What are your comments on the revised RTIEÉ evidence?

We have reviewed the revised evidence of the RTIEÉ and note that their revised evidence is substantial. We also observe that RTIEÉ's revised evidence raises certain points / issues which were not discussed during the course of this proceeding.

We have the following comments with respect to their revised evidence.

<u>Rate 9:</u> Interruptible Service

RTIEÉ make submissions about the level of rate / bill impact in relation to cross-subsidy, competitiveness of Rate 9 rates versus alternatives, and risk of potentially losing these customers to other North-American jurisdictions.

In terms of context, Rate 9 interruptible service customers must, when provided with a two hours-notice (i.e. curtailment order issued by the utility), either completely cease or reduce their consumption as instructed by Gazifere. These customers comply with curtailment orders by either switching their consumption to another fuel source, such as oil or propane, or by shutting down their operations.

The design of Rate 9 reflects that these customers do not consume gas and do not use capacity in the system under peak conditions. As a result, distribution rates for Rate 9 customers are lower than for firm customers and system capacity is reserved for use by firm customers under peak conditions.

Rate 9 customers are also compensated for their capability to be interrupted on a short notice through curtailment credits (these credits compensate them for being on stand-by year round to curtail when ordered to do so and for maintaining such capability year round).

Note that the Company's key accounts personnel provide support to these customers on an ongoing basis and in conjunction with customers review their operations (and any changed implemented or anticipated) annually at contract renewals. The Company certainly expect that Rate 9 customers would inform Gazifere should Rate 9 pricing no longer provide (sufficient) competitive advantage versus alternative fuel options (i.e. oil, propane, wood pellets) and/or would tell Gazifere that they plan to switch away from natural gas altogether. In such a case, the Company could rectify the situation by, for example, increasing the value of interruptible credits to restore Rate 9 competitive advantage vs alternative options.

Gazifere has not heard, and is not aware, of any negative feedback from Rate 9 customers. Hence, the Company concludes that Rate 9 as designed is meeting customers' needs well today and into the near future (as a minimum).

RTIEÉ is proposing that Rate 9 distribution rates be increased as per Scenario 1 (RTIEÉ claims there is no evidence on the record that would say such an increase would compromise Rate 9 competitive position).

As stated in interrogatory response 2.1.4 to RTIEÉ, it is the Company's view that an increase in distribution rates of 79.1 % for Rate 9 customers is not appropriate. Although, the total bill increase % for Rate 9 customers is muted by including gas cost portion of the bill, stakeholders need to keep in mind that customers do not know about discussions in the rate case regarding revenue to cost ratios (and do not appreciate / understand this concept). Customers view year-over-year changes in distribution rates as a proxy on how Gazifere's / utility's costs change year-over-year. In the Company's view, to propose an increase in distribution rates that is so detached from a change in distribution costs (and from distribution rate increases for other customers), is not appropriate. It is more important for proposed rates to satisfy the Regie's rate design objectives while balancing rate impacts and keeping rates equitable among the customer classes versus focusing too greatly on revenue to cost ratios and cross-subsidy between customer classes.

Should the 79.1% increase in distribution rates be approved and subsequently compromise the competitiveness of Rate 9 (note: the Company does not know if competitiveness would in fact be compromised because this was not studied / assessed as part of the proceeding), the Company would most likely need to increase the value of interruptible credits whose costs are recovered from firm customers. As a result, once the value of interruptible credits is increased to restore Rate 9 competitiveness, firm customers may not end up being better off.

The Company is not making comments with respect to RTIEÉ submissions that Rate 9 customers could relocate to other North-American jurisdictions. This proposition was not discussed during the course of this proceeding and business relocation considerations go well beyond energy costs as they would also be a function of labour availability and labour costs, cost of production inputs, ongoing operating costs, municipal and state taxation, etc.

Rate 4: RTIEE and Gazifere's positions are aligned, although the submissions / arguments supporting the same outcome are somewhat different between the two.

Rate 2: In Gazifere's read of the RTIEE's evidence, RTIEE's preference and Gazifere's position are aligned. Gazifère will not make further comments since the RTIEE are deferring to the Regie.