	0
Non-depreciable asset	0	0	0	0	0	0
Sys. conn. contrib./Timeframe/Location	0	0	0	0	0	0
AASPES - Capital assets	0	0	0	0	0	0
External subsidies	0	0	0	0	0	0
Cust.contr.	0	0	0	0	0	0
Total investments	0	0	0	0	0	0
Operating costs	0	0	0	0	0	0
Accounting depreciation	1,391	1,391	1,391	1,391	1,391	1,391
Tax on utilities	509	488	467	446	425	404
Royalties	0	0	0	0	0	0
Taxes	556	563	568	572	575	576
Return on investment	1,827	1,753	1,680	1,607	1,533	1,460
Required income	4,283	4,196	4,106	4,016	3,924	3,831
Revenues	0	0	0	0	0	0
Distribution rate (¢/m³)	0,0000	0,0000	0,0000	0,0000	0,0000	0,0000
Discount rate (¢/m³)	0,0000	0,0000	0,0000	0,0000	0,0000	0,0000
Distribution revenue (¢/m³)	0,0000	0,0000	0,0000	0,0000	0,0000	0,0000
Distribution revenue ($)	0	0	0	0	0	0
Annual rate contribution	4,283	4,196	4,106	4,016	3,924	3,831

	26	27	28	29	30
Annual rate contribution	3,736	3,641	3,544	3,446	3,348

Rate contribution (3 years)	15,422	Rate contribution (15 years)	53,528
Rate contribution (5 years)	23,905	Rate contribution (20 years)	62,383
Rate contribution (10 years)	41,079	Rate contribution (40 years)	77,385
Break-even rate (years)	0,00		
Internal rate of return (IRR 40 years)	0.00%		

SALE

Representative Date____/____/____	Sales Director Date____/____/____	Senior Director, Sales Date____/____/____
Vice-president, Sales and market development Date____/____/____		

CONDITIONS OF COMPLETION

PROJECT **10-7448 RR Pierre Caisse**	Type of project	Extension - Estimate	Representative PIERRE-ALEXANDRE POITEVIN
x1	Region	Montérégie	Consultant CHARLES LABERGE
	Type of customer	COMM. - Major accounts	MILOT OTP
	Capital cost D-2016-156	6.42%	10-007448
	Weighted prospective capital cost	5.28%	Municipality St-Jean
			Length in linear meters 300 meters

	25	26	27	28	29	30
Number of customers	0	0	0	0	0	0
Volume, in 1000 m³	0	0	0	0	0	0
Line costs - Base	0	0	0	0	0	0
Line costs - Contractor expenses	0	0	0	0	0	0
Line costs	0	0	0	0	0	0
Connection costs - Base	0	0	0	0	0	0
Connection costs - Contractor expenses	0	0	0	0	0	0
Connection costs - Cost of meter(s)	0	0	0	0	0	0
Connection costs	0	0	0	0	0	0
UMQ fees (2.00%)	0	0	0	0	0	0
Gen. corp. exp. (14.53%)	0	0	0	0	0	0
CRP - 5 years	0	0	0	0	0	0
CRP - 10 years	0	0	0	0	0	0
AASPES - CRP (10 years)	0	0	0	0	0	0
Non-depreciable asset	0	0	0	0	0	0
Sys. conn. contrib./Timeframe/Location	0	0	0	0	0	0
AASPES - Capital assets	0	0	0	0	0	0
External subsidies	0	0	0	0	0	0
Customer contributions	0	0	0	0	0	0
Total investments	0	0	0	0	0	0
Operating costs	0	0	0	0	0	0
Accounting depreciation	1,391	1,391	1,391	1,391	1,391	1,391
Tax on utilities	404	383	362	342	321	300
Royalties	0	0	0	0	0	0
Taxes	576	576	574	572	569	564
Return on investment	1,460	1,386	1,313	1,239	1,166	1,092
Required income	3,831	3,736	3,641	3,544	3,446	3,348
Revenues	0	0	0	0	0	0
Distribution rate (¢/m³)	0,0000	0,0000	0,0000	0,0000	0,0000	0,0000
Discount rate (¢/m³)	0,0000	0,0000	0,0000	0,0000	0,0000	0,0000
Distribution revenue (¢/m³)	0,0000	0,0000	0,0000	0,0000	0,0000	0,0000
Distribution revenue ($)	0	0	0	0	0	0
Annual rate contribution	3,831	3,736	3,641	3,544	3,446	3,348

	31	32	33	34	35
Annual rate contribution	3,248	3,148	3,047	2,945	2,842

Rate contribution (3 years)	15,422	Rate contribution (15 years)	53,528
Rate contribution (5 years)	23,905	Rate contribution (20 years)	62,383
Rate contribution (10 years)	41,079	Rate contribution (40 years)	77,385
Break-even rate (years)	0,00		
Internal rate of return (IRR 40 years)	0.00%		

SALE

Representative Date____/____/____	Sales Director Date____/____/____	Senior Director, Sales Date____/____/____

Vice-president, Sales and market development Date____/____/____

CONDITIONS OF COMPLETION

PROJECT **10-7448 RR Pierre Caisse**	Type of project	Extension - Estimate	Representative PIERRE-ALEXANDRE POITEVIN
x1	Region	Montérégie	Consultant CHARLES LABERGE
	Type of customer	COMM. - Major accounts	MILOT OTP
	Capital cost D-2016-156	6.42%	10-007448
	Weighted prospective capital cost	5.28%	Municipality St-Jean
			Length in linear meters 300 meters

	30	31	32	33	34	35
Number of customers	0	0	0	0	0	0
Volume, in 1000 m³	0	0	0	0	0	0
Line costs - Base	0	0	0	0	0	0
Line costs - Contractor expenses	0	0	0	0	0	0
Line costs	0	0	0	0	0	0
Connection costs - Base	0	0	0	0	0	0
Connection costs - Contractor expenses	0	0	0	0	0	0
Connection costs - Cost of meter(s)	0	0	0	0	0	0
Connection costs	0	0	0	0	0	0
UMQ fees (2.00%)	0	0	0	0	0	0
Gen. corp. exp. (14.53%)	0	0	0	0	0	0
CRP - 5 years	0	0	0	0	0	0
CRP - 10 years	0	0	0	0	0	0
AASPES - CRP (10 years)	0	0	0	0	0	0
Non-depreciable asset	0	0	0	0	0	0
Sys. conn. contrib./Timeframe/Location	0	0	0	0	0	0
AASPES - Capital assets	0	0	0	0	0	0
External subsidies	0	0	0	0	0	0
Customer contributions	0	0	0	0	0	0
Total investments	0	0	0	0	0	0
Operating costs	0	0	0	0	0	0
Accounting depreciation	1,391	1,391	1,391	1,391	1,391	1,391
Tax on utilities	300	279	258	237	216	196
Royalties	0	0	0	0	0	0
Taxes	564	559	553	546	539	530
Return on investment	1,092	1,019	945	872	798	725
Required income	3,348	3,248	3,148	3,047	2,945	2,842
Revenues	0	0	0	0	0	0
Distribution rate (¢/m³)	0,0000	0,0000	0,0000	0,0000	0,0000	0,0000
Discount rate (¢/m³)	0,0000	0,0000	0,0000	0,0000	0,0000	0,0000
Distribution revenue (¢/m³)	0,0000	0,0000	0,0000	0,0000	0,0000	0,0000
Distribution revenue ($)	0	0	0	0	0	0
Annual rate contribution	3,348	3,248	3,148	3,047	2,945	2,842

	36	37	38	39	40
Annual rate contribution	2,739	2,635	2,530	2,425	2,320

Rate contribution (3 years)	15,422	Rate contribution (15 years)	53,528
Rate contribution (5 years)	23,905	Rate contribution (20 years)	62,383
Rate contribution (10 years)	41,079	Rate contribution (40 years)	77,385
Break-even rate (years)	0,00		
Internal rate of return (IRR 40 years)	0.00%		

SALE

Representative Date____/____/____	Sales Director Date____/____/____	Senior Director, Sales Date____/____/____

Vice-president, Sales and market development Date____/____/____

CONDITIONS OF COMPLETION

PROJECT **10-7448 RR Pierre Caisse**	Type of project	Extension - Estimate	Representative PIERRE-ALEXANDRE POITEVIN
x1	Region	Montérégie	Consultant CHARLES LABERGE
	Type of customer	COMM. - Major accounts	MILOT OTP
	Capital cost D-2016-156	6.42%	10-007448
	Weighted prospective capital cost	5.28%	Municipality St-Jean
			Length in linear meters 300 meters

	35	36	37	38	39	40
Number of customers	0	0	0	0	0	0
Volume, in 1000 m³	0	0	0	0	0	0
Line costs - Base	0	0	0	0	0	0
Line costs - Contractor expenses	0	0	0	0	0	0
Line costs	0	0	0	0	0	0
Connection costs - Base	0	0	0	0	0	0
Connection costs - Contractor expenses	0	0	0	0	0	0
Connection costs - Cost of meter(s)	0	0	0	0	0	0
Connection costs	0	0	0	0	0	0
UMQ fees (2.00%)	0	0	0	0	0	0
Gen. corp. exp. (14.53%)	0	0	0	0	0	0
CRP - 5 years	0	0	0	0	0	0
CRP - 10 years	0	0	0	0	0	0
AASPES - CRP (10 years)	0	0	0	0	0	0
Non-depreciable asset	0	0	0	0	0	0
Sys. conn. contrib./Timeframe/Location	0	0	0	0	0	0
AASPES - Capital assets	0	0	0	0	0	0
External subsidies	0	0	0	0	0	0
Customer contributions	0	0	0	0	0	0
Total investments						
Operating costs	0	0	0	0	0	0
Accounting depreciation	1,391	1,391	1,391	1,391	1,391	1,391
Tax on utilities	196	175	154	133	112	91
Royalties	0	0	0	0	0	0
Taxes	530	521	512	502	491	480
Return on investment	725	652	578	505	431	358
Required income	2,842	2,739	2,635	2,530	2,425	2,320
Revenues	0	0	0	0	0	0
Distribution rate (¢/m³)	0,0000	0,0000	0,0000	0,0000	0,0000	0,0000
Discount rate (¢/m³)	0,0000	0,0000	0,0000	0,0000	0,0000	0,0000
Distribution revenue (¢/m³)	0,0000	0,0000	0,0000	0,0000	0,0000	0,0000
Distribution revenue ($)	0	0	0	0	0	0
Annual rate contribution	2,842	2,739	2,635	2,530	2,425	2,320

Annual rate contribution	0	0	0	0	0

Rate contribution (3 years)	15,422	Rate contribution (15 years)	53,528
Rate contribution (5 years)	23,905	Rate contribution (20 years)	62,383
Rate contribution (10 years)	41,079	Rate contribution (40 years)	77,385
Break-even rate (years)	0,00		
Internal rate of return (IRR 40 years)	0.00%		

SALE

Representative Date____/____/____	Sales Director Date____/____/____	Senior Director, Sales Date____/____/____

Vice-president, Sales and market development Date____/____/____

CONDITIONS OF COMPLETION

1. RESIDENTIAL PROJECT

Investment Application for Project 10-006871-100

Municipality: COWANSVILLE
Region: Estrie
Length of main: 880 m

Customer and volume forecasts

The first phase consists of 18 row houses and 8 rental properties of 6 units. The profitability of the project is 3.71%. The required penetration rate is 100%.

Potential

Along the route of the service line, there is a potential for 14 sizeable single-family homes (2400 m³) and 10 row houses. Moreover, with a service line extension of approximately 100 m, there is a potential for 15 additional lots. Consequently, with the service line extension, the potential is 39 customers.

It should also be noted that the sector presents additional potential. Indeed, the parties identified in yellow to the left and right of the second plan represent other potential residential lots.

Data included in the profitability evaluation tool

Number of customers	26
Volume in 1000 m³	64.8
Service line costs	117,691
Connection costs	101,842
General corporate expenses (14.53%)	32,411
UMQ fees	3,533
CRP	0
System connection contribution	0
AASPES - Capital assets	0
Customer contributions	(7,800)
Total investments	247,677
Rate contribution (10 years)	82,610
Rate contribution (40 years)	56,794
Internal rate of return (IRR)	3.71%


RUE DU PACIFIQUE
RUE DE L'ARCTIQUE
PARC
BOULEVARD JEAN-JACQUES-BERTRAND
MIGUÉ FOURNIER

Sensitivity analysis

The addition of 30 customers will bring the profitability over the PCC.

GazMétro la vie en bleu

GAS MÉTRO LIMITED PARTNERSHIP CALCULATION OF REQUIRED INCOME
BUDGET

REQUIRED INCOME
Excel 2007/2013
SRR-VERSION 16.2c

Domaine Cowansville V5
Cowansville
Central Leasing Combo + Combo MV CRP $0

Type of project	Extension - Estimate	Representative	DIEM DOAN
Region	Estrie	Consultant	BERNARD LEDUC
Type of customer	RESIDENTIAL - NCR	OTP	10-006871
Nbr of potential customers	66	Municipality	Cowansville
Capital cost D-2015-214	6.81%	Length in linear meters	880 meters
Weighted prospective capital cost	5.43%		

	Total	0	1	2	3	4	5
Number of customers			9	20	22	24	26
Volume in m³			5,400.0	21,600.0	37,800.0	48,600.0	59,400.0
Line costs - Base	97,938	97,938	0	0	0	0	0
Line costs - Contractor expenses	19,753	19,753	0	0	0	0	0
Line costs	117,691	117,691	0	0	0	0	0
Connection costs - Base	78,702	27,243	33,297	6,054	6,054	6,054	0
Connection costs - Contractor expenses	15,288	5,292	6,468	1,176	1,176	1,176	0
Connection costs - Cost of meter(s)	7,852	2,718	3,322	604	604	604	0
Connection costs	101,842	35,253	43,087	7,834	7,834	7,834	0
UMQ fees (2.00%)	3,533	2,504	666	121	121	121	0
General corporate expenses (14.53%)	32,411	22,587	6,357	1,156	1,156	1,156	0
CRP - 5 years			0	0	0	0	0
CRP - 10 years			0	0	0	0	0
CASEP - CRP (10 years)			0	0	0	0	0
Non-depreciable asset		0	0	0	0	0	0
Sys. conn. contrib./Timeframe/Location	(7,800)	(2,700)	(3,300)	(600)	(600)	(600)	0
AASPES - Capital assets		0	0	0	0	0	0
External subsidies		0	0	0	0	0	0
Customer contributions		0	0	0	0	0	0
Total investment	247,677	175,334	46,810	8,511	8,511	8,511	0
Operating costs			1,413	3,140	3,454	3,768	4,082
Accounting depreciation			5,025	7,256	7,662	8,067	8,473
Tax on utilities			2,555	3,148	3,161	3,167	3,168
Royalties			5	21	36	46	57
Taxes			2,326	1,379	1,188	1,436	1,673
Return on investment			9,384	11,593	11,650	11,685	11,698
Required income			20,708	26,536	27,150	28,170	29,151
Revenues			0	0	0	0	0
Distribution rate (¢/m³)			41.2500	38.1900	36.0000	34.4500	33.4600
Discount rate (¢/m³)			0.0000	0.0000	0.0000	0.0000	0.0000
Distribution revenue (¢/m³)			41.2500	38.1900	36.0000	34.4500	33.4600
Distribution revenue ($)			2,228	8,249	13,608	16,743	19,875
Annual rate contribution			18,481	18,287	13,542	11,427	9,275

	6	7	8	9	10
Annual rate contribution	7,181	6,732	6,268	5,790	5,297

Rate contribution (3 years)	45,537	Rate contribution (15 years)	92,173
Rate contribution (5 years)	61,906	Rate contribution (20 years)	94,131
Rate contribution (10 years)	82,610	Rate contribution (40 years)	56,794
		Grid used	**RESIDENTIAL - NCR** **Level 2**
Break-even rate (years)	0,00		
Internal rate of return (IRR 40 years)	3,71%		

SALES

Sales Director Date____/____/____	Senior Director, Sales Date____/____/____	Vice-president, Sales and market development Date____/____/____

CONDITIONS OF COMPLETION

PROJECT	**Domaine Cowansville V5**	Type of project	Extension - Estimate	Representative	DIEM DOAN
	Cowansville	Region	Estrie	Consultant	BERNARD LEDUC
	Central Leasing Combo + Combo MV CRP $0	Type of customer	RESIDENTIAL - NCR	OTP	10-006871
		Nbr of potential customers	66	Municipality	Cowansville
		Capital cost D-2015-214	6.81%	Length in linear meters	880 meters
		Weighted prospective capital cost	5.43%		

	5	6	7	8	9	10
Number of customers	26	26	26	26	26	26
Volume in m³	59,400	64,800	64,800	64,800	64,800	64,800
Line costs - Base	0	0	0	0	0	0
Line costs - Contractor expenses	0	0	0	0	0	0
Line costs	0	0	0	0	0	0
Connection costs - Base	0	0	0	0	0	0
Connection costs - Contractor expenses	0	0	0	0	0	0
Connection costs - Cost of meter(s)	0	0	0	0	0	0
Connection costs UMQ	0	0	0	0	0	0
fees (2.00%)	0	0	0	0	0	0
Gen. corp. exp. (14.53%)	0	0	0	0	0	0
CRP - 5 years	0	0	0	0	0	0
CRP - 10 years	0	0	0	0	0	0
AASPES - CRP (10 years)	0	0	0	0	0	0
Non-depreciable asset	0	0	0	0	0	0
Sys. conn. contrib./Timeframe/Location	0	0	0	0	0	0
AASPES - Capital assets	0	0	0	0	0	0
External subsidies	0	0	0	0	0	0
Customer contributions	0	0	0	0	0	0
Total investments	0	0	0	0	0	0
Operating costs	4,082	4,082	4,082	4,082	4,082	4,082
Accounting depreciation	8,473	8,473	8,473	8,473	8,473	8,473
Tax on utilities	3,168	3,041	2,914	2,787	2,660	2,532
Royalties	57	62	62	62	62	62
Taxes	1,673	1,728	1,867	1,990	2,098	2,193
Return on investment	11,698	11,238	10,778	10,318	9,858	9,397
Required income	29,151	28,623	28,175	27,711	27,232	26,740
Revenues	0	0	0	0	0	0
Distribution rate (¢/m³)	33.4600	33.0900	33.0900	33.0900	33.0900	33.0900
Discount rate (¢/m³)	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
Distribution revenue (¢/m³)	33.4600	33.0900	33.0900	33.0900	33.0900	33.0900
Distribution revenue ($)	19,875	21,442	21,442	21,442	21,442	21,442
Annual rate contribution	9,275	7,181	6,732	6,268	5,790	5,297

	11	12	13	14	15
Annual rate contribution	4,792	4,275	3,747	3,208	2,659

Rate contribution (3 years)	45,537	Rate contribution (15 years)	92,173
Rate contribution (5 years)	61,906	Rate contribution (20 years)	94,131
Rate contribution (10 years)	82,610	Rate contribution (40 years)	56,794
Break-even rate (years)	0,00		
Internal rate of return (IRR 40 years)	3.71%		

SALE

Sales Director Date____/____/____	Senior Director, Sales Date____/____/____	Vice-president, Sales and market development Date____/____/____

CONDITIONS OF COMPLETION

PROJECT	**Domaine Cowansville V5**	Type of project	Extension - Estimate	Representative	DIEM DOAN
	Cowansville	Region	Estrie	Consultant	BERNARD LEDUC
	Central Leasing Combo + Combo MV CRP $0	Type of customer	RESIDENTIAL - NCR	OTP	10-006871
		Nbr of potential customers	66	Municipality	Cowansville
		Capital cost D-2015-214	6.81%	Length in linear meters	880 meters
		Weighted prospective capital cost	5.43%		

	10	11	12	13	14	15
Number of customers	26	26	26	26	26	26
Volume in m³	64,800	64,800	64,800	64,800	64,800	64,800
Line costs - Base	0	0	0	0	0	0
Line costs - Contractor expenses	0	0	0	0	0	0
Line costs	0	0	0	0	0	0
Connection costs - Base	0	0	0	0	0	0
Connection costs - Contractor expenses	0	0	0	0	0	0
Connection costs - Cost of meter(s)	0	0	0	0	0	0
Connection costs	0	0	0	0	0	0
UMQ fees (2.00%)	0	0	0	0	0	0
Gen. corp. exp. (14.53%)	0	0	0	0	0	0
CRP - 5 years	0	0	0	0	0	0
CRP - 10 years	0	0	0	0	0	0
AASPES - CRP (10 years)	0	0	0	0	0	0
Non-depreciable asset	0	0	0	0	0	0
Sys. conn. contrib./Timeframe/Location	0	0	0	0	0	0
AASPES - Capital assets	0	0	0	0	0	0
External subsidies	0	0	0	0	0	0
Customer contributions	0	0	0	0	0	0
Total investments	0	0	0	0	0	0
Operating costs	4,082	4,082	4,082	4,082	4,082	4,082
Accounting depreciation	8,473	8,473	8,473	8,473	8,473	8,473
Tax on utilities	2,532	2,405	2,278	2,151	2,024	1,897
Royalties	62	62	62	62	62	62
Taxes	2,193	2,275	2,345	2,404	2,452	2,491
Return on investment	9,397	8,937	8,477	8,017	7,557	7,097
Required income	26,740	26,235	25,718	25,189	24,650	24,101
Revenues	0	0	0	0	0	0
Distribution rate (¢/m³)	33.0900	33.0900	33.0900	33.0900	33.0900	33.0900
Discount rate (¢/m³)	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
Distribution revenue (¢/m³)	33.0900	33.0900	33.0900	33.0900	33.0900	33.0900
Distribution revenue ($)	21,442	21,442	21,442	21,442	21,442	21,442
Annual rate contribution	5,297	4,792	4,275	3,747	3,208	2,659

	16	17	18	19	20
Annual rate contribution	2,101	1,534	958	375	(216,)

Rate contribution (3 years)	45,537	Rate contribution (15 years)	92,173
Rate contribution (5 years)	61,906	Rate contribution (20 years)	94,131
Rate contribution (10 years)	82,610	Rate contribution (40 years)	56,794
Break-even rate (years)	0,00		
Internal rate of return (IRR 40 years)	3.71%		

SALE

Sales Director Date____/____/____	Senior Director, Sales Date____/____/____	Vice-president, Sales and market development Date____/____/____

CONDITIONS OF COMPLETION

PROJECT	**Domaine Cowansville V5**	Type of project	Extension - Estimate	Representative	DIEM DOAN
	Cowansville	Region	Estrie	Consultant	BERNARD LEDUC
	Central Leasing Combo + Combo MV CRP $0	Type of customer	RESIDENTIAL - NCR	OTP	10-006871
		Nbr. of potential customers	66	Municipality	Cowansville
		Capital cost D-2015-214	6.81%	Length in linear meters	880 meters
		Weighted prospective capital cost	5.43%		

	15	16	17	18	19	20
Number of customers	26	26	26	26	26	26
Volume in m³	64,800	64,800	64,800	64,800	64,800	64,800
Line costs - Base	0	0	0	0	0	0
Line costs - Contractor expenses	0	0	0	0	0	0
Line costs	0	0	0	0	0	0
Connection costs - Base	0	0	0	0	0	0
Connection costs - Contractor expenses	0	0	0	0	0	0
Connection costs - Cost of meter(s)	0	0	0	0	0	0
Connection costs UMQ	0	0	0	0	0	0
fees (2.00%)	0	0	0	0	0	0
Gen. corp. exp. (14.53%)	0	0	0	0	0	0
CRP - 5 years	0	0	0	0	0	0
CRP - 10 years	0	0	0	0	0	0
AASPES - CRP (10 years)	0	0	0	0	0	0
Non-depreciable asset	0	0	0	0	0	0
Sys. conn. contrib./Timeframe/Location	0	0	0	0	0	0
AASPES - Capital assets	0	0	0	0	0	0
External subsidies	0	0	0	0	0	0
Customer contributions	0	0	0	0	0	0
Total investments	0	0	0	0	0	0
Operating costs	4,082	4,082	4,082	4,082	4,082	4,082
Accounting depreciation	8,473	8,473	8,473	8,473	8,473	8,473
Tax on utilities	1,897	1,770	1,643	1,516	1,389	1,261
Royalties	62	62	62	62	62	62
Taxes	2,491	2,520	2,540	2,551	2,555	2,552
Return on investment	7,097	6,637	6,177	5,717	5,257	4,797
Required income	24,101	23,543	22,976	22,400	21,817	21,227
Revenues	0	0	0	0	0	0
Distribution rate (¢/m³)	33.0900	33.0900	33.0900	33.0900	33,0900	33.0900
Discount rate (¢/m³)	0.0000	0.0000	0.0000	0.0000	0,0000	0.0000
Distribution revenue (¢/m³)	33.0900	33.0900	33.0900	33.0900	33,0900	33.0900
Distribution revenue ($)	21,442	21,442	21,442	21,442	21,442	21,442
Annual rate contribution	2,659	2,101	1,534	958	375	(216)

	21	22	23	24	25
Annual rate contribution	(857)	(3,875)	(7,229)	(8,041)	(7,825)

Rate contribution (3 years)	45,537	Rate contribution (15 years)	92,173
Rate contribution (5 years)	61,906	Rate contribution (20 years)	94,131
Rate contribution (10 years)	82,610	Rate contribution (40 years)	56,794
Break-even rate (years)	0,00		
Internal rate of return (IRR 40 years)	3.71%		

SALE

Sales Director Date____/____/____	Senior Director, Sales Date____/____/____	Vice-president, Sales and market development Date____/____/____

CONDITIONS OF COMPLETION

PROJECT	**Domaine Cowansville V5**	Type of project	Extension - Estimate	Representative	DIEM DOAN
	Cowansville	Region	Estrie	Consultant	BERNARD LEDUC
	Central Leasing Combo + Combo MV CRP $0	Type of customer	RESIDENTIAL - NCR	OTP	10-006871
		Nbr. of potential customers	66	Municipality	Cowansville
		Capital cost D-2015-214	6.81%	Length in linear meters	880 meters
		Weighted prospective capital cost	5.43%		

	20	21	22	23	24	25
Number of customers	26	26	26	26	26	26
Volume in m³	64,800	64,800	64,800	64,800	64,800	64,800
Line costs - Base	0	0	0	0	0	0
Line costs - Contractor expenses	0	0	0	0	0	0
Line costs	0	0	0	0	0	0
Connection costs - Base	0	0	0	0	0	0
Connection costs - Contractor expenses	0	0	0	0	0	0
Connection costs - Cost of meter(s)	0	0	0	0	0	0
Connection costs	0	0	0	0	0	0
UMQ fees (2.00%)	0	0	0	0	0	0
Gen. corp. exp. (14.53%)	0	0	0	0	0	0
CRP - 5 years	0	0	0	0	0	0
CRP - 10 years	0	0	0	0	0	0
AASPES - CRP (10 years)	0	0	0	0	0	0
Non-depreciable asset	0	0	0	0	0	0
Sys. conn. contrib./Timeframe/Location	0	0	0	0	0	0
AASPES - Capital assets	0	0	0	0	0	0
External subsidies	0	0	0	0	0	0
Customer contributions	0	0	0	0	0	0
Total investments	0	0	0	0	0	0
Operating costs	4,082	4,082	4,082	4,082	4,082	4,082
Accounting depreciation	8,473	8,440	6,607	4,409	4,004	3,598
Tax on utilities	1,261	1,135	1,036	970	910	856
Royalties	62	62	62	62	62	62
Taxes	2,552	2,529	1,852	1,061	943	825
Return on investment	4,797	4,337	3,929	3,630	3,401	3,195
Required income	21,227	20,586	17,567	14,214	13,401	12,617
Revenues	0	0	0	0	0	0
Distribution rate (¢/m³)	33.0900	33.0900	33.0900	33.0900	33.0900	33.0900
Discount rate (¢/m³)	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
Distribution revenue (¢/m³)	33.0900	33.0900	33.0900	33.0900	33.0900	33.0900
Distribution revenue ($)	21,442	21,442	21,442	21,442	21,442	21,442
Annual rate contribution	(216)	(857)	(3,875)	(7,229)	(8,041)	(8,825)

	26	27	28	29	30
Annual rate contribution	(9,571)	(9,763)	(9,959)	(10,160)	(10,364)

Rate contribution (3 years)	45,537	Rate contribution (15 years)	92,173
Rate contribution (5 years)	61,906	Rate contribution (20 years)	94,131
Rate contribution (10 years)	82,610	Rate contribution (40 years)	56,794
Break-even rate (years)	0,00		
Internal rate of return (IRR 40 years)	3.71%		

SALE

Sales Director Date____/____/____	Senior Director, Sales Date____/____/____	Vice-president, Sales and market development Date____/____/____

CONDITIONS OF COMPLETION

PROJECT	**Domaine Cowansville V5**	Type of project	Extension - Estimate	Representative	DIEM DOAN
	Cowansville	Region	Estrie	Consultant	BERNARD LEDUC
	Central Leasing Combo + Combo MV CRP $0	Type of customer	RESIDENTIAL - NCR	OTP	10-006871
		Nbr. of potential customers	66	Municipality	Cowansville
		Capital cost D-2015-214	6,81%	Length in linear meters	880 meters
		Weighted prospective capital cost	5,43%		

	25	26	27	28	29	30
Number of customers	26	26	26	26	26	26
Volume in m³	64,800	64,800	64,800	64,800	64,800	64,800
Line costs - Base	0	0	0	0	0	0
Line costs - Contractor expenses	0	0	0	0	0	0
Line costs	0	0	0	0	0	0
Connection costs - Base	0	0	0	0	0	0
Connection costs - Contractor expenses	0	0	0	0	0	0
Connection costs - Cost of meter(s)	0	0	0	0	0	0
Connection costs	0	0	0	0	0	0
UMQ fees (2.00%)	0	0	0	0	0	0
Gen. corp. exp. (14.53%)	0	0	0	0	0	0
CRP - 5 years	0	0	0	0	0	0
CRP - 10 years	0	0	0	0	0	0
AASPES - CRP (10 years)	0	0	0	0	0	0
Non-depreciable asset	0	0	0	0	0	0
Sys. conn. contrib./Timeframe/Location	0	0	0	0	0	0
AASPES - Capital assets	0	0	0	0	0	0
External subsidies	0	0	0	0	0	0
Customer contributions	0	0	0	0	0	0
Total investments	0	0	0	0	0	0
Operating costs	4,082	4,082	4,082	4,082	4,082	4,082
Accounting depreciation	3,598	3,200	3,200	3,200	3,200	3,200
Tax on utilities	856	808	760	712	664	616
Royalties	62	62	62	62	62	62
Taxes	825	710	740	765	786	804
Return on investment	3,195	3,010	2,837	2,663	2,489	2,315
Required income	12,617	11,872	11,680	11,483	11,283	11,078
Revenues	0	0	0	0	0	0
Distribution rate (¢/m³)	33.0900	33.0900	33.0900	33.0900	33.0900	33.0900
Discount rate (¢/m³)	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
Distribution revenue (¢/m³)	33.0900	33.0900	33.0900	33.0900	33.0900	33.0900
Distribution revenue ($)	21,442	21,442	21,442	21,442	21,442	21,442
Annual rate contribution	(8,825)	(9,571)	(9,763)	(9,959)	(10,160)	(10,364)

	31	32	33	34	35
Annual rate contribution	(10,572)	(10,784)	(10,999)	(11,217)	(11,438)

Rate contribution (3 years)	45,537	Rate contribution (15 years)	92,173
Rate contribution (5 years)	61,906	Rate contribution (20 years)	94,131
Rate contribution (10 years)	82,610	Rate contribution (40 years)	56,794
Break-even rate (years)	0,00		
Internal rate of return (IRR 40 years)	3.71%		

SALE

Sales Director Date____/____/____	Senior Director, Sales Date____/____/____	Vice-president, Sales and market development Date____/____/____

CONDITIONS OF COMPLETION

PROJECT	**Domaine Cowansville V5**	Type of project	Extension - Estimate	Representative	DIEM DOAN
	Cowansville	Region	Estrie	Consultant	BERNARD LEDUC
	Central Leasing Combo + Combo MV CRP $0	Type of customer	RESIDENTIAL - NCR	OTP	10-006871
		Nbr. of potential customers	66	Municipality	Cowansville
		Capital cost D-2015-214	6.81%	Length in linear meters	880 meters
		Weighted prospective capital cost	5.43%		

	30	31	32	33	34	35
Number of customers	26	26	26	26	26	26
Volume in m³	64,800	64,800	64,800	64,800	64,800	64,800
Line costs - Base	0	0	0	0	0	0
Line costs - Contractor expenses	0	0	0	0	0	0
Line costs	0	0	0	0	0	0
Connection costs - Base	0	0	0	0	0	0
Connection costs - Contractor expenses	0	0	0	0	0	0
Connection costs - Cost of meter(s)	0	0	0	0	0	0
Connection costs	0	0	0	0	0	0
UMQ fees (2.00%)	0	0	0	0	0	0
General expenses (14.53%)	0	0	0	0	0	0
CRP - 5 years	0	0	0	0	0	0
CRP - 10 years	0	0	0	0	0	0
AASPES - CRP (10 years)	0	0	0	0	0	0
Non-depreciable asset	0	0	0	0	0	0
Sys. conn. contrib./Timeframe/Location	0	0	0	0	0	0
AASPES - Capital assets	0	0	0	0	0	0
External subsidies	0	0	0	0	0	0
Customer contributions	0	0	0	0	0	0
Total investments						
Operating costs	4,082	4,082	4,082	4,082	4,082	4,082
Accounting depreciation	3,200	3,200	3,200	3,200	3,200	3,200
Tax on utilities	616	568	520	472	424	376
Royalties	62	62	62	62	62	62
Taxes	804	817	827	834	837	838
Return on investment	2,315	2,142	1,968	1,794	1,620	1,447
Required income	11,078	10,870	10,658	10,443	10,225	10,004
Revenues	0	0	0	0	0	0
Distribution rate (¢/m³)	33.0900	33.0900	33.0900	33.0900	33.0900	33.0900
Discount rate (¢/m³)	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
Distribution revenue (¢/m³)	33.0900	33.0900	33.0900	33.0900	33.0900	33.0900
Distribution revenue ($)	21,442	21,442	21,442	21,442	21,442	21,442
Annual rate contribution	(10,364)	(10,572)	(10,784)	(10,999)	(11,217)	(11,438)

	36	37	38	39	40
Annual rate contribution	(11,662)	(11,888)	(12,117)	(12,348)	(12,581)

Rate contribution (3 years)	45,537	Rate contribution (15 years)	92,173
Rate contribution (5 years)	61,906	Rate contribution (20 years)	94,131
Rate contribution (10 years)	82,610	Rate contribution (40 years)	56,794
Break-even rate (years)	0,00		
Internal rate of return (IRR 40 years)	3.71%		

SALE

Sales Director Date____/____/____	Senior Director, Sales Date____/____/____	Vice-president, Sales and market development Date____/____/____

CONDITIONS OF COMPLETION

PROJECT	**Domaine Cowansville V5**	Type of project	Extension - Estimate	Representative	DIEM DOAN
	Cowansville	Region	Estrie	Consultant	BERNARD LEDUC
	Central Leasing Combo + Combo MV CRP $0	Type of customer	RESIDENTIAL - NCR	OTP	10-006871
		Nbr. of potential customers	66	Municipality	Cowansville
		Capital cost D-2015-214	6.81%	Length in linear meters	880 meters
		Weighted prospective capital cost	5.43%		

	35	36	37	38	39	40
Number of customers	26	26	26	26	26	26
Volume in m³	64,800	64,800	64,800	64,800	64,800	64,800
Line costs - Base	0	0	0	0	0	0
Line costs - Contractor expenses	0	0	0	0	0	0
Line costs	0	0	0	0	0	0
Connection costs - Base	0	0	0	0	0	0
Connection costs - Contractor expenses	0	0	0	0	0	0
Connection costs - Cost of meter(s)	0	0	0	0	0	0
Connection costs	0	0	0	0	0	0
UMQ fees (2.00%)	0	0	0	0	0	0
General expenses (14.53%)	0	0	0	0	0	0
CRP - 5 years	0	0	0	0	0	0
CRP - 10 years	0	0	0	0	0	0
AASPES - CRP (10 years)	0	0	0	0	0	0
Non-depreciable asset	0	0	0	0	0	0
Sys. conn. contrib./Timeframe/Location	0	0	0	0	0	0
AASPES - Capital assets	0	0	0	0	0	0
External subsidies	0	0	0	0	0	0
Customer contributions	0	0	0	0	0	0
Total investments	0	0	0	0	0	0
Operating costs	4,082	4,082	4,082	4,082	4,082	4,082
Accounting depreciation	3,200	3,200	3,200	3,200	3,200	3,200
Tax on utilities	376	328	280	232	184	136
Royalties	62	62	62	62	62	62
Taxes	838	836	832	825	815	804
Return on investment	1,447	1,273	1,099	925	752	578
Required income	10,004	9,780	9,554	9,325	9,094	8,861
Revenues	0	0	0	0	0	0
Distribution rate (¢/m³)	33.0900	33.0900	33.0900	33.0900	33.0900	33.0900
Discount rate (¢/m³)	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
Distribution revenue (¢/m³)	33.0900	33.0900	33.0900	33.0900	33.0900	33.0900
Distribution revenue ($)	21,442	21,442	21,442	21,442	21,442	21,442
Annual rate contribution	(11,438)	(11,662)	(11,888)	(12,117)	(12,348)	(12,581)

Annual rate contribution	0	0	0	0	0

Rate contribution (3 years)	45,537	Rate contribution (15 years)	92,173
Rate contribution (5 years)	61,906	Rate contribution (20 years)	94,131
Rate contribution (10 years)	82,610	Rate contribution (40 years)	56,794
Break-even rate (years)	0.00		
Internal rate of return (IRR 40 years)	3.71%		

SALE

Sales Director Date____/____/____	Senior Director, Sales Date____/____/____	Vice-president, Sales and market development Date____/____/____

CONDITIONS OF COMPLETION

Schedule Q-6.1

PROFITABILITY OF THE 2014-2015 DEVELOPMENT PLAN

Line	Description	LOW AND MEDIUM OUTPUT (LMO)									LARGE CORPORATIONS			TOTAL		
		RESIDENTIAL			COMMERCIAL			TOTAL LMO								
		New customers (1)	Additional load (2)	Total (3)	New customers (4)	Additional load (5)	Total (6)	New customers (7)	Additional load (8)	Total (9)	New customers (10)	Additional load (11)	Total (12)	New customers (13)	Additional load (14)	Total (15)
1	**Number of customers year 1**	1,742	162	1,904	2,312	904	3,216	4,054	1,066	5,120	1	7	8	4,055	1,073	5,128
2	Number of customers year 2 (cumulative)	2,033	162	2,195	2,236	904	3,140	4,269	1,066	5,335	1	6	7	4,270	1,072	5,342
3	Number of customers year 3 (cumulative)	2,334	162	2,496	2,236	904	3,163	4,593	1,066	5,659	1	6	7	4,594	1,072	5,666
4	Number of customers year 4 (cumulative)	2,482	162	2,644	2,236	904	3,169	4,747	1,066	5,813	1	6	7	4,748	1,072	5,820
5	Number of customers year 5 (cumulative)	2,551	162	2,713	2,236	904	3,171	4,818	1,066	5,884	1	6	7	4,819	1,072	5,891
6	**Volumes (10^3m^3) year 1**	7,592	174	7,765	59,131	21,549	80,680	66,723	21,722	88,445	85	9,324	9,409	66,808	31,047	97,855
7	Volumes (10^3m^3) year 2 (cumulative)	6,415	174	6,589	53,462	21,549	75,010	59,877	21,722	81,599	2,640	6,324	8,964	62,517	28,047	90,563
8	Volumes (10^3m^3) year 3 (cumulative)	7,086	174	7,260	53,462	21,549	76,087	61,624	21,722	83,347	2,640	6,324	8,964	64,264	28,047	92,311
9	Volumes (10^3m^3) year 4 (cumulative)	7,803	174	7,977	53,462	21,549	77,274	63,528	21,722	85,251	2,640	6,324	8,964	66,168	28,047	94,215
10	Volumes (10^3m^3) year 5 (cumulative)	8,093	174	8,267	53,462	21,549	77,990	64,535	21,722	86,257	2,640	6,324	8,964	67,175	28,047	95,222
11	**Capital assets ($000) year 0**	7,872	10	7,882	73,386	3,267	76,653	81,258	3,278	84,535	600	491	1,092	81,858	3,769	85,627
12	Capital assets ($000) year 1	539	-	539	1,253	-	1,253	1,792	-	1,792	-	-	-	1,792	-	1,792
13	Capital assets ($000) year 2	494	-	494	-	-	400	893	-	893	-	-	-	893	-	893
14	Capital assets ($000) year 3	234	-	234	-	-	94	328	-	328	-	-	-	328	-	328
15	Capital assets ($000) year 4	130	-	130	-	-	39	170	-	170	-	-	-	170	-	170
16	Capital assets ($000) year 5	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
17	***(including general expenses)***		92	4,383	6,453	1,323	7,776	10,745	1,414	12,159	-	-	-	10,745	1,414	12,159
18	**CRP grants ($000) year 1**	4,291	-	671	274	-	274	944	-	944	-	-	-	944	-	944
19	CRP grants ($000) year 2	671	-	733	148	-	148	881	-	881	-	-	-	881	-	881
20	CRP grants ($000) year 3	733	-	401	-	-	57	458	-	458	-	-	-	458	-	458
21	CRP grants ($000) year 4	401	-	199	-	-	46	245	-	245	-	-	-	245	-	245
22	CRP grants ($000) year 5	199	-	(38)	(34,951)	(59)	(35,010)	(34,989)	(59)	(35,048)	-	-	-	(34,989)	(59)	(35,048)
23	**Customer contributions[1] ($000) year 0**	(38)	-	(102)	(11)	-	(17)	(119)	-	(119)	-	-	-	(119)	-	(119)
24	Customer contributions ($000) year 1	(668)	-	(86)	-	-	(5)	(91)	-	(91)	-	-	-	(91)	-	(91)
25	Customer contributions ($000) year 2	(102)	-	(43)	-	-	-	(43)	-	(43)	-	-	-	(43)	-	(43)
26	Customer contributions ($000) year 3	(86)	-	(20)	-	-	-	(20)	-	(20)	-	-	-	(20)	-	(20)
27	Customer contributions ($000) year 4	(43)	10	7,844	38,435	3,208	41,643	46,269	3,219	49,487	600	491	1,092	46,869	3,710	50,579
28	Customer contributions ($000) year 5	(20)	92	4,254	4,885	1,323	6,207	9,047	1,414	10,461	-	-	-	9,047	1,414	10,461
	Total investments ($000) year 0	7,834	-	1,063	262	-	656	1,719	-	1,719	-	-	-	1,719	-	1,719
29	Total investments ($000) year 1	4,162	-	882	148	-	237	1,118	-	1,118	-	-	-	1,118	-	1,118
30	Total investments ($000) year 2	1,063	-	488	-	-	96	584	-	584	-	-	-	584	-	584
31	Total investments ($000) year 3	882	-	179	-	-	46	225	-	225	-	-	-	225	-	225
32	Total investments ($000) year 4	488														
33	Total investments ($000) year 5	179														
34	**Impact on rates**															
35	For the first year ($000)	27	(16)	11	(3,634)	(2,165)	(5,799)	(3,606)	(2,181)	(5,787)	51	(420)	(370)	(3,556)	(2,601)	(6,157)
36	For the next 5 years ($000)	176	(69)	107	(14,008)	(9,355)	(23,363)	(13,831)	(9,425)	(23,256)	(462)	(1,054)	(1,516)	(14,293)	(10,478)	(24,771)
37	**Internal rate of return**	10.09%	31.54%	10.21%	13.80%	50.53%	17.38%	13.27%	49.77%	15.83%	21.62%	48.12%	31.44%	13.37%	49.61%	16.11%
38	**Break-even rate (years)**	6.29	1.00	5.76	1.00	1.00	1.00	1.00	1.00	1.00	1.35	1.00	1.00	1.00	1.00	1.00
39																

1 Customer contributions include the $300 connection contribution as well as all other contributions made by customers.

			0	1	2	3	4	5	6	7	8
Project #1	**Project whose PI is greater than 1.0 prior to profitability potential**										
	Project cost		-1,500								
	Operating cash flow			200	200	200	200	200	200	200	200
	Total - Cash flow		-1,500	200	200	200	200	200	200	200	200
	IRR		13.2%								
	Profitability index @	5.28%	2.20								
Project #2	**Project whose PI is between 0.8 and 1.0 with profitability potential**										
	Project cost										
	Operating cash flow		-2,000	100	100	100	100	100	100	100	100
	Total - Cash flow		-2,000	100	100	100	100	100	100	100	100
	IRR		3.9%								
	Profitability index @	5.28%	0.83								
Project #3	**Project whose PI is between 0.8 and 1 without profitability potential**										
	Project cost		-2,000								
	Customer Contr.		350	100	100	100	100	100	100	100	100
	Operating cash flow										
	Total - Cash flow		-1,650	100	100	100	100	100	100	100	100
	IRR		5.29%								
	Profitability index @	5.28%	1.00								
Project #4	**Project whose PI is less than 0.7 with contribution up to a PI of 0.8 and with profitability potential**										
	Project cost		-2,600								
	Customer contr.		525	100	100	100	100	100	100	100	100
	Operating cash flow										
	Total - Cash flow		-2,075	100	100	100	100	100	100	100	100
	IRR		3.7%								
	Profitability index @	5.28%	0.80								
Project #5	**Project whose PI is less than 0.7 with contribution up to a PI of 1.0**										
	Project cost		-2,600								
	Customer contr.		940	100	100	100	100	100	100	100	100
	Operating cash flow										
	Total - Cash flow		-1,660	100	100	100	100	100	100	100	100
	IRR		5.2%								
	Profitability index @	5.28%	1.00								
	Portfolio of 5 projects										
	Project cost		-10,700								
	Customer contr.		1,815								
	Operating cash flow			600	600	600	600	600	600	600	600
	Total - Cash flow		-8,885	600	600	600	600	600	600	600	600
	IRR		6.1%								
	Profitability index @	5.28%	1.12								

			9	10	11	12	13	14	15	16	17
Project #1	**Project whose PI is greater than 1.0 prior to profitability potential**										
	Project cost										
	Operating cash flow		200	200	200	200	200	200	200	200	200
	Total - Cash flow		200	200	200	200	200	200	200	200	200
	IRR										
	Profitability index @	5.28%									
Project #2	**Project whose PI is between 0.8 and 1.0 with profitability potential**										
	Project cost										
	Operating cash flow		100	100	100	100	100	100	100	100	100
	Total - Cash flow		100	100	100	100	100	100	100	100	100
	IRR										
	Profitability index @	5.28%									
Project #3	**Project whose PI is between 0.8 and 1.0 without profitability potential**										
	Project cost										
	Customer contribution		100	100	100	100	100	100	100	100	100
	Total - Cash flow		100	100	100	100	100	100	100	100	100
	IRR										
	Profitability index @	5.28%									
Project #4	**Project whose PI is less than 0.7 with contribution up to a PI of 0.8 and with profitability potential**										
	Project cost										
	Customer contribution		100	100	100	100	100	100	100	100	100
	Total - Cash flow		100	100	100	100	100	100	100	100	100
	IRR										
	Profitability index @	5.28%									
Project #5	**Project whose PI is less than 0.7 with a contribution up to PI of 1.0**										
	Project cost										
	Customer contribution		100	100	100	100	100	100	100	100	100
	Total - Cash flow		100	100	100	100	100	100	100	100	100
	IRR										
	Profitability index @	5.28%									
	Portfolio of 5 projects										
	Project cost										
	Customer contribution		600	600	600	600	600	600	600	600	600
	Total - Cash flow		600	600	600	600	600	600	600	600	600
	IRR										
	Profitability index @	5.28%									

		18	19	20	21	22	23	24	25	26
Project #1	**Project whose PI is greater than 1.0 prior to profitability potential**									
	Project cost									
	Operating cash flow	200	200	200	200	200	200	200	200	200
	Total - Cash flow	200	200	200	200	200	200	200	200	200
	IRR									
	Profitability index @ 5.28%									
Project #2	**Project whose PI is between 0.8 and 1.0 with profitability potential**									
	Project cost									
	Operating cash flow	100	100	100	100	100	100	100	100	100
	Total - Cash flow	100	100	100	100	100	100	100	100	100
	IRR									
	Profitability index @ 5.28%									

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Project #3	**Project whose PI is between 0.8 and 1.0 without profitability potential**									
	Project cost									
	Customer contribution	100	100	100	100	100	100	100	100	100
	Total - Cash flow	100	100	100	100	100	100	100	100	100
	IRR									
	Profitability index @ 5.28%									
Project #4	**Project whose PI is less than 0.7 with a contribution up to PI of 0.8 and with profitability potential**									
	Project cost									
	Customer contribution	100	100	100	100	100	100	100	100	100
	Total - Cash flow	100	100	100	100	100	100	100	100	100
	IRR									
	Profitability index @ 5.28%									
Project #5	**Project whose PI is less than 0.7 with a contribution up to PI of 1.0**									
	Project cost									
	Customer contribution	100	100	100	100	100	100	100	100	100
	Total - Cash flow	100	100	100	100	100	100	100	100	100
	IRR									
	Profitability index @ 5.28%									
	Portfolio of 5 projects									
	Project cost									
	Customer contribution	600	600	600	600	600	600	600	600	600
	Total - Cash flow	600	600	600	600	600	600	600	600	600
	IRR									
	Profitability index @ 5.28%									

		27	28	29	30	31	32	33	34	35
Project #1	**Project whose PI is greater than 1.0 prior to profitability potential**									
	Project cost									
	Operating cash flow	200	200	200	200	200	200	200	200	200
	Total - Cash flow	200	200	200	200	200	200	200	200	200
	IRR									
	Profitability index @ 5.28%									
Project #2	**Project whose PI is between 0.8 and 1.0 with profitability potential**									
	Project cost									
	Operating cash flow	100	100	100	100	100	100	100	100	100
	Total - Cash flow IRR	100	100	100	100	100	100	100	100	100
	Profitability index @ 5.28%									
Project #3	**Project whose PI is between 0.8 and 1.0 without profitability potential**									
	Project cost									
	Customer contribution	100	100	100	100	100	100	100	100	100
	Total - Cash flow	100	100	100	100	100	100	100	100	100
	IRR									
	Profitability index @ 5.28%									
Project #4	**Project whose PI is less than 0.7 with a contribution up to PI of 0.8 with profitability potential**									
	Project cost									
	Customer contribution	100	100	100	100	100	100	100	100	100
	Total - Cash flow	100	100	100	100	100	100	100	100	100
	IRR									
	Profitability index @ 5.28%									
Project #5	**Project whose PI is less than 0.7 with a contribution up to PI of 1.0**									
	Project cost									
	Customer contribution	100	100	100	100	100	100	100	100	100
	Total - Cash flow	100	100	100	100	100	100	100	100	100
	IRR									
	Profitability index @ 5.28%									
	Portfolio of 5 projects									
	Project cost									
	Customer contribution	600	600	600	600	600	600	600	600	600
	Total - Cash flow	600	600	600	600	600	600	600	600	600
	IRR									
	Profitability index @ 5.28%									

			36	37	38	39	40
Project #1	**Project whose PI is greater than 1.0 prior to profitability potential**						
	Project cost						
	Operating cash flow		200	200	200	200	200
	Total - Cash flow		200	200	200	200	200
	IRR						
	Profitability index @	5.28%					
Project #2	**Project whose PI is between 0.8 and 1.0 with profitability potential**						
	Project cost						
	Operating cash flow		100	100	100	100	100
	Total - Cash flow		100	100	100	100	100
	IRR						
	Profitability index @	5.28%					
Project #3	**Project whose PI is between 0.8 and 1.0 without profitability potential**						
	Project cost						
	Customer contribution		100	100	100	100	100
	Total - Cash flow		100	100	100	100	100
	IRR						
	Profitability index @	5.28%					
Project #4	**Project whose PI is less than 0.7 with a contribution up to PI of 0.8 and with profitability potential**						
	Project cost						
	Customer contribution		100	100	100	100	100
	Total - Cash flow		100	100	100	100	100
	IRR						
	Profitability index @	5.28%					
Project #5	**Project whose PI is less than 0.7 with a contribution up to PI of 1.0**						
	Project cost						
	Customer contribution		100	100	100	100	100
	Total - cash flow						
	IRR		100	100	100	100	100
	Profitability index @	5.28%					
	Portfolio of 5 projects						
	Project cost						
	Customer contribution		600	600	600	600	600
	Total - Cash flow		600	600	600	600	600
	IRR						
	Profitability index @	5.28%					