

Gazifère advised BDR that another firm, MNP, had been retained to review corporate cost allocations. MNP concluded that a portion of three types of costs should be excluded from the regulated revenue requirement:

- Directors' and Officers' liability insurance;
- Stock-based compensation to management; and
- Certain internal charges.

To maintain consistency of treatment, Gazifère advised BDR that it would eliminate these costs from its Québec regulated revenue requirement, by allocating the full portion excluded by MNP to the unregulated businesses. In this manner, Gazifère fulfills its responsibility for allocations to its corporate parent, without the costs being charged to ratepayers through regulated rates.

Gazifère reviewed each of its cost centers and identified those costs that are related only to the regulated business, or only to the unregulated business.

Costs identified as belonging only to the regulated business include:

- Amortization of deferral account balances;
- Most expenses of the “regulatory” group
- Residential and commercial sales staff and their expenses;
- Advertising related to the regulated business;
- Operation and maintenance of mains and services;
- Regulation and measurement of gas;
- Administration related to distribution operations; and
- Meter reading; and
- Municipal and other taxes related to the distribution system.

Costs identified as belonging only to the unregulated business include:

- JC and Hip cleaning (costs and revenues)
- Furnace cleaning (costs and revenues)
- Rental equipment maintenance
- Expenses in the call and dispatch center providing services to EGNB other than salaries; and
- Revenue from call center and dispatch services to EGNB, which are an offset to the costs incurred for the services.

Gazifère clarified to BDR that JC and Hip cleaning and furnace cleaning are carried out by Gazifère staff who also provide services to the regulated business. However, because the operation staff logs their time to a work order system, in which separate work orders exist for the regulated and unregulated work, the unregulated component of costs can be separately identified and charged to an unregulated cost center. This