Q. Company Evidence, p. 1: What formula does the Régie employ to establish returns for Gáz Metro?

A. The automatic adjustment formula employed by the Régie to establish returns for Gáz Metro for 2013 and subsequent years can be found in Appendix 2 of Decision D-2011-182 rendered on November 25, 2011. A copy of Appendix 2 is included here as Attachment A.

GÁZ METRO FORMULA

APPENDIX 2

AUTOMATIC ROE ADJUSTMENT FORMULA FOR GAZ MÉTRO INC. FOR 2013 AND SUBSEQUENT YEARS

Appendix 2 (3 pages)

G. B. _____

M. T. _____

J.-F. V. _____

AUTOMATIC ROE ADJUSTMENT FORMULA FOR GAZ MÉTRO INC. FOR 2013 AND SUBSEQUENT YEARS

ROE for test year t $= 8.90\% + 0.75 * (PYCL_t - 4.0\%) + 0.5 * (CSRC_t - 1.5\%)$

where

$PYCL_t$ = Projected yield on Canada long-term bonds for test year t.

$CSRC_t$ = Credit spread between A-rated long-term bonds issued by Canadian regulated corporations and Canada long-term bonds for test year t.

The $PYCL_t$ factor is calculated as follows:

$$PYCL_t = \left[\frac{PY_{10}C_{nov,\,t} + PY_{10}C_{aug,\,t}}{2}\right] + \left[\frac{\sum_i (Y_{30}C_{i,\,t-1} - Y_{10}C_{i,\,t-1})}{I}\right]$$

where

$PY_{10}C_{nov,t}$ = Projected yield on Canada 10-year bonds at the end of November in test year t-1, according to Consensus Forecasts published in August of rate year t-1.

$PY_{10}C_{aug,t}$ = Projected yield on Canada 10-year bonds at the end of August in test year t, according to Consensus Forecasts published in August of rate year t-1.

$Y_{30}C_{i,t-1}$ = Yield on Canada 30-year bonds at the close of business on each day i in July of rate year t-1, as published by the Bank of Canada (Cansim Series V39056).

$Y_{10}C_{i,t-1}$ = Yield on Canada 10-year bonds at the close of business on each day i in July of rate year t-1, as published by the Bank of Canada (Cansim Series V39055).

I = Number of business days in July of rate year t-1 for which the yield on Canada bonds and the yield on A-rated 30-year bonds issued by Canadian regulated corporations are published.

The $CSRC_t$ factor shows the daily average yield spread between A-rated 30-year bonds issued by Canadian regulated corporations and Canada 30-year bonds, observed each business day i in July of rate year t-1. The $CSRC_t$ factor is calculated as follows:

$$CSRC_t = \frac{\sum_i (Y_{30}RC_{i,t-1} - Y_{30}C_{i,t-1})}{I}$$

where

$Y_{30}RC_{i,t-1}$ = Daily average yield on A-rated 30-year bonds issued by Canadian regulated corporations at the close of business on each day i in July of rate year t-1, as shown on the Bloomberg C29530Y index.

$Y_{30}C_{i,t-1}$ = Yield on Canada 30-year bonds at the close of business on each day i in July of rate year t-1, as published by the Bank of Canada (Cansim Series V39056).

I = Number of business days in July of rate year t-1 for which the yield on Canada bonds and the yields on A-rated 30-year bonds issued by Canadian regulated corporations are published.