

## **FULLY ALLOCATED COST STUDY**

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Classification of Tecumseh Gas' costs and costs based on contract arrangements between Union Gas and the Company identifies three distinct types of service:

1. an annual component for space (volume) reserved for storage of gas for the Company's account;
2. a variable component for each cubic metre either injected into or withdrawn from storage; and,
3. a peak component for the maximum daily rate (i.e. – deliverability) at which the gas may be withdrawn from storage facilities.

Charges for space, injection and withdrawal, appear under the "Space" heading in Col. 9. Charges for peak day service, plus the costs of the Company's storage facilities appear under the "Deliverability" heading in Col. 8.

In addition to the storage costs described above, the Company uses Union Gas' transmission system to move gas to and from storage fields. These costs include Union's transmission demand charges and transmission fuel. The classification of these costs is described in Section 4.2 (Page 11) of the Study.

Item 3, Mains, is classified as approximately 30% customer-related and 70% capacity-related. Capacity-related costs are further sub-classified as transmission, high and low pressure capacity based on analysis of investments in each pressure category of mains. In the Decision to EB-2012-0459, the Board found that Rate 125 customers should not be allocated the costs of transmission pressure pipelines less than 6" in diameter. Accordingly, the transmission capacity classification is further split into TP Capacity for mains less than or equal to 4 inch in diameter (TP Capacity  $\leq 4$ " ) and TP Capacity for mains greater than 4 inches (TP Capacity  $> 4$ " ).

Classification of Item 4, Distribution Regulation is based on the classification of mains as this function measures and regulates the flow of gas from upstream pipelines to the Company's gas

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distribution system and within the system.

Items 5 to 7, Sales Stations, Meters, and Services, respectively, represent customer related investments and are classified directly to sales stations, meters and services.

Item 8, Rental Equipment, is classified to Specific Classes and to Rentals. The NGV component of the rental equipment costs is classified as specific costs and is further analyzed to identify the rate classes for whom NGV-related costs were incurred. The remainder of the costs are classified to Rentals and subsequently allocated to the rate classes based on the Rental Equipment allocation factors.

Item 9, Sales and Marketing, is classified to Specific Classes, Distribution Costs and Number of Customers. NGV-related sales and marketing costs are classified as specific costs. The remainder is equally classified / split between Distribution Costs and Number of Customers.

Item 10, Customer Accounting, represents costs incurred for customer care, such as call centre, issuing bills to customers, etc. and is classified to Number of Customers.

### **Schedule 2: Net Investment Costs**

Classification of net investment costs follows the classification of the corresponding rate base items on Schedule 1 discussed above.

### **Schedule 3: Operating and Maintenance (O&M) Costs**

Classification of Item 1.1, Gas Purchased, is based on results of the detailed Classification of Gas Costs to Operations found at Exhibit G2, Tab 6, Schedule 2, Page 1, Line 10.2. The following paragraphs discuss the Classification of Gas Costs to Operations schedule.

The variable unit rate for commodity costs is based on a 12 month average of projected AECO/NIT prices inclusive of fuel plus NOVA/Empress transportation tolls and reflects commodity price at Empress. This unit rate is reflective of commodity price in the marketplace