

**CONDITIONS OF SERVICE AND  
RATE PROVISIONS APPLICABLE  
TO THE RECEIPT RATE FOR NATURAL GAS**

**NON OFFICIAL TRANSLATION**

**WITHOUT PREJUDICE**

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1 **GLOSSARY**

2	<b>Agreed upon delivery point</b>	Physical or geographical location where natural gas is delivered:
3		• to the distributor at a point specified in the customer-
4		provided natural gas supply service contract
5		agreement; or
6		• inside the territory on Gaz Métro's gas system or outside
7		the territory to a point specified during nomination by the
8		customer subject to Rate $D_R$
9	<b>Consumer customer</b>	Customer for whom Gaz Métro transports and distributes natural
10		gas for consumption at its facilities
11	<b>Consumption zone</b>	Geographical area starting from the interconnect point with the
12		TCPL/TQM system delimiting the portion of Gaz Métro's system
13		connected to that interconnect point
14	<b>Injection</b>	Function whereby the producer makes natural gas available in
15		the gas system
16	<del><b>Injection point</b></del>	<del>Physical location where natural gas is treated to comply with the</del>
17		<del>quality standards for movement in the existing gas system. The</del>
18		<del>injection point is located at the receipt point or between the</del>
19		<del>receipt point and the interconnection point with Gaz Métro's</del>
20		<del>system</del>
21	<b>Interconnect point with TCPL/TQM's system</b>	
22		Physical location where Gaz Métro's gas system joins the
23		TCPL/TQM transmission system
24	<b>MCC</b>	Maximum contractual capacity
25	<b>MDO</b>	Minimum daily obligation
26	<b>Nominated volume</b>	Volume the customer agrees to be injected into the distribution
27		system during one a day at an agreed upon delivery point

1	<b>Producer customer</b>	Customer who injects natural gas into the gas system for its
2		transportation and distribution
3	<b>Receipt point</b>	Physical location where the producer's facilities join Gaz Métro's
4		new connection pipelines to move the natural gas to the existing
5		gas system
6	<b>TCPL</b>	TransCanada PipeLines Limited
7	<b>TCPL/TQM transport</b>	Transportation of natural gas inside or outside Gaz Métro's
8		territory between different consumption zones or outside Gaz
9		Métro's territory, via the TCPL/TQM transmission system
10	<b>TQM</b>	Gazoduc Trans Québec & Maritimes Inc.
11		

1   **INTRODUCTION**

2   On May 26, 2010 Gaz Métro presented an application for authorization of a receipt rate for  
3   natural gas produced in Gaz Métro's territory (R-3732-2010, Exhibit B-1, Gaz Métro-1,  
4   Document 1).

5   Subject to certain amendments, the Régie de l'énergie (the "Régie") approved the receipt rate,  
6   by Decision D-2011-108, although deferred its decision on the entire document *Conditions of*  
7   *Service and Tariff*. In addition, the Régie also requested Gaz Métro to form a working group with  
8   staff from the Régie and intervenors in the Case in order to address, in particular, the following  
9   aspects of the conditions of service:

- 10       • Pressure;
- 11       • Composition of natural gas;
- 12       • Measurement;
- 13       • Nomination process and responsibility of producers simultaneously injecting at the same  
14       receipt point;
- 15       • Treatment of MCC overruns and revision of the MCC;
- 16       • Treatment of the differences between nominated volumes and injected volumes;
- 17       • Temporary assignment and capacity transfer, and
- 18       • Deposit requirement and retention period for this deposit.

19   Three group working sessions were held on October 17, 2011, November 30, 2011 and  
20   January 11, 2012. The working sessions, with the participation of the technical staff from the  
21   Régie, provided an opportunity to discuss issues identified by the Régie and to address certain  
22   concerns from Gaz Métro and intervenors in the Case.

23   By its Decision D-2011-108, the Régie requested that evidence and a new version of the  
24   *Conditions of Service and Tariff* be presented as part of Phase 2 of Case R-3732-2010.

1 In order to allow Gaz Métro to submit proposals related to approaches implemented elsewhere  
 2 in Canada, it has proceeded to a benchmarking assessment of the conditions of service of other  
 3 Canadian carriers or distributors relating to the topics outlined by the Régie in Decision  
 4 D-2011-108, which are listed in the table below. The summary of this benchmarking  
 5 assessment is in the Appendix of this document.

6 In order to help identify Gaz Métro's proposals specifically related to the points raised by the  
 7 Régie, these are presented below in the order of Chapters in the *Conditions of Service and*  
 8 *Tariff* presented in exhibits Gaz Métro-7, Documents 1 and 2.

<b>D-2011-108 Topics</b>	<b>References to <i>Conditions of Service and Tariff</i></b>
Pressure	Chapter 16, Article 16.5.4
Composition of natural gas	Chapter 16, Article 16.5.4
Measurement	Chapter 1, Article 1.3 and Chapter 5, Article 5.3.2
Nomination process and responsibility of producers simultaneously injecting at the same receipt point	None
Treatment of MCC overruns and revision of the MCC	Chapter 16, Articles 16.5.5 and 16.5.6
Treatment of the differences between nominated volumes and injected volumes	Chapter 14, Articles 14.1.1, 14.1.2.2, 14.1.2.4, 14.1.3, 14.1.3.1, 14.1.4.2, 14.1.5, 14.2.1, 14.2.2, 14.2.3.2 and Chapter 18, Articles 18.2. 2 and 18.2.6
Temporary assignment and capacity transfer	None
Deposit requirement and retention period for this deposit.	Chapter 8, Articles 8.1.2, 8.2, 8.2.3 and 8.4

9 Gaz Métro states that the *Conditions of Service and Tariff* reflects all proposals submitted in  
 10 Phase 1 which are retained, as well as modifications resulting from proposals in Phase 2.

1   **1   CONDITIONS OF SERVICE**

2   **1.1   CHAPTER 1 - APPLICATION**

3   Definitions are found in the Application Chapter. Comments obtained in the course of the  
4   working sessions focused on two items. First, the need to specify that a chromatograph is a  
5   measuring device. Second, obtaining assurance that the meter reading validation process will  
6   be adequate.

7   Gaz Métro confirms that a chromatograph will be installed at every ~~receipt-injection~~ point. For  
8   greater clarity, Gaz Métro proposes modifying the definition of "Metering equipment" to include  
9   the chromatograph. The definition would read as follows:

10         ***"METERING EQUIPMENT***

11         *Any equipment used to measure the natural gas withdrawn or injected by the customer,*  
12         *including in particular a meter, with or without a remote reading device or a chromatograph."*

13   In the *Conditions of Service and Tariff* submitted as part of Phase 1, Gaz Métro defined the  
14   word "nomination". This word is seldom used in the document, Gaz Métro instead uses the term  
15   "nominated volume". Therefore, Gaz Métro proposes replacing the definition of "nomination" in  
16   Phase 1 with the more specific term "nominated volume" and deleting the quotation marks,  
17   since a definition of "nominated volume" would be added to the *Conditions of Service and Tariff*.

18   The definition would read as follows:

19         ***"NOMINATED VOLUME***

20         *Volume the customer agrees to inject in the distribution network during a day at an agreed*  
21         *upon delivery point."*

22   The above definition of nominated volume, however, results in a required adjustment to the  
23   definition of "agreed upon delivery point", approved by Decision D-2011-182,<sup>1</sup> and allows to  
24   remove the definition of "delivery point for injection customers" which was proposed in Phase 1.

25   The definition would read as follows:

---

<sup>1</sup> R-3752-2011, Exhibit B-0355, Gaz Métro- 14, Document 1



1

2 "AGREED UPON DELIVERY POINT

3 *Physical or geographical location where natural gas is delivered:*

- 4 • To the distributor at a point specified in the customer-provided natural gas supply
- 5 service contract agreement; or
- 6 • Within the territory on Gaz Métro's gas system or outside the territory (ex-territory) at a
- 7 point specified during the engagement of the nominated volume by a customer subject
- 8 to Rate  $D_R$ ."

9 **Gaz Métro is requesting the Régie to approve the proposed modifications to the**  
10 **definitions "Metering equipment" and "Agreed upon delivery point" and to approve the**  
11 **definition of "Nominated volume."**

## 12 **1.2 CHAPTER 5 - MEASUREMENT**

### 13 1.2.1 Article 5.3.2 - Frequency of readings

14 Gaz Métro proposes reading the metering equipment every day for customers subject to Rate  
15  $D_R$ . The last paragraph of Article 5.3.2 has therefore been modified as follows to specify the  
16 frequency.

17 "[...]

18 *Furthermore, if the natural gas is billed at Rates  $D_4$ ,  $D_{5+D_R}$  or  $D_3$  and  $D_5$  in combination, the*  
19 *distributor shall read the metering equipment every day. In the case where natural gas is*  
20 *billed at Rate  $D_3$  without combination with Rate  $D_5$ , the distributor shall read the metering*  
21 *equipment every month."*

22 **Gaz Métro is requesting the Régie to approve the proposed modifications to Article 5.3.2**  
23 **"Frequency of readings".**

## 24 **1.3 CHAPTER 8 – DEPOSIT**

25 With regard to the deposit requirement and retention period for this deposit<sup>2</sup>, Gaz Métro  
26 proposes the following modifications.

---

<sup>2</sup> Eighth item in paragraph 119 of Decision D-2011-108.

1   1.3.1 Article 8.1 - Requirement

2   Gaz Métro proposes subjecting Rate  $D_R$  customers to Article 8.1.2, applicable to other  
3   customers (except for domestic use customers for which a separate article is applicable). This  
4   requires the title of this article to be changed. Indeed, this article covers the terms of  
5   requirement for customers, other than domestic use customers, and the title is currently "Other  
6   uses". "Other uses" does not allow receipt rate customers to be included, who do not "use"  
7   natural gas, but rather are injecting into the gas system. Thereby, Gaz Métro is proposing to  
8   modify the title of Article 8.1.2 as follows:

9           *"OTHER USES AND CUSTOMERS SUBJECT TO RATE  $D_R$ "*

10   **Gaz Métro is requesting the Régie to approve the proposed modification to Article 8.1.2.**

11   1.3.2 Article 8.2 - Amount

12   Gaz Métro is proposing to modify Article 8.2 to reflect as well the method for determining the  
13   deposit amount for customers subject to Rate  $D_R$ . Thereby, Article 8.2 would read as follows:

14           *"The amount of the deposit required by the distributor shall be based on estimated or*  
15           *historical volumes withdrawn at the service address during a 12-month period or of the*  
16           *maximum contract capacity in the case of a customer subject to Rate  $D_R$ ."*

17   In addition, Gaz Métro proposes adding an Article 8.2.3 in order to clarify the conditions for  
18   determining the deposit amount in the specific case of customers subject to Rate  $D_R$ . Indeed, a  
19   link between the determination of the deposit amount and the maximum contractual capacity  
20   was discussed during the working sessions. Gaz Métro therefore proposes that Article 8.2.3  
21   read as follows:

22           *"CUSTOMERS SUBJECT TO RATE  $D_R$*

23           *The amount of the deposit required by the distributor shall not exceed the amount equivalent*  
24           *to the minimum daily obligation for a 12-month period."*

25   **Gaz Métro is requesting the Régie to approve the modification to Article 8.2 and to add**  
26   **Article 8.2.3 as worded.**

1    1.3.3 Article 8.4 – Retention period

2    Gaz Métro proposed, in Phase 1, a retention period for customers subject to Rate  $D_R$  at 60  
3    consecutive months. Gaz Métro proposed a modification to Article 8.1.2, during the working  
4    group sessions, regarding the requirement of the deposit with regard to Rate  $D_R$  customers, as  
5    previously discussed in Section 1.3.1. During these meetings, the intervenors representing  
6    producer customers indicated their agreement with respect to this proposal, thereby making the  
7    original proposal from Gaz Métro, regarding the retention period, acceptable in their eyes.  
8    Gaz Métro consequently proposes retaining the following wording of Article 8.4 as proposed in  
9    Phase 1:

10        *“RETENTION PERIOD*

11        *A deposit may be initially retained for:*

12        *1° 12 consecutive months or as long as the mandatory information set out in article 4.2.1 has*  
13        *not been provided, if it involves a customer who uses natural gas for domestic use;*

14        *2° 36 consecutive month if it involves a customer who uses natural gas for any other use;*

15        *3° 60 consecutive months if it involves a customer subject to Rate  $D_R$ .*

16        *If, during the deposit retention period, the customer fails to pay any natural gas bills by their*  
17        *due dates, the distributor shall renew the deposit retention period for a period equal to the*  
18        *initial retention period.”*

19    **Gaz Métro is requesting the Régie to approve Article 8.4 as proposed in Phase 1.**

20    1.3.4 Article 8.6.1.3 - Use of the deposit

21    Gaz Métro is proposing to modify the wording of Article 8.6.1.3 initially proposed in Phase 1 to  
22    standardize the text with Articles 8.6.1.1 and 8.6.1.2. The wording would also be modified to  
23    allow for the possibility for Gaz Métro to partly apply the cash deposit or the proceeds from the  
24    disposition of any other security provided by the customer on a bill unpaid by the due date. As  
25    noted in Phase 1, this would allow to reflect the complexity of interrupting injection activities in  
26    the event of a payment default. Also, this new wording would allow to protect customers from  
27    the possibility of bad debts. The proportion of the deposit used would be at Gaz Métro's  
28    discretion, but should provide that if a portion of the deposit must be used, the protection from  
29    the possibility of bad debts would be upheld in a manner comparable to that for “other uses”  
30

1 customers. This would ensure that Gaz Métro could keep the balance left over from a deposit  
2 equivalent to the two highest consecutive bills over a 12-month period.

3 Article 8.6.1.3 would be modified as follows:

4 *“Customers Subject to Rate  $D_R$*

5 *The distributor may, without prejudicing its other rights and recourses, apply ~~the deposit or~~*  
6 *~~the revenue from any security provided on the bill of a customer subject to the receipt rate if a~~*  
7 *~~bill remains unpaid on the due date in part the cash~~ deposit or the proceeds from the*  
8 *disposition of any other security provided by the customer on an unpaid bill by its due date.*  
9 *The proportion of the deposit thus applied is determined by the distributor. However, the*  
10 *residual amount of the deposit may not be less than the equivalent of the highest two*  
11 *consecutive bills during a 12-month period.”*

12 **Gaz Métro is requesting the Régie to approve Article 8.6.1.3 as proposed.**

#### 13 **1.4 CHAPTER 9 - COLLECTION**

##### 14 1.4.1 Article 9.4.2 - Collection visit

15 Article 9.4.2 is dedicated to the terms of the collection visit, which takes place at the service  
16 address. In the context of customers subject to the receipt rate, a collection visit is not easily  
17 achievable. Article 1.3 of the *Conditions of Service and Tariff* defines the term “service address”  
18 as the “address that is or will be connected to the distribution system”. Thereby, the concept of  
19 service address for the collection visit does not apply to customers subject to the receipt rate as  
20 no one would physically be at the receipt injection point to receive a collection visit. This article  
21 is therefore not applicable to customers subject to Rate  $D_R$  and a final paragraph would be  
22 added to Article 9.4.2 which would read as follows:

23 *“[...] Article 9.4.2 does not apply to customers subject to Rate  $D_R$ .”*

24 **Gaz Métro is requesting the Régie to approve Article 9.4.2 as proposed.**

##### 25 1.4.2 Article 9.4.3 - Interruption for non-payment

26 Article 9.4.3 refers to the collection visit (Article 9.4.2) as it stipulates a potential service  
27 interruption if the visit is not conclusive. As customers subject to Rate  $D_R$  would not be subject  
28

1 to Article 9.4.2, it became necessary to stipulate the conditions under which the distributor could  
2 therefore interrupt the service for non-payment.

3 Gaz Métro therefore proposes modifying the first paragraph of Article 9.4.3 as follows:

4 *“At the time of the collection visit, or in the case of customers subject to ~~the natural gas~~*  
5 *~~receipt~~ Rate  $D_R$ , following the transmission of a final notice pursuant to article 9.4.1, if the*  
6 *amount demanded in the final notice or agreed to under a payment agreement remains*  
7 *unpaid, the distributor may interrupt natural gas service. In that event, the distributor shall ask*  
8 *the customer to notify the owner of the property affected by the interruption, if applicable.*  
9 *[...]”*

10 **Gaz Métro is requesting the Régie to approve Article 9.4.3 as proposed.**

## 11 **2 LOAD BALANCING SERVICE**

### 12 **2.1 CHAPTER 14 - LOAD BALANCING**

13 During Phase 1 (B-6, Gaz Métro-1, Document 1, page 40), Gaz Métro proposed that the  
14 differences between nominated volumes and injected volumes be billed according to treatment  
15 of daily or cumulative imbalances.

16 Discussions have taken place in the Working Group on this initial proposal from Gaz Métro,  
17 particularly regarding the importance of imbalance charges, the difficulty some producers have  
18 with predicting the occurrence of these charges and the means at their disposal to reduce them.  
19 In addition to the discussions held during the working sessions, Gaz Métro reviewed the  
20 conditions of service and applicable rates under similar circumstances in different jurisdictions.  
21 The summary of this benchmarking assessment is in the Appendix.

22 Thereby, as shown in this summary, Union Gas offers Rate M13 for transportation of locally  
23 produced gas. This rate and its schedules include in particular the terms of a “load balancing”  
24 account for each producer and charges related to inventory variances and overruns of  
25 contractual obligations. Gaz Métro notes that Union Gas charges vary at different times during a  
26 year, based on the effect of variances on winter and summer volumes.

27 As for Gaz Métro, it believes that its load balancing service already adequately captures the  
28 variation management between winter and summer volumes. Therefore, it proposes extending  
29

1 access to the load balancing service (currently only applicable to consumer customers), to  
2 customers subject to the receipt rate who wish to subscribe to it. However, as with consumer  
3 customers, customers subject to the receipt rate would still have the possibility to balance their  
4 own volumes. In the event of this decision, they would not benefit from the distributor's load  
5 balancing service and, therefore, would be billed for charges related to differences between  
6 nominated volumes and injected volumes, if any. The provisions relating to these imbalances  
7 will be addressed in Section 2.1.9 of this evidence.

8 The load balancing tools are currently acquired to serve all customer load profiles. The profile of  
9 natural gas volumes injected into the distribution system will inevitably affect the supply  
10 structure required to serve all consumer and producer customers. Thereby, load balancing tools  
11 should no longer only take into account the withdrawal profile of consumer customers, but also  
12 the volumes injected into the system by customers subject to the receipt rate. Given a combined  
13 management of profiles by Gaz Métro, it is therefore possible to subject receipt rate customers  
14 to a load balancing service. This principle has also already been acknowledged by the Régie:

15 *"[342] The Régie retains from the evidence that a receipt variation is created when production*  
16 *sources do not deliver on the carrier's system the amount of energy programmed by the*  
17 *customer. In such a case, the carrier is required to offer a compensation service for receipt*  
18 *variation, to correct any imbalance that may affect the safe operation of its system."*<sup>3</sup> (our  
19 underscore and non official translation)

20 In the event the producers choose the distributor's load-balancing service, the load-balancing  
21 costs resulting from the combined profile of consumed volumes and injected volumes would  
22 then be distributed to all customers, including customers subject to Rate D<sub>R</sub> who would have  
23 elected to use the distributor's load balancing service.

24 The wording in the application of the load balancing service, when the service is provided by the  
25 distributor, should be adjusted to allow for the inclusion of Rate D<sub>R</sub> customers. Gaz Métro  
26 therefore proposes modifying Article 14.1.1 as follows:

27 *"For any customer who wishes to purchase from the distributor, in whole or in part, the load-*  
28 *balancing service needed to manage on a daily basis the natural gas it withdraws at its*  
29 *facilities or it injects in the distribution system."*

---

<sup>3</sup> D-2012-010, R-3669-2008 Phase 2

1 The parameters will be calculated based on the injected volumes rather than based on  
2 consumed volumes and would be defined as such in the *Conditions of Service and Tariff*.

3 **Gaz Métro is requesting the Régie to approve the modification to Article 14.1.1 to allow**  
4 **for the application of load balancing service to customers subject to Rate D<sub>R</sub>.**

5 The following sections outline how the current load balancing rate can acknowledge the effect of  
6 producer customer injection profiles.

7 **2.1.1 Load profiles and injection profiles**

8 The effects of different load profiles on the load balancing price paid by consumer customers  
9 have been recognized since the load balancing service was introduced during the rate  
10 unbundling in 2001. The main load profiles for these customers and the effects of these profiles  
11 on the overall Gaz Métro load profile can be represented as follows:

**FIGURE 1**  
**EFFECT OF CONSUMER CUSTOMER LOAD PROFILES**

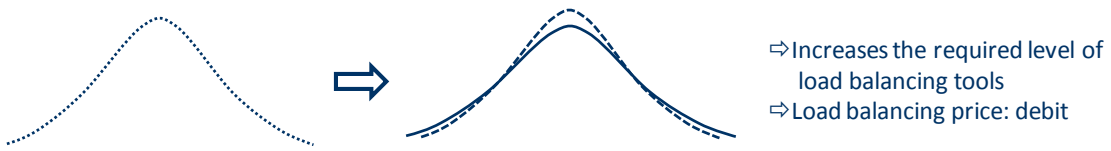
Stable profile

---



« Heating profile »

---



Reverse profile (summer load)

---



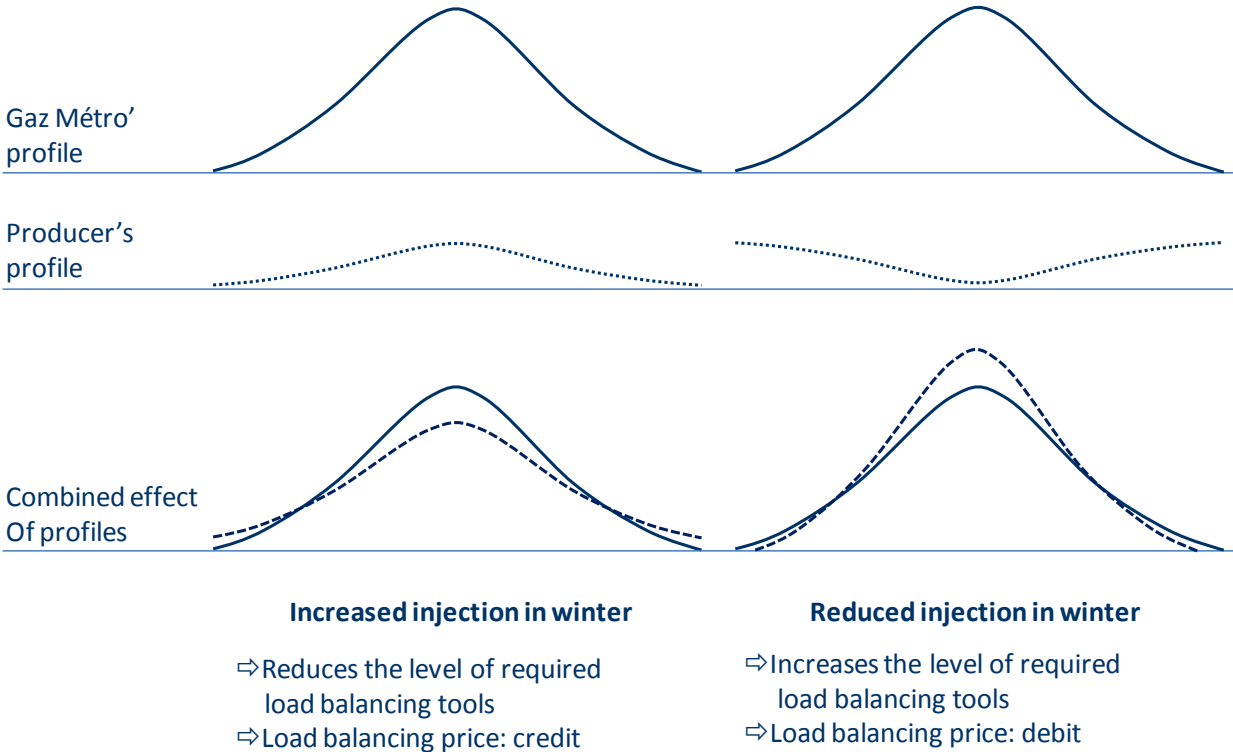
**CAPTION**

<p>.....</p> <p>Customer's load profile</p>	<p>—————</p> <p>Gaz Métro's load profile</p>	<p>-----</p> <p>Effect of the customer's load profile on Gaz Métro's load profile</p>
---	--	---

- 1 The natural gas injection into the distribution system may also affect the level of load balancing
- 2 tools required to service volumes in all Gaz Métro's territory.
- 3 For example, a volume with an injection level in winter that is higher than in summer would
- 4 reduce the demand for load balancing tools required for consumer customers, while an
- 5 increased injection volume in summer adds to an excess supply. The effect of servicing
- 6 producer customers on the load balancing service can be represented as follows:



**FIGURE 2**  
**EFFECT OF PRODUCER CONSUMER LOAD PROFILES**

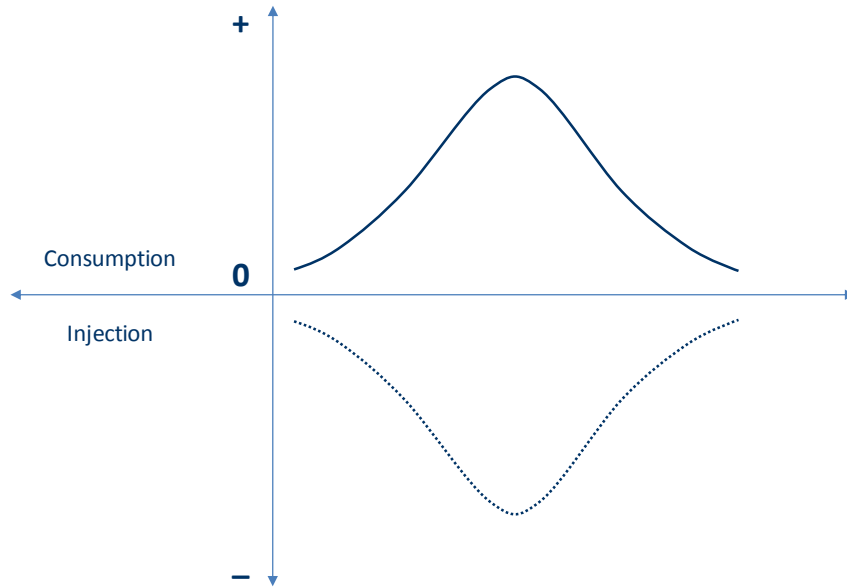


**CAPTION**

Gaz Métro's Load profile	Customer's Load profile	Effect of the customer's injection profile On Gaz Métro's load profile

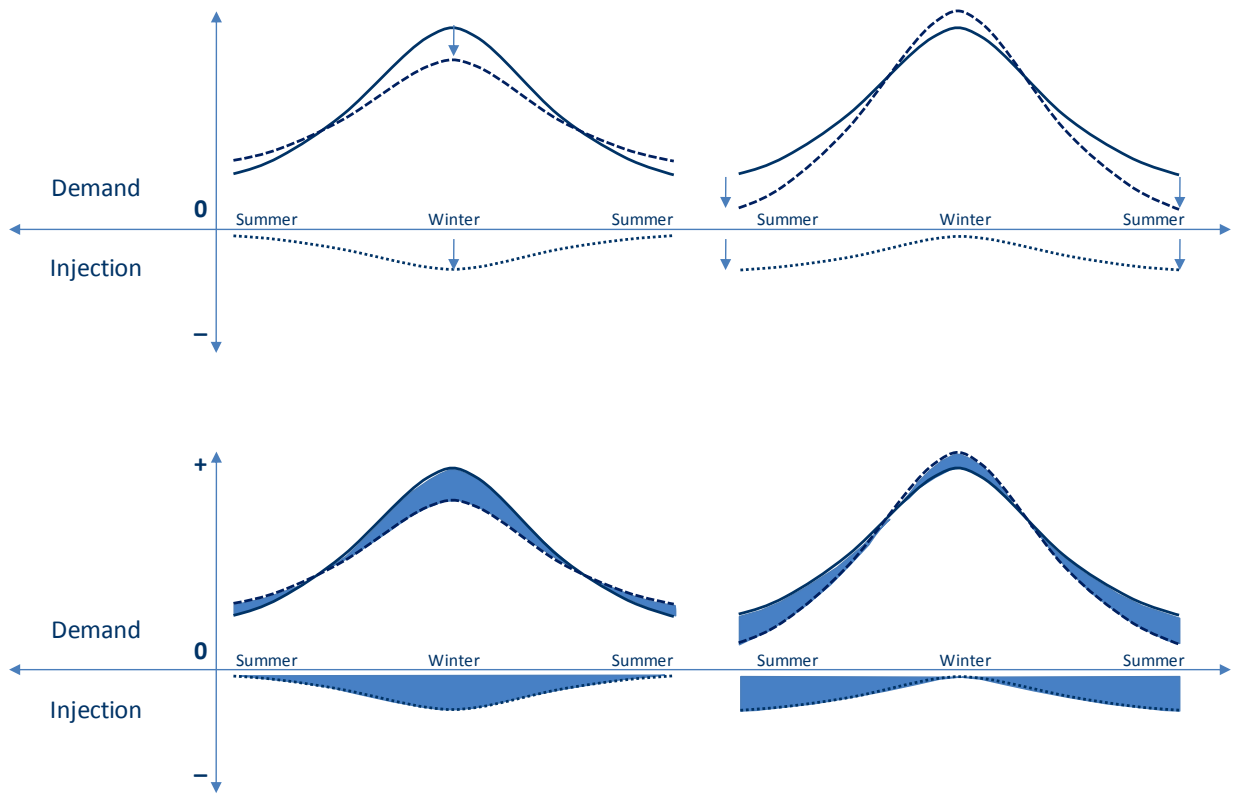
- 1 However, the level of load balancing tools would not be impacted by a perfectly stable injection
- 2 profile.
  
- 3 Thereby, we can see that the effect of natural gas injection is the opposite of natural gas
- 4 consumption. Gaz Métro illustrates below the mathematical representation of the
- 5 complementarity between load profiles and injection profiles on the same graph. Thereby, load
- 6 volumes are found on a positive axis while injected volumes are found on a negative axis.
- 7 Figure 3 shows a perfect complementarity where injected volumes perfectly compensate for
- 8 load requirements.

**FIGURE 3**  
**COMPLEMENTARITY OF LOAD PROFILES AND INJECTION PROFILES**



- 1 In an extreme situation, the combined effect of two customers' profiles where one is a consumer
- 2 customer who withdraws the exact volumes injected by a producer would therefore be zero.
- 3 The effects of summer and winter injection profiles on the overall Gaz Métro load are shown in
- 4 Figure 4, using the same mathematical representation:

**FIGURE 4**  
**EFFECT OF PRODUCER CUSTOMER INJECTION PROFILES ON THE GLOBAL DEMAND PROFILE**



**CAPTION**

Gaz Métro's Load profile	Customer's Injection profile	Effect of the customer's injection profile On Gaz Métro's load profile

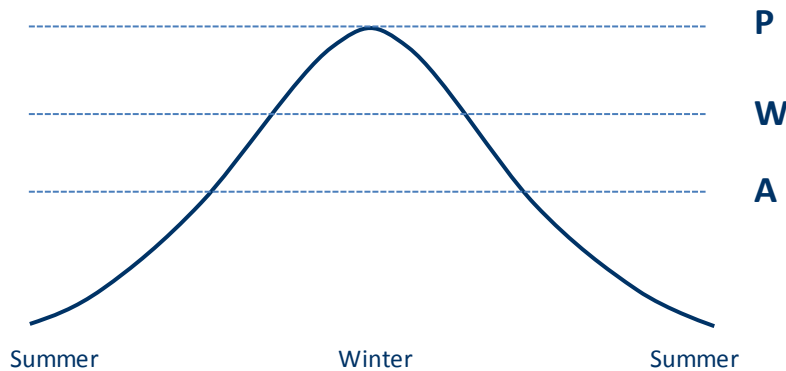
1 Thereby, in the case of a producer who injects more in winter than in summer, these volumes  
 2 (area under the horizontal axis which represents the injection portion) are reduced equivalently  
 3 to the load balancing requirements (comparable area under the curve in the demand portion).

4 **2.1.2 Load balancing rate parameters**

5 This section presents the proposal to apply the current Gaz Métro load balancing rate  
 6 parameters to producer customers, which are currently only applicable to consumer customers.

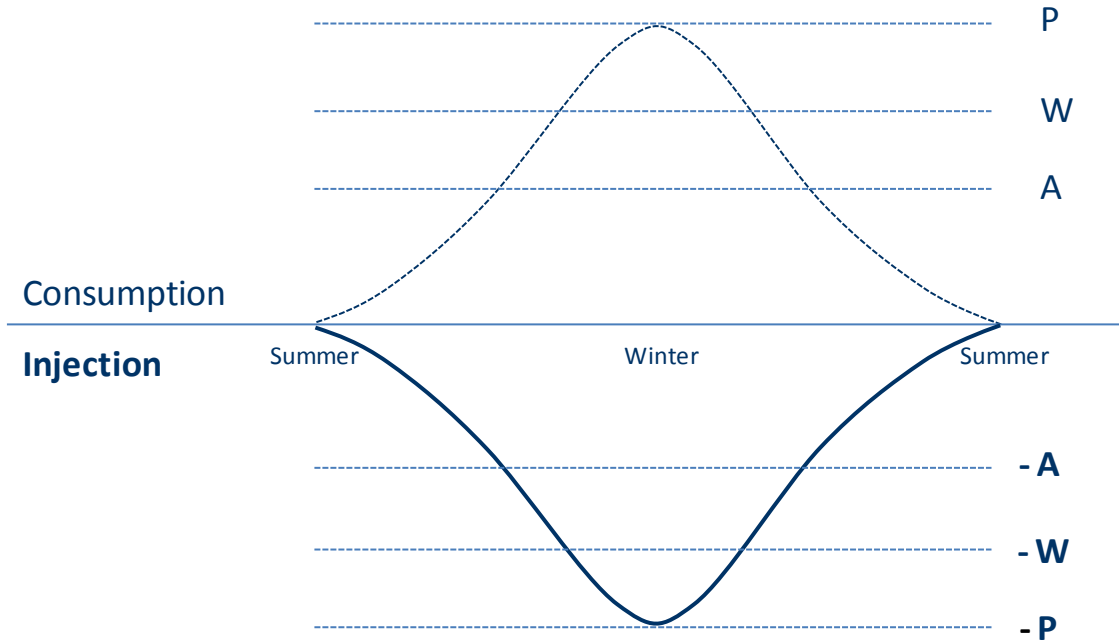
- 1 The load balancing formula for consumer customers takes three parameters into account:
- 2     A: annual average daily load;
- 3     W: winter average daily load; and
- 4     P: peak daily load
- 5 These parameters are represented in the following figure:

**FIGURE 5**  
**LOAD BALANCING PARAMETERS - CONSUMER CUSTOMERS**



- 6 These parameters could also be used to calculate the load balancing portion applicable to
- 7 customers who inject natural gas into the system. An average annual daily volume injected into
- 8 the gas system reduces the average annual demand (parameter A). The injection of a winter
- 9 average daily volume reduces the winter average daily demand (parameter W). Finally, a winter
- 10 injection peak has the opposite effect of a load peak during this same period. Therefore, the
- 11 effect of natural gas injection on load balancing tools is the opposite of that for the natural gas
- 12 load and the parameters must therefore be reversed. This reversal of parameters is shown
- 13 below.

**FIGURE 6**  
**LOAD BALANCING PARAMETERS - PRODUCER CUSTOMERS**



1 This example uses that in Figure 3 and adds the current parameters for the load balancing  
2 service, as well as the reversed parameters related to volume injections into the gas system.  
3 The addition of parameter P (withdrawn volumes) and parameter - P (injected volumes)  
4 effectively provides a result of 0, showing the perfect complementarity between load volumes  
5 and injected volumes. It is the same for parameters W and A.

6 Text from the *Conditions of Service and Tariff*

7 The use of parameters to calculate the load balancing service for customers subject to Rate  $D_R$   
8 requires that Article 14.1.3, regarding the load balancing service, be adjusted. The first  
9 paragraph of this article should be modified to recognize the fact that it does not reflect only  
10 consumption parameters. This proposed paragraph would read as follows:

11 *“Subject to Article 18.2.3, the ~~consumption~~ parameters for volumes consumed or injected*  
12 *shall be calculated as follows.”*

13 In addition, the title of Article 14.1.3.1 and the definition of parameter P in this article also  
14 require modifications.

1 The proposed wording of the title would read as follows:

2 *“Parameters for Distribution Rate  $D_3, D_4$  and  $D_R$  customers”*

3 The proposed parameter P is defined as follows:

4 *“P = Maximum daily load or injected volume from November 1, 2010 to March 31, 2011”*

5 **Gaz Métro is requesting the Régie to approve the modification to Article 14.1.3.1.**

6 Let us now look at how the load balancing rate can be adjusted to consider volumes injected by  
7 producers.

### 8 2.1.3 Load balancing rate formula

9 The load balancing rate formula for consumer customers is currently defined as follows:

10 
$$\frac{\text{Peak price x (P - W) + Space price x (W - A)}}{\text{Annual volume}}$$
  
11

12 If we replace the parameters in the formula to take into account producer customer profiles,  
13 these parameters must be replaced by negative values for this group of customers as follows:

14 
$$\frac{\text{Peak price x (- P - (- W) + Space price x (- W - (- A))}}{\text{Annual volume}}$$
  
15

16 This formula can be simplified by simply reversing the parameters to read as follows:

17 
$$\frac{\text{Peak price x (W - P) + Space price x (A - W)}}{\text{Annual volume}}$$
  
18

19 A few examples below help to visualize injection profiles as well as the load balancing prices  
20 resulting from their service.

21 *Example 1 (stable injection):*

22 As with a consumer customer whose withdrawals are perfectly stable throughout the year, a  
23 producer customer who injects the same volume daily would have a zero load balancing price,  
24 which demonstrates the fact that it does not create load balancing costs. The three parameters

25

26

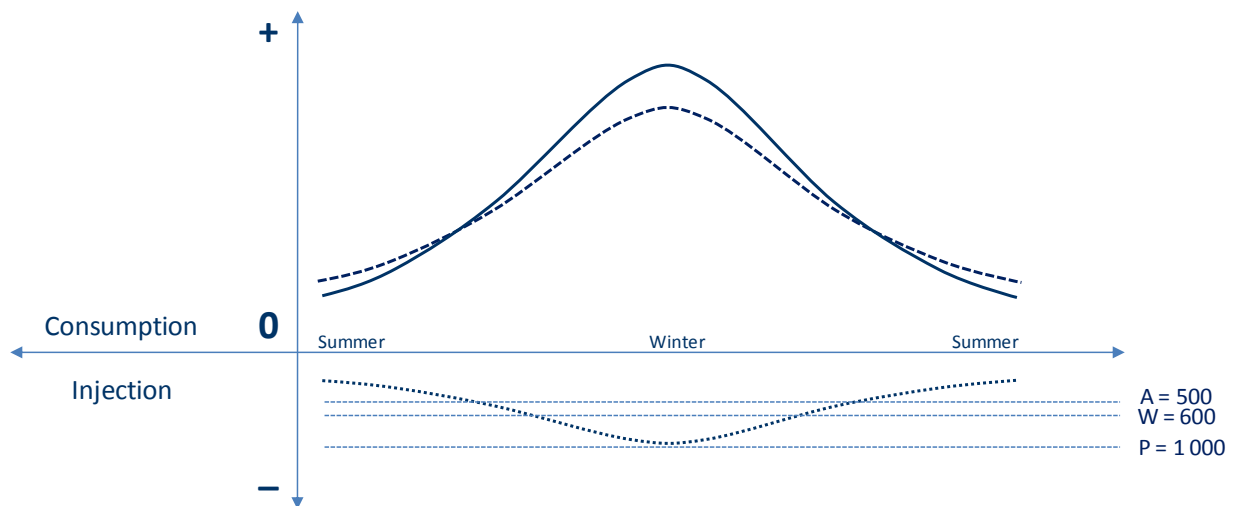
1 A, W and P are, in this case, all the same. Assuming that they are 500, the load balancing  
 2 formula would be as follows:

3 
$$\frac{228.8 \times (500 - 500) + 1770.1 \times (500 - 500)}{500 \times 365}$$
  
 4

5 The price resulting from applying the formula is therefore 0.000 ¢/m.

6 *Example 2 (larger injection in winter than in summer):*

7 We will now consider the example of a customer who has an injection profile with higher  
 8 volumes injected in winter than those injected in summer.



9 According to the peak and space price applicable on January 1<sup>st</sup> 2012, the application of the  
 10 load balancing formula for customers subject to Rate D<sub>R</sub> would be:

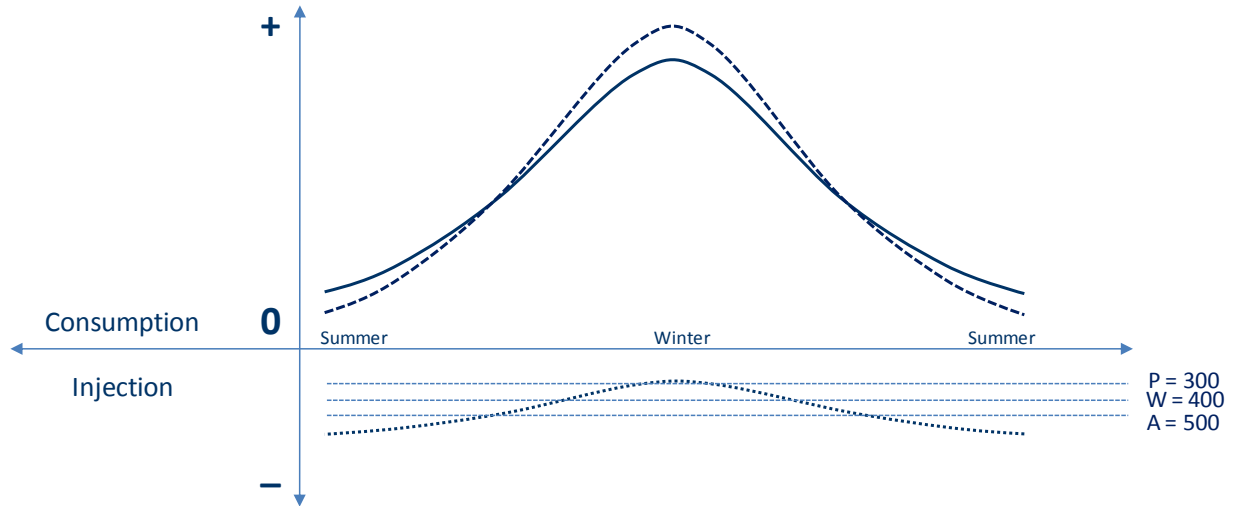
11 
$$\frac{228.8 \times (W - P) + 1770.1 \times (A - W)}{\text{Annual volume}}$$
  
 12

13 
$$\frac{228.8 \times (600 - 1000) + 1770.1 \times (500 - 600)}{500 \times 365}$$
  
 14

15 The load balancing price would be -1.471¢/m<sup>3</sup>, reflecting the positive effect (decreased load  
 16 balancing costs) of a larger natural gas injection into the system during winter than the yearly  
 17 average.

1 *Example 3 (smaller injection in winter than in summer):*

2 Finally, we will consider the example of a producer customer with an injection profile whose  
 3 volumes injected in winter are lower than those injected in summer. This injection profile would  
 4 cause load balancing costs and the producer would have to pay its share of the costs. The  
 5 parameters for calculating the load balancing price are in the figure below.



6 According to the peak and space price applicable on January 1<sup>st</sup> 2012, the application of the  
 7 load balancing formula for customers subject to Rate D<sub>R</sub> would be:

8 
$$\frac{228.8 \times (W - P) + 1770.1 \times (A - W)}{\text{Annual volume}}$$

10 
$$\frac{228.8 \times (400 - 300) + 1770.1 \times (500 - 400)}{500 \times 365}$$

12 The load balancing price would be 1.095 ¢/m<sup>3</sup>, which reflects the negative effect on load  
 13 balancing tools when injecting less natural gas into the system during the period when the  
 14 demand for natural gas is higher.

15 Text from the *Conditions of Service and Tariff*

16 A modification would be required to Article 14.1.2 of the *Conditions of Service and Tariff*. Gaz  
 17 Métro proposes to insert an article between existing Articles 14.1.2.1, "Price for Distribution  
 18 Rate D<sub>1</sub> Customers", and 14.1.2.2, "Price for Customers at other Distribution Rates".



1 Consequently, this modification would change the numbering of all subsequent articles. This  
2 article would be entitled, "Price for Distribution Rate D<sub>R</sub> Customers", and would read as follows:

3 *"For every m<sup>3</sup> of injected volume, the unit price in ¢/m<sup>3</sup>, on January 1<sup>st</sup> 2012, is calculated as*  
4 *follows:*

$$5 \quad \frac{228.8 \times (W - P) + 1770.1 \times (A - W)}{6 \quad \text{Annual volume}}$$

7 where **A:** Annual average daily injection

8 **W:** Winter average daily injection (period from November 1<sup>st</sup> to March 31st)

9 **P:** Peak daily injection"

10 As the load balancing rate will be amended on October 1<sup>st</sup> 2012, the transitional provisions  
11 which reflect this change should also provide for the application of the load balancing service for  
12 producer customers. Thereby, the new Article 14.1.2.2 "Price for Distribution Rate D<sub>R</sub>  
13 Customers" should also be inserted into Article 18.2.6 between the current references to Articles  
14 14.1.2.1 and 14.1.2.2. Details will be provided in Section 4.1.2 below.

15 **Gaz Métro is requesting the Régie to approve inserting a new Article 14.1.2.2, relating to**  
16 **the calculation of the unit price for the load balancing rate applicable to customers**  
17 **subject to Rate D<sub>R</sub>.**

18 The inclusion of this article will result in modifications to the articles referenced in certain other  
19 subsequent articles. Numbering adjustments are shown in exhibit Gaz Metro-7, Documents 1  
20 and 2.

#### 21 2.1.4 Article 14.1.2.4 - Average price

22 The application of the load balancing rate provides for the load balancing price to be calculated  
23 on the individual profile of all customers except for Rate D<sub>1</sub> customers for which an average  
24 price is applicable. It must be noted that this application will be modified on October 1<sup>st</sup> 2012 in  
25 order to provide for the application of the customized price for all customers with an annual  
26 volume over 75,000 m<sup>3</sup>. If we apply the same criteria as with consumer customers, the producer  
27 customers who opt for the distributor's load-balancing service would be subject to the load  
28 balancing price calculated on their individual load profile since their annual volumes injected are  
29 over 75,000 m<sup>3</sup>.

1 However, as currently stipulated in the *Conditions of Service and Tariff*, the calculation of the  
2 customized price in the load balancing service is only applicable if the customer has 12  
3 consecutive months of consumption history on September 30. In the event that a customer does  
4 not have this consumption history, it will be subject to the average price of all customers in its  
5 distribution rate.

6 For consumer customers, the applicable distribution rates have been in place for several years  
7 and average prices for each of these rates may be fixed based on historical volumes. A new  
8 customer at one of these rates is therefore subject to an average price, corresponding to the  
9 actual historical consumption average of this rate.

#### 10 2.1.4.1 Determination of the average price

11 A new customer subject to Rate  $D_R$  evidently has no injection volume history and therefore  
12 should normally be subject to an average price. However, given that this is a new customer  
13 category, no history allows the establishment of an injection profile for customers subject to  
14 Rate  $D_R$ , in order to determine a valid average price at this stage of development for this new  
15 customer category. A new pricing method should therefore subsequently be proposed for the  
16 first investment projects.

17 According to the estimates currently available, the volumes injected by producers should be  
18 relatively stable. It would therefore have been possible to subject producer customers to the  
19 average load balancing price for large customers with stable load (Rate  $D_4$ ). However, it is all  
20 the same an entirely new customer category for which customers are subject to a separate  
21 distribution rate.

22 Gaz Métro believes it would be best for the average price applicable to that customer category  
23 to be unique to that category, and proposes a separate price be established on the basis of the  
24 volumes of customers subject to Rate  $D_R$ .

25 The gas production market in Quebec is under development and some preliminary information  
26 could be expected to change. Gaz Métro therefore proposes that the profile for injected  
27 volumes, which enables to establish the average price applicable to new customers subject to  
28 Rate  $D_R$ , be defined in the future, that is to way in the course of the first investment application  
29 relating to natural gas injection.

1 **It is requesting the Régie to acknowledge the fact that the average load balancing price**  
2 **for Rate D<sub>R</sub> will be determined during an initial investment Case relating to natural gas**  
3 **injection.**

4 2.1.4.2 Temporary fixing of the average price

5 Although the average load balancing price for Rate D<sub>R</sub> can be determined as part of the first  
6 natural gas injection investment Case, Gaz Métro believes that the Régie must approve, in the  
7 context of this present Case, certain conditions applied specifically to Rate D<sub>R</sub> customers.

8 During the introduction of the first natural gas injection projects in Quebec and in order to foster  
9 the development of this clientele, some global stability of rates, in terms of prices, would be  
10 desirable. However, some volatility of the initially determined price can be expected as projects  
11 are implemented, particularly during the early years. This potential volatility of variations in this  
12 price may be critical for certain projects. Two factors could create a load balancing price  
13 volatility:

- 14 • the change in injection profiles used to determine the average price, and
- 15 • price variances between the average price and the customized price once the volume  
16 history is known.

17 Certain producer customers have indicated they wish for stability of the load balancing price in  
18 order to allow an adequate and optimal start in this new market, and to ensure the profitability of  
19 projects.

20 For the reasons outlined above, Gaz Métro believes that it would be best to reduce the potential  
21 volatility of the annual change in the load balancing price. It therefore proposes that the average  
22 load balancing price for Rate D<sub>R</sub> customers be temporarily fixed, at the time of the first  
23 investment request, for a three-year period. Gaz Métro also proposes delaying the time when  
24 the producer customer will be automatically subject to a customized price for the same period.

25 Gaz Métro believes that after three years, the market for natural gas injection into the  
26 distribution system, though not necessarily at its full potential, could - at that time - have  
27 achieved a certain steady pace. Fixing the average price will therefore have helped facilitate the  
28 development of the natural gas production sector in Quebec, notably, the development of  
29

1 biomethane. Moreover, it believes that the market of producer customers will then be sufficiently  
2 stable to allow existing customers to be subject to a load balancing price based on their  
3 individual load profile.

4 Thereby, from the 2017 Rate Case onwards, or when Gaz Métro believes that the market  
5 growth is sufficiently stable, the average load balancing price for Rate  $D_R$  applicable to producer  
6 customers would be revised. Subsequently, this price would also be revised during subsequent  
7 rate cases based on new actual load profiles for all Rate  $D_R$  clientele, as is the case for average  
8 prices in other distribution rates.

9 **Gaz Métro is requesting the Régie to approve that the average load balancing price**  
10 **applicable to Rate  $D_R$  customers be fixed for a three-year period from the approval of the**  
11 **first natural gas injection investment project onwards.**

12 2.1.4.3 Choice of customized pricing

13 As currently provided in the *Conditions of Service and Tariff*, a new consumer customer remains  
14 subject to the average price as long as it does not have 12 consecutive months of consumption  
15 on September 30. Once these historical volumes are available, the load balancing price is then  
16 determined on the basis of these volumes, thereby reflecting the load profile of each individual  
17 customer.

18 The justification for the average price fixed over a three-year period is to allow a certain  
19 stabilization of costs for customers who have expressed a need for this. It could be that a  
20 customer would prefer to be quickly subject to the load balancing price based on its load profile,  
21 rather than to have the assurance that this price is stable. Once the customer actually has the  
22 required volume history, Gaz Métro believes it would be best to allow it to benefit from the  
23 customized price before the end of the three-year period, if it so desires.

24 It therefore proposes that Rate  $D_R$  customers be allowed access to a customized price during  
25 the three-year period following the setting of the average price by the Régie. The customer who  
26 wishes for this option could then, once its injected volume history is complete, choose to be  
27 invoiced based on the customized price. Let us recall that the option to self-balance is still  
28 available for a customer who has chosen the distributor's load balancing service, as long as it  
29 respects the prior notices of withdrawal in the distributor's service.

1 Modifications to the *Conditions of Service and Tariff*

2 The current article, "Average price", must be modified to include the average price applicable to  
3 customers subject to Rate  $D_R$ , and the fact that these customers are subject to this price for  
4 three years by default, despite the fact they have accumulated twelve months of cumulative  
5 historical consumption. It must also be modified to stipulate that a customer may request to be  
6 billed based on its customized price before the end of the three years. As Article 14.1.2.3 will be  
7 renumbered as a result of adding the average price calculation for Rate  $D_R$  customers, the new  
8 Article 14.1.2.4 would therefore be modified as follows:

9 *"Article 14.1.2.3 does not apply when the firm or interruptible service volume withdrawn*  
10 *between October 1, 2010 and September 30, 2011 is nil or does not represent 12*  
11 *consecutive months of consumption. Moreover, article 14.1.2.2 does not apply in the case of*  
12 *customers subject to Rate  $D_R$  unless the customer has made the request.*

13 *These customers will be subject to an average unit price based on their distribution rate, in*  
14 *accordance with the following table as of January 1, 2012:*

<b><i>Distribution Rate</i></b>	<b><i>Price ¢/m<sup>3</sup></i></b>
<i>D<sub>1</sub></i>	<i>4.652</i>
<i>D<sub>3</sub></i>	<i>0.812</i>
<i>D<sub>4</sub></i>	<i>0.517</i>
<i>D<sub>5</sub> – Category A</i>	<i>-0.871</i>
<i>D<sub>5</sub> – Category B</i>	<i>1.235</i>
<i><u>D<sub>R</sub></u></i>	<i><u>x.xxx"</u></i>

15 In order to also reflect the October 1, 2012 amendment to the application, the transitional  
16 provisions text must also reflect the modification to the application of the average price for  
17 customers subject to Rate  $D_R$  in the current reference in Article 14.1.2.4. Modifications required  
18 to the transitional provisions are outlined in Section 4 of this document.

19 **Gaz Métro is requesting the Régie to approve the modification to Article 14.1.2.4 as**  
20 **proposed.**

1   2.1.5 Article 14.1.4.2 - Volume transposition

2   Volume transposition applies to customers who are subject to the customized price calculation  
3   for load balancing and who provide their own supply service. Transposition is not required when  
4   the customer is subject to the average load balancing price.

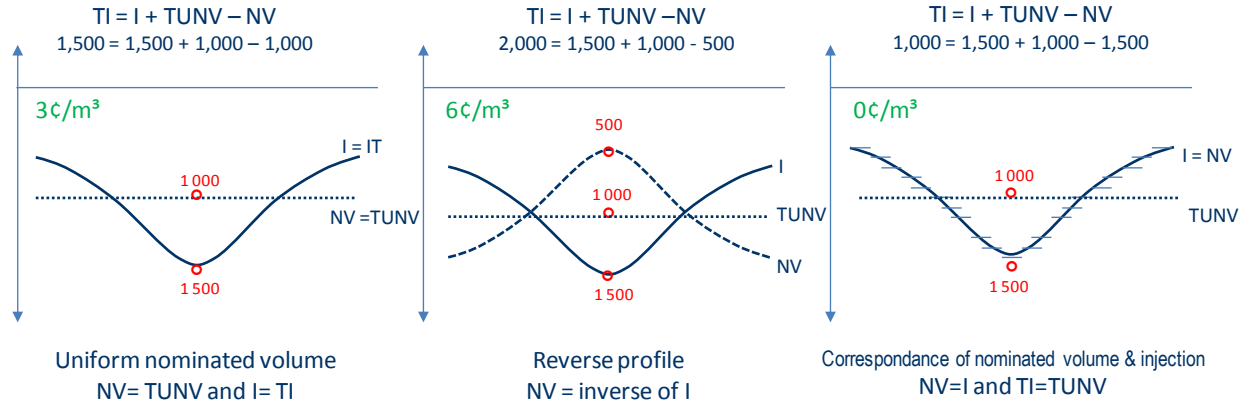
5   Gaz Métro believes that volume transposition should also apply to producer customers when  
6   they qualify for being or wish to be subject to the customized load balancing price provided in  
7   Article 14.1.2.2. Indeed, the action of injecting appears comparable to that of a consumer  
8   customer agreeing to provide its natural gas. Thereby, the customized load balancing price for  
9   Rate  $D_R$  customers should reflect the daily variance between the actual injection and the  
10   nominated volume, compared with the agreement to inject uniformly into the system, that is to  
11   say, the theoretical uniform nomination.

12   Given that the volume transposition parameters for customers in distribution services other than  
13   Rate  $D_1$  are calculated based on a load profile, the volume transposition formula for customers  
14   under Rate  $D_R$  should be established according to an injection profile and would result in a new  
15   article being inserted specific to this type of profile. Thereby, the transposition formula would  
16   refer to the terms “theoretical injection” or “TI”, “injection” or “I”, “theoretical uniform nominated  
17   volume” or “TUNV” and “nominated volume” or “NV”. The transposition would therefore enable  
18   to establish new A, W and P parameters, which would be applied to the formula for calculating  
19   the load balancing price for customers in distribution service  $D_R$  stipulated in Article 14.1.2.2.

20   The following examples help to illustrate the effects of nominated volumes on the load balancing  
21   price for identical injection profiles.

**FIGURE 7**

**EFFECT OF NOMINATIONS ON THE LOAD BALANCING PRICE**



1 Thereby, the method for calculating volume transposition for customers subject to the load  
 2 balancing price of customers under distribution services other than  $D_1$  or  $D_R$  will be stipulated in  
 3 Article 14.1.4.1, while the method for customers in distribution service  $D_R$  will be stipulated in  
 4 Article 14.1.4.2.

5 Text from the *Conditions of Service and Tariff*

6 Gaz Métro therefore proposes adding a title to Article 14.1.4.1 applicable to customers in rates  
 7 other than Rate  $D_R$ .

8 “For Customers Subject to Distribution Rates  $D_1$ ,  $D_3$ ,  $D_4$  and  $D_5$ ”

9 It also proposes adding a new Article 14.1.4.2.

10 “For Customers Subject to Distribution Rate  $D_R$

11 For Rate  $D_R$  customers subject to the load balancing price stipulated in Article 14.1.2.2, the  
 12 calculation of the load balancing price is based on a transposed injected volumes profile  
 13 determined as follows, subject to Article 18.2.3:

14  $TI = I + TUNV - NV$

15 Where  $TI =$  Transposed Daily Injected Volume

16  $I =$  Daily Injected Volume

17  $TUNV =$  Theoretical uniform Nominated Volume (sum of the NVs from October 1,  
 18 2010 to September 30, 2011  $\div$  no. days from October 1, 2010 to  
 19 September 30, 2011 having a NV)

20  $NV =$  Nominated Volume”

1 **Gaz Métro is requesting the Régie to approve adding a title to 14.1.4.1 as well as wording**  
2 **of a new Article 14.1.4.2.**

3 2.1.6 Article 14.1.5 - Annual volume imbalances

4 Consumer customers subject to the Gaz Métro load balancing rate and providing their own  
5 natural gas are also subject, in addition to the load balancing service, to the provisions related  
6 to volume imbalances stipulated in the supply service, service provided by the customer. We  
7 remind that a daily volume imbalance is the difference between the actual delivery and the  
8 expected delivery (nomination) during one day. The volume imbalance for the contract period is  
9 the difference between the sum of nominations and the sum of loads during the contract period.

10 For customers subject to Rate  $D_R$  who choose the load balancing service, the difference  
11 between the actual delivery (injection) and the expected delivery (nomination) during one day is  
12 captured by the load balancing service. However, Gaz Métro must also ensure that the producer  
13 customer actually injects annually the nominated quantity of natural gas.

14 When the sum of the injected volumes is less than the sum of the nominated volumes, there is  
15 in an injection shortage. When the sum of the injected volumes is greater than the sum of the  
16 nominated volumes, there is an injection overage. The Gaz Métro proposals regarding the  
17 management of these imbalance situations are outlined in the following sections.

18 An injection overage situation

19 Despite producers' efforts to inject the nominated volumes, the fact remains that some variability  
20 in injected volumes may occur. Gaz Métro believes it is reasonable to allow some flexibility for  
21 producers. It therefore proposes a separate treatment for excess volumes below or above 4%,  
22 in order not to unduly penalize the producer for the first 4%.

23 Since these volumes delivered in excess are not required by Gaz Métro, it therefore proposes to  
24 buy back the first 4% at the supply price only, without compensating the customer for  
25 transportation. Indeed, Gaz Métro already has the required transportation capacity and does not  
26 wish to have to pay for it again. Gaz Métro therefore proposes to buy back the first 4% of  
27 excess volume from the producer at the distributor's average price for natural gas supply  
28 throughout the year.



1 However, with no deterrent in place, customers may be inclined not to restrict the injected  
 2 volumes in excess of the nominated volumes, knowing that a buyer is always available, i.e.  
 3 Gaz Métro. Gaz Métro does not wish to become the alternative of choice for producers to  
 4 dispose of the excess supply injected into the system. It therefore proposes that excess  
 5 volumes above 4% be bought back by the distributor at half the distributor's average annual  
 6 price for natural gas supply.

7 The following table helps to visualize how the annual volume imbalance charges would be  
 8 applicable in the case of excess volumes injected by a producer customer. The example  
 9 illustrates a situation where the producer would inject an actual volume 20% higher than the  
 10 nominated volume for the entire winter period.

**TABLE 1**  
**ANNUAL VOLUME IMBALANCES - INJECTION OVERAGE**

	<b>Injected volume</b>	<b>Nominated volume</b>	<b>Variance</b>
Summer volumes 214 days	10,000 m <sup>3</sup> /day 2,140,000 m <sup>3</sup> (period)	10,000 m <sup>3</sup> /day 2,140,000 m <sup>3</sup> (period)	0 m <sup>3</sup> /day 0 m <sup>3</sup> (period)
Winter volumes 151 days	12,000 m <sup>3</sup> /day 1,812,000 m <sup>3</sup> (period)	10,000 m <sup>3</sup> /day 1,510,000 m <sup>3</sup> (period)	+ 2,000 m <sup>3</sup> /day + 302,000 m <sup>3</sup> (period)
TOTAL volumes	3,952,000 m <sup>3</sup>	3,650,000 m <sup>3</sup>	+ 302,000 m <sup>3</sup> (period)

11 In this situation, Gaz Métro would buy the first 4% of excess volume from the producer, i.e.,  
 12 3,952,000 m<sup>3</sup> X 4% = 158,080 m<sup>3</sup> at the supply price. The excess of this volume, 143,920 m<sup>3</sup>  
 13 (302,000 m<sup>3</sup> - 158,080 m<sup>3</sup>), would be bought back by Gaz Métro at the supply price, multiplied  
 14 by 50%.

15 An injection shortage situation

16 The table below shows a situation of an injection deficit from a producer customer.

**TABLE 2**  
**ANNUAL VOLUME IMBALANCES - INJECTION SHORTAGE**

	<b>Injected volume</b>	<b>Nominated volume</b>	<b>Variance</b>
Summer volumes 214 days	9,900 m <sup>3</sup> /day 2,118,600 m <sup>3</sup> (period)	10,000 m <sup>3</sup> /day 2,140,000 m <sup>3</sup> (period)	- 100 m <sup>3</sup> /day - 21,400 m <sup>3</sup> (period)
Winter volumes 151 days	10,000 m <sup>3</sup> /day 1,510,000 m <sup>3</sup> (period)	10,000 m <sup>3</sup> /day 1,510,000 m <sup>3</sup> (period)	0 m <sup>3</sup> /day 0 m <sup>3</sup> (period)
TOTAL volumes	3,628,600 m <sup>3</sup>	3,650,000 m <sup>3</sup>	- 21,400 m <sup>3</sup> (period)

1 In this situation, the customer would have an injection deficit volume of 21,400 m<sup>3</sup> (difference  
2 between the injection of 3,628,600 m<sup>3</sup> and the nomination of 3,650,000 m<sup>3</sup>). The injection deficit  
3 would be compensated by Gaz Métro in order to meet the needs of customers served by that  
4 producer.

5 In the event of an injection deficit, Gaz Métro also deems it opportune to allow some flexibility  
6 for producers and proposes that there be a separate treatment for deficit volumes below or  
7 above 4%.

8 Gaz Métro expects to be able to compensate for the supply shortage at the same price as the  
9 average price. In the case of injection deficits, Gaz Métro proposes billing producers for the first  
10 4% of the deficit volume at the distributor's average annual price for natural gas supply,  
11 compressor fuel and transportation.

12 However, Gaz Métro wants to dissuade producers from finding themselves in situations where  
13 the volume deficit is above 4% and therefore proposes applying a surcharge to the price of  
14 services for which they are charged. In the event that the deficit volume was to exceed 4%, this  
15 volume would be charged at the distributor's average price for natural gas supply, compressor  
16 fuel and transportation throughout the year, multiplied by 150%.

17 In the example shown in Table 2, as the deficit is less than 4%, the natural gas volume deficit  
18 would be sold to the producer at the price for supply, compressor fuel and transportation.

1 In the two cases of an injection deficit or surplus, there would be no possibility to carry-forward  
2 the volume imbalances.

3 These new provisions would be provided in the load balancing service as they are directly  
4 related to this service.

5 Gaz Métro also proposes two additional provisions. First, before accepting a revision of  
6 nominated volumes, Gaz Métro may require that this revision be conditional to a revision of  
7 injected volumes. Second, it would reserve the right to require a mandatory revision of  
8 producers' nominated volumes or injected volumes if the customer's anticipated imbalance is  
9 expected to be above 4%.

10 A new Article 14.1.5 would therefore be added to this rate (it would be inserted before the  
11 current Article 14.1.5, "Terms and Conditions", which would consequently be renumbered) and  
12 would read as follows:

13 *"14.1.5 VOLUME IMBALANCES*

14 *14.1.5.1 Customers subject to Rate  $D_R$*

15 *14.1.5.1.1 Prior Notice for Nominated Volume Adjustment*

16 *Nominated volumes may be adjusted when it is economically and operationally possible for*  
17 *the distributor to agree to them.*

18 *A customer must address its request for a nominated volume adjustment to the distributor as*  
19 *soon as possible and no later than 10:00 a.m. (EST) on the day preceding the day on which*  
20 *the adjustment would take effect. On shorter notice, the nominated volumes can only be*  
21 *adjusted if the distributor agrees to it.*

22 *14.1.5.1.2 Conditional Adjustment*

23 *Before accepting a nominated volume adjustment, the distributor may require that the*  
24 *customer agree to adjust its injected volume proportionally. In the absence of a proportional*  
25 *injected volume adjustment, the customer's nominated volume shall be considered non-*  
26 *adjusted and the customer's bill shall be based on this non-adjusted nominated volume.*

27 *14.1.5.1.3 Anticipated Annual Volume Imbalance*

28 *If the distributor anticipates that the customer will have a volume imbalance of more than 4\$*  
29 *at the end of the year, it may require the customer to adjust its nominated volume or injected*  
30 *volume in order to avoid such imbalance.*

31 *14.1.5.1.4 Annual Volume Imbalances*

32 *A customer subject to Rate  $D_R$  who has chosen the distributor's load-balancing service is*  
33 *subject to the treatment of annual volume imbalances.*

1        *An annual volume imbalance occurs when the customer injects, during a year, a volume of*  
2        *natural gas different from what it has agreed to deliver (sum of the nominated volumes).*

3        *When the injected volume is less than the sum of the nominated volumes, there is an injected*  
4        *volume shortage; when the injected volume exceeds the sum of the nominated volumes,*  
5        *there is an injected volume overage.*

6        *The injected volume overage from 0% to 4% of the injected volume is purchased by the*  
7        *distributor at the distributor's average natural gas supply price during the year. The injected*  
8        *volume overage above 4% of the injected volume is purchased at the distributor's average*  
9        *natural gas supply price during the year multiplied by 50%.*

10       *The injected volume shortage from 0% to 4% of the injected volume is sold by the distributor*  
11       *at the distributor's average natural gas supply, compressor fuel and transportation prices*  
12       *during the year. The injected volume shortage above 4% of the injected volume is sold at the*  
13       *distributor's average natural gas supply, compressor fuel and transportation prices during the*  
14       *year multiplied by 150%.*

15       **Gaz Métro is requesting the Régie to approve inserting a new Article 14.1.5 and all**  
16       **paragraphs that compose it, relating to the management of annual volume imbalances**  
17       **applicable to customers subject to Rate D<sub>R</sub>.**

18       2.1.7 Article 14.2.1 - Application of the customer-provided service

19       Just as with a consumer customer, the producer customer can also withdraw from the service  
20       provided by the distributor. The application of the customer-provided service must be adjusted  
21       to take into account this new category of consumers. Thereby, Article 14.2.1 would be modified  
22       as follows:

23       *“For any customer who wishes to provide, in whole or in part, with the load balancing service*  
24       *needed to manage on a daily basis the natural gas it withdraws at its facilities or it injects in*  
25       *the distribution system.*

26       *A customer subject to Rate D<sub>1</sub>, D<sub>3</sub> or D<sub>4</sub> who wishes to provide its full load balancing service*  
27       *shall agree to deliver to the distributor each day a DCV equal to its load for that same day;*  
28       *the terms and conditions shall be those relative to volume imbalances stipulated under the*  
29       *« Customer-Provided Service » Article under Supply Service.”*

30       The text relating to the differences between nominated and injected volumes was originally  
31       proposed in the provisions for the distribution service in Article 16.6.7. This proposition in Phase  
32       1 was circumstantial since Gaz Métro deemed that the management of producer load balancing

1 by producers (the conditions of which were found under one single article), did not justify the  
2 reorganization of the chapter on the load balancing service.

3 However, the new proposal to also allow producers access to the load balancing service offered  
4 by Gaz Métro changes this initial position. In order that all provisions related to the load  
5 balancing service, provided by the distributor or managed by the customer, are found in the  
6 same chapter, Gaz Métro proposes to provide the text on imbalances within the load balancing  
7 chapter. As these are conditions applicable if the customer is the one responsible for managing  
8 its load balancing, the imbalances would therefore remain in Article 14.2, "Customer-provided  
9 service."

10 A third paragraph would therefore be proposed in Article 14.2.1 to set out the rate conditions  
11 applicable to customers subject to Rate  $D_R$  and would read as follows:

12 *"A customer subject to Rate  $D_R$  who wishes to manage its own load balancing is subject to*  
13 *Article 14.2.3.2 "Differences Between Nominated and Injected Volumes"."*

14 **Gaz Métro is requesting the Régie to approve the modification to Article 14.2.1 in order to**  
15 **stipulate that the customer subject to Rate  $D_R$  can withdraw from the distributor's**  
16 **service.**

17 **Gaz Métro is also requesting the Régie to approve adding a third paragraph to Article**  
18 **14.2.1 in order to stipulate the conditions applicable to Rate  $D_R$  customers.**

19 **2.1.8 Article 14.2.2 - Prior notice of revisions to nominated volumes**

20 As it was proposed for producer customers who are subject to the distributor's load-balancing  
21 services, prior notice of revisions to nominated volumes must also be stipulated in the load  
22 balancing service provided by the customer to ensure consistency with the provisions of  
23 services. A new Article 14.2.2 would therefore be proposed as follows:

24 *"14.2.2 PRIOR NOTICE FOR NOMINATED VOLUME ADJUSTMENT*

25 *For customers subject to Rate  $D_R$ , nominated volumes may be adjusted when it is*  
26 *economically and operationally possible for the distributor to agree to them.*

27 *A customer must address its request for a nominated volume adjustment to the distributor as*  
28 *soon as possible and no later than 10:00 a.m. (EST) on the day preceding the day on which*

1           the adjustment would take effect. On shorter notice, the nominated volumes can only be  
2           adjusted if the distributor agrees to it.”

3 **Gaz Métro is requesting the Régie to approve adding Article 14.2.2 in order to provide**  
4 **prior notice of revisions to nominated volumes applicable to Rate D<sub>R</sub> customers.**

5 2.1.9     Article 14.2.3.2 - Differences between nominated volumes and injected  
6           volumes

7 In Phase 1, it was proposed that differences between the nominated and injected volumes  
8 should be addressed as volume imbalances. Article 16.6.7, proposed in the *Conditions of*  
9 *Service and Tariff* (B-7, Gaz Métro-2, Documents 1 and 2), provided for the application of  
10 charges for variances above 2%. Gaz Métro had then justified that the management of daily  
11 imbalances currently under Chapter 11, “Supply”, in the *Conditions of Service and Tariff* did not  
12 seem appropriate. It therefore proposed applying the load balancing regulations for the  
13 TCPL/TQM transmission system to customers subject to the receipt rate (B-6, Gaz Métro-1,  
14 Document 1, page 41).

15 The prices charged by the carrier are based on a percentage of the transportation rate in the  
16 zone. These prices were proposed to be converted into ¢/m<sup>3</sup> and applicable based on the same  
17 ranges as the TCPL ranges.

18 2.1.9.1 Maintaining the billing of imbalances

19 Despite the proposal to offer a load balancing service applicable to customers subject to Rate  
20 D<sub>R</sub> (Section 2.1 of this evidence), the management of differences between nominated and  
21 injected volumes must be maintained if producer customers decide to provide their own load  
22 balancing service.

23 2.1.9.2 Cost of imbalances

24 Gaz Métro indicated in the Working Group that its management of gas supplies means that it  
25 generally uses all resources available to it to avoid incurring penalties on the TCPL system;  
26 these charges may be incurred in the event of imbalances by the distributor. This is true in the  
27 context of serving consumer customers as well as in the new context of serving producer  
28 customers. However, in the case of customers who choose the distributor's load-balancing  
29 service, they pay for the tools used in order to avoid TCPL charges through this service.

1 In the case of producers who wish to provide their own load balancing service, Gaz Métro must  
2 recuperate all potential costs that may be incurred in an extreme situation where the load-  
3 balancing tools, provided and paid for by consumer customers and by producers who will be  
4 subject to the distributor's load balancing service, would no longer be sufficient to serve the load  
5 balancing needs of the producers. We must not forget that the use of load balancing tools  
6 destined for customers subject to this service by producers not subject to the load balancing  
7 service has an impact on customers subject to this service. Gaz Métro reminds that the load  
8 balancing service offered by Gaz Métro allows a producer, who does not want to be subject to  
9 the management of differences between nominated and injected volumes, to pay via this  
10 service their share of the tools used to serve all customers.

11 Gaz Métro maintains its original proposal in Phase 1 regarding billing daily imbalances or  
12 cumulative charges in cases where producers choose not to use the distributor's load balancing  
13 service.

#### 14 2.1.9.3 Reduction in occurrences

15 The billable charges were considered important by some intervenors and the Régie requested  
16 that the Working Group most notably address temporary assignment and capacity transfer in its  
17 discussions, which has been done. Following these discussions, Gaz Métro proposes additional  
18 means to those already available to producers, to order to reduce the occurrence of imbalances.

19 The additional means chosen are:

- 20 • adding windows for volume nominations; and
- 21 • aggregation of producers daily imbalances.

#### 22 Adding windows to volume nominations

23 TCPL/TQM, Union Gas and Intragaz Pointe-du-Lac all offer a certain number of harmonized  
24 nomination windows to which Gaz Métro can have access within a single gas day. Gaz Métro  
25 proposes allowing producer customers the opportunity to benefit from the same nomination  
26 windows as those which Gaz Métro can benefit from with TCPL.

27 However, Gaz Métro does not intend to provide the details of these windows in the *Conditions*  
28 *of Service and Tariff*. In fact, during Phase 1 (B-8, Gaz Métro-1, Document 2.10), it stated, in  
29 response to a question from the QOGA, that it did not intend to provide further details in the

1 *Conditions of Service and Tariff* relating to the nomination process, in addition to those already  
2 proposed, “*since these details are considered to be an administrative issue more than terms*  
3 *and conditions of a rate.*”

4 Aggregation level for daily imbalances

5 We must bear in mind that on TCPL, potential penalties would be incurred based on all volumes  
6 from various delivery points. Therefore, the first reaction might also be to apply this global  
7 aggregation of delivery points in the case of imbalances for producers.

8 Gaz Métro has therefore attempted to assess the effects of production variation within zones, as  
9 well as in a situation where there is a production exchange between zones.

10 Table 3 illustrates a situation where there would be balance within a zone, the excess  
11 production from one producer offsetting the deficit production of another producer. Moreover,  
12 the capacity reserved on TQM would be sufficient enough to allow for modulating moving  
13 volumes from the West without requiring a change in nominated volumes.



**TABLE 3**  
**MAINTAINING THE INTRAZONE BALANCE**

	Zone 1a	Zone 1b	TOTAL
Nominated volume on TQM	0	0	0
<hr/>			
<b>Zone capacity</b>	<b>600</b>	<b>200</b>	<b>800</b>
<b>Planned supply of the zone</b>			
Producers of the zone	200	150	350
Western Canada	400	50	450
<b>TOTAL</b>	<b>600</b>	<b>200</b>	<b>800</b>
<hr/>			
<b>Actual production</b>			
Producers of the zone	150	200	350
Western Canada	450	0	450
Intrazone transfers	0	0	0
	<b>600</b>	<b>200</b>	<b>800</b>
<hr/>			
Actual required capacity on TQM	0	0	0

- 1 If there is no need to exit from the zone beyond the capacities already nominated on TQM, it is
- 2 possible to manage daily imbalances in an aggregate manner for the entire Gaz Métro territory.
- 3 However, the situation may be different when the needs require that volumes exceeding the
- 4 nominations pass through on TQM.
- 5 A second example helps to visualize this situation:

**TABLE 4**  
**IMBALANCES BETWEEN ZONES**

	Zone 1	Zone 2	TOTAL
Nominated volume on TQM	0	50	50
<hr/>			
Nominated volume on TQM	800	200	1,000
<b>Planned supply of the zone</b>			
Producers of the zone	350	250	600
Western Canada	400	0	400
Intrazone transfers	50	(50)	0
<b>TOTAL</b>	<b>800</b>	<b>200</b>	<b>1,000</b>
<hr/>			
<b>Actual production</b>			
Producers of the zone	450	300	750
Western Canada	250	0	250
Intrazone transfers	100	(100)	0
<b>TOTAL</b>	<b>800</b>	<b>200</b>	<b>1,000</b>
<hr/>			
Actual required capacity on TQM	0	100	100

- 1 The volume originally nominated on TQM is 50 units, based on the expected production level.
- 2 Even if there is no total daily imbalance (sum of the production of zones), the level of
- 3 nominations on TQM is no longer sufficient and 50 additional units are required in relation to the
- 4 nomination, with a possibility of incurring charges on the TCPL/TQM system.

1 Given the above information, Gaz Métro expects to be able to identify sources of variations  
 2 within the same zone, allowing it to aggregate intrazone imbalances. However, the accuracy of  
 3 this identification cannot be guaranteed between zones and the daily volume imbalances should  
 4 therefore be managed by consumption zone and not globally over the Gaz Métro territory.

5 Distribution of daily imbalances

6 Once it is determined that it is possible to manage daily imbalances globally within a  
 7 consumption zone, it still remains to be determined how these daily imbalances will be  
 8 distributed among producers.

9 Gaz Métro proposes a simple and equitable distribution method for these daily imbalances and  
 10 the following table will help to illustrate this:

**TABLE 5**  
**DISTRIBUTION OF DAILY IMBALANCES**

	Prod 1	Prod 2	Prod 3	Prod 4	TOTAL
1 Nominated volume on TQM	0	0	0	0	0
<hr/>					
2 <b>Zone capacity</b>	<b>20,000</b>	<b>4,000</b>	<b>4,000</b>	<b>2,000</b>	<b>30,000</b>
<b>Planned nominated volumes of zone</b>					
3 Producers of the zone	19,000	3,000	3,000	2,000	27,000
4 Western Canada					3,000
5 <b>TOTAL</b>	<b>19,000</b>	<b>3,000</b>	<b>3,000</b>	<b>2,000</b>	<b>30,000</b>
<hr/>					
<b>Actual production</b>					
6 Producers of the zone	21,450	4,000	3,050	1,000	29,500
7 Western Canada					500
8 <b>TOTAL</b>	<b>21,450</b>	<b>4,000</b>	<b>3,050</b>	<b>1,000</b>	<b>30,000</b>
<hr/>					
9 Volume imbalance	2,450	1,000	50	(1,000)	2,500
10 % of daily imbalances	13%	33%	2%	-50%	
11 Non billable imbalances (0-2 %)	380	60	60	40	
12 <b>Non distributed billable volume imbalances (lines 10-12)</b>	<b>2,070</b>	<b>940</b>	<b>0</b>	<b>0</b>	<b>3,010</b>
<hr/>					
13 Distribution of billable imbalances <sup>(1)</sup>	1,719	781	0	0	2,500
14 % of adjusted daily imbalances (lines 11/3)	9 %	26 %	0	0	
15 <b>Total of daily imbalance charges \$<sup>(2)</sup></b>	<b>256.87 \$</b>	<b>196.72 \$</b>			

(1) Distribution of billable imbalances = (line 12 (Prod 1; Prod 2; Prod 3; Prod 4) X line 9 (total)) / line 12 (total)  
 (2) Calculation of daily imbalance charges = (Portion of imbalances at level 1 X price level 1) + (portion level 2 X price level 2) + (portion level 3 X price level 3) + (portion level 4 X price level 4)

11 Firstly, Gaz Métro proposes to consider only daily imbalance volumes that run in the same  
 12 direction as the global daily imbalance of the consumption zone. In the example in Table 5, only

1 Producers 1 and 2 would be billed for daily imbalance charges. With regard to Producer 3, its  
2 daily imbalance is less than the allowed 2%. In the case of Producer 4, by delivering less than  
3 its nomination, it has helped to reduce the daily imbalance of the entire zone and would not be  
4 charged any daily imbalance.

5 Subsequently, distribution would be established based on the ratio of identified volumes greater  
6 than a 2% difference. Indeed, no charge would be required for a daily imbalance which is less  
7 than 2% of the estimated supply for the zone (nominated volume). For Producer 1 in Table 5,  
8 this margin is 380 units, that is to say 19,000 X 2%, and its daily imbalance is higher than this  
9 margin. It is the same for Producer 2. However, in the case of Producer 3, its daily imbalance is  
10 below the 2% margin and the daily imbalance volumes are not considered in determining the  
11 distribution pro rata.

12 As the total daily imbalance in the zone is 2,450, i.e. 2,500 minus 2%, this daily imbalance will  
13 be charged in proportion to the individual daily imbalance between Producers 1 and 2. The  
14 distribution pro rata is 2,070 (2,450 - 38) for Producer 1 and 940 (1,000 - 60) for Producer 2. This  
15 distribution pro rata will finally be applied to the total daily imbalance of the zone, for a result of  
16 1,719 and 781 units respectively for Producers 1 and 2.

#### 17 Management of the cumulative difference account balance

18 Gaz Métro will not allow the aggregation of volumes, with regards to managing the cumulative  
19 difference account balance. Indeed, despite an aggregate management of daily imbalances  
20 which allows individual differences, each producer must ensure they return to a balance  
21 between the injected volumes and nominated volumes. A volume deficit on one day should  
22 quickly be offset by an excess volume.

23 The purpose of managing cumulative difference account balances is to avoid an imbalance in  
24 the natural gas supply and to do this, the producer must therefore deliver the nominated volume  
25 it has nominated. This imbalance in the supply cannot be offset for another producer on a  
26 cumulative basis. If there was no mechanism in place to encourage individual producers to  
27 restore the balance, systematic deficit deliveries from certain producers could be involuntarily  
28 offset by other producers with a delivery surplus, and with no consequence for the deficit  
29 producer.

- 1 The cumulative differences will therefore be calculated, based on the individual volumes of each
- 2 producer before aggregation of volumes. Table 6 uses the example in Table 5, with the
- 3 hypothesis that the situation from one day is reproduced for two consecutive days, thereby
- 4 illustrating the effect of cumulative imbalances for producers.

**TABLE 6**  
**DISTRIBUTION OF CUMULATIVE DIFFERENCES**

	Prod 1	Prod 2	Prod 3	Prod 4	TOTAL	
<b>DAY 1</b>						
1	Producers of the zone	19,000	3,000	3,000	2,000	27,000
2	Western Canada					3,000
3	<b>TOTAL - Nominated volumes</b>	<b>19,000</b>	<b>3,000</b>	<b>3,000</b>	<b>2,000</b>	<b>30,000</b>
<hr/>						
4	Producers of the zone	21,450	4,000	3,050	1,000	29,500
5	Western Canada					500
	<b>TOTAL - Actual volumes</b>	<b>21,450</b>	<b>4,000</b>	<b>3,050</b>	<b>1,000</b>	<b>30,000</b>
<hr/>						
6	Daily volume imbalance - Day 1	2,450	1,000	50	(1,000)	2,500
<hr/>						
<b>DAY 2</b>						
7	Producers of the zone	19,000	3,000	3,000	2,000	27,000
8	Western Canada					3,000
9	<b>TOTAL - Nominated volumes</b>	<b>19,000</b>	<b>3,000</b>	<b>3,000</b>	<b>2,000</b>	<b>30,000</b>
<hr/>						
10	Producers of the zone	21,450	4,000	3,050	1,000	29,500
11	Western Canada					500
	<b>TOTAL - Actual volumes</b>	<b>21,450</b>	<b>4,000</b>	<b>3,050</b>	<b>1,000</b>	<b>30,000</b>
<hr/>						
12	Daily volume imbalance - Day 2	2,450	1,000	50	(1,000)	2,500
<hr/>						
<b>DAY 3</b>						
13	Producers of the zone	19,000	3,000	3,000	2,000	27,000
14	Western Canada					3,000
15	<b>TOTAL - Nominated volumes</b>	<b>19,000</b>	<b>3,000</b>	<b>3,000</b>	<b>2,000</b>	<b>30,000</b>
<hr/>						
16	Producers of the zone	14,100	1,000	2,900	4,000	22,000
17	Western Canada					500
	<b>TOTAL - Actual volumes</b>	<b>14,100</b>	<b>1,000</b>	<b>2,900</b>	<b>4,000</b>	<b>22,500</b>
<hr/>						
18	Daily volume imbalance - Day 3	(4,900)	(2,000)	(100)	2,000	(5,000)

**Cumulative difference account balance**

<b>DAY 1</b>						
19	Cumulative difference account balance (line 6)	2,450	1,000	50	(1,000)	2,500
<hr/>						
<b>DAY 2</b>						
20	Cumulative difference account balance (lines 6 + 12)	4,900	2,000	100	(2,000)	5,000
<hr/>						
<b>DAY 3</b>						
21	Cumulative difference account balance (lines 6 + 12 + 18)	0	0	0	0	0

1 Table 6 shows that the imbalance on day 1 adds to the imbalance on day 2 (line 20) and that  
 2 maintaining (in the same direction) a daily imbalance situation only makes the cumulative  
 3 imbalance worse. Thereby, producers will subsequently have to reverse their daily imbalances,  
 4 by injecting more or less than their nominations, as the case may be, in order to restore balance  
 5 (line 21) and thereby avoid charges.

6 Table 7 uses (line 2) the cumulative difference balances from day 2 in Table 6 (line 20) to  
 7 identify the billable cumulative difference balances.

**TABLE 7**  
**DISTRIBUTION OF CUMULATIVE DIFFERENCES**

		Prod 1	Prod 2	Prod 3	Prod 4
<b>DAY 2</b>					
1	Nominated volumes	19,000	3,000	3,000	2,000
2	Cumulative difference balance (line 20 of table 6)	<b>4,900</b>	<b>2,000</b>	<b>100</b>	<b>(2,000)</b>
3	Non billable cumulative difference (line 1 X 4%)	<b>760</b>	<b>120</b>	<b>120</b>	<b>80</b>
4	Billable cumulative difference (lines 2 - 3)	<b>4,140</b>	<b>1,880</b>	<b>(20)</b>	<b>(2,080)</b>
5	Percentage of difference balances (lignes 2 / 1)	<b>26 %</b>	<b>67 %</b>	<b>3 %</b>	<b>(100) %</b>

8

9 Charges are due starting from a balance above 4% of the nominated volumes, resulting in  
 10 respective balances of 760, 120, 120 and 80 for the four producers (line 3). In this situation,  
 11 Producers 1, 2 and 4 therefore have billable cumulative difference balances as their difference  
 12 balances are above the 4% threshold.

13 Text from the *Conditions of Service and Tariff*

14 The solutions proposed to reduce occurrences require a modification to the text of Article 16.6.7  
 15 originally proposed in the *Conditions of Service and Tariff*. Moreover, as noted in Phase 1, the  
 16 prices for daily imbalances as well as cumulative difference balances are calculated based on

17

18

1 TCPL's tolls<sup>4</sup>. However, the prices presented in Phase 1 were calculated using TCPL's tolls on  
2 January 1, 2010. The proposal therefore has to be revised to reflect the prices on January 1,  
3 2012.

4 The new Article 14.2.3.2 would read as follows:

5 *"14.2.3.2 Differences Between Nominated and Injected Volumes*

6 *The charges for differences between nominated and injected volumes are as follows :*

7 *Daily imbalances*

8 *There shall be no charges if the daily difference between the nominated volume and the*  
9 *injected volume is less than 2% of the total nominated volume at a receipt point.*

10 *There shall be no charges if the daily difference between the nominated volume and the*  
11 *injected volume by a customer has the effect of reducing the daily gap between nominated*  
12 *volumes and injected volumes in the same consumption zone.*

13 *Charges shall be billed for differences greater than 2%.*

14 *The daily imbalance prices are as follows:*

<i>Difference</i>	<i>2 % to 4 %</i>	<i>4 % to 8 %</i>	<i>8 % to 10 %</i>	<i>More than 10 %</i>
<i>Price (¢/m<sup>3</sup>)</i>	<i>1.591</i>	<i>3.977</i>	<i>5.965</i>	<i>7.954</i>

15  
16 *Cumulative difference account balance*

17 *The cumulative difference account balance shall be calculated by adding or deducting any*  
18 *daily difference to the previous cumulative difference account balance.*

19 *Charges shall be payable if the cumulative daily account balance is more than 4% of the*  
20 *greater of the nominated volumes or the average nominated volumes for the past 30 days.*

21 *The prices applicable to the cumulative differences are as follows:*

<i>Balance</i>	<i>4 % to 6 %</i>	<i>More than 6 %</i>
<i>Price (¢/m<sup>3</sup>)</i>	<i>1.193</i>	<i>1.988</i>

22  
23 *These prices may be periodically adjusted to reflect modifications to TransCanada Pipelines*  
24 *rates."*

25 **Gaz Métro is requesting the Régie to approve adding Article 14.2.3.2 in order to provide**  
26 **for the management of differences between nominated volumes and injected volumes.**

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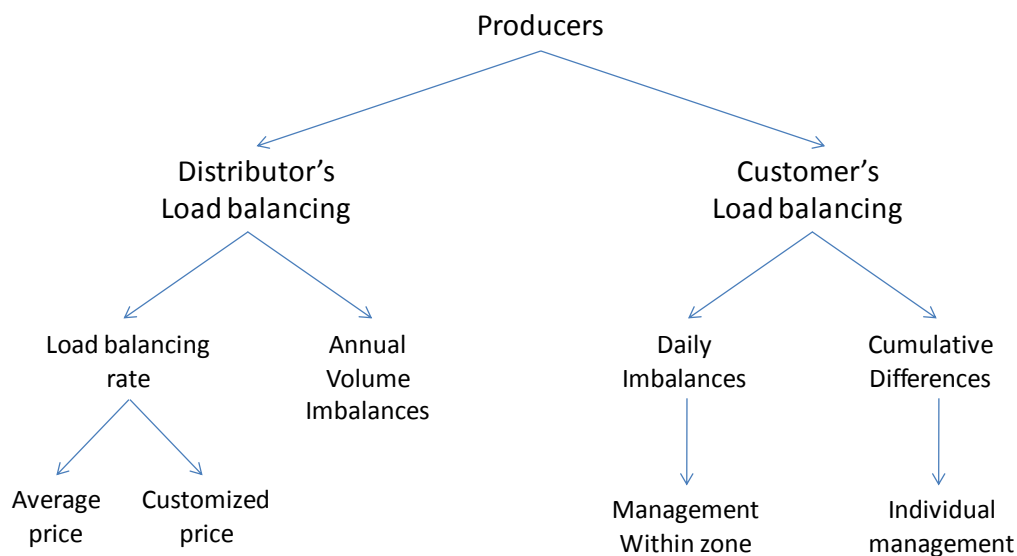
<sup>4</sup> R-3732-2010, B-6, Gaz Métro-1, Document 1, page 42



1    2.1.10    Summary of load balancing choices for producers

2    The addition of the possibility for producer customers to benefit from Gaz Métro's load balancing  
3    service substantially alters the original proposal submitted by Gaz Métro in Phase 1. The  
4    following figure is intended to visualize the final result of choices available to producers under  
5    the new proposal from Gaz Métro.

**FIGURE 8**  
**SUMMARY OF LOAD BALANCING CHOICES FOR PRODUCERS**



6    **3    DISTRIBUTION SERVICE**

7    **3.1    CHAPTER 16 - DISTRIBUTION**

8    3.1.1    Article 16.1.2 - Default distribution rate

9    Currently, Article 16.1.2 of the *Conditions of Service and Tariff* stipulates that the Rate  $D_1$  is the  
10    applicable default rate. Gaz Métro believes it would be best to specify that the default rate does  
11    not apply for customers who inject into the system. Thereby, Article 16.1.2 would be modified as  
12    follows:

13            "Rate  $D_1$  applies by default *except in the case of customers who inject natural gas in the*  
14            *distribution system for whom Rate  $D_R$  applies by default.*"

1 **Gaz Métro is requesting the Régie to approve the proposed modification to Article 16.1.2.**

2 3.1.2 Article 16.5.3 - Contract renewal and indemnity

3 In Phase 1, Gaz Métro proposed Article 16.6.3 relating to contract renewal and indemnity (B-6,  
4 Gaz Métro-1, Document 1 and B-7, Gaz Métro-2, Documents 1 and 2).<sup>5</sup>

5 In paragraph 62 of Decision D-2011-108 “*The Régie notes that the definition of the indemnity*  
6 *proposed by Gaz Métro will have to be reviewed to take into account that the prices applicable*  
7 *to category A costs should be fixed so as to recover the cost of service included in the revenue*  
8 *requirement [each year].” (non official translation)*

9 Consequently, it is actually no longer relevant to provide for the recovery of “missing” revenues  
10 as the cost of service will be recovered each year. Gaz Métro is therefore proposing a  
11 modification to the wording of Article 16.5.3 to clarify the value of the penalty. In addition,  
12 Gaz Métro is taking the opportunity provided by the required revision for the wording in Phase 1  
13 to correct the use of the Anglicism, “valeur aux livres” and replace it with “valeur comptable”.  
14 Thereby, Article 16.5.3 would read as follows:

15 *“The contract concluded with the customer may include a clause by which it is automatically*  
16 *renewed at its expiry or a clause requiring the customer to pay the distributor an indemnity at*  
17 *maturity of the term. The indemnity shall equal the book value of the assets at the end of the*  
18 *term. The indemnity shall equal the book value of the assets at the end of the term.*

19 *If another customer who wishes to inject natural gas into the distributor’s system requests*  
20 *access, during the period covered by the indemnity, to part of all of the MCC freed up by the*  
21 *customer who paid the indemnity, the indemnity may be partially reimbursed by the*  
22 *distributor in accordance with the agreement between the parties.”*

23 **Gaz Métro is requesting the Régie to approve the proposed modification to Article 16.5.3.**

24 3.1.3 Article 16.5.4 - Pressure, composition and calorific content

25 In Phase 1, Gaz Métro proposed Article 16.6.4 relating to the pressure, composition and  
26 calorific content of natural gas (B-7, Gaz Métro-2, Documents 1 and 2).<sup>6</sup>

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<sup>5</sup> According to the numbering of articles associated with the text in the *Conditions of Service and Tariff* approved by Decision D-2011-194, this article would be 16.5.3.

1 Discussions relating to this article were held during working sessions, some intervenors  
2 reiterated that the wording presented in Phase 1, particularly the section on pressure, did not  
3 adequately define the respective responsibilities of producers and distributors.

4 The benchmarking assessment document, in the Appendix, most notably presents the  
5 information collected by the study on the conditions of service of other Canadian carriers or  
6 distributors on the topics of pressure and composition of natural gas. Thereby, the requirements  
7 and responsibilities with regard to the pressure vary from one distributor to another. The  
8 wording in the article presented in Phase 1 was inspired by Nova's conditions of service.  
9 However, comments obtained and analysis of the available information has allowed Gaz Métro  
10 to note that it would indeed be best, particularly for promoting proper management of its system,  
11 for the maximum pressure to be contractually specified rather than providing for a pressure  
12 accompanied by a tolerance overrun.

13 As to requirements for composition, the benchmarking assessment also illustrates that the level  
14 of detail varies, particularly for two of the companies governed by the National Energy Board.  
15 Thereby, the wording presented in Phase 1 could have been subject to interpretation. It  
16 therefore seemed necessary to clarify the source of the main criteria with regard to composition.  
17 These criteria being external and under a different jurisdiction to Gaz Métro, consistency would  
18 have been ensured by reference to the source only. Indeed, Gaz Métro believes that the  
19 presentation of requirements regarding composition, outlined in Article 16.5.4, would not be  
20 particularly desirable as it maintains the link with the criteria required by TCPL for the Canadian  
21 Mainlines system. Consistency with these criteria could result in modifications to the text in  
22 *Conditions of Service and Tariff* for Gaz Métro if they were presented in detail. Moreover, the  
23 imminent enforcement of a specific quality standard for injecting biomethane and the possible  
24 specific technical aspects of each receipt point motivated Gaz Métro to reiterate that additional  
25 specifications to TCPL's criteria may be required by Gaz Métro.

26 Discussions were held during the working sessions with respect to the effect the variations in  
27 calorific value associated with injecting natural gas into different system segments may have on  
28 billing. In complement, and as a result of these discussions, Gaz Métro wishes to clarify that  
29 natural gas injected into the distribution system, regardless of its form, must meet the criteria

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<sup>6</sup> According to the numbering of articles in the text in *Conditions of Service and Tariff*, approved by Decision D-2011-194, this article would be number 16.5.4.

1 and standards in effect to ensure compatibility. Therefore, based on the available information,  
2 Gaz Métro does not consider it appropriate to add additional information regarding the calorific  
3 content in this article.

4 Thereby, drawing on current conditions, particularly among other distributors, Gaz Métro  
5 submitted a revised wording, which was favourably welcomed during the working sessions.  
6 Therefore, Gaz Métro is proposing the following new wording for Article 16.5.4:

7 *"16.5.4 NATURAL GAS PRESSURE, COMPOSITION AND CALORIFIC CONTENT*

8 *The customer's natural gas must be delivered at a sufficient pressure as to allow natural gas to*  
9 *be injected in the distributor's system at the receipt point but shall not exceed the maximum*  
10 *pressure provided in the contract.*

11 *The natural gas injected by the customer must meet the TransCanada Pipelines, Canadian*  
12 *Mainlines criteria as approved by the National Energy Board. However, the distributor may*  
13 *require additional specifications.*

14 *If the natural gas injected does not satisfy the required standards, the distributor may suspend*  
15 *receipt of the non-standard gas without notice. The customer shall still be required to fulfill its*  
16 *obligations to the distributor. The customer shall also reimburse the distributor for all the costs*  
17 *incurred by the nonconformity of the natural gas."*

18 **Gaz Métro is requesting the Régie to approve the new wording of Article 16.5.4 as**  
19 **proposed.**

20 3.1.4 Article 16.5.5 - Revision of maximum contractual capacity (MCC)

21 In Phase 1 (B-6, Gaz Métro-1, Document 1, page 39), Gaz Métro proposed Article 16.6.5  
22 relating to the revision of the MCC<sup>7</sup>. In its decision D-2011-108, in paragraph 119, the Régie  
23 requested, among others, Gaz Métro to review this item in the Working Group.

24 This topic has therefore been discussed at the working sessions. As a result of these  
25 discussions, no modification to the wording proposed in Phase 1 has been deemed necessary.

26 **Gaz Métro is requesting the Régie to approve the wording of Article 16.5.5 submitted in**  
27 **Phase 1 under Article 16.6.5.**

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<sup>7</sup> This same article became Article 16.5.5 due to the new numbering in the *Conditions of Service and Tariff* approved by Decision D-2011-194.

1 3.1.5 Article 16.5.6 - Daily overruns of MCC

2 3.1.5.1 MCC overruns

3 Article 16.6.6 proposed in Phase 1 (B-6, Gaz Métro-1, Document 1, Article 3.5.2.1) related to  
4 daily MCC overruns<sup>8</sup>.

5 The Working Group discussions have mainly been in relation to the price charged for these  
6 excess volumes and the allocation method for excess capacity requested by producers and  
7 accepted by Gaz Métro.

8 Price for excess volumes

9 The benchmarking assessment particularly illustrates that for some distributors, such as Union  
10 Gas or for some carriers, such as Hydro-Quebec, deterrent penalties have been implemented.  
11 Thereby, at Union Gas the penalty can reach 50 \$/GJ (189.45 ¢/m<sup>3</sup>) for any excess greater than  
12 102% of the maximum contractual capacity<sup>9</sup>. For its part, Hydro-Quebec Transport is planning a  
13 penalty equal to 150% of the applicable charges for the firm transport service for capacity  
14 exceeding the firm reserved capacity<sup>10</sup>.

15 Also based upon the discussions, the initial proposal from Gaz Métro could have resulted in the  
16 encouraging of an overbidding as to the level of demand for excess volumes. Indeed, as a  
17 concurrent demand is distributed in proportion to the required capacities, it would be to the  
18 producers advantage to ensure that the portion of the capacity being allocated to them is as  
19 large as possible.

20 Gaz Métro however believes that it is unlikely that a customer will have to request an upward  
21 revision of its initially agreed upon MCC. In fact, the systems which will be built should allow  
22 servicing of the maximum capacity required by customers. Thereby, it is likely that the  
23 capacities of these systems, by the physical limitations of the pipelines, exceed the required  
24 capacities. Producers will be billed the charges of the installed pipelines, whether or not they  
25 use them at full capacity. Thereby, as can be seen in the following table, the two producers will  
26 be allocated capacities of 300 each, while their required capacity is only 250. As long as their

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<sup>8</sup> This same article became Article 16.5.6 due to new numbering in *Conditions of Service and Tariff* approved by Decision D-2011-194.

<sup>9</sup> Union Gas, Rate M13 Transportation of locally produced gas, effective January 1, 2012

<sup>10</sup> R-3669-2008, Phase 2, B-257, Follow-up on decision D-2012-010 Hydro-Quebec transport Tariffs and Conditions of Services

- 1 “new” required capacity does not exceed 300, no request for an upward revision of their MCC is  
2 required as it is established as their share of the maximum capacity of the system.

**TABLE 8**  
**INITIAL ALLOCATION OF A PIPELINE'S CAPACITIES**

	<b>Capacity required by producers</b>	<b>Capacity of the constructed pipeline</b>	<b>Distribution of capacities</b>
Producer 1	250		300
Producer 2	250		300
<b>TOTAL</b>	<b>500</b>	<b>600</b>	<b>600</b>

- 3 However, a revision of the MCC may be required if the needs of a producer were to eventually  
4 exceed its portion of the capacity in the pipeline. This would imply that another producer leaves  
5 unused a portion of its share of the system capacity that it has been allocated.

- 6 In this case, according to Gaz Métro's original proposal, there is no advantage in the transfer of  
7 capacities between these producers. Indeed, the producer with excess requirements would  
8 instead request a daily capacity overrun for the period required to meet its needs. Thereby,  
9 according to the original proposal from Gaz Métro, the producer will only pay the variable  
10 charges for these capacity overruns. Therefore, the producer who does not use its full capacity  
11 will then be paying for the capacity that remains available, while the customer using this  
12 capacity will only pay the variable charges.

- 13 In order to illustrate this situation, imagine that Producer 2 does not need its originally planned  
14 capacity. In the case of Producer 1, its needs exceed its allocated share of the pipeline.

**TABLE 9**  
**NEW DISTRIBUTION OF CAPACITIES IN A PIPELINE**

	Original allocated capacities	New allocated capacities	Charges initially proposed by Gaz Métro <sup>(*)</sup>
Producer 1	300	400	300 (FC+VC) + 100 (VC)
Producer 2	300	200	300 (FC) + 200 (VC)
<b>TOTAL</b>	<b>600</b>	<b>600</b>	

<sup>(\*)</sup>Applicable charges for excess capacity are equivalent to variable costs only.

- 1 In this case, Producer 2 continues to pay for its capacity of 300 even if its needs have
- 2 decreased from 250 to 200. Producer 1 continues to pay for its share of the pipeline, also a
- 3 capacity of 300.
- 4 In order not to waste the value of capacity left available by some producers, Gaz Métro
- 5 proposes that fixed charges should also be billed in the event of capacity overruns.
- 6 In order to encourage capacity exchanges between producers when the situation permits, these
- 7 charges should be higher than the fixed charges currently paid by producers. Gaz Métro
- 8 therefore proposes that volumes exceeding daily the MCC be subject to the MDO price of the
- 9 producer who requested an additional capacity to its MCC X 125%. It would consequently be
- 10 more advantageous for a producer to obtain the required capacity from another producer.

**TABLE 10**  
**NEW DISTRIBUTION OF CAPACITIES IN A PIPELINE**

	Original allocated capacities	New allocated capacities	New charges proposed by Gaz Métro <sup>(*)</sup>
Producer 1	300	400	300 (FC+VC) + 100 (FC X 125 % + VC)
Producer 2	300	200	300 (FC) + 200 (VC)
<b>Total</b>	<b>600</b>	<b>600</b>	

<sup>(\*)</sup> Excess capacity is charged at the MDO price X 125%, plus applicable variable charges.

1 In this case, Producer 1 would have all the advantage to negotiate an exchange of capacity with  
2 Producer 2. This would mean that Producer 2 would not have to support the total costs for its  
3 capacity of 100 units which it did not require. Moreover, in this example, the transaction  
4 between the parties would result in Producer 1's costs being lower than the costs would be  
5 without such an agreement. Indeed, the price would therefore be lower than the price  
6 corresponding to the MDO price X 125%.

7 The second paragraph of Article 16.5.6 should be modified to include the billing of fixed charges  
8 for volumes in excess of the MCC. This article is proposed to read as follows:

9 ~~“Treatment of Daily overruns of maximum contract capacity (MCC)~~  
10 [...]   
11 *If it is operationally possible for the distributor to accept this additional volume of the*  
12 *customer's natural gas, it shall be billed according to the sum of 125% X the price of the*  
13 *minimum daily obligation, the unit price by volume injected that is applicable at the receipt*  
14 *point and the unit price for the volume delivered within the territory applicable to the*  
15 *consumption zone or the unit price for the volume delivered outside the territory, as*  
16 *applicable.*  
17 [...]”

18 An exchange between producers will therefore allow them to pay for their respective new  
19 capacities by transferring the charges related to their respective maximum contractual  
20 capacities. However, in the event that the producers choose not to make such an exchange, the  
21 charges for exceeding the MCC will apply and the additional revenue generated by these  
22 charges will then exceed the revenue requirement to recover costs. In order to maintain the  
23 deterrent effect of the penalties, Gaz Métro proposes that the revenue from charges for  
24 exceeding the MCC be returned to all customers and not returned specifically to customers  
25 subject to the receipt rate.

26 Distribution of excess capacity

27 With regard to the distribution method for excess capacity, Gaz Métro states that it maintains its  
28 original proposal regarding a distribution of excess capacity requested in proportion to the  
29 excess volumes required.

30 Gaz Métro seizes the opportunity of the present evidence to request a slight modification to the  
31 third paragraph of Article 16.5.6 initially proposed as follows:



1           *"If there are several concurrent requests to inject additional volumes of natural gas and the*  
2           *said volumes exceed the distributor's ability to accept the natural gas, the available capacity*  
3           *shall be distributed as prorated on the basis of the excess volumes requested."*

4           **Gaz Métro is requesting the Régie to approve the proposed modifications to Article**  
5           **16.5.6 reflecting the prices applicable to daily overruns of the maximum contractual**  
6           **capacity.**

7           3.1.6 Article 16.5.7 - Possession and control

8           Following application request from the producers to provide details regarding the ownership of  
9           natural gas, notably, Exhibit B-8, Gaz Métro-1, Document 2.65 in Phase 1, to the possibility of  
10           adding an article to the *Conditions of Service and Tariff* on the natural gas takeover conditions  
11           was discussed during the working sessions. Gaz Métro submitted a proposed wording, which  
12           was greeted favourably, during the working sessions. Gaz Métro therefore proposes adding  
13           Article 16.5.7 as follows:

14           *"16.5.7 POSSESSION AND CONTROL*

15           *Gas received by the distributor shall be deemed to be in the custody and under the control of*  
16           *the distributor from the time it is received into the distribution system until it is delivered*  
17           *outside of the distribution system."*

18           **Gaz Métro is requesting the Régie to approve the wording of Article 16.5.7 as proposed.**

19           **4 TRANSITIONAL PROVISIONS AND OTHER TOPICS**

20           **4.1 CHAPTER 18 - TRANSITIONAL PROVISIONS**

21           4.1.1       Article 18.2.2 - Progressive withdrawal from the distributor's  
22                       transportation and load balancing services

23           This article currently addresses only customers who fall under distribution rates other than Rate  
24           D<sub>R</sub>, whereas customers under this rate can opt out of the distributor's load balancing service.  
25           Gaz Métro therefore proposes adding this provision to Article 18.2.2 as follows:

26           *"Distribution Rate D<sub>3</sub> and D<sub>4</sub> customers, as well as Distribution Rate D<sub>1</sub> customers whose*  
27           *consumption is at least 75 000 m<sup>3</sup>/year, may request to opt out of the distributor's*  
28           *transportation or load balancing services. Customers subject to Rate D<sub>R</sub> may request to opt*  
29           *out of the distributor's load balancing service. Distribution Rate D<sub>5</sub> customers may not opt out*  
30           *of the distributor's transportation service."*

1 4.1.2 Article 18.2.6 - Load balancing price calculation

2 As indicated in the section on the load balancing service, modifications should be made to the  
 3 transitional provisions. The text of Article 18.2.6 should be modified as follows:

4 “Articles 14.1.2.1, 14.1.2.2, 14.1.2.3 and 14.1.2.4 of Chapter 14 (Load balancing) are  
 5 modified as follows as of October 1, 2012.

6 **14.1.2.1 Price for customers whose annual volume is less than 75,000 m<sup>3</sup>**

7 For each m<sup>3</sup> of volume withdrawn, the unit price is 4.652 ¢/m<sup>3</sup>.

8 Notwithstanding the above, a Distribution Rate D<sub>1</sub> customer who opts out of the  
 9 distributor transportation service in accordance with Article 18.2.2 is subject to the  
 10 load balancing price stipulated in Article 14.1.2.3.

11 **14.1.2.2 Price for distribution Rate D<sub>R</sub> customers**

12 For each m<sup>3</sup> of volume injected, the unit price in ¢/m<sup>3</sup>, as of January 1, 2012, is  
 13 calculated as follows:

$$14 \quad \frac{228.8 \times (W - P) + 1\,770.1 \times (A - W)}{15 \quad \text{Annual Volume}}$$

16 Where **A** : Annual Average Daily Injected Volume

17 W : Winter Average Daily Injected Volume (period from November 1 to March 31)

18 P : Peak Daily Injected Volume

19 The calculation of the A, W and P parameters is detailed in Article 14.1.3.

20 **14.1.2.3 Price for other customers and for customers subject, as of September 30,**  
 21 **2011, to Article 14.1.2.2 of the Conditions of Service and Tariffs in effect as of**  
 22 **December 1, 2010**

23 [...]

24 **14.1.2.4 Average Price**

25 [...]

26 These customers will be subject to an average unit price based on their distribution  
 27 rate, in accordance with the following table as of October 1, 2012:

<b>Distribution Rate</b>	<b>Price ¢/m<sup>3</sup></b>
D <sub>1</sub>	4.652
D <sub>3</sub>	0.812
D <sub>4</sub>	0.517
D <sub>5</sub> – Category A	-0.871
D <sub>5</sub> – Category B	1.235
<u>D<sub>R</sub></u>	<u>X.XXX”</u>

1 **Gaz Métro is requesting the Régie to approve the modifications to Articles 18.2.2 and**  
2 **18.2.6 as proposed.**

3 **4.2 OTHER TOPICS**

4 4.2.1 Nomination process and simultaneous injection

5 As outlined in the introduction to this document, the Régie requested, among others, that the  
6 topics of the nomination process and simultaneous injection be discussed in the Working Group.  
7 Discussions have actually taken place, however certain elements of reflection still remain to be  
8 completed with respect to simultaneous injection.

9 As for the nomination process, it has been addressed in Article 2.1.9.3 "*Decrease in*  
10 *occurrences*".

11 In terms of the responsibility of producers simultaneously injecting at a single receipt point,  
12 discussions have taken place within the Working Group however with no clear consensus  
13 emerging. Gaz Métro furthermore submits that the regulations relating to the responsibility of  
14 producers injecting simultaneously at a single ~~receipt injection~~ point should be stipulated in  
15 agreements between Gaz Métro and the producers rather than in the *Conditions of Service and*  
16 *Tariff*. In this regard, Gaz Métro acknowledges that it is possible that separate contracts may be  
17 concluded with the various producer customers injecting at a single receipt point as long as a  
18 contractual mechanism enables to clearly identify the nominations of each of these customers.  
19 According to Gaz Métro, such a mechanism (whether or not it involves the intervention of a  
20 common stream operator, as raised by the QOGA in Phase 1<sup>11</sup>) should however allow full billing  
21 of all charges generated by either producer customer injecting at a single receipt point. Gaz  
22 Métro therefore proposes to continue reviewing this question and a follow-up will be presented  
23 to the Régie on this issue during a future rate case. Meanwhile, Gaz Métro will continue its  
24 discussions with producer customers in order to identify the terms of a contractual mechanism  
25 which will allow, in particular, separate contracts to be concluded with producer customers  
26 simultaneously injecting at a single receipt point and which will ensure full billing of charges.

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<sup>11</sup> Exhibit A-18-1, transcript from the hearing on November 9, 2010, page 135

1 **Gaz Métro is requesting the Régie to acknowledge the fact that a follow-up will be**  
2 **presented by Gaz Métro during the 2013 Rate Case on the issue of the responsibility of**  
3 **producers simultaneously injecting at a single receipt point.**

4 **5 PROPOSALS RELATING TO EVIDENCE SPECIFICALLY**  
5 **ADDRESSED IN PHASE 2**

6 Gaz Métro lists the following specific proposals sought as part of Phase 2:

- 7 • Approval for the proposed modifications to the definitions of “Metering equipment” and  
8 “Agreed upon delivery point” and approval for the definition of “Nominated volume”;
- 9 • Approval for the proposed modification to Article 5.3.2 “Frequency of readings”;
- 10 • Approval for the proposed modification to Article 8.1.2;
- 11 • Approval for the modification to Article 8.2 and to the addition of Article 8.2.3 as worded;
- 12 • Approval for Article 8.4 as proposed in Phase 1;
- 13 • Approval for Article 8.6.1.3 as proposed;
- 14 • Approval for Article 9.4.2 as proposed;
- 15 • Approval for Article 9.4.3 as proposed;
- 16 • Approval for the modification to Article 14.1.1 to allow for the application of load  
17 balancing service to customers subject to Rate D<sub>R</sub>;
- 18 • Approval for the modification to Article 14.1.3.1;
- 19 • Approval for inserting a new Article 14.1.2.2 relating to the calculation of the unit price for  
20 the load balancing rate applicable to customers subject to Rate D<sub>R</sub>;
- 21 • Acknowledgement of the fact that the average load balance price for Rate D<sub>R</sub> will be  
22 determined during an initial investment Case relating to natural gas injection;
- 23 • Approval for the average load balancing price applicable to Rate D<sub>R</sub> customers to be  
24 fixed for a three-year period from the approval of the first natural gas injection  
25 investment project onwards;
- 26 • Approval for the modification to Article 14.1.2.4 as proposed;
- 27 • Approval for adding a title to 14.1.4.1 as well as the wording of a new Article 14.1.4.2;
- 28 • Approval for inserting a new Article 14.1.5 and all paragraphs that compose it, relating to  
29 the management of annual volume imbalances applicable to customers subject to Rate  
30 D<sub>R</sub>;

- 1 • Approval for the modification to Article 14.2.1 in order to stipulate that the customer  
2 subject to Rate D<sub>R</sub> can withdraw from the distributor's service;
- 3 • Approval for adding a third paragraph to Article 14.2.1 in order to stipulate the conditions  
4 applicable to Rate D<sub>R</sub> customers;
- 5 • Approval for adding Article 14.2.2 in order to provide the prior notice to revisions of  
6 nominated volumes applicable to Rate D<sub>R</sub> customers;
- 7 • Approval for adding Article 14.2.3.2 in order to provide for the management of  
8 differences between nominated volumes and injected volumes;
- 9 • Approval for the proposed modification to Article 16.1.2;
- 10 • Approval for the proposed modification to Article 16.5.3;
- 11 • Approval for the new wording of Article 16.5.4 as proposed;
- 12 • Approval for the wording of Article 16.5.5 submitted in Phase 1 under Article 16.6.5;
- 13 • Approval for the proposed modifications to Article 16.5.6 reflecting the prices applicable  
14 to daily overruns of the maximum contractual capacity;
- 15 • Approval for the wording of Article 16.5.7 as proposed;
- 16 • Approval for modifications to Articles 18.2.2 and 18.2.6 as proposed, and
- 17 • Acknowledgement of the fact that a follow-up will be presented by Gaz Métro during the  
18 2013 Rate Case on the issue of the responsibility of producers simultaneously injecting  
19 at a single receipt point.

**1 6 APPENDIX**

**2 Summary Table - Benchmarking assessment of other distributors or carriers**

Subjects	Nova	TCPL	Union Gas	Fortis BC	Hydro-Québec
<b>Sources</b>	<i>General Terms and Conditions</i> , effective date: October 1, 2011 <sup>(1)</sup> , <i>Terms and Conditions Respecting Customer's Inventories and Related Matters</i> , effective date: July 1, 2010 <sup>(2)</sup> , <i>Rate Schedule FT-R Firm Transportation - Receipt</i> , effective date: July 23, 2011 <sup>(3)</sup> , Operating Procedure Annotated Canadian Association of Petroleum Landmen (CAPL) 1990 <sup>(4)</sup> <i>Appendix "D" to Gas transportation Tariff of Nova Gas Transmission Ltd</i> , effective date: July 1, 2010 <sup>(5)</sup>	<i>General Terms and Conditions</i> , effective date: November 1, 2010 <sup>(1)</sup> Alberta Transportation Procedures - Credit and Financial Assurances <sup>(2)</sup> , TransCanada Mainline nominations timelines <a href="http://www.transcanada.com/customerexpress/docs/ml_nominations/ml_nomination_times.xls">http://www.transcanada.com/customerexpress/docs/ml_nominations/ml_nomination_times.xls</a> <sup>(3)</sup> Storage Transportation service STS Toll Schedule, effective date: November 1, 2010 <sup>(4)</sup>	<i>General Terms &amp; Conditions M13 Transportation Agreement Schedule "A"</i> <sup>(1)</sup> et <i>Rate M13 Transportation of locally produced gas, Effective January 1, 2012</i> <sup>(2)</sup> et <i>M13 Transportation and Producer Balancing service and Name change Service Schedule A Points and Pressures and Schedule B Service Terms and Rates</i> <sup>(3)</sup> <i>Union Gas Credit Requirements</i> <sup>(4)</sup> <i>C1 Rate Schedule: Schedule "B 2010"</i> <sup>(5)</sup>	<i>General Terms and Conditions</i> , effective January 1, 2012 <sup>(1)</sup> <i>Rate Schedule 11B Biomethane Large volume interruptible sales</i> , effective March 1, 2011 <sup>(2)</sup> <i>Rate Schedule 30 Off-system sales and purchases rate schedule and agreement (Canada and USA)</i> effective November 28, 2011 <sup>(3)</sup> <b>Note:</b> According to Terasen Gas Business Model, the cost of biomethane includes supply, production, infrastructures, equipments and operational costs related to the injection of natural gas and biomethane in the system. Distribution costs are allocated among all customers.	Hydro-Québec Transport Decision D-2012-010 (R-3669-2008 phase 2) <sup>(1)</sup> B-257 <sup>(2)</sup> Decision follow-up D-2012-010 Tariffs and conditions of services for Hydro-Québec Transport, including appendix 4 and Hydro-Québec Distribution D-2011-190 (R-3780-2011) <sup>(3)</sup>
<b>Pressure</b>	Sections 7.1 and 7.2 <sup>(1)</sup> The gas pressure is agreed to a maximum pressure at the receiving point. The gas pressure must not exceed 110% of the maximum pressure at the receiving point.	Section XII <sup>(1)</sup> [...] that point on TransCanada's system which is immediately east of the Alberta/Saskatchewan border (« Empress »), at a gauge pressure of 4,137 kPa or any greater pressure which may from time to time be specified by TransCanada.	<sup>(3)</sup> The gas pressure is agreed to a maximum pressure at the receipt point.	Section 4.1 <sup>(3)</sup> The seller (producer of selling agent) has the entire responsibility to transport gas to the delivery point and the pressure must be sufficient to allow delivery without exceeding the maximum operating pressure of the transporter (the Distributor).	n/a
<b>Composition of natural gas</b>	Section 3.1 <sup>(1)</sup> Provides details on natural gas composition at the receipt point. The latter must be free, at the receipt injection point of sand, dust, resins, contaminants [...] contain a maximum of 23 mg of hydrogen sulphide per cubic meter, a maximum of 115 mg of sulphur per cubic meter [...].	Section V.2 et V.3 <sup>(1)</sup> Provides in details the natural gas composition and gross heating value at the receipt point. The gross heating value must be between 36 MJ/m <sup>3</sup> and 41.34 MJ/m <sup>3</sup> . The latter must be free, at the injection point of sand, dust, resins, contaminants [...] contain a maximum of 23 mg of hydrogen sulphide per cubic meter, a maximum of 115 mg of sulphur per cubic meter.	Section ii) Articles 1 à 7 <sup>(1)</sup> Gross heating value must be between 36 MJ/m <sup>3</sup> and 40.2 MJ/m <sup>3</sup> and a detailed list of restricted or not permitted components.	Section 5.1 <sup>(3)</sup> The delivered gas must meet the quality requirements and gross heat content required by the receipt transporter (meaning the distributor)	n/a
<b>Measurement</b>	Section 4.1 <sup>(1)</sup> Provides the measurement and calculations are appropriate to determine volume according to <i>Electricity and Gas Inspection Act</i> (R.S.C. 1985, c. E-4)	Sections VI.1, VI.2 and IX.2 <sup>(1)</sup> Provides that the volume compilation methods, pressure calculation and determination of the gross heating value must comply to <i>Electricity and Gas Inspection Act</i> (R.S.C. 1985, c. E-4). Section IX.2 <sup>(1)</sup> Provides that margins of error for the unit of measurement is 2% for volumes, of 1% for density and 0.5% for the calorific value.	Sections VI.1 et 2 <sup>(1)</sup> Provides that the measurement and calculations are appropriate to determine volume according to <i>Electricity and Gas Inspection Act</i> (R.S.C. 1985, c. E-4). The measuring equipment error shall not be greater than 2%.	Section 5.1 <sup>(3)</sup> The contractual unit of measure will be specified in dry MMBtu, GJ, 10 <sup>3</sup> m <sup>3</sup> or in Dry Dekatherm. The measurement of gas quantities will be according to the procedures defined by the receipt transporter (distributor).	n/a

<p><b>Nomination process and responsibility of producers injecting at the same receipt point</b></p>	<p><u>Section 1.14</u><sup>(1)</sup> Defines "Common Stream Operator" (CSO), as the person who communicates to Nova flows estimates, the allocation of estimated flows and total quantities per receipt point per customer and accepts nominations made by Nova for customers and confirms the availability of gas to meet the nominations.</p> <p><u>Section 2.1</u><sup>(5)</sup> Nova can refuse the increase in nominated volume to a delivery point if the notice time is less than two hours, unless the CSO confirms in advance that the total debits equal total required deliveries</p> <p><u>Section 3.1</u><sup>(5)</sup> Throughput at the receiving point is determined according to the estimates submitted by the CSO or in the absence of such estimates Nova estimates the flow according to available electronic data or by measurement data and the most recent changes nominations and historical data.</p> <p>Throughput at the receiving point is allocated for each customer according to allocation made by the CSO.</p> <p><u>Section 13.1 Section XV CAPL</u><sup>(4)</sup> PARTIES TENANTS IN COMMON – Rights, obligations and responsibilities of the parties are separated unless it is intentionally of interest to share a point, facility or property. The parties would then be tenants but nothing in the CAPL imposes the creation of a partnership imposing obligations or responsibilities to the other party.</p>	<p><u>Section XXII.1</u><sup>(1)</sup> Provides for the nomination process.</p> <p>Nomination windows are presented in a different document available on TransCanada's website<sup>(3)</sup>.</p>	<p><u>Section XI 11.01</u><sup>(3)</sup> Refers to Rate C1 Schedule B for nomination process. The nomination windows are not specified in Rate M13, they are available in a distinct document online are in Rate C1 Schedule B.</p> <p><u>Sections 1 to 14</u><sup>(5)</sup> Every day, the nominations shall be submitted by electronic means via <i>Unionline</i>. Nominations have to be received by Union Gas timelines according to NAESB standard. Four nomination cycles are available:</p> <ul style="list-style-type: none"> <li>• Timely</li> <li>• Evening</li> <li>• Intra-day 1</li> <li>• Intra-day 2</li> </ul> <p>Nominations are subject to Union Gas approval.</p> <p>Customer may designate a third party to provide the nominations. In that case, Union Gas accepts nominations from that agent only.</p> <p>The third party designation must be written and is subject to Union Gas acceptance.</p>	<p><u>Section 4.2</u><sup>(3)</sup> Parties, sellers and purchasers (meaning producers and customers) must coordinate their gas nominations et scheduling in order to respect the deadlines of the transporter (Distributor).</p> <p>Each party must give a sufficient operational lead time to allow for every transporters requirements relating to gas purchase or delivery transactions be met.</p> <p>No conditions specified for simultaneous injection.</p>	<p><u>Paragraph 355</u><sup>(1)</sup> <i>"The Board retains that the energy imbalance receipt service applies to the customer responsible for the difference."</i> unofficial translation</p> <p><u>Paragraph 359</u><sup>(1)</sup> <i>"The Board concludes that the procedures described in Appendix 4 cannot be applied unless it is possible for the Carrier to measure the imbalance on its network and identify by objective and verifiable means, the customer responsible for the difference."</i> unofficial translation</p> <p><u>Paragraph 360</u><sup>(1)</sup> <i>"Otherwise, the Carrier will apply the solution identified in Phase 1, to treat the energy gaps as "inadvertent"."</i> unofficial translation</p>
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<b>Sources</b>	<p><i>General Terms and Conditions</i>, effective date: October 1, 2011<sup>(1)</sup>,  <i>Terms and Conditions Respecting Customer's Inventories and Related Matters</i>, effective date: July 1, 2010<sup>(2)</sup>,  <i>Rate Schedule FT-R Firm Transportation - Receipt</i>, effective date: July 23, 2011<sup>(3)</sup>,                      Operating Procedure Annotated Canadian Association of Petroleum Landmen (CAPL) 1990<sup>(4)</sup> <i>Appendix "D" to Gas transportation Tariff of Nova Gas Transmission Ltd</i>, effective date: July 1, 2010<sup>(5)</sup></p>	<p><i>General Terms and Conditions</i>, effective date: November 1, 2010<sup>(1)</sup>                      Alberta Transportation Procedures - Credit and Financial Assurances<sup>(2)</sup>,                      TransCanada Mainline nominations timelines <a href="http://www.transcanada.com/customerexpress/docs/ml_nominations/ml_nomination_times.xls">http://www.transcanada.com/customerexpress/docs/ml_nominations/ml_nomination_times.xls</a><sup>(3)</sup>                      Storage Transportation service STS Toll Schedule, effective date: November 1, 2010<sup>(4)</sup></p>	<p><i>General Terms &amp; Conditions M13 Transportation Agreement Schedule "A"</i><sup>(1)</sup> and  <i>Rate M13 Transportation of locally produced gas, Effective January 1, 2012</i><sup>(2)</sup> and  <i>M13 Transportation and Producer Balancing service and Name change Service Schedule A Points and Pressures and Schedule B Service Terms and Rates</i><sup>(3)</sup>  <i>Union Gas Credit Requirements</i><sup>(4)</sup>  <i>C1 Rate Schedule: Schedule "B 2010"</i><sup>(5)</sup></p>	<p><i>General Terms and Conditions</i>, effective January 1, 2012<sup>(1)</sup>  <i>Rate Schedule 11B Biomethane Large volume interruptible sales</i>, effective March 1, 2011<sup>(2)</sup>  <i>Rate Schedule 30 Off-system sales and purchases rate schedule and agreement (Canada and USA)</i> effective November 28, 2011<sup>(3)</sup>  <b>Note:</b> According to Terasen Gas Business model, the cost of biomethane includes supply, production, infrastructures, equipments and operational costs related to the injection of natural gas and biomethane in the system. Distribution costs are allocated among all customers.</p>	<p>Hydro-Québec Transport Decision D-2012-010 (R-3669-2008 phase 2)<sup>(1)</sup>                      B-257<sup>(2)</sup> Decision follow-up D-2012-010 Tariffs and conditions of services for Hydro-Québec Transport, including appendix 4 and Hydro-Québec Distribution D-2011-190 (R-3780-2011)<sup>(3)</sup></p>
<b>Treatment of MCC overruns and revision of the MCC</b>	<p><u>Section 4.3</u><sup>(3)</sup>                      The overall costs for the excess is calculated as follows:                      Monthly charges for overruns at the receipt point = total volume attributed to the excess multiplied by the IT-R toll</p>	<p>The treatment for MCC overruns is not specified in the general document but in the Storage Transportation service.  <u>Section 2.3</u><sup>(4)</sup>                      Approval of shipments in excess of the contractual agreement is at the discretion of TransCanada, which may suspend or discontinue the excess volumes at any time.  <u>Article 3.1e</u><sup>(4)</sup>                      The customer will pay in addition to the commodity charge, a charge determined by multiplying the applicable Daily Demand Toll by the total of the month's delivered excess</p>	<p><u>Overrun services</u><sup>(2)</sup>                      Overrun charges are payable for all excess quantities. Charges for authorized overrun are 0.076\$/GJ (0.288 ¢/m<sup>3</sup>). Charges for unauthorized overrun during November 1st to April 15 period are of 50\$/GJ (189.45¢/m<sup>3</sup>) for all excess above 102% of the contractual obligation. The unauthorized overrun rate during April 16 to October 30 period is of 9.373\$/GJ (35.514 ¢/m<sup>3</sup>) for all excess above 102% of the contractual obligation</p>	<p><u>Section 3.2</u><sup>(3)</sup>                      The seller and purchaser agree to transaction's contractual quantity as well as the term of the performance obligation (two choices: cover or spot price). In the event of a firm obligation breach, the party responsible for the prejudice will compensate the other.</p>	<p><u>Paragraph 464</u><sup>(1)</sup>                      "[...] in the event of unauthorized use of additional services from the customer, the customer must pay 150% of the transmission tariffs in Schedules 1 to 7 which represents a 50% penalty tariffs for additional services." unofficial translation  <u>Paragraph 475</u><sup>(1)</sup>                      "In addition, the Board notes the statement of the Carrier to the effect that the 50% penalty under section 3 of Tariffs and conditions does not apply to receipt and delivery energy imbalance services."  <u>Section 3</u><sup>(2)</sup>                      In the event of unauthorized use of additional services from the customer's transport service, it must pay to the Carrier 150% of rates in Schedules 1 to 3, 6 and 7 (i.e., schedule 1: System control service, Schedule 2: Voltage control service, Schedule 3: Frequency control service, Schedule 6: operating reserve – spinning reserve service  <u>Article 13.7</u><sup>(2)</sup>                      Should a transmission service customer (including the producer or distributor for sales to third parties) exceeds its firm capacity reserved at the receipt of delivery point, the transmission customer will pay an amount equal to 150% of applicable charges under Schedule 9 for capacity exceeding firm capacity reserved. (Schedule 9: Long-term and short-term firm point-to-point transmission service).</p>

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<b>Treatment of the differences between nominated volumes and injected volumes</b>	<p>Articles 4.2 et 4.3<sup>(5)</sup>                      Provide that each day the customer must ensure the balance between deliveries and volumes nominated. When imbalances, Nova may suspend transactions, reduce the nominations of the day or reduce the allocation received from the CSO in order to respect the nominations of the day. If imbalances persist for three consecutive days, Nova may in addition, on two hours notice, suspend service or access to electronic tools and transactions. The customer remains responsible for paying all fees and tolls, despite the suspension.</p>	<p>Articles XXII.2, XXII.3, XXII.4, XXII.5, XXII.6<sup>(1)</sup>                      Definitions –  <i>Total Allocated Quantity for any receipt point</i>: total quantity of gas which TransCanada determines has been received during any time period under all transportation service contracts with a customer.  <i>Total Authorized Quantity or TAQ for any day, for any receipt point</i>: sum of the customer's Authorized Quantities under all transportation service contracts at that receipt point. Daily variance means the absolute difference between the Total Authorized Quantity and the Total Allocated Quantity (TAQ).  <i>FTDaily Demand Charge or FTD</i> means the result when the Demand Toll for firm service to the Eastern Zone toll, multiplied by 12 and divided by the number of days in the year.  <i>Average Authorized Quantity or AAQ</i> for a customer at any receipt point means the average Total Authorized Quantity during the preceding 30 days. The Cumulative Variance is the absolute value accumulation of the daily differences between the Total Authorized Quantity and the Total Allocated Quantity for a customer at any receipt point.  <i>Daily Balancing Fee (volume of the tier times tier fee)</i>: equal to result tier 1 + result tier 2 + result tier 3 + result tier 4.                      The tier fees and quantities are as follows:                      &gt; Tier 1 minimum between 2% TAQ, AAQ or 75 GJ and 4% TAQ, AAQ or 150 GJ standard fee: 0.2 times FTD and EOC Draft fee: 1 times Index.                      &gt; Tier 2 minimum between 4% TAQ, AAQ or 150 GJ and maximum 8% TAQ, AAQ or 302 GJ standard fee: 0.5 times FTD and EOC Draft fee: 1.25 times Index.                      &gt; Tier 3 minimum between 8% TAQ, AAQ or 302 GJ and 10% TAQ, AAQ or 377 GJ standard fee: 0.75 times FTD and EOC Draft fee: 1.5 times Index.                      &gt; Tier 4 minimum 10% TAQ, AAQ or 377GJ standard fee: 1 times FTD and EOC Draft fee: 2 times Index.                      These fees are added to the bill for the month.  <i>Cumulative Balancing Fee</i> = (volume of the tier times tier fee). Two tiers.                      &gt; Tier 1 minimum between 4% TAQ, AAQ or 150 GJ and 6% TAQ, AAQ or 225 GJ standards fee: 0.15 times FTD and EOC Draft fee: 0.15 FTD.                      &gt; Tier 2 minimum between 6% TAQ, AAQ or 225 GJ standard fee: 0.25 times FTD and EOC Draft fee: 0.25 FTD.</p>	<p>Contractual agreement provides a "Firm Daily Variability Demand" of X GJ<sup>(3)</sup>.                      Any day when, between the period of September 15 to November 15, the volume at Dawn is in excess of the agreed "FDVD" and the Union Gas has not confirmed in writing acceptance of the excess, the customer will have to pay 1\$/GJ (3.879¢/m<sup>3</sup>) multiplied by the volume excess.                      Any day when, between the period of February 15 to April 15, the volume at Dawn is in deficit compared to the "FDVD" and that Union Gas has not confirmed in writing acceptance of the deficit, the customer will have to pay 1\$/GJ (3.879¢/m<sup>3</sup>) multiplied by the volume deficit.                      The charge payable for each of the quantities debited or credited to the producer balancing account is 0.05\$/GJ (0.189¢/m<sup>3</sup>).</p>	<p>Section 4.3<sup>(3)</sup>                      The parties shall use commercially reasonable efforts to avoid imposition of any imbalances charges.</p>	<p>Paragraph 342<sup>(1)</sup>                      "The Board retains from the evidence that a gap is created when the production source does not deliver [...] the amount scheduled for the customer. In such case, the Carrier is required to offer an imbalance service, to correct any imbalances that may affect the safe operation of its system." unofficial translation                      Paragraph 398<sup>(1)</sup>                      "The Board retains the application of the penalty rate of 10% and 25% applicable on the reference price for the difference between second and third levels respectively." unofficial translation                      The Imbalance compensation service fee are based on the following<sup>(2)</sup>:                      &gt; Imbalance +/- 1.5% (minimum 2 MW) compared to scheduled transaction = 100% of incremental price or decremental price.                      &gt; More than +/-1.5% à 7.5% (or more than 2 to 10 MW) compared to scheduled transaction= 110% of incremental price or 90% of decremental price.                      &gt; More than +/- 7.5% (ou more than 10 MW) compared to schedules transaction= 125% of incremental price or 75% decremental price.                      Paragraph 404<sup>(1)</sup>                      "In accordance with decision D-2009-015, the income resulting from the penalties of second and third levels will be treated as variance account. The Board accepts the proposal of the Carrier to apply the balance in the variance account as a reduction of revenue requirement." unofficial translation</p>

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<b>Temporary assignment and capacity transfer</b>	<p><u>Section 6.1</u><sup>(3)</sup>                      Provides that a customer may, upon notice, request the reduction of contracted capacity. Nova is not obliged to find another customer to take the capacity made available. If, following the notice of a new customer intends to take the available capacity, Nova can agree to reduce the initial contract capacity under terms and conditions acceptable to Nova. Notwithstanding this reduction, the customer shall, at the option of Nova, i) continue to pay any surcharge until the Termination of the contract or ii) in the event of that Nova retires the facilities, pay to Nova, within a certain time, the book value of assets adjusted for all costs and expenses associated with the retirement.</p>	n/a	n/a	<p><u>Section 12.1</u><sup>(3)</sup>                      Provides that a contract may be terminated on a 30 days notice but shall remain in effect until the expiration of the latest delivery period of any confirmed transaction.  <u>Section 13.1</u><sup>(3)</sup>                      No assignment of the contract, in whole or in part can be made without the written consent of the non assigning party. The consent cannot be unreasonably withheld or delayed. Either party may transfer its interest to any parent or affiliated by assignment, merger or otherwise without the prior approval of the other party. Upon any transfer and assumption, the transferor shall not be relieved from its contractual obligations.</p>	<p><u>Section 23</u><sup>(2)</sup>                      The transmission service customer may sell, assign or transfer all or part of its rights under its service agreement, but only to an eligible client [...] The price paid to the seller cannot exceed the higher of: (i) the initial price paid by the dealer (ii) the maximum rate of the carrier in effect at the time of the transfer or (iii) the opportunity cost capped at the seller's cost of expansion by the carrier.</p>
<b>Deposit requirement and retention period for this deposit</b>	<p><u>Sections 10.1, 10.3</u><sup>(1)</sup>                      Provides that Nova can at any time require an irrevocable letter of credit or other financial assurance acceptable by Nova. The maximum amount of financial assurance shall not exceed the total amount of all fees, rates and charges equivalent to a period of 70 days and is estimated on the basis of the daily average for the period of 12 months. The amount of financial assurance for any new facilities is determined by the contractual agreement.</p>	<p><u>Section XXIII</u><sup>(1)</sup>                      Provides that TransCanada may, at any time, request an irrevocable letter of credit or other assurance acceptable. The maximum amount of security shall not exceed the total amount of all fees, rates and charges equivalent to a period of 70 days and is estimated on the basis of the daily average for the previous period of 12 months. The amount of financial assurance for building a new facility represents the total amount of all fees, rates and charges payable to TransCanada equivalent to a period of 70 days to which is added one month for each year under the contract service to a maximum of 12 months</p>	<p><u>Section 1.0 et 1.2</u><sup>(4)</sup>                      Union Gas evaluates credit exposure. If the result of the evaluation does not meet Union Gas requirements, the customer must provide financial assurances in an amount equal to the maximum exposure of all contracts inclusive.</p>	<p><u>Section 10.1 et 10.1A</u><sup>(3)</sup>                      If a party has reasonable grounds for insecurity regarding the payment, performance or enforceability of any contractual obligation, such party may demand to receive a performance assurance within 5 business days from the demand. The performance assurance shall not exceed the amount calculated in accordance with the procedure for determining the total termination payment.</p>	<p><u>Section 17.3</u><sup>(2)</sup>                      A firm point-to-point transmission service request must also be accompanied by a deposit, equivalent to the price of a month's reserved capacity.</p>