

RÉGIE DE L'ÉNERGIE

DOSSIER : R-4287-2024 – Phase 3

**ÉNERGIR – DEMANDE D'APPROBATION DU PLAN D'APPROVISIONNEMENT ET DE
MODIFICATION DES CONDITIONS DE SERVICE ET TARIF D'ÉNERGIR, S.E.C. À
COMPTER DU 1^{ER} OCTOBRE 2025**

**DEMANDE DE RENSEIGNEMENTS N° 1
DE D. MADSEN À ÉNERGIR**

Montréal, le 19 mars 2026

**INFORMATION REQUEST N° 1
 OF D. MADSEN TO ÉNERGIR ON BEHALF OF THE INDUSTRIAL GAS USERS
 ASSOCIATION (« IGUA ») PERTAINING TO THE FILE ENTITLED « APPROBATION DU
 PLAN D'APPROVISIONNEMENT ET DE MODIFICATION DES CONDITIONS DE SERVICE
 ET TARIF D'ÉNERGIR, S.E.C. À COMPTER DU 1^{ER} OCTOBRE 2025 »**

1. **References:** (i) Exhibit B-0281 – Proposed formula for cost variation, page 37, Table 2.
 (ii) Exhibit B-0281 – Proposed formula for cost variation, page 27, Table 1.
 (iii) Exhibit B-0281 – Proposed formula for cost variation, page 29, lines 20 to 21.
 (iv) Exhibit B-0281 – Proposed formula for cost variation, page 31, lines 3 to 9.
 (v) Exhibit B-0281 – Proposed formula for cost variation, page 34, lines 18 to 25.
 (vi) Exhibit B-0281 – Appendix 1.

Preamble:

(i)

**Tableau 2
 Simulation de la CT 2026-2027**

	CT 2025-2026 CS* total	2025-2026 CS* de base assujettie aux indices	2025-2026 CS* distinct ajust. à la marge	Indices	CT 2026-2027 CS* de base
	(1) = (2) + (3)	(2)	(3)	(4)	(5) = (2) x (1 + (4))
1 Base de tarification	2 647 834	2 493 248	154 586	IPC 2,00 %	2 543 113
2 Frais de distribution du CDG	8 059	8 059		IPC 2,00 %	8 221
3 Autres revenus d'exploitation	(4 195)	(4 195)		IPC 2,00 %	(4 279)
4 Dépenses d'exploitation excluant coût services rendus - ASF	241 536	241 536		FP 3,50 %	249 990
5 Coût des services rendus - ASF	20 392		20 392		
6 Autres composantes du coût des ASF	(11 038)		(11 038)		
7 Plan global en efficacité énergétique (PGEE)	6 855		6 855		
8 Amortissements immobilisations	157 310	157 310		IPC 2,00 %	160 456
9 Amortissements frais reportés et actifs intangibles	80 187	48 718	31 469	IPC 2,00 %	49 692
10 Impôts fonciers et autres	50 977	50 977		IPC 2,00 %	51 996
11 Impôts sur le revenu	24 601	24 601		IPC 2,00 %	25 093
12 Rendement sur la BT	160 459	151 091	9 368	IPC 2,00 %	154 113
13 Revenu requis avant contribution GES	735 143	678 097	57 046		695 282
14 Contribution GES	(6 036)		(6 036)		
15 Revenu requis à la clientèle réglementée	<u>729 107</u>	<u>678 097</u>	<u>51 010</u>		<u>695 282</u>

* Coût de service.

(ii)

Tableau 1
Établissement du coût de service de l'année t2 2026-2027 à partir de la FVC

1) CS de base établi par les indices			2) Ajustements à la marge (projection distincte)	
Composantes du CS	% de croissance			
OPEX	Formule paramétrique (75 %-EERH / 25 %-IPC)	+	CFR	} Rendement et amortissement
Impôts fonciers et autres	IPC		ASF	
Amortissement	IPC		PGEE	
Rendement et impôts	IPC		Projets majeurs	
			Contribution GES	

- (iii) « Ainsi, la seule modification proposée par rapport à la formule paramétrique antérieure consiste à retirer le facteur de croissance du nombre de clients. »
- (iv) « Considérant ce qui précède, Énergir a mandaté la firme d'expert NERA afin de produire un rapport à haut niveau sur la pertinence de maintenir le facteur de la croissance du nombre de clients dans un contexte de décroissance. En plus de ses propres recherches, NERA a eu accès à de la documentation fournie par Énergir, incluant les preuves, les décisions et les rapports d'experts (dont ceux de la firme Pacific Economics Group Research (PEG)) ayant été utilisés dans le cadre de dossiers passés. Les principaux constats de ce rapport sont les suivants : [...] »
- (v) « Énergir juge que cette approche est, à la fois, facile d'application et équitable. Il est à noter que cette proposition ne sera applicable que pour la CT 2026-2027. En effet, Énergir entend déposer, lors de la CT 2027-2028, une proposition visant une nouvelle méthodologie pour la détermination de la dépense d'impôts présumés, laquelle pourra être appliquée tant pour les années de base que pour les années intermédiaires d'un cycle triennal. L'ampleur des travaux requis pour développer cette nouvelle méthodologie et produire les analyses nécessaires ne permettait pas de l'intégrer à la présente proposition de FVC dans les délais impartis. »

Requests:

- 1.1 Per reference (i), please provide an Excel spreadsheet with links and formulas intact that clearly demonstrates how the proposed cost variation formula (FVC) for 2026/27 is calculated based on 2025/26.
- 1.1.1. As part of the response, please show in detail how each component of revenues will be calculated, including but not limited to return on equity, return on preferred shares, return on debt, depreciation, each component of operating expenses, income taxes, and the amortization of deferred regulatory balances.

- 1.2 Per reference (i), please provide an Excel spreadsheet that includes the actual and forecast components of revenue requirement at the detailed general ledger level for each fiscal year from 2017-18 to 2025-26.
 - 1.2.1 For clarity, as part of this request, please provide the detailed breakdown of all operating expenses at the account level, and all other costs, such as short and long-term interest expense, etc.
- 1.3 Referring broadly to Exhibit B-0281, please provide a detailed timeline illustrating how and when each element of the proposed formula will be determined and the process proposed to review the inputs into the proposed formula for each year.
- 1.4 Per reference (i), is Énergir proposing to escalate the forecast of 2025/26 costs, or would the formula escalate actual or approved costs? Please explain.
- 1.5 Referring broadly to Exhibit B-0281, please prepare a table in Excel from fiscal year 2017-18 to 2025-26 showing the actual or forecast balances of the following items:
 - a. Total cost of service.
 - b. Total cost of service excluding amortization of deferred expense accounts.
 - c. The total number of customers served.
 - d. The total amount of gas delivered (Mcf).
 - e. The total cost of service per customer(\$/customer).
 - f. The total cost of service per unit of gas delivered (\$/Mcf).
- 1.6 Referring broadly to Exhibit B-0281, please provide copies of all figures in Excel ("Graphiques" 1 to 12 and Figures 1 and 2 in Appendix 1) with formulas intact, in both French and English.
- 1.7 Per reference (iii), please provide a table in Excel showing the actual billing determinants (i.e., customers, gas delivered, etc.) for each customer class from fiscal year 2017-18 to 2025-26.
- 1.8 Per reference (iii), please provide a detailed description of how previous growth parameters were determined in prior parametric formulas used by Énergir.
 - 1.8.1 Where possible, please provide examples of how the amount was determined.

- 1.9 Per reference (i), please explain in detail, using illustrative examples, how the recovery of depreciation, return and taxes on marginally adjusted balances under the formula will impact the determination of formula-adjusted balances related to depreciation, return and taxes. For example, please explain whether there would be any double counting of the collection of amounts under the formula and marginal forecast approach to setting rates.
- 1.10 Per reference (ii), please fully explain why Énergir is proposing a 75%/25% weighting for the parametric formula applied to OPEX.
- 1.11 Per reference (ii), please fully explain why a 50%/50% parametric formula has not been applied to all components of costs, including operating costs, property taxes, depreciation, return and taxes.
- 1.12 Per reference (ii), please provide an Excel schedule showing the ratio of total labour costs for Énergir to total operating expenses from 2017-18 to 2025-26.
- 1.13 Per reference (ii), please provide in an Excel spreadsheet the monthly indices for the last ten years as well as the first available months of 2026 for Survey of Employment, Payrolls and Hours and the Quebec CPI.
- 1.14 Per reference (ii), please provide the most recent twelve-month average of the two proposed indices as of the response to this request.
- 1.14.1. If information is available for the twelve-month period ending February 2026, please provide that information.
- 1.15 Per reference (ii), please explain why the calculated CPI index is based on historical information rather than a forecast.
- 1.16 Per reference (iv), please provide copies of all PEG studies referenced in this extract.
- 1.17 Per reference (ii), please explain in detail why Énergir has not proposed a productivity factor (i.e., an X factor) adjustment to apply to operating costs or other costs under the formula.
- 1.18 Per reference (ii), please provide Énergir's understanding of why other Canadian regulators approve a productivity factor as part of formula-rate mechanisms.
- 1.19 Per reference (ii), is Énergir aware of any other North American jurisdictions that use formula rates but do not include one or both of a productivity factor and growth adjustment? Please explain.
- 1.20 Per reference (ii), does Énergir routinely seek out productivity savings relative to its approved level of costs and revenues? Please explain. Please provide examples/estimates.

- 1.21 Per reference (ii), does Énergir agree that by excluding a productivity factor, Énergir's formula rates would be simply escalating the base costs, which would not account for decisions of management to achieve productivity savings? Please explain.
- 1.22 Per reference (i), is Énergir proposing that any components of the formula rate be trueed up to actual results as part of a subsequent year?
- 1.22.1. If yes, please explain which components outline the proposed true up mechanism, and explain why the amounts should be trueed up.
- 1.22.2. If not, please explain why.
- 1.23 Further to the response to 1.22, please provide an update for all inputs and indices into the formula rate as of the date of the response to this request.
- 1.24 Per reference (i), please explain in detail how the forecasts for each of the marginally forecast costs would be performed, the timing of when the forecast would be prepared, any review that would be required for the forecasts, the need for prudence assessments of the costs, any true ups for the forecasts, and any other considerations relevant to an assessment of the forecast costs.
- 1.25 Per reference (i), please comment on how Énergir's proposal to forecast certain specific costs results in a reduction in regulatory burden.
- 1.26 Per reference (i), does Énergir agree that an alternative to specifically forecasting certain costs would be to escalate the costs based on an approved formula and to true up any variances through a deferral account? Please fully explain the response.
- 1.27 Per reference (v), please provide an update on Énergir's plans for a deemed tax expenditure going forward, how that expenditure would be determined, and any other information known to Énergir at this time regarding its future plans.
- 1.28 Referring broadly to Exhibit B-0281, please provide an Excel schedule breaking out all actual and forecast capital expenditures by fiscal year from 2017-18 to 2025-26 by project category. For each category of projects, please denote whether the project relates to sustainability, replacement, growth, productivity improvement, or some other variable or combination of variables.
- 1.29 Per reference (ii), please provide Table 2 in an Excel spreadsheet with all formulas intact.
- 1.30 Per reference (ii), please update the analysis included in Table 2 to reflect all known current balances, indices and costs, and provide a source and reference for all updates. Please provide the analysis in an Excel spreadsheet.
- 1.31 Per reference (ii), regarding all costs excluded from the formula adjustment, please explain whether the forecast costs will be adjusted to the actual costs at a future date. If not, please explain.

- 1.32 Per reference (v), please fully explain why Énergir is unable to develop a forecast of income tax expense based on projected net earnings, tax deductions, tax rates, etc.
- 1.33 Per reference (v), please provide the detailed income tax calculations for Énergir both on an actual/forecast and approved basis from fiscal year 2017/18 to 2025/26. Please provide the calculations in an Excel spreadsheet.
- 1.34 Per reference (i), please provide an Excel spreadsheet showing how the proposed formula and treatment of costs on the margin would have calculated revenues based on the last three fiscal years. As part of the response, please use the actual indices that would have been determined historically, and calculate the revenues that would have been recovered compared to the actual revenues that were approved to be recovered in those years.
- 1.35 Referring broadly to Exhibit B-0281, please provide a summary of all jurisdictions known to and reviewed by Énergir that adopt similar formulas to vary costs from year-to-year and provide the decisions of the regulator adopting said formulas.
- 1.36 Referring broadly to Exhibit B-0281, regarding Fortis BC, ATCO Gas and Enbridge Ontario, please provide copies of the most recent regulatory decisions approving the form of regulation, including if applicable, the formula rate regulation framework approved for each entity.
- 1.37 Referring broadly to Exhibit B-0281, please confirm that ATCO Gas uses a revenue per customer formula.
- 1.37.1. If not confirmed, please explain.
- 1.38 Referring broadly to Exhibit B-0281, for each of the different mechanisms included in the ATCO Gas formula outlined above, please explain whether Énergir considered any similar mechanisms, such as a Kbar, ESM, etc. As part of the response please fully explain why each mechanism as part of the formula would or would not be appropriate to include for Énergir.
- 1.39 Referring broadly to Exhibit B-0281, please provide all evidence available to Énergir to support the position that other Canadian gas utilities are in a growth position unlike Énergir.
- 1.40 Referring broadly to Exhibit B-0281, please explain in detail how Énergir proposes to escalate the fixed and variable components of gas rates using the FVC. For example, will Énergir escalate the rates evenly or will the change flow entirely through one component of the rates (i.e., fixed or variable).
- 1.41 Referring broadly to Exhibit B-0281, please provide an illustrative calculation in Excel showing how current rates would change for each customer class under a formula. As part of the calculation, please also demonstrate how forecast costs excluded from the formula would be incorporated into rates each year.

- 1.42 Referring broadly to Exhibit B-0281, please explain how Énergir proposes to address any future differences that may arise from the setting of rates under a formula and the rates determined by future cost-of-service studies that functionalize, classify and allocate costs to customers and customer classes.
- 1.43 Referring broadly to Exhibit B-0281, Appendix 1, please provide NERA's industry wide assessment of all formulas used for gas utilities in North America.
- 1.44 Referring broadly to Exhibit B-0281, Appendix 1, please identify all gas utilities in North America that operate on a formula basis that excludes one or both of a productivity and customer growth factor.
- 1.45 Referring broadly to Exhibit B-0281, Appendix 1, please provide copies of all testimony filed by Dr. Makholm in other Canadian and U.S. jurisdictions as it relates to formula-rates.
- 1.46 Referring broadly to Exhibit B-0281, Appendix 1, please provide a summary of the recommendations of Dr. Makholm in other jurisdictions as it relates to the inclusion of a productivity or growth factor in a formula rate mechanism.