

**RESPONSE BY GAZ MÉTRO LIMITED PARTNERSHIP (GAZ MÉTRO) TO THE  
REQUEST FOR INFORMATION No. 2 BY MR. PAUL CHERNICK, AN EXPERT FOR  
THE REGROUPEMENT DES ORGANISMES ENVIRONNEMENTAUX EN ÉNERGIE  
(ROÉÉ) AND THE UNION DES CONSOMMATEURS (UC)**

**Discovery (no. 2) on Additional Evidence of Gaz Metro**

**Source:**

- **R-3867-2013, B-0038, Gaz Métro – 2, Document 6, p. 9**

- 1) Please list the components of administrative expenses that are allocated on the basis of allocated capacity.

**Response:**

None of the current components for operating expenses is allocated on the basis of capacity. In future, Gaz Métro proposes allocating administrative expenses for gas supply activities on the CA allocation factor and expenses for regulation, accounting, public and governmental affairs and demand forecasting on a combination of the CA and FB08 factors.

Please see lines 3 to 33 under the *Allocation* tab, Exhibit B-0039, Gaz Métro-2, Document 7, and lines 3 to 39 under the same tab, Exhibit B-0040, Gaz Métro-2, Document 8, for details on the allocation of operating expenses and the response to question 15.2 in the Régie's Request for Information No. 1, Exhibit Gaz Métro-3, Document 1.

- 2) Please provide the workpapers and derivation of the proposed "breakdown of administrative expenses into various components."
  - a) List each component of the administrative expenses in the proposed methodology.

**Response:**

Please see the response to question 15.1 in the Régie's Request for Information No. 1, Exhibit Gaz Métro-3, Document 1.

- b) For each component,
  - i) Describe the costs included in the component.
  - ii) Indicate whether the component is allocated on CA-Client or EXPLOITD.
  - iii) Explain why it was allocated on that allocation factor.

**Response:**

- i) Please see the response to question 2.a).
- ii) Please see the response to question 2.a).

iii) The most appropriate allocation factors on the strong causal link with costs were identified, and these are the factors proposed by Gaz Métro. Cost causation is the determining element that was considered when choosing allocation factors.

iv)

**Source:**

- **R-3867-2013, B-0038, Gaz Métro – 2, Document 6, p 13**

3) Regarding the allocation of the Global Energy Efficiency Plan:

a) Please explain whether Gaz Métro believes that the benefits of the Plan exceed its costs, and if so, explain why.

**Response:**

For a full discussion of Gaz Métro's vision regarding the GEEP and the performance of programs included in this initiative, please see exhibits B-0134, Gaz Métro-9, Document 1 and B-0135, Gaz Métro-9, Document 2, in R-3879-2014.

b) Please provide any available estimate of the benefits resulting from the Global Energy Efficiency Plan expenditures in 2013/14, including at least the following:

- Reduced gas purchase volumes for the life of the measures installed,
- Reduced need for transmission and distribution upgrades over the life of the measures,
- Reduced city-gate gas prices,
- Increased LNG capacity available for sales,
- Benefits of reduced emission of CO2 and other pollutants.

**Response:**

For performance indicators for 2013/2014 GEEP initiatives, please see Exhibit B-0129, Gaz Métro-12, Document 3, in R-3916-2014.

**Source:**

- **R-3867-2013, B-0038, Gaz Métro – 2, Document 6, p 16-17**
- **R-3867-2013, B-0033, Gaz Métro-2, Document 9, Excel File**
- **R-3867-2013, B-0034, Gaz Métro-2, Document 10, Excel File**

4) Please provide all workpapers and spreadsheets used to develop the CONDPRIN allocation factor from the two databases filed as exhibits Gaz Métro-2, Document 9 and Gaz Métro-2, Document 10.

**Response:**

The costs allocation simulator for gas mains included in B-0041, Gaz Métro-2, Document 12 presents the data and calculations behind the CONDPRIN factor. Tabs *CONDPRIND* and *CONDPRIN* in Exhibit B-0040, Gaz Métro-2, Document 8 also present details of the compilation for both allocation factors. Please see the response to question 28 in Dr. Paul Chernick's Request for Information No.1, Exhibit Gaz Métro-3, Document 5.

**Source:**

- **R-3867-2013-B-0040, Sheet “Administrative and general expenses”**
  - **R-3867-2013-B-0039, Sheet “Allocation”**
- 5) The “Administrative expenses” in R-3867-2013-B-0039 is \$92,769,543, while the total of the “Administrative and general expenses” in R-3867-2013-B-0040 is \$77,820,846.
- a) Please list all the items included in “Administrative expenses” in R-3867-2013-B0039 but excluded from “Administrative and general expenses” in R-3867-2013-B0040, and for each such component:
- i) Please provide the value of the component.
  - ii) Please indicate where each such component is included in R-3867-2013-B0040.
  - iii) Please explain the rationale for recategorizing that component from “Administrative expenses” to the particular account(s) to which it was reclassified in R-3867-2013-B-0040.
  - iv) If the component was recategorized to more than one account, please provide any workpapers supporting the reclassification.

**Response:**

**i) and ii)** Please see the response to question 15.2 in the Régie's Request for Information No.1, Exhibit Gaz Métro-3, Document 1.

Administrative expenses under current component	2013/2014 (\$)	Proposed classification
Goods and Services Procurement; Logistics	13,822,964.25	Support Services
Gas Supply	1,935,900.02	Gas Supply
Corporate CC	(4,764,656.25)	Support Services
Budget, Accounting and Analysis	3,016,119.95	Administrative and General Expenses; External Customers
Corporate Control	1,716,866.15	Administrative and General Expenses; External Customers
Skills Development	4,693,879.82	Support Services
New Construction and Network Improvement	806,141.44	Operation and Maintenance of Connections, Meters and Pipes
Operations Directorate	4,114,359.32	Operation and maintenance of connections, meters and pipes
Information Management	20,901,734.99	Support Services
Engineering, Asset Management and Geomatics	8,963,710.64	Engineering and Planning
Marketing	(308,040.37)	Support Services
Major Projects and Business Development	1,623,438.42	Engineering and Planning
President	391,575.79	Support Services
Regulation and Pricing	3,304,587.54	Administrative and General Expenses; External Customers
Customer Service	575,864.59	Customer Billing and Meter Reading
Legal Services and Claims	2,473,146.00	Administrative and General Expenses; External Customers
Performance Support and Mobilization	1,405,004.09	Support Services
Performance Support and Employee Relations	2,714,704.50	Support Services
Treasury	3,649,591.42	Treasury
Internal Audit and Control	1,386,154.70	Administrative and General Expenses; External Customers
VP Procurement and Regulatory Affairs	211,441.71	Support Services
VP Marketing, Assistant Director, Administrative Services	651,506.72	Sales Force
VP Business Development and Renewable Energy	1,443,812.28	Support Services
VP Sustainable Development, Public and Governmental Affairs	4,116,109.79	Administrative and General Expenses; External Customers
VP Employees and Culture	13,923,625.52	Support Services
<b>Total:</b>	<b>92,769,54303</b>	

iii) and iv) Please see pages 67 to 79, Exhibit B-0016, Gaz Métro-2, Document II, TEinsiTDI in the responses to questions 15 to 17 in the Régie's Request for Information No. 1, Exhibit Gaz Métro-3, Document 1.

- b) Please list any items included in 7\$ CP IMNraNEITEQCTgeleIDTrI SHNIV T11T5 - 3867- 2013-B-0040 ENTel FOCeCTRRP T7\$ CP 1QINUNiveT1I SllseIV TRT5 - 3867-2013-B-0039, and for each such component:
- i) Please provide the value of the component.
  - ii) Please indicate where each such component is included in R-3867-2013-B0039.
  - iii) Please explain the rationale for recategorizing that component.

**Response:**

**i) and ii)** Please see the response to question 15.2 in the Régie's Request for Information No. 1, Exhibit Gaz Métro-3, Document 1.

**iii)** The cost categories grouped under Administrative Expenses are many and varied, so Gaz Métro proposes to split these expenses into distinct groups and create three large expense categories for Administrative and General Expenses.

- 6) Please explain why engineering and project planning is allocated on the FB08 factor (customer number), rather than a factor that includes the costs of engineering and project planning for mains and capacity-related upgrades.

**Response:**

Please see the response to question 15.3 in the Régie's Request for Information No.1, Exhibit Gaz Métro-3, Document 1.