

GAZIFÈRE INC.
PRE-FILED EVIDENCE OF MATTHEW KIRK
2015 RATE CASE

Q.1 Please state your full name and your current position.

A.1 My name is Matthew Kirk. I am the Cost Allocation Manager at Enbridge Gas Distribution.

Q.2 What are your professional qualifications, experience, and previous appearances before this or other regulatory tribunals?

A.2 Please refer to my Curriculum Vitae filed at Exhibit GI-21, document 3.

Q.3 What is the purpose of this testimony?

A.3 I am presenting the results of the fully allocated cost study for the 2015 test year. The study allocates the test year distribution revenue requirement (DRR) to the customer rate classes which is then used as a guide to rate design. Gazifère (the "Company") determined the test year revenue requirement based on its approved Comprehensive Performance-Based Regulation (CPBR) formula.

Q.4 Is Gazifère proposing any cost allocation methodology changes as part of this filing?

A.4 Gazifère is not proposing any changes as part of this proceeding. Gazifère used the cost allocation methodology approved by the Régie in its decisions D-2006-158 and D-2011-186 to allocate the 2015 distribution requirement to the customer rate classes. However, there is a new cost element for 2015 related to the province's new carbon legislation. Treatment of the new cost item is addressed under Q.6.

Q.5 Could you please outline the derivation of the study?

A.5 Gazifère determined its 2015 distribution revenue requirement based on its CPBR formula. The Company also prepared an internal budget for management purposes that equals the revenue requirement determined by the CPBR formula.

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The Company then used the budget and the test year forecast of volumes to perform the study. Using the study as a guide to rate design ensures that cost causality is maintained during the CPBR period.

Note that the details of the internal budget are not being filed with the Régie during the CPBR term. Therefore, the Company is only filing the allocation of the total distribution revenue requirement at a rate class level. Please refer to exhibit GI-21, document 2 for the result of the study.

Q.6 Following the implementation of the *Regulation respecting a cap-and-trade system for greenhouse gas emission allowances* (SPEDE), 2015 will be the first year in which Gazifère is administering the purchase of emission allowances on behalf of its customers. Please explain how the associated administration costs will be allocated.

A.6 The SPEDE legislation requires Gazifère to purchase emission allowances on behalf of its customers, excluding those customers deemed to be “emitters” by the legislator. Emitters, as per the legislation, are required to purchase the emission allowances on their own. All Rate 5 and Rate 9 customers are considered to be “emitters” and are accordingly not allocated any of Gazifère’s associated administration costs.

The number of emission allowances Gazifère will be required to purchase is driven by GHG emissions of its customers, which are in turn a function of gas consumption. Therefore, in order to reflect these cost drivers, administration costs associated with managing the SPEDE legislation have been allocated to the rate classes based on total delivery volumes (i.e. – consumption) of each rate class, excluding Rate 5 and Rate 9.

In its decision D-2013-191, the Régie approved a budget of \$96,000 as an exogenous amount to the formula, for Gazifère to prepare for the introduction

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of the SPEDE legislation. Treatment of Gazifère's 2015 administration costs, as described above, is consistent with the treatment of the \$96,000 in 2014.

Q.7 Does this conclude your evidence?

A.7 Yes it does.