

GAZIFÈRE INC.  
PRE-FILED EVIDENCE OF ANTON KACICNIK, MATTHEW KIRK AND JACKIE COLLIER  
RATE RIDER - SPEDE  
2015 RATE CASE

**Q.1 How will Gazifère recover costs associated with the *Regulation respecting a cap-and-trade system for greenhouse gas emission allowances (SPEDE)*?**

A.1 As mentioned in exhibit GI-21, the administration costs related to the SPEDE have been incorporated in the distribution rates and are included in the proposed rates filed in exhibit GI-22, document 1.2.

With respect to the purchase of emission allowances (the “SPEDE costs”), Gazifère proposes to recover costs associated with this process through a Rate Rider, applied volumetrically to all applicable customers. Applicable customers include customers under Rates 1, 2, and 3. Rates 5 and 9 customers are deemed to be “emitters” and, as per the legislation, are required to purchase emission allowances on their own.

**Q.2 What considerations did Gazifère take into account when deciding what methodology would be best suited for the recovery of SPEDE costs?**

A.2 Recovering costs through a Rider presented on a separate line on the invoice, as Gazifère is proposing, is similar to the approach currently in place for the Green Fund Duty. By employing a similar methodology, Gazifère expects less confusion for customers, and a smoother implementation of the SPEDE program.

In developing the model and process for recovering SPEDE costs, the Company applied the principles of simplicity and transparency, with an emphasis on minimizing quarter-to-quarter variability in the Rate Rider.

**Q.3 How will the initial Rate Rider be calculated for the first quarter of 2015?**

A.3 The Rate Rider is calculated by dividing the projected total cost of emission allowance purchases for the year (which will be based on the floor price or latest auction price) by the total budget volumes excluding the volumes of emitters for 2015. For all subsequent quarters, Rider adjustments are also divided by 12 months of volumes, as this ensures the least volatility in the Rider.

**Q.4 How will the Company account for the timing differences of when revenues are received from customers and when the Company purchases emission allowances?**

A.4 To account for timing differences, Gazifère will maintain a variance account which tracks actual revenues generated by the Rate Rider, as well as actual cost of purchases of emission allowances. At the end of each month, interest will be charged / credited on the net balance of the account. The interest on the variance account will be cleared when the SPEDE Rider is updated as outlined in answer to question 5.

**Q.5 How often will Gazifère update the Rate Rider developed to recover SPEDE costs?**

A.5 Gazifère proposes to update the Rider on a quarterly basis in conjunction with their regular quarterly pass-on application. If the Company purchases any emission allowances at a price different from that which is reflected in the Rider generated in the previous quarter, the Rider will be updated to reflect the most recent price. If no purchases are made in a particular quarter, the previous purchase price reflected in the Rider will carry forward, and the Rider will not be updated with respect to the price of emission allowances.

However, the Rider unit rate will be adjusted quarterly to clear interest on the variance account balance.

**Q.6 What evidence will be prepared and submitted to the Régie in support of the quarterly filings?**

A.6 In each quarter, four tables will be filed. These tables will present updates to the Rate Rider, as well as provide an ongoing update of revenues that have been collected from customers and purchases that have been made by the Company. Examples of the tables are provided in Appendix A filed as exhibit GI-22, document 1.5.

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Table 1 takes account of the cost of actual purchases of emission allowances, and determines the variance between the cost of actual purchases and the cost reflected in the previous quarter's Rate Rider. Table 2 adjusts the Rate Rider by the variance determined in Table 1. Table 3 tracks actual revenues generated by the Rate Rider, as well as the cost of actual purchases of emission allowances, as described in answer to question 3 above. Table 4 calculates any amounts that the generated Riders will not capture by the end of the calendar year. Those amounts will be carried over to the following year.

**Q.7 How will amounts uncollected in a calendar year carry over to the following year?**

A.7 In developing the initial Rate Rider and any subsequent adjustments to the Rider, the denominator is always the full year's budget volumes excluding the volumes of emitters. As discussed in answer to question 3 above, this approach is adopted to minimize the volatility of the Rider. However, as a result of always using 12 months of volume as the denominator, an extra consideration must be made for the time frame in which the Rider is expected to recover revenues.

For example, the adjustment made to the Rider in the second quarter of 2015 (2015 Q2) assumes that the Rider will be in place for a full year. Therefore, part of the adjustment in the 2015 Q2 Rider will not be captured unless an additional adjustment is made at the start of the next calendar year to reflect the last three months of the 2015 Q2 Rider, which are yet to be collected. Similar adjustments will be needed to reflect the last six months of the 2015 Q3 Rider, and the last nine months of the 2015 Q4 Rider.

Therefore, the initial Rider for 2016 would be the projected total cost of emission allowance purchases for the year (based on the higher of the floor price for 2016 or the latest auction price), plus or minus the additional adjustment for previous quarters as described above, divided by the total budget volumes excluding the volumes of emitters for 2016. An example of this process can be seen in Appendix A, 2015 Q4 – Table 4, where an adjustment amount of \$124,880 is calculated. That amount is carried over to Appendix A – 2016 Q1 – Table 2, where it is included in the initial Rate Rider for 2016.

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**Q.8 How will the Company take into account that the actual number of emission allowances purchased is unlikely to equal the required number of emission allowances for a given year.**

A.8 If the number of emission allowances purchased by the Company in a given year is greater or less than the required number of allowances, the budgeted number of emission allowances required for the following year will be adjusted to reflect this difference.

**Q.9 Please provide any further details required to navigate the tables in Appendix A.**

A.9 The series of tables provided in Appendix A outline a scenario in which Gazifère purchases emission allowances, at arbitrarily chosen prices and intervals, over a period between January 2015 and June 2016.