

C A N A D A

RÉGIE DE L'ÉNERGIE

PROVINCE OF QUÉBEC
District of Montréal

No. R-3732-2010 – PHASE 2

GAZ MÉTRO LIMITED PARTNERSHIP,
duly incorporated company having its
principal place of business at 1717, rue du
Havre, in the city and district of Montréal,
province of Québec,

(hereinafter referred to as "Gaz Métro"),

**MOTION TO AUTHORIZE THE ESTABLISHMENT OF A RECEIPT
RATE FOR NATURAL GAS PRODUCED IN GAZ METRO'S TERRITORY, TO
SET FORTH GENERAL PRINCIPLES FOR DETERMINING AND APPLYING
SUCH A RATE, TO APPROVE METHODS FOR ESTABLISHING CERTAIN
PRICES AND TO SET CERTAIN PRICES**

[Articles 32(3), 48, 49 and 52 of the *Act respecting the Régie de l'énergie*,
RSQ, c. R-6.01 (hereinafter referred to as the "Act")]

PHASE 2 – CONDITIONS OF NATURAL GAS SERVICE AND TARIFF

GAZ MÉTRO RESPECTFULLY DECLARES THE FOLLOWING:

I. INTRODUCTION

1. It is a natural gas distributor, and as such, is subject to the jurisdiction of the Régie de l'énergie (hereinafter referred to as the "Régie"), in compliance with the provisions of the Act;
2. In its Decision D-2011-108 of 26 July 2011, the Régie partially upheld the application submitted by Gaz Métro as part of Phase 1 of the present application;
3. In this application, Gaz Métro asked the Régie to approve modifications to the "*Conditions of Natural Gas Service and Tariff*";
4. The Régie decided " that there [was] no immediate need to settle the issue of natural gas service conditions considering that these conditions will be applied only when producers begin to inject volumes in the connection pipelines " (Decision D-2011-108, paragraph 118, non official translation);

NON OFFICIAL TRANSLATION – WITHOUT PREJUDICE

5. The Régie, however, wrote the following:

[119] The Régie therefore asks the distributor to put together a working group, in which the Régie's personnel and intervenors in the application will review the following aspects of the conditions of natural gas service:

- ***Pressure;***
- ***Gas composition;***
- ***Metering;***
- ***Nomination process and responsibility of producers simultaneously injecting at the same receipt point;***
- ***Managing MCC overruns and revision of the MCC;***
- ***Managing the differences between nominated volumes and injected volumes;***
- ***Temporary assignment and capacity transfer;***
- ***Deposit requirement and retention period for this deposit.***

[120] The Régie also asks the distributor to submit, following meetings of the working group and prior to submitting evidence in the 2013 rate case, evidence regarding these aspects of the conditions of natural gas service, as part of Phase 2 of the present case.

[121] Considering that certain aspects of the "Conditions of Natural Gas Service and Tariff" will be managed up until the completion of Phase 2 and that the Régie received a French and English version of the Conditions of Natural Gas Service and Tariff text which integrates the information requested by the present decision and by the decision to be rendered in Phase 2 of the present case.

[Emphasis in the decision – non official translation]

6. A working group was thus set up by Gaz Métro in conformity with the Régie's guidelines, and meetings were held on October 17 and November 30, 2011 as well as January 11, 2012;

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7. Discussions that took place in the group enabled Gaz Métro to examine aspects of the "*Conditions of Natural Gas Service and Tariff*" identified by the Régie in its Decision D-2011-108 but also to address other aspects that must be reviewed in light of the establishment of the receipt rate "D_R Rate";

II. ASPECTS IDENTIFIED BY THE RÉGIE IN ITS DECISION D-2011-108

Pressure

8. Gaz Métro proposes modifying Article 16.5.4 initially proposed in the "*Conditions of Natural Gas Service and Tariff*" during Phase 1 by stipulating in this article that D_R rate clients must deliver natural gas at a sufficient pressure to allow injection into the system without exceeding the maximum pressure stipulated in the contract, as mentioned in Exhibit Gaz Métro-6, Document 1 (p. 52);

Gas composition

9. Gaz Métro proposes that Article 16.5.4 of the "*Conditions of Natural Gas Service and Tariff*" specify that the composition of natural gas injected into Gaz Métro's system must meet the criteria of *TransCanada Pipelines, Canadian Mainlines*, which are approved by the National Energy Board, as well as any other additional specifications that may be required by the distributor, as mentioned in Exhibit Gaz Métro-6, Document 1 (p. 52);

Metering

10. With regard to the metering of volumes injected by D_R rate clients, Gaz Métro proposes the following:
- a) to modify the definition of "Metering equipment" provided in Article 1.3 of the "*Conditions of Natural Gas Service and Tariff*" so that this term also refers to the chromatograph that will be installed at each receipt point, as mentioned in Exhibit Gaz Métro-6, Document 1 (p. 9),
 - b) to modify Article 5.3.2 of the "*Conditions of Natural Gas Service and Tariff*" so as to stipulate in this article that the metering equipment installed on the premises of D_R rate clients must be read on a daily basis, as mentioned in Exhibit Gaz Métro 6, Document 1 (p. 9);

Nomination process and responsibility of producers simultaneously injecting at the same receipt point;

11. With regard to the nomination process, Gaz Métro proposes the following:
 - a) to modify the definition of "Nomination" stipulated in Article 1.3 of the *"Conditions of Natural Gas Service and Tariff"* so that it refers henceforth to "Nominated volume", as mentioned in Exhibit Gaz Métro-6, Document 1 (p. 9),
 - b) to modify the definition of "Agreed-upon Delivery Point" provided in Article 1.3 of the *"Conditions of Natural Gas Service and Tariff"*, as mentioned in Exhibit Gaz Métro-6, Document 1 (p. 9),
 - c) to allow producers to benefit from the same windows of nomination as those from which Gaz Métro benefits with respect to *TransCanada Pipelines Limited*, as mentioned in Exhibit Gaz Métro-6, Document 1 (p. 39);
12. Regarding the responsibility of producers simultaneously injecting at the same receipt point, Gaz Métro proposes following up with the Régie during the 2013 rate case, as mentioned in Exhibit Gaz Métro-6, Document 1 (p. 60);

Managing MCC overruns and revision of the MCC

13. To manage daily overruns of the maximum contractual capacity ("MCC"), Gaz Métro proposes a modification to the wording of Article 16.5.6 of the *"Conditions of Natural Gas Service and Tariff"* that defines the method for calculating the amount owed by a D_R rate client in similar circumstances, as mentioned in Exhibit Gaz Métro-6, Document 1 (p. 57);
14. With regard to revision of the MCC, Gaz Métro proposes retaining the wording of Article 16.5.5 of the *"Conditions of Natural Gas Service and Tariff"* proposed during Phase 1 (then Article 16.6.5), as mentioned in Exhibit Gaz Métro-6, Document 1 (p. 52);

Managing the differences between nominated volumes and injected volumes;

15. During Phase 1, Gaz Métro proposed that the differences between nominated volumes and injected volumes be billed to D_R rate clients based on the mechanism provided in the TCPL/TQM transmission system, as mentioned in Exhibit Gaz Métro-1, Document 1, (p. 41) produced as part of Phase 1;

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16. Following discussions in the working group, and after having examined the practices retained in similar matters in other Canadian jurisdictions, Gaz Métro proposes allowing D_R rate clients to have access to the distributor's load balancing rate;
 17. To open the load balancing service to D_R rate clients, Gaz Métro proposes the following:
 - a) modify Article 14.1.1 of the *"Conditions of Natural Gas Service and Tariff"* to allow D_R rate clients to have access to the distributor's load balancing service, as mentioned in Exhibit Gaz Métro-6, Document 1 (p. 15),
 - b) modify Article 14.1.3.1 of the *"Conditions of Natural Gas Service and Tariff"* so that parameters of injected volumes can be taken into consideration for the purposes of calculating the load balancing price, as mentioned in Exhibit Gaz Métro-6, Document 1 (p. 22),
 - c) insert a new Article 14.1.2.2 to the *"Conditions of Natural Gas Services and Tariff"* concerning the calculation of the unit price applicable to D_R rate clients who opt for the distributor's load balancing service, as mentioned in Exhibit Gaz Métro-6, Document 1 (p. 25),
 - d) stipulating that an average balancing price be applicable to D_R rate clients who will have opted for the distributor's load balancing service, and consequently, modify the new Article 14.1.2.4, as mentioned in Exhibit Gaz Métro-6, Document 1 (p. 29),
 - e) that the average load balancing price applicable to D_R rate clients be determined during the first investment application related to injection of natural gas, as mentioned in Exhibit Gaz Métro-6, Document 1 (p. 27),
 - f) that the average load balancing price determined at the time of the first investment application related to natural gas injection be applicable for a period of three years as of the decision to intervene in this first investment application, as mentioned in Exhibit Gaz Métro-6, Document 1 (p. 28),
 - g) to stipulate that D_R rate clients with a sufficient history of volume be able to have access to a personalized load balancing price prior to this three-year period and, consequently, modify the new Article 14.1.2.4 of the *"Conditions of Natural Gas Service and Tariff"*, as mentioned in Exhibit Gaz Métro-6, Document 1 (p. 29),
 - h) add Article 14.1.4.1 as a heading and insert a new Article 14.1.4.2 to the *"Conditions of Natural Gas Service and Tariff"* stipulating the method for

calculating the transposition of volumes applicable to D_R rate clients who will have opted for the distributor's load balancing service, as mentioned in Exhibit Gaz Métro-6, Document 1 (p. 32),

- i) insert a new Article 14.1.5 to the "*Conditions of Natural Gas Service and Tariff*" in order to stipulate in this article the conditions for managing volumetric imbalances noted annually for D_R rate clients who will have opted for the distributor's load balancing service, as mentioned in Exhibit Gaz Métro-6, Document 1 (p. 36),
 - j) modify Article 18.2.6 of the "*Conditions for Natural Gas Service and Tariff*" (transitional provisions) in order to stipulate in this article the modifications made to the load balancing service, as mentioned in Exhibit Gaz Métro-6, Document 1 (p. 59);
18. Moreover, D_R clients must be able to manage their load balancing themselves as much as they would like to do so, and Gaz Métro therefore proposes the following:
- a) modify Article 14.2.1 of the "*Conditions of Natural Gas Service and Tariff*" in order to stipulate in this article that D_R rate clients may manage their load balancing themselves, as mentioned in Exhibit Gaz Métro-6, Document 1 (p. 37),
 - b) insert a new Article 14.2.2 to the "*Conditions of Natural Gas Service and Tariff*" specifying the conditions related to providing notice of revision of nominated volumes applicable to D_R rate clients who manage their load balancing themselves, as mentioned in Exhibit Gaz Métro-6, Document 1 (p. 38),
 - c) insert a new Article 14.2.3.2 to the "*Conditions of Natural Gas Service and Tariff*" related to the management of differences between nominated volumes and injected volumes applicable to D_R rate clients who manage their load balancing themselves, as mentioned in Exhibit Gaz Métro-6, Document 1 (p. 48),
 - d) modify Article 18.2.2 of the "*Conditions of Natural Gas Service and Tariff*" (transitional provisions) in order to stipulate in this article the modifications made to the load balancing service, as mentioned in Exhibit Gaz Métro-6, Document 1 (p. 59);

Temporary assignment and capacity transfer

19. As part of Phase 1, temporary assignment and capacity transfer had specifically been identified by the Quebec Oil and Gas Association (QOGA) as "additional tools" potentially enabling a reduction in occurrences of differences in nominated volumes and injected volumes, as mentioned in the wording of question 58.3 in

Exhibit C-5-4 (Request for information no. 1) produced by QOGA as part of Phase 1;

20. Gaz Métro's proposals related to differences between nominated volumes and injected volumes are presented in paragraphs 15 to 18 of this application;
21. Gaz Métro further proposes the following two additional means of reducing occurrences of daily imbalances:
 - a) addition of windows for the nomination of volumes, as discussed in paragraph 11 c) of this application, and
 - b) aggregation, by consumption zone, of daily imbalances stipulated in the new Article 14.2.3.2 of the "*Conditions of Natural Gas Service and Tariff*", as mentioned in Exhibit Gaz Métro-6, Document 1 (p. 48);

Deposit requirement and retention period for this deposit.

22. Regarding the requirement of a deposit to D_R rate clients, Gaz Métro proposes the following:
 - a) modify Article 8.1.2 of the "*Conditions of Natural Gas Service and Tariff*" in order that the conditions for requirement of the deposit stipulated in the article be applied also to D_R rate clients, as mentioned in Exhibit Gaz Métro-6, Document 1 (p. 10),
 - b) modify Articles 8.2 and 8.2.3 of the "*Conditions of Natural Gas Service and Tariff*" in order that the conditions for determining the deposit amount payable by D_R rate clients be stipulated in the article, as mentioned in Exhibit Gaz Métro-6, Document 1 (p. 10);
23. Regarding the period during which the deposit paid for by D_R clients is kept, Gaz Métro proposes retaining the wording of Article 8.4 of the "*Conditions of Natural Gas Service and Tariff*" proposed during Phase 1 of this application, which specifies the time period for keeping the deposit, as mentioned in Exhibit Gaz Métro-6, Document 1 (p. 11),
24. Moreover, Gaz Métro proposes modifying Article 8.6.1.3 of the "*Conditions for Natural Gas Service and Tariff*" to stipulate the manner of use of the deposit paid by D_R rate clients, as mentioned in Gaz Métro-6, Document 1 (p. 12);

Renewal of contract and indemnity

25. In paragraph 62 of its Decision D-2011-108, the Régie emphasized that the "*definition of indemnity proposed by Gaz Métro [in Article 16.6.3 of the "Conditions of Natural Gas Service and Tariff" as part of Phase 1] must be reviewed to take into account the fact that rates applicable to Category A costs must be set in such a way as to recover the service cost integrated in the revenue requirement [of each year]" (non official translation);*
26. Consequently, Gaz Métro proposes that the new Article 16.5.3 [formerly Article 16.6.3 as part of Phase 1] specify that indemnity must be equivalent to the book value of assets at the moment the contract is terminated, as mentioned in Exhibit Gaz Métro-6, Document 1 (p. 50);

III. OTHER ASPECTS ADDRESSED IN THE PRESENT APPLICATION

27. Besides the modifications to the "*Conditions of Natural Gas Service and Tariff*" related to aspects identified by the Régie in its Decision D-2011-108, Gaz Métro proposes making certain other modifications along with the D_R rate;
28. Gaz Métro proposes:
- a) to modify Articles 9.4.2 and 9.4.3 of the "*Conditions of Natural Gas Service and Tariff*" in order that the conditions applicable to the collection procedures (collection visit and interruption of service for non-payment) be adapted to the specific characteristics of D_R rate clients, as mentioned in Exhibit Gaz Métro-6, Document 1 (p. 12 and 13),
 - b) to modify Article 16.1.2 of the "*Conditions of Natural Gas Service and Tariff*" in order to specify that the D_R rate be applied by default to clients who inject natural gas into the distribution system, as mentioned in Exhibit Gaz Métro-6, Document 1 (p. 50),
 - c) to insert a new Article 16.5.8 to the "*Conditions of Natural Gas Service and Tariff*" related to the possession and control of natural gas injected by D_R rate clients, as mentioned in Exhibit Gaz Métro-6, Document 1 (p. 57);
29. Considering the above-mentioned points and the evidence submitted in support of this application, Gaz Métro asks the Régie to approve the "*Conditions of Natural Gas Service and Tariff*" referred to in Exhibits Gaz Métro-7, Documents 1 and 2, which contain all Gaz Métro proposals related to the "*Conditions of Natural Gas Service and Tariff*" which are addressed as part of Phase 1 (and which remain unchanged in Phase 2) as well as the proposals discussed specifically in this application in Phase 2;

30. This motion is well founded in fact and in law;

FOR THESE REASONS, MAY IT PLEASE THE RÉGIE:

TO APPROVE the "*Conditions of Natural Gas Service and Tariff*", as proposed in Exhibits Gaz Métro-7, Documents 1 and 2;

TO ACKNOWLEDGE that Gaz Métro will allow producers to benefit from the same windows of nomination from which Gaz Métro benefits with respect to *TransCanada Pipelines Limited*;

TO ACKNOWLEDGE that follow-up will be carried out by Gaz Métro with regard to the 2013 rate case concerning the responsibility of producers simultaneously injecting at the same receipt point;

TO ACKNOWLEDGE that the average price of load balancing applicable to D_R rate clients who will have opted for the distributor's balancing service will be determined at the time of the first investment application related to injection of natural gas in the system;

TO AUTHORIZE the application, of the average load balancing price that will be determined in the first investment application related to natural gas injection, for a period of three years from the time of the decision to intervene in this first investment application;

ALL RESPECTFULLY SUBMITTED

Montréal, May 4, 2012

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