

**INTERROGATORIES FOR UNION GAS LIMITED
FROM THE CONSUMERS COUNCIL OF CANADA
EB-2011-0283 -RENEWABLE NATURAL GAS APPLICATION**

ISSUE 1 - ROLE OF THE UTILITIES

(B/T1/p1)

1. The evidence states that the purpose of the application is to establish a renewable natural gas program to "enable" the development of a viable RNG industry in Ontario. Why does Union believe that it is appropriate for system gas ratepayers alone to "enable" the RNG industry in Ontario?

2. What is Union's contribution to enabling the development of a viable RNG industry in Ontario?

3. Did Union's parent or any of Union's affiliates consider developing or contributing to the development of an RNG industry in Ontario? If so, why was the idea rejected?

(B/T1)

4. Please provide copies of all presentations, business cases and reports regarding the RNG program provided to:

- Union's Senior Management Team;
- Union's Board of Directors;
- Union's parent, Spectra; and
- Any other affiliated companies.

(B/T1)

5. Please provide copies of all correspondence, including email, between Union and the Government of Ontario (Ministry of the Environment, Ministry of Energy, Ministry of

Agriculture Food and Rural Affairs etc.) regarding the development of biomethane in the Province and, in particular, with respect to the proposal embodied in this application.

(B/T1)

6. Please provide copies of all correspondence, including emails, between EGD and Union regarding the development of biomethane in Ontario and the proposed RNG program.

(B/T1/p. 8)

7. Please indicate why the Ontario Biogas Systems Financial Assistance Program was concluded in 2010. Did either Union or EGD seek to have the Program continued for purposes of the proposal embodied in this application?

8. Did Union or EGD ask either the federal or the provincial governments to contribute to the development of an RNG industry as embodied in this application? If so, please provide details of the request(s) and the response(s) thereto.

(B/T1/p. 10)

9. Please indicate to what extent Union and/or its affiliates considered other options to "enable" a viable RNG industry in Ontario. Please indicate what those other options were and why they were rejected.

(B1/T1/p. 11)

10. The evidence states that the Utilities are uniquely positioned with the provincial energy market to enable the RNG industry on behalf of consumers throughout the Province. Do customers other than system supply customers stand to benefit from the development of an RNG industry? If not, why not?

(B/T1/p. 11)

11. The evidence indicates that the Utilities have been supported by "the RNG community" and they have filed letters in support of a utility-led RNG program. Who is the RNG community? How did EGD and Union go about soliciting this support?

(B1/T1/p. 11)

12. The evidence states that the emerging RNG industry requires a foundation to be built over a longer-term horizon so that a viable market can develop. What guarantees does Union have that, under its program, "a viable market can develop"? What guarantees does Union have that RNG will be able to compete with conventional natural gas supplies?

13. Union lists four (4) factors in the maturation of the emerging [RNG] market. They are technology development, produce sophistication, increasing natural gas prices and the potential development of a carbon price (based on GHG trading value).

- a) How does the proposal embodied in this application contribute, if at all, to each of these maturation factors?
- b) What evidence does Union have that those factors will mature and over what time period?
- c) In particular, what evidence does Union have of the rate of maturation of these factors, and of the things influencing that maturation in other jurisdictions?

(B/T1/p. 11)

14. With respect to the Ipsos Reid survey, how were the participants selected?

(B1/T1/p. 14)

15. The evidence indicates that the Utilities met with a number of other stakeholders on the proposed RNG Program between November 2010 and 2011. Please provide a list of all of

the meetings held and the stakeholders that attended. Please provide copies of all correspondence, including emails, between EGD/Union and these stakeholders and all of the presentation materials.

(B/T1/p. 14)

16. The evidence indicates that the Utilities held face-to-face meetings with energy retailers, municipal and industry associations, as well as provincial government representatives and select municipalities in each utility's franchise. Please provide a complete list of all of the parties the Utilities met with and provide all presentation materials provided to those parties. How did Union select the municipalities it met with? How many of those municipalities could stand to benefit directly or indirectly from the development of biomethane? Please specify how those municipalities could benefit directly or indirectly.

(B/T1/p. 15)

17. The evidence provides letters of support for the RNG program "offered" by stakeholders. How did Union go about soliciting this support? Has Union received letters/emails from stakeholders that have not been supportive of the program? If so, please provide copies of those letters/emails.

(B/T1/p. 16)

18. Please provide a complete description of the Fortis BC Biomethane Program. Please indicate whether, or to what extent, that Program receives subsidies from the Provincial government?

(B/T1)

19. Please list jurisdictions in which RNG programs similar to the ones being proposed have been developed without government subsidy. Please provide examples of RNG programs in place in other jurisdictions similar to the one being proposed by the Utilities.

Please list and describe the situations where pipeline-quality biomethane is being produced and marketed without government incentives or subsidies.

(B1/T1)

20. Did Union consider the introduction of a program that allowed customers to choose whether or not they could opt out? If not, why not? What would be the downside of allowing choice in this context? If the Board mandated that an opt out option was required how would Union structure the program to facilitate that choice?

ISSUE 2 - COST CONSEQUENCES

(B/T1)

21. Please provide a schedule setting out the following:

- The total costs of the joint application;
- The costs of the Ipsos Reid Survey, the Alberta Innovates Report, the Electrigaz Biogas - Plant Costing Report, the Electrigaz Program Pricing Report;
- The costs of any other consulting studies undertaken to support the development of the --
- RNG Program; and
- External legal costs associated with the application and the development of the RNG Program.

Please provide the allocation between Union and EGD. Please indicate how those costs have been, or will be recovered (ratepayer vs. shareholder). If the utilities are proposing recovery from ratepayers what is the basis for the allocation among rate classes?

(B/T1/p. 18)

22. Please explain, specifically, how the annual volume caps were developed.

(B/T1/p. 19)

23. The evidence states that the costs of the RNG supply will be incorporated into the Utilities' system costs portfolios. Will the entire costs of the program be borne by system gas customers only? Will all of the costs of the program be recovered through gas supply charges?

(B/T1)

24. Please explain whether Union, its parent, or its other affiliates will benefit, in any way, financially from the RNG program.

(B/T1/p. 22)

25. The pricing models were developed with a view to settling on prices that would support an ROE in the proximity of 11% without the price exceeding "a threshold determined by the utilities to be excessive and unlikely to be supported by their customer base". What is that threshold and how did the Utilities determine it? Did the utilities consider a lower ROE? If not, why not? If so, why was it rejected?

(B/T1/p. 22)

26. Please provide the terms of reference for the Electrigaz work. Was this work subject to a public tendering process? If not, why not?

(B/T1/p. 21)

27. The Utilities have set out the proposed pricing for the RNG Program. Is this a take it or leave it proposition? Will the program only proceed if the prices specified in the application are approved? What would happen if the Board approved different prices and/or a different pricing structure? What would happen if the Board approved different contract terms (10 years or 5 years vs. 20 years)? Would the program still proceed?

(B/T1/p. 21)

28. Does EGD agree that the economics of each potential project will vary? If so, does EGD agree that the returns to each producer will vary?

(B/T1/p. 26)

29. Please provide a sample supply contract for the RNG Program.

(B/T1/p. 26)

30. Please explain why Union arrived at a price escalator of 30 of CPI.

(B/T1/p. 26)

31. To the extent the producers costs are reduced over time will there be provisions for a reduction in the pricing. If not, why not?

ISSUE 3 - IMPACTS ON THE DISTRIBUTION SYSTEM

(B/T1/p. 27)

32. To the extent an RNG project negatively impacts the operation of the distribution or transmission system who bears that risk?