

February 5, 2012

Ms. Kirsten Walli
Board Secretary
Ontario Energy Board
P.O. Box 2319
2300 Yonge Street, 27th Floor
Toronto, ON M4P 1E4

Dear Ms. Walli,

RE: EB-2011-0242 & EB-2011-0283 - London Property Management Association Interrogatories

Please find attached the interrogatories to Union Gas of the London Property Management Association in the above noted applications.

Sincerely,

Randy Aiken

Randy Aiken
Aiken & Associates

Encl.

cc: Karen Hockin, Union Gas Limited (e-mail)
Norm Ryckman, Enbridge Gas Distribution Inc. (e-mail)

IN THE MATTER OF the *Ontario Energy Board Act, 1998*, S.O. 1998, c.15, Schedule B; and in particular section 36 (20 thereof):

AND IN THE MATTER OF an application by Enbridge Gas Distribution Inc. for an Order or Orders approving and setting the cost consequences associated with the purchase of Ontario biomethane by Enbridge Gas Distribution Inc.;

AND IN THE MATTER OF an application by Union Gas Limited for an Order or Orders approving and setting the cost consequences associated with the purchase of Ontario biomethane by Union Gas Limited.

INTERROGATORIES OF THE
LONDON PROPERTY MANAGEMENT ASSOCIATION
TO UNION GAS LIMITED

Interrogatory #1

Ref: Exhibit B, Tab 1, page 1
Issue 4.1

- a) Does Union plan on offering system gas customers the option to purchase biomethane in place of the standard system gas supply? If not, why not?
- b) Does Union plan on offering system gas customers the option to opt out of system gas that includes biomethane and to remain on system gas that excludes biomethane? If not, why not?
- c) Please explain how system gas customers are offered greater choice for energy consumers if the cost of the biomethane is included in the system gas cost and customers are not provided any alternative if they wish to remain on system gas.

Interrogatory #2

Ref: Exhibit B, Tab 1, page 1
Issue 2.5

The evidence indicates that Union would purchase a maximum annual volume of 58 million m³. Please provide the following based on the last three years of actual data available.

- a) The total volume of system gas purchased by Union to supply system gas customers.
- b) The total volume of direct purchase gas consumed by Union's direct purchase customers.
- c) The total volume of gas purchased by Union Gas for its own use as part of the regulated utility (for example, compressor fuel, heating, etc.).
- d) The total volume of gas purchased by Union Gas for its own use as part of the unregulated storage business operated by Union Gas.

Interrogatory #3

Ref: Exhibit B, Tab 1, page 9
Issue 1.2

The evidence states that financial payments stay within the province, to the benefit of Ontario farmers, municipalities or businesses.

- a) How does Union know that investment from outside of Ontario in these facilities will not result in financial payments leaving the province?
- b) Is Union proposing any restrictions on the ownership of the facilities that it will connect to its system? If so, please provide details.
- c) Does Union currently purchase any biomethane gas produced in Ontario?
- d) Does Union currently purchase any biomethane gas produced outside of Ontario?
- e) Has Union investigated what biomethane gas produced outside of Ontario is available to be purchased? If not, why not? If yes, please provide details, including the price at which this gas can be purchased and the geographic location of this gas.

Interrogatory #4

Ref: Exhibit B, Tab 1, page 9
Issue 3.2

- a) Can biomethane gas be used as a firm source of peaking gas supply? In other words, could this gas be purchased only when required for seasonal requirements? If not, why not?
- b) Could a local producer of conventional natural gas in Ontario use biomethane gas as a source of production to ensure firm deliveries into a distribution system? If not, why not?
- c) Would Union consider the delivery of biomethane gas into its distribution system to be more, less or of the same level of reliability as that from local Ontario producers?

Interrogatory #5

Ref: Exhibit B, Tab 1, pages 5 & 10
Issue 2.6

The evidence states that biomethane results in increased energy utilization efficiency relative to the current alternative of generating electric power for connection to the electricity grid. Does this conclusion include situations where combined heat and power ("CHP") facilities could be built? Please provide the efficiency rating of a CHP facility in a manner similar to the 40% and 80% figures noted on page 5

Interrogatory #6

Ref: Exhibit B, Tab 1, page 10
Issue 1.2

The evidence indicates that unless biomethane prices are set, a viable biomethane industry will not develop in Ontario in the near term.

- a) Please define "near term".
- b) Could a viable industry in Ontario be established if the biomethane was sold outside of Ontario? If not, please explain why not.

Interrogatory #7

Ref: Exhibit B, Tab 1, page 11
Issue 4.1

- a) Please explain how the utilities are positioned within the provincial energy market to enable the biomethane industry on behalf of consumers throughout the province, when many consumers are not system gas consumers.

b) Do the utilities believe that gas and electricity marketers are positioned within the provincial energy market to enable the biomethane industry on behalf of consumers throughout the province, given that they supply the direct purchase market? If not, please explain.

Interrogatory #8

Ref: Exhibit B, Tab 1, page 11
Issue 1.2

- a) Please define the term "longer-term horizon" used in the last paragraph in Part IV.
- b) Please define the term "viable market" used in the last paragraph in Part IV.
- c) Please provide all the assumptions, documents, etc. that Union has used or seen to make the statement that the following a maturation process, biomethane should be able to complete with conventional natural gas supplies.

Interrogatory #9

Ref: Exhibit B, Tab 1, pages 11-12
Issue 4.1

Has Union done any survey of corporations, such as itself, to determine the level of market support based on various cost consequences of corporations purchasing all of or some portion of their gas requirements through direct purchase agreements that included some biomethane gas at costs proposed in this application? If not, why not?

Interrogatory #10

Ref: Exhibit B, Tab 1, pages 14-15
Issue 4.1

Please provide copies of all materials provided to parties and/or received from parties in the Stakeholder Meetings other than the written letters of support found in Exhibit B, Tab 1, Appendix 2.

Interrogatory #11

Ref: Exhibit B, Tab 1, page 16
Issue 4.1

- a) Has Union calculated the avoided pipeline transportation costs associated with Ontario produced biomethane if it hits the maximum annual volume of 58 million m³? If not, why not? If yes, please provide the estimated annual pipeline transportation savings.
- b) Are there any other savings associated with purchasing biomethane gas produced in Ontario? If yes, please provide details and estimates.
- c) Are there any other costs to system gas customers or other distributor ratepayers associated with the purchase of Ontario produced biomethane? If yes, please provide details and estimates.

Interrogatory #12

Ref: Exhibit B, Tab 1, page 16
Issue 1.2 & 4.1

- a) Is Union requesting that the Board approve a Biomethane Service Offering similar to that approved by the BC Utilities Commission in December 2010? If not, why not?
- b) Would Union be opposed to establishing a Biomethane Service Offering for system gas customers? If yes, please explain why.
- c) Is Union aware of whether or not any gas marketers operating in other provinces or states offer a service offering that allows customers to designate some or all of their gas purchases to be from biomethane production? If yes, provide details.
- d) Is Union aware of whether or not any electricity marketers operating in Ontario, other provinces or states offer a service offering that allows customers to designate some or all of their electricity purchases to be from green energy sources such as solar, wind and/or biogas? If yes, provide details.
- e) If the answer to either or both of parts (c) and (d) above are no, please explain why Union has not researched this in preparation for its application.

Interrogatory #13

Ref: Exhibit B, Tab 1, page 21
Issue 2.3

The evidence indicates that the contracts would have a maximum term of 20 years. Is there a minimum term and, if so, what is it?

Interrogatory #14

Ref: Exhibit B, Tab 1, page 21
Issue 2.4

Please explain why a 5 year contract acceptance window is required when many projects may take only 2 years to start commercial operation.

Interrogatory #15

Ref: Exhibit B, Tab 1, page 21
Issue 2.1 & 2.2

What is the current price charged to customers in \$ per GJ for system gas customers?

Interrogatory #16

Ref: Exhibit B, Tab 1, pages 21-22
Issue 2.1 & 2.2

a) Please provide a sensitivity analysis that shows the prices in the same format as those shown on page 21 if the ROE was 9%, 7% and 5%.

b) Is the 11% ROE noted the after-tax return?

Interrogatory #17

Ref: Exhibit B, Tab 1, page 24
Issue 2.6

Please explain how Union will use existing systems to ensure that any and all environmental attributes and benefits will accrue to gas purchase costs to the benefit of system gas customers.

Interrogatory #18

Ref: Exhibit B, Tab 1, page 24
Issue 3.2 & 2.1 & 2.2

The evidence states that given the possibility that more than one producer may approach Union with a potential project in the same area and that Union may not have the capacity to accept more than one project, a transparent allocation system is required to ensure potential producers have equitable gas network access. The system would be based on a

first-come, first-served basis with an onus on the producer to confirm their serious intent to construct a project.

Please explain why Union is not proposing that the price requested by the competing proposals be taken into consideration when the utility decides which proposal should go forward.

Interrogatory #19

Ref: Exhibit B, Tab 1, page 26

Issue 2.1 & 2.2

- a) Please explain why the annual price escalator has been determined to be based on the Consumer Price Index rather than some other price index.
- b) Is the Consumer Price Index proposed the Canadian CPI or the Ontario CPI?
- c) How was the 30% factor determined?

Interrogatory #20

Ref: Exhibit B, Tab 1, page 26

Issue 1.2

- a) Why does Union require that it has exclusivity of contracted biomethane from the producer?
- b) How does this exclusivity assist in developing and implementing a viable biomethane industry in Ontario?

Interrogatory #21

Ref: Exhibit B, Tab 1, page 28

Issue 3.3

- a) What is the average energy content of conventional natural gas in Union's system?
- b) What is the expected energy content of biomethane gas?
- c) If there is a difference in the energy content of the biomethane gas relative to conventional natural gas, how will Union deal with changes in volumetric consumption that this could result in for customers served off the lines close to the production of the biomethane gas entering the system?

Interrogatory #22

Ref: Exhibit B, Tab 1, Appendix 2
Issue 4.1 & 1.2

- a) For each of the municipalities that have provided Letters of Support to Union Gas, please indicate whether that municipality is a direct purchase customer or a system gas customer.
- b) Has Union approached each of the municipalities that have provided letters of support to it to determine their willingness to purchase some or all of their gas requirements from biomethane production? If not, why not?
- c) What is the annual consumption of the municipalities, in aggregate, that have provided letters of support to Union?
- d) What is the annual consumption of all municipalities served by Union?
Approximately what proportion of the annual consumption is served by system gas as compared to direct purchase gas?
- e) Do each of the municipalities that have provided letters of support to Union have the potential to be producers of biomethane gas?

Interrogatory #23

Ref: Exhibit B, Tab 1, Appendix 3
Issue 4.1

- a) How many of the residential customers included in the sample were direct purchase customers and how many were system gas customers?
- b) How many of the commercial customers included in the sample were direct purchase customers and how many were system gas customers?
- c) Were the respondents to the survey offered any incentive to complete the online survey?

Interrogatory #24

Ref: Exhibit B, Tab 1, Appendix 4, page 14
Issue 2.1 & 2.2

Please provide a copy of all of the assumptions that were informed by the Ontario Power Authority (OPA) feed in tariff.

Interrogatory #25

Ref: Exhibit B, Tab 1, Appendix 4, page 60
Issue 3.1

- a) Please confirm that the station and interconnect costs would be paid for through contributions to Union.
- b) Please confirm that these contributions would form part of the capital cost for each biomethane producer.
- c) What is the impact on the cost of capital associated with these capital costs being born by the biomethane producer relative to the cost of capital associated with these costs if they were incurred by Union. In providing this answer, please provide all assumptions related to capital structure, return on equity and debt costs between Union and the biomethane producer.

Interrogatory #26

Ref: Exhibit B, Tab 1, Appendix 5

- a) What are the current rates available from Infrastructure Ontario for a 20 year loan?
- b) Please update the SSO and WWTP scenarios to reflect the rate in part (a) above in place of the 4.5% used and show the impact on the RNG pricing with all other assumptions unchanged.
- c) Please explain why an equity ratio of 40% and a debt ratio of 60% were used when the Ontario Power Authority material noted in Reference 2 uses a 30% equity ratio and a 70% debt ratio?
- d) Please recalculate the RNG pricing using a 30% equity and 70% debt ratio for the agricultural and industrial scenarios as well as the landfill scenarios.
- e) Please explain why the depreciation rate is based on a 20 year life of the assets. Is this assumption based on the maximum 20 year contract or on the expected life of the assets? What is the expected life of the assets?
- f) Please recalculate the RNG pricing using a straight-line depreciation on 30 years.
- g) Please recalculate the RNG pricing using a return on equity of 9.42%.

Interrogatory #27

Ref: Exhibit B, Tab 1, Appendix A
Issue 2.1 & 2.2

Please provide live Excel spreadsheets for the pro-formas shown on pages 9 through 17 (Appendix 1).

Interrogatory #28

Ref: Exhibit C
Issue 2.1 & 2.2

- a) What is the annual net bill increase for a typical commercial system gas customer served under rates M2, M4 and 10?
- b) What is the annual increase in total gas costs that would be paid for by system gas customers if the biomethane volumes is at the 58 million m³ level compared to current gas costs as of January 1, 2012?
- c) Based on the current composition of system gas sales, please disaggregate the amount calculated in part (b) into each of the rate classes that contain system gas sales.

Interrogatory #29

Ref: Exhibit C
Issue 4.1

- a) Please provide the average impact on customers in Rates M1, 01, M2, M4 and 10 if the biomethane gas was purchased for company use and included in the costs allocated to all customers. Please provide the impact on both a percentage and annual dollar basis.
- b) How much of the annual increase in total gas costs requested in Interrogatory #28(b) above would be allocated to ex-franchise customers if the biomethane gas was purchased by Union for company use as requested in part (a) above.

Interrogatory #30

Ref: Exhibit C
Issue 2.1 & 2.2

What is the impact on the working capital associated with the increased cost of biomethane gas? Please show all calculations and assumptions used.