

**RÉGIE DE L'ÉNERGIE
DOSSIER R-3924-2015, PHASE 4**

**RÉPONSE DE GAZIFÈRE INC. À LA DEMANDE DE RENSEIGNEMENTS NO. 3
DE SÉ-AQLPA**

**PAR
STRATÉGIES ÉNERGÉTIQUES (S.É.)
L'ASSOCIATION QUÉBÉCOISE DE LUTTE CONTRE LA POLLUTION ATMOSPHÉRIQUE
(AQLPA)**

A. PASSAGE DE GAZIFÈRE AUX PCGR DES ÉTATS-UNIS

DEMANDE DE RENSEIGNEMENTS S.É.-AQLPA-3-1

Références :

- i) **GAZ MÉTRO**, Dossier R-3940-2015, Pièce B-0005, Gaz Métro 1, Document 1, page 10, lignes 1 à 19 :

En vertu des PCGR des États-Unis, une portion des sommes capitalisées dans les CFR liés à la normalisation de la température et du vent entre dans le champ d'application des « alternative revenue Programs » de l'ASC 980 – Regulated operation. Selon cette norme, les sommes peuvent être capitalisées dans un CFR seulement si elles sont récupérées dans les 24 mois (ou 2 ans) suivant la fin de l'année de leur constatation.

Ainsi, dans la situation où le traitement réglementaire actuel était maintenu, Gaz Métro devrait décomptabiliser une portion des CFR aux fins de la préparation de ses états financiers statutaires en vertu des PCGR des États-Unis. Le maintien du traitement réglementaire actuel engendrerait donc une dissension sur le bénéfice comptable de Gaz Métro.

En résumé, cette exigence comptable pourrait entraîner un écart important entre les états financiers réglementaires et statutaires (tant au niveau du bénéfice net qu'au bilan) et nécessiter la production de deux jeux d'états financiers.

2.2.2. Demande de Gaz Métro

Gaz Métro propose d'harmoniser le traitement de l'amortissement relatif aux sommes capitalisées dans les comptes de stabilisation tarifaire avec le traitement requis en vertu des PCGR des États-Unis.

Conséquemment aux exigences des normes comptables décrites précédemment, aux fins de l'établissement des tarifs, Gaz Métro demande à la Régie de **modifier à 2 ans la durée d'amortissement des CFR liés à la stabilisation tarifaire de la température et du vent**, à compter du 1^{er} octobre 2016. [Souligné en caractère gras par SÉ-AQLPA]

- ii) **RÉGIE DE L'ÉNERGIE**, Dossier R-3940-2015, Pièce A-0015, Décision D-2015-212, page 31, paragraphe 112, 1^{er} alinéa :

La Régie de l'énergie :

APPROUVE une modification à la convention comptable réglementaire à compter du 1^{er} octobre 2016, **afin que la durée d'amortissement des comptes de frais reportés relatifs à la stabilisation tarifaire de la température et du vent soit de deux ans**; [Souligné en caractère gras par SÉ-AQLPA]

- iii) **RÉGIE DE L'ÉNERGIE**, Dossier R-3840-2013, Pièce A-0010, Décision D-2013-102, page 22, tableau 3 et page 23 paragraphe 74 :

Tableau 3

Compte de stabilisation de la température

| | Avant impôts | Après impôts |
|--|--------------|--------------|
| Solde au 1 ^{er} janvier 2011 | 939 913 \$ | 665 159 \$ |
| Normalisation 2008 – an 3 de l'amortissement sur 5 ans | 43 977 \$ | 30 388 \$ |
| Normalisation 2009 – an 2 de l'amortissement sur 5 ans | 34 344 \$ | 23 731 \$ |
| Normalisation 2010 – an 1 de l'amortissement sur 5 ans | (194 004) \$ | (135 996) \$ |
| Normalisation 2012 – amorti à partir de 2014 | 388 345 \$ | 283 880 \$ |
| Solde au 31 décembre 2012 | 1 212 575 \$ | 665 158 \$ |

Source : Tableau établi à partir de la pièce B-0025.

[74] La Régie autorise Gazifère à inclure dans l'établissement du revenu requis de l'année témoin 2014, à titre d'exclusion, un montant de 77 669 \$ correspondant au solde, avant impôts, comptabilisé dans le compte de stabilisation de la température pour l'année 2012, **amorti sur cinq ans**. [Souligné en caractère gras par SÉ-AQLPA]

A. GAZIFÈRE TRANSITION TO US GAAP

REQUEST FOR INFORMATION S.É.-AQLPA-3-1

References:

- i) **GAZ MÉTRO**, File R-3940-2015, Exhibit B-0005, Gaz Métro 1, Document 1, page 10, lines 1 to 19:

[translation]

Under the US GAAP, a portion of the capitalized amounts in the temperature and wind stabilization DCAs falls under ASC 980 – Regulated Operations Alternative Revenue Programs. According to this standard, amounts may only be capitalized in a DCA if they are recovered within 24 months (2 years) after the end of the year in which they are reported.

Were the current regulatory treatment maintained, Gaz Métro would have to derecognize a portion of the DCA for the purposes of financial statements prepared in accordance with the US GAAP. Thus, maintaining the current regulatory treatment would result in a difference in the accounting profit of Gaz Métro.

In brief, this accounting requirement could lead to a significant difference between the regulatory and statutory financial statements (in terms of both net profits and the balance sheet) and require the preparation of two sets of financial statements.

2.2.2. Request by Gaz Métro

Gaz Métro proposes harmonizing the treatment of amortization of the capitalized amounts in the rate stabilization accounts with the treatment required under the US GAAP.

Further to the requirements under the accounting standards described above, for the purpose of setting rates, Gaz Métro requests that the Régie amend to two years the amortization period for temperature and wind rate stabilization DCAs effective October 1, 2016. [SÉ-AQLPA emphasis]

- ii) **RÉGIE DE L'ÉNERGIE**, File R-3940-2015, Exhibit A-0015, Decision D-2015-212, page 31, paragraph 112, point 1:

[translation]

*The Régie de l'énergie:
APPROVES an amendment to the regulatory accounting policies effective October 1, 2016, to make the amortization period for the temperature and wind rate stabilization deferred charges account two years; [SÉ-AQLPA emphasis]*

- iii) **RÉGIE DE L'ÉNERGIE**, File R-3840-2013, Exhibit A-0010, Decision D-2013-102, page 22, table 3 and page 23, paragraph 74:

[translation]

Table 3
 Temperature Stabilization Account

| | Before Taxes | After Taxes |
|--|--------------|-------------|
| Balance at January 1, 2011 | \$939,913 | \$665,159 |
| 2008 standardization – year 3 of the 5-year amortization | \$43,977 | \$30,388 |
| 2009 standardization – year 2 of the 5-year amortization | \$34,344 | \$23,731 |
| 2010 standardization – year 1 of the 5-year amortization | (\$194,004) | (\$135,996) |
| 2012 standardization – amortized as of 2014 | \$388,345 | \$283,880 |
| Balance at December 31, 2012 | \$1,212,575 | \$665,158 |

Source: Table based on Exhibit B-0025

[74] The Régie authorizes Gazifère to include in the determination of the revenues required for the 2014 rate year, by way of exclusion, an amount of \$77,669, corresponding to the before taxes balance in the temperature stabilization account for 2012, **amortized over five years**. [SÉ-AQLPA emphasis]

Demande(s) :

a) Nous constatons à la référence iii que Gazifère amortit son compte de stabilisation de la température sur une période de 5 ans. Nous constatons à la référence i que Gaz Métro considère que ceci n'est pas conforme aux PCGR des États-Unis qui préconise une période de maximale de 24 mois (2 ans). C'est la demande que Gaz Métro a faite à la Régie et que celle-ci a acceptée (référence ii). Est-ce que Gazifère considère que cette situation devrait aussi s'appliquer à son compte de stabilisation de la température ?

Request(s):

a) We note in reference iii) that Gazifère amortizes its temperature stabilization account over five years. We note in reference (i) that Gaz Métro deems that this is inconsistent the US GAAP, which sets a maximum period of 24 months (2 years). This is the request that Gaz Métro made to the Régie, which the latter accepted (reference ii)). Does Gazifère think that this situation should also apply to its temperature stabilization account?

Réponse 3.1a) :

Yes, please refer to Gazifère's revised evidence regarding its weather stabilization deferral account at exhibits GI-45, document 2, and GI-43, document 1.

- b) Si la réponse est négative, veuillez expliquer.
- b) If no, please explain.

Réponse 3.1b) :

Please see response to question 3.1a).

DEMANDE DE RENSEIGNEMENTS S.É.-AQLPA-3-2
REQUEST FOR INFORMATION S.É.-AQLPA-3-2

Référence : GAZIFÈRE INC., Dossier R-3924-2015, Phase 4, Pièce B-0207, GI-45, Document 1.
Reference: GAZIFÈRE INC., File R-3924-2015, Phase 4, Exhibit B-0207, GI-45, Document 1.

Demande(s) :

- a) Est-ce-que Gazifère pourrait, à partir de 2017, utiliser un autre référentiel comptable que celui retenu par Enbridge ? Veuillez expliquer votre réponse. Au-delà de votre réponse, veuillez élaborer sur les avantages et inconvénients d'une telle possibilité.

Request(s):

- a) As of 2017, could Gazifère use an accounting standard other than the one used by Enbridge? Please explain your answer. In addition, please elaborate on the pros and cons of such an option.

Réponse 3.2a) :

As of 2017, Gazifère could use, other than US GAAP, the following accounting standards:

- **The current accounting standard Gazifere has adopted, CICA Part V Pre-changeover Accounting Standards**
- **CICA Part II Accounting Standards for Private Enterprise (ASPE)**
- **CICA Part I International Financial Reporting Standards (IFRS)**

The disadvantage of adopting ASPE is that with respect to Pensions and OPEBs, any unamortized actuarial gains/losses or prior service cost that are realized during the year are immediately recognized as a P&L charge. This would introduce significant variability to Gazifère's profitability and potential rate shock to its customers if Gazifère collect Pension and OPEB accrual cost as part of its rates.

The disadvantage of IFRS is that there is no rate-regulation accounting standard and therefore Gazifère would not be able to recognize any Regie approved regulatory deferral accounts in the financial statements. Therefore the reporting of Gazifère's results and financial position would not be representative, given the regulatory environment that Gazifère operates in.

As of 2017, Gazifère could continue to use its current accounting standard, as long as it's approved by the Régie. Please see exhibit GI-45, document 1 for the advantages of adopting US GAAP.

DEMANDE DE RENSEIGNEMENTS S.É.-AQLPA-3-3
REQUEST FOR INFORMATION S.É.-AQLPA-3-3

Référence : GAZIFÈRE INC., Dossier R-3924-2015, Phase 4, Pièce B-0207, GI-45, Document 1, page 3, paragraphe a :

Reference: GAZIFÈRE INC., File R-3924-2015, Phase 4, Exhibit B-0207, GI-45, Document 1, page 3, paragraph a:

a. Adopting USGAAP would provide for the continued alignment of Gazifère's financial reporting and its regulatory basis of accounting.

Demande(s) :

a) Veuillez élaborer sur le sens à donner à l'expression « *alignment* »? Est-ce que ça signifie identique ou compatible ou cohérent ?

Request(s):

a) Please elaborate on the interpretation of *alignment*. Does it mean identical, compatible or consistent?

Réponse 3.3a) :

The sentence is discussing the fact that if the Régie approves the adoption of US GAAP for regulatory purposes, then it would also be the same basis of accounting that Gazifère would adopt for financial reporting purposes. Therefore Gazifère would not have to maintain and provide two different sets of financial statements which will be more efficient.

DEMANDE DE RENSEIGNEMENTS S.É.-AQLPA-3-4
REQUEST FOR INFORMATION S.É.-AQLPA-3-4

Référence : GAZIFÈRE INC., Dossier R-3924-2015, Phase 4, Pièce B-0207, GI-45, Document 1.
Reference: GAZIFÈRE INC., File R-3924-2015, Phase 4, Exhibit B-0207, GI-45, Document 1.

Demande(s) :

a) Veuillez confirmer que Gazifère inc. interprète bien les PCGR des États-Unis comme lui permettant d'incorporer à la valeur amortie d'un actif (durant toute sa vie comptable) une provision pour les **coûts de fin de vie utile de l'actif (démantèlement, disposition et autres remédiations)**.

Request(s):

a) Please confirm that Gazifère inc. is properly interpreting the US GAAP as enabling it to incorporate into the amortized value of an asset (throughout its book life) a provision for **end of useful life cost (dismantling, disposal and other changes)**.

Réponse 3.4a) :

As approved in Decision D-2010-112 (Depreciation Study Section) the Régie has authorized Gazifère to charge and collect from its customers estimated costs for the future removal and site restoration of its assets. Gazifère has filled a depreciation study, as presented in exhibit GI-18, document 1, of the present filing. This depreciation study is using the same principles as the previous approved study. The costs collected from customers are recorded to a regulatory liability account presented under future removal and site restoration, and not as part of the property, plant and equipment account.

b) Dans l'éventualité où vous interpréteriez les PCGR des États-Unis comme donnant à Gazifère l'option de le faire ou de ne pas le faire, veuillez confirmer que Gazifère inc. choisit d'incorporer à la valeur amortie d'un actif (durant toute sa vie comptable) une provision pour les **coûts de fin de vie utile de l'actif (démantèlement, disposition et autres remédiations)**. Avez-vous besoin, aux fins d'un tel choix, que la Régie déclare que les coûts de fin de vie utile de l'actif (démantèlement, disposition et autres remédiations) sont un actif ou passif réglementaire ou cela ne sera-t-il pas nécessaire ?

b) In the event that you should interpret the US GAAP as giving Gazifère the choice of whether to do so, please confirm that Gazifère inc. has chosen to incorporate into the amortized value of an asset (throughout its book life) a provision for **end of useful life costs (dismantling, disposal and other changes)**. In order to make such a choice, do you need the Régie to declare that the asset's end of useful life costs (dismantling, disposal and other changes) are a regulatory asset or liability, or will that not be necessary?

Réponse 3.4b) :

As responded above in (a), the costs collected for the future removal and site restoration of Gazifère's asset are not incorporated into the amortized value of its asset. The costs are currently being recorded as a regulatory liability.

c) Veuillez citer et reproduire le texte exact des clauses des les PCGR des États-Unis au soutien de vos affirmations en (a) et (b).

c) Please cite and reproduce the exact text of the US GAAP clauses supporting your statements in (a) and (b).

Réponse 3.4c) :

ASC 980-405-25-1(b) states the following:

25-1 Rate actions of a regulator can impose a liability on a regulated entity. Such liabilities are usually obligations to the entity's customers. The following are the usual ways in which liabilities can be imposed and the resulting accounting:

25-1(b) A regulator can provide current rates intended to recover costs that are expected to be incurred in the future with the understanding that if those costs are not incurred future rates will be reduced by corresponding amounts. If current rates are intended to recover such costs and the regulator requires the entity to remain accountable for any amounts charged pursuant to such rates and not yet expended for the intended purpose, the entity shall not recognize as revenues amounts charged pursuant to such rates. The usual mechanism used by regulators for this purpose is to require the regulated entity to record the anticipated cost as a liability in its regulatory accounting records. Those amounts shall be recognized as liabilities and taken to income only when the associated costs are incurred.

d) Veuillez comparer vos réponses en (a), (b) et (c) avec la situation sous le référentiel comptable actuel et de son interprétation en citant et reproduisant le texte exact des clauses à cet effet.

d) Please compare your answers in (a), (b) and (c) with the situation under the current accounting standard and its interpretation by citing and reproducing the exact text of the corresponding clauses.

Réponse 3.4d) :

The current treatment of the future removal and site restoration regulatory liability account is supported by the following guidance under CICA pre-changeover accounting standards, section 1000.32B.

1000.32B This Section applies to the recognition and measurement of assets and liabilities arising from rate regulation in interim and annual financial statements relating to fiscal years beginning on or after January 1, 2009. Rate regulation exists when all of the following criteria are present:

- (a) The rates for regulated services or products provided to customers are established by or are subject to approval by a regulator or a governing body empowered by statute or contract to establish rates to be charged for services or products.*
- (b) The regulated rates are designed to recover the cost of providing the services or products.*
- (c) It is reasonable to assume that rates set at levels that will recover the cost can be charged to and collected from customers in view of the demand for the services or products and the level of direct and indirect competition.*

DEMANDE DE RENSEIGNEMENTS S.É.-AQLPA-3-5
REQUEST FOR INFORMATION S.É.-AQLPA-3-5

Référence : GAZIFÈRE INC., Dossier R-3924-2015, Phase 4, Pièce B-0207, GI-45, Document 1.
Reference: GAZIFÈRE INC., File R-3924-2015, Phase 4, Exhibit B-0207, GI-45, Document 1.

Demande(s) :

a) Veuillez confirmer que Gazifère inc. interprète bien les PCGR des États-Unis comme lui permettant de capitaliser et amortir **les coûts préparatoires à un investissement pour un actif (ingénierie, autorisations, etc.)**. Cela demeure-t-il vrai **même si l'investissement n'est pas réalisé** ? Veuillez élaborer en spécifiant la durée d'amortissement en un tel cas.

Request(s):

a) Please confirm that Gazifère inc. is properly interpreting the US GAAP as enabling it to capitalize and amortize **the preparatory costs for investment in an asset (engineering, authorizations, etc.)**. Does that still apply **even if the investment is not carried out**? Please elaborate by specifying the amortization period in such a case.

Réponse 3.5a) :

US GAAP would allow preparatory costs incurred in an asset to be capitalized as long as the costs incurred are necessary in order to bring the asset to the location and condition necessary for its intended use. However, if during construction of a capital asset it is discontinued and not carried out, then those costs would be required to be immediately written off in the period the asset is discontinued.

b) Dans l'éventualité où vous interpréteriez les PCGR des États-Unis comme donnant à Gazifère l'option de le faire ou de ne pas le faire, veuillez confirmer que Gazifère inc. choisit de capitaliser et amortir **les coûts préparatoires à un investissement pour un actif (ingénierie, autorisations, etc.)**, **même dans les cas où l'investissement n'est pas réalisé**. Avez-vous

besoin, aux fins d'un tel choix, que la Régie déclare que de tels coûts sont un actif ou passif réglementaire ou cela ne sera-t-il pas nécessaire ?

b) Should you interpret the US GAAP as giving Gazifère the option of doing so or not, please confirm that Gazifère inc. will choose to capitalize and amortize **the preparatory costs for investment in an asset (engineering, authorizations, etc.), even if the investment is not carried out**. In the event of such a choice, do you require the Régie to declare that such costs are a regulatory asset or liability, or will that not be necessary?

Réponse 3.5b) :

Dans le cas où l'investissement n'est pas réalisé, Gazifère suivra le principe comptable des États-Unis tel que précisé à la réponse 3.5a) et devra passer à la dépense les coûts préparatoires d'un investissement, à moins d'instruction contraire de la Régie.

c) Veuillez citer et reproduire le texte exact des clauses des les PCGR des États-Unis au soutien de vos affirmations en (a) et (b).

c) Please cite and reproduce the exact text of the US GAAP clauses supporting your statements in (a) and (b).

Réponse 3.5c) :

ASC 360-10-30-1 states the following:

Paragraph 835-20-05-1 states that the historical cost of acquiring an asset includes the costs necessarily incurred to bring it to the condition and location necessary for its intended use. As indicated in that paragraph, if an asset requires a period of time in which to carry out the activities necessary to bring it to that condition and location, the interest cost incurred during that period as a result of expenditures for the asset is a part of the historical cost of acquiring the asset.

30-2 See the glossary for a definition of activities necessary to bring an asset to the condition and location necessary for its intended use.

360-10-20 Glossary – Activities, states the following:

The term activities is to be construed broadly. It encompasses physical construction of the asset. In addition, it includes all the steps required to prepare the asset for its intended use. For example, it include administrative and technical activities during the preconstruction stage, such as the development of plans or the process of obtaining permits from governmental authorities. It also includes activities undertaken after construction has begun in order to overcome unforeseen obstacles, such as technical problems, labor disputes, or litigation.

ASC 835-20-05-01 states the following:

This Subtopic establishes standards of financial accounting and reporting for capitalizing interest cost as part of the historical cost of acquiring certain assets. The historical cost of acquiring an

asset includes the costs necessarily incurred to bring it to the condition and location necessary for its intended use. If an asset requires a period of time in which to carry out the activities necessary to bring it to that condition and location, the interest cost incurred during that period as a result of expenditures for the asset is a part of the historical cost of acquiring the asset.

d) Veuillez comparer vos réponses en (a), (b) et (c) avec la situation sous le référentiel comptable actuel et de son interprétation en citant et reproduisant le texte exact des clauses à cet effet.

d) Please compare your answers in (a), (b) and (c) with the situation under the current accounting standard and its interpretation by citing and reproducing the exact text of the corresponding clauses.

Réponse 3.5d) :

The responses above would not change under USGAAP or the current CGAAP that Gazifère is using. Section 3061 of the CICA pre-changeover accounting standards states the following:

3061.16 " Property, plant and equipment should be recorded at cost

3061.17 The cost of an item of property, plant and equipment includes the purchase price and other acquisition costs such as option costs when an option is exercised, brokers' commissions, installation costs including architectural, design and engineering fees, legal fees, survey costs, site preparation costs, freight charges, transportation insurance costs, duties, testing and preparation charges. In addition, if the cost of the asset acquired other than through a business combination is different from its tax basis on acquisition, the asset's cost would be adjusted to reflect the related future income tax consequences (see INCOME TAXES, Section 3465). It may be appropriate to group together individually insignificant items of property, plant and equipment.

3061.20 The cost of an item of property, plant and equipment includes direct construction or development costs (such as materials and labour), and overhead costs directly attributable to the construction or development activity.

DEMANDE DE RENSEIGNEMENTS S.É.-AQLPA-3-6
REQUEST FOR INFORMATION S.É.-AQLPA-3-6

Référence : GAZIFÈRE INC., Dossier R-3924-2015, Phase 4, Pièce B-0207, GI-45, Document 1.
Reference: GAZIFÈRE INC., File R-3924-2015, Phase 4, Exhibit B-0207, GI-45, Document 1.

Demande(s) :

a) Veuillez confirmer que Gazifère inc. interprète bien les PCGR des États-Unis comme lui permettant de capitaliser et amortir **les dépenses de recherche et développement et de mise en marché**, compte tenu notamment l'article 49 al 1 par.1 de la *Loi sur la régie de l'énergie* qui y réfère. Veuillez élaborer en spécifiant la durée d'amortissement en un tel cas.

Request(s):

a) Please confirm that Gazifère inc. is properly interpreting the US GAAP as enabling it to capitalize or amortize **R&D and marketing expenditures**, in light of section 49 par.1 of *An Act Respecting the Régie de l'énergie*. Please elaborate by specifying the amortization period in such a case.

Réponse 3.6a) :

Puisque Gazifère n'a pas de dépenses de ce type, elle ne juge pas utile de répondre à cette question.

b) Dans l'éventualité où vous interpréteriez les PCGR des États-Unis comme donnant à Gazifère l'option de le faire ou de ne pas le faire, veuillez confirmer que Gazifère inc. choisit de capitaliser et amortir **les dépenses de recherche et développement et de mise en marché**. Avez-vous besoin, aux fins d'un tel choix, que la Régie déclare que de tels coûts sont un actif ou passif réglementaire ou cela ne sera-t-il pas nécessaire ?

b) Should you interpret the US GAAP as giving Gazifère the option of doing so or not, please confirm that Gazifère inc. will choose to capitalize and amortize **the R&D and marketing expenditures**. In the event of such a choice, do you require the Régie to declare that such costs are a regulatory asset or liability, or will that not be necessary?

Réponse 3.6b) :

Voir la réponse 3.6a)

c) Veuillez citer et reproduire le texte exact des clauses des les PCGR des États-Unis au soutien de vos affirmations en (a) et (b).

c) Please cite and reproduce the exact text of the US GAAP clauses supporting your statements in (a) and (b).

Réponse 3.6c) :

Voir la réponse 3.6a)

d) Veuillez comparer vos réponses en (a), (b) et (c) avec la situation sous le référentiel comptable actuel et de son interprétation en citant et reproduisant le texte exact des clauses à cet effet.

d) Please compare your answers in (a), (b) and (c) with the situation under the current accounting standard and its interpretation by citing and reproducing the exact text of the corresponding clauses.

Réponse 3.6d) :

Voir la réponse 3.6a)

DEMANDE DE RENSEIGNEMENTS S.É.-AQLPA-3-7
REQUEST FOR INFORMATION S.É.-AQLPA-3-7

Référence : GAZIFÈRE INC., Dossier R-3924-2015, Phase 4, Pièce B-0207, GI-45, Document 1.
Reference: GAZIFÈRE INC., File R-3924-2015, Phase 4, Exhibit B-0207, GI-45, Document 1.

Demande(s) :

a) Veuillez confirmer que Gazifère inc. interprète bien les PCGR des États-Unis comme lui permettant de capitaliser et amortir **les dépenses de programmes commerciaux**, compte tenu notamment l'article 49 al 1 par.1 de la *Loi sur la régie de l'énergie* qui y réfère. Veuillez élaborer en spécifiant la durée d'amortissement en un tel cas.

Request(s):

a) Please confirm that Gazifère inc. is properly interpreting the US GAAP as enabling it to capitalize or amortize **commercial program expenditures**, in light of section 49 par.1 of *An Act Respecting the Régie de l'énergie*. Please elaborate by specifying the amortization period in such a case.

Réponse 3.7a) :

Since the Régie has approved for the recovery of the commercial program expenditures in the D-2016-014, US GAAP ASC 980 allows for the amounts to be recorded as a regulatory asset. US GAAP does not restrict or specify the amortization period for commercial program expenditures.

b) Dans l'éventualité où vous interpréteriez les PCGR des États-Unis comme donnant à Gazifère l'option de le faire ou de ne pas le faire, veuillez confirmer que Gazifère inc. choisit de capitaliser et amortir **les dépenses de programmes commerciaux**. Avez-vous besoin, aux fins d'un tel choix, que la Régie déclare que de tels coûts sont un actif ou passif réglementaire ou cela ne sera-t-il pas nécessaire ?

b) Should you interpret the US GAAP as giving Gazifère the option of doing so or not, please confirm that Gazifère inc. will choose to capitalize and amortize **the commercial program expenditures**. In the event of such a choice, do you require the Régie to declare that such costs are a regulatory asset or liability, or will that not be necessary?

Réponse 3.7b) :

See answer 3.7a).

c) Veuillez citer et reproduire le texte exact des clauses des les PCGR des États-Unis au soutien de vos affirmations en (a) et (b).

c) Please cite and reproduce the exact text of the US GAAP clauses supporting your statements in (a) and (b).

Réponse 3.7c) :

ASC 980-350-25 states the following:

25-1 Rate actions of a regulator can provide reasonable assurance of the existence of an asset. An entity shall capitalize all or part of an incurred cost that would otherwise be charged to expense if both of the following criteria are met:

a. It is probable (as defined in Topic 450) that future revenue in an amount at least equal to the capitalized cost will result from inclusion of that cost in allowable costs for rate-making purposes.

b. Based on available evidence, the future revenue will be provided to permit recovery of the previously incurred cost rather than to provide for expected levels of similar future costs. If the revenue will be provided through an automatic rate-adjustment clause, this criterion requires that the regulator's intent clearly be to permit recovery of the previously incurred cost.

A cost that does not meet these asset recognition criteria at the date the cost is incurred shall be recognized as a regulatory asset when it does meet those criteria at a later date.

d) Veuillez comparer vos réponses en (a), (b) et (c) avec la situation sous le référentiel comptable actuel et de son interprétation en citant et reproduisant le texte exact des clauses à cet effet.

d) Please compare your answers in (a), (b) and (c) with the situation under the current accounting standard and its interpretation by citing and reproducing the exact text of the corresponding clauses.

Réponse 3.7d) :

The responses above would not change under USGAAP or the current CGAAP that Gazifère is using. Section 3061 of the CICA pre-changeover accounting standards states the following:

3061.16 Property, plant and equipment should be recorded at cost

3061.17 The cost of an item of property, plant and equipment includes the purchase price and other acquisition costs such as option costs when an option is exercised, brokers' commissions, installation costs including architectural, design and engineering fees, legal fees, survey costs, site preparation costs, freight charges, transportation insurance costs, duties, testing and preparation charges. In addition, if the cost of the asset acquired other than through a business combination is different from its tax basis on acquisition, the asset's cost would be adjusted to reflect the related future income tax consequences (see INCOME TAXES, Section 3465). It may be appropriate to group together individually insignificant items of property, plant and equipment.

3061.20 The cost of an item of property, plant and equipment includes direct construction or development costs (such as materials and labour), and overhead costs directly attributable to the construction or development activity.

DEMANDE DE RENSEIGNEMENTS S.É.-AQLPA-3-8
REQUEST FOR INFORMATION S.É.-AQLPA-3-8

Référence : GAZIFÈRE INC., Dossier R-3924-2015, Phase 4, Pièce B-0208, GI-45, Document 2, page 1, paragraphe 1 :

Reference: GAZIFÈRE INC., File R-3924-2015, Phase 4, Exhibit B-0208, GI-45, Document 2, page 1, paragraph 1:

1. Based on Gazifère's analysis of US GAAP, the only impacts to rates identified as a result of adopting USGAAP are related to Pensions & Other post-employment benefits (OPEB).

Demande(s) :

a) Avant d'en arriver à la conclusion de la référence i, quelles sont les autres rubriques que Gazifère a examinées ? Veuillez élaborer sur les impacts de l'adoption des PCGR des États-Unis sur ces autres rubriques.

Request(s):

- a) Before reaching the conclusion in reference (1), which other categories did Gazifère review? Please elaborate on the impact of adopting US GAAP on these other categories.

Réponse 3.8a) :

Please refer to Gazifère’s refiled evidence, GI-45, document 2, that discusses the impacts of adopting US GAAP on Gazifère’s weather stabilization deferral account.

DEMANDE DE RENSEIGNEMENTS S.É.-AQLPA-3-9
REQUEST FOR INFORMATION S.É.-AQLPA-3-9

Référence : GAZIFÈRE INC., Dossier R-3924-2015, Phase 4, Pièce B-209, GI-45, Document 2.1, Appendix 1, page 1, encadré du bas dans le tableau :
Reference: GAZIFÈRE INC., File R-3924-2015, Phase 4, Exhibit B-209, GI-45, Document 2.1, Appendix 1, page 1, bottom box in the table:

| | |
|--|-----------|
| OPEB IMPACT - RECOVERY OF \$1,328,000 | |
| OPEB Regulatory Asset: | |
| Balance at December 31, 2014 | 1198000 |
| Add: 2015 estimated accrual expense | 133 000 |
| Less: 2015 estimated OPEB cash payments | -46 000 |
| Estimated Regulatory Asset as of December 31, 2015 | 1 285 000 |
| Add: 2016 estimated accrual expense | 140 000 |
| Less: 2016 estimated OPEB cash payments | -51 000 |
| Estimated Regulatory Asset as of December 31, 2016 | 1 374 000 |

Demande(s) :

- a) Le tableau donne pour la rubrique «*Estimated Regulatory Asset as of December 31, 2016*» un total de 1 328 000\$ alors que le calcul indiqué entraînerait plutôt un total de 1 374 000\$. Pourquoi soustrayez-vous une deuxième fois l’«*estimated OPEB cash payment of 2015*» de 46 000\$? Veuillez rectifier la pièce au besoin.

Request(s):

- a) For *Estimated Regulatory Asset as of December 31, 2016*, the table indicates a total of \$1,328,000, whereas the calculation indicates \$1,374,000. Why do you subtract the *estimated OPEB cash payment of 2015* of \$46,000 a second time? Please adjust as necessary.

Réponse 3.9a) :

The table has been adjusted to reflect \$1,374,000, as the \$46,000 was not meant to be subtracted a second time. Gazifère will be further updating this amount once the actual December 31, 2016 results have been received.

DEMANDE DE RENSEIGNEMENTS S.É.-AQLPA-3-10
REQUEST FOR INFORMATION S.É.-AQLPA-3-10

Référence : GAZIFÈRE INC., Dossier R-3924-2015, Phase 4, Pièce B-212, GI-45, Document 5, deuxième paragraphe de la page 12 :

Reference: GAZIFÈRE INC., File R-3924-2015, Phase 4, Exhibit B-212, GI-45, Document 5, second paragraph on page 12:

*Amortizations of prior Service costs and Gains and losses
Cumulative gains and losses in excess of 10% of the greater of the accrued benefit obligation are amortized over the average remaining service period of active members expected to receive benefits under the plan (13.8 years).*

Demande(s) :

- a) Qu'arrive-t-il aux variations inférieures à 10 %?

Request(s):

- a) What happens with variations under 10%?

Réponse 3.10a) :

Cumulative gains and losses that are not in excess of 10% would not be amortized into the Profit & Loss, until such time that the cumulative gains and losses are in excess of 10%.