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**By electronic filing**

February 7, 2012

Kirsten Walli  
Board Secretary  
Ontario Energy Board  
2300 Yonge Street  
27<sup>th</sup> floor  
Toronto, ON M4P 1E4

Dear Ms Walli,

**Union Gas Limited**  
**Renewable Natural Gas Application**  
**Board File No.: EB-2011-0283**  
**Our File No.: 339583-000121**

**Enbridge Gas Distribution Inc.**  
**Renewable Natural Gas Application**  
**Board File No.: EB-2011-0242**

Please find attached the Interrogatories of Canadian Manufacturers & Exporters ("CME") for Union Gas Limited ("Union") and Enbridge Gas Distribution Inc. ("EGD").

Yours very truly,  
**Borden Ladner Gervais LLP**



Jack Hughes

enclosure

c. Karen Hockin (Union)  
Alexander Smith (Torys LLP)  
Norm Ryckman (EGD)  
Fred Cass (Aird & Berlis LLP)  
Interested Parties EB-2011-0242 and EB-2011-0283  
Paul Clipsham (CME)

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**IN THE MATTER OF** the *Ontario Energy Board Act, 1998*, S.O. 1998, c. 14, Schedule B; and in particular section 36(2) thereof;

**AND IN THE MATTER OF** an application by Enbridge Gas Distribution Inc. for an Order or Orders approving and setting Ontario renewable natural gas prices for Enbridge Gas Distribution Inc.'s purchase of renewable natural gas;

**AND IN THE MATTER OF** an application by Union Gas Limited for an Order or Orders approving and setting Ontario renewable natural gas prices for Union Gas Limited's purchase of renewable natural gas.

## **INTERROGATORIES OF CANADIAN MANUFACTURERS & EXPORTERS ("CME")**

### **CME Interrogatory No. 1**

**Issue:**            **Role of the Utilities**  
**Reference:**    Notice of Application

For its part, Union Gas Limited ("Union") has stated that it identified Renewable Natural Gas ("RNG") as a potential Ontario gas supply source, "[a]s part of its efforts to investigate new and innovative sources of natural gas." Enbridge Gas Distribution Inc.'s ("EGD") Application does not contain similar comments.

- (a) Please describe the scope of EGD and Union's efforts to "investigate new and innovative sources of natural gas."
- (b) Please outline the extent to which EGD and Union are permitted to engage in gas exploration, innovation and/or production activities within the ambit of utility regulation.
- (c) Please confirm whether predecessors of EGD and/or Union historically engaged in gas exploration, innovation or production activities within the ambit of utility regulation. If so, please provide a chronology of events pertaining to their participation in those activities including references to prior Ontario Energy Board ("Board") decisions related to such activities within the ambit of utility regulation.

**CME Interrogatory No. 2****Issue:           Role of the Utilities****Reference:**   Exhibit B, Tab 1, Page 24, Lines 17-19

EGD and Union have stated that, upon approval of an Ontario RNG Supply Price, "it is anticipated that RNG producers will come forward to determine if potential projects under consideration will be able to be connected to the EGD or Union distribution system."

- (a) Please provide complete details pertaining to the business entities with which EGD and Union are proposing to enter into long-term contracts for the purchase of RNG.
- (b) Without limiting the generality of the foregoing, please identify the sponsors/investors (in each of the projects) and, in particular, whether entities related to EGD and/or Union are or are expected to be co-sponsors, investors or otherwise supporters of the projects.
- (c) Please provide a list of the existing or prospective RNG producers which EGD and Union "anticipate" will come forward upon the approval of an Ontario RNG Supply Price.
- (d) Please describe the mandate and objects of the entity known as Enbridge Renewable Infrastructure LP as it relates to RNG.
- (e) Please confirm whether Union has a related or affiliated entity with a similar mandate and objects to Enbridge Renewable Infrastructure LP. If so, please outline its role and involvement in relation to RNG.
- (f) Please provide a list of all the Board approvals, and any other regulatory approvals, that RNG producers will require to produce RNG to be connected to the EGD or Union distribution system, as well as the estimated timing of the applications to obtain these regulatory approvals.

**CME Interrogatory No. 3****Issue:           Role of the Utilities****Reference:**   Exhibit C, Appendix 2

Union has provided a Letter of Intent dated August 9, 2011, and signed by both the utility as well as Seaclyff Energy Ltd.

- (a) Please confirm whether EGD and/or Union have signed comparable Letters of Intent with other RNG Producers. If so, please provide copies of any and all Letters of Intent signed by either EGD and/or Union.
- (b) Please confirm whether EGD and/or Union are currently in the process of negotiating or are otherwise in discussions with RNG Producers in relation to Letters of Intent. If so, please identify the RNG Producers who are party to those negotiations or discussions.

- (c) Please confirm whether EGD and/or Union have negotiated and/or signed Precedent Agreements (“PA”) with any RNG Producers. If so, please provide copies of any such agreements.
- (d) Please confirm whether EGD and/or Union is aware of any unregulated gas marketers who have entered into Letters of Intent and/or PAs on terms and conditions similar to those contemplated by these Applications. If so, please identify the unregulated gas marketers in question. If not, please explain why the acquisition of RNG supplies by unregulated gas marketers under the auspices of long-term contracts is unattractive to them.
- (e) Please confirm that there is nothing to preclude EGD and/or Union from entering into Letters of Intent or PAs with RNG Producers without prior Board approval.

**CME Interrogatory No. 4****Issue: Role of the Utilities**

Reference: Exhibit B, Tab 1, Page 25, Lines 23-24

EGD and Union have indicated that they will contract for RNG Supply with RNG producers using “standard RNG contracts” to be offered by each of EGD and Union respectively.

- (a) Please provide any draft “standard RNG contracts” that have been developed by both EGD and Union.
- (b) Please confirm whether EGD and/or Union anticipate to include “take or pay” provisions in their standard RNG contracts. If so, please provide details of the proposed “take or pay” obligations.

**CME Interrogatory No. 5****Issue: Cost Consequences**

Reference: Exhibit B, Tab 1, Page 11, Lines 12-17

EGD and Union have stated the RNG Prices paid by the Utilities will “allow the emerging market to establish itself until it matures through technology development, producer sophistication, increasing natural gas prices and the potential development of a carbon price (based on a GHG trading value). Following this maturation process, RNG should be able compete with conventional natural gas supplies.”

- (a) Please provide a more comprehensive description of the anticipated “maturation process”, including a projected timeline from Board approval to the conclusion of the maturation process.
- (b) Please outline the role that EGD and Union anticipate playing, if any, in the various phases of the maturation process.

- (c) Please describe what is meant by “increasing natural gas prices” in the passage in question. What factors other than the RNG proposal to pay a premium are likely to create or cause increased gas prices?
- (d) To that end, please provide current gas market pricing information that indicates the prevailing market price for conventional natural gas supplies (including shale gas) under the auspices of one-year, five-year, ten-year and twenty-year contracts respectively.
- (e) Is the cost per unit of RNG production expected at some point in time to fall below the prevailing competitive market price for conventional natural gas? If so, when is that contingency likely to occur? If and when it does, do the Utilities expect and intend to pay for RNG supplies at an amount less than prevailing landed market price of other gas supplies?
- (f) With respect to the maximum cap amounts of RNG that EGD and Union are proposing, please provide an estimate of the year-by-year and total premium amounts expected to be paid for RNG over the next twenty (20) years and compared to amounts that would be paid if RNG were priced at Weighted Average Cost of Gas (“WACOG”) of all competitive market supplies.
- (g) Please explain what is meant by the use of the term “compete”. Is it intended to mean “compete” on price, sustainability, availability, quality or a combination thereof?
- (h) Please indicate why EGD and Union have stated that RNG “should” be able to compete with conventional natural gas supplies following the maturation process. What factors would preclude a mature RNG industry from competing with conventional natural gas?
- (i) Please provide any internal documents, briefing notes, memoranda and/or internal correspondence in the possession or control of EGD and/or Union which discusses or assesses the future competitiveness of a mature RNG industry relative to conventional natural gas.

#### **CME Interrogatory No. 6**

**Issue: Cost Allocation**

**Reference:** Exhibit B, Tab 1, Page 19, Lines 2 to 5

EGD and Union have indicated that the costs of RNG supply will be incorporated in the Utilities’ respective system gas costs portfolios, because “the Utilities are purchasing RNG supply to meet system supply requirements.”

- (a) Please confirm whether EGD and Union can and could continue to meet system supply requirements without the purchase of RNG.
- (b) Please provide a current list of all of the gas supply contracts held by each of EGD and Union to support their system gas sales, including line pack and unaccounted for gas,

and, in particular, the date each contract was entered into, their termination dates, the gas suppliers under each contract and the pricing terms and conditions in each contract.

### **CME Interrogatory No. 7**

**Issue:** Cost Consequences

**Reference:** Exhibit B, Tab 1, Page 21, Lines 18-19

EGD and Union have indicated that their RNG Price calculations have been determined on the basis of what would be required to support a Return on Equity ("ROE") of 11% for RNG Producers in various scenarios.

- (a) Please provide any documents, correspondence and other records in the control of possession of EGD or Union which discuss or relate to the decision to use the 11% ROE figure.
- (b) Without limiting the generality of the foregoing, please provide any correspondence (including e-mails) exchanged between EGD and Union with respect to the decision to use an 11% ROE for RNG Producers.
- (c) What investment costs, depreciation rates, and capital cost structures have been used in determining the estimated RNG prices at an 11% ROE, and what were the sources for this information?
- (d) Why have EGD and Union used a return on capital approach to determine prices that they should pay for a commodity that is otherwise subject to competition?
- (e) Over the lifetime of RNG facilities having, in case no. 1, an assumed economic life of twenty (20) years, and in case no. 2, an assumed economic life of forty (40) years, what average ROE would RNG producers achieve if prices paid for RNG were equivalent to prevailing competitive market prices over those 20 and 40 year periods?

### **CME Interrogatory No. 8**

**Issue:** Cost Consequences

**Reference:** Exhibit B, Tab 1, Appendix 1

EGD and Union retained Alberta Innovates Technology Futures Inc. ("AITF") to evaluate the Ontario waste market potential, and the role that these feedstocks can play in producing energy (in the form of methane gas) from waste biomass, which can then be used as a source for renewable natural gas.

- (a) In the executive summary of its report, AITF describes their work as a "literature based study". Please explain what a "literature based study" is, and please describe what efforts AITF undertook, if any, in addition to reviewing written materials.

- (b) Please provide a copy of any documents, contracts and/or correspondence (including e-mails) exchanged between EGD, Union and AITF in relation to this study.
- (c) Please provide copies of all references cited as listed in Section 8, as found on pages 33 to 35 of the AITF report.
- (d) Has there been a concrete demonstration by an existing RNG producer of a capability of producing RNG in the quantities that EGD and Union propose to buy? If so, please provide complete details of this demonstration.

### **CME Interrogatory No. 9**

**Issue: Cost Allocation**

**Reference:** Exhibit B, Tab 1, Appendix 3, Pages 4-5

EGD commissioned Ipsos-Reid to help better understand the potential residential and commercial markets for biogas, its market-drivers and customer sensitivities to a range of different price points. To that end, Ipsos-Reid noted that “[in] recognition of the added value of a Green gas, it is anticipated that customers may be willing to pay a premium for this product.” [emphasis added]

With respect to commercial markets and customers, Ipsos-Reid surveyed a random sample of 500 respondents drawn from a listing of Enbridge Commercial Customers provided to them by EGD. Commercial customers were interviewed via the telephone between October 12, 2010, and October 29, 2010.

- (a) Please confirm that Ipsos-Reid was retained and commissioned by EGD alone and not by Union.
- (b) Please provide any documents, contracts or correspondence (including e-mails) exchanged between EGD and Ipsos-Reid with respect to these studies.
- (c) Please provide any documents, contracts or correspondence (including e-mails) exchanged between EGD and Union with respect to these studies.
- (d) Please confirm that the survey of commercial customers was limited to EGD customers, and, therefore, that no Union commercial customers were contacted.
- (e) Please confirm that the listing of “Enbridge Commercial Customers” provided to Ipsos-Reid by EGD was a complete list of all its commercial customers and not merely a sampling of some customers. In addition, please confirm the total number of commercial customers on the list provided.
- (f) Please describe how the “random sample” of 500 commercial customers surveyed were selected, and, to that end, what steps were taken by EGD and Ipsos-Reid to ensure that the random sample accurately reflected the variety of EGD’s commercial customer base (i.e. size, number of employees, volume of gas purchased, rate class, etc.).

- (g) The Ipsos-Reid report indicates that the margin of error for the survey of residential customers is +/- 3.1%, 19 times out of 20, but does not provide the margin of error for commercial customers. Please confirm the margin of error for the Commercial Customer Study.

**CME Interrogatory No. 10**

**Issue: Cost Allocation**

**Reference:** Exhibit B, Tab 1, Appendix 3, Pages 50-56

Appendix II to the Ipsos-Reid Report contains the Commercial Questionnaire which was asked of EGD commercial customers as part of the Commercial Customer Study.

- (a) Please describe EGD and/or Union's role in the developing, drafting, framing and ordering of the questions contained in the Commercial Questionnaire.
- (b) Please provide any documents (including draft questionnaires) or correspondence (including e-mail) exchanged between EGD, Union and Ipsos-Reid with respect to the Commercial Questionnaire.
- (c) Please explain why the questions about utility bill increases found on pages 53 and 54 are not the same as the questions found at the bottom of the corresponding tables found on pages 36 to 39.
- (d) In respect of the utility bill increase questions, please confirm whether the respondent commercial customers were asked about proposed bill increases as percentages (4%, 2%, 1% and 0.5%), as dollar values (\$3 per month, \$1.50 per month, \$0.80 per month and \$0.40 per month) or both.
- (e) Please explain how the dollar figure utility bill increases found in the tables found on pages 36 to 39 were calculated?
- (f) As the survey was undertaken in October 2010, please confirm whether the dollar values corresponding to the percentages remain valid based on projected 2012 utility bills for commercial customers.