

GAZIFÈRE INC.
PRE-FILED EVIDENCE OF JACKIE COLLIER AND ANTON KACICNIK
2016 RATE CASE

- Q.1 Please state your full name, and your current position.
- A.1 My name is Jackie Collier, I am Manager Rate Design, at Enbridge Gas Distribution Inc (“EGD”). I am Anton Kacicnik, I am Manager Rate Research and Design at EGD.
- Q.2 What are your professional qualifications, experience, and previous appearances before this or other regulatory tribunals?
- A.2 Please refer to our Curriculum Vitae filed at Exhibit GI-37, documents 2 and 3.
- Q.3 What is the purpose of this testimony?
- A.3 This testimony addresses Gazifère’s (the “Company”) proposed allocation of the 2016 forecast distribution revenue requirement and revenue sufficiency to the various customer rate classes and the development of the 2016 distribution rates. The 2016 distribution rates are derived using the results of the 2016 fully allocated cost study as a guide. This evidence does not address the derivation of the gas supply, load balancing and transportation charges. These charges will continue to be determined within Gazifère’s quarterly rate change mechanism.
- Q.4 What is the distribution revenue sufficiency and how much is it for the test year?
- A.4 The distribution revenue sufficiency is the difference between the distribution revenue requirement for the test year determined by the 2016 cost of service budget and the revenues derived by applying the current distribution rates from the Régie’s Decision D-2014-204 (2015 rates) to the 2016 test year number of customers and volumes. It is \$(1,415.0) thousand for 2016. In other words, revenues at current rates are \$1,415.0 thousand higher than the 2016 revenue requirement.
- Q.5 Please provide an overview of the organization of the documents contained under Tab GI-37, documents 1.1 to 1.3. In addition, please provide a summary of the content of these documents.

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A.6 Certainly. Document 1.1 (Revenue Comparison – Current Distribution Revenue vs. Proposed Distribution Revenue), contains by rate class a summary of test year 2016 volumes (Col. 2), associated distribution revenues under the current 2015 distribution rates (Col.3), associated revenues under the proposed 2016 rates (Col. 5), and the corresponding 2016 revenue sufficiency of \$(1,415.0) thousand (Col. 4).

Document 1.2 provides a summary of the proposed unit rate changes by rate class. The unit rates currently in effect, the unit rate changes, and the proposed unit rates are provided in this document on a rate class basis.

Document 1.3, page 1, provides the current and proposed average unit rates for the commodity, load balancing, transportation and distribution for each rate class in Columns 1 and 3 respectively. The commodity, load balancing and transportation revenues are based on the October 1, 2015 Pass-on rates and therefore do not include the forecast change in gas costs for 2016 as outlined at Exhibit GI-27. The impacts from the change in 2016 gas costs are discussed and filed in Phase IV, Section 44. The associated revenues are in Columns 2 and 4 respectively. The forecast distribution revenue sufficiency is in Column 5. The percentage change in the unit rates is shown in Column 6.

Q.7 Please explain how the sufficiency is allocated to the rate classes and how the proposed rates are derived.

A.7 The proposed rates are determined in two stages. In stage 1, the distribution sufficiency is allocated to the rate classes pro rata to their rate base allocations on a preliminary basis.

In the stage 2, the distribution sufficiency allocation is reviewed and further adjustments may be performed to the distribution revenue component of the various rate classes. The final distribution sufficiency by rate class and proposed revenues are shown in Columns 4 and 5 of GI-37, document 1.1.

Q.8 Please describe the adjustments made to the distribution sufficiency at the rate class level in stage 2.

A.8 Adjustments are made to the revenue responsibilities of each rate class if the

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initial allocation of deficiency in stage 1 does not achieve important rate design objectives. These objectives include avoidance of rate shock, market acceptance, competitive position, appropriate relationships between rates, and acceptable revenue to cost “(R/C)” ratios. Table 1 below depicts the proposed 2016 distribution revenue to costs ratios for each rate class as well as the 2015 distribution revenue to cost ratios. Typically, the Company quotes a revenue to cost ratio including commodity and load balancing costs and revenues. As this filing only isolates the distribution revenue requirement, the revenue to cost ratios have been stated on a distribution only basis.

The Company has been making small improvements in the revenue to cost ratios for all rate classes over the past number of years to reduce the level of subsidy between Rate 2 customers and other rate classes. Given that the Company is forecasting a revenue sufficiency of \$(1,415.0) thousand for 2016, the Company is proposing to make the following adjustments to the forecast revenues for each rate class to further improve the revenue to costs ratio for all rate classes in 2016 relative to 2015. The Company is proposing to make an upward adjustment of \$1021.5K in revenues to Rate 2. This level of adjustment produces no change in 2016 delivery rates for Rate 2 and yields a zero rate impact for Rate 2 customers. This adjustment will improve Rate 2 revenue to cost ratio from 0.86 in 2015 to 0.91 in 2016. To offset this upward adjustment, downward adjustments have been made to all rate classes which yields a rate decrease for Rates 1,3,5 and 9 and an improvement in their revenue to cost ratios for 2016.

The Company has filed total rates inclusive of the forecast change in gas cost for 2016 in Phase IV, Section 44. As depicted in Exhibit G1-27, the 2016 forecast of gas cost results in a further revenue sufficiency of \$641.9 thousand for 2016. This results in a reduction in gas rates for all rate classes. The impact of the gas cost sufficiency combined with the proposed no change in Rate 2 delivery rates produces a rate decrease for Rate 2 Sales and T-service customers of -0.9% and -1.2%, respectively.

Table 1 below depicts the revenue adjustments for all rates classes as well as

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the 2016 and 2015 revenue to cost ratios. Also shown below is a summary of the proposed rate impacts for all rate classes for customer under Sales service and T-service (excludes commodity). Finally, the table below shows the change in volumes by rate class for 2016 and 2015.

The rate impacts depicted in the chart below are relative to the October 1, 2015 Pass-On rates which are based on the 2015 final distribution rates and October 1, 2015 gas costs.

Table 1: Proposed Adjustments and Rate Increase for 2016

	<u>Total</u>	<u>Rate 1</u>	<u>Rate 2</u>	<u>Rate 3</u>	<u>Rate 4</u>	<u>Rate 5</u>	<u>Rate 9</u>
Adjustments (\$'000)	0.0	(825.1)	1021.5	(2.28)	0.0	(116.2)	(77.9)
Proposed 2016 R/C Ratio – Distribution Only	1.00	1.28	0.91	1.68	n/a	1.64	1.27
Fiscal 2015 R/C Ratio – Distribution Only	1.00	1.42	0.86	1.81	n/a	1.70	1.29
% increase on total bill of a T-service customer	-3.0%	-7.2%	0.0%	-4.8%	n/a	-7.1%	-6.0%
% increase on total bill of a sales customer	-2.1%	-4.7%	0.0%	-2.7%	n/a	n/a	-2.7%
2016 Delivery Volumes (10 ⁶ m ³)	169.9	67.8	67.8	.4	n/a	17.3	16.8
2015 Delivery Volumes (10 ⁶ m ³)	168.2	65.9	64.9	.4	n/a	14.2	22.9

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Q.9 Are you proposing any changes to the monthly fixed charges?

A.9 No, the Company is proposing to maintain the level of monthly fixed charges for 2016. The overall level of the 2016 fixed cost recovery from the monthly fixed charges is approximately the same as in the prior year (2015).

Q.10 Does this conclude your evidence?

A.10 Yes, it does.