

REPONSE DE GAZIFÈRE INC. À LA DEMANDE DE RENSEIGNEMENTS DE L'ASSOCIATION DES CONSOMMATEURS INDUSTRIELS DE GAZ (ACIG) DANS LE CADRE DU DOSSIER SUR LA DEMANDE DE FIXATION DU TAUX DE RENDEMENT, DEMANDE POUR LA FERMETURE RÉGLEMENTAIRE DES LIVRES POUR LA PÉRIODE DU 1^{ER} JANVIER 2014 AU 31 DÉCEMBRE 2014, DEMANDE D'APPROBATION DU PLAN D'APPROVISIONNEMENT, DEMANDE DE MODIFICATION DES TARIFS, PHASE 4

RÉMUNÉRATION DES COMPTES DE FRAIS REPORTÉS

1. Références:

- (i) B-0213, GI - 46, document 1, page 10
- (ii) B-0008, GI-2, document 1, page 1

Préambule

- (i) *« Les CER seraient maintenus hors base de tarification et rémunérés à 100 % par le taux d'intérêt de la dette à court terme de Gazifère. (...) Les CRI seraient inclus dans la base de tarification et rémunérés au coût moyen pondéré du capital. »*

Questions:

- 1.1. Veuillez indiquer à quels taux auraient été rémunérés les CER et les CRI au cours de l'année se terminant le 31 décembre 2014 si l'approche proposée par Gazifère, citée à la référence (i) et en préambule, avait été en place.

Réponse 1.1 :

En 2014, le taux de rémunération d'un CER aurait été de 3,16% et celui d'un CRI, de 6.72%.

- 1.2. Veuillez estimer quel aurait été l'impact sur les bénéfices nets réglementés de Gazifère pour l'année se terminant le 31 décembre 2014 (ref. (ii)) de l'application taux proposés pour la rémunération des CFR.

Réponse 1.2 :

Veuillez vous référer à la pièce GI-47, document 1.1.

2. Références:

- (i) D-2014-020, page 16
- (ii) B-0213, GI-46, document 1, page 4

Préambule

Les extraits qui suivent sont tirés de la référence (i) et ont trait à la création des CFR se rapportant au programme de francisation.

- (i) « [55] La Régie note que la demande soumise comporte des coûts importants, soit des investissements estimés à plus d'un million de dollars ainsi que des charges d'exploitation annuelles additionnelles estimées à 132 000 \$ pour les années 2014, 2015 et 2016 et à 270 000 \$ à compter de 2017. (...) »
« [60] Gazifère demande la création d'un CFR pour y verser les charges d'exploitation associées au Projet, encourues en 2014, postérieurement à la date de la présente décision. La Régie considère cette demande inhabituelle. Cependant, elle tient compte des circonstances spécifiques à ce Projet ainsi que du fait que la demande initiale de création d'un CFR avait été faite au dossier tarifaire 2013. La Régie prend également en considération l'obligation qu'a Gazifère de respecter le programme et l'échéancier soumis à l'Office. Par conséquent, la Régie permet, de façon exceptionnelle, la création d'un tel CFR.

[61] La Régie permet également l'établissement d'un CFR, hors base de tarification, dans lequel seront cumulés les coûts d'investissement reliés au Projet. Les frais de financement pourront y être capitalisés sur le solde du compte au taux de rendement sur la base de tarification approuvé par la Régie. »

L'extrait suivant est tiré de la référence (ii)

- (ii) « Selon Gazifère, le CFR lié au Programme de francisation ainsi que les trois CFR concernant les programmes commerciaux, dont Gazifère demande la création dans le cadre de la phase 3 du présent dossier, sont de la nature de comptes reliés à des investissements. »

Question:

2.1. Veuillez préciser si Gazifère entend traiter le CFR dans lequel sont versés les charges d'exploitation du programme de francisation (paragraphe 60 de la référence (i)) de la même façon que le CFR dans lequel sont versés les coûts d'investissement de ce programme (paragraphe 61 de la référence (i)) au regard de leur rémunération. Veuillez élaborer.

Réponse 2.1 :

Le CFR dans lequel sont versés les coûts d'investissement du programme de francisation n'existe plus (voir la décision D-2016-014, page 45). Quant au CFR associé aux charges d'exploitation de ce programme, Gazifère a obtenu l'autorisation de disposer du solde de ce compte et de l'ajouter à son revenu requis de distribution pour l'année témoin 2016.

ALLOCATION DES COÛTS ENTRE TARIFS

ALLOCATING COSTS AMONG RATES

3. Références:

- (i) B-0421, GI-44, document 1.1
- (ii) B-0330, GI-37, Document 1, page 3

Préambule

Le texte suivant est tiré du document cite à la référence (ii)

Preamble

The following is an extract from the document cited in reference (ii)

«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. »

Questions:

- 3.1. Veuillez produire, pour les années 2015 et 2016, une étude comparant les revenus aux coûts comme celle présentée à la référence (i) en ne tenant compte que des montants se rapportant au service de distribution.
- 3.1. Please provide for 2015 and 2016, a cost/revenue comparison report such as the one presented in reference (i), taking into account only those amounts pertaining to distribution services.

Réponse 3.1 :

Please see Exhibit GI-37, Document 1, Page 4, Revised 2015-11-23, Table 1, which shows the proposed distribution only revenue to cost ratios for 2016, as well as the ratios the Régie approved for 2015.

- 3.2. Veuillez expliquer comment la répartition des baisses tarifaires (réf. (ii)) entre les tarifs 1, 5 et 9 a été établie. Veuillez élaborer.
- 3.2. Please explain how the rate decreases (ref. (ii)) were allocated among rates 1, 5 and 9. Please elaborate.

Réponse 3.2 :

As outlined in Exhibit GI-37, Document 1, Revised 2015-11-23, Page 3, in order to improve the revenue to cost ratios for each rate class, Gazifère has proposed to make an upward adjustment in revenues to Rate 2 and an equal downward revenue adjustment spread over all other rates classes.

The Company's proposal produces no delivery rate change to Rate 2 and a reduction in delivery rates for all other rate classes. The dollar amount of revenue adjustment for each rate class is shown in Table 1 of Exhibit GI-37, Document 1, Page 4, Revised 2015-11-23. The revenue adjustments were not allocated to the rate classes, but rather the adjustments were directly assigned to each rate classes. In order to produce no rate impact for Rate 2, an upward adjustment of \$1,280 K was assigned to Rate 2. Judgement, taking into account rate design objectives, was then used to provide revenue offsets to the remaining rate classes.

As the majority of Gazifère revenues are generated from Rates 1 and 2, the majority of the decrease was assigned to Rate 1 in order to improve their revenue to cost ratios and produce a rate decrease. The remaining revenue decreases were assigned

to the other rate classes to also produce an improvement in revenue to cost ratios and a rate decrease, so that rate decreases were aligned amongst the rate classes.

3.3. Veuillez présenter la position de Gazifère relativement à l'interfinancement des clients résidentiels par les clients commerciaux et industriels. Notamment, veuillez indiquer si Gazifère a mis en place une stratégie pour corriger cet interfinancement par la clientèle commerciale (tarif 1) et industrielle (tarifs 5 et 9) respectivement. Veuillez élaborer.

3.3. Please present Gazifère's position on cross-subsidization of residential customers by commercial and industrial customers. In particular, please indicate whether Gazifère has introduced a strategy to correct this cross-subsidization by commercial (rate 1) and industrial (rates 5 and 9) customers, respectively. Please elaborate.

Réponse 3.3 :

In an ongoing effort to improve the revenue to cost ratio for Rate 2, the Company each year assesses if an opportunity exists to make an improvement in Rate 2 revenue to cost ratio. This involves assessing if the improvement in the revenue to cost ratio for Rate 2 would help to achieve/fulfill certain rate design objectives such as the level of rate impacts, the level of revenue to cost ratios, rate stability and continuity, and competitive advantage for all customer classes.

4. Références:

References:

- (i) Gas rate fundamentals, American gas association, fourth edition 1987, page 132
- (ii) Review of a Cost of Service Study, Enbridge Gas New Brunswick L.P (EGNB), Black & Veatch Evidence, Cost of Service and Rate Design Testimony, Exhibit B, prepared January 15, 2010, page 8, lignes 23 à 26
- (iii) B-0420, GI-44, document 1, page 5

Préambule

Preamble

- (i) « *The fully allocated cost-of-service study breaks down the total cost to serve into four cost functions: production, storage, transmission and distribution. This facilitates the allocation of the costs to classes of service by the application of allocation factors. This functional disaggregation also provides a framework for recovering these costs through proper rate design.* »
- (ii) « *Functionalization is the first step of the cost analysis. Costs are functionalized based on the purpose of the costs. The cost functions are production, storage, transmission, distribution and customer (also referred to as "On site" for meter, regulator and service line installed on customer's site).* »
- (iii) « *The first step, functionalization, groups costs into similar operating functions to allow for consistent treatment of similar costs. The O&M costs, net investment costs, and rate base are grouped into major functional centres listed in Table 2.* »

Table 2
<u>FUNCTIONS</u>
Gas Supply
Sales Stations
Distribution Regulation
Services
Mains
Meters
Sales Promotion
Customer Accounting

Specific Costs

Unidentifiable

Questions:

4.1. Veuillez produire une courte définition de chacune des fonctions de Gazifère, incluant la fonction appelée « Unidentifiable », identifiées à la référence (iii) et cité en préambule.

4.1. Please provide a brief definition of each of the functions at Gazifère, including the one labelled as “Unidentifiable”, indicated in reference (iii) and cited in the preamble.

Réponse 4.1 :

As mentioned at Exhibit GI-44, Document 1, Page 5 under Functionalization, costs are grouped into similar operating functions to allow for consistent treatment of similar type costs. For example, rate base costs can be specifically identified as Services based on plant accounting records. Depreciation expense related to Services are also specifically identified therefore these expenses are also grouped under the Services Category. The operating and maintenance expenses associated with maintaining these Services are also separately identifiable and are therefore grouped under the Services Category. This allows for all costs related to Services to be allocated to each rate class based on the Services allocator. A description of the major functions in Table 2 is as follows:

Gas Supply – costs related to gas supply, commodity, transmission and storage

Sales Stations – costs related to customer sales stations

Distribution Regulation – costs related to district and gate stations

Services – costs related to service lines

Mains – costs related to mains

Meters – costs related to customer meters

Sales Promotion – costs related to promoting the use of natural gas

Customer Accounting – costs related to customer billing, meter reading, credit and collections

Specific Costs – revenues for GST/HST

Unidentifiable – costs of miscellaneous items that are small in nature and cannot be associated with any specific functions.

4.2. Veuillez expliquer pourquoi les fonctions retenues pour l'exercice d'allocation des coûts ne correspondent pas à celles que l'on retrouve communément chez un distributeur gazier et aux différents services de Gazifère, c'est-à-dire à la fourniture, la distribution, l'entreposage et le transport tel que cités aux références (i) et (ii).

4.2. Please explain why the functions used for the cost allocation exercise do not correspond to those commonly found with a gas distributor and with the different Gazifère services, that is to say the production, distribution, storage and transmission, as cited in references (i) and (ii).

Réponse 4.2 :

Gazifère cost allocation study methodologies as outlined in Exhibit GI-44, document 1, describe the methodologies employed by Gazifere which reflect the operating characteristics of its gas distribution system. The description of the functionalization steps as outlined in Tab 2 on page 5 discuss how Gazifere's rate base and operating costs are grouped into similar operating functions. These operating functions follow the general groupings of production, distribution storage and transmission as cited in reference (i) and (ii) above.

Gazifère receives service under Enbridge's Rate 200 for its gas supply functions including procurement of supplies, storage and transmission. Each of these functions are grouped under the heading of Gas Supply in its functionalization step. In Gazifère's classification process, the functionalized costs are grouped as Gas Costs, Transmission, Storage, Distribution and Customer Related. These groupings are described in Exhibit GI-44, Document 1, Appendix A, Page 17.

The results of the cost allocation study depicting the functionalization and classification of costs can be found at Exhibit GI-44, Documents 1.5, 1.6, and 1.7 pages 1 and 2.

4.3. Veuillez produire un tableau qui présente la fonctionnalisation de chacun des éléments de la base de tarification et du coût de service de Gazifère entre les grandes fonctions usuelles, c'est-à-dire la distribution, la fourniture, le transport et l'équilibrage (entreposage) et tout autre grande fonction du distributeur. Au besoin veuillez détailler davantage les éléments fonctionnalisés.

4.3. Please prepare a table showing the functionalization of each rate base component and of Gazifère's cost of service among the usual main functions, that is to say distribution, production, transmission and load balancing, and any other major function of the distributor. If necessary, please provide additional details on the functionalized components.

Réponse 4.3 :

Please see response to question 4.2.

5. Références:

- (i) Review of a Cost of Service Study, Enbridge Gas New Brunswick L.P (EGNB), Black & Veatch Evidence, Cost of Service and Rate Design Testimony, Exhibit B, prepared January 15, 2010. Peut être consulté sur la page : See page : <https://naturalgasnb.com/en/about-us/regulatory-documents/#2010-regulatory-documents>
- (ii) B-0420, GI-44, document 1, page 6

Préambule

Preamble

- (i) *«The second step in the cost of service process is cost classification. The purpose of this step is to classify costs based on the underlying cost causation. The four cost defining characteristics for a gas utility are demand (capacity), commodity, customer and revenue. Demand costs refer to those portions of the system that must be designed to serve the maximum demand on that portion of the system. In the case of a gas LDC the system as a whole is designed to serve the design day load requirements of its*

customers. Portions of the system may be designed to serve the design day load of a specific customer. Large industrial customers may have a design day that is not coincident with the system peak, in which case local facilities must serve the customer on its design day. Commodity costs are those costs that vary directly with the amount of gas consumed. Customer costs vary with specific customer requirements, the number of customers or both. Revenue related costs include costs that vary with sales revenue. »

- (ii) *«In the second step, the functionalized costs are classified to three general cost groups based on whether they vary with volumetric demands, peak demands, or other customer specific demands. »*

Questions:

5.1. Au sujet de la classification des coûts du service de distribution :

- 5.1.1. Veuillez produire un tableau présentant, pour chacun des éléments du coût du service de distribution ainsi que pour chacun des éléments de la base de tarification-distribution, le résultat de la classification entre les trois groupes de coûts cités à la référence (ii).

5.1. In regard to the classification of the distribution service costs:

- 5.1.1. Please prepare a table presenting, for each component of the cost of the distribution service, and for each component of the rate/distribution base, the results of the classification among the three cost groups cited in reference (ii).

Réponse 5.1.1 :

Exhibit GI-44, Documents 1.8, 1.9, and 1.10, displays the allocation of the rate base, return and taxes and cost of service costs to each of Gazifère's customer classes. The description column groups the costs from the functionalization/classification schedules as Gas Costs, Load Balancing, Storage, Facilities and Customer Related. Line items titled commodity or annual are considered volumetric demand related. Line items titled Seasonal, Peak, Deliverability and Capacity are considered peak demand related. The other line items are considered customer specific.

5.1.2. Veuillez aussi préciser, dans une colonne séparée, quel facteur d'allocation est utilisé pour l'allocation de chacun de ces éléments de la fonction distribution.

5.1.2. Also, please specify in a separate column, which allocation factor is used to allocate each of these distribution function components.

Réponse 5.1.2 :

In Exhibit GI-44, Documents 1.8, 1.9 and 1.10, in the last column of these exhibits, the allocation factors used to allocate each costs category is displayed. The allocation factors and percentages are depicted in Exhibit GI-44, Document 1.11, pages 1 and 2 respectively. A description of the allocation factors is found at Exhibit GI-44, Document 1, Appendix B, page 18.

5.1.3. Veuillez aussi prendre soin d'identifier quels éléments du coût du service de distribution et de la base de tarification-distribution font l'objet d'une allocation directe.

5.1.3. As well, please clearly identify the distribution service cost and the rate-distribution base components that are directly allocated.

Réponse 5.1.3 :

The only cost of service items that are directly assigned to the rate classes are DSM Direct and Indirect Costs which are shown at Exhibit GI-44, Document 1.10, Line items 4.3 and 4.4. The DSM costs are directly assigned to each rate class reflecting the DSM programs that the Company has forecast to deliver to customers in each rate class in the test year.

6. Références:

- (i) B-0426, GI-44, document 1,5
- (ii) Review of a Cost of Service Study, Enbridge Gas New Brunswick L.P (EGNB), Black & Veatch Evidence, Cost of Service and Rate Design Testimony, Exhibit A, schedule 3, Cost Allocators. Peut être consulté sur la page: https://naturalgasnb.com/files/regulatory_documents/Exhibit_A_Schedule_3_-_Cost_Allocators.pdf See:

- (iii) R-3967-2013, B-0005, Gaz Metro 1, document 1, page 17
- (iv) Union Gas rebasing application – 2013, EB-2011-0210, Exhibit G3, Tab. 1, Schedule 1, page 9
- (v) B-0066, Gaz Metro 2, document 1, page 28, lignes 12 à 24

Préambule

Preamble

- (i) Selon l'information contenue à la ligne 2 de la référence (i), environ 71 % de la valeur des conduites de distribution est allouée en fonction de la capacité c'est à dire une valeur de 34 678 600\$ sur un total de 48 735 400 \$. La balance est allouée en fonction du nombre de clients.
- (i) According to the information on line 2 of reference (i), approximately 71% of the value of the distribution pipes is allocated based on capacity, that is to say a value of \$34,678,600 out of a total of \$48,735,400. The balance is allocated based on the number of customers.
- (ii) « MAINS: assumes 77% classification to Customer (to meet the minimum system requirements) and 23% classification to Demand (to meet peak demand needs) »
- (iii) « Black & Veatch is also concerned that the method for reflecting customer and demand is not reasonable. The method likely understates the customer component of cost and overstates the demand component. The result is that the costs for residential and small general service customers is likely understated and the costs for customers within the class are excessive for the larger customers who are subsidizing the smaller customers in the class. »
- (iv) «The distribution system provides capacity to meet customer demand and access to customers. It is necessary to analyze distribution costs to determine those costs that are related to having the customer on the distribution system (i.e., customer-related) versus those costs related to the capacity to serve the customer's design day demand.

The minimum plant method segregates distribution main costs into demand or customer-related classifications by using the size of main and operating pressures. Joint-use and sole-use mains as defined in the North area are classified to demand. Compressor and measuring and regulating equipment are classified as demand-related. Land, land rights and structures and improvements follow the classification of the preceding asset categories. Services, meters and customer stations are classified as customer-related. »

Questions:

- 6.1. Veuillez confirmer que les coûts des conduites de distribution sont alloués selon la capacité dans une proportion d'environ 71 % et selon le nombre de client dans une proportion de 29 %, tel que l'indique l'information contenue à la ligne 2 du document à la référence (ii). Dans la négative, veuillez corriger les proportions.
- 6.1. Please confirm that the costs of the distribution pipes are allocated based on capacity in a proportion of approximately 71% and the number of customers in a proportion of 29%, as indicated in the information on line 2 of the document in reference (ii). If this is not so, please correct the proportions.

Réponse 6.1 :

Yes. Confirmed.

- 6.2. Veuillez expliquer quelle approche a été utilisée pour établir les composantes accès et capacité du coût des conduites de distribution, c'est-à-dire les proportions de coûts des conduites de distribution allouées selon le nombre de clients et la capacité respectivement.
- 6.2. Please explain which approach was used to establish the access and capacity components of the cost of the distribution pipes, that is to say the proportions of the costs of the distribution pipes allocated based on the number of customers and capacity, respectively.

Réponse 6.2 :

The Company employs a zero intercept method to determine the customer related component of its mains. The zero intercept method uses linear regression analysis to

estimate the cost of customer related component of gas distribution mains using a hypothetical zero diameter pipe/main. Pipeline diameter, length, and costs are analyzed to determine the customer component. The customer component notionally (for cost allocation purposes) represents the cost of providing access to the gas distribution network and costs above the customer component are associated with providing sufficient capacity to meet peak demand requirements of customers.

6.3. Veuillez préciser en quelle année et dans le cadre de quel dossier les composantes accès et capacités du coût des conduites ont été mises à jour pour la dernière fois.

6.3. Please indicate the year and the context in which each file on the access and capacity components of the cost of pipes were last updated.

Réponse 6.3 :

The zero intercept method employed in the 2016 fully allocated cost study is based on 2014 actual data for mains. Due to the timing of the application when the zero intercept study was updated for use in Gazifère's 2016 rate application, 2014 was the most current data available at that time.

6.4. Veuillez produire les principales pièces de preuve qui avaient été déposées par Gazifère, dans le cadre du dossier cité en réponse à la question 6.3, en soutien de l'établissement des composantes accès et capacité du coût des conduites.

6.4. Please provide the main exhibits filed by Gazifère in connection with the file cited in response to question 6.3 in support of determining the access and capacity components of the cost of pipes.

Réponse 6.4 :

Please see tables and graph below which depicts the zero intercept results for Gazifère's 2016 cost allocation study.

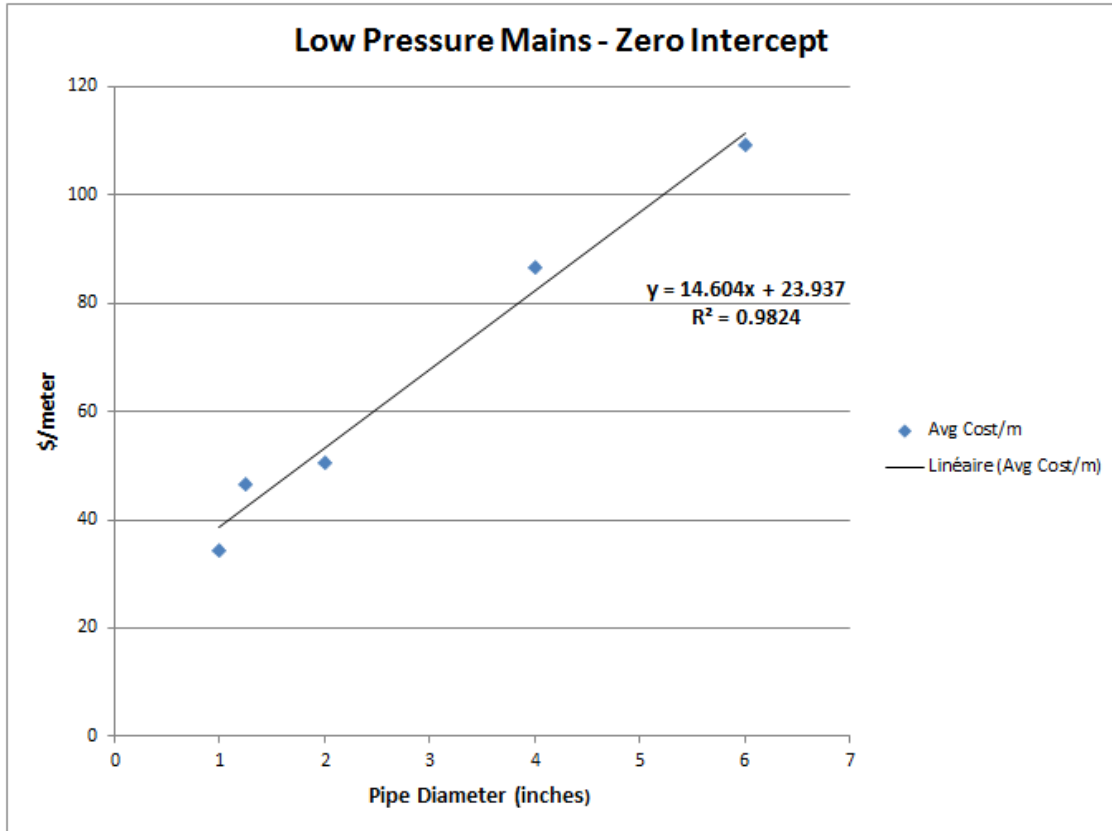
Mains Investment by Pressure

Material	Mains Investment by Pressure			Total
	Extra-High Pressure (\$)	High Pressure (\$)	Low Pressure (\$)	
Steel	7,261,775	10,178,586	11,798,842	29,239,203
Plastic	0	0	42,533,157	42,533,157
Total	7,261,775	10,178,586	54,331,999	71,772,360
Total %	10%	14%	76%	100%

**Mains Study for 2016 Rate Case based on 2014 Data Extract
 LP Mains- Zero Intercept**

LOW PRESSURE ONLY

Diameter	Cost	Length (m)	Avg Cost/m (Cost/Length)
1"	280,010	8,127	34.45
1 1/4"	13,375,559	286,307	46.72
2"	17,106,988	337,595	50.67
4"	13,492,172	155,496	86.77
6"	8,440,179	77,304	109.18
Total	52,694,908	864,829	



Total Cost of Customer Related Mains using Zero Intercept Methodology:

= Total Low Pressure Main Length (m.) x Average Cost(\$)/m. based on Zero-Intercept

$$864,829 \times \$23.937/m = \underline{\$ 20,701,412}$$

Customer Related Mains % = $\frac{\text{Total Customer Related Mains Cost (Zero-Intercept)}}{\text{Total Mains Investment}}$

$$= \frac{\$ 20,701,412}{\$ 71,772,360}$$

$$= \underline{\underline{29\%}}$$

6.5. Veuillez calculer la composante accès du coût des conduites de distribution, exprimée en pourcentage selon l'approche du réseau minimal (minimal system) décrite aux références (iv) et (v). Veuillez produire les données et détails des calculs effectués dans un fichier en format Excel.

6.5. Please calculate the access component of the cost of distribution pipes, expressed as a percentage based on the minimal system approach

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described in references (iv) and (v). Please provide the data and details for the calculations in Excel format.

Réponse 6.5 :

Based on the Company's understanding of the minimum plant methodology, this approach would result in 42% of mains cost classified as customer related using 1" diameter main (which is the smallest main diameter main used in Gazifère's system) and in 56% of mains cost classified as customer related using 1.25" diameter main (which is the current standard for the smallest main diameter main used in Gazifère's system).

Mains Study for 2016 Rate Case based on 2014 Data Extract
 LP Mains- Minimum Plant Methodology - Based on 1" Mains

LOW PRESSURE ONLY			
Diameter	Cost	Length (m)	Avg Cost/m (Cost/Length)
1"	280,010	8,127	34.45
1 1/4"	13,375,559	286,307	46.72
2"	17,106,988	337,595	50.67
4"	13,492,172	155,496	86.77
6"	8,440,179	77,304	109.18
Total	52,694,908	864,829	

Total Cost of Customer Related Mains using Minimum Plant Methodology:

= Total Low Pressure Main Length (m.) x Average Cost(\$) of 1" low pressure mains/m. based on Minimum Plant

$$864,829 \times \$35.454/m. = \underline{\$ 29,797,066}$$

Customer Related Mains % = $\frac{\text{Total Cost of Minimum Plant}}{\text{Total Mains Investment}}$

$$= \frac{\$ 29,797,066}{\$ 71,772,360}$$

$$= \underline{42\%}$$

**Mains Study for 2016 Rate Case based on 2014 Data Extract
 LP Mains- Minimum Plant Methodology - Based on 1.25" Mains**

LOW PRESSURE ONLY			
Diameter	Cost	Length (m)	Avg Cost/m (Cost/Length)
1"	280,010	8,127	34.45
1 1/4"	13,375,559	286,307	46.718
2"	17,106,988	337,595	50.67
4"	13,492,172	155,496	86.77
6"	8,440,179	77,304	109.18
Total	52,694,908	864,829	

Total Cost of Customer Related Mains using Minimum Plant Methodology:

= Total Low Pressure Main Length (m.) x Average Cost(\$) of 1.25" low pressure mains/m. based on Minimum Plant

$$864,829 \times \$46.718/m. = \underline{\$ 40,402,684}$$

Customer Related Mains % = $\frac{\text{Total Cost of Minimum Plant}}{\text{Total Mains Investment}}$

$$= \frac{\$ 40,402,684}{\$ 71,772,360}$$

$$= \underline{56\%}$$

6.6. Veuillez présenter quel serait le résultat de l'allocation des coûts entre les différents tarifs si le résultat obtenu à la question 6.5 était appliqué.

6.6. Please present the results that would come from allocating the costs among the different rates if the results obtained in question 6.5 were applied.

Réponse 6.6 :

Total Cost of Service & Cost of Service by Rate Class

Methodology	TOTAL	TARIF 1	TARIF 2	TARIF 3	TARIF 4	TARIF 5	TARIF 9
Zero-Intercept	25,478.0	5,181.6	19,742.8	15.0	-	263.5	275.2
Minimum Plant (1" Main)	25,478.0	4,781.4	20,221.2	14.0	-	223.2	238.3
Minimum Plant (1.25" Main)	25,478.0	4,314.7	20,779.0	12.8	-	176.3	195.3

6.7. Veuillez commenter la citation produite à la référence (iii) selon laquelle une composante accès sous-évaluée entraîne une sur-estimation des coûts attribués aux classes de clients à plus grands volumes annuels et favorise un inter financement par les clients à grands débits vers les clients à petits débits.

6.7. Please comment on the citation in reference (iii) whereby an under-valued access component would result in an over-estimation of the costs allocated to the larger annual volume customer categories, and promote cross-subsidization by higher use customers to lower use customers.

Réponse 6.7 :

While the Company does not know the full context within which the referenced citation was made, in theory to the extent that any particular method of classifying mains results in an over classification of costs to the demand component then large volume customers would typically contribute more towards the recovery of distribution mains' costs.

7. Référence:

- (i) R-3967-2013, B-0005, Gaz Metro 1, document 1, page 22
- (ii) B-0424, GI-44, document 1,3, ligne 1,1 et 1,2

Préambule

Preamble

- (i) «1. Amortization expenses are appropriately allocated in the same manner as the underlying plant.
2. Taxes are appropriately allocated as plant for those based on property values. Taxes collected on sales or revenues should be allocated on sales or revenue. Taxes on capital should be allocated on capital employed (rate base).
3. Income taxes are appropriately allocated on net income. Income Tax Not Connected to the Output (deferred taxes) are appropriately allocated on distribution rate base (IMMOBILD).»

Questions:

7.1. Veuillez décrire brièvement comment sont allouées les différentes dépenses d'amortissement de Gazifère (ref. ii) pour les différents services en regard de la citation à la référence (i).

7.1. Please describe briefly how Gazifère's different amortization expenses are allocated (ref. ii) for the different services in regard to the citation in reference (i).

Réponse 7.1 :

Depreciation expenses are functionalized, classified and allocated in the same manner as rate base. Each plant item uses different allocation factors to assign the costs of rate base and associated depreciation to each rate classes. Exhibit GI-44, Document 1.8, page 1, shows the allocation of rate base assets to each customer class. The allocation factor used to allocate each of the functionalized/classified costs is shown in the last column under "Allocation Factor".

Depreciation expenses can be found under the Net Investment Exhibits within the functionalization, classification and allocation schedules. The allocation factors can be found at Exhibit GI-44, Document 1.11. A description of the allocation factors can be found at Appendix B of Exhibit GI-44, Page 18.

7.2. Veuillez décrire brièvement comment sont alloués les différentes taxes à la référence (ii).

7.2. Please describe briefly how the different taxes are allocated in reference (ii).

Réponse 7.2 :

As seen at GI-44, Document 1.3, line Item 1.2, Miscellaneous Taxes consists of Municipal Taxes that are functionalized entirely to "Unidentifiable" and the Régie Fees that are functionalized entirely to "Gas Supply".

ALLOCATION ENTRE LES ACTIVITÉS RÉGLEMENTÉES ET NON RÉGLEMENTÉES

8. Référence:

- (i) B-0074, GI-20, document 1, page 7
- (ii) B-0074, G-20, document 1, page 19

Préambule

- (i) *“Costs related to compensation of staff who perform services directly for both the regulated and unregulated businesses are allocated according to the best available data as to time spent.”*
- (ii) *“time allocation by management, administration and customer service staff:
 - maintaining a log of time spent on large non-recurring projects benefitting only the regulated business, or only the unregulated business; and/or
 - completing a time record for a short period from time to time to confirm the reasonableness of the estimates of time estimates for recurring activities.”*

Questions:

8.1. Veuillez indiquer si Gazifère a l'intention de suivre la recommandation de la firme BDR décrite à la référence (ii) de mettre en place un système de suivi des heures par les employés dont le travail bénéficie à la fois aux activités réglementées et non réglementées. Veuillez élaborer.

Réponse 8.1 :

Non, Gazifère n'entend pas mettre en place un tel système. Selon Gazifère, ce processus serait trop lourd et trop coûteux.

De plus, suite à des discussions avec nos experts, il appert que la mise en place d'un tel système sur la base d'une courte période de type sondage n'apporterait pas de résultats significatifs. En effet, la nature du travail des employés est largement en relation avec des éléments externes, comme la température, les périodes de construction, etc. Dans ces circonstances, afin d'effectuer un tel suivi, un minimum d'une année serait requis pour que l'exercice soit représentatif, ce qui est représenterait un effort de gestion considérable.

Enfin, la définition des activités réglementées et non réglementées est bien connue et maîtrisée de la part des superviseurs et des directeurs, mais cette connaissance est beaucoup plus diffuse chez la grande majorité de nos employés. Le succès d'un tel système nécessiterait donc un effort d'éducation et de formation considérable, ainsi qu'un suivi pointu pour s'assurer que la différence entre les deux types d'activités de l'entreprise est bien comprise et que le système est appliqué adéquatement dans toutes les directions de l'entreprise.

Ainsi, pour l'ensemble des raisons précédentes, Gazifère n'entend pas aller de l'avant avec cette recommandation.

Gazifère considère que les évaluations effectuées sur la base de la connaissance des gestionnaires et des cadres ainsi que des données internes dont elle dispose permettent d'arriver à une précision suffisante pour atteindre l'objectif de bien séparer les coûts associés aux activités réglementées et non réglementées.

ALLOCATION DES COÛTS ENTRE COMPAGNIES AFFILIÉES

9. Référence:

- (i) B-0073, GI-19, document 1 , page 16

Préambule

En conclusion de son analyse sur l'allocation des coûts entre compagnies affiliées, la firme MNP Consulting fait trois recommandations à Gazifère.

Questions:

- 9.1. Veuillez indiquer si Gazifère a l'intention de suivre chacune des recommandations de la firme MNP Consulting à l'issue de son analyse sur la méthode d'allocation des coûts entre compagnies affiliées. Veuillez élaborer.

Réponse 9.1 :

Veuillez vous référer à la réponse à la question 6.1 de la Régie.