

**Réponse de Gaz Métro à la demande de renseignements no 1 d'Option
consommateurs à la Société en commandite Gaz Métro**

**Demande d'approbation du plan d'approvisionnement et de modification des
Conditions de service et Tarif de Société en commandite Gaz Métro à compter du
1er octobre 2012 (Phase 2)**

Dossier R-3809-2012 Phase 2

CUSTOMER AND VOLUME FORECAST 2012 ACTUAL AND 2013 FORECAST

1. References: i) A-0064, (R-3831-2012, GM-9, Doc 1), p. 1
 ii) A-0074 (R-3831-2012, GM-16, Doc. 1)
 iii) B-0164, GM-12, Doc 5

Preamble

OC has compiled the following Actual (A) and Forecast (F) Customer Volume Data for Class D Tarif 1 (based on extracts from the 2012 Annual Report (included in the current filing) and other pre-filed evidence)

In	Reference (date(s))	# Customers	Energy TJ	Volume 10 ³ m ³	Revenues \$000	Revenue c/m ³
1	ref (i) (Sept 2012)	186,553 F 187,274 A	n/a	1,857,112 F 1,848,354 A	359070 F 353488 A	19.335 F 19.124 A
2	ref (ii), pp. 2 and 4 (2011-2012)	187,906 F 188,684 A		2,396,907 F 2,494,503 A	673,816 F 650,655 A	n/a n/a
3	ref (ii), p. 2 (2012-2013)	192,650 F		2,522,282 F		
4	ref (iii) (Sept 2013)	191,268 F	71,962 F	1,899,224 F	361,824 F	19.051 F

Questions:

1.1 Please confirm/correct sources and numbers. Input missing entries where available.

Réponse :

Gaz Métro a corrigé les données des lignes 1 et 4 (réf (i) et (iii)) du tableau fourni en préambule puisque depuis 2011-2012, les totaux calculés pour la clientèle du tarif 1 (D₁) doivent inclure les clients avec un rabais transitoire qui étaient auparavant sous le tarif M (D_M). Une note, identique à celle déjà présente à la page 4 a été

ajoutée à cet effet à la page 2 dans la pièce révisée R-3831-2012, Gaz Métro-16, Document 1.

Gaz Métro a aussi dû corriger les revenus présentés à la ligne 2 du tableau fourni en préambule pour les ramener sur la même base que la ligne 1 du même tableau, c'est-à-dire sur la base des revenus de distribution seulement. En effet, les revenus présentés à la référence (ii) incluent ceux de l'ensemble des services et non pas seulement ceux du service de distribution.

Voici le tableau du préambule corrigé en incluant les clients du tarif 1 avec un rabais transitoire (lignes 5 et 6 dans la pièce A-0064 et lignes 7 et 8 de la pièce B-0164) :

In	Reference (date(s))	# Customers	Energy TJ	Volume 10 ³ m ³	Revenues \$000 (D)	Revenue c/m ³
1	ref (i) (Sept 2012)	187,906 F 188,684 A	n/a	2,396,907 F 2,494,503 A	402,746 F 406,990 A	16.803 F 16.315 A
2	ref (ii), pp. 2 and 4 (2011-2012)	187,906 F 188,684 A	n/a	2,396,907 F 2,494,503 A	402,746 F 406,990 A	16.803 F 16.315 A
3	ref (ii), p. 2 (2012-2013)	192,650 F	95,569 F	2,522,282 F	413,536 F	16.395 F
4	ref (iii) (Sept 2013)	192,650 F	95,569 F	2,522,282 F	413,536 F	16.395 F

1.2 Please confirm/correct Forecast (F) and Actual (A).

Réponse :

Voir la réponse à la question 1.1.

1.3 Provide notes that explain clearly the basis of the entries e.g. average customers vs. year end.

Réponse :

Le nombre de clients aux pièces en référence est basé sur le nombre moyen de factures mensuelles projetées ou émises pendant l'année de référence. Les volumes et les revenus sont les totaux projetés ou réels pour l'année de référence.

1.4 In particular please explain the two sets of volume data in lines 2 and 3 relative to lines 1 and 4.

Réponse :

Voir la réponse à la question 1.1.

1.5 Provide an updated version of the Table with corrected designations, missing data and the explanatory notes.

Réponse :

Tel qu'expliqué à la réponse à la question 1.1, aucune correction n'est requise relativement aux données présentées aux pièces des références (i), (ii) et (iii).

1.6 Provide a complementary Table that updates the 2012 data and 2013 forecast and shows, for each of 2012 and 2013, the Actual and Forecast data that supports the requested updated revenue forecast, revenue requirement and rates for D1 Tarif 1 customers.

Réponse :

Voir la réponse à la question 1.1.

1.7 In the requested Table insert rows that show the change year over year in Customers, Volumes and Revenues on an absolute and % change basis.

Réponse :

Donnée	Unité	2012		2013		Variation (%)	
		Prévision	Réel	Prévision	(4) / (3) - 1	(5) / (3)	(5) / (4)
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Clients	#	187 906	188 684	192 650	0,41 %	2,52 %	2,10 %
Volumes	10 ³ m ³	2 396 907	2 494 503	2 522 282	4,07 %	5,23 %	1,11 %
Revenus	000 \$	402 746	406 990	413 536	1,05 %	2,68 %	1,61 %

2. Reference: i) B-0164,GM-12,Doc 5
 ii) A-0064, (R-3831-2012, GM-9, Doc 1), p. 1

Preamble

In accordance with the Régie's Acceptance of OC's Budget Proposal and the comment "En conséquence, la Régie demande à OC de bien cibler son analyse sur ce sujet," (D-2013-018, p. 7), OC requests that GM provide, as an update to its evidence, its comprehensive 2013 customer and volume forecast. If that is not to be provided, OC requests the following information:

Questions:

- 2.1 Please provide a Copy of the Régie's Filing Guidelines for Natural Gas Cost of Service Applications.

Réponse :

Gaz Métro ignore à quel document réfère OC. À sa connaissance, un tel document n'existe pas.

- 2.2 When was the last time that GM filed comprehensive evidence in support of a Test year customer and volume forecast for the Class D Tarif 1 rate class?

Réponse :

Le dernier dossier tarifaire présenté en coût de service remonte à l'exercice 1999-2000. Il est à noter qu'une prévision de clients et de volumes est réalisée chaque année et est présentée à chaque dossier tarifaire et rapport annuel. Dans le cadre de la présente cause tarifaire, ces résultats sont présentés, entre autres, à la pièce de la référence i).

- 2.3 Please provide a copy of that evidence.

Réponse :

Voir les réponses aux questions 1.1 et 1.7.

- 2.4 Please provide a forecast of customers and volumes for Class D Tarif 1 for 2013 on the same basis as provided above. This should include base year 2012 actual and 2013 forecasts.

Réponse :

Voir la réponse à la question 2.2.

2.5 Please provide the main Working Papers, a complete list of input assumptions, key model statistics and charts showing the results including details on:

- a) Heating Degree Day Forecast
- b) Average Use (AU) per customer by end use (heating/hot water and total)
- c) Weather Normalized Average Use per Customer (NAC).

Compare the NAC Results to the as filed 2013 volume data in reference (ii).

Réponse :

- a) La méthodologie utilisée afin d'établir la prévision de degrés-jours est celle qui a été présentée à la pièce R-3690-2009, Gaz Métro-11, Document 6.
- b) La consommation moyenne par type d'utilisation n'est pas requise aux fins de l'établissement des volumes du marché des petits et moyens débits et donc du tarif D₁.

Pour le marché des petit et moyen débits, les prévisions de volumes pour l'année t sont établies à partir des volumes de l'année t-1 auxquels s'ajoute l'impact de chacun des facteurs influençant les livraisons. Ces facteurs et leur impact sont définis à la section 5.1.2 de la pièce B-0062, Gaz Métro-1, Document 1, de la présente cause tarifaire.

- c) La consommation normalisée moyenne par client peut être obtenue à l'aide des données présentées à la réponse de la question 1.1 en divisant la colonne (5) par la colonne (3). Pour le tarif D₁, les résultats présentés à la ligne 2A permettent d'obtenir un volume moyen de 13 221 m³ par client (2 494 503 m³ / 188 684 clients).

Les résultats présentés à la réponse à la question 1.1 à la ligne 3F permettent d'obtenir, pour le tarif D₁, un volume moyen de 13 093 m³ par client (2 522 282 m³ / 192 650 clients), soit un volume moyen similaire à celui de 2012.

3. Reference: i) B-0164, GM-12,Doc 5

Questions:

3.1 Please provide the impacts in both % and \$ terms on the 2013 Revenue Forecast and Revenue Requirement of the following:

- a) a hypothetical change of 1000 in Class D Tarif 1 Customer additions relative to the forecast in ref (i).

b) a hypothetical change of 100 m³ in Normalized Average Use per D Tarif 1 Customer (NAC) relative to the forecast in ref (i).

Réponse :

a) Ajout de 1 000 clients

Le tableau suivant démontre qu'un ajout de 1 000 clients aurait un effet à la baisse sur la variation tarifaire de 2012. du service de distribution excluant le fonds vert.

	en 000\$			
Base de tarification moyenne ⁽¹⁾				
Immobilisations nettes des contributions des clients		1 540		
P.R.C.		1 580		
		<u>3 120</u>		
 Coût de service				
Dépenses d'exploitation ⁽²⁾		43		
Amortissement ⁽²⁾		215		
Taxe sur les services publics ⁽²⁾		48		
Redevances ⁽²⁾		2		
Impôts ⁽³⁾		46		
Rendement ⁽⁴⁾		181		
		<u>535</u>	vs le revenu requis de distribution	514 434 ⁽⁶⁾
			(535 / 514 434)	0,10%
 Revenus				
consommation/client de 1 960 m ³ ⁽⁵⁾		<u>626</u>	vs les revenus générés en distribution	476 940 ⁽⁷⁾
			(626 / 476 940)	0,13%
 Impact sur la variation tarifaire au dossier tarifaire 2013		<u><u>(91)</u></u>	vs la variation tarifaire en distribution	37 492 ⁽⁸⁾
			(-91 / 37 492)	-0,24%

Hypothèses

⁽¹⁾ Pour fins de simplification, les investissements sont présumés être réalisés au jour 1 de l'exercice financier

Les investissements en immobilisations et en P.R.C. sont équivalents au coût moyen utilisé pour les fins d'élaboration du plan de développement pour des clients en nouvelle construction résidentielle sur réseau, il n'y a donc pas d'investissement requis au niveau des conduites.

⁽²⁾ Le modèle du revenu requis a été utilisé pour évaluer ces coûts

⁽³⁾ Les impôts sont calculés au taux de 26,90%

⁽⁴⁾ Le rendement est calculé à partir du coût en capital prospectif de 5,79%

⁽⁵⁾ Les revenus générés sont calculés à partir de la grille 2012

⁽⁶⁾ Gaz Métro-12, document 1, col. 1, li. 21 (550 840), moins Gaz Métro-15, document 6, page 2 (36 406)

⁽⁷⁾ Gaz Métro-15, document 9, page 2, col. 6, li. 45

⁽⁸⁾ Gaz Métro-12, document 2, voir note (7)

b) Ajout de 100 m³ de consommation par client

Ajout de 100 m³ de consommation par client

Un ajout de consommation des clients aurait un effet négligeable sur le revenu requis. En effet une hausse des volumes distribués se traduit par une hausse des volumes de gaz perdu qui n'est pas prise en compte dans la présente analyse. Par ailleurs, afin d'évaluer l'impact sur les revenus de ces volumes additionnels, nous avons utilisé le taux moyen des revenus variables de distribution.

Nombre moyen de clients		192 650		
Revenus variables D1	355 799	⁽¹⁾		
Volumes D1	2 522 282	⁽²⁾		
\$/m ³		0,1411		
Effet sur les revenus projetés en milliers de \$		2 718 \$	vs les revenus générés en distribution	476 940 ⁽³⁾
			(2 718 / 476 940)	0,57%

⁽¹⁾ Gaz Métro-15 document 9 page 2. li. 17, col. 5

⁽²⁾ Gaz Métro-15 document 9 page 2. li. 17, col. 2

⁽³⁾ Gaz Métro-15, document 9, page 2, col. 6, li. 45

3.2 Please comment on the creation of an "Average Use True Up Variance Account AUTVA"¹ to capture differences in forecast and actual volumes.

Réponse :

Gaz Métro ne propose pas la création de ce type de compte pour l'année 2012-2013. Dans le cadre de la décision D-2012-076 portant sur le Mécanisme incitatif à l'amélioration de la performance de Gaz Métro, la Régie de l'énergie décidait que le dossier tarifaire 2013 serait traité sur la base d'un coût de service. Cette décision mentionnait que Gaz Métro devait revenir, dans le cadre du dossier tarifaire 2013, avec une proposition de mode de partage. Les pièces déposées au dossier tarifaire 2013, phase 2 permettent de répondre aux demandes de la Régie. En aucun temps, la Régie n'a demandé à Gaz Métro de mettre en place ce type de compte, qui ne serait applicable que pour l'année 2013, laquelle est basée sur un coût de service. En effet, il ne faut pas perdre de vue que la Cause tarifaire 2013 devrait être la seule en coût de service et que les causes tarifaires subséquentes devraient être sous la gouverne du nouveau Mécanisme Incitatif.

D'ailleurs, dans le cadre de la proposition du nouveau Mécanisme incitatif en phase 3 suivant la décision D-2012-076, Gaz Métro propose une mécanique de découplage qui est relativement semblable à un « Average Use True Up Variance Account AUTVA ».

¹ Ontario Energy Board Decision: Union Gas Limited EB-2012-0210, December 2012

TOTAL DISTRIBUTION COSTS (OM&A); COMPENSATION AND OTHER CHARGES

HISTORIC AND FORECAST DATA

4. References: i) A-0074 (R-3831-2012, GM-16, Doc1), Pages 9-12 (Tables)
 ii) B-0171, GM-12, Doc 12, Page 4

Preamble

OC requests that a version of the response be provided in Active Excel Spreadsheet Format.

Questions:

- 4.1 Please provide a version of the four Referenced Table(s) in ref. (i) that provides the complete data on the following Distribution expenses line items (Salaires, Avantages sociaux, Autres dépenses, Frais corporatifs, totaux) from 1996-2013 (F) and (A).

Réponse :

Veillez vous référer à l'annexe 1. L'ensemble des données relatives aux questions 4.1, 4.3, 4.4, 5, 6 et 7 ont aussi été répertoriées dans ce même fichier Excel à partir duquel pourront être élaborés les différents graphiques qu'OC souhaite avoir.

Les données réelles et budgétées ont été corrigées et présentées à compter de l'année 2003-2004, selon les données disponibles.

- 4.2 Please provide a clear explanation (notes) of the basis of the entries/data in each line. In particular what is included in Other Expenses (*Autres dépenses*) and the drivers of these costs. Also explain clearly what is included in Corporate Charges and who these are paid to.

Réponse :

Tel que présenté aux pièces Gaz Métro-12, Document 16, page 1, et Gaz Métro-12, Document 14, page 11, révisées, les composantes « salaires », « avantages sociaux » et « autres dépenses » se détaillent comme suit :

GM-12 doc 16, p. 1		GM-12 doc 14, p.11
Salaire	Avantages sociaux	Autres dépenses
Salaire de base	Déductions statutaires	Services professionnels
Temps supplémentaire	Assurances collectives	Services externes
Temps de garde	Fonds de pension	Matériaux
Primes	Avantages sociaux capitalisés	Loyer et assurances
	Avantages sociaux imputés au PGEÉ et à LSR	Frais de déplacement et de représentation
		Téléphonie
		Carburant et huile
		Fournitures de bureau
		Dons et commandites
		Jetons des administrateurs
		Mauvaises créances
		Électricité et gaz
		Publicité
		Revenus

Concernant les frais corporatifs, aucune dépense n'a été enregistrée dans ce poste depuis 1998.

4.3 Please add the following rows at the bottom of the Requested Tables:

- Increase in Compensation and Other Costs year over year %
- Total Distribution Expenses (before Capitalization)
- Compensation and Other Costs, as a Percentage of Total distribution costs.
- Total Distribution Expenses (after Capitalization)
- Compensation and Other Costs, as a Percentage of Total distribution costs (after Capitalization).

Réponse :

Tel qu'expliqué à la réponse à la question 4.1, les données requises en format Excel sont présentées à l'onglet nommé « Q 4.1 à 4.4 » de l'annexe 1.

4.4 Please add two (2) columns at the right of the requested table that show:

- a) the average annual % increase for each Expense line and Total from 1996-2000; and
- b) the average annual % increase for each line and Total from 2001-2012

Réponse :

Tel qu'expliqué à la réponse à la question 4.1, les données requises en format Excel sont présentées à l'onglet nommé « Q 4.1 à 4.4 » de l'annexe 1.

- 4.5 Compare the actual data (for 2003-2012) in the tables on pp.11-12 in ref. (i), as well as the projected data for 2013 in the table on p. 10 in ref. (i) with those in ref. (ii) for the period 2003-2013 and reconcile any differences.

Réponse :

Gaz Métro constate que la pièce en référence (i) présente un écart avec la pièce en référence (ii) pour l'année 2007-2008 de 2,9 M\$ à l'égard des dépenses d'exploitation. Cet écart provient d'une cotisation pour le régime de retraite des cadres encourue en 2008, mais reportée à l'année tarifaire 2011 à la suite de la décision de la Régie dans le cadre du Rapport annuel 2008 (D-2009-078, R-3680-2008, p. 5 à 9). Une version de la pièce Gaz Métro-12, Document 12 est donc révisée et déposée afin de refléter le montant final des dépenses d'exploitation de 132,7 M\$ (*versus* 135,6 M\$).

5. References:
- i) B-0171, GM-12 Doc 12, Page 5 (Chart)
 - ii) A-0074 (R-3831-2012 Annual Report GM-16, Doc1), Pages 9 – 12 (Tables)

Preamble

OC requests that a version of the response be provided in Active Excel Spreadsheet Format.

Questions:

- 5.1 Please provide a chart similar to the Referenced Chart in ref. (i) that uses the Distribution Expenses data in the requested table in Question 4.1 and shows from 2003-2013:

- Total Compensation per m³ distributed (current \$)
- Total Compensation per customer (current \$)
- Total Distribution Expenses per m³ distributed (current \$)
- Total Distribution Expenses per customer (current \$)

* Note that we do not require an update that includes the blue line of the chart (which excludes the pension fund), just the red line.

Réponse :

Tel qu'expliqué à la réponse à la question 4.1, les données requises en format Excel sont présentées à l'onglet nommé « Q 5.1 et 6.1 » de l'annexe 1.

5.2 Compare the Chart in ref. (i) to the new charts requested in 5.1 by plotting all 5 lines on a new chart, i.e. the four new lines and the line from the original chart. (Again, note that we do not require the blue line (which excludes the pension fund), just the red line.)

Réponse :

Veillez vous référer à la réponse à la question 4.1.

- 6 References:
- i) B-0171, GM-12, Doc 12, Page 4 (Table)
 - ii) B-0171, GM-12, Doc 12, Page 6 (Chart)
 - iii) A-0074 (R-3831-2012 Annual Report GM-16, Doc1), Pages 9 - 12 (Tables)

Preamble

OC requests that a version of the response be provided in Active Excel Spreadsheet Format.

Questions

6.1 Using the Quebec annual Inflation data in ref. (i), please provide a chart similar to the referenced chart in ref. (ii) that uses the Distribution Expenses data in the requested table in Question 4.1 and shows from 2003-2013:

- Total Compensation per m³ distributed (constant \$)
- Total Compensation per customer (constant \$)
- Total Distribution Expenses per m³ distributed (constant \$)
- Total Distribution Expenses per customer (constant \$)

* Note that we do not require an update that includes the blue line of the chart (which excludes the pension fund), just the red line.

Réponse :

Tel qu'expliqué à la réponse à la question 4.1, les données requises en format Excel sont présentées à l'onglet nommé « Q 5.1 et 6.1 » de l'annexe 1.

6.2 Compare the Chart in ref. (ii) to the new charts requested in 6.1 by plotting all 5 lines on a new chart, i.e. the four new lines and the line from the original chart. (Again, note that we do not require the blue line (which excludes the pension fund), just the red line.)

Réponse :

Veillez vous référer à la réponse à la question 4.1.

- 7 References:
- i) B-0171, GM-12 Doc 12, Page 4 (Table)
 - ii) B-0171, GM-12 Doc 12, Pages 5 and 6 (Charts)
 - iii) A-0074 (R-3831-2012 Annual Report GM-16, Doc1), Pages 9-12 (Tables)

Preamble

OC requests that a version of the response be provided in Active Excel Spreadsheet Format.

Questions

7.1 Please provide the approved annual escalator (CPI-X) for each year for the Incentive Plan 2001-2012.

Réponse :

Tel qu'expliqué à la réponse à la question 4.1, les données requises en format Excel sont présentées à l'onglet nommé « Q 7.1 » de l'annexe 1.

7.2 Using the approved annual escalator, please provide two charts similar to the referenced Charts that use the Incentive Plan escalator data, rather than Quebec Inflation in the response to show from 2003-2013:

- Total Distribution Expense per m³ distributed
- Total Distribution Expense per customer.

* Note that we do not require an update that includes the blue line of the chart (which excludes the pension fund), just the red line.

Réponse :

Veillez vous référer à la réponse à la question 4.1.

7.3 Compare the Charts in ref. (ii) to the new charts requested in 7.2 by plotting all four lines on a new chart, i.e. the two new lines and the two original ones. (Again, note that we do not require the blue line (which excludes the pension fund), just the red line.)

Réponse :

Veillez vous référer à la réponse à la question 4.1.

7.4 Please provide two additional charts that use the Incentive Plan escalators to show

- Total Compensation per m³ distributed
- Total Compensation per customer.

Réponse :

Veillez vous référer à la réponse à la question 4.1.

- 8 References:
- i) B-0171, GM-12 Doc 12
 - ii) A-0074 (R-3831-2012 Annual Report GM-16, Doc1), Pages 10 and 12 (Tables)
 - iii) B-0175, GM-12, Doc 16, Page 1

Preamble

OC has compiled the following Actual (A) and Forecast (F) Customer Compensation and Other Data (based on extracts from Annual Reports and Pre-filed evidence)

OC Compilation Of Compensation and Other Distribution Expenses for 2012 and 2013 (September 30)			
Cost Component	2011-2012	2011-2012	2012-2013
Headcount ³	n/a	1312	1386
	2011-2012 ¹	2011-2012 ²	2012-2013 ¹
Salaries	n/a	107.5 M\$	n/a
Benefits	n/a	47.1 M\$	n/a
Other Expenses	n/a	47.6 M\$	n/a
Capitalization	n/a	(41.0 M\$)	n/a
Corporate Charges	n/a	n/a	n/a
TOTALS from ref. (ii)	167.6 F	161.2 A	187.7 F
Total salary costs (<i>masse salariale</i>) from ref. (iii), line 29	n/a	159.0 A	183.82 F

Notes

1. Ref. (ii) p. 10, forecast values for Salaries, Benefits, Other Expenses, Corporate charges and Totals.
2. Ref. (ii) p. 12, actual values for Salaries, Benefits, Other Expenses, Capitalization, Corporate charges and Totals

Questions

8.1 Please provide a Version of the above table that includes the following

- a) Confirmed/Corrected sources and numbers
- b) Confirmed/Corrected Forecast (F) and Actual (A) Designations
- c) Missing Entries for 2011-2012 and 2012-2013, labelled as n/a.

Réponse :

Gaz Métro confirme les données et les sources des données présentées dans le préambule. Veuillez trouver ci-après, le tableau du préambule dûment complété.

OC Compilation Of Compensation and Other Distribution Expenses for 2012 and 2013 (September 30)			
Cost Component	2011-2012 Budget	2011-2012 Réal	2012-2013 Budget
Headcount ³	1,350	1,312	1,386
	2011-2012 ¹	2011-2012 ²	2012-2013 ¹
Salaries	106.4 M\$	107.5 M\$	110.6 M\$
Benefits	46.9 M\$	47.1 M\$	65.3 M\$
Other Expenses	50.9 M\$	47.6 M\$	55.9 M\$
Capitalization	(36.6 M\$)	(41.0 M\$)	(44.1 M\$)
Corporate Charges	n/a	n/a	n/a
TOTALS from ref. (ii)	167.6 F	161.2 A	187.7 F
Total salary costs (<i>masse salariale</i>) from ref. (iii), line 29	157.0 F	159.0 A	183.82 F

8.2 Please provide notes that explain clearly the basis of the entries e.g. average Headcount (FTE) vs. year end.

Réponse :

Veillez vous référer à la note (d) de la pièce Gaz Métro-12, Document 16, page 1, révisée.

8.3 Reconcile the data to B-0175 and other parts of the evidence by appropriate references.

Réponse :

CONCILIATION DES SALAIRES	2011-2012 Budget	2011-2012 Réal	2012-2013 Budget
<u>Salaires selon :</u>			
A-0074 (R-3831-2012 Rapport annuel GM-16, Doc. 1), pages 10 et 12	106,4	107,5	110,6
Portion attribuée aux ANR et aux sociétés apparentées (non présentée dans la pièce B-0175, GM-12, Doc. 16, page 1)	2,5	2,8	3,6
Autres (non présentée dans la pièce B-0175, GM-12, Doc .16, page 1)	<u>(0,4)</u>	<u>(0,3)</u>	<u>0,7</u>
<u>Salaires selon :</u>			
B-0175, GM-12, Doc. 16, page 1	<u>108,5</u>	<u>110,0</u>	<u>114,9</u>

CONCILIATION DES AVANTAGES SOCIAUX	2011-2012 Budget	2011-2012 Réel	2012-2013 Budget
Avantages sociaux selon : A-0074 (R-3831-2012 Rapport annuel GM-16, Doc. 1), pages 10 et 12	46,9	47,1	65,3
Portion attribuée aux ANR et aux sociétés apparentées (non présentée dans la pièce B-0175, GM-12, Doc. 16, page 1)	1,7	1,8	2,9
Autres (non présentés dans la pièce B-0175, GM-12, Doc. 16, page 1)	<u>(0,1)</u>	<u>0,1</u>	<u>0,7</u>
Avantages sociaux selon : B-0175, GM-12, Doc. 16, page 1	<u>48,5</u>	<u>49,0</u>	<u>68,9</u>

8.4 Please provide a separate breakdown of Other Expenses and Corporate Charges.

Réponse :

Les données relatives aux « Autres dépenses » sont présentées à l'onglet nommé « Q 4.1 à 4.4 » de l'annexe 1. De plus, tel que mentionné à la réponse à la question 4.2, aucune dépense n'a été enregistrée dans le poste « frais corporatifs » depuis 1998.

BENCHMARKING OM&A AND TOTAL COMPENSATION

9 Reference: No Reference

Preamble

OC wishes to compare GM's historic OM&A Expenses and Total Compensation costs during the IM period 2001-2012 with other natural gas distributors including a Canadian peer group.

Questions

9.1 Please provide copies of any/all benchmarking studies on OM&A, Compensation Costs that GM has commissioned.

Réponse :

Veillez vous référer à la réponse à la question 2.6.4 à 2.6.6 de l'UMQ (Gaz Métro-18, Document 9).

9.2 Please provide copies of any/all OM&A benchmarking and/or Compensation Studies that GM has participated in and has access to as a result e.g. Canadian Gas Association, American Gas Association, CAMPUT.
If copies are not available please provide source reference hyperlinks.

Réponse :

Veillez vous référer à la réponse à la question 9.1

9.3 Please provide a copy of the latest Report by the Pacific Economics Group (PEG) on GM's productivity during the IM period.

Réponse :

Veillez vous référer à l'annexe 2.

PENSION COSTS 2013

- 10 References:
- i) B-0175, GM-12, Doc 16, line 22
 - ii) B-0216, GM-7, Doc 1, Page 5
 - iii) R-3773-2011, B-0010, GM-1 Doc 6
 - iv) D-2012-077, Paragraphs 85-100.

Questions

- 10.1 Please provide supporting evidence-- assumptions and calculations for the Pension Cost increase from \$20.449 million (2012A) to \$38.286 million (2013F), as per ref (i).

Réponse :

Gaz Métro comprend que le coût de 38,286 M\$ à la question d'OC aurait dû se lire 39,286 M\$, tel qu'il appert à la référence (i). Veuillez référer à la réponse à la question 9.4 de la Régie, à la pièce Gaz Métro-18, Document 1.

- 10.2 Reconcile the \$38.286 million forecast for 2013 in ref (i) with the data in Annex B of ref (iii).

Réponse :

Gaz Métro juge que cette question n'est pas pertinente dans le présent dossier puisque l'utilisation des méthodes antérieures pour établir la charge liée aux avantages postérieurs à l'emploi du dossier tarifaire 2013 a été maintenue.

De plus, considérant la question 10.2 et les questions suivantes, Gaz Métro juge à propos de présenter un résumé des événements survenus dans deux dossiers touchant la comptabilisation des avantages postérieurs à l'emploi.

Tout d'abord, rappelons que depuis plusieurs années (D-2001-109, page 46), Gaz Métro utilise la méthode des déboursés réels pour établir la charge liée aux régimes de retraite des employés syndiqués et cadres ainsi que celle liée au régime d'assurance collective des employés retraités, soit les cotisations effectivement versées. Une méthode similaire à la méthode actuarielle est utilisée pour établir la charge annuelle liée au régime de retraite des cadres exécutifs. Ces deux méthodes seront nommées « méthodes antérieures » subséquentement dans le présent document.

En novembre 2011, Gaz Métro a demandé à la Régie d'harmoniser le traitement de la charge relative aux avantages postérieurs à l'emploi avec le traitement requis en vertu des PCGR des États-Unis, soit la comptabilisation

selon la méthode actuarielle, traitement qui est semblable à celui prescrit en vertu des normes canadiennes et des normes IFRS, et ce, à partir du 1^{er} octobre 2012 (R-3773-2011).

En juin 2012, la Régie a rendu une décision dans le cadre de ce dossier (D-2012-077) approuvant une modification à la convention comptable réglementaire afin que les charges reliées aux avantages postérieurs à l'emploi soient imputées au coût de service selon la méthode actuarielle plutôt que sur la base des déboursés réels, mais en refusant toutefois la création à la base de tarification des comptes de frais reportés demandés ainsi que leur amortissement.

En juillet 2012, Gaz Métro a déposé une demande de révision de la décision D-2012-077. Des audiences ont eu lieu à ce sujet en novembre 2012 et Gaz Métro est en attente d'une décision de la Régie.

Pour la préparation du dossier tarifaire 2013, Gaz Métro a déposé une demande de sursis en octobre 2012 afin de maintenir la méthode en fonction des déboursés réels (B-0008). La Régie a accueilli la demande de sursis dans sa décision D-2012-141 et ainsi, Gaz Métro a maintenu l'utilisation des méthodes antérieures pour l'établissement de la charge liée aux avantages postérieurs à l'emploi pour la préparation du dossier tarifaire 2013.

10.3 Please provide Copies of the December 2011 Actuarial Evaluation of the Plan(s)

Réponse :

Veillez référer aux annexes de la réponse à la question 9.4 de la Régie, à la pièce Gaz Métro-18, Document 1.

10.4 Please provide the Latest Actuarial Evaluation/ Report(s) on the Plan(s)

Réponse :

Veillez référer aux annexes de la réponse à la question 9.4 de la Régie, à la pièce Gaz Métro-18, Document 1.

10.5 Please provide Copies of the Evidence filed in R-3773-2011 regarding the Plan(s) performance,

Réponse :

Aucun tel document n'a été déposé par Gaz Métro dans le dossier R-3773-2011.

- 10.6 Please update the Table on Page 7 ref (iii) by adding columns to the right to show 2011 Actual, 2012 Actual (or Forecast) and 2013 Forecast

Réponse :

Gaz Métro juge que cette question n'est pas pertinente dans le cadre du présent dossier. Veuillez vous référer à la réponse à la question 10.2.

- 10.7 Please provide the Latest Report on Plan(s) performance and projection for 2013.

Réponse :

Veuillez vous référer à l'annexe 3 présentant le rapport *Suivi de performance mensuel au 31 décembre 2012* portant sur la Caisse de retraite des Régimes de retraite du personnel de Gaz Métro. Ce rapport est produit à notre demande par nos actuaires Aon sur une base mensuelle.

Quant aux projections de l'exercice 2013, outre les informations incluses au rapport d'évaluation actuarielle annuelle au 31 décembre 2012, qui sera obtenu à la fin de l'été 2013, les actuaires ne produisent aucune autre projection.

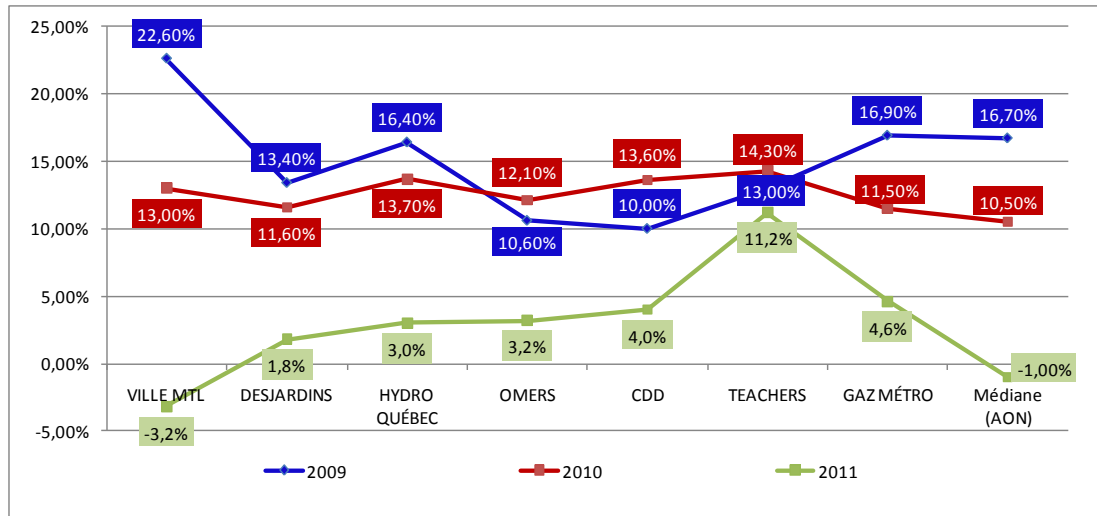
- 10.8 Provide a comparison of Plan Performance 2011/2012 to a Peer Group including Enbridge Gas Distribution, Union Gas Limited, Ontario Municipal Employees Retirement Plan and the Canada Pension Plan.

If not available, compare the Plan Performance 2011/2012 to the published performance of the Canada Pension Plan and Ontario Municipal Employees Retirement Plan 2011-2012.

Réponse :

Les informations sur la performance des régimes des entités comparables pour l'année 2011/2012 ne sont pas disponibles à ce jour. Toutefois, Gaz Métro réfère au graphique suivant présentant la performance des régimes de retraite de Gaz Métro, de six entités comparables, ainsi qu'une médiane fournie par nos actuaires Aon et ce, pour les années 2009, 2010 et

2011. Cette médiane est basée sur la performance des régimes de retraite de ses clients dont près de 150 se situent au Québec, une trentaine en Ontario et une vingtaine dans les autres provinces canadiennes.



10.9 Please provide an updated version of Annexe B of ref (iii) to reflect the latest actuarial assessment(s) and Plan performance during 2011 and 2012.

Réponse :

Gaz Métro juge que cette question n'est pas pertinente dans le cadre du présent dossier. Veuillez vous référer à la réponse à la question 10.2.

11 References: i) R-3773-2011, B-0010, GM-1, Doc 6, Paragraph 5.2, Table 17 & Annex B.

Preamble

Table 17 shows the following:

Deferral accounts carryover credits related to the opening balance sheet and the restatement of the comparative year	Balance included in rate base on October 2012	Method and period of depreciation adopted
Actuarial variances	\$ 107.2 million	Corridor method
Past service costs	\$ 5.9 million	Linear depreciation on the average remaining service period of active employees (3 years)
Unamortized net transition asset	(13.0) million	Straight-line over 5 years
Variance between current method and actuarial method (<i>account already exists under Canadian GAAP, but outside rate base</i>) [Table 17]	\$ 32.3 million	Straight-line over 5 years

Questions

11.1 Please list the Accounting Orders including names and designations (in French and English) for the Pension-related deferral accounts.

Réponse :

Gaz Métro juge que cette question n'est pas pertinente dans le cadre du présent dossier. Veuillez vous référer à la réponse à la question 10.2.

11.2 Please confirm/amend the 2012 year end Balances for the Pension-related deferral accounts and provide an explanation for any differences from the amounts shown.

Réponse :

Gaz Métro juge que cette question n'est pas pertinente dans le cadre du présent dossier. Veuillez vous référer à la réponse à la question 10.2.

11.3 Please provide an estimate of the forecast balances for the Pension-related deferral accounts as of year-end 2013.

Réponse :

Gaz Métro juge que cette question n'est pas pertinente dans le cadre du présent dossier. Veuillez vous référer à la réponse à la question 10.2.

11.4 Please provide a schedule that shows how the 2013 pension expense forecast amount (\$38.286 million as per ref (i) of Q 10) is calculated from the rate base amounts.

Réponse :

Gaz Métro juge que cette question n'est pas pertinente dans le cadre du présent dossier. Veuillez vous référer à la réponse à la question 10.2.

- 12 References: i) R-3773-2011, B-0010, GM-1, Doc 6, Annex B
 ii) D-2012-077, Paragraph 88

Preamble

According to ref (ii):

[88] The Board agrees with S.E. / AQLPA in light of the reality of pension funds today, the regulatory treatment must take into account that returns remain very volatile from one year to the other. Indeed, in a context of establishing just and reasonable rates, given that the actuarial variances are derived from changes in assumptions and depend on market volatility, the Board does not recognize depreciation expense associated with these accounts, that is to say, the net balance of the PTPC. [Our translation]

Questions

12.1 Summarize the approach to recovery and treatment of Pension costs by GM in 2013 based on the Decision of the Régie (reference (ii), cited above),

Réponse :

Gaz Métro juge que cette question n'est pas pertinente dans le cadre du présent dossier. Veuillez vous référer à la réponse à la question 10.2.

12.2 Given the outlook in Annex B of reference (i) (updated per OCs request in Q10.9) comment on what other options for Regulatory Treatment(s) of the Pension Plan costs does GM consider appropriate for 2013 and beyond?

Réponse :

Gaz Métro juge que cette question n'est pas pertinente dans le cadre du présent dossier. Veuillez vous référer à la réponse à la question 10.2.

CORPORATE CHARGES AND AFFILIATE TRANSACTIONS FOR 2013

CORPORATE CHARGES

13. References: i) A-0074, (R-3831-2012 Annual Report GM-16, Doc1),
 Pages 10 and 12 (Tables)
 ii) B-0175, GM-12, Doc 16, Page 1

Questions

- 13.1 Please provide a Table that provides a breakdown of Corporate Charges for 2013 together with complete explanatory notes.

Réponse :

Gaz Métro comprend que la présente question vise à obtenir des précisions quant à l'évolution des recharges aux ANR.

Gaz Métro ne dispose pas de tous les documents de support permettant de statuer avec certitude sur la composition des frais corporatifs relatifs aux années précédant l'année 2000, tels que présentés à la référence i). À la lumière des informations conservées dans nos archives, ce montant semble être principalement relatif à des frais capitalisés plutôt qu'à une recharge aux ANR. Gaz Métro n'est donc pas en mesure de retracer les montants de recharge aux ANR pour les années financières 2000-2001 et précédentes; les données financières relatives à ces exercices étant issues d'un système comptable qui n'est plus en fonction.

Le mode de présentation de l'information relative aux dépenses d'exploitation dans la pièce a été modifiée à compter l'année financière 2001-2002, correspondant à la première année d'implantation du système de gestion intégré SAP. Gaz Métro est ainsi en mesure de retracer les montants annuels des recharges aux ANR à compter de cette date. À cet égard, la méthodologie pour établir le montant de la recharge est expliquée à la pièce B-0176, Gaz Métro-12, Document 17. Cette méthode découle d'une réallocation des heures consacrées par certains employés aux activités non réglementées. Veuillez trouver dans le tableau ci-dessous, l'évolution de la recharge de salaires et avantages sociaux faite par Gaz Métro-daQ à Gaz Métro-ANR depuis 2001-2002.

Année	Réal											Budget
	2001-2002	2002-2003	2003-2004	2004-2005	2005-2006	2006-2007	2007-2008	2008-2009	2009-2010	2010-2011	2011-2012	2012-2013
En 000\$ Salaires et avantages sociaux	1,09 \$	1,43 \$	0,99 \$	0,95 \$	1,32 \$	1,98 \$	2,05 \$	2,59 \$	2,98 \$	4,31 \$	4,62 \$	6,50 \$

- 13.2 Please provide a Table or Chart that shows the evolution of the Charges from 1992-2013.

Réponse :

Voir la réponse à la question 13.1.

- 13.3 Please provide any/all internal and external Reports that show the Methodology for allocation of Corporate Charges to the Total Enterprise and the share of this total allocation that was/is allocated to GM (at the time of the report(s)).

Réponse :

Veillez vous référer à la réponse à la question 13.1 ainsi que la pièce B-0176, Gaz Métro-12, Document 17 qui décrit la procédure appliquée. Gaz Métro ne croit pas qu'il existe d'autre document à ce sujet.

- 13.4 Please provide a Copy of the Régie's document(s) governing Affiliate Relationships.

Réponse :

La Régie n'a pas donné d'indications à Gaz Métro concernant les relations entre apparentés et aucun document n'a été émis par la Régie à la connaissance de Gaz Métro.

- 13.5 Please provide the latest Copies of all Service Level Agreements between GM and its Affiliates.

Réponse :

Veillez trouver aux annexes 4 à 7, les contrats intervenus entre SCGM et l'une ou l'autre de ses apparentés en lien avec les transactions énumérées à la réponse à la question 13.6, à l'exclusion des contrats relatifs à des services réglementés dont les termes sont liés à un tarif publié.

- Gaz Métro Plus
- Champion
- Valener inc.
- Beaupré Éole et Beaupré Éole 4
- Seigneurie de Beaupré Parcs 2 et 3

Gaz Métro souligne qu'eu égard aux ventes de GNL à GMST, celles-ci se font selon les paramètres ordonnés par la Régie dans les décisions rendues à ce sujet. Pour l'instant, ces paramètres n'ont pas été regroupés dans un contrat écrit entre Gaz Métro et GMST, notamment parce que ceux-ci ont évolué à plusieurs reprises avec les décisions rendues par la Régie; la dernière étant la décision D-2012-171 rendue le 14 décembre 2012 en lien avec la liquéfaction en hiver. Ceci devrait toutefois être fait très prochainement.

- 13.6 Please provide a Flowchart and a Table showing Inbound and Outbound Affiliate transactions/services and the associated costs for 2013.

Réponse :

Veillez référer à l'annexe 8 pour la liste des principales transactions entre apparentés pour l'exercice 2013.

- 13.7 For the Corporate Charges, reconcile the response in 13.6 to the first part of this request.

Réponse :

Voir la réponse à la question 13.1.

Par ailleurs, l'annexe 8 fournie en réponse à la question 13.6 indique les transactions entre SCGM et des sociétés apparentées relativement à des services opérationnels (à l'exception des services administratifs et de gestion rendus par SCGM à Valener). Cette annexe exclut les salaires et les avantages sociaux alloués à Gaz Métro-ANR étant donné que Gaz Métro-ANR fait partie de SCGM et ne répond pas à la définition d'un apparenté. Ce qui distingue Gaz Métro-ANR est qu'il est à la charge des associés de Gaz Métro au lieu d'être à la charge des clients de Gaz Métro-daQ.

- 13.8 Please provide extracts from the last 3 Régie Decisions that reviewed and approved the Allocation of Corporate Charges and the amount(s) allocated to GM for recovery in rates.

Réponse :

La dernière décision de la Régie traitant de ce sujet est la décision D-2012-071 sur le Rapport annuel 2011. Tel que mentionné par la Régie dans cette décision, ce sujet n'avait pas été abordé depuis la création du mécanisme incitatif en 2001.

« [123] Dans le cadre de l'étude de la pièce B-0089, la Régie a examiné la liste des transactions entre sociétés apparentées, des comptes à recevoir ou à payer

aux sociétés apparentées ainsi que des prêts ou emprunts entre sociétés apparentées. La Régie constate que les critères qui permettent la fabrication de ces listes n'ont pas fait l'objet d'une révision depuis de nombreuses années. Elle juge qu'il y aurait lieu de revoir la présentation de ces données afin d'en permettre une meilleure compréhension. À cet effet, elle considère qu'une rencontre avec le personnel technique de la Régie serait le forum approprié pour réviser la présentation des transactions avec les sociétés apparentées.

[...]

[125] La Régie s'est aussi penchée sur une transaction entre Valener et Gaz Métro, portant sur les frais de 1,6 M\$ facturés par Valener à sa filiale, dans le cadre d'une convention d'administration et de soutien de gestion signée en 2010 pour une période de 15 ans. Ces frais portaient sur la participation de Valener dans Gaz Métro et aux questions relatives aux sociétés ouvertes.

[126] La Régie comprend que Gaz Métro était, jusqu'en 2010, une société ouverte et assumait elle-même les frais liés à une société ouverte. Toutefois, la création de Valener s'est produite en même temps que certains investissements de cette dernière dans les parcs éoliens. Selon les états financiers de Valener, cette dernière anticipe que 24,5 % des flux de trésorerie prévus à compter de l'exercice 2014 proviendront de la participation dans les parcs éoliens de la seigneurie de Beaupré.

[127] La Régie note que le prochain dossier tarifaire sera présenté sur la base du coût de service. L'étude des charges liées à l'actionnariat public n'a pas été abordée depuis la création du Mécanisme incitatif. La situation du groupe corporatif est en changement. La répartition des charges liées à l'actionnariat public entre les filiales de Valener devient donc un sujet sur lequel la Régie doit se pencher.

[128] En conséquence, la Régie demande à Gaz Métro de présenter la justification de la répartition des frais liés aux sociétés ouvertes entre les activités réglementées et non réglementées dans le cadre du dossier tarifaire 2013. »

ALLOCATION/RECHARGE OF COSTS BETWEEN GM AND AFFILIATES

14 Reference: B-0176, GM-12, Doc17, Page 2, line 6ff and Annex 1

Preamble

Pour ce faire, la structure visant à cumuler les coûts par projet est donc utilisée. Pour chaque projet, un objet de coûts (ordre de travail, élément d'OTP) est créé dans SAP, auquel se rattache une règle d'imputation qui détermine si le projet est imputable à la daQ ou aux ANR.

Questions

- 14.1 Does GM agree that best practices would dictate that the basis of allocation of costs between Affiliates should be *fully allocated costing* based on either time studies or proxy cost allocators using cost causality principles? Please discuss.

Réponse :

Tel que mentionné à la pièce B-0176, Gaz Métro-12, Document 17, la répartition des coûts présentée à l'annexe 1 de cette pièce est basée sur une allocation de temps (en %) estimée par chacun des employés sujet à réaliser des activités dans les catégories présentées à cette même annexe. Cette allocation est par la suite validée par le gestionnaire des employés concernés qui soumet, par la suite, cette information à la personne responsable de cumuler l'information dans un fichier Excel. Une personne y ajoute par la suite les informations sur le salaire et les avantages sociaux de chacun des employés. Une fois, l'information complétée pour tous les employés, le montant total des catégories autres que Gaz Métro-daQ est retranché des dépenses d'exploitation, par le biais d'une écriture de journal dans SAP et ce, sur une base mensuelle.

Pour ce qui est du temps consacré par l'équipe des projets majeurs à des projets particuliers ANR, l'allocation se fait en fonction du temps consacré aux projets. Une règle d'imputation, qui inclut le salaire et les avantages sociaux qui y sont rattachés, est entrée dans le système SAP. L'enregistrement du temps se fait directement dans SAP qui calcule une charge salariale s'y rattachant en fonction de la règle d'imputation préalablement entrée. Dépendamment de la codification initiale du projet (Gaz Métro-daQ *versus* Gaz Métro-ANR), les salaires et les avantages sociaux sont attribués adéquatement entre Gaz Métro-daQ et Gaz Métro-ANR.

Dans les deux cas, une allocation complète des coûts a été effectuée en fonction du temps passé (« fully allocated cost »).

Il est à noter que toutes les dépenses, autres que les salaires et avantages sociaux, encourues au bénéfice exclusif des ANR sont imputées directement aux ANR. Elles ne font donc pas l'objet d'une recharge.

- 14.2 Please provide either a document that describes the allocation methodology, or in the alternative provide a detailed explanation including the SAP- based methodology for identifying and allocating costs at a project level. In particular, identify whether the allocations shown in Annex 1 are time-based or cost-based and in either case confirm that the percentages are based on fully allocated costs.

Réponse :

Voir la réponse à la question 14.1.

- 14.3 Please explain the degree of rounding (often nearest 10%) in Annex1 if the estimates are SAP Accounting-based.

Réponse :

Il n'y a pas de règle d'arrondissement qui a été établie et l'estimation des pourcentages figurant à l'annexe 1 de la pièce B-0176, n'est pas déterminée dans SAP. Tel que mentionné à la réponse à la question 14.1, l'allocation de temps est fournie par chacun des employés concernés, puis par leurs gestionnaires. Une révision de cette allocation de temps est effectuée en cours d'exercice afin d'ajuster les pourcentages en fonction du temps qui a été réellement consacré aux activités ANR depuis le début de l'exercice ou en fonction des changements anticipés d'ici la fin de l'exercice financier en cours.

- 14.4 If the costs charged to affiliates are not fully allocated, please provide an estimate of the fully allocated costs based on 2013 overhead burden rates.

Réponse :

Les coûts alloués sont entièrement rechargés en fonction du temps consacré à l'activité (« fully allocated costs »).

14.5 Please demonstrate using the President and Vice President level as illustration of how the SAP-costs were translated into the percentage allocations shown in Annex 1 page 1.

Réponse :

Tel que mentionné à la réponse à la question 14.1, la même méthode de calcul est appliquée pour tous les employés figurant à l'annexe 1 de la pièce B-0176.

Voici un exemple de la méthode utilisée pour l'allocation des coûts:

<u>Hypothèses :</u>	
<ul style="list-style-type: none"> - Salaire de base 100 000 \$ - Avantages sociaux 60,3 % du salaire de base - Temps consacré à Gaz Métro-daQ 92 % - Temps consacré à Gaz Métro-ANR 8 % 	
<u>Coûts imputés à Gaz Métro-daQ</u>	<u>Coûts imputés à Gaz Métro-ANR</u>
100 000 \$ X 1,603 X 92 % = 147 476 \$	100 000 \$ X 1,603 X 8 % = 12 824 \$

14.6 Please provide a Schedule that uses the percentage for each major category of employees (example line 28) and provides the calculations to produce the compensation recharges to ANR at lines 20 and 26 of Annex 1.

Réponse :

Les employés figurant à l'annexe 1 de la pièce B-0176 ont tous des salaires différents faisant en sorte que Gaz Métro n'est pas en mesure de les regrouper par catégorie. L'exemple, illustré à la réponse de la question 14.5, reflète la méthode de calcul effectué pour chacun des employés figurant à l'annexe 1 de la pièce B-0176.

14.7 Please explain the charge to DAQ at line 28 column 6.

Réponse :

Le charge imputée à Gaz Métro-daQ correspond à un pourcentage (50 %) du salaire, incluant avantages sociaux, d'un directeur aux services administratifs des projets majeurs du secteur de l'exploitation qui est payé par les ANR et par la suite refacturé à la daQ. Ce directeur travaille 50 % de son temps sur les projets éoliens et l'autre 50 % du travail est fait au niveau de projets de la daQ. Ce directeur est responsable, entre autres, de l'application et du maintien du système de management de la qualité (SMQ) des projets majeurs.

**METHODOLOGY FOR THE DETERMINATION OF AN ASSUMED INTEREST RATE
ON A LONG-TERM DEBT OBLIGATION**

- 15 Reference:
- i) B-0150, GM-11, Doc. 7
 - ii) B-0150, GM-11, Doc. 7, Section 2, pp. 6-9
 - iii) B-0150, GM-11, Doc. 7, p. 3, lines 8-10.

Questions:

15.1 Please confirm that B-0150 discusses four different debts, including two existing debts, a 3rd hypothetical one, as well as a 4th planned one:

- a) an existing \$150 M debt, issued on the Canadian public market that is expiring in April 2013 and which is currently allocated to the regulated business natural gas distribution business in Quebec (DAQ);
- b) an existing \$150 M Series J debt, originally assigned to non-regulated activities, issued in July 2006 and expiring in July 2036, which would be used to replace the \$150 M debt expiring in April 2013 (described in a);
- c) a hypothetical \$150 M debt issued on the Canadian public market in April 2013 and expiring in 2036, which is used to determine the interest rate that should be assigned to the regulated activities for the \$150 M Series J debt (described in b);
- d) a planned US\$150 M debt issued in April 2013 and expiring in 2036, which will be entirely assigned to non-regulated activities.

Réponse :

Gaz Métro confirme a), b) et c). Gaz Métro ne confirme pas l'affirmation d).

If not, please explain.

Réponse :

Pour ce qui est de d), l'émission en \$US se fera selon les besoins en financement des activités non réglementées. Gaz Métro a mentionné qu'elle prévoyait émettre 150 M\$ US. L'émission de la dette US a été clôturée le 5 février 2013, pour un montant de 200 M\$ US avec des échéances de 30 et 35 ans. Gaz Métro prévoit recevoir les fonds le 10 avril 2013.

15.2 Please confirm that each of the four debts described above is for \$150 M. If not, please explain.

Réponse :

Gaz Métro confirme pour a), b) et c). Voir la réponse à la question 15.1 pour d).

15.3 Please confirm that the fourth debt described above is in US\$ and the other three are in Canadian \$. If not, please explain.

Réponse :

Gaz Métro le confirme.

15.4 Please confirm that B-0150 explains how GM will estimate the cost of issuing a \$150 M debt on the Canadian public market in April 2013 and expiring in 2036. This cost is used to determine the interest rate that should be assigned to the regulated activities for the \$150 M Series J debt (described in b). If not please explain.

Réponse :

Gaz Métro le confirme.

15.5 Please confirm that GM is proposing to charge regulated activities with the estimated cost of issuing \$150 M debt on the Canadian public market in April 2013 and expiring in 2036; and that any additional costs relating to the Series J debt will be passed on the non-regulated activities. If not, please explain.

Réponse :

Gaz Métro le confirme.

15.6 As per reference (ii), please confirm that the proposed calculation method will be based on actual conditions of April 2013, as opposed to the estimated (before the fact) data used in reference (ii).

Réponse :

Gaz Métro le confirme.

15.7 According to reference (iii), the existing \$150 M Series J debt was originally assigned to non-regulated activities (*initialement attribuée aux ANR*).

15.7.1 Please confirm that this debt is currently assigned to the non-regulated activities. If not, please explain.

Réponse :

Gaz Métro le confirme.

15.7.2 Please confirm that GM is proposing to assign this \$150 M US Series J debt to the regulated activities as of April 2013. If not, please explain.

Réponse :

Non. Gaz Métro demande à la Régie d'approuver une méthode visant à neutraliser l'effet pour la clientèle de l'activité réglementée associé au transfert de la dette liée aux activités non réglementées vers l'activité réglementée.

15.8 Please describe the benefits, if any, to Quebec ratepayers of the additional complexity, transaction costs and regulatory oversight required to implement the proposal described in B-0150.

Réponse :

Il n'y a pas de bénéfice, ni de désavantage par ailleurs, pour les clients du Québec. Gaz Métro veut s'assurer qu'ils paient les coûts d'une dette qui serait émise en avril 2013 et, ce faisant, les tenir indemnes de la réallocation de la dette.

15.9 With respect to its US investments or any other activities, does GM make use of currency/foreign exchange hedges available on the market? Please explain.

Réponse :

Gaz Métro n'utilise pas d'outils financiers dérivés pour couvrir le risque de fluctuation du taux de change sur ses investissements en \$US.

15.10 Has GM estimated the value of the natural hedge that the proposal described in B-0150 would provide to the non-regulated business?

15.10.1 If yes, please explain and provide any numerical estimates, if available.

Réponse :

Gaz Métro n'a pas fait d'estimation de la valeur attribuée à la mise en place de la couverture naturelle.

15.10.2 If not, please explain why not.

Réponse :

La mise en place de la couverture naturelle apporte une diminution de la variabilité dans les *variations de change latentes sur conversion des états financiers des établissements étrangers autonomes* (dans la section autres éléments du résultat étendu des états financiers de Gaz Métro). Gaz Métro n'a pas quantifié la valeur de cette réduction de variabilité puisqu'il n'y a aucun coût ou bénéfice pour les clients de gaz naturel au Québec et que l'objectif de notre proposition est de les tenir indemnes.

- 15.11 Has GM estimated the cost to obtain a similar hedge on the market for its US investments? Please explain and provide any numerical estimates, if available.

Réponse :

Afin d'avoir une protection équivalente à l'émission d'une dette long terme en \$ US, Gaz Métro devrait conclure un dérivé financier avec une échéance à long terme auprès d'une institution financière. Gaz Métro a obtenu une indication du coût d'un tel dérivé, soit environ 18 M\$ au mois d'octobre 2012. Toutefois, en plus du coût du dérivé, Gaz Métro a également tenu compte des autres aspects qu'implique l'achat d'un dérivé financier, notamment la mise en place d'une documentation adéquate, le risque que peut représenter la contrepartie avec laquelle est fait le dérivé ainsi que les coûts additionnels, difficiles à quantifier, tels que des dépôts de collatéral de la part de Gaz Métro et des mouvements de fonds (entrées ou sorties) lors du règlement des dérivés, qui viendraient puiser dans les liquidités de Gaz Métro. Gaz Métro a donc jugé que la meilleure solution était la protection naturelle, autant par sa simplicité que par le fait qu'elle n'encourt aucun coût pour la clientèle de gaz naturel au Québec.

- 15.12 Absent the Régie's approval for the proposal in B-0150, please confirm that GM would replace the \$150 M debt, issued on the Canadian public market that is expiring in April 2013 with another \$150 M debt, issued on the Canadian public market. If not please explain what alternative course of action will be taken.

Réponse :

La demande de Gaz Métro consiste à demander une approbation pour établir une méthode de détermination d'un taux d'intérêt présumé pour une obligation à long terme, tel que mentionné à la page 9 de 9 de la pièce Gaz Métro 11, document 7 (lignes 9 à 11). Gaz Métro ne peut pas remplacer la dette de 150 M\$ tel qu'OC semble le présumer. Une méthode doit être approuvée par la Régie pour chercher à tenir indemnes les clients suite à ce remplacement qui a déjà eu lieu dans le cours normal d'une saine gestion.

- 15.13 Absent the Régie's approval for the proposal in B-0150, would GM bear the risk of currency fluctuation in its US business, buy a hedge on the markets, or undertake some other actions? Please explain.

Réponse :

Voir la réponse à la question 15.12.

15.14 Beyond neutralizing the effect of the proposal in B-0150 on regulated customers, what is Gaz Métro's position on compensating regulated customers for the value of the natural hedge, as well as the additional complexity, transaction costs and regulatory oversight required to implement the proposal. Please elaborate on Gaz Métro's position.

Réponse :

Le « hedge » naturel est au niveau de l'activité non réglementée et n'entraîne aucun coût additionnel aux clients de l'activité réglementée. Dans cette mesure, Gaz Métro n'envisage pas de compenser les clients de l'activité réglementée.

Ce que Gaz Métro recherche ici est d'imputer aux clients les coûts présumés de la dette comme si elle avait été émise sur le marché en avril 2013. Selon la méthode proposée, les clients seront tenus indemnes et devraient être indifférents entre cette méthode de calcul et l'émission d'une nouvelle dette sur le marché. Pour Gaz Métro, il n'y a aucune complexité additionnelle ni de coûts supplémentaires à appliquer cette méthodologie.

SHARING METHODOLOGY FOR OVER- AND UNDER-EARNING FOR 2013

16 Reference: i) B-0183, GM-12, Doc. 24, Section 1, pp. 3-6

Questions:

16.1 Please identify in detail all areas of operation where the Distributor has some discretion or flexibility and its actions can result in expenses being incurred in the current year or, instead, being deferred to the following year.

Réponse :

Outre les dépenses qui ne peuvent être projetées lors de l'établissement des tarifs et qui s'accompagnent d'un traitement réglementaire permettant de capter ces effets dans un compte de frais reportés, il n'y a aucun autre traitement discrétionnaire possible.

Pour la liste complète des comptes de frais reportés, veuillez vous référer à la réponse à la question 20.1.1 de la Régie, à la pièce Gaz Métro-18, Document 1.

16.2 Please identify in detail all areas of operation where the Company has some discretion or flexibility and its actions can result in revenues being collected in the current year or, instead, being applied to the following year.

Réponse :

Outre les revenus qui nécessitent d'être appariés au niveau des dépenses encourues (exemple : Fonds vert) et qui s'accompagnent d'un traitement réglementaire permettant de capter ces effets dans un compte de frais reportés, il n'y a aucun autre traitement discrétionnaire possible.

Pour la liste complète des comptes de frais reportés, veuillez vous référer à la réponse à la question 20.1.1 de la Régie, à la pièce Gaz Métro-18, Document 1.

16.3 Please provide actual and forecast earnings for the years 2001 to 2012, showing how, had the proposed mechanism been in place at the time, it would have resulted in sharing of over- or under- earnings.

Réponse :

L'annexe 9 présente pour chacune des années financières 2001/2002 à 2011/2012 le partage du trop-perçu/manque à gagner selon le mode de partage en vigueur dans l'année de référence par rapport au mode de partage proposé pour l'exercice 2013. L'analyse ne peut pas être réalisée pour l'année 2000/2001, les informations divulguées au rapport annuel ne nous permettent pas d'établir le trop-perçu pour chacun des services.

Il importe de rappeler que contrairement aux années passées, pour l'exercice 2013, aucun gain de productivité n'a été intégré au dossier tarifaire, puisque les tarifs sont établis au coût de service. Le montant de la bonification intégrée au dossier tarifaire de chaque année financière a donc été ajouté à l'analyse afin de déterminer le différentiel de rendement additionnel attribué aux associés considérant la bonification intégrée pour chaque dossier tarifaire.

RATE IMPACT AND BILL IMPACTS

17 References: i) B-0196, GM-15, Doc. 2, Section 2.2.1, pp. 11-12

Preamble

According to col (1) of Table 1 in ref (i), p. 12, D1.1 customers (0-10950 m3/year) should be subject to a revenue variation of 7.3% according to the rate allocation. However, GM is proposing to apply a 7.7% variation to the these customers according to col (2). GM maintains that it is applying a “quasi-uniform” variation of 7.8% in order to maintain uniform rates of cross-subsidization at all blocks of D1.

Questions:

17.1 Please explain, using numerical examples, how a variance of 0.4% between the rate allocation and the proposed revenues for D1.1 customers in Table 1 will maintain uniform rates of cross-subsidization at all blocks of D1.

Réponse :

Voir la réponse à la question 8.3 de TCE (Gaz Métro-18, Document 7).

17.2 Please confirm that variance of 0 between the rate allocation and the proposed revenues for D1.1 customers in Table 1 would maintain uniform rates of cross-subsidization at all blocks of D1. If not, why not.

Réponse :

Voir la réponse à la question 17.1.

18 References: i) R-3752-2011 Phase 2, B-0191, GM-15, Doc 11.1, Tables 1 and 2, pp. 3-4
ii) R-3752-2011 Phase 2, B-0191, GM-15, Doc 11.2, Tables 1, p.3.

Preamble

OC is concerned with quantifying the rate increases and bill impacts. We are therefore asking for updates of tables provided in IRs in the 2012 Rate Case.

Questions:

18.1 Please update Tables 1 and 2 in ref (i) in order to show the rate impact between the 2012 rate schedule and the proposed rate schedule for 2013 for F,C, T, E, D for each block of D1 (including the sub-blocks of D1.1).

Réponse :

Les tableaux 1 et 2 cités à la référence (i) sont mis à jour et présentés ci-dessous.

Le tableau 1 présente l'impact sur la facture totale des cas-types (clients moyens) présentés à la colonne 3 selon un taux de distribution calculé pour ces cas-types.

Le tableau 2 présente l'impact sur la facture totale pour les volumes moyens présentés à la colonne 1 selon les taux de distribution moyens des différents paliers du tarif D₁.

TABLEAU 1

BUDGET 2013				TAUX UNITAIRES							TAUX UNITAIRES PROPOSÉS APRÈS						VAR.
DESCRIPTION	NOMBRE USAGERS	VOLUMES AJUSTÉS	FACTEUR CONSOMM	D-2011-194							MODIFICATIONS & RABAIS TRANSITOIRES						Colonne (15) versus colonne (9)
				Invent	Transport	Équilibrage	Distribution	Fourniture & Compres. ¹	Total	Invent	Transport	Équilibrage	Distribution	Fourniture & Compres. ²	Total		
(m ³ /an)	(1) (#)	(2) (10 ³ m ³)	(3) (m ³ /#an)	(4) (¢/m ³)	(5) (¢/m ³)	(6) (¢/m ³)	(7) (¢/m ³)	(8) (¢/m ³)	(9) (¢/m ³)	(10) (¢/m ³)	(11) (¢/m ³)	(12) (¢/m ³)	(13) (¢/m ³)	(14) (¢/m ³)	(15) (¢/m ³)	(16) (%)	
1 0 - 1 095	73 028	32 565	446	0,325	6,927	4,652	62,094	12,578	86,576	0,250	6,377	5,481	64,579	12,485	89,172	3,0	
2 1 095 - 3 650	66 289	161 299	2 433	0,325	6,927	4,652	31,007	12,578	55,490	0,250	6,377	5,481	33,492	12,485	58,085	4,7	
3 3 650 - 10 950	25 638	188 762	7 363	0,325	6,927	4,652	25,213	12,578	49,696	0,250	6,377	5,481	27,472	12,485	52,065	4,8	
4 10 950 - 36 500	16 665	397 315	23 841	0,325	6,927	4,652	20,824	12,578	45,306	0,250	6,377	5,481	22,379	12,485	46,972	3,7	
5 0 - 36 500	181 620	779 941	4 294	0,325	6,927	4,652	25,715	12,578	50,198	0,250	6,377	5,481	27,672	12,485	52,265	4,1	
6 36 500 - 109 500	7 246	488 440	67 409	0,325	6,927	4,652	17,386	12,578	41,869	0,250	6,377	5,481	18,497	12,485	43,090	2,9	
7 109 500 - 365 000	2 053	371 509	180 959	0,325	6,927	4,652	14,429	12,578	38,912	0,250	6,377	5,481	15,221	12,485	39,814	2,3	
8 365 000 - 1 095 000	309	173 514	561 533	0,325	6,927	4,652	11,365	12,578	35,848	0,250	6,377	5,481	11,931	12,485	36,524	1,9	
9 1 095 000 - 3 650 000	37	61 130	1 652 155	0,325	6,927	4,652	8,779	12,578	33,261	0,250	6,377	5,481	9,170	12,485	33,763	1,5	
10 3 650 000 - et plus	4	24 688	6 171 989	0,325	6,927	4,652	6,602	12,578	31,085	0,250	6,377	5,481	6,874	12,485	31,467	1,2	
11 36 500	9 649	1 119 280	116 001	0,325	6,927	4,652	14,763	12,578	39,246	0,250	6,377	5,481	15,626	12,485	40,219	2,5	

1 : Prix de fourniture (11,973 ¢/m³) et de compression (0,605 ¢/m³) en vigueur au 1^{er} février 2013.

2 : Prix de fourniture (12,125 ¢/m³) et de compression (0,360 ¢/m³) prévus au présent dossier.

TABLEAU 2

Paliers D1	VOLUME MOYEN	FOURNITURE ET COMPRESSION		DISTRIBUTION		TRANSPORT, ÉQUILIB. ET INVENTAIRES		FACTURE TOTALE		VARIATIONS	
		ACTUELLE	PROPOSÉE	ACTUELLE	PROPOSÉE	ACTUELLE	PROPOSÉE	ACTUELLE	PROPOSÉE	\$	%
	(1)(m³)	(2)(\$)	(3)(\$)	(4)(\$)	(5)(\$)	(6)(\$)	(7)(\$)	(8)(\$)	(9)(\$)	(10)	(11)
1 0 - 1 095 m³/an	446	56	56	279	289	53	54	388	399	10	2,7%
2 1 095 - 3 650 m³/an	2 433	306	304	770	826	290	295	1 366	1 424	59	4,3%
3 3 650 - 10 950 m³/an	7 363	926	919	1 905	2 059	876	891	3 707	3 870	163	4,4%
4 0 - 10 950 m³/an	2 320	292	290	729	780	276	281	1 297	1 350	53	4,1%
5 10 950 - 36 500 m³/an	23 841	2 999	2 977	5 126	5 464	2 838	2 887	10 963	11 327	364	3,3%
6 < 36 500 m³/an	4 294	540	536	1 133	1 210	511	520	2 184	2 266	82	3,8%
7 36 500 - 109 500 m³/an	67 409	8 479	8 416	12 122	12 790	8 025	8 162	28 625	29 368	743	2,6%
8 109 500 - 365 000 m³/an	180 959	22 761	22 593	26 578	27 834	21 542	21 911	70 881	72 337	1 456	2,1%
9 365 000 - 1 095 000 m³/an	561 533	70 630	70 107	65 688	68 363	66 847	67 991	203 165	206 461	3 296	1,6%
10 1 095 000 - 3 650 000 m³/an	1 652 155	207 808	206 270	155 631	161 054	196 680	200 044	560 119	567 367	7 248	1,3%
11 3 650 000 - 10 950 000 m³/an	6 171 989	776 313	770 567	447 430	460 190	734 741	747 307	1 958 484	1 978 064	19 580	1,0%
12 > 36 500 m³/an	116 001	14 591	14 483	17 644	18 525	13 809	14 045	46 044	47 053	1 009	2,2%
13 TARIF 1	9 930	1 249	1 240	1 965	2 083	1 182	1 202	4 396	4 525	129	2,9%
14 TARIF 1 avec rabais transit.	451 249	56 758	56 338	41 246	45 081	53 719	54 637	151 722	156 057	4 334	2,9%

18.2 Please update Table 1 in ref (ii) in order to show the bill impact of rate variations proposed for 2013 for certain typical residential and CII customers (*cas types*).

Réponse :

Le tableau 1 cité à la référence (ii) est mis à jour et présenté ci-dessous.

**IMPACTS DE LA VARIATION PROPOSÉE SUR CERTAINS CAS TYPES
RÉSIDENTIELS ET AFFAIRES**

	Résidentiel 160 m ²			Marché affaires							
	Nouv. Const. & équip. neuf	Const. Exist. & équip. neuf	Const exist & équip exist.	D ₁	D ₁	D ₁	D ₁	D ₁ + RT	D ₁ + RT	D ₁ + RT	D ₃
TARIF	D ₁	D ₁	D ₁	D ₁	D ₁	D ₁	D ₁	D ₁ + RT	D ₁ + RT	D ₁ + RT	D ₃
Volume (m³/an)	1 417	2 151	2 674	14 600	41 500	100 000	400 000	100 000	400 000	400 000	400 000
% de chauffe	100%	100%	100%	85%	85%	85%	85%	85%	85%	15%	15%
1^{er} octobre 2011 *	925 \$	1 317 \$	1 596 \$	7 611 \$	19 990 \$	45 133 \$	165 227 \$	41 241 \$	153 613 \$	139 929 \$	139 929 \$
1^{er} octobre 2012 **	(31) \$	(48) \$	(59) \$	(429) \$	(1 422) \$	(3 762) \$	(16 367) \$	(3 189) \$	(14 596) \$	(14 683) \$	(18 304) \$
Variation	-3,4%	-3,6%	-3,7%	-5,6%	-7,1%	-8,3%	-9,9%	-7,7%	-9,5%	-10,5%	-14,3%

* : Prix de fourniture (16,823 ¢/m³) et de compression (0,569 ¢/m³) prévus à la CT-2012

Taux inventaires, transport et équilibrage tels que présentés à la pièce R-3752-2011, Gaz Métro-15, Document 11, page 1, colonnes (19), (20) et (21)

Taux équilibrage du cas-type D₃ établi selon le profil de consommation et les taux d'équilibrage 2012 (D-2011-194)

Taux de distribution selon la grille 2012 (D-2011-194)

** : Prix de fourniture (12,125 ¢/m³) et de compression (0,360 ¢/m³) prévus à la CT-2013

Taux inventaires, transport et équilibrage tels que présentés à la pièce R-3809-2012, Gaz Métro-15, Document 10, page 1, colonnes (19), (20) et (21)

Taux équilibrage du cas-type D₃ établi selon le profil de consommation et les taux d'équilibrage proposés

Taux de distribution selon la grille 2013 proposée

LOW-INCOME ENERGY EFFICIENCY PROGRAMS

19 Reference: i) B-0185, GM-13, Doc. 2, pp. 7-9

Questions:

19.1 Of the 252 annual participants in the Bonification CII program projected for 2013-2015, please provide a breakdown of landlord participants and tenant participants (and any other types of participants).

Réponse :

Programme Bonification CII*	Locataires MFR	Propriétaires MFR	TOTAL
	252	0	252

*Les projets réalisés dans des immeubles multilocatifs de 4 logements et plus font partie du programme Bonification CII.

19.2 Please provide the energy savings associated with this CII program by type of participant.

Réponse :

Gaz Métro réfère OC à la réponse à la question 2.8 du GRAME (Gaz Métro-18, Document 3).

19.3 Of the 10 annual participants in the Bonification Résidentielle program projected 2013-2015, please provide a breakdown of landlord participants, MFR homeowner participants, and tenant participants (and any other types of participants).

Réponse :

Programme Bonification résidentiel*	Locataires MFR	Propriétaires MFR	TOTAL
	5	5	10

*Les maisons unifamiliales, les duplex et les triplex font partie du programme Bonification résidentiel.

19.4 Please provide the energy savings associated with this Bonification Résidentielle program by type of participant.

Réponse :

Gaz Métro réfère OC à la réponse à la question 19.2.

19.5 Please confirm that the participants in both the expanded Bonification CII program and the expanded Bonification Résidentielle program include the participants that were previously projected in the R-3790-2012 case concerning the integration of the FEE programs in the PGEE.

Réponse :

Pour l'année 2012-2013, le nombre de participants aux programmes de bonification résidentiel et CII présentés dans les tableaux VI.1, VI.2 et VI.3² n'incluent pas les participants rattachés aux budgets autorisés par la Régie pour les programmes Bonification résidentiel et CII issus des programmes du FEÉ³.

19.6 Please provide an update concerning progress with marketing efforts for Bonification Résidentielle and Bonification CII programs related to FEE programs that were integrated in the PGEE.

Réponse :

Gaz Métro réfère OC à la réponse à la question 3.1 du GRAME (Gaz Métro-18, Document 3).

Également, la consultation de Gaz Métro devrait permettre de bien définir sa stratégie de commercialisation. Elle porte sur tous les programmes susceptibles d'être bonifiés : les programmes issus des programmes du FEÉ, que la Régie a déjà autorisés, ainsi que l'ensemble des programmes résidentiels et CII du PGEÉ, pour lesquels une demande d'élargissement a été présentée à la Régie⁴.

Gaz Métro désire présenter aux MFR et aux propriétaires qui louent des logements à des MFR une offre complète et cohérente de mesures qui

² http://internet.regie-energie.qc.ca/Depot/Projets/154/Documents/R-3809-2012-B-0185-DEMAMEND-PIECE-2012_12_17.pdf, p.7-9

³ http://internet.regie-energie.qc.ca/Depot/Projets/131/Documents/R-3790-2012-A-0017-DEC-DEC-2012_09_10.pdf, p.19

⁴ http://internet.regie-energie.qc.ca/Depot/Projets/154/Documents/R-3809-2012-B-0184-DEMAMEND-PIECE-2012_12_17.pdf, p.38-39 et 61-62

inclura tous les programmes du PGEÉ, en plus des programmes issus du FEÉ.

Gaz Métro prévoit mettre en œuvre sa stratégie de commercialisation lorsque la Régie aura rendu une décision favorable sur sa demande d'élargir ses programmes de bonification à l'ensemble des programmes du PGEÉ.

Gaz Métro juge préférable de se préparer à déployer une offre complète pour les MFR plutôt que de procéder initialement avec les programmes intégrés du FEÉ puis avec les autres programmes puisque le matériel préparé initialement devrait être mis à jour, engendrant ainsi des coûts additionnels et qu'une offre globale maximisera l'attrait aux programmes.

19.7 At the present time, please quantify the number of participants to date in the Bonification Résidentielle and Bonification CII programs related to FEE programs that were integrated in the PGEE and approved by the Régie in 2012.

Réponse :

À la fin du mois de janvier 2013, il n'y a aucun participant pour les programmes de bonification issus des programmes du FEÉ considérant le fait que le processus de déploiement des programmes est en cours.

19.8 In the design of the expanded Bonification Résidentielle and Bonification CII programs, to what extent did GM review MFR programs in other jurisdictions to determine best practices? In particular, to what extent did GM consider experience from other jurisdictions in terms of identifying and attracting MFR participants and landlords to such programs, as well as establishing adequate financial aid levels in order to provide the incentive for higher levels of participation? Please explain.

Réponse :

Gaz Métro a eu des discussions avec d'autres distributeurs gaziers au Canada. La commercialisation des programmes, l'identification et la qualification des MFR semblent faire partie des enjeux partagés par plusieurs.

Cependant, pour l'aider à déployer son approche auprès des MFR, Gaz Métro a entrepris, en janvier 2013, une consultation de plusieurs intervenants en lien avec les MFR, dont OC, ainsi que différentes

associations de propriétaires au Québec. Gaz Métro souhaite ainsi trouver des solutions concrètes et pratiques pour mitiger ces enjeux et favoriser une participation accrue à ses programmes pour les MFR.

19.9 To what extent has GM recently consulted with any landlords (in either the Residential or CII market) during the design of the expanded Bonification Résidentielle and Bonification CII programs to test the landlords' interest and to determine what level of supplementary financial assistance is sufficient? Please explain.

Réponse :

Gaz Métro réfère OC aux réponses aux questions 19.6 et 19.8.

19.10 What strategies does GM plan to pursue in order to increase participation in the expanded Bonification Résidentielle and Bonification CII programs? How will these strategies differ from GM's promotion of MFR programs in the PGEÉ?

Réponse :

La stratégie de commercialisation de Gaz Métro pour favoriser la participation des MFR et des propriétaires qui louent des logements à des MFR est en préparation. La première étape pour définir cette stratégie a débuté au mois de janvier 2013 par une démarche de consultation.

La démarche de consultation de Gaz Métro visant la mise en œuvre de ses programmes de bonification pour les MFR est décrite en réponse à la question 19.8.

19.11 How does GM plan to market the expanded Bonification Résidentielle and Bonification CII programs? Please explain in detail, including any involvement of the GM sales force.

Réponse :

Gaz Métro réfère OC à la réponse à la question 19.10.

19.12 Please confirm that the same tenant protection described in R-3790-2012 will be available to MFR renters benefitting from the Bonification CII and Bonification Résidentielle program.

Réponse :

Il s'agit des mêmes programmes. Les conditions d'application seront les mêmes.

19.13 To what extent will GM focus its marketing efforts on landlords of buildings with MFR tenants? Please explain.

Réponse :

Gaz Métro réfère OC à la réponse à la question 19.10.

19.14 Please provide an update on GM's efforts to market the Bonification CII and Bonification Résidentielle program to participants given that these programs were already approved in the R-3790-2012 filing for certain FEE programs that were integrated into the PGEE.

Réponse :

Gaz Métro réfère OC à la réponse à la question 19.6.

19.15 In R-3790-2012 (GM-1, Doc. 1, p. 30 lines 10-11), GM indicated that it planned to use an external firm in order to qualify MFR clients in the Bonification Résidentielle and CII programs. Has SCGM selected this external firm? If so, please identify the firm and describe its capabilities to qualify MFR clients.

Réponse :

Non.

19.16 Will the firm be involved in the identification of MFR program participants (including Residential MFR homeowners, tenants in Residential MFR buildings and landlords of MFR buildings), or only in the qualification of pre-identified MFR clients for lower-income eligibility? Please explain.

Réponse :

Gaz Métro n'a pas pris de décision en ce qui concerne le rôle que pourrait jouer l'agent-livreur des programmes de bonification.

Cet enjeu fait partie des sujets qui sont discutés dans le cadre des consultations décrites en réponse à la question 3.1 du GRAME (Gaz Métro-18, Document 3).

19.17 Please explain the process by which the firm will qualify the MFR clients.

Réponse :

Gaz Métro n'a pas encore défini le processus de qualification des MFR.

Cet enjeu fait partie des questions discutées dans le cadre des consultations décrites en réponse à la question 3.1 du GRAME (Gaz Métro-18, Document 3).

19.18 Please describe how the firm will work with SCGM to identify MFR program participants (if applicable) and qualify MFR clients.

Réponse :

Gaz Métro n'a pas encore défini son rôle en lien avec celui de l'agent-livreur concernant l'identification et la qualification des MFR.

Cet enjeu fait partie des questions discutées dans le cadre des consultations décrites en réponse à la question 3.1 du GRAME (Gaz Métro-18, Document 3).

Coûts de distribution

	1993-94	1994-95	1995-96	1996-97	1997-98	1998-99	1999-2000						
Données réelles (millions de \$)													
Dépenses d'exploitation													
Salaires	63,7	63,2	-1%	57,4	-9%	58,2	1%	61,5	6%	61,2	0%	n.d.	n/a
Avantages sociaux	18,6	19,3	4%	18,7	-3%	18,9	1%	16,7	-12%	17,4	4%	n.d.	n/a
Autres dépenses	29,6	33,2	12%	30,8	-7%	32,3	5%	32,9	2%	37,1	13%	n.d.	n/a
Capitalisation			n/a		n/a		n/a		n/a		n/a		n/a
Frais corporatifs	(11,2)	(11,7)	4%	(11,0)	-6%	(12,4)	13%	(11,0)	-11%	(12,4)	13%	n.d.	n/a
Total	100,7	104	3%	95,9	-8%	97	1%	100,1	3%	103,3	3%	104,7	1%
Coûts de distribution dans le CDG			n/a		n/a		n/a		n/a		n/a		n/a
Amortissement des immobilisations	44,1	45,6	3%	49,1	8%	49,8	1%	51,4	3%	54,8	7%	56,3	3%
Amortissement des frais reportés	23,5	18,6	-21%	14,6	-22%	21,8	49%	27,7	27%	29,2	5%	40,3	38%
Rabais à la consommation	6,9	14,4	109%	23,6	64%	25,7	9%	23,7	-8%	17,7	-25%	10,5	-41%
Impôts fonciers, redevances et taxes	24,7	26,3	6%	27,8	6%	29,5	6%	29,3	-1%	23,8	-19%	27	13%
Rendement	128,4	135,1	5%	140,3	4%	135	-4%	126,9	-6%	123,9	-2%	125,9	2%
Impôts sur le revenu	39,6	43,5	10%	53,2	22%	49,3	-7%	48	-3%	46,8	-3%	54,3	16%
Autres revenus	(3,1)	(2,0)	-35%	(2,0)	0%	(2,1)	5%	(2,5)	19%	(2,4)	-4%	(2,5)	4%
CASEP	n.d.	n.d.	n/a	n.d.	n/a	n.d.	n/a	n.d.	n/a	n.d.	n/a	n.d.	n/a
Fonds vert			n/a		n/a		n/a		n/a		n/a		n/a
Revenus GNL			n/a		n/a		n/a		n/a		n/a		n/a
Coût de distribution avant PGEÉ et FEÉ	364,8	385,5	6%	402,5	4%	406,0	1%	404,6	0%	397,1	-2%	416,5	5%
PGEÉ			n/a		n/a		n/a		n/a		n/a		n/a
FEÉ			n/a		n/a		n/a		n/a		n/a		n/a
Coût total de distribution	364,8	385,5	6%	402,5	4%	406	1%	404,6	0%	397,1	-2%	416,5	5%
Coût total de distribution avant capitalisation	364,8	385,5	6%	402,5	4%	406,0	1%	404,6	0%	397,1	-2%	416,5	5%
Coût total de distribution avant capitalisation	364,8	385,5		402,5		406,0		404,6		397,1		416,5	
% Salaire	17%	16%		14%		14%		15%		15%		n/a	
% Autres dépenses	8%	9%		8%		8%		8%		9%		n/a	
Coût total de distribution	364,80	385,50		402,50		406,00		404,60		397,10		416,50	
Salaire	17%	16%		14%		14%		15%		15%		n/a	
Autres dépenses	8%	9%		8%		8%		8%		9%		n/a	

Sources

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Note : Les données des salaires, avantages sociaux et autres dépenses ne sont pas comparables avant et après 2000.

Coûts de distribution

	2000-2001	2001-2002	2002-2003	2003-2004	2004-2005	2005-2006	2006-2007	2007-2008	2008-2009									
Données réelles (millions de \$)																		
Dépenses d'exploitation																		
Salaires	n.d.	n/a	70,9	n/a	75,5	6%	80,9	7%	85,1	5%	88,4	4%	89,7	1%	90,8	1%	93,9	3%
Avantages sociaux	n.d.	n/a	19,7	n/a	24,1	22%	26,1	8%	27,5	5%	29,2	6%	29,8	2%	27,4	-8%	33,1	21%
Autres dépenses	n.d.	n/a	37,7	n/a	39,4	5%	42,4	8%	43,8	3%	44,8	2%	41,5	-7%	46,1	11%	48,5	5%
Capitalisation		n/a	(19,6)	n/a	(23,9)	22%	(29,6)	24%	(32,9)	11%	(32,2)	-2%	(28,6)	-11%	(31,6)	10%	(32,7)	3%
Frais corporatifs	n.d.	n/a		n/a		n/a		n/a		n/a		n/a		n/a		n/a		n/a
Total	104,9	0%	108,8	4%	115,1	6%	119,8	4%	123,5	3%	130,1	5%	132,4	2%	132,7	0%	142,8	8%
Coûts de distribution dans le CDG		n/a		n/a		n/a	11,5	n/a	8,2	-29%	9,2	12%	11,0	20%	10,4	-6%	11,3	9%
Amortissement des immobilisations	59,2	5%	61,6	4%	65,6	6%	65,7	0%	68,2	4%	73,3	7%	79,6	9%	81,7	3%	85,8	5%
Amortissement des frais reportés	42	4%	44,4	6%	45,9	3%	41,0	-11%	38,4	-6%	36,8	-4%	40,6	10%	43,3	7%	54,6	26%
Rabais à la consommation	7,7	-27%	3,8	-51%	2,3	-39%	1,8	-22%	1,7	-4%	0,8	-54%	0,1	-91%	0,3	368%	0,0	-87%
Impôts fonciers, redevances et taxes	28,3	5%	27,3	-4%	29	6%	26,5	-9%	26,1	-1%	26,5	2%	27,1	2%	25,3	-6%	24,8	-2%
Rendement	131,1	4%	128,9	-2%	131,8	2%	132,5	1%	128,8	-3%	122,1	-5%	128,0	5%	128,1	0%	124,6	-3%
Impôts sur le revenu	50,4	-7%	52	3%	48,4	-7%	36,8	-24%	33,8	-8%	30,8	-9%	34,8	13%	36,7	5%	34,0	-7%
Autres revenus	(3,5)	40%	(2,6)	-26%	(3,2)	23%	(3,2)	0%	(3,1)	-3%	(3,5)	13%	(3,2)	-7%	(3,3)	2%	(3,0)	-9%
CASEP	n.d.	n/a	n.d.	n/a	n.d.	n/a	0,1	n/a	1,0	740%	1,0	0%	1,0	0%	1,0	0%	1,0	0%
Fonds vert		n/a		n/a		n/a		n/a		n/a		n/a		n/a	38,0	n/a	38,0	0%
Revenus GNL		n/a		n/a		n/a		n/a		n/a		n/a		n/a		n/a		n/a
Coût de distribution avant PGEÉ et FEÉ	420,1	1%	424,2	1%	434,9	3%	432,4	-1%	426,7	-1%	427,2	0%	451,3	6%	494,2	9%	514,0	4%
PGEÉ	1,5	n/a	3,2	114%	3,8	18%	7,4	94%	5,1	-30%	6,6	29%	7,9	19%	11,8	51%	14,3	21%
FEÉ	1,8	n/a	0,1	-97%	1,2	1835%	4,3	262%	(4,0)	-192%	0,9	-123%	2,2	136%	0,0	-100%	1,9	n/a
Coût total de distribution	423,4	2%	427,4	1%	439,9	3%	444,1	1%	427,8	-4%	434,7	2%	461,4	6%	506,0	10%	530,1	5%
Coût total de distribution avant capitalisation	423,4	2%	447,0	6%	463,8	4%	473,7	2%	460,7	-3%	466,9	1%	490,0	5%	537,6	10%	562,8	5%
Coût total de distribution avant capitalisation	423,4		447,0		463,8		473,7		460,7		466,9		490,0		537,6		562,8	
% Salaire	n/a		16%		16%		17%		18%		19%		18%		17%		17%	
% Autres dépenses	n/a		8%		8%		9%		10%		10%		8%		9%		9%	
Coût total de distribution	423,41		427,45		439,90		444,12		427,83		434,67		461,35		506,02		530,14	
Salaire	n/a		17%		17%		18%		20%		20%		19%		18%		18%	
Autres dépenses	n/a		9%		9%		10%		10%		10%		9%		9%		9%	

Sources

SCGM 4
Doc 1
R-3474-2001

SCGM 4
Doc 1
R-3505-2002

SCGM 4
Doc 1
R-3521-2003

SCGM 5
Doc 4
R-3556-2004

SCGM 5
Doc 4
R-3591-2005

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Doc 4
R-3618-2006

Gaz Métro-8
Doc 3
R-3654-2007

Gaz Métro-8
Doc 3
R-3680-2008

Gaz Métro-8
Doc 2
R-3717-2009

Coûts de distribution

	2009-2010		2010-2011		2011-2012		Augmentation moyenne de 1996 à 2000	Augmentation moyenne de 2001 à 2012
Données réelles (millions de \$)								
Dépenses d'exploitation								
Salaires	95,6	2%	97,6	2%	107,5	10%	-1%	4%
Avantages sociaux	38,9	18%	43,3	11%	47,1	9%	-2%	9%
Autres dépenses	51,3	6%	53,0	3%	47,6	-10%	3%	3%
Capitalisation	(33,4)	2%	(36,8)	10%	(41,0)	11%	n/a	8%
Frais corporatifs		n/a		n/a		n/a	2%	n/a
Total	152,4	7%	157,0	3%	161,2	3%	0%	4%
Coûts de distribution dans le CDG	12,6	12%	15,0	18%	3,6	-76%	n/a	-5%
Amortissement des immobilisations	85,0	-1%	84,9	0%	88,3	4%	4%	4%
Amortissement des frais reportés	42,4	-22%	41,8	-1%	18,8	-55%	20%	-4%
Rabais à la consommation	0,0	-5%	0,0	-5%	0,0	-18%	0%	-1%
Impôts fonciers, redevances et taxes	25,7	4%	23,6	-8%	24,2	3%	1%	-1%
Rendement	125,0	0%	123,3	-1%	130,2	6%	-1%	0%
Impôts sur le revenu	31,4	-8%	30,1	-4%	27,8	-8%	5%	-5%
Autres revenus	(3,1)	5%	(5,5)	77%	(3,1)	-43%	5%	3%
CASEP	1,0	0%	1,0	0%	1,0	0%	n/a	93%
Fonds vert	42,6	12%	40,2	-6%	39,6	-2%	n/a	1%
Revenus GNL		n/a	(0,0)	n/a	(0,1)	10186%	n/a	10186%
Coût de distribution avant PGEÉ et FEÉ	515,2	0%	511,5	-1%	491,6	-4%	2%	1%
PGEÉ	12,7	-11%	12,5	-2%	12,3	-2%	n/a	27%
FEÉ	0,0	-100%	0,0	n/a	0,0	n/a	n/a	203%
Coût total de distribution	527,9	0%	524,0	-1%	503,8	-4%	2%	2%
Coût total de distribution avant capitalisation	561,3	0%	560,8	0%	544,8	-3%	2%	2%
Coût total de distribution avant capitalisation	561,3		560,8		544,8			
% Salaire	17%		17%		20%			
% Autres dépenses	9%		9%		9%			
Coût total de distribution	527,90		524,01		503,84			
Salaire	18%		19%		21%			
Autres dépenses	10%		10%		9%			

Sources

Gaz Métro-8
Doc 2
R-3745-2010

Gaz Métro-8
Doc 2
R-3782-2011

Gaz Métro-8
Doc 2
R-3831-2012

Coûts de distribution

	1992-93	1993-94	1994-95	1995-96	1996-97	1997-98	1998-99	1999-2000
Données projetées (millions de \$)								
Dépenses d'exploitation								
Salaires	67,8	68,6	64,8	66,7	59	61,5	61,7	64,7
Avantages sociaux	19,1	19,9	20,3	21,9	19,3	18,7	18,1	18,3
Autres dépenses	29,3	29,2	31,2	31,9	29,4	30,9	33,6	32,5
Frais corporatifs	(12,3)	(12,3)	(12,1)	(12,7)	(12,3)	(11,1)	(11,1)	(10,6)
Capitalisation								
Total	103,9	105,4	104,2	107,8	95,4	100	102,3	104,9
Coûts de distribution dans le CDG								
Amortissement des immobilisations	42,1	44,4	46,8	49,2	50	51,3	55,4	56,4
Amortissement des frais reportés	22,6	23,7	22,1	24,2	21	28,3	29	39,7
Rabais à la consommation	3,8	5,1	18,2	30,4	26	24,9	20,5	11,5
Impôts fonciers, redevances et taxes	23,9	24,5	24,8	28,3	29,5	29,4	24,3	26,5
Rendement	129,7	126,9	136,6	139,9	134,3	124,8	123,2	122
Impôts sur le revenu	40,3	41,9	44,1	49,8	46,4	46,8	42,9	48,6
Autres revenus	(1,5)	(1,6)	(1,9)	(3,1)	(2,5)	(2,3)	(2,3)	(2,3)
CASEP								
Fonds vert								
Revenus GNL								
Coût de distribution avant PGEÉ et FEÉ	364,8	370,3	394,9	426,5	400,1	403,2	395,3	407,3
PGEÉ								
FEÉ								
Coût total de distribution	364,8	370,3	394,9	426,5	400,1	403,2	395,3	407,3
Coût total de distribution avant capitalisation	364,8	370,3	394,9	426,5	400,1	403,2	395,3	407,3
Coût total de distribution avant capitalisation	364,8	370,3	394,9	426,5	400,1	403,2	395,3	407,3
% Salaire	19%	19%	16%	16%	15%	15%	16%	16%
% Autres dépenses	8%	8%	8%	7%	7%	8%	8%	8%
Coût total de distribution	364,8	370,3	394,9	426,5	400,1	403,2	395,3	407,3
Salaire	19%	19%	16%	16%	15%	15%	16%	16%
Autres dépenses	8%	8%	8%	7%	7%	8%	8%	8%

Sources

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Coûts de distribution

	2000-2001		2001-2002		2002-2003		2003-2004		2004-2005		2005-2006		2006-2007		2007-2008	
Données projetées (millions de \$)																
Dépenses d'exploitation																
Salaires	n.d.	n/a	n.d.	n/a	n.d.	n/a	79,7	n/a	82,2	3%	86,7	5%	92,7	7%	93,4	1%
Avantages sociaux	n.d.	n/a	n.d.	n/a	n.d.	n/a	24,0	n/a	27,4	14%	28,9	5%	29,0	0%	27,1	-6%
Autres dépenses	n.d.	n/a	n.d.	n/a	n.d.	n/a	40,1	n/a	42,6	6%	44,9	5%	42,9	-5%	41,9	-2%
Frais corporatifs	n.d.	n/a	n.d.	n/a	n.d.	n/a	-	n/a	-	n/a	-	n/a	-	n/a	-	n/a
Capitalisation		n/a		n/a		n/a	(25,5)	n/a	(29,0)	14%	(32,0)	10%	(32,6)	2%	(30,4)	-7%
Total	108,1	3%	104,8	-3%	112,7	8%	118,3	5%	123,2	4%	128,5	4%	132,0	3%	132,00	0%
Coûts de distribution dans le CDG		n/a		n/a		n/a	8,3	n/a	9,9	19%	11,3	14%	11,1	-1%	10,6	-5%
Amortissement des immobilisations	59,4	5%	61,6	4%	64,9	5%	65,7	1%	68,2	4%	72,8	7%	78,5	8%	82,3	5%
Amortissement des frais reportés	42,3	7%	44,4	5%	46,8	5%	41,9	-10%	38,6	-8%	37,1	-4%	41,1	11%	45,5	11%
Rabais à la consommation	8,7	-24%	4,7	-46%	2,1	-55%	2,7	27%	2,0	-26%	1,0	-48%	0,3	-75%	0,1	-69%
Impôts fonciers, redevances et taxes	28,4	7%	29,1	2%	27,8	-4%	25,1	-10%	25,4	1%	26,7	5%	27,2	2%	26,8	-1%
Rendement	134,9	11%	136,9	1%	131,5	-4%	132,2	0%	137,2	4%	122,9	-10%	129,14	5%	130,3	1%
Impôts sur le revenu	52,3	8%	52,1	0%	46,6	-11%	36,1	-22%	36,1	0%	33,6	-7%	33,68	0%	34,7	3%
Autres revenus	(2,6)	13%	(2,5)	-4%	(2,5)	0%	(2,8)	12%	(3,0)	7%	(3,5)	16%	(3,3)	-5%	(3,1)	-5%
CASEP	0,347	n/a	0,2	-44%	0,073	-62%	0,1	63%	1,0	740%	1,0	0%	1,0	0%	1,0	0%
Fonds vert		n/a		n/a		n/a		n/a		n/a		n/a		n/a		n/a
Revenus GNL		n/a		n/a		n/a		n/a		n/a		n/a		n/a		n/a
Coût de distribution avant PGEE et FEÉ	431,8	6%	431,3	0%	430,0	0%	427,7	-1%	438,6	3%	431,4	-2%	450,7	4%	460,1	2%
PGEE	1,7	n/a	3,2	87%	4,0	26%	6,7	68%	5,1	-24%	6,6	29%	7,9	19%	11,8	51%
FEÉ	1,9	n/a	0,1	-97%	1,3	1993%	4,3	242%	(4,0)	-193%	0,9	-123%	2,2	130%	0,0	-100%
Coût total de distribution	435,447	7%	434,6	0%	435,3	0%	438,7	1%	439,7	0%	439,0	0%	460,8	5%	471,9	2%
Coût total de distribution avant capitalisation	435,4	7%	434,6	0%	435,3	0%	464,2	7%	468,8	1%	471,0	0%	493,3	5%	502,4	2%
Coût total de distribution avant capitalisation	435,4		434,6		435,3		464,2		468,8		471,0		493,3		502,4	
% Salaire	n/a		n/a		n/a		17%		18%		18%		19%		19%	
% Autres dépenses	n/a		n/a		n/a		9%		9%		10%		9%		8%	
Coût total de distribution	435,447		434,55		435,267		438,697		439,713		438,984		460,752		471,943	
Salaire	n/a		n/a		n/a		18%		19%		20%		20%		20%	
Autres dépenses	n/a		n/a		n/a		9%		10%		10%		9%		9%	
Sources	SCGM 4 Doc 1 R-3474-2001		SCGM 4 Doc 1 R-3505-2002		SCGM 9 Doc 8 R-3484-2002		SCGM 5 Doc 4 R-3556-2004		SCGM 5 Doc 4 R-3591-2005		SCGM 5 Doc 4 R-3618-2006		Gaz Métro-8 Doc 3 R-3654-2007		Gaz Métro-8 Doc 3 R-3680-2008	

Coûts de distribution

Données projetées (millions de \$)	2008-2009		2009-2010		2010-2011		2011-2012		2012-2013		Augmentation moyenne de 1996 à 2000	Augmentation moyenne de 2001 à 2012
Dépenses d'exploitation												
Salaires	95,5	2%	98,2	3%	101,2	3%	106,4	5%	110,6	4%	0,16%	3,70%
Avantages sociaux	32,1	18%	37,7	17%	40,8	8%	46,9	15%	65,3	39%	-1,84%	9,07%
Autres dépenses	46,6	11%	50,9	9%	50,9	0%	50,9	0%	55,9	10%	0,99%	3,17%
Frais corporatifs	-	n/a		n/a		n/a		n/a		n/a	-2,49%	n/a
Capitalisation	(29,6)	-3%	(32,4)	9%	(34,3)	6%	(36,6)	7%	(44,2)	21%	n/a	4,85%
Total	144,60	10%	154,5	7%	158,6	3%	167,6	6%	187,7	12%	0,32%	4,03%
Coûts de distribution dans le CDG	11,5	9%	12,2	6%	14,9	22%	4,0	-73%	4,0	0%	n/a	-1,13%
Amortissement des immobilisations	86,2	5%	87,1	1%	85,7	-2%	85,8	0%	94,0	10%	3,83%	3,60%
Amortissement des frais reportés	57,7	27%	42,2	-27%	41,9	-1%	18,9	-55%	28,5	51%	14,08%	-3,29%
Rabais à la consommation	0,1	-25%	0,0	-32%	0,0	10%	0,0	-33%	0,0	0%	-2,65%	-32,98%
Impôts fonciers, redevances et taxes	25,1	-7%	25,2	1%	23,9	-5%	24,4	2%	26,1	7%	1,94%	-0,56%
Rendement	124,3	-5%	125,8	1%	124,4	-1%	129,3	4%	127,8	-1%	-2,18%	0,62%
Impôts sur le revenu	32,4	-7%	32,1	-1%	27,7	-14%	28,3	3%	28,7	1%	2,38%	-4,04%
Autres revenus	(3,0)	-4%	(3,4)	11%	(5,0)	50%	(3,1)	-38%	(3,1)	-1%	7,16%	4,49%
CASEP	1,0	0%	1,0	0%	1,0	0%	1,0	0%	1,0	0%	n/a	63,35%
Fonds vert	38,0	n/a	42,6	12%	40,2	-6%	39,6	-2%	39,6	0%	n/a	1,69%
Revenus GNL		n/a		n/a		n/a	(0,1)	n/a	(0,2)	224%	n/a	n/a
Coût de distribution avant PGEÉ et FEÉ	517,8	13%	519,5	0%	513,4	-1%	495,9	-3%	534,1	8%	0,73%	1,73%
PGEÉ	14,3	21%	12,7	-11%	12,5	-2%	12,3	-2%	16,7	36%	n/a	23,81%
FEÉ	1,9	n/a	0,0	-100%	0,0	n/a	0,0	n/a	0,0	n/a	n/a	219,07%
Coût total de distribution	534,0	13%	532,2	0%	525,8	-1%	508,1	-3%	550,8	8%	0,73%	1,95%
Coût total de distribution avant capitalisation	563,6	12%	564,6	0%	560,1	-1%	544,7	-3%	595,0	9%	0,73%	2,53%
Coût total de distribution avant capitalisation	563,6		564,6		560,1		544,7		595,0			
% Salaire	17%		17%		18%		20%		19%			
% Autres dépenses	8%		9%		9%		9%		9%			
Coût total de distribution	533,971		532,24		525,847		508,116		550,84			
Salaire	18%		18%		19%		21%		20%			
Autres dépenses	9%		10%		10%		10%		10%			

Sources	Gaz Métro-8 Doc 2 R-3717-2009	Gaz Métro-8 Doc 2 R-3475-2010	Gaz Métro-8 Doc 2 R-3782-2011	Gaz Métro-8 Doc 2 R-3831-2012	Gaz Métro-12 Doc 1 R-3809-2012
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**Tableau sur l'évolution des dépenses d'exploitation
pour les années financières se terminant le 30 septembre**

Description		RÉEL										BUDGET
		2003 1	2004 2	2005 3	2006 4	2007 5	2008 6	2009 7	2010 8	2011 9	2012 10	2013 11
Dépenses d'exploitation en dollars courants	(000 \$)	115 104	119 774	123 510	130 129	132 363	132 719	142 803	152 384	156 992	161 210	187 680 ⁽¹⁾
Salaire courants		75 500	80 900	85 100	88 400	89 700	90 800	93 900	95 600	97 600	107 500	110 623
Coûts total de distribution		439 896	444 115	427 834	434 669	461 350	506 020	530 142	527 896	524 009	503 844	550 840
Dépenses d'exploitation en dollars courants (excluant régime de retraite)								135 947	141 978	145 008	145 787	158 474
Inflation - Québec			1,6%	2,4%	2,0%	1,3%	2,3%	0,6%	1,3%	2,6%	2,3%	2,1%
Inflation cumulative (2003 = 100 %)		100,0%	101,6%	104,0%	106,1%	107,5%	109,9%	110,5%	111,9%	114,9%	117,5%	120,0%
Dépenses d'exploitation en dollars constants	(000 \$)	115 104	117 911	118 716	122 626	123 154	120 733	129 196	136 121	136 645	137 161	156 398
Dépenses d'exploitation en dollars constants (excluant régime de retraite)	(000 \$)							122 993	126 826	126 214	124 039	132 060
Volume de vente normalisé	10 ⁶ m ³ @ 37,89	5 308	5 476	5 310	5 490	6 250	5 805	5 130	5 437	5 461	5 152	5 431 ⁽²⁾
Dép.d'exploitation \$ courants / volume	(\$ / m ³)	0,022	0,022	0,023	0,024	0,021	0,023	0,028	0,028	0,029	0,031	0,035
Dép.d'exploitation \$ constants / volume	(\$ / m ³)	0,022	0,022	0,022	0,022	0,020	0,021	0,025	0,025	0,025	0,027	0,029
Dép. d'exploitation en dollars constants (excluant régime de retraite) / volume	(\$ / m ³)							0,024	0,023	0,023	0,024	0,024
Nombre de clients au 30 septembre	Nombre	153 842	157 718	162 936	167 561	171 152	175 741	179 311	182 328	185 848	189 846	193 467
Dép.d'exploitation \$ courants / client	(000 \$/client)	0,748	0,759	0,758	0,777	0,773	0,755	0,796	0,836	0,845	0,849	0,970
Dép.d'exploitation \$ constants / client	(000 \$/client)	0,748	0,748	0,729	0,732	0,720	0,687	0,721	0,747	0,735	0,722	0,808
Dép. d'exploitation en dollars constants (excluant régime de retraite) / client	(000 \$/client)							0,686	0,696	0,679	0,653	0,683

⁽¹⁾ Gaz Métro - 12, doc. 12, p.1

⁽²⁾ Gaz Métro - 12, doc. 5, col. 3, l. 40

Cause	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
Taux inflation	2,20%	1,16%	1,06%	1,99%	1,18%	2,41%	2,25%	1,51%	3,14%	1,48%	2,72%	2,25%
Facteur X	0,30%	0,30%	0,30%	0,30%	0,30%	0,50%	0,50%	0,50%	0,30%	0,30%	0,30%	0,30%
	1,90%	0,86%	0,76%	1,69%	0,88%	1,91%	1,75%	1,01%	2,84%	1,18%	2,42%	1,95%

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EXECUTIVE SUMMARY

On June 28 of this year, Quebec’s Régie de l’Energie (“the Régie”) issued a decision rejecting an incentive regulation (“IR”) plan proposed by the Gaz Métro Groupe de Travail¹. Gaz Métro (“the Company”) was instructed to propose, in a Phase 3 of the proceeding, a new IR plan featuring revenue decoupling with revenue caps for multiple baskets of services. The Régie ordered that the revenue cap for each basket be escalated each year by a formula that includes the inflation of the all-items Canadian consumer price index (“CPI”) and a scale escalator. The scale escalator is the number of customers of services in the basket.

The Régie also directed that the X factors in the revenue cap formulas should reflect the work undertaken by Pacific Economics Group (“PEG”) Research LLC for the Groupe de Travail in Phase 2 of the proceeding. Preliminary results of the work by PEG Research were detailed in our Phase 2 report. That work included a discussion of the theory for using statistical cost research in IR plan design; the calculation of Gaz Métro input price and productivity trends; the development of forward looking base productivity growth targets developed econometrically using US data; and incentive power research in support of a stretch factor. The Phase 2 study was never finalized.

Gaz Métro has retained PEG Research to assist it in the preparation of its Phase 3 IR proposal. More precisely, as discussed in the answer to question 6 of the Evidence in Chief of Mark Newton Lowry and Dave Hovde, (Exhibit Gaz Métro 10, Document 1) Gaz Métro asked PEG Research to update its Phase 2 study by considering the changes in the empirical research that are required to comply with the Régie’s June decision. Gaz Métro’s multifactor productivity (“MFP”) index and forward looking MFP growth projection have been revised to be consistent with this new analysis. Trends in Canadian CPIs have been compared to the trend in Gaz Métro’s input prices. The latest historical data and Company forecasts have been incorporated in the empirical studies. The new econometric work has been based on an expanded sample consisting entirely of publicly

¹ Régie de l’Energie, *Décision portant sur le Mécanisme incitatif proposé par le Groupe de travail, l’encadrement de la phase 3 et les frais de la phase 2*, D-2012-0076 R-3693-2009 Phase 2, Juin 2012.

available data. We also calculated the average trends in the MFP of the utilities in the US sample. This kind of information has been used to establish base MFP growth factors in many jurisdictions, including Alberta and Ontario.

The key outcome of our new theoretical work is that the output measure in the productivity research supporting the choice of a base MFP growth target must be changed to be consistent with the Régie's revenue cap approach. Most notably, a revenue-weighted index of the growth in the numbers of customers in the itemized service baskets should be the output measure if the number of customers of services in a basket is the scale escalator. This will make measured output growth more sensitive to growth in the number of large-volume customers and less sensitive to growth in the number of small-volume customers.

This analysis revealed a need to revise the empirical work that we performed in our Phase 2 study. The indexing and econometric work needed revision to feature a revenue-weighted customer index. These revisions created an opportunity to upgrade the econometric cost model and to utilize the latest historical data and Gaz Métro forecasts of growth in the scale of its operations.

We calculated Gaz Métro's MFP growth over the ten year 2002-2011 period. Using a revenue-weighted customer index to measure output growth the Company's MFP growth averaged 1.29% annually. The result from our Phase 2 study was 1.66% average annual growth.

We reestimated the econometric cost model to obtain estimates of the cost elasticities of the customer index and of other cost drivers that are used in the econometric MFP growth projections. The larger sample permitted development of a model with a flexible functional form which can produce elasticity estimates better customized to Gaz Métro's special operating conditions (*e.g.* low customer density). The new research identified volume growth as a significant long run cost driver that should be considered in setting X.

We used the econometric results and the latest Gaz Métro forecasts of growth in its operating scale to develop new forward looking MFP growth targets for the Company. Alternative assumptions about the growth in scale were also considered. This research revealed that, under the Company's "best guess" growth scenario, the appropriate base

MFP growth target is 1.00%. The forward looking MFP growth target in our Phase 2 report was 1.11%.

Our econometric cost research also permitted the development of separate forward looking base MFP growth targets for two baskets of services. The targets differ because of differences in the forecasted customer and volume growth of the two baskets. Our econometric work indicates that, under the Company's base output growth scenario, sensible base MFP growth targets for the small-volume and large-volume baskets are 1.20% and 0.18% respectively.

We calculated the average MFP trends of the sampled US utilities over the 1999-2010 period. Using revenue-weighted customer indexes as the output measure in the MFP indexes, US MFP growth averaged 0.85% annually. Gaz Métro's MFP growth trend has thus been materially faster than the US norm. Capital productivity growth was well above the US norm whereas the Company's O&M productivity growth was well below the norm.

We noted in Section 2 of our Phase 2 report that, when a macroeconomic price index such as the CPI is used as the inflation measure in an attrition relief mechanism, the X factor may need an adjustment to reflect any tendency of the macro inflation measure to overstate or understate input price inflation. We calculated the input price trend of Gaz Métro over the 1999-2011 sample period and compared it to the trends in the Canadian CPI (all-items), Quebec CPI (all-items), and the Canadian core CPI, which excludes price-volatile consumer products such as gasoline. The growth in the all-items CPIs can vary considerably from that of the core CPI from year to year but the long term trends in the indexes are apt to be similar.

The trend in Gaz Métro's input price growth was found to be similar to that of the Canadian CPI (all-items) but more rapid than that of the core CPI. This means that the similar trends of the Canadian CPI (all-items) and Gaz Métro's input price indexes were achieved due to brisk inflation in price-volatile consumer products. This raises concern that the Canadian CPI (all-items) may understate Gaz Métro's input price inflation prospectively.

We discussed the stretch factor issue extensively in Section 4.2 of our Phase 2 report and update our analysis of this issue in Section 4.4 of this report. Should the Régie

use the US statistical research to select the base MFP growth target, our research shows that the stretch factor of 0.20% discussed in the Phase 2 report may be on the high side. The appropriate stretch factor depends on the sharing mechanism that the Régie chooses. Gaz Métro's materially superior MFP growth in recent years is also a pertinent consideration. Should the Régie use the MFP trend of Gaz Métro to establish the base MFP growth target, there is no need for a stretch factor since no improvement in performance incentives is likely under the new IR plan.

Summing up, if the Régie decides to use a uniform X factor and small-user and large-user service baskets, our research supports a base MFP growth factor in the [0.85%, 1.00%] range. The lower bound of this range is the average MFP trend of our sampled US gas distributors. The upper bound is our forward looking econometric MFP growth target. Assuming, additionally, a 0.20% stretch factor, the indicated range for X is [1.05%, 1.20%]. In choosing a number in this range, the Régie should note our concern about the adequacy of CPI all-items inflation. Gaz Métro's success in achieving MFP growth materially above the US norm is also pertinent since this pace may not be sustainable.

1. INTRODUCTION

On June 28 of this year, Quebec's Régie de l'Énergie issued a decision concerning an incentive regulation proposal of the Gaz Métro Groupe de Travail. The proposal was rejected, and Gaz Métro was ordered to file a rate case to establish 2013 rates along with a new IR plan to set rates for several subsequent years. The new IR plan would be implemented on 1 October 2013 and rate change filings would be made annually on the same date thereafter.

The Régie made several comments concerning general features of a desirable incentive mechanism.

- “(...) Cependant, l'élément crucial de ce mécanisme doit demeurer la génération de gains de productivité dans l'activité de distribution. Ces gains de productivité pourront être partagés entre les clients et Gaz Métro.”²
- “La Régie considère qu'un incitatif qui vise à contrôler la croissance de la base de tarification est important. Un tel incitatif doit se retrouver au coeur de tout mécanisme incitatif et doit être calibré de façon à contrer la tendance au surinvestissement. (...)”³
- The mechanism must be “caractérisé par sa clarté et sa transparence, être facile à mettre en application et à administrer et contribuer à l'allègement du fardeau réglementaire pour toutes les parties concernées.”⁴

The Régie also made comments about specific features that it favors in the new incentive mechanism.

- “La Régie demande que le prochain mécanisme incitatif à la performance repose sur une formule de plafonnement des revenus (*revenue cap*) par client, modulée par catégorie tarifaire. (...)”⁵

² *Ibid* p. 36.

³ *Ibid* p. 28.

⁴ *Ibid* p. 37.

⁵ *Ibid* p. 38.



- “La Régie juge pertinent d’utiliser le nombre de clients comme variable dans l’évaluation des gains de productivité.”⁶ However, with respect to the use of the *total* number of customers “elle juge que cet indicateur ne mesure pas adéquatement les gains de productivité réels créés pour les différentes catégories tarifaires et, par conséquent, induirait une bonification inadéquate.”⁷
- “La Régie ne croit pas qu’il soit nécessaire d’identifier un facteur X distinct pour chacune des catégories tarifaires.”⁸
- Gaz Métro should take into account the recommendations of the expert hired by the Groupe de Travail pertaining to the X factor and the stretch factor.⁹ The expert recommended a range for the X factor. The lower bound of this interval was a forward looking productivity growth target based on econometric research using data on the operations of US gas distributors. The upper bound was the Company’s own recent productivity trend.
- “La Régie est d’avis que les taux d’inflation utilisés pour établir la croissance du revenu requis doivent correspondre le plus possible à la période visée par le dossier tarifaire. Ainsi, la Régie considère qu’il est plus approprié d’utiliser le taux d’inflation pour le Canada, produit sur une base trimestrielle, plutôt que le taux d’inflation produit pour le Québec.”¹⁰

Pacific Economics Group (“PEG”) Research LLC is the leading North American provider of research and testimony in the field of incentive regulation. In Phase 2 of this proceeding, we advised the Gaz Métro Groupe de Travail on the development of its IR proposal. Gaz Métro has retained us to undertake research that supports the Company’s initiative to develop a new plan that complies with the Régie’s directives.

This paper reports on our research for Gaz Métro. It builds on our previous work and refers frequently to our Phase 2 report. In Section 2 below we consider what adjustments are needed in the empirical research to make the X factor consistent with the

⁶ *Ibid* p. 29.

⁷ *Ibid* p. 31.

⁸ *Ibid* p. 38.

⁹ *Ibid* p. 38.

¹⁰ *Ibid* p. 39.



Régie’s decision. In Section 3 we present updated results on the productivity trend of Gaz Métro. In Section 4 we discuss new research, using US data, to establish external MFP growth targets for Gaz Métro. In Section 5 we consider the implications of using the all-items Canadian CPI as the revenue cap inflation measure. Section 6 distills the results of the previous sections to provide X factor recommendations and projections of Gaz Métro’s revenue growth under alternative assumptions about growth in operating scale. An Appendix provides some technical details of our statistical research.



2. INDEX RESEARCH AND INCENTIVE REGULATION

2.1 Revenue Cap Indexes

A revenue cap is a mechanism for limiting allowed revenue during the years of an IR plan. An index that is designed to escalate allowed revenue during a plan may be called a revenue cap index (“RCI”). Revenue caps are often, though not always, paired with a revenue “decoupling” mechanism that ensures, using variance accounts, that the revenue allowed is ultimately recovered.

General Formulas

Mathematical theory guides the use of statistical cost research in the design of revenue cap indexes. It can be shown that

$$\text{growth Cost} = \text{growth Input Prices} - \text{growth Productivity}^C + \text{growth Outputs}^C. \quad [1]$$

Cost growth is the difference between the growth in an input price index and a productivity index (Productivity^C) plus the growth in an index of operating scale (Outputs^C).

The term Outputs^C in formula [1] may be termed the scale escalator. The growth in Outputs^C is a weighted average of the growth in various dimensions of scale. The elasticities of cost with respect to the output variables in the index are basis for the weights. The trend in Productivity^C is measured using Outputs^C .

This result provides the basis for a revenue cap index of general form

$$\text{growth Revenue} = \text{growth Input Prices} - X + \text{growth Outputs}^C \quad [2a]$$

where

$$X = \overline{\text{MFP}}^C + \text{Stretch}. \quad [2b]$$

Here $\overline{\text{MFP}}^C$ is the base MFP growth target and *Stretch* is the stretch factor.

The output elasticities needed to calculate Outputs^C can be obtained from econometric cost research. Cost escalation formulas like [2a] have been used by the Essential Services Commission (“ESC”) in the populous state of Victoria, Australia to



establish multiyear O&M budgets for gas and electric distributors.¹¹ The X factors in the current price cap plans of Ontario power distributors are also based on productivity research that used an elasticity-weighted output index.

The need for an output index in the productivity work which is consistent with the scale escalator merits emphasis. Suppose, for example, that the revenue cap scale escalators produce less revenue from growth in a certain group of customers due to the lower cost of serving them. In that event, growth in the same group of customers should be accorded less weight in the productivity research that is used to calibrate the X factor.

In energy distribution, statistical research has revealed that the number of customers served is an especially important output variable driving cost in the short and medium term. To the extent that this is true, *Outputs^C* can be reasonably approximated by growth in the number of customers served and there is no need for the complication of a multidimensional output index with cost elasticity weights. Relation [1] can then be restated as

growth Cost

$$\begin{aligned}
 &= \textit{growth Input Prices} - (\textit{growth Customers} - \textit{growth Inputs}) + \textit{growth Customers} \\
 &= \textit{growth Input Prices} - \textit{growth Productivity}^N + \textit{growth Customers} \qquad [3a]
 \end{aligned}$$

where *Productivity^N* is a productivity index that uses the total number of customers to measure output.

Rearranging the terms of [3a] we obtain

$$\begin{aligned}
 &\textit{growth Cost} - \textit{growth Customers} \\
 &= \textit{growth (Cost/Customer)} \\
 &= \textit{growth Input Prices} - \textit{growth Productivity}^N. \qquad [3b]
 \end{aligned}$$

Special Formulas for Service Baskets

A revenue cap can apply to the *total* base rate revenue of a utility but separate revenue caps are sometimes applied to groups (a/k/a “baskets”) of services. If the IR plan also includes decoupling true ups, customers in one basket can then to some degree be insulated from business conditions that affect the levels of services in other baskets. Separate revenue caps can have implications for the design of revenue cap indexes.

¹¹ The ESC uses an approach the design of multiyear rate caps that involves multiyear cost forecasts. This approach is popular in Australia and Britain.



The growth in a company’s total base rate revenue can be shown to be a revenue-weighted average of the growth in the revenues from component service groups. Formally,

$$growth\ Revenue = \sum_i sr_i \cdot growth\ Revenue_i \quad [4]$$

where sr_i is the share of service group i in total revenue. An RCI designed to cap *total* revenue growth can in principle be enforced by applying it uniformly to all service baskets since

$$growth\ Revenue = \sum_i sr_i \cdot growth\ RCI = growth\ RCI.$$

However, there is often an interest in customizing the revenue caps on service baskets to reflect the business conditions that drive the costs of the services in these baskets. We might, for example, wish to have a scale escalator for a service class that is specific to the growth in the scale of services in that class. For the X factor in the revenue cap formulas to be consistent with index logic, adjustments are then needed to the output metric that is used to measure productivity in the X factor calibration.

Suppose, for example, that we use as our measure of customer growth in the MFP research a *weighted average* of the customer growth of several service groups (“*Customers^R*”), where the weight assigned to each group i is its share of base rate revenue:

$$growth\ Customers^R = \sum_i sr_i \cdot growth\ Customers_i. \quad [5]$$

This index will be more sensitive to the growth of customers in service classes that produce higher revenue per customer. Since services with higher revenue per customer tend to have higher cost per customer, a *Customers^R* index should better reflect the impact of customer growth on cost. If *Customers^R* is the sole measure of output growth in the productivity formula then

growth Revenue

$$\begin{aligned} &= growth\ Input\ Prices - (growth\ Customers^R - growth\ Inputs) + growth\ Customers^R \\ &= growth\ Input\ Prices - growth\ MFP^{NR} + \sum_i sr_i \cdot growth\ Customers_i \\ &= \sum_i sr_i \cdot [growth\ Input\ Prices - growth\ MFP^{NR} + growth\ Customers_i] \end{aligned} \quad [6]$$

where MFP^{NR} is an MFP index calculated using *Customers^R*. It follows from [6] that use of a revenue-weighted customer growth index to calculate MFP growth is consistent with having basket-specific customer growth escalators.

Recall now from Section 4.1 of our Phase 2 report the decomposition of growth in *Productivity^C* that we use to develop a forward looking MFP growth target.



$$\begin{aligned}
& \text{Growth Productivity}^C \\
&= \text{growth Outputs}^C - \text{growth Inputs} \\
&= \text{Scale Economy Effect} + \text{Trend Effect}^{12\ 13}
\end{aligned}
\tag{7}$$

This formula is not appropriate for MFP^{NR} because this productivity index uses a revenue-weighted customer index to measure output growth rather than the elasticity-weighted multi-category output index that is used to calculate $Productivity^C$. Consider then that

$$\begin{aligned}
& \text{Growth } MFP^R \\
&= \text{growth Customers}^R - \text{growth Inputs} \\
&= \text{growth Customers}^R - \text{growth Inputs} + (\text{growth Outputs}^C - \text{growth Outputs}^C) \\
&= (\text{growth Customers}^R - \text{growth Outputs}^C) + (\text{growth Outputs}^C - \text{growth Inputs}) \\
&= \text{Output Differential} + \text{Scale Effect} + \text{Trend Effect}.
\end{aligned}
\tag{8}$$

Equation [8] indicates that we can project the growth in MFP^{NR} by adding an Output Differential to the formula that we used in our Phase 2 study. The Output Differential is the difference between the revenue-weighted customer index and the elasticity-weighted output index.¹⁴ This captures any tendency of the revenue-weighted customer index to grow more rapidly or slowly than the elasticity-weighted output index that is more expressly designed to capture the impact of growth in output on cost.

2.2 External vs. Company-Specific Productivity Targets

In Section 2.2.3 of our Phase 2 report we noted that the MFP growth targets in rate and revenue cap indexes are conventionally calculated using external information rather than the MFP trend of the subject utility. In the United States and Canada alike, it has been most common to base MFP growth targets on the average MFP growth trends of large samples of utilities. Next year, for example, the MFP growth targets in the IR plans of power distributors in Ontario, and of gas as well as electric power distributors in Alberta, will be based on calculations of the average MFP trends of large samples of US power distributors.

¹² The trend effect was termed the “technological change” effect in our Phase 2 report.

¹³ Formulas like [7] sometimes also include additional business condition effects but no effects of this kind were found to be pertinent for Gaz Métro in our econometric research.

¹⁴ The elasticity-weighted output index may in principle feature the revenue-weighted customer index as a featured subindex. This is the approach that we use in this study.



The Groupe de Travail asked PEG Research to calculate forward looking econometric targets based on US data in our Phase 2 study. It did not ask us to calculate average MFP trends of the sampled US utilities even though these can be produced at modest extra cost from the same data. We did, however, note in Table 4 on page 29 of our Phase 2 report the recent average MFP trend of US gas distributors from another recent PEG Research study. In this study, having assembled the data to develop new forward looking econometric MFP growth targets, we have taken the extra step of calculating the average MFP trend of the sampled US utilities.

2.3 Dealing With Cost Exclusions

Many IR plans recover certain costs outside of the predetermined rate escalation mechanisms. Costs that are scheduled for exclusion are sometimes said to be “Y-factored”. The exclusions affect the research that is appropriate for calibrating the X factor. Suppose, for example, that costs of taxes and pensions are going to be Y factored under the IR plan. These costs should then be excluded from the definition of cost that is used in the MFP research.

2.4 Data Quality

The quality of data used in index research has an important bearing on the relevance of results for the design of IR plans. Generally speaking, it is desirable to have publicly available data drawn from a standardized collection form such as those developed by government agencies. The best quality data of this kind are often gathered by commercial vendors that put in extra effort to ensure its quality and spread the costs amongst numerous subscribers.

Data quality also has a temporal dimension. It is customary for statistical cost research used in IR plan design to include the latest data available. Year in and year out, data for the most recent years will tend to have particular relevance for input price and productivity trends going forward.



2.5 Implications for Gaz Métro Cost Research

Our expanded analysis has important implications for the research that is needed to place the new Gaz Métro IR plan on a solid foundation of economic reason and statistical cost research. Most importantly, we find that the MFP growth target should pertain to an MFP index that uses a *revenue-weighted* customer index as an output measure rather than the *total* number of customers. This would require a recalculation of the MFP trend of Gaz Métro and adds an output differential term to the formula for the MFP growth projection. A new econometric cost model is needed to develop elasticity estimates for the MFP growth projections.

The revision of the indexing and econometric work provides an opportunity to improve the quality of the research. The latest available historical data and Gaz Métro forecasts can be incorporated. The US sample can be improved. The econometric model can include additional cost drivers and provide elasticity estimates and other results for Gaz Métro that are better tailored to its business conditions.



3. PRODUCTIVITY TREND OF GAZ MÉTRO

This section presents an overview of our new research on the productivity trends of Gaz Métro. We discuss in the first three sections the principal ways in which our new productivity research differs from that in our Phase 2 study. There follows in Section 3.4 a discussion of the new productivity results.

3.1 Sample Period

In choosing a sample period for a productivity study it is generally desirable that the period include the latest available data. It is also desirable for the period to reflect the *long run* productivity trend. We generally use a sample period of at least 10 years to fulfill the second goal. In our prior study, we had Gaz Métro data for all required inputs for only a nine year sample period (2001-2009). We extended the sample period to 1999 by using estimates of line miles for two years.

Gaz Métro has now provided us with data that permits us to accurately calculate productivity trends for the ten-year 2002-2011 period. In other words, we can calculate how productivity grew between 2001 and 2011 with fewer imputations than in our Phase 2 report. Since, additionally, the Régie has requested information on the productivity trend for the last ten years, the 2002-2011 sample period is also more consistent with the Régie's request.

3.2 Output Quantity Indexes

In Section 2.1 we showed that if a company is to operate under separate revenue caps for two or more service baskets that use basket-specific customer numbers as the scale escalators, the consistent output metric in the MFP research is a revenue-weighted customer index. This is also a *better* measure of the impact of customer growth on cost because it assigns a higher weight to the growth in large-volume customers, which are more costly to serve.



In our Phase 2 study we used an elasticity-weighted output index in our calculation of the MFP index. The two output variables employed were line kilometers and the total number of customers. We developed an analogous index for this study that features the revenue-weighted customer index in lieu of the total number of customers. Our featured MFP index, however, uses the revenue-weighted customer index as the sole output measure.

Gaz Métro provided us with the data on the customer trends for two service baskets. The “PMD” basket consists of Tariffs 1 and 3 and comprises the Company’s services to small- and medium-volume customers. The “VGE” basket comprises Tariffs 4 and 5 and comprises the services to most large-volume customers.

Some customers migrated from VGE to PMD services during the sample period. This can have a notable impact on measured output growth even though there is no change in the cost of service. We accordingly revised data for the 2003-2011 period to reflect known migrations. Migrations in 2001 and 2002 were unknown and were imputed.

Results of our research to calculate output indexes for Gaz Métro can be found in Table 1. It can be seen that, from 2002 to 2011, the total number of customers and the number of PMD customers each grew at a 1.92% average annual rate. The number of VGE customers averaged a 0.76% annual decline. The revenue-weighted average pace of customer growth was 1.50%. This is quite a bit slower than the pace of total customer growth due to the sizable weight on VGE customers. Total line kilometers meanwhile averaged a similar 1.52% annual growth.

3.3 Input Quantity Indexes

The quantity subindex for labor was calculated, as in the Phase 2 study, as the ratio of salary and wage expenses to a labor price index. We used as our labor price index Statistics Canada’s fixed weight index of average hourly earnings (“AHE”) for the industrial aggregate sector of the Quebec economy. This is a change from our Phase 2 study, where we used the AHE for the *utility* sector. We made this change chiefly because we believe the industrial aggregate AHE to better reflect the trend in the wages of Gaz Métro during the sample period. A secondary reason was the Régie’s stated concern in its June order about the use of the AHE for the Quebec utility sector.



Table 1

Calculation of Gaz Métro Output Indexes

Year	Revenue ¹		Customers				Revenue Weighted Customer Index		Line Length			
	PMD	VGE	PMD	Growth Rate	VGE	Growth Rate	Total	Growth Rate	Level	Growth Rate	Level	Growth Rate
2001	<i>363,139</i>	<i>67,937</i>	<i>152,544</i>		260		152,804		100.00		8,833	
2002	363,139	67,937	153,093	0.4%	258	-0.7%	153,352	0.4%	100.19	0.19%	9,157	3.6%
2003	365,115	68,692	154,709	1.1%	256	-1.0%	154,965	1.0%	100.92	0.73%	9,285	1.4%
2004	378,598	65,718	157,088	1.5%	254	-0.8%	157,342	1.5%	102.11	1.17%	9,472	2.0%
2005	357,874	62,905	161,789	2.9%	252	-0.8%	162,041	2.9%	104.58	2.39%	9,682	2.2%
2006	366,739	58,656	166,536	2.9%	251	-0.4%	166,787	2.9%	107.14	2.43%	9,865	1.9%
2007	391,692	66,871	170,526	2.4%	247	-1.5%	170,773	2.4%	109.12	1.83%	9,939	0.7%
2008	403,024	77,433	174,692	2.4%	245	-0.7%	174,937	2.4%	111.25	1.93%	10,059	1.2%
2009	412,338	81,705	178,786	2.3%	241	-1.8%	179,027	2.3%	113.10	1.65%	10,132	0.7%
2010	451,402	109,603	181,744	1.6%	242	0.3%	181,986	1.6%	114.69	1.40%	10,217	0.8%
2011	428,550	105,256	184,890	1.7%	241	-0.3%	185,131	1.7%	116.21	1.32%	10,281	0.6%
Average Annual Growth Rates 2002-2011				1.92%		-0.76%		1.92%		1.50%		1.52%

¹ Values in italics were assumed to be unchanged between 2001 and 2002. The assumption was made because of a lack of revenue data by basket for 2001.

The results of our calculation of O&M input quantity indexes are reported in Table 2. It can be seen that, over the 2002-2011 period, the quantity of labor used by Gaz Métro rose at a 2.03% average annual rate. The quantity of materials and services averaged 2.33% annual growth. Table 2 also reports that the summary quantity index for O&M inputs averaged 2.12% annual growth.

The trend in the quantity of capital was calculated using the COS method that we discussed in Appendix Section 4.1 of our Phase 2 report. The basic idea is to estimate the trend in the real (inflation-adjusted) value of utility plant using accounting data on the value of plant and construction cost indexes. Table 3 reports that the quantity of capital averaged a 0.98% annual *decline* over the sample period. That is remarkable given the fairly brisk pace of output growth.

Table 3 also shows that the summary input quantity index averaged a slight 0.21% annual growth. This is much closer to the trend in the capital quantity index than it is to the trend in the O&M input quantity index. This result reflects the heavy weight assigned to the capital quantity trend because of its large cost share.

3.4 Productivity Results

Table 3 also reports the trends in the productivity index for Gaz Métro using the revenue-weighted customer index to measure output growth (MFP^{NR}). The Company's MFP averaged 1.29% annual growth during the 2002-2011 period.¹⁵ Note also that the O&M productivity index for Gaz Métro averaged a 0.61% annual decline during the 2002-2011 period. The capital productivity index averaged 2.48% annual growth.

¹⁵ Using a 2-category elasticity-weighted output index that included line kilometers in addition to the customer index, MFP growth averaged the same pace. The trends are quite similar due to the similarity in the line kilometers and customer index growth rates.



Table 2
Gaz Métro O&M Input Quantity Indexes

Year	Costs						Input Price Indexes				Input Quantity Indexes					Summary O&M Input Quantity Index ⁴		
	Salaries & Wages ¹		Materials & Services ¹		Total O&M		Salaries & Wages ^{2,3}		Materials & Services ³		Labor		Materials & Services		Cost Shares		Level	Growth Rate
	Million \$	Growth Rate	Million \$	Growth Rate	Million \$	Growth Rate	Level	Growth Rate	Level	Growth Rate	Level	Growth Rate	Level	Growth Rate	Labor	Materials & Services		
	[A]	[B]	[C]	[D]			[E]	[F]			[B] - [E]	[D] - [F]						
2001	63.0		36.3		99.3		97.1		97.8		0.65		0.37		63.4%	36.6%	100.0	
2002	70.9	11.9%	37.7	3.7%	108.6	9.0%	100.1	3.0%	100.0	2.2%	0.71	8.8%	0.38	1.5%	65.3%	34.7%	106.4	6.2%
2003	75.5	6.2%	39.4	4.6%	114.9	5.7%	102.8	2.7%	101.8	1.8%	0.73	3.6%	0.39	2.8%	65.7%	34.3%	110.0	3.3%
2004	80.9	6.9%	42.3	7.1%	123.2	7.0%	105.8	2.9%	103.1	1.3%	0.76	4.0%	0.41	5.8%	65.6%	34.4%	115.2	4.6%
2005	85.1	5.0%	43.8	3.4%	128.9	4.5%	108.7	2.7%	105.1	1.9%	0.78	2.4%	0.42	1.5%	66.0%	34.0%	117.6	2.1%
2006	88.4	3.8%	44.8	2.2%	133.2	3.3%	111.1	2.2%	106.5	1.3%	0.80	1.7%	0.42	0.8%	66.4%	33.6%	119.3	1.4%
2007	89.7	1.5%	41.5	-7.5%	131.2	-1.5%	117.0	5.2%	108.6	2.0%	0.77	-3.7%	0.38	-9.5%	68.4%	31.6%	112.8	-5.6%
2008	90.8	1.2%	46.1	10.5%	136.9	4.2%	120.0	2.5%	110.8	2.0%	0.76	-1.4%	0.42	8.5%	66.3%	33.7%	114.9	1.9%
2009	93.9	3.4%	48.5	5.1%	142.4	3.9%	123.5	2.9%	112.3	1.3%	0.76	0.5%	0.43	3.7%	65.9%	34.1%	116.7	1.6%
2010	99.6	5.9%	53.5	9.8%	153.1	7.2%	127.0	2.8%	113.3	0.9%	0.78	3.1%	0.47	8.9%	65.1%	34.9%	122.8	5.1%
2011	103.1	3.5%	54.2	1.4%	157.3	2.7%	129.7	2.1%	115.7	2.1%	0.79	1.3%	0.47	-0.7%	65.5%	34.5%	123.6	0.6%
Average Annual Growth Rates																		
2002-2011	4.93%		4.01%		4.60%		2.89%		1.68%		2.03%		2.33%				2.12%	

¹Source: Gaz Métro.

²Source: Statistics Canada, Table 281-0039 - Fixed weighted index of average hourly earnings for all employees (SEPH), excluding overtime, unadjusted for seasonal variation, for the Quebec industrial aggregate as classified using the North American Industry Classification System (NAICS), monthly (index, 2002=100)

³Source: Statistics Canada, Gross Domestic Product of Quebec at Market Prices, Table 384-0036 - Implicit price indexes, gross domestic product (GDP) of final domestic demand, provincial economic accounts, annual (index, 2002=100)

⁴ Growth rate for 2011 drawn from the Canadian national GDP-IPI FDD. The O&M input quantity index is a cost-weighted average of growth in labor and materials & services input quantities. The index is of Tornqvist form.

**Table 3
Gaz Métro MFP Trend**

Year	Costs						Input Quantity Indexes						Output Quantity Index		Productivity Indexes									
	O&M			Capital			Total Cost			O&M		Capital ¹		Summary Input Quantity Index		Customer Index		O&M		Capital		MFP		
	Million \$	Growth Rate	Cost Share	Million \$	Growth Rate	Cost Share	Million \$	Growth Rate	Level	Growth Rate	Level	Growth Rate	Level	Growth Rate	Level	Growth Rate	Level	Growth Rate	Level	Growth Rate	Level	Growth Rate		
2001	99.3		34.9%	185.3		65.1%	284.6		100.0		100.0		100.0		100.0		100.0		100.0		100.0		100.0	
2002	108.6	9.0%	35.8%	194.4	4.8%	64.2%	303.0	6.3%	106.4	6.2%	101.2	1.2%	103.0	3.0%	100.2	0.2%	94.1	-6.0%	99.0	-1.0%	97.2	-2.8%	97.2	-2.8%
2003	114.9	5.7%	36.6%	199.1	2.4%	63.4%	314.1	3.6%	110.0	3.3%	102.7	1.5%	105.3	2.1%	100.9	0.7%	91.8	-2.6%	98.2	-0.8%	95.9	-1.4%	95.9	-1.4%
2004	123.2	7.0%	36.8%	211.9	6.2%	63.2%	335.1	6.5%	115.2	4.6%	103.0	0.3%	107.3	1.9%	102.1	1.2%	88.6	-3.5%	99.1	0.9%	95.2	-0.7%	95.2	-0.7%
2005	128.9	4.5%	37.5%	214.5	1.2%	62.5%	343.4	2.4%	117.6	2.1%	104.4	1.4%	109.0	1.6%	104.6	2.4%	88.9	0.3%	100.1	1.0%	95.9	0.8%	95.9	0.8%
2006	133.2	3.3%	38.7%	210.6	-1.8%	61.3%	343.7	0.1%	119.3	1.4%	102.3	-2.1%	108.2	-0.8%	107.1	2.4%	89.8	1.0%	104.7	4.5%	99.0	3.2%	99.0	3.2%
2007	131.2	-1.5%	37.8%	215.8	2.4%	62.2%	347.0	0.9%	112.8	-5.6%	100.8	-1.5%	104.9	-3.1%	109.1	1.8%	96.7	7.4%	108.3	3.3%	104.0	4.9%	104.0	4.9%
2008	136.9	4.2%	38.6%	217.7	0.9%	61.4%	354.6	2.2%	114.9	1.9%	97.9	-2.9%	103.8	-1.1%	111.2	1.9%	96.8	0.1%	113.6	4.8%	107.1	3.0%	107.1	3.0%
2009	142.4	3.9%	39.8%	215.2	-1.1%	60.2%	357.6	0.8%	116.7	1.6%	95.3	-2.7%	102.7	-1.1%	113.1	1.6%	96.9	0.1%	118.7	4.4%	110.1	2.7%	110.1	2.7%
2010	153.1	7.2%	41.2%	218.3	1.4%	58.8%	371.3	3.8%	122.8	5.1%	92.7	-2.7%	103.2	0.4%	114.7	1.4%	93.4	-3.7%	123.7	4.1%	111.2	1.0%	111.2	1.0%
2011	157.3	2.7%	41.6%	220.5	1.0%	58.4%	377.9	1.7%	123.6	0.6%	90.7	-2.2%	102.1	-1.0%	116.2	1.3%	94.0	0.7%	128.2	3.5%	113.8	2.4%	113.8	2.4%
Average Annual Growth Rates																								
2002-2011	4.60%			1.74%			2.83%			2.12%		-0.98%		0.21%		1.50%		-0.61%		2.48%		1.29%		

¹The summary input quantity index for capital is calculated as a cost share weighted average of the input quantities for three asset categories. The individual indexes were calculated using the COS method.

4. EXTERNAL MFP GROWTH TARGETS

The MFP growth targets of rate and revenue cap indexes were noted in Section 2.2.3 of our Phase 2 report to be typically based on data that are external to the operations of the subject utility. This section presents an overview of our Phase 3 work to develop MFP growth targets for Gaz Métro, using US operating data, which are consistent with the Régie’s proposed revenue cap approach. Additional and more technical details of this research are provided in the Appendices to this report and our Phase 2 report.

4.1 Data Sources

4.1.1 Advantages of US Data

Data limitations discourage exclusive reliance on Canadian data to calibrate X factors for Canadian energy utilities. The requisite cost and output data for MFP research are collected, if at all, only at the provincial level and data collection practices are not standardized between provinces. Data collection practices in some individual provinces have changed over the years due, for example, to the recent introduction of uniform systems of accounts. Data for many years of gross plant additions, such as are needed to calculate accurate capital quantity trends, are generally unavailable. Even if data quality were not a concern, the number of gas distributors is not large in Canada. This is a particular concern for Gaz Métro given its unusual operating conditions.

Better data for utility productivity research are available in the United States. Standardized cost and output data have been available for dozens of gas and electric utilities for more than a decade. Research on the productivity trends of US energy distributors has been considered by Canadian regulators in setting X factors for BC Gas and most of the gas and electric power distributors in Alberta and Ontario.

4.1.2 US Data Sources

The primary source of the data we use in our research on the productivity of US gas distributors has changed over time. The accuracy of calculations of capital costs and quantities is enhanced to the extent that they are based on many years of data on gross plant



additions. We have traditionally used data on older plant additions which we obtained many years ago from the *Uniform Statistical Reports* (“USRs”) that gas utilities filed with the American Gas Association (“AGA”).¹⁶ The earliest year for which we have all of the requisite capital data from this source is 1984. These old USR data are no longer publicly available (even the AGA has not retained records), and we consider the data that we gathered to be proprietary.

USR data are still collected by the AGA but have been unavailable to the public for most sampled gas distributors for many years. The development of a satisfactory sample has therefore required us to obtain cost and quantity data from alternative sources. The chief source of our more recent data on the *costs* of gas distributors is their reports to state regulators. These reports are fairly standardized since they usually use as templates the Form 2 that interstate gas pipeline companies in the US file with the Federal Energy Regulatory Commission (“FERC”). The chief source for our data on the *operating scale* of gas distributors has been Form EIA 176. Data on miles of transmission lines and distribution mains were obtained from the AGA.

Gas utility operating data from both of these sources are compiled by respected commercial vendors. Reliance on commercial data makes particular sense for a *gas* productivity study since the cost of gathering and processing data from reports to the various state commissions is unusually high. We obtained most of our gas operating data for the sample years of this study from SNL Financial.¹⁷ This company is well known for its attention to data quality.

Other data sources were also employed in our US productivity research. As noted in our Phase 2 report, these were used primarily to measure input price trends. The sources of our price data were Whitman, Reardon & Associates, the Regulatory Research Associates unit of SNL Financial, the Bureau of Labor Statistics (“BLS”) of the US Department of Labor, and IHS Global Insight (formerly DRI-McGraw Hill).

¹⁶ USR data for some variables of interest are aggregated and released by the AGA in its annual publication *Gas Facts*. These data are unsatisfactory for use in productivity research because the firms in the sample change over time.

¹⁷ For a few of the sampled companies, the SNL data were deemed insufficient in some of the earliest years of the sample period. In such cases, we used data from sources we have used in the past such as the commercial vendor Platts.



In our Phase 2 work we developed our “forward looking” productivity targets, derived from econometric cost research, using historical operating data for 33 US gas distributors. These were the companies for which PEG Research had been able to gather the older capital cost data needed to compute capital costs and quantities starting in a benchmark year of 1983.

There are sound reasons to upgrade the sample for our Phase 3 research. First, there are few companies in the Phase 2 sample that face the special operating conditions (*e.g.* low customer density) that Gaz Métro faces. The Phase 2 sample was also sufficiently small that it was difficult to accurately estimate the cost elasticities of numerous output variables and to accurately estimate the parameters of models with flexible functional forms which might be used to estimate company-specific cost elasticities. Consider, thirdly, that the sample used in our Phase 2 study includes the proprietary older capital cost data that we obtained from USRs. Some regulators prefer all data used in X factor studies to be publicly available.

In light of these considerations we have elected for this project to change the benchmark year for calculating the capital cost and quantity of US gas distributors from 1983 to 1994. The new benchmark year is similar to that used in our research on the cost of Gaz Métro. Freed from the need for older capital cost data we gain access to data for a substantially larger sample of companies. Moreover, all of the data used are available publicly in the sense that they can be procured from regulatory commissions directly by any party to the proceeding. We nonetheless continue in this study to obtain most of our data from commercial vendors such as SNL Financial because of their greater quality¹⁸.

The companies included in our new sample are detailed in Table 4. For each company, data are provided on their 2010 customer totals and their distribution, transmission, and total line miles. Companies that have been added to the sample are indicated in italics.

¹⁸ Because these data are obtained under a restrictive license agreement, parties to this proceeding will still have to sign a confidentiality agreement to inspect the US data.



Table 4
Sample for US Productivity Research

Company	Customers	Distribution Line Miles	Transmission Line Miles	Total Line Miles	Customers per Transmission Mile	Customers per Total Line Mile
	[A]	[B]	[C]	[D]	[A]/[C]	[A]/[D]
<i>Alabama Gas</i>	437,329	10,908	251	11,159	1,742	39
<i>Avista</i>	316,591	7,511	113	7,624	2,802	42
<i>Baltimore Gas and Electric</i>	652,594	6,951	163	7,114	4,004	92
<i>Berkshire Gas</i>	35,947	740	-	740	NA	49
<i>Boston Gas</i>	607,188	6,282	6	6,288	101,198	97
<i>Cascade Natural Gas</i>	257,288	5,790	170	5,960	1,513	43
<i>Central Hudson Gas & Electric</i>	74,933	1,177	164	1,341	457	56
<i>Citizens Gas</i>	264,092	4,044	242	4,286	1,091	62
<i>Columbia Gas of Kentucky</i>	134,869	2,567	58	2,625	2,325	51
<i>Columbia Gas of Maryland</i>	32,343	650	5	655	6,469	49
<i>Columbia Gas of Massachusetts</i>	292,509	4,825	2	4,827	146,255	61
<i>Columbia Gas of Ohio</i>	1,396,570	19,763	133	19,896	10,501	70
<i>Columbia Gas of Pennsylvania</i>	414,485	7,385	69	7,454	6,007	56
<i>Columbia Gas of Virginia</i>	240,699	4,900	74	4,974	3,253	48
<i>Connecticut Natural Gas</i>	158,763	2,020	-	2,020	NA	79
<i>Consumers Energy</i>	1,704,355	26,096	2,480	28,576	687	60
<i>Duke Energy Kentucky</i>	95,007	1,339	75	1,414	1,267	67
<i>Duke Energy Ohio</i>	418,138	5,542	218	5,760	1,918	73
<i>East Ohio Gas</i>	1,186,545	19,669	2,131	21,800	557	54
<i>Equitable Gas Company</i>	274,177	3,747	138	3,885	1,987	71
<i>Hope Gas</i>	113,472	3,095	113	3,208	1,004	35
<i>Indiana Gas Company</i>	561,436	12,413	649	13,062	865	43
<i>Intermountain Gas</i>	309,116	5,944	322	6,266	960	49
<i>Laclede Gas</i>	641,134	8,462	223	8,685	2,875	74
<i>Louisville Gas and Electric</i>	320,567	4,235	385	4,620	833	69
<i>Madison Gas and Electric</i>	143,150	2,462	-	2,462	NA	58
<i>Michigan Consolidated Gas</i>	1,215,163	18,645	2,268	20,913	536	58
<i>Mobile Gas Service</i>	91,102	2,240	53	2,293	1,719	40
<i>National Fuel Gas Distribution</i>	729,683	14,460	363	14,823	2,010	49
<i>New Jersey Natural Gas</i>	493,483	6,786	214	7,000	2,306	70
<i>New York State Electric & Gas</i>	261,183	4,710	72	4,782	3,628	55
<i>Niagara Mohawk Power</i>	582,927	8,523	276	8,799	2,112	66
<i>North Shore Gas</i>	157,852	2,371	96	2,467	1,644	64
<i>Northern Illinois Gas</i>	2,177,015	32,864	1,173	34,037	1,856	64
<i>Northern Indiana Public Service</i>	718,898	14,606	810	15,416	888	47
<i>Northern States Power - WI</i>	105,051	2,207	2	2,209	52,526	48
<i>Northwest Natural Gas</i>	671,023	13,258	617	13,875	1,088	48
<i>NSTAR Gas</i>	268,312	3,141	1	3,142	268,312	85
<i>Ohio Valley Gas</i>	23,656	735	57	792	415	30
<i>Orange and Rockland Utilities</i>	128,992	1,818	1	1,819	128,992	71
<i>Pacific Gas and Electric</i>	4,305,935	42,213	5,732	47,945	751	90
<i>PECO Energy</i>	487,844	6,718	31	6,749	15,737	72

Company	Customers	Distribution Line Miles	Transmission Line Miles	Total Line Miles	Customers per Transmission Mile	Customers per Total Line Mile
	[A]	[B]	[C]	[D]	[A]/[C]	[A]/[D]
<i>Peoples Gas System</i>	335,966	11,164	168	11,332	2,000	30
<i>Peoples Natural Gas</i>	357,912	6,681	586	7,267	611	49
<i>Public Service Company of Colorado</i>	1,302,243	21,467	2,443	23,910	533	54
<i>Public Service Electric and Gas</i>	1,778,357	17,619	62	17,681	28,683	101
<i>Puget Sound Energy</i>	750,806	12,008	28	12,036	26,815	62
<i>Questar Gas</i>	903,876	16,843	837	17,680	1,080	51
<i>Rochester Gas and Electric</i>	301,290	4,725	106	4,831	2,842	62
<i>San Diego Gas & Electric</i>	847,306	8,386	251	8,637	3,376	98
<i>South Carolina Electric & Gas</i>	310,942	8,488	453	8,941	686	35
<i>South Jersey Gas</i>	345,108	5,939	122	6,061	2,829	57
<i>Southern California Gas</i>	5,516,867	48,868	3,730	52,598	1,479	105
<i>Southern Connecticut Gas</i>	175,517	2,273	-	2,273	NA	77
<i>Southern Indiana Gas and Electric</i>	110,009	3,081	148	3,229	743	34
<i>St. Lawrence Gas</i>	15,507	289	90	379	172	41
<i>Vermont Gas Systems</i>	43,223	678	69	747	626	58
<i>Virginia Natural Gas</i>	275,184	5,295	179	5,474	1,537	50
<i>Washington Gas Light</i>	1,079,808	13,025	198	13,223	5,454	82
<i>Wisconsin Gas</i>	597,326	10,568	293	10,861	2,039	55
<i>Yankee Gas Services</i>	205,886	3,239	-	3,239	NA	64
Sample Average	635,320	9,089	487	9,576	15,475	60
Gaz Métro	181,986	5,811	534	6,345	341	29

It can be seen that there are 61 companies in the new sample, many more than in the old sample. These companies have widely varying operating scales and customer densities. The number of customers served by Gaz Métro is well below the mean for the new sample but there are numerous companies in the sample with similar or even smaller customer totals. The Company's line miles are more similar to sample norms. Gaz Métro's customer density is below the average but there are several companies in the sample with similar density (*e.g.* Ohio Valley Gas and Peoples Gas System).

4.1.3 Sample Period

In choosing a sample period for a productivity study we noted in Section 2.4 that it is generally desirable that the period include the latest year for which all of the requisite data are available. In our US gas distribution productivity research that year is 2010. The economy of the United States had not yet fully recovered from the recent severe recession in 2010. However, the sensitivity of our productivity results to this circumstance is lessened if volume is not a variable in the output index.

It is also desirable for the sample period to reflect the long run productivity trend. We have noted that we generally desire a sample period of at least 10 years to fulfill this goal. A considerably longer sample period, however, may not be indicative of the latest productivity trend. Moreover, we encounter mounting data availability problems as we move the start date back in time, and the accuracy of the measured capital quantity trend is enhanced by having a start date that occurs several years after the benchmark year. We attempted to balance these considerations by calculating the productivity growth of sampled US utilities for the 12 year 1999 to 2010 period.

4.2 Forward looking Productivity Growth Targets

We noted in Section 2.5 that our methodology for developing a forward looking MFP growth target had to be revised in several ways to be consistent with the Régie's June decision. Most importantly, the Régie elected to use basket-specific customer numbers as the scale escalators in the revenue cap formulas. The MFP index for which we seek a growth target should therefore use a revenue-weighted customer index to measure output growth. The trend in this index may differ from the multi-category elasticity-weighted



output index that we might otherwise prefer to better capture the effect of output growth on cost. The formula for calculating the base MFP growth target must therefore include an “Output Differential” as an additional term. This is the difference between the forecasted trends in Gaz Métro’s revenue-weighted customer index and a multi-category elasticity-weighted output index.

The formula for a uniform MFP growth target is thus

$$\begin{aligned}
 & \text{growth MFP}_{GM}^R \\
 &= \text{Output Differential} + \text{Scale Economy Effect} + \text{Trend Effect.} \quad [9] \\
 &= (\text{growth Customers}_{GM}^R - \text{growth Outputs}_{GM}^C) \\
 &+ \left(1 - \sum_i \varepsilon_{i,GM}\right) \cdot \text{growth Outputs}_{GM}^C - \text{Trend Parameter.}
 \end{aligned}$$

The mathematics for this formula is detailed in Appendix Section 2. Our econometric cost research identified three scale related cost drivers: the customer index, line miles, and a revenue-weighted volume index, and this suggests the appropriateness of a 3-category $Outputs^C$ index in the calculation of the output differential. We used as our proxy for Gaz Métro’s technical change potential the (negative of) the trend variable parameter estimate from the econometric cost model. The output differential and scale economy effects are both computed using cost elasticities, obtained from our econometric cost research, which have been customized to reflect the operating conditions of Gaz Métro.

To obtain the requisite elasticity estimates we developed a new econometric model of gas distributor cost using data for a large sample of US gas distributors.^{19 20} This model is more sophisticated than the model we developed in our Phase 2 study in several respects. First, the new model has a flexible functional form that permits us to calculate elasticity shares that are specific to the business conditions of Gaz Métro. A flexible functional form was not used in our Phase 2 study because it has more parameters to estimate and the size of the sample available to estimate the parameters was fairly small. Consider, finally, that we added a volume variable to the model to have a more complete representation of the scale dimensions that drive cost growth. Additional details of the econometric work are provided in Section 1 of the Appendix.

¹⁹ The addition of Gaz Métro’s data to the sample would have involved major complications and prolonged the study with little impact on results.

²⁰ A large sample increases the precision of parameter estimates.



Results of our research to develop a forward looking MFP growth target that is uniform across baskets are reported below in Table 5. In this table, the first scenario considered reflects Gaz Métro’s latest base case forecasts of the average growth rate of customers, delivery volumes, and line miles during the plan period. This scenario is shaded for reader convenience. The alternative scenarios reflect various combinations of alternative low and high growth forecasts.

Our econometric research suggests 1.00% annual MFP growth for Gaz Métro. This is the sum of a 0.62% trend effect, a 0.07% scale effect, and a 0.32% output differential. The output differential is sizable because the revenue-weighted customer index is forecasted to grow quite a bit more rapidly than delivery volumes or line kilometers. In our Phase 2 study we reported a 1.11% econometric MFP growth target for Gaz Métro assuming an output index in which the two categories were total customers and total line miles. The slightly lower target in this report reflects in part the addition of 2009 and 2010 data to the econometric sample.

Gaz Métro requested that we consider how X factors might differ for the PMD and VGE service baskets. This question can also be addressed with econometric and mathematical analysis. It involves consideration of the different growth rates of PMD and VGE customers and delivery volumes.²¹ Our research suggests an MFP growth target of 1.20% for the PMD basket and 0.18% for the VGE basket. Details of this work can be found in Appendix Section 2.

4.3 US MFP Trends

4.3.1 Scope

We calculated indexes of trends in the MFP of each utility in our US sample in the provision of gas services. Costs of any electric services provided by combined gas and electric utilities in the sample were excluded from the analysis. We also excluded certain costs that are itemized on US data forms because they 1) are unlikely to be subject to

²¹ The use of revenue-weighted customer and volume indexes helps to simplify the math.



Table 5

Econometric MFP Growth Target: Uniform X Factor

Base Productivity Growth Target														Stretch Factor	X Factor	
Trend Effect	Scale Economy Effect										Output Differential		Base MFP Growth Target			
	Forecasted Customer Growth ¹			Forecasted Volume Growth ¹				Forecasted Line Km Growth	Forecasted Growth in 3 Category Elasticity- Weighted Output Index	SUM of Estimated Cost Elasticities	Scale Economy Effect	Forecasted Growth in Revenue- Weighted Customer Index	Output Differential			
Scenario	PMD Basket	VGE Basket	Revenue- Weighted Index	PMD Basket	VGE Basket	Revenue- Weighted Index	Estimated GM Cost Elasticity	Estimated GM Cost Elasticity								
	GM Base Rate Revenue Shares	GM Base Rate Revenue Shares	Estimated GM Cost Elasticity	GM Base Rate Revenue Shares	GM Base Rate Revenue Shares	Estimated GM Cost Elasticity	Estimated GM Cost Elasticity	Estimated GM Cost Elasticity								
	80.3%	19.7%	0.587	80.3%	19.7%	0.168	0.187									
	[A]		[B]			[C]	[D]	[E]	[F]	[G=Ex(1-F)]	[H=B]	[I=H-E]	[J=A+G+I]	[K]	[L=J+K]	
1	0.62%	1.80%	0.15%	1.47%	0.11%	2.16%	0.51%	0.75%	1.16%	0.942	0.07%	1.47%	0.32%	1.00%	0.20%	1.20%
2	0.62%	1.80%	0.15%	1.47%	0.11%	2.16%	2.16%	1.20%	1.54%	0.942	0.09%	1.47%	-0.07%	0.64%	0.20%	0.84%
3	0.62%	1.80%	0.15%	1.47%	0.11%	2.16%	0.51%	0.40%	1.09%	0.942	0.06%	1.47%	0.39%	1.07%	0.20%	1.27%
4	0.62%	0.21%	-10.54%	-1.91%	-1.78%	0.34%	-1.36%	0.75%	-1.28%	0.942	-0.08%	-1.91%	-0.63%	-0.08%	0.20%	0.12%
5	0.62%	0.21%	-10.54%	-1.91%	-1.78%	0.34%	-1.36%	1.20%	-1.19%	0.942	-0.07%	-1.91%	-0.71%	-0.16%	0.20%	0.04%
6	0.62%	0.21%	-10.54%	-1.91%	-1.78%	0.34%	-1.36%	0.40%	-1.35%	0.942	-0.08%	-1.91%	-0.56%	-0.01%	0.20%	0.19%
7	0.62%	2.72%	9.53%	4.06%	1.46%	4.74%	2.11%	0.75%	3.05%	0.942	0.18%	4.06%	1.01%	1.81%	0.20%	2.01%
8	0.62%	2.72%	9.53%	4.06%	1.46%	4.74%	2.11%	1.20%	3.14%	0.942	0.18%	4.06%	0.92%	1.72%	0.20%	1.92%
9	0.62%	2.72%	9.53%	4.06%	1.46%	4.74%	2.11%	0.40%	2.99%	0.942	0.17%	4.06%	1.08%	1.87%	0.20%	2.07%

Comments

Revenue shares of PMD and VGE baskets set at 2012 Gaz Métro values.

Trend effect and cost elasticities econometrically estimated using US gas utility data. See Table A-1 for estimates.

indexing in the IR plan of Gaz Métro and/or 2) displayed unusual growth during the sample period so that their inclusion would distort the estimate of the long run productivity trend. The excluded costs were those for gas procurement, transmission by others, customer service and information, sales, uncollectible bills, pensions and other benefits, and taxes. Customer service and information expenses were excluded because those for many sampled distributors have increased markedly and uncharacteristically in recent years due to the growth of utility DSM programs. Uncollectible bill expenses were excluded because those for many US utilities rose rapidly in the later years of the sample period due to high field prices for natural gas and the recession.

The applicable total cost of gas distribution was calculated as the corresponding O&M expenses plus the non-tax costs of gas plant ownership. Capital cost was calculated using the COS method that we detailed in Appendix Section 4.1 of our Phase 2 report.

In the computation of capital quantities for the US research we used 1994 as the benchmark year. To estimate the capital quantity at the start of that year we took the ratio of net plant value to a weighted average of past values of the appropriate Handy Whitman summary regional index of cost trends of gas utility construction. In this calculation, we chose weights that are consistent with the assumption of equal annual gross plant addition quantities, straight line depreciation, and a forty-year service life. Company-specific adjustments linked to past customer growth were not practical because the requisite customer data were not readily available.

4.3.2 Output Measure

We calculated the MFP trends for the utilities in the US sample using a revenue-weighted index of trends in the number of customers served. Two service baskets were employed in this calculation that are similar to the PMD and VGE baskets. The first is residential and commercial customers. The second is industrial and other customers.

4.3.3 Input Quantity Index

Due to limitations in the availability of some O&M cost itemizations, we computed the trend in O&M input quantities of US distributors on a consolidated basis. The growth rate in the input quantity index of each sampled distributor was a weighted average of the



growth rates in quantity subindexes for capital and O&M inputs. The weights were based on the shares of these input classes in each company's applicable gas distributor cost.

4.3.4 Productivity Index Results

Table 6 reports the average annual growth rates of the gas distributor productivity and component output and input quantity indexes for the full US sample. Inspecting the results it can be seen that, for the full 1999-2010 sample period, the distributors averaged 0.85% annual productivity growth, considerably below that recently achieved by Gaz Métro.

Input growth was similar to Gaz Métro's but output growth was quite a bit slower. O&M productivity averaged 0.98% annual growth whereas capital productivity averaged 0.76% growth. Thus, Gaz Métro's capital productivity growth was well above the US norm whereas its O&M productivity growth was well below the US norm. The MFP of the US private business sector averaged 1.24% annual growth over the full sample period.

4.4 Stretch Factor

In our Phase 2 report we discussed incentive power research that indicated that an appropriate stretch factor for Gaz Métro was 0.2% if the base MFP target was based on US data. Companies in the sample averaged a rate case every three years and were not subject to earnings sharing. The incentive power of the IR plan was assumed to be equivalent to that of a seven-year plan with 50/50 sharing. The incentive power model suggested that MFP growth would be 0.43% higher on average in the long run if the typical US distributor were to operate under this regime. Half of this is about 0.20%.

With our new sample, it remains true that gas distributors in our US sample held rate cases about every three years on average and were not subject to earnings sharing. We are interested in the cost performance improvement in moving from this kind of regulatory system to the new regulatory system of Gaz Métro. There is no firm plan for another rate case in the Company's proposal and this strengthens performance incentives. The assumption of incentive power equivalent to a seven-year rate case cycle is then reasonable. Our incentive power model cannot simulate the exact sharing mechanism of Gaz Métro but it is reasonable to assume that the Régie ultimately approves a sharing mechanism with incentive power equivalent to 50/50 sharing of variances. The 0.20% stretch factor therefore



Table 6
Summary of US Productivity Trend Results

Year	Productivity			Output Quantity	Input Quantity			US Private Business Sector
	MFP	O&M	Capital	Customer Index	Index	O&M	Capital	MFP
1999	1.36%	2.48%	0.78%	1.95%	0.58%	-0.53%	1.17%	1.82%
2000	0.10%	-1.53%	1.74%	2.49%	2.39%	4.02%	0.75%	1.72%
2001	2.92%	5.83%	0.03%	0.66%	-2.26%	-5.17%	0.63%	0.79%
2002	3.34%	6.38%	0.32%	0.93%	-2.41%	-5.45%	0.62%	2.34%
2003	0.60%	0.23%	0.82%	1.62%	1.02%	1.39%	0.80%	2.66%
2004	-0.44%	-1.98%	0.82%	0.99%	1.43%	2.97%	0.18%	2.39%
2005	0.77%	-0.24%	1.80%	1.29%	0.53%	1.53%	-0.50%	1.02%
2006	2.95%	5.16%	0.77%	0.43%	-2.52%	-4.73%	-0.34%	0.45%
2007	-0.62%	-2.41%	1.20%	0.82%	1.44%	3.23%	-0.38%	0.35%
2008	0.98%	1.86%	0.43%	0.14%	-0.84%	-1.71%	-0.29%	-1.23%
2009	-1.39%	-2.93%	0.05%	0.13%	1.53%	3.07%	0.08%	-0.76%
2010	-0.42%	-1.09%	0.31%	0.29%	0.71%	1.38%	-0.02%	3.35%
Average Annual Growth Rates								
1999-2010	0.85%	0.98%	0.76%	0.98%	0.13%	0.00%	0.22%	1.24%
1999-2008	1.20%	1.58%	0.87%	1.13%	-0.06%	-0.44%	0.26%	1.23%

remains reasonable for Gaz Métro's new IR plan. However, a lower stretch factor might be reasonable if the final plan calls for a rate case at the end of the plan period.

A final consideration in choosing a stretch factor for Gaz Métro's new IR plan is the *level* of productivity that Gaz Métro has already achieved. Recall from our discussion in Section 2.1.2 of our Phase 2 report that a high level of initial efficiency reduces prospects for reductions in X-inefficiency. This is an empirical issue, and Gaz Métro has not to our knowledge filed a rigorous study of its operating efficiency. However, it is noteworthy that the Company has been operating under IR for many years and that its average productivity growth in the last ten years materially exceeded the norm for US gas distributors.

All things considered, we recommend a stretch factor of 0.20% for Gaz Métro's new IR plan if the base productivity growth target is based on US data. If the Company's own historical MFP growth trend is used to set X, we noted in our Phase 2 report that there is no need for a stretch factor since the new IR plan would likely have incentive power similar to that in previous plans. This conclusion applies to the new plan as well.



5. INPUT PRICE RESEARCH

The Régie instructed Gaz Métro in its Phase 2 decision to use the CPI (all-items) for Canada as the inflation measure in its revenue cap escalators. In Section 2.2.4 of our Phase 2 report we noted that X factors are sometimes adjusted to correct for any tendency of the trend of a macroeconomic inflation measure such as the CPI to differ from the trend in the input prices of utilities. In this section we consider the need for such an “inflation differential” while providing some pertinent information about CPIs.

5.1 Consumer Price Indexes

Macroeconomic indexes of trends in the prices of final goods and services such as consumer products are not designed to measure inflation in the input prices of utilities. The chief concern has traditionally been that their growth is slowed by the productivity trend of the economy. This is less of a concern in Canada than in the United States because the productivity trend of the Canadian economy has tended to be close to zero. This reduces the likelihood that a macroeconomic inflation measure will tend to understate utility input price growth. However, CPI and utility input price trends can still differ materially.

Recent forecasts of three pertinent CPIs are compiled in Table 7. Recent historical trends in these CPIs are detailed in Table 8.

- The CPI (all-items) for Canada is the inflation measure most familiar to Canadian consumers. This type of inflation measure is the norm in British and Australian IR plans. It is less common in North American IR because it places a fairly heavy weight on volatile consumer commodity prices like those for gasoline, natural gas, and food. These commodities make the CPI more volatile and have much more of an impact on the budget of a typical consumer than they do on the cost of an energy distributor’s base rate inputs. CPIs also have the attribute of not being revised. This eliminates the potential regulatory complications that would occur with revisions. CPI data for each month are released at the end of the following month (*e.g.* June data



Table 7

Latest Canadian Inflation Forecasts

(%)

Bank of Montreal¹

Year	Canada CPI (All Items)	Core CPI ³	Quebec CPI All Items
2012	1.60	1.80	2.20
2013	1.80	1.80	1.70

Royal Bank of Canada¹

Year	Canada CPI (All Items)	Core CPI ³	Quebec CPI All Items
2012	1.90	1.90	2.40
2013	1.90	1.90	2.00

Canadian Imperial Bank of Commerce¹

Year	Canada CPI (All Items)	Core CPI ³	Quebec CPI All Items
2012	1.90	2.10	2.30
2013	2.00	2.00	1.90

Desjardins¹

Year	Canada CPI (All Items)	Core CPI ³	Quebec CPI All Items
2012	2.10	1.90	2.20
2013	1.90	1.80	2.00

Organisation for Economic Cooperation and Development¹

Year	Canada CPI (All Items)	Core CPI ³	Quebec CPI All Items
2012	2.30	2.10	
2013	2.20	2.00	

Scotiabank¹

Year	Canada CPI (All Items)	Core CPI ³	Quebec CPI All Items
2012	1.70	1.80	
2013	2.00	1.80	

Year	Toronto Dominion ¹		
	Canada CPI (All Items)	Core CPI ³	Quebec CPI All Items
2012	2.10	1.90	1.80
2013	2.00	2.00	1.70
2014	2.00	2.00	
2015	1.90	1.80	
2014-2015 Averages:	1.95	1.90	

Year	Conference Board of Canada ²		
	Canada CPI (All Items)	Core CPI ³	Quebec CPI All Items
2013	2.12	1.96	2.30
2014	2.20	2.08	2.17
2015	2.09	2.07	2.11
2016	2.03	2.05	2.02
2017	2.01	2.05	
2013-2017 Averages:	2.09	2.04	

Sources:

Bank of Montreal Capital Markets Economics, 31 August 2012.

Royal Bank of Canada Economics Research, June 2012.

Canadian Imperial Bank of Commerce. Quebec data obtained from "Provincial Forecast Update," 5 March 2012. National forecast obtained from "IBC World Markets Forecast," 20 June 2012.

Desjardins Economics and Financial Outlook, Volume 17/Summer 2012.

Organisation for Economic Co-operation and Development (2012), OECD Economic Outlook, Vol 2012/1, OECD Publishing. May 2012. p.95.

Scotiabank Global Forecast Update, 30 August 2012.

Toronto Dominion Economics, 16 April 2012.

Conference Board of Canada 5-Year Canadian Forecast, Accessed database 10/26/12.

Notes:

¹ Calendar year forecast.

² Fiscal year forecast.

³The Core CPI excludes from the all-items CPI the effect of changes in indirect taxes and eight of the most volatile components identified by the Bank of Canada: fruit, fruit preparations and nuts; vegetables and vegetable preparations; mortgage interest cost; natural gas; fuel oil and other fuels; gasoline; inter-city transportation; and tobacco products and smokers' supplies.

Table 8
Consumer Price Indexes
in Canada and Quebec

Year	Canada				Quebec	
	CPI (all items) ¹		Core CPI ^{1 2}		CPI (all items) ¹	
	Level	Growth Rate ³	Level	Growth Rate ³	Level	Growth Rate ³
1977	33.6					
1978	36.6	8.6%				
1979	40.0	8.9%			40.5	
1980	44.0	9.5%			44.7	9.9%
1981	49.5	11.8%			50.2	11.6%
1982	54.9	10.4%			56.0	10.9%
1983	58.1	5.7%			59.1	5.4%
1984	60.6	4.2%	62.9		61.5	4.0%
1985	63.0	3.9%	65.1	3.4%	64.2	4.3%
1986	65.6	4.0%	68.0	4.4%	67.3	4.7%
1987	68.5	4.3%	71.0	4.3%	70.2	4.2%
1988	71.2	3.9%	74.0	4.1%	72.8	3.6%
1989	74.8	4.9%	77.2	4.2%	75.9	4.2%
1990	78.4	4.7%	79.8	3.3%	79.2	4.3%
1991	82.8	5.5%	82.1	2.8%	85.0	7.1%
1992	84.0	1.4%	83.6	1.8%	86.6	1.9%
1993	85.6	1.9%	85.3	2.0%	87.7	1.3%
1994	85.7	0.1%	86.9	1.9%	86.6	-1.3%
1995	87.6	2.2%	88.8	2.2%	88.1	1.7%
1996	88.9	1.5%	90.3	1.7%	89.5	1.6%
1997	90.4	1.7%	92.0	1.9%	90.8	1.4%
1998	91.3	1.0%	93.2	1.3%	92.1	1.4%
1999	92.9	1.7%	94.5	1.4%	93.5	1.5%
2000	95.4	2.7%	95.7	1.3%	95.8	2.4%
2001	97.8	2.5%	97.7	2.1%	98.0	2.3%
2002	100.0	2.2%	100.0	2.3%	100.0	2.0%
2003	102.8	2.8%	102.2	2.2%	102.5	2.5%
2004	104.7	1.8%	103.8	1.6%	104.5	1.9%
2005	107.0	2.2%	105.5	1.6%	106.9	2.3%
2006	109.1	1.9%	107.5	1.9%	108.7	1.7%
2007	111.5	2.2%	109.8	2.1%	110.4	1.6%
2008	114.1	2.3%	111.7	1.7%	112.7	2.1%
2009	114.4	0.3%	113.6	1.7%	113.4	0.6%
2010	116.5	1.8%	115.6	1.7%	114.8	1.2%
2011	119.9	2.9%	117.5	1.6%	118.3	3.0%
Average Annual Growth Rates						
2001-2011		2.08%		1.87%		1.92%
1992-2011		1.85%		1.79%		1.65%
1985-2011		2.53%		2.31%		2.42%
Standard Deviation						
1985-2011		1.35%		0.98%		1.61%

Footnotes

¹Statistics Canada. Table 326-0021 - Consumer Price Index (CPI), 2005 basket, annual (2002=100 unless otherwise noted) (table).

²The Core CPI excludes from the all-items CPI the effect of changes in indirect taxes and eight of the most volatile components identified by the Bank of Canada: fruit, fruit preparations and nuts; vegetables and vegetable preparations; mortgage interest cost; natural gas; fuel oil and other fuels; gasoline; inter-city transportation; and tobacco products and smokers' supplies.

³All growth rates are calculated logarithmically.

are available at the end of July). This means that CPI (all-items) data are serviceable for an October 1 IR plan update. Numerous forecasts of this CPI are available should Gaz Métro wish to base its revenue caps on a forecast subject to later true up. By September 1 of this year, quarterly forecasts of CPI inflation in 2013 were available from the Bank of Montreal, Royal Bank of Canada, and Scotiabank. Toronto Dominion Bank published an annual forecast of inflation through fiscal year 2015. The Conference Board of Canada reported a quarterly forecast of inflation through fiscal year 2017.

- The CPI (all-items) for Quebec has the drawback just noted for the analogous national CPI but the advantage of being specific to the province in which Gaz Métro operates. It should therefore be more sensitive to local business conditions than the national CPI. The CPI (all-items) for Alberta was recently approved by the Alberta Utilities Commission (“AUC”) for use in the inflation measure for the IR plans of most provincial gas and electric power distributors. Provincial CPI data follow the same release schedule as the national CPI (all-items). This means that the Quebec CPI is serviceable for use in an October 1 IR plan update. The Conference Board of Canada reported a quarterly forecast of inflation through fiscal year 2017.
- The core CPI excludes inflation in the prices of price-volatile consumer products such as fuels and food. It is available for Canada but not for Quebec. The core CPI data follow the same release schedule as the national CPI (all-items). This means that they are also serviceable for use in an October 1 IR plan update. By September 1st of this year, quarterly forecasts of inflation in the core CPI in 2013 were available from Bank of Montreal, Royal Bank of Canada, and Scotiabank. Toronto Dominion Bank had issued an annual forecast of inflation through 2015. The Conference Board of Canada forecast quarterly inflation in the core CPI through fiscal year 2017.

The long run trends in the all-items and core CPIs are fairly similar. However, Table 8 shows that these CPIs vary considerably in their volatility, which is measured in the last row of the table by the standard deviation of their growth rates. The all-items CPIs for



Canada and Quebec are much more volatile than the core CPI. In 2009, for instance, the CPIs (all-items) for Canada and Quebec grew only 0.3% and 0.6%. In the same year, the core CPI grew by 1.7%.

5.2 Custom Gaz Métro Input Price Index

We developed a custom summary input price index for Gaz Métro which is consistent with our research on the Company’s MFP trend. This index can in theory be used as the inflation measure of the revenue cap indexes. Due to its complexity, however, it is probably more useful as a point of comparison for the CPIs.

Our custom input price index used the same Gaz Métro cost shares, definitions of applicable cost, and cost breakdowns which we used to calculate the input *quantity* indexes. Here is a summary of the price indexes that we chose for these cost categories. The input price subindexes were the same as those we used to calculate Gaz Métro’s input quantity trends.

Salaries & Wages	Average hourly earnings for Quebec industrial aggregate
Materials & Services	Gross Domestic Product Implicit Price Index for Final Domestic Demand in Quebec (“GDPIPI ^{FDD} _{Quebec} ”)
Capital	Custom three category capital service price index based on COS formulas

Results of our research on the recent input price trends of Gaz Métro are reported in Table 9. It can be seen that over the full 1999-2011 sample period for which Gaz Métro data are available, the AHE for the Quebec industrial aggregate averaged 2.45% annual inflation, well above the 1.71% annual growth trend of the GDPIPI^{FDD}_{Quebec} that we use as the proxy for M&S price inflation. Inflation in the COS capital price index averaged 2.14% annually. The summary input price index averaged 2.15% annual inflation.

Comparisons of the trends in the three CPIs to the input price trend of Gaz Métro can be found in Table 10 and Figure 1. It can be seen that Gaz Métro’s input price inflation was quite similar to that of Canadian CPI (all-items) and 37 basis points more rapid than that of



Table 9
Calculating Gaz Métro's Custom Input Price Index

Year	Costs			Input Price Indexes							
	Labor ¹	Materials & Services ¹	Capital ¹	Labor ²		Materials & Services ³		Capital		All Inputs	
	Million \$	Million \$	Million \$	Level	Growth Rate ⁴	Level	Growth Rate ⁴	Level	Growth Rate ⁴	Level	Growth Rate ⁴
1998	61.5	32.9	181.1	94.3		92.7		100.0		100.0	
1999	61.2	37.1	182.7	94.0	-0.3%	94.0	1.4%	100.5	0.5%	100.5	0.47%
2000	63.2	36.3	181.2	96.0	2.0%	96.4	2.5%	100.0	-0.6%	100.9	0.42%
2001	63.0	36.3	185.3	97.1	1.2%	97.8	1.4%	100.6	0.7%	101.8	0.88%
2002	70.9	37.7	194.4	100.1	3.0%	100.0	2.2%	104.3	3.6%	105.2	3.28%
2003	75.5	39.4	199.1	102.8	2.7%	101.8	1.8%	105.3	0.9%	106.7	1.43%
2004	80.9	42.3	211.9	105.8	2.9%	103.1	1.3%	111.7	5.9%	111.7	4.61%
2005	85.1	43.8	214.5	108.7	2.7%	105.1	1.9%	111.5	-0.1%	112.6	0.80%
2006	88.4	44.8	210.6	111.1	2.2%	106.5	1.3%	111.8	0.2%	113.6	0.86%
2007	89.7	41.5	215.8	117.0	5.2%	108.6	2.0%	116.2	3.9%	118.2	4.00%
2008	90.8	46.1	217.7	120.0	2.5%	110.8	2.0%	120.7	3.8%	122.1	3.24%
2009	93.9	48.5	215.2	123.5	2.9%	112.3	1.3%	122.7	1.6%	124.5	1.91%
2010	99.6	53.5	218.3	127.0	2.8%	113.3	0.9%	127.9	4.1%	128.7	3.32%
2011	103.1	54.2	220.5	129.7	2.1%	115.7	2.1%	132.1	3.2%	132.3	2.78%
Average Annual Growth Rates 1999-2011					2.45%		1.71%		2.14%		2.15%

¹ Source: Gaz Métro.

²Source: Statistics Canada. Table 281-0039 - Fixed weighted index of average hourly earnings for all employees (SEPH) in Quebec, excluding overtime, unadjusted for seasonal variation, for selected industries classified using the North American Industry Classification System (NAICS), monthly (index, 2002=100)

³ Source: Statistics Canada, Gross Domestic Product, Final Domestic Demand of Quebec at Market Prices, Table 384-0036 - Implicit price indexes, gross domestic product (GDP), provincial economic accounts, annual (index, 2002=100).

⁴ All growth rates calculated logarithmically.

Table 10

How Gaz Métro's Input Price Inflation Compared to CPIs

Year	Gaz Métro Custom Input Price Index		CPIs					
			Canada			Quebec		
	Level	Growth Rate ³	All Items		Core ^{1 2}		All Items ¹	
			Level	Growth Rate ³	Level	Growth Rate ³	Level	Growth Rate ³
1998	100.0		91.3		93.2		92.1	
1999	100.5	0.5%	92.9	1.7%	94.5	1.4%	93.5	1.5%
2000	100.9	0.4%	95.4	2.7%	95.7	1.3%	95.8	2.4%
2001	101.8	0.9%	97.8	2.5%	97.7	2.1%	98.0	2.3%
2002	105.2	3.3%	100.0	2.2%	100.0	2.3%	100.0	2.0%
2003	106.7	1.4%	102.8	2.8%	102.2	2.2%	102.5	2.5%
2004	111.7	4.6%	104.7	1.8%	103.8	1.6%	104.5	1.9%
2005	112.6	0.8%	107.0	2.2%	105.5	1.6%	106.9	2.3%
2006	113.6	0.9%	109.1	1.9%	107.5	1.9%	108.7	1.7%
2007	118.2	4.0%	111.5	2.2%	109.8	2.1%	110.4	1.6%
2008	122.1	3.2%	114.1	2.3%	111.7	1.7%	112.7	2.1%
2009	124.5	1.9%	114.4	0.3%	113.6	1.7%	113.4	0.6%
2010	128.7	3.3%	116.5	1.8%	115.6	1.7%	114.8	1.2%
2011	132.3	2.8%	119.9	2.9%	117.5	1.6%	118.3	3.0%
Average Annual Growth Rates								
1999-2011		2.15%	2.10%		1.78%		1.93%	
Standard Deviation								
1999-2011		1.45%	0.66%		0.32%		0.62%	

Footnotes

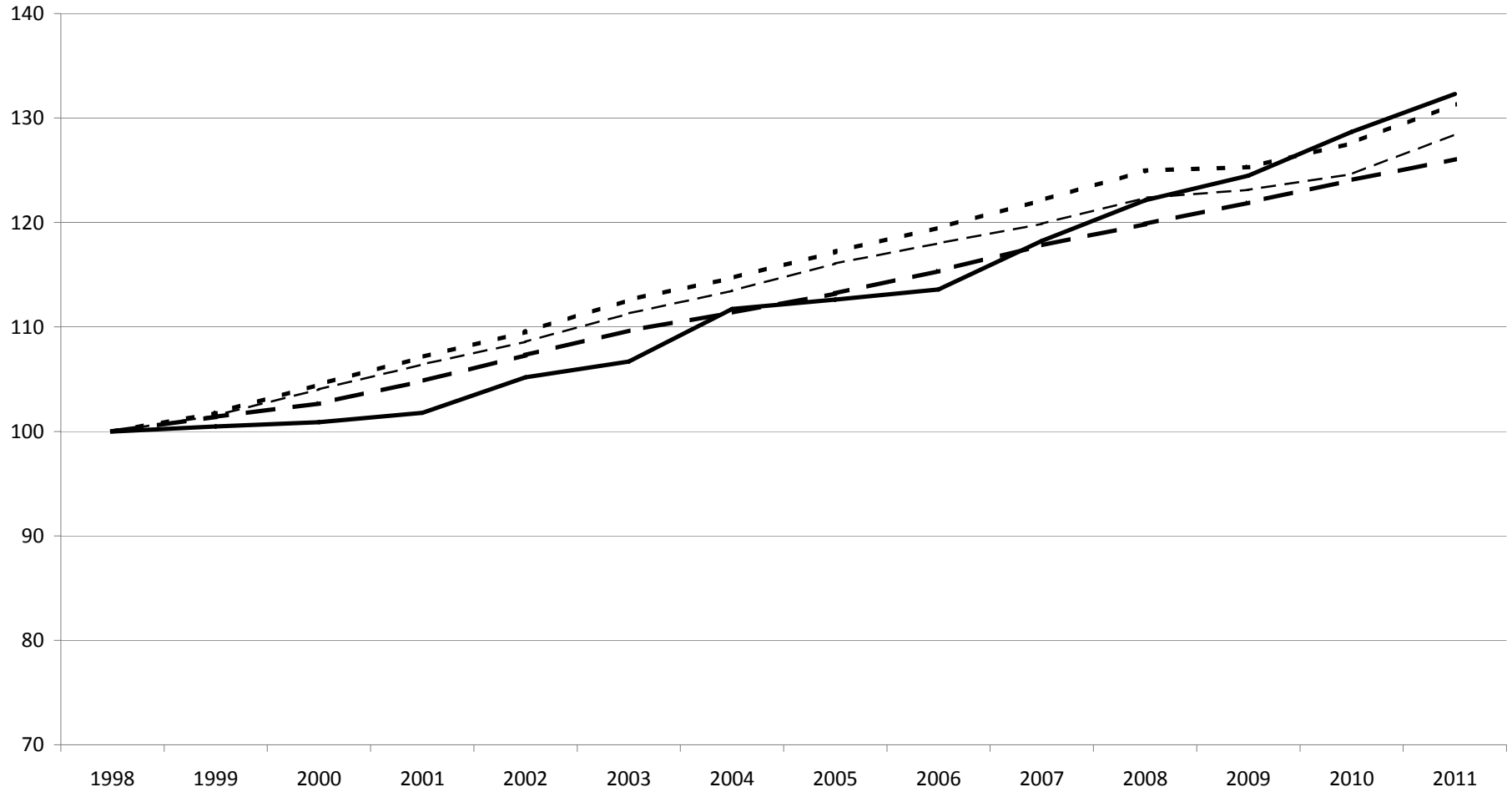
¹Statistics Canada. Table 326-0021 - Consumer Price Index (CPI), 2005 basket, annual (2002=100 unless otherwise noted) (table

²The Core CPI excludes from the all-items CPI the effect of changes in indirect taxes and eight of the most volatile components identified by the Bank of Canada: fruit, fruit preparations and nuts; vegetables and vegetable preparations; mortgage interest cost; natural gas; fuel oil and other fuels; gasoline; inter-city transportation; and tobacco products and smokers' supplies.

³All growth rates are calculated logarithmically.

Figure 1

How Gaz Metro's Input Price Index Compared to Alternative CPIs



■ ■ ■ All Items - Canada — — — Core - Canada - - - All Items - Quebec — Gaz Metro Custom Input Price Index

the core CPI over the full sample period. Since the inflation in CPIs for all-items was bolstered by the weights on volatile commodity prices, we are concerned that the all-items Canadian CPI may prove undercompensatory over time. The Régie should consider this issue in its final X factor determination. Similarity in the recent historical trends of the all-items Canadian CPI and Gaz Métro's input prices does not ensure a similarity in trends over the term of the new IR plan.



6. SUMMING UP

Table 11 provides a useful summary of our new productivity research and compares it to the results from our Phase 2 study. We developed external MFP growth targets based on US data using two rigorous methods --- indexing and econometric forecasting. Gaz Métro has provided us data to perform this work for a two-basket PMD/VGE split. Our research suggests in this instance a base MFP growth target of 1.00% using the econometric projection and 0.85% using the average MFP trend of the US sample.

Assuming, additionally, a 0.20% stretch factor, our research suggests [1.05%, 1.20%] as a sensible range for Gaz Métro's X factor. In choosing between these alternatives, the Régie should bear in mind that Gaz Métro's input price inflation has exceeded that of the core CPI materially in recent years. Additionally, the Company has operated under IR for many years and has achieved MFP growth well above the US norm.

Table 12 provides illustrative forecasts of the growth in allowed revenue. Nine different output growth scenarios are considered. All scenarios assume the following.

- The inflation measure is the all-items CPI for Canada. This is assumed to grow at the average annual pace recently forecasted for this index during the 2014-2017 period by the Conference Board of Canada.
- There are two service baskets: PMD and VGE. Alternative sets of baskets may be considered but would require additional work. For example, we might have to recalculate the MFP trends and reestimate the econometric model using an alternative customer index, and obtain more itemized customer growth projections from Gaz Métro.
- Growth in the allowed revenue for each basket i is driven by the following general formula:

$$\text{Growth Revenue}_i = \text{growth CPI} - X + \text{growth Customers}_i.$$



Table 11

Summary of MFP Results

	Phase 2 Report	Latest Research Results
<u>Gas Métro Research</u>		
Sample Period	2000-2009	2002-2011
MFP Index Trends		
Revenue-weighted Customer Index	NA	1.29%
Total Customers + Line Miles	1.66%	NA
<u>US Research</u>		
Sampled Companies	33	61
Sample Period	1998-2008	1999-2010
Benchmark Year for Capital Quantity Index	1983	1995
Forward-Looking Econometric MFP Growth Targets		
Revenue-Weighted Customer Index	NA	1.00%
PMD - specific	NA	1.20%
VGE - specific	NA	0.18%
Total Customers + Line Miles	1.11%	NA
US MFP Index Trends		
Revenue-weighted Customer Index	NA	0.85%

Table 12
**Projecting Revenue Growth for Gaz Métro:
 Uniform Econometric Productivity Target**

Scenario	Inflation	X Factor			Basket-Specific Scale Escalator		Average Annual Revenue Growth		
		Base MFP Growth Target	Stretch Factor	X Factor	Forecasted Growth in Number of Customers		Small Volume (PMD)	Large Volume (VGE)	Total
					Small Volume (PMD)	Large Volume (VGE)			
		GM Revenue Shares							
	[A]	[B]	[C]	[D=B+C]	[E]	[F]	[G=A-D+E]	[H=A-D+F]	[I=.803xG+.197xH]
1	2.08%	1.00%	0.20%	1.20%	1.80%	0.15%	2.68%	1.03%	2.35%
2	2.08%	0.64%	0.20%	0.84%	1.80%	0.15%	3.04%	1.39%	2.71%
3	2.08%	1.07%	0.20%	1.27%	1.80%	0.15%	2.61%	0.96%	2.29%
4	2.08%	-0.08%	0.20%	0.12%	0.21%	-10.54%	2.17%	-8.58%	0.05%
5	2.08%	-0.16%	0.20%	0.04%	0.21%	-10.54%	2.26%	-8.49%	0.14%
6	2.08%	-0.01%	0.20%	0.19%	0.21%	-10.54%	2.11%	-8.64%	-0.01%
7	2.08%	1.81%	0.20%	2.01%	2.72%	9.53%	2.80%	9.61%	4.14%
8	2.08%	1.72%	0.20%	1.92%	2.72%	9.53%	2.88%	9.69%	4.22%
9	2.08%	1.87%	0.20%	2.07%	2.72%	9.53%	2.73%	9.54%	4.07%

Comments

Canadian CPI (all items) average annual inflation forecast for 2014-2017 from the Conference Board of Canada.

Cost elasticity shares estimated econometrically based on US data and Gaz Métro's operating conditions.

Total revenue projections are approximations based on the assumption that growth in total revenue is revenue-weighted average of growth in PMD and VGE revenue. Revenue shares are not part of the IR formula but, instead, a simple way to project revenue growth. Revenue shares of PMD and VGE baskets are set at their 2012 values.

- The X factor is the same for both baskets and is in each case the sum of the forward looking base MFP growth target and a 0.2% stretch factor. The econometric targets are based on the same output growth projections. Hence we do not consider “surprises” in which output growth differs from the forecasts.

For each of nine output growth scenarios, we forecast the average annual growth in revenue during the IR plan as a revenue-weighted average of the forecasted growth in the revenue of the PMD and VGE baskets. The revenue weights are not part of the IR plan and are fixed for simplicity at the 2012 values for Gaz Métro. It can be seen that for the base output growth forecast, allowed revenue is projected to average 2.35% growth. Revenue growth is easily calculated using this table for alternative assumptions about X and the growth in the Company’s operating scale.



APPENDIX

This appendix contains additional details of our Phase 3 statistical cost research. Section A.1 addresses our econometric cost research. Section A.2 provides the mathematical basis for the forward looking MFP growth targets.

A.1 Econometric Work

Econometric research using data on the operations of US gas distributors was used to develop forward looking MFP growth targets for Gaz Métro which are consistent with the Régie’s requested revenue cap approach. This section provides additional details of the econometric work.

A.1.1 Form of the Econometric Cost Model

As previously discussed in Section A.3.4 of our Phase 2 report, specific forms must be chosen for cost models used in econometric research. Forms commonly employed by scholars include the linear, the double log, and the translog. In the following cost model of *linear* form,

$$C_{h,t} = a_0 + a_1 \cdot N_{h,t} + a_2 \cdot W_{h,t}, \quad [A1]$$

the variable $C_{h,t}$ is the cost of firm h in year t, $N_{h,t}$ is the number of customers it served, and $W_{h,t}$ is the price of labor. Here is an analogous cost model of *double log* form.

$$\ln C_{h,t} = a_0 + a_1 \cdot \ln N_{h,t} + a_2 \cdot \ln W_{h,t}. \quad [A2]$$

This form was used for the econometric model in our Phase 2 study.

The double log form is so-called because the left-hand side and right-hand side variables are both logged. With this specification, the parameter corresponding to each business condition variable is the elasticity of cost with respect to the variable. For example, the a_1 parameter indicates the percentage change in cost resulting from 1% growth in the



number of customers²². Elasticity estimates are informative and make it easier to assess the reasonableness of model results.

It is also noteworthy that, in a double log model, the elasticities are *constant* in the sense that they are the same for every value that the cost and business condition variables might assume.²³ This treatment is restrictive and may be inconsistent with the true form of the relationship between cost and external business conditions which we are trying to model. In the case of Gaz Métro, for example, we are interested to know how its elasticities might differ from the norm due to its unusually low customer density.

A more sophisticated “translog” functional form was used in the research for this report.²⁴ This very flexible function is common in econometric cost research and, by some accounts, the most reliable of several available flexible forms.²⁵ Here is a cost function of translog form that is analogous to [A1] and [A2].

$$\ln C_{h,t} = a_0 + a_1 \cdot \ln N_{h,t} + a_2 \cdot \ln W_{h,t} + a_3 \cdot \ln N_{h,t} \cdot \ln N_{h,t} + a_4 \cdot \ln W_{h,t} \cdot \ln W_{h,t} + a_5 \cdot \ln W_{h,t} \cdot \ln N_{h,t} \quad [A3]$$

Quadratic terms such as $\ln N_{h,t} \cdot \ln N_{h,t}$ permit the elasticity of cost with respect to each translogged business condition variable to differ at different values of the variable. Interaction terms like $\ln W_{h,t} \cdot \ln N_{h,t}$ permit the elasticity of cost with respect to one business condition variable to depend on the value of another such variable. Terms that are neither quadratic or interacted are called “first order” terms. It is convenient with a translog form to calculate cost elasticities that are tailored to the business conditions of Gaz Métro.

A translog functional form increases the complexity of the cost model. In our Phase 2 work for the Groupe de Travail, the addition of such terms strained our ability to estimate the parameters of a translog cost function accurately due in part to the smaller size of the sample we had to work with. With the larger sample we are using in this study, it is possible

²² This is so because
$$a_1 = \frac{\partial \ln C_{h,t}}{\partial \ln N_{h,t}} = \frac{\frac{\partial \ln C_{h,t}}{\partial N}}{\frac{\partial \ln N_{h,t}}{\partial N}} = \frac{N}{C_{h,t}} \cdot \frac{\partial C_{h,t}}{\partial N_{h,t}}.$$

²³ Cost elasticities are not constant in the linear model that is exemplified by equation [A1].

²⁴ The transcendental logarithmic (or translog) cost function can be derived mathematically as a second order Taylor series expansion of the logarithmic value of an arbitrary cost function around a vector of input prices and output quantities.

²⁵ See Guilkey (1983), *et. al.*



to estimate the parameters of a translog cost function more accurately. Nonetheless, we have followed convention in confining the translog treatment to the input price and output variables.

A.1.2 Definition of Variables

Cost

The dependent or “left-hand side” variable in the cost function was the applicable total cost of gas distributor service.

Output

Three statistically significant output measures were featured in the cost model: a revenue-weighted customer index, a revenue-weighted volume index, and total line length. The revenue-weighted volume index places more weight on residential and commercial volumes. These volumes tend to involve higher system costs due to their greater seasonality. A revenue-weighted volume index should therefore be a more relevant measure of operating scale than the total delivery volume. It is also more convenient than a total deliveries variable for deriving separate X factors for the PMD and VGE baskets.

Input Prices

Cost theory also indicates that the prices paid for production inputs are relevant business condition variables. There are input prices in the cost function for capital and O&M expenses. To enforce a prediction of economic theory we divide cost by the O&M price index and then feature as a right-hand side variable the ratio of the capital and O&M price indexes.

Other Business Conditions

Two other business condition variables are included in the cost model. One is the average vintage of transmission lines and distribution mains that have been added to the system of the company since 1940. The vintage of each company in the sample is expressed as a calendar year date (*e.g.* 1982). We expect cost to be higher the more recent is the vintage due to higher depreciation expenses and less accumulated depreciation. We calculate the average vintage for only one year, 1998, to reduce concern that the variable is not externally determined.



A second business condition variable included in the cost model was the average share of line miles during the sample period that were composed of either cast iron or bare steel. High levels of cast iron and bare steel are associated with high O&M expenses, and especially challenging urban operating conditions (*e.g.* gas lines frequently located beneath streets).

The cost model also contains a trend variable. This permits cost to shift over time for reasons other than changes in the specified business conditions. The trend variable captures the net effect on cost of diverse conditions, such as technological change, that are otherwise excluded from the model. Parameters for such variables typically have a negative sign in statistical cost research.

A.1.3 Parameter Estimates

Estimation results for the cost model are reported in Table A-1. Results for the first order terms are shaded for reader convenience. The parameter values for the first order terms are elasticities of cost with respect to these variables at sample mean values of the business conditions. Results for the second order terms that give the model its translog functional form are unshaded.

The table also reports the values of the t statistic and p value that correspond to each parameter estimate. A parameter estimate is deemed statistically significant if the hypothesis that the true parameter value equals zero is rejected. This statistical test requires the selection of a critical value for the test statistic. In this study we employed critical values appropriate for a 90% confidence level in a large sample.

Inspecting the results for the first order terms in the table it can be seen that, at sample mean values of the business conditions, a 1% increase in the revenue-weighted customer index raised cost by 0.630%. A 1% increase in line length raised cost by about 0.141%. A 1% increase in the revenue-weighted volume index raised cost by 0.098%.

The estimates of the parameters of the other business conditions in the total cost model were also sensible.

- Cost was higher the higher was the average vintage (*i.e.* the younger was the age) of transmission lines and distribution mains.



Table A-1

Econometric Model of Gas Distributor Cost

VARIABLE KEY

N = Revenue-weighted index of customers
 V = Revenue-weighted index of volume
 M = Miles of main
 CIBS = Average percent not cast iron or bare steel
 AVPP = Average Vintage of Pipe Plant after 1940
 WK = Capital price
 Trend = Time trend

EXPLANATORY VARIABLE	ESTIMATED COEFFICIENT	T-STATISTIC	P-VALUE
N	0.630	20.095	0.000
V	0.098	3.964	0.000
M	0.141	4.608	0.000
CIBS	-0.483	-10.841	0.000
AVPP	8.865	3.041	0.002
WK	0.509	151.008	0.000
WK*WK	0.235	11.175	0.000
N*N	0.067	0.351	0.726
M*M	0.482	2.700	0.007
V*V	-0.017	-0.133	0.894
N*M	-0.165	-1.015	0.310
N*V	-0.044	-0.349	0.727
M*V	-0.044	-0.537	0.591
WK*N	-0.026	-2.264	0.024
WK*V	0.015	1.883	0.060
WK*M	0.013	1.413	0.158
Trend	-0.006	-5.075	0.000
Constant	12.433	782.660	0.000
System Rbar-Squared	0.961		
Sample Period	1998-2010		
Number of Observations	793		

- Cost was higher the higher was the share of lines made from cast iron and bare steel. Cost shifted downward over time by about 0.62% annually for reasons not otherwise explained in the model. The 0.961 system R² indicates high explanatory power for our cost model. In the corresponding study for the Groupe de Travail the adjusted R² was 0.957.

The translog form of our cost model permits cost elasticities to vary with the output faced by individual utilities. We therefore have custom elasticities for Gaz Métro and use these to make econometric MFP growth projections. We estimate that a 1% increase in the number of customers served by Gaz Métro raised cost by 0.587%. A 1% increase in line length raised cost by about 0.187%. A 1% increase in the volumetric index would raise cost by 0.168%. The 3-category output index used in the MFP growth projection therefore has a weight of 62% of customers, 20% for line length, and 18% for volumes.

A.1.4 Econometric Model Estimation

Cost theory requires a well-behaved cost function to be linearly homogeneous in input prices. This implies the following three sets of restrictions on the parameter values.

$$\sum_{j=1}^J \frac{\partial \ln C}{\partial \ln W_j} = 1 \quad [A4]$$

$$\sum_i^M \frac{\partial^2 \ln C}{\partial \ln Y_i \partial \ln W_j} = 0 \quad \forall j = 1, \dots, J \quad [A5]$$

$$\sum_{n=1}^N \frac{\partial^2 \ln C}{\partial \ln W_j \partial \ln W_n} = 0 \quad \forall j = 1, \dots, J. \quad [A6]$$

These conditions were imposed prior to model estimation.

Estimation of the parameters of a cost model is now possible but this approach does not utilize all of the information available in helping to explain the factors that determine cost. Better parameter estimates can be obtained by augmenting the cost equation with some of the cost share equations implied by Shepard's Lemma. The general form of a cost share equation for a representative input price category, j , can be written as:

$$SC_j = \alpha_j + \sum_i \gamma_{ij} \ln Y_i + \sum_n \gamma_{jn} \ln W_n. \quad [A7]$$

The parameters in this equation also appear in the total cost function. Thus, information about cost shares can be used to sharpen estimates of the cost model parameters.



A.1.5 Estimating Model Parameters

A branch of statistics called econometrics has developed procedures for estimating parameters of economic models using historical data on the dependent and explanatory variables.²⁶ For example, cost model parameters can be estimated econometrically using historical data on the costs incurred by utilities and the business conditions they faced. The sample used in model estimation can be a time series (consisting of data over several years for a single firm), a cross section (consisting of one observation for each of several firms), or a panel data set that pools time series data for several companies. In this study we have employed panel data because quality panel data are available and their use should enhance the precision of the parameter estimates.

Numerous statistical methods have been established for estimating parameters of economic models. The desirability of each method depends on the assumptions that are made about the probability distribution of the error term. The assumptions under which the best known estimation procedure, ordinary least squares, is ideal often do not hold in statistical cost research.

In this study, we employed a variant of an estimation procedure first proposed by Zellner (1962). If there exists a contemporaneous correlation between the error terms in a system of regression equations, such as a cost function and companion share equations, more efficient estimates of their parameters can be obtained when the parameters of the equations are estimated simultaneously using a Feasible Generalized Least Squares approach. To achieve an even better estimator, we corrected as well for groupwise heteroskedasticity in the error terms and iterated the procedure to convergence.

Before proceeding with estimation, there is one complication that needs to be addressed. Since the cost share equations by definition must sum to one at every observation, one cost share equation is redundant and must be dropped. The estimation procedure is invariant to any such reparameterization. Hence, the choice of which equation to drop will not affect the resulting estimates.

²⁶ The estimation of model parameters in this type of model is sometimes called “regression”.



A.2 Mathematics of the Forward looking MFP Growth Projections

A.2.1 Glossary of Terms

Δ = growth rate

C = total cost of base rate inputs that is subject to index-based recovery

R = corresponding applicable total revenue

R_i = applicable revenue of service basket i

sr_i = share of service basket i in applicable total revenue

W = summary input price index (a cost-weighted average of input price subindexes)

ε_Q = cost elasticity with respect to variable Q

N_i = number of customers in service basket i

N^R = revenue-weighted customer index

V_i = delivery volume of service basket i

V^R = revenue-weighted volume index

L = total line length

$Outputs^C$ = cost elasticity weighted output index (as discussed in Section 2.1.1 of the Phase 2 report)

X_i = X factor of service basket i

\overline{MFP} = base MFP growth target if there is one X factor

\overline{MFP}_i = base MFP growth target for service basket i

$Stretch$ = stretch factor

T = time

$TREND$ = Trend parameter from cost function

A.2.2 Uniform X Factor

Given a cost function

$$\ln C = g(\mathbf{W}, \mathbf{Y}, T) \quad [A8]$$



where \mathbf{W} and \mathbf{Y} are sequences of input price and output variables, we can totally differentiate with respect to time and obtain

$$\frac{d \ln C}{dT} = \frac{1}{C} \cdot \left(\sum_i \frac{dC}{dW_j} \frac{dW_j}{dT} + \sum_i \frac{dC}{dY_i} \frac{dY_i}{dT} + \frac{dg}{dT} \right)$$

By Shepherd's lemma, the derivative of minimum cost with respect to each input price W_j is the quantity of input j ($Input_j$). Thus

$$\begin{aligned} \frac{d \ln C}{dT} &= \frac{1}{C} \cdot \left(\sum_j Input_j \frac{dW_j}{dT} + \sum_i \frac{dC}{dY_i} \frac{dY_i}{dT} + \frac{dg}{dT} \right) \\ &= \sum_j \frac{Input_j \cdot W_j}{C} \frac{1}{W_j} \frac{dW_j}{dT} + \sum_i \frac{dC}{dY_i} \frac{Y_i}{C} \frac{1}{Y_i} \frac{dY_i}{dT} + \frac{1}{C} \cdot \frac{dg}{dT} \\ &= \sum_j \Delta W + \sum_i \varepsilon_i \cdot \frac{d \ln Y_i}{dT} + \frac{1}{C} \cdot \frac{dg}{dT} \\ &= \Delta W + \sum_i \varepsilon_i \cdot \Delta Y_i + \frac{1}{C} \cdot \frac{dg}{dT}. \end{aligned} \tag{A9}$$

Recall now from Section 2.2.1 of our Phase 2 report that growth in cost is the sum of the growth rates of cost-weighted input price and quantity indexes:

$$\Delta C = \Delta Input Prices + \Delta Inputs. \tag{A10}$$

Then

$$\begin{aligned} \Delta Inputs &= \Delta C - \Delta W \\ &= \sum_i \varepsilon_i \cdot \Delta Y_i + \frac{1}{C} \cdot \frac{dg}{dT}. \end{aligned} \tag{A11}$$

A formula of this kind sometimes also includes additional external business conditions. We exclude these conditions to simplify the analysis. No business conditions of this kind that are pertinent to the MFP growth of Gaz Métro were identified in the Phase 3 econometric research.



The growth rate in an MFP index that uses a revenue-weighted customer index to measure output growth then conforms to the equation

$$\begin{aligned}\Delta MFP^{NR} &= \Delta N^R - \Delta Inputs \\ &= \Delta N^R - \left(\sum_i \varepsilon_i \cdot \Delta Y_i + \frac{1}{C} \cdot \frac{dg}{dT} \right).\end{aligned}\quad [A12]$$

Furthermore,

$$\begin{aligned}\Delta MFP^{NR} &= \Delta N^R - \left(\sum_i \varepsilon_i \cdot \sum_i \frac{\varepsilon_i}{\sum_i \varepsilon_i} \Delta Y_i + \frac{1}{C} \cdot \frac{dg}{dT} \right) \\ &= \Delta N^R - \left(\sum_i \varepsilon_i \cdot \Delta Outputs^C + \frac{1}{C} \cdot \frac{dg}{dT} \right) \\ &= \Delta N^R - \left(\sum_i \varepsilon_i \cdot \Delta Outputs^C + \Delta Outputs^C - \Delta Outputs^C + \frac{1}{C} \cdot \frac{dg}{dT} \right) \\ &= \left(\Delta N^R - \Delta Outputs^C \right) + \left(1 - \sum_i \varepsilon_i \right) \cdot \Delta Outputs^C + \frac{1}{C} \cdot \frac{dg}{dT}\end{aligned}\quad [A13a]$$

$$= \text{Output Differential} + \text{Scale Economy Effect} + \text{Trend Effect}.\quad [A13b]$$

Recall now that our econometric research has identified three statistically significant output variables: the revenue-weighted customer index, the revenue-weighted volume index, and line length. We can then if convenient restate the MFP growth decomposition using [A11] as

$$\Delta Inputs = \varepsilon_N \cdot \Delta N^R + \varepsilon_V \cdot \Delta V^R + \varepsilon_L \cdot \Delta L + \frac{1}{C} \cdot \frac{dg}{dT}$$

and

$$\begin{aligned}\Delta MFP^{NR} &= \\ &= \Delta N^R - \left(\varepsilon_N \cdot \Delta N^R + \varepsilon_V \cdot \Delta V^R + \varepsilon_L \cdot \Delta L + \frac{1}{C} \cdot \frac{dg}{dT} \right) \\ &= (1 - \varepsilon_N) \cdot \Delta N^R - \varepsilon_V \cdot \Delta V^R - \varepsilon_L \cdot \Delta L - \frac{1}{C} \cdot \frac{dg}{dT}\end{aligned}\quad [A14a]$$



$$= \text{Customer Effect} + \text{Volume Effect} \\ + \text{Line Length Effect} + \text{Trend Effect.} \quad [\text{A14b}]$$

A.2.3 Basket-Specific X Factors

Given a revenue cap for each service basket i with formula

$$\Delta R_i = \Delta W - X_i + \Delta N_i$$

it can be shown that the growth of the total allowed revenue is a revenue-weighted average of the growth of the revenues of the individual baskets.

$$\Delta R = \sum_i sr_i \cdot \Delta R_i.$$

Then

$$\Delta R = \sum_i sr_i \cdot (\Delta W - X_i + \Delta N_i) \\ = \Delta W - \sum_i sr_i \cdot X_i + \Delta N^R$$

Suppose, now, that, research reveals that we should require that

$$\sum sr_i \cdot X_i = \sum sr_i \cdot (\overline{MFP}_i + \text{Stretch}_i) = \overline{MFP} + \text{Stretch}.$$

There are an infinite number of X_i combinations that satisfy this constraint. Suppose for simplicity that *Stretch* is the same for both baskets. Then the constraint really applies to the MFP growth targets.

$$\sum sr_i \cdot \overline{MFP}_i = \overline{MFP} \quad [\text{A15}]$$

Suppose, next, that the historical MFP growth trend of Gaz Métro is the overall base MFP growth target.

$$\Delta \overline{MFP} = \Delta N_{GM}^R - \Delta \text{Inputs}_{GM}$$

Then

$$\Delta \overline{MFP} = \sum_i sr_i \cdot \Delta N_{GM,i} - \Delta \text{Inputs}_{GM} \\ = \sum_i sr_i \cdot (\Delta N_{GM,i} - \Delta \text{Inputs}_{GM})$$

We might then use $\Delta N_{GM,i} - \Delta \text{Inputs}$ as a target for each basket i . However,

- ΔInputs depends on all of the ΔN_i . If N_1 was *rising* during the sample period and N_2 were *falling*, for instance, this approach would set the MFP growth target too high for basket 1 and too low for basket 2;



- the differential output growth may be quite different in the next PBR period; and
- it is generally undesirable to use a company's own historical MFP growth trend to set its MFP growth target.

Suppose, finally, that statistical research and the mathematical reasoning of Denny, Fuss, and Waverman suggest that an appropriate escalator for the *total* revenue of Gaz Métro is

$$\Delta R = \Delta W - [(1 - \varepsilon_{NR}) \cdot \Delta N^R - \varepsilon_V \cdot \Delta V^R - \varepsilon_L \cdot \Delta L - TREND + Stretch] + \Delta N^R$$

It follows that

$$\begin{aligned} \Delta R &= \Delta W - [(1 - \varepsilon_{NR}) \cdot \sum_i sr_i \cdot \Delta N_i - \varepsilon_V \cdot \sum_i sr_i \cdot \Delta V_i - \varepsilon_L \cdot \Delta L - TREND + Stretch] \\ &\quad + \sum_i sr_i \cdot \Delta N_i \\ &= \sum_i sr_i \cdot \{ \Delta W - [(1 - \varepsilon_{NR}) \cdot \Delta N_i - \varepsilon_V \cdot \Delta V_i - \varepsilon_L \cdot \Delta L - TREND + Stretch] + \Delta N_i \} \end{aligned}$$

and the base MFP growth factor for each basket i is

$$\overline{MFP}_i = [(1 - \varepsilon_{NR}) \cdot \Delta N_i - \varepsilon_V \cdot \Delta V_i - \varepsilon_L \Delta L - TREND + Stretch] \quad [A16]$$

X factor calculations for the PMD and VGE classes that are based on this theoretical result can be found in Tables A-2a and A-2b. It can be seen that the X factor for the PMD basket is substantially higher than the X factor for the VGE basket. Since the line length, *TREND*, and *Stretch* terms are the same for each basket, the X for PMD is higher due chiefly to a greater disparity in the forecasted customer and volume growth.



Table A-2a
Forward-Looking Econometric MFP Growth Target: PMD Basket

Scenario	Base Productivity Growth Target												Stretch	X Factor			
	Trend Effect	Scale Economy Effect				Volume Growth Effect				Line Length Growth Effect			MFP Growth Target	Factor	X Factor		
		Forecasted Customer Growth	GM Custom Cost Elasticity Estimate	Scale Economy Effect	GM Custom Cost Elasticity Estimate	Forecasted Volume Growth	Volume Growth Effect	GM Custom Cost Elasticity Estimate	Forecasted Line Length Growth	Line Length Growth Effect							
											PMD Basket	VGE Basket				PMD Basket	VGE Basket
											[A]	[B1]				[B2]	[C]
1	0.62%	1.80%	0.15%	0.587	0.74%	0.168	0.11%	2.16%	0.02%	0.187	0.75%	0.14%	1.20%	0.20%	1.40%		
2	0.62%	1.80%	0.15%	0.587	0.74%	0.168	0.11%	2.16%	0.02%	0.187	1.20%	0.22%	1.12%	0.20%	1.32%		
3	0.62%	1.80%	0.15%	0.587	0.74%	0.168	0.11%	2.16%	0.02%	0.187	0.40%	0.07%	1.27%	0.20%	1.47%		
4	0.62%	0.21%	-10.54%	0.587	0.09%	0.168	-1.78%	0.34%	-0.30%	0.187	0.75%	0.14%	0.87%	0.20%	1.07%		
5	0.62%	0.21%	-10.54%	0.587	0.09%	0.168	-1.78%	0.34%	-0.30%	0.187	1.20%	0.22%	0.78%	0.20%	0.98%		
6	0.62%	0.21%	-10.54%	0.587	0.09%	0.168	-1.78%	0.34%	-0.30%	0.187	0.40%	0.07%	0.93%	0.20%	1.13%		
7	0.62%	2.72%	9.53%	0.587	1.12%	0.168	1.46%	4.74%	0.25%	0.187	0.75%	0.14%	1.36%	0.20%	1.56%		
8	0.62%	2.72%	9.53%	0.587	1.12%	0.168	1.46%	4.74%	0.25%	0.187	1.20%	0.22%	1.27%	0.20%	1.47%		
9	0.62%	2.72%	9.53%	0.587	1.12%	0.168	1.46%	4.74%	0.25%	0.187	0.40%	0.07%	1.42%	0.20%	1.62%		

Comments

Revenue shares of PMD and VGE baskets are set at their 2012 values.
Trend effect and cost elasticities estimated using US gas utility data. See Table A-1 for estimates.

Table A-2b
Forward-Looking Econometric MFP Growth Target: VGE Basket

Scenario	Base Productivity Growth Target												MFP Growth Target	Stretch Factor	X Factor
	Trend Effect	Scale Economy Effect				Volume Growth Effect				Line Length Growth Effect					
		GM Custom Cost		Scale Economy Effect	GM Custom Cost Elasticity Estimate	GM Custom Cost		Volume Growth Effect	GM Custom Cost Elasticity Estimate	Forecasted Line Length Growth	Line Length Growth Effect				
		Forecasted Customer Growth	Forecasted Customer Growth			Forecasted Volume Growth	Forecasted Volume Growth								
PMD Basket	VGE Basket			PMD Basket	VGE Basket										
[A]	[B1]	[B2]	[C]	[D=B2 x(1-C)]	[E]	[F1]	[F2]	[G= ExF2]	[H]	[I]	[J=HxI]	[K=A+D - (G+J)]	[L]	[M=K+L]	
1	0.62%	1.80%	0.15%	0.587	0.06%	0.168	0.11%	2.16%	0.36%	0.187	0.75%	0.14%	0.18%	0.20%	0.38%
2	0.62%	1.80%	0.15%	0.587	0.06%	0.168	0.11%	2.16%	0.36%	0.187	1.20%	0.22%	0.09%	0.20%	0.29%
3	0.62%	1.80%	0.15%	0.587	0.06%	0.168	0.11%	2.16%	0.36%	0.187	0.40%	0.07%	0.24%	0.20%	0.44%
4	0.62%	0.21%	-10.54%	0.587	-4.35%	0.168	-1.78%	0.34%	0.06%	0.187	0.75%	0.14%	-3.93%	0.20%	-3.73%
5	0.62%	0.21%	-10.54%	0.587	-4.35%	0.168	-1.78%	0.34%	0.06%	0.187	1.20%	0.22%	-4.01%	0.20%	-3.81%
6	0.62%	0.21%	-10.54%	0.587	-4.35%	0.168	-1.78%	0.34%	0.06%	0.187	0.40%	0.07%	-3.87%	0.20%	-3.67%
7	0.62%	2.72%	9.53%	0.587	3.94%	0.168	1.46%	4.74%	0.80%	0.187	0.75%	0.14%	3.62%	0.20%	3.82%
8	0.62%	2.72%	9.53%	0.587	3.94%	0.168	1.46%	4.74%	0.80%	0.187	1.20%	0.22%	3.53%	0.20%	3.73%
9	0.62%	2.72%	9.53%	0.587	3.94%	0.168	1.46%	4.74%	0.80%	0.187	0.40%	0.07%	3.68%	0.20%	3.88%

Comments

Revenue shares of PMD and VGE baskets are set at their 2012 values.
Volume growth effect is substantial due to forecasted surge in VGE volumes.
Trend effect and cost elasticities estimated using US gas utility data. See Table A-1 for estimates.

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Suivi de performance mensuel au 31 décembre 2012

*Caisse de retraite des Régimes de retraite du personnel de
Société en commandite Gaz Métro*

12 février 2013



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**Gaz Métro - 18, Document 5
Annexe 3 (question 10.7) (10 pages)**

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Introduction

Le présent document, en date du 31 décembre 2012, permet d'évaluer la performance (brut de frais de gestion) estimée des gestionnaires de la Caisse de retraite des Régimes de retraite du personnel de Société en commandite Gaz Métro (la « Caisse »).

Veillez noter que le mandat de Jarislowsky Fraser a pris fin le 12 décembre 2012. State Street Global Markets (SSGM) a effectué la transition du portefeuille vers un mandat indiciel répliquant l'indice S&P/TSX 60 le 13 décembre et gère désormais le compte en attendant la sélection d'un nouveau gestionnaire en actions canadiennes.

Au mois de décembre 2012, le rendement estimé de la Caisse s'élève à 1,08 %, comparativement à un rendement de 1,15 % pour le portefeuille de référence, soit une valeur retranchée de 7 points de base.

Pour l'année 2012, le rendement estimé de la Caisse s'élève à 9,27 % contre 8,04 % pour le portefeuille de référence, soit une valeur ajoutée estimée de 1,23 %.

Il est important de noter que le rendement présenté pour la Caisse est une approximation, obtenue par le calcul d'une moyenne pondérée des rendements transmis par les gestionnaires.

Note : Compte tenu des arrondissements, la somme de certaines parties peut différer du total.

Rendements et valeurs ajoutées estimés – Décembre 2012

	T1	T2	T3	Octobre	Novembre	Décembre	T4	Cumulatif 2012
Caisse								
Caisse de retraite	4,1%	0,3%	3,0%	0,2%	0,4%	1,1%	1,6%	9,3%
Portefeuille de référence ¹	3,9%	-1,2%	3,5%	0,2%	0,3%	1,2%	1,7%	8,0%
Valeur ajoutée (obj.: 1 %)	0,2%	1,5%	-0,5%	0,0%	0,1%	-0,1%	0,0%	1,2%
Court terme								
DEX - BT 91 jours	0,2%	0,3%	0,2%	0,1%	0,1%	0,1%	0,3%	1,0%
Obligations canadiennes								
Caisse	-0,4%	3,1%	1,9%	-0,6%	0,8%	0,1%	0,4%	5,1%
Indice de référence	-0,7%	3,4%	1,8%	-0,6%	0,9%	-0,2%	0,1%	4,6%
Valeur ajoutée	0,3%	-0,3%	0,2%	0,0%	-0,1%	0,3%	0,3%	0,5%
Addenda Capital	0,0%	2,6%	1,6%	-0,5%	0,4%	0,2%	0,1%	4,4%
Indice obligations ²	-0,6%	2,7%	1,6%	-0,4%	0,5%	-0,1%	0,0%	3,7%
Valeur ajoutée (obj.: 0,5 %)	0,6%	-0,1%	0,0%	-0,1%	-0,1%	0,3%	0,1%	0,6%
Optimum - Long terme	-0,6%	3,3%	2,3%	-0,7%	1,2%	0,1%	0,6%	5,6%
DEX - Long terme	-0,8%	4,0%	1,9%	-0,8%	1,2%	-0,3%	0,1%	5,2%
Valeur ajoutée (obj.: 0,2 %)	0,2%	-0,7%	0,4%	0,1%	0,0%	0,4%	0,4%	0,4%
State Street - Long terme ³	-0,8%	3,8%	-	-	-	-	-	4,0%
DEX - Long terme	-0,8%	4,0%	-	-	-	-	-	4,1%
Valeur ajoutée (obj.: 0,15 %)	0,0%	-0,1%	-	-	-	-	-	-0,1%

¹ Portefeuille de référence de la Caisse depuis le 11 octobre 2012 : 20 % Indice d'obligations gouvernementales personnalisé (Addenda), 25 % DEX – Long terme, 18,0 % S&P/TSX Plafonné, 4,5 % S&P/TSX petite capitalisation, pondéré, 4,5 % S&P 500 (couvert), 7,0 % S&P 500 (non couvert), 4,0 % Russell 2500 (\$ CA), 14,0 % MSCI – E.A.E.O. (\$ CA) et 3,0 % REALpac /IPD Canada Property Index;

Du 1^{er} septembre 2012 au 10 octobre 2012 : 5 % DEX – Fédéral, 5 % DEX – Obligations Corporatives, 10 % DEX – Provincial, Long terme, 25 % DEX – Long terme, 18,0 % S&P/TSX Plafonné, 4,5 % S&P/TSX petite capitalisation, pondéré, 4,5 % S&P 500 (couvert), 7,0 % S&P 500 (non couvert), 4,0 % Russell 2500 (\$ CA), 14,0 % MSCI – E.A.E.O. (\$ CA) et 3,0 % REALpac /IPD Canada Property Index;

Avant cette date : 5 % DEX – Fédéral, 5 % DEX – Obligations Corporatives, 10 % DEX – Provincial, Long terme, 25 % DEX – Long terme, 18,5 % S&P/TSX Plafonné, 4,5 % S&P/TSX petite capitalisation, pondéré, 4,7 % S&P500 (couvert), 7,3 % S&P 500 (non couvert), 4,5 % Russell 2500 (\$ CA) et 15,5 % MSCI – E.A.E.O. (\$ CA).

² Indice de référence d'Addenda Capital à partir du 11 octobre 2012: 18,8 % DEX – Fédéral, Moyen terme, 75,2 % DEX – Provincial, Long terme, 1,2 % DEX – Fédéral, Long terme et 75,2 % DEX – Provincial, Long terme. Avant cette date, l'indice de référence était: 25,0 % DEX fédéral univers, 50,0 % DEX Provincial, Long terme et 25,0 % DEX société univers.

³ Le mandat de State Street Global Advisors a pris fin le 31 août 2012. La performance cumulative de 2012 est ainsi calculée jusqu'au 31 août.

Rendements et valeurs ajoutées estimés – Décembre 2012

	T1	T2	T3	Octobre	Novembre	Décembre	T4	Cumulatif 2012
Actions canadiennes								
Caisse	5,7%	-1,3%	4,8%	1,4%	-0,3%	1,5%	2,6%	12,2%
Indice de référence	4,7%	-7,2%	7,3%	0,8%	-1,8%	2,0%	1,0%	5,3%
Valeur ajoutée	1,0%	5,8%	-2,5%	0,6%	1,5%	-0,5%	1,6%	6,9%
Actions canadiennes de grande cap.								
Jarislowsky Fraser / SSGM ¹	4,3%	-3,7%	4,9%	1,1%	0,3%	2,8%	4,2%	9,9%
S&P/TSX Plafonné	4,4%	-5,7%	7,0%	1,1%	-1,3%	1,9%	1,7%	7,2%
Valeur ajoutée (obj.: 1,5 %)	-0,1%	2,0%	-2,1%	0,0%	1,6%	0,9%	2,5%	2,7%
Monrusco Bolton	3,4%	2,8%	5,2%	3,1%	-1,9%	-0,4%	0,7%	12,8%
S&P/TSX Plafonné	4,4%	-5,7%	7,0%	1,1%	-1,3%	1,9%	1,7%	7,2%
Valeur ajoutée (obj.: 2,5 %)	-1,0%	8,5%	-1,8%	2,0%	-0,6%	-2,3%	-1,0%	5,6%
Actions canadiennes de petite cap.								
QV Investors	11,7%	1,4%	4,1%	0,7%	-0,5%	-0,2%	0,1%	18,0%
S&P/TSX petite capitalisation	6,0%	-13,1%	8,3%	-0,4%	-3,9%	2,4%	-2,0%	-2,2%
Valeur ajoutée (obj.: 2,5 %)	5,7%	14,5%	-4,2%	1,1%	3,4%	-2,6%	2,1%	20,2%

¹ Le mandat de Jarislowsky Fraser a pris fin le 12 décembre 2012.

Rendements et valeurs ajoutées estimés – Décembre 2012

	T1	T2	T3	Octobre	Novembre	Décembre	T4	Cumulatif 2012
Actions américaines								
Caisse	10,9%	-1,8%	3,3%	-0,6%	0,2%	1,7%	1,3%	13,9%
Indice de référence	11,2%	-1,8%	3,5%	-0,5%	0,4%	1,5%	1,4%	14,7%
Valeur ajoutée	-0,3%	-0,1%	-0,2%	-0,1%	-0,2%	0,2%	-0,1%	-0,8%
Actions américaines de grande cap.								
BlackRock indiciel, couvert	12,6%	-2,9%	6,5%	-1,8%	0,6%	1,0%	-0,2%	16,1%
S&P 500, couvert	12,7%	-2,9%	6,5%	-1,8%	0,6%	1,0%	-0,2%	16,3%
Valeur ajoutée (obj.: 0,0 %)	-0,1%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	-0,2%
BlackRock indiciel, non couvert	10,5%	-0,8%	2,6%	-0,3%	0,0%	1,2%	0,8%	13,4%
S&P 500 (\$ CA)	10,5%	-0,8%	2,6%	-0,3%	0,0%	1,2%	0,8%	13,4%
Valeur ajoutée (obj.: 0,0 %)	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%
Actions américaines de petite et moyenne cap.								
Rothschild (non couvert)	9,8%	-2,4%	1,1%	0,3%	0,1%	3,2%	3,7%	12,3%
Russell 2500 (\$ CA), non couvert	10,9%	-2,2%	1,9%	0,5%	0,9%	2,9%	4,3%	15,3%
Valeur ajoutée (obj.: 2,5 %)	-1,1%	-0,2%	-0,8%	-0,2%	-0,8%	0,3%	-0,6%	-3,0%

Rendements et valeurs ajoutées estimés – Décembre 2012

	T1	T2	T3	Octobre	Novembre	Décembre	T4	Cumulatif 2012
Actions internationales								
Caisse	8,6%	-3,5%	3,3%	1,3%	0,4%	2,7%	4,5%	13,1%
MSCI - E.A.E.O. (\$ CA) (Dividendes nets)	8,8%	-5,3%	3,2%	2,4%	1,8%	3,4%	7,8%	14,7%
Valeur ajoutée	-0,2%	1,8%	0,1%	-1,1%	-1,4%	-0,7%	-3,4%	-1,6%
Hexavest	7,0%	-2,6%	3,5%	1,3%	0,0%	2,1%	3,4%	11,6%
MSCI - E.A.E.O. (\$ CA) (Dividendes nets)	8,8%	-5,3%	3,2%	2,4%	1,8%	3,4%	7,8%	14,7%
Valeur ajoutée (obj.: 2,0 %)	-1,8%	2,7%	0,3%	-1,1%	-1,8%	-1,3%	-4,4%	-3,1%
Marathon Asset Management	9,7%	-4,0%	3,3%	1,4%	0,9%	3,6%	6,0%	15,2%
MSCI - E.A.E.O. (\$ CA) (Dividendes nets)	8,8%	-5,3%	3,2%	2,4%	1,8%	3,4%	7,8%	14,7%
Valeur ajoutée (obj.: 2,0 %)	0,9%	1,3%	0,1%	-1,0%	-0,9%	0,2%	-1,9%	0,5%
Immobilier								
Investissements Standard Life	-	-	-	1,0%	0,7%	1,8%	3,5%	4,1%
REALpac /IPD Canada Property Index ¹	-	-	-	1,0%	0,7%	1,8%	3,5%	4,1%
Valeur ajoutée (obj.: 0 %)	-	-	-	0,0%	0,0%	0,0%	0,0%	0,0%

¹ Les rendements du mois d'octobre, de novembre et de décembre sont égaux au rendement du gestionnaire puisque cette donnée n'était pas disponible en date de production du rapport. Le cumulatif 2012 est calculé depuis le début du mandat, soit le 6 septembre 2012.

Attribution de la valeur ajoutée estimée – Décembre 2012

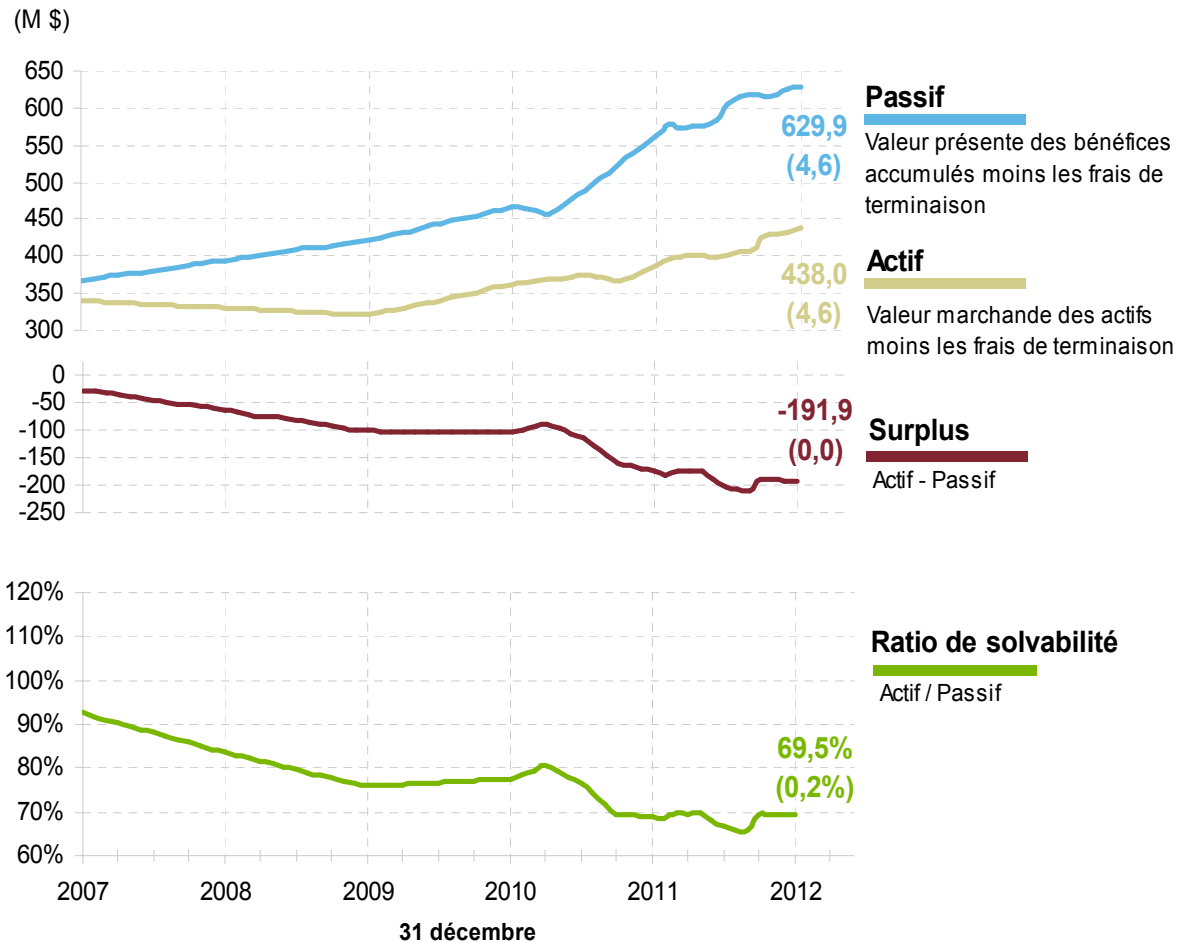
	Catégories d'actif	Pondération début de période (%)	Rendement estimé		Valeur ajoutée estimée (%)	Contribution à la valeur ajoutée estimée (%)
			Caisse (%)	Indice de référence (%)		
Sélection des mandats :						
Addenda	Obligations canadiennes, durée personnalisée	20,6	0,2	-0,1	0,3	0,06
Optimum	Obligations canadiennes, long terme	24,4	0,1	-0,3	0,4	0,10
Jarislowky Fraser / SSGM ¹	Actions canadiennes, grande cap.	12,7	2,8	1,9	0,9	0,11
Montrusco Bolton	Actions canadiennes, grande cap.	4,3	-0,4	1,9	-2,3	-0,10
QV Investors	Actions canadiennes, petite cap.	5,1	-0,2	2,4	-2,6	-0,13
BlackRock - actions américaines couvertes	Actions américaines, grande cap.	5,0	1,0	1,0	0,0	0,00
BlackRock - actions américaines non couvertes	Actions américaines, grande cap.	7,5	1,2	1,2	0,0	0,00
Rothschild - actions américaines petite et moyenne cap. non couvertes	Actions américaines, petite et moyenne cap.	4,7	3,2	2,9	0,3	0,01
Hexavest - actions internationales non couvertes	Actions internationales, grande cap.	7,7	2,1	3,4	-1,3	-0,10
Marathon Asset Management - actions internationales non couvertes	Actions internationales, grande cap.	5,5	3,6	3,4	0,2	0,01
Investissements Standard Life	Immobilier direct	2,5	1,8	1,8	0,0	0,00
Total - Sélection des mandats						-0,03
Répartition d'actifs et autres effets²						-0,04
Caisse			1,08	1,15		-0,07
<i>Objectif</i>						<i>0,08</i>

¹ Le mandat de Jarislowky Fraser a pris fin le 12 décembre 2012.

² L'élément attribuable à la répartition de l'actif est, entre autres, l'effet des déviations de chaque mandat par rapport à la cible.

Évolution du surplus – Décembre 2012

Bilan de solvabilité (31 décembre 2012)

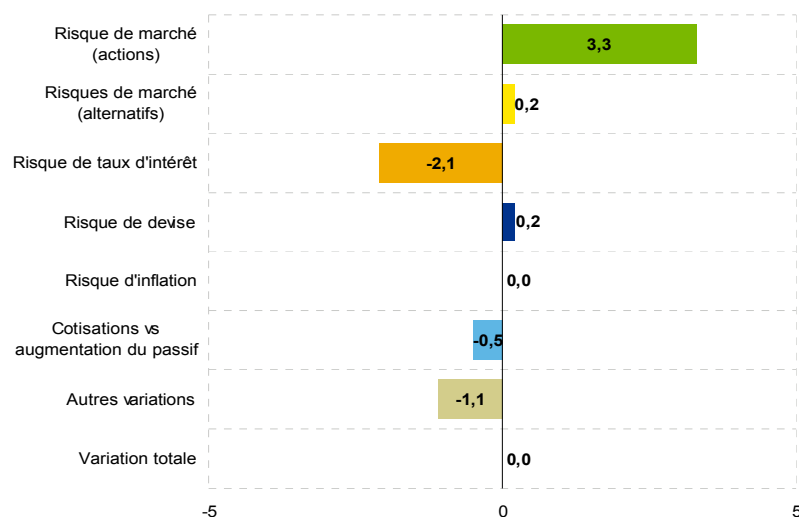


* Les valeurs entre parenthèses représentent la variation durant le dernier mois.

Évolution du surplus – Décembre 2012

Variation du surplus: répartition par facteur de risque

Variation du 30 novembre 2012 au 31 décembre 2012



(M\$)	décembre	Q1	Q2	Q3	Q4	2012
Risque de marché (actions)	3,3	16,2	-6,7	8,9	3,7	22,1
Risques de marché (alternatifs)	0,2	0,0	0,0	0,0	0,4	0,4
Risque de taux d'intérêt	-2,1	-6,2	-12,5	0,5	-6,5	-24,7
Risque de devise	0,2	-1,8	1,0	-2,1	0,6	-2,3
Risque d'inflation	0,0	0,0	0,5	0,0	0,0	0,5
Cotisations vs augmentation du passif	-0,5	-9,1	-5,4	2,7	-3,9	-15,7
Autres variations	-1,1	0,0	-3,6	4,6	1,4	2,4
Variation totale	0,0	-0,9	-26,7	14,6	-4,3	-17,3

Mise en garde: Les passifs de solvabilité présentés sont basés sur la projection du passif de la dernière évaluation actuarielle au 31 décembre 2011. Une évaluation complète des passifs à la date résulterait en un résultat différent, spécialement si les membres des régimes ou autres ont drastiquement changé depuis la dernière évaluation.

BAIL IMMOBILIER.

ENTRE : SOCIÉTÉ EN COMMANDITE GAZ MÉTROPOLITAIN PLUS, société en commandite légalement constituée, ayant sa principale place d'affaires au 1350, rue Nobel, à Boucherville, province de Québec J4B 5H3, agissant aux présentes par son associée commanditée Gaz Métropolitain Plus, inc. ici représentée et agissant aux présentes par MM. Luc Sicotte, président, et Paul Tremblay, dûment autorisé, tel qu'il le déclare.

(ci-après désignés le «**Bailleur**»)

ET : SOCIÉTÉ EN COMMANDITE GAZ MÉTRO, société en commandite légalement formée en vertu du *Code civil du Québec*, ayant sa principale place d'affaires au 1717, rue du Havre, en la ville de Montréal, province de Québec, H2K 2X3, immatriculée sous le numéro 33-4171-9501, agissant aux présentes par l'entremise de son associée commanditée Gaz Métro inc., corporation légalement constituée représentée aux présentes par MM. Jacques Charron, vice-président, Exploitation, et René Bédard, secrétaire corporatif, dûment autorisés tel qu'ils le déclarent,

(ci-après désignée le «**Locataire**»)

DÉSIGNATION DU BIEN FAISANT L'OBJET DU BAIL

Le Bailleur loue au Locataire, lequel accepte, les lieux connus et désignés comme suit, à savoir :

DÉSIGNATION

Un espace commercial situé dans l'édifice portant le numéro civique 1350, rue Nobel, dans les cité et district de Longueuil (arr. Boucherville), d'une superficie de 38 075.39 pieds carrés, soit 41 942.91 pieds carrés en incluant les aires communes telles qu'occupées actuellement par le Locataire, de même qu'un espace additionnel de 5 968.62 pieds carrés, situé à l'arrière du bâtiment et un terrain de 49 280 pieds carrés situé à l'extérieur, en arrière de l'édifice (ci-après, le «**Lieux Loués**»).

L'édifice et le terrain précités sont érigés sur un terrain ou emplacement formé du lot numéro UN de la subdivision officielle du lot originaire numéro CENT TRENTE-QUATRE (134-1) au cadastre officiel de la Paroisse de Sainte-Famille de Boucherville et du lot numéro UN de la subdivision officielle du lot originaire numéro CENT TRENTE-CINQ (135-1) au cadastre officiel de la Paroisse de Sainte-Famille de Boucherville (ci-après appelé «l'**Immeuble**»).

MODE D'ACQUISITION

Le Bailleur est propriétaire de l'immeuble sujet au présent bail aux termes d'un acte de vente publié au Bureau de la publicité des droits de la circonscription foncière de Chambly sous le numéro 1074692.

ACCEPTATION DES LIEUX LOUÉS

Le Locataire reconnaît occuper les lieux ci-avant mentionnés et s'en déclare satisfait sous réserve des exigences prévues aux présentes notamment au niveau du chauffage, de la climatisation et du chauffage de l'eau.

De plus, le Locataire reconnaît avoir été informé de la présence de pyrite sous la dalle du plancher de l'immeuble et accepte cet état de fait. Le Locataire renonce à toute réclamation contre le Bailleur en rapport avec la présence de pyrite, y compris lors de travaux correctifs effectués par le Bailleur, le cas échéant autre que ce qui est prévu à la clause 15 au présent bail.

QUALIFICATION DU DROIT

Un bail commercial immobilier.

ÉTENDUE DES DROITS

1. Durée et usage

1.1 Durée

La durée du bail est de 60 mois, commençant le 1^{er} octobre 2004 et se terminant ~~le 30 septembre 2009~~. L'entrée en vigueur du présent bail résilie celui intervenu entre les parties le 4 février 1995.

1.2 Usage

Il est entendu que les Lieux Loués pourront être occupés et utilisés pour exploiter un centre de formation, centre de relève et site d'entraînement, le tout en conformité aux exigences de toute loi imposée par les autorités administratives et gouvernementales compétentes.

2. Loyer brut

Pour les fins du présent bail, le Loyer brut est défini comme suit :

2.1 Le Loyer brut inclut les taxes foncières, scolaires et surtaxes sur les immeubles non résidentiels, les assurances de l'immeuble, les réparations majeures et mineures, les réparations aux appareils de climatisation et de chauffage, le déneigement du terrain, des trottoirs et des accès privés, la coupe de la pelouse, l'entretien ménager incluant le lavage des fenêtres, le remplacement des ampoules et/ou tubes fluorescents, le tout conformément aux devis d'entretien ci-joint à

l'annexe A et toutes les autres dépenses d'opération à l'exception de celles mentionnées à l'article 2.2 ci-après et de celles qui sont la responsabilité du Locataire.

Nonobstant ce qui précède, il est entendu que le loyer brut pour l'espace commercial exclut les taxes foncières, scolaires et surtaxes sur les immeubles non-résidentiels.

2.2 Le Loyer brut exclut les dépenses suivantes, lesquelles seront à la charge du Locataire :

- les taxes foncières, scolaires et surtaxes sur immeubles non-résidentiels pour ce qui concerne l'espace commercial;
- les taxes spécifiques au Locataire et qui lui sont facturées directement telles que taxes d'eau, taxes de déchets, etc.;
- toute nouvelle taxe qui pourrait être imposée par les trois paliers de gouvernement, lesquelles seront à la charge du Locataire, à l'exception toutefois des impôts sur le revenu du Bailleur;
- l'impôt sur le revenu et les gains en capital du Bailleur, la taxe sur le capital et impôt des grandes corporations du Bailleur, lesquelles seront toujours à la charge du Bailleur;

2.3 Toute obligation ou dépense qui n'est pas expressément inscrite comme étant la responsabilité du Locataire est exécutée ou payée, selon le cas, par le Bailleur.

3. Considération

Le Loyer brut annuel unitaire est de 12,91 \$ / pied carré pour l'espace de 41 942,92 pi² pour un Loyer brut annuel de cinq cent quarante et un mille quatre cent quatre-vingt-trois dollars et dix cents (541 483,10 \$) payable en versements mensuels égaux de quarante-cinq mille cent vingt-trois dollars et cinquante-neuf cents (45 123,59 \$) au début de chaque mois, en monnaie légale du Canada, sans compensation, remise ou déduction.

Le Locataire devra également payer pour l'usage du terrain de 49 280 pieds carrés prévu à la clause « Désignation », un loyer annuel additionnel brut de vingt mille dollars (20 000 \$), payable en versements mensuels, égaux de mille six cent soixante-six dollars et soixante-six cents (1 666,66 \$) chacun, payable au début de chaque mois.

De plus, le locataire devra payer à titre de loyer, les frais suivants relativement à l'utilisation de l'espace additionnel de 5 968,62 pieds carrés, basé sur le coût réel encouru par le locateur sans profit pour ce dernier. Les frais sont : assurance, entretien intérieur dont la conciergerie, entretien extérieur dont le déneigement, entretien CVC, sécurité, taxes municipales

et scolaires, électricité et autres frais assumés par le locateur pour cette bâtisse. Des frais d'administration de 5% sur ces frais sont facturés au locataire. Il est entendu qu'il s'agit du seul loyer qui sera payé par le locataire pour l'utilisation de cet espace additionnel. Le loyer est payable le 1^{er} jour de chaque mois sur la base d'un estimé des frais sur une base annuelle.

À la fin de chaque année, le locateur fournira un relevé final des montants réels et fera un ajustement au besoin.

Les taxes T.P.S. et T.V.Q. sont en surplus du Loyer ci-avant mentionné et payables par le Locataire, et elles sont sujettes à modification selon les décisions gouvernementales.

Les sommes exigibles en vertu du bail, comme loyer ou autrement impayées à échéance, portent intérêt, composé mensuellement, au taux préférentiel de la banque du Bailleur, augmenté de deux pour-cent (2%).

Le Loyer pour l'espace commercial (excluant l'espace additionnel) sera indexé annuellement au 1^{er} octobre, selon l'IPC, Montréal (31 août de chaque année) (Base 100 au 31 août 2004). Cette augmentation ne pourra être inférieure à 0 et aura lieu tous les 1^{er} octobre

Le Loyer pour le Terrain sera indexé annuellement selon l'IPC, Montréal (31 août de chaque année), base 100 au 31 août 2004. Cette augmentation ne pourra être inférieure à 0 et aura lieu tous les 1^{er} octobre.

Le loyer et toute autre somme exigible en vertu du bail sont payés au Bailleur à son siège social, à moins d'un avis écrit de ce dernier.

4. Occupation continue et occupation après la durée

4.1 Occupation continue

Le Locataire pourra cesser d'opérer et d'occuper le Lieux Loués en tout temps pendant la durée dans la mesure où il continue de respecter ses obligations financières.

4.2 Occupation après la durée

Si le Locataire continue d'occuper les Lieux Loués après l'expiration du bail, sans avoir signé un nouveau bail avec le Bailleur, cet état de fait constituera et ne devra en aucune circonstance être interprété comme constituant un renouvellement ou une prolongation du bail, et le Bailleur pourra considérer l'occupation par le Locataire comme l'acceptation d'une location de mois à mois sujette à toutes les conditions de ce bail, à l'exception de son terme et à un loyer mensuel équivalent à une fois et quart le loyer mensuel du dernier mois du terme du Bail, sans réduction pour toute partie du mois. Le Locataire ou le Bailleur aura le privilège,

quelle que soit la durée de son occupation, d'y mettre fin à trente (30) jours d'avis.

5. Taxes et services publics

Le Bailleur s'engage à acquitter, à leur échéance, pendant la durée du présent bail :

5.1 Toutes les taxes et impositions publiques, tant générales, spéciales que locatives, sauf les taxes prévues à l'article 2.2 qui sont facturées directement au Locataire qui seront à sa charge et sauf la taxe de service fédérale (TPS) et provinciale (TVQ) qui seront également à la charge du Locataire.

6. Valeur locative

En cas de contestation par le Locataire de la valeur locative du Lieux Loués, le Bailleur s'engage à prêter au Locataire assistance dans toute contestation à cet égard, le tout aux frais du Locataire, et dans la mesure où telle assistance ne nuit pas à d'autres démarches que pourraient entreprendre le Bailleur eu égard notamment à la valeur de l'Immeuble.

7. Énergie

Le Bailleur fournit à ses frais l'électricité et le gaz naturel nécessaires à l'utilisation normale des Lieux Loués à l'exception des coûts d'énergie utilisés pour la formation sur les appareils du Locataire pour lesquels un compteur indépendant a été installé.

Nonobstant ce qui est ci-avant stipulé, le Bailleur ne sera pas tenu responsable des interruptions, retards ou défauts de service en alimentation électrique ou de gaz naturel de l'immeuble, à moins que ce soit imputable aux équipements du Bailleur.

Le Locataire convient de ne jamais consommer plus d'électricité que ne le permet une utilisation sûre des circuits se trouvant dans le Lieux Loués ou les desservant. Les fils et canalisations spéciaux nécessaires pour tout équipement particulier du Locataire seront fournis et installés par celui-ci à ses frais.

Les Lieux Loués sont désignés comme centre de relève d'urgence des opérations du Locataire. Le Bailleur doit donc, en tout temps, maintenir en bon état de fonctionnement les deux génératrices et contrôles associés afin d'assurer l'alimentation électrique immédiate des lieux loués advenant une panne d'électricité du fournisseur Hydro-Québec. Un programme d'entretien respectant les exigences des manufacturiers et les meilleures pratiques, doit être appliqué par le Bailleur. Sur demande, le Bailleur fournira au Locataire les documents démontrant le respect de ce programme d'entretien.

Une des deux génératrices (soit la génératrice extérieure) étant la propriété du Locataire, les frais d'entretien de cet équipement seront facturés au Locataire.

8. Chauffage, climatisation et ventilation

Le Bailleur convient de se conformer, au minimum, aux plus récents standards adoptés en 1989 par «The American Society of Heating, Refrigeration and Air Conditioning Engineers (ASHRAE)».

Pour les fins de référence, les systèmes opéreront comme suit :

- 8.1 Les systèmes de chauffage doivent être de capacité suffisante pour y maintenir une température approximative de 22° Celsius ($\pm 1,5^\circ$) durant toute la saison d'hiver, et avec une humidité relative maximum de cinquante pour cent (50%) pour la section «bureaux»
- 8.2 Le système de climatisation et de ventilation doit être de capacité suffisante pour y maintenir une température approximative de 22° Celsius ($\pm 1,5^\circ$) durant toute la saison d'été et les demi-saisons, avec une humidité relative minimum de trente pour cent (30%).
- 8.3 Pendant la durée du bail, le Bailleur garantit une entrée d'air frais dans l'Immeuble d'au moins 20 %. Chaque bureau et salle de conférences aura au moins 10 litres/seconde/personne de ventilation.
- 8.4 Les systèmes précités doivent être zonés de façon à ce que l'unité desservant les pièces de la zone périphérique soit distincte de celle alimentant la zone intérieure, permettant ainsi une consigne de température différente pour l'une ou l'autre des zones.
- 8.5 Les contrôles thermostatiques doivent être suffisamment nombreux pour assurer un environnement agréable et acceptable par le Locataire. Quant à la zone intérieure des Lieux Loués, les contrôles seront installés à tous les quatre cents (400) pieds carrés. Ce qui précède fait partie de l'aménagement de base à être fourni par le Bailleur à ses frais.
- 8.6 La capacité du chauffe-eau doit être suffisante pour satisfaire les besoins normaux du Locataire.
- 8.7 Toute réparation relative à ces équipements de chauffage et de climatisation est à la charge du Bailleur.
- 8.8 Le système de chauffage doit être desservi par le gaz naturel.

8.9 Entretien

Le Bailleur s'engage à vérifier, nettoyer et remplacer les filtres du système CVC avec des filtres à haute performance, au moins six (6) fois par année. Le Bailleur remplacera également les écrans modulateurs du système CVC au moins une fois par mois.

9. Enlèvement de la neige

Le Bailleur s'engage à effectuer l'enlèvement de la neige en tout endroit nécessaire et d'en assumer les frais, sauf indication contraire.

10. Voies d'accès - stationnement

Le Bailleur s'engage :

10.1 À aménager, entretenir et maintenir en bon état, en tout temps, des voies d'accès permettant la livraison directe et immédiate des marchandises dans les espaces d'entreposage du Locataire et hors de ceux-ci, de même qu'une bonne circulation du public vers les portes d'entrée et les portes de sortie des Lieux Loués jusqu'à la voie publique.

10.2 À en assumer tous les frais, y compris les frais de pavage, d'enlèvement de neige et de glace, et d'éclairage nécessaire.

11. Bris de vitres

Le Bailleur s'engage à remplacer, à ses propres frais, les vitrines et fenêtres brisées ou à rembourser le Locataire de ses déboursés dans tous les cas où il aura jugé la situation suffisamment urgente pour effectuer ces réparations, sauf si tel bris est dû à la faute des employés (ou invités) du Locataire.

12. Incendie - cas fortuits - force majeure

12.1 Advenant le cas où l'immeuble où se trouve le Lieux Loués serait endommagé par le feu ou autres cas fortuits ou de force majeure, de sorte que le Locataire n'aurait qu'une jouissance partielle du Lieux Loués, le Loyer ci-haut stipulé sera alors réduit proportionnellement à la jouissance du Lieux Loués par le Locataire durant toute la période où cette jouissance du Lieux Loués sera partielle, et le Bailleur s'engage à apporter toute diligence à la réparation du Lieux Loués, qui ne devra pas excéder le délai de trente (30) jours à compter de la date des dommages.

12.2 Et advenant le cas où les dommages causés à l'immeuble seraient tels que le Bailleur ne pourrait réparer ou reconstruire le Lieux Loués dans un délai de trente (30) jours à compter de la date

desdits dommages, le Bailleur devra, durant ce délai, aviser par courrier recommandé le Locataire de son intention de réparer ou reconstruire ledit Lieux Loués et de le livrer au Locataire dans un délai n'excédant pas cent quatre-vingt (180) jours de la survenance de l'incident.

- 12.3 En pareil cas, le présent bail continuera de lier les parties aux présentes, sauf quant au loyer, et le Locataire s'engage à reprendre possession des Lieux Loués dès que celui-ci sera prêt à l'exercice de son commerce. Le défaut par le Bailleur de faire parvenir au Locataire l'avis ci-dessus mentionné dans le délai prévu signifiera que le Bailleur n'entend pas réparer ou reconstruire lesdits Lieux Loués et le Locataire sera dégagé de toute obligation future découlant des présentes. Si les Lieux Loués n'étaient pas prêts à l'exercice du commerce à la date stipulée au paragraphe précédent, le Locataire pourra, à sa discrétion et sans avis préalable, mettre fin au présent bail.
- 12.4 Sous réserve de réparer ou de reconstruire le Lieux Loués par le Bailleur et nonobstant les articles 12.1, 12.2 et 12.3, le Locataire n'a pas droit à une réduction du loyer ni à la résiliation du bail, s'il est responsable du sinistre, sans préjudice aux recours ordinaires du Bailleur.

13. Annonces et enseignes

- 13.1 Le Bailleur permet au Locataire d'annoncer son commerce comme bon lui semble (quant à la dimension, la forme, l'emplacement de l'enseigne extérieure, elle devra s'harmoniser avec la signalisation prévue pour l'ensemble de l'édifice et devra par conséquent avoir reçu le consentement préalable du Bailleur, lequel ne pourra pas le refuser sans raison valable) et, à ces fins, lui permet de clouer, river ou autrement attacher au corps de la bâtisse les instruments nécessaires à de telles annonces ou drapeaux et lui permet d'ériger une enseigne sur poteau sur la propriété du Bailleur et d'installer tous les raccordements électriques nécessaires à de tels annonces, enseignes ou drapeaux, sur approbation du Bailleur, laquelle ne sera pas refusée sans motif raisonnable.

13.1.1 Toutes telles enseignes devront être conformes aux exigences imposées par les autorités administratives, municipales et gouvernementales.

- 13.2 De plus, le Bailleur s'engage à ne permettre l'érection d'aucune annonce, enseigne, ni d'aucun drapeau qui ferait obstacle de quelque manière que ce soit, totalement ou partiellement, à la vue ou à l'exposition des enseignes ou annonces du Locataire par rapport à toute voie de circulation.

- 13.3 De même, le Locataire aura droit d'afficher des enseignes indiquant que le Lieux Loués est à sous-louer, le cas échéant, le tout sous réserve de l'autorisation écrite au préalable du Bailleur. Le Bailleur ne pourra le refuser sans motifs raisonnables.
14. Responsabilités et assurances
- 14.1 Le Bailleur assume la responsabilité de tout dommage subi par toute personne dans les Lieux Loués et les voies d'accès résultant d'une faute ou négligence du Bailleur.
- 14.2 À cet effet, le Bailleur s'engage à maintenir, durant toute la durée du présent bail, une police d'assurance responsabilité et à produire la preuve d'une telle assurance au Locataire sur demande.
- 14.3 Le Locataire est tenu de souscrire et de maintenir en vigueur une assurance pour un montant d'au moins quinze millions de dollars (15 000 000 \$) couvrant sa responsabilité civile et ses biens dans les Lieux Loués. Il doit, à la demande du Bailleur, fournir une preuve d'assurance.
- 14.4 Le Locataire doit également faire désigner dans sa (ses) police(s) d'assurance le Bailleur et son gestionnaire comme co-assurés selon son intérêt assurable.
15. Réparations – entretien
- 15.1 Le Bailleur s'engage à assumer tout l'entretien et toutes les réparations de l'extérieur des Lieux Loués et de l'édifice, des systèmes de chauffage, climatisation de l'air, électricité, plomberie, aqueduc et égout, sauf pour les dommages dus à la faute du Locataire, ses employés, ses préposés ou autres personnes dont il a le contrôle ou pour lesquelles il peut être tenu responsable.
- 15.2 Le Locataire devra souffrir, sans pouvoir exiger aucune indemnité, toute grosse réparation jugée nécessaire par le Bailleur, pourvu que celle-ci soit complétée dans un délai raisonnable et ne lui cause aucun préjudice sérieux. Nonobstant ce qui précède, le Locataire aura droit à une diminution du loyer proportionnellement à sa perte de jouissance paisible des Lieux Loués, en autant que telles réparations ne résultent pas de la faute du Locataire, d'un employé, d'un préposé ou d'une autre personne pour laquelle il peut être tenue responsable.
- 15.3 Le Bailleur s'engage à assumer l'entretien ménager des Lieux Loués selon les devis d'entretien joints à l'annexe A.
- 15.4 Le Locataire s'engage à assumer l'entretien et les réparations du système de détection de gaz installé par celui-ci sur les lieux loués et lui appartenant.

16. Changements et améliorations

16.1 Pendant la Durée, le Locataire aura le droit de construire, à ses frais, ses propres améliorations locatives, de modifier ou de réparer le Lieux Loués ou autrement effectuer des travaux dans les Lieux Loués pour les rendre appropriés aux affaires du Locataire (les «Travaux du Locataire»). Le Locataire devra soumettre des plans au Bailleur avant d'entreprendre les travaux en question. Le Bailleur, agissant raisonnablement, s'engage à donner ses commentaires dans un délai raisonnable. Le Bailleur ne chargera pas au Locataire des frais pour la révision et l'approbation des plans.

Le Locataire aura le droit d'utiliser ses propres entrepreneurs après avoir eu l'approbation du Bailleur laquelle approbation ne sera pas déraisonnablement retenue ou refusée pour tous travaux aux Lieux Loués y compris ce qui affecte le système CVC et les systèmes de plomberie et d'électricité de l'Immeuble.

16.2 Le Locataire aura le droit d'installer dans les Lieux Loués tous biens meubles, y compris des comptoirs, étagères, murs et plafonds suspendus, tels biens demeurant sa propriété, même s'ils sont attachés ou rivés aux Lieux Loués.

16.3 Également, les garnitures électriques et autres biens apportés dans les Lieux Loués demeureront la propriété du Locataire, lequel pourra les enlever à la fin du bail, sans aucune réclamation de la part du Bailleur.

17. Visite des lieux

17.1 Le Bailleur pourra, avec un préavis de vingt-quatre heures, pendant les trois (3) mois qui précéderont la fin de ce bail, faire visiter lesdits Lieux Loués durant les jours et heures d'affaires du Locataire, par ceux qui désireraient le louer et afficher à l'extérieur desdits Lieux Loués des avis publics, à condition que la superficie totale de tels avis couvre une surface maximale de quatre (4) pieds carrés.

17.2 Le Bailleur pourra, durant les jours et heures d'affaires du Locataire, visiter les Lieux Loués dans le but de voir s'il est tenu en bon ordre et/ou faire visiter les Lieux Loués par un prêteur, un acheteur potentiel ou autre personne pouvant avoir un intérêt à cet égard.

18. Élection de domicile

Le Bailleur et le Locataire élisent domicile à leur adresse respective susdite ou à tout autre endroit indiqué.

19. Paiement du loyer

Le Locataire paiera le loyer ci-avant stipulé, sans avis ni mise en demeure, à la résidence ou au bureau où le Bailleur élit domicile pour les fins des présentes, ou à tout autre endroit indiqué par écrit par le Bailleur.

20. Nouvelles constructions - additions

20.1 Le Bailleur s'engage à ne réaliser et à ne permettre que soit réalisée, à moins d'entente expresse avec le Locataire, aucune construction nouvelle ou addition à la construction actuelle abritant le Lieux Loués occupé par le Locataire, laquelle construction pourrait faire obstacle en tout ou en partie à la vue ou à l'exposition de la façade ou des enseignes du Lieux Loués, par rapport au chemin public, ou au passage du public à proximité dudit Lieux Loués.

20.2 Et, à cet effet, pour en arriver à une entente, de soumettre les plans et devis au Locataire pour son approbation préalable et essentielle à la réalisation de telle construction ou addition qui ne pourra être refusé sans motifs valables.

21. Interprétation

21.1 Selon que le contexte le requerra, le singulier s'interprétera comme pluriel et le genre masculin comme féminin ou neutre selon le cas.

21.2 Le présent bail lie les parties, leurs héritiers, leurs successeurs et leurs ayants droit.

21.3 Les titres contenus aux présentes ne devront jamais être utilisés pour interpréter le présent bail ni pour en étendre ou en restreindre la portée. Ils n'ont été insérés que pour en faciliter la lecture.

22. Sous-location et cession

22.1 Le Locataire a le droit de céder le Bail ou de sous-louer la totalité ou une partie des Lieux Loués, sous réserve de ce qui suit (le «**Transfert**»). Le Locataire devra d'abord obtenir le consentement du Bailleur pour un tel Transfert, lequel ne pourra être refusé sans motifs raisonnables et lui sera accordé, sans frais, dans un délai de dix(10) jours ouvrables suivant sa demande, pourvu que le Locataire soumettre tous les documents pertinents à la transaction envisagée.

Si le Bailleur ne consent pas au Transfert, il devra faire part au Locataire, par écrit, des raisons sérieuses qui sous-tendent sa décision et ce dans le délai susdit. De même, si le Bailleur requiert des informations additionnelles, sa demande devra être formulée au

Locataire dans le délai prévu ci-dessus. Si le Bailleur ne répond pas dans le délai prescrit, il sera réputé avoir consenti au Transfert.

22.2 Nonobstant ce qui précède, les événements suivants ne seront pas interprétés comme étant un Transfert et le consentement du Bailleur ne sera pas exigé :

- > les cas de fusion, acquisitions ou autres formes de réorganisation du Locataire, de même que toute vente ou autre disposition des actions par les actionnaires du Locataire;
- > si une filiale, compagnie liée ou la compagnie mère du Locataire ou si un agent accrédité du Locataire occupe la totalité ou une partie des lieux loués.

22.3 En cas de sous-location ou cession, le Locataire restera et demeurera responsable conjointement et solidairement avec le sous-locataire ou cessionnaire pour toutes les obligations du bail, y compris paiement de tous les loyers.

23. Obligations diverses

23.1 À la date de terminaison du Bail, le Locataire remettra au Bailleur les Lieux Loués en bonne condition (usure normale acceptée) avec toutes les améliorations et/ou modifications qui pourraient alors s'y trouver, à l'exception des équipements suivants :

- > les appareils ménagers;
- > toutes les composantes du système de sécurité y compris le système de détection de gaz;
- > tous les autres équipements futurs qui auront été dénoncés au Bailleur par le Locataire lors de leur installation.

24. Clauses spéciales

24.1 Le présent bail pourra être enregistré par le Locataire, à ses frais, et le Bailleur devra signer les documents nécessaires à cet effet, sur simple demande.

24.2 Droit de relocalisation des Lieux Loués.

Le Bailleur n'aura pas le droit de relocaliser les Lieux Loués.

24.3 Le bail sera régi par les lois de la Province de Québec.

24.4 Stationnement

Le Locataire aura droit à l'utilisation de trente-cinq (35) espaces de stationnement exclusif situés sur le côté ouest de l'édifice. Le Bailleur ne pourra diminuer le stationnement. Toutefois, si une re-localisation est requise, le Locataire ne pourra refuser sans motifs raisonnables. Le stationnement est aménagé de façon à ce qu'il soit sécuritaire pour ses occupants.

25. Avis

25.1 Tout avis prévu en vertu des présentes devra être expédié :

a) quant au Locataire
Société en commandite Gaz Métropolitain
1717, rue du Havre
Montréal (Québec) H2K 2X3

À l'attention du chef de service
Gestion des immeubles

b) quant au Bailleur
Société en commandite Gaz Métropolitain Plus
1350, rue Nobel
Boucherville (Québec) J4B 5H3

À l'attention du gestionnaire des immeubles

ou à toute adresse que l'une des parties pourra faire connaître à l'autre, par avis écrit également expédié par courrier recommandé ou certifié, toute partie étant tenue d'aviser l'autre partie au présent bail de tout changement d'adresse et ce, dans les plus brefs délais.

25.2 Nonobstant toute autre disposition à l'effet contraire, une copie de tout avis prévu aux présentes pourra toujours être signifiée aux parties par voie de huissier, ou livré par messenger contre la signature d'un reçu.

25.3 Tout avis écrit, prévu ou pouvant être utile ou requis en raison du présent bail devra être expédié par courrier recommandé ou certifié, aux adresses ci-avant mentionnées. Advenant qu'il y ait grève du service postal, tout tel avis pourra être signifié par huissier.

26. Défaut

26.1 **Droit de résiliation** En cas de défaut du Locataire de remplir une des obligations lui incombant en vertu des présentes à l'intérieur d'un délai de dix (10) jours suivant l'expédition d'un avis écrit du

Bailleur à cet égard, ce dernier aura le droit de résilier le présent Bail, le tout sous réserve de tout autre droit et recours du Bailleur contre le Locataire en raison de tel défaut.

26.2 **Exécution par le Bailleur**

26.2.1 **Rapports** Sur demande du Bailleur, le Locataire devra fournir au Bailleur une preuve du paiement de toute somme que le Locataire doit effectuer aux tiers aux termes des présentes.

26.2.2 **Honoraires d'administration** Advenant le cas où le Locataire fait défaut de payer toute somme payable à une tierce partie ou d'exécuter toute autre obligation lui incombant en vertu du présent bail, le Bailleur pourra, après l'expiration d'un délai de cinq (5) jours suivant avis ou mise en demeure au Locataire ou à toute autre partie, payer ladite somme ou remplir ladite obligation à la place et au lieu du Locataire, lequel s'engage irrévocablement à rembourser au Bailleur, sur demande et sans délai, ladite somme ainsi payée par e dernier, majoré d'un honoraire administratif égal à dix pour cent (10%) au montant ainsi payé, le tout sans préjudice à tous autres droits ou recours du Bailleur en raison du défaut du Locataire.

26.3 **Loi sur la faillite et l'insolvabilité** Advenant le cas où le Locataire faisait faillite, devenait insolvable ou faisait une cession de ses biens ou une proposition suivant les dispositions de la *Loi sur la faillite et l'insolvabilité*, de la *Loi sur la liquidation des compagnies*, ou de toute autre législation se rapportant à l'insolvabilité en vigueur à cette époque, le Bailleur pourra, à sa discrétion, résilier le présent bail, sans préjudice toutefois à ses droits et recours lui résultant en vertu de toute législation applicable ou en vertu des présentes.

26.4 **Indulgence** Tout défaut ou retard du Bailleur à exercer tout droit à exiger l'accomplissement de toute obligation incombant au Locataire en vertu des présentes ne pourra, en aucun cas, être interprété comme constituant une renonciation du Bailleur à exercer tels droits ou recours ou de manière à relever le Locataire de ses obligations, à moins que n'intervienne une entente écrite à cet effet comportant la signature des deux parties. En particulier, mais sans limiter la généralité de ce qui précède, l'acceptation ou l'encaissement par le Bailleur de tout paiement, total ou partiel, à lui dû en vertu des présentes alors que le Locataire est en défaut aux termes du présent bail, de quelque manière que ce soit, ne pourra être interprété comme constituant une renonciation du Bailleur à exiger la correction de tel défaut.

26.5 **Intérêts** Toute somme d'argent, qui sera éventuellement due au Bailleur par le Locataire en vertu des présentes, portera intérêt au taux de dix-huit pour cent (18%) l'an, ou un pour cent et demi (1.5%) par mois, et ce, à compter de l'échéance respective de chacun des montants dus aux termes des présentes.

26.6 **Force majeure** L'avènement d'un état de force majeure ou d'un cas fortuit ne pourra avoir pour effet d'annuler ou différer le versement par le Locataire d'un montant dû par celui-ci au Bailleur si le Locataire bénéficie de la jouissance des Lieux Loués.

26.7 **Non-interruption des procédures** Nonobstant toute disposition à l'effet contraire dans le *Code civil du Québec* ou de toute autre loi, le Locataire ne peut, en aucun cas, lorsque des procédures en résiliation de bail sont instituées contre lui en raison d'un défaut quelconque de se conformer au présent Bail, mettre fin aux procédures en remédiant aux défauts allégués dans lesdites procédures.

27. Divers

27.1 Option de renouvellement

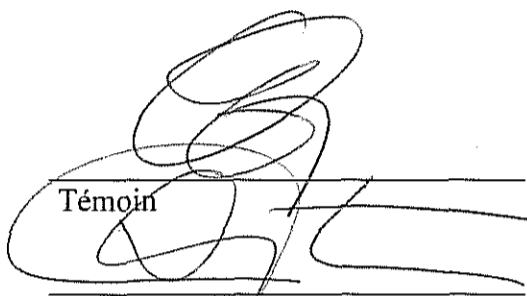

Le Locataire aura l'option de renouveler le bail pour une période additionnelle de cinq (5) ans, à condition de n'être pas en défaut et qu'un avis écrit d'au moins neuf (9) mois avant l'expiration du bail ait été transmis au Bailleur. Ce renouvellement se fera aux mêmes termes et conditions, sauf quant au loyer qui sera fixé entre les parties.

Le loyer brut annuel pour la période de renouvellement sera déterminé de concert par le Locataire et le Bailleur au plus tard cinq (5) mois précédant l'expiration de la Durée du Bail.

EN FOI DE QUOI, aux dates et lieux indiqués ci-après, les parties ont signé devant deux (2) témoins, qui présents en tout temps, ont signé en présence des parties et en présence l'un de l'autre.

À Montreal, le 6 ième jour de octobre 2005.



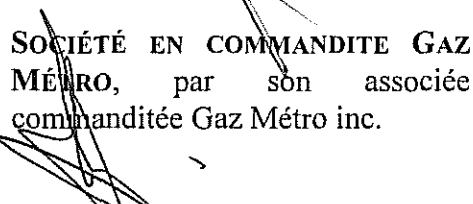

Témoin

Témoin

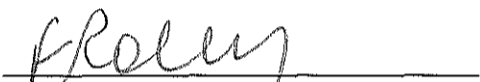

SOCIÉTÉ EN COMMANDITE GAZ
MÉTROPOLITAIN PLUS, par son
associée commanditée Gaz
Métropolitain Plus inc.

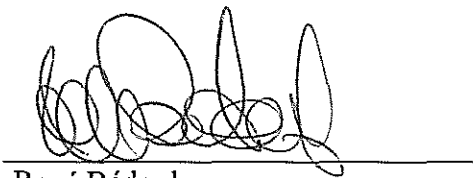

Luc Sicotte

Paul Tremblay

SOCIÉTÉ EN COMMANDITE GAZ
MÉTRO, par son associée
commanditée Gaz Métro inc.


Jacques Charron
Vice-président, Exploitation


Témoin

Témoin


René Bédard
Secrétaire corporatif


Témoin

Témoin

AVENANT # 1

ENTRE :

SOCIÉTÉ EN COMMANDITE GAZ MÉTRO PLUS., société en commandite légalement constituée ayant sa principale place d'affaires au 1350 rue Nobel à Boucherville province de Québec, J4B 5H3 agissant aux présentes par son associée commanditée Gaz Métro Plus inc. ici représentée et agissant aux présentes par monsieur Luc Génier, Président et chef de la direction et monsieur Paul Tremblay, Directeur principal Ressources humaines et gestion des immeubles, dûment autorisés tel qu'ils le déclare.

CI-APRÈS APPELÉE LE « **Locateur** »

ET :

SOCIÉTÉ EN COMMANDITE GAZ MÉTRO, société en commandite légalement formée, ayant sa principale place d'affaires au 1717 rue du Havre, Montréal, Québec, H2K 2X3, agissant aux présentes par l'entremise de son associée commanditée Gaz Métro inc., représenté aux présentes par Monsieur Serge Régnier, Vice-président Employés et culture et Madame Lyne Burelle, secrétaire corporatif et chef de service secrétariat corporatif, dûment autorisés tels qu'ils le déclarent.

CI-APRÈS APPELÉE LE « **Locataire** ».

PRÉAMBULE :

ATTENDU QUE les parties ont conclu un bail le 6 octobre 2005 (le « **Bail** ») pour un espace commercial situé dans l'édifice portant le numéro civique 1350 rue Nobel à Boucherville (Québec) ;


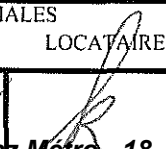
ATTENDU QUE le Bail prenait fin le 30 septembre 2009 ;

ATTENDU QUE les parties désirent prolonger et modifier le Bail ;

PAR CONSÉQUENT, les parties conviennent de ce qui suit :

1. Le paragraphe suivant est ajouté à la fin de la clause 2.2 du Bail :

« Le Locateur s'engage à envoyer à l'attention du conseiller principal, expertise immobilière de Locataire la facture correspondant aux taxes qui sont à la charge du Locataire tel que prévu à la présente clause 2.2, avec copie de l'avis d'évaluation de la municipalité. Le Locateur s'engage à fournir, sur demande du

INITIALES	
LOCATEUR	LOCATAIRE
	

Locataire, toute autre pièce justificative des montants ainsi facturés ».

2. La clause 3 intitulée « **Considération** » est remplacée par la clause suivante :

« Un loyer brut annuel unitaire de quatorze dollars (14,00 \$) par pied carré pour l'espace de 41 942,92 pi² pour un loyer brut annuel de cinq cent quatre-vingt-sept mille deux cents dollars et quatre-vingt-huit cents (587 200,88 \$) payable en versements mensuels, égaux et consécutifs de quarante-huit mille neuf cent trente-trois dollars et quarante et un cents (48 933,41 \$) chacun sauf le dernier versement mensuel qui sera de quarante-huit mille neuf cent trente-trois dollars et trente-sept cents (48 933,37 \$) au début de chaque mois, en monnaie légale du Canada, sans compensation, remise ou déduction, à compter du 1^{er} octobre 2009 ;

Pour l'usage du terrain de 49 280 pi² prévu à la clause « Désignation » du Bail, un loyer annuel additionnel brut de vingt-et-un mille six cent quatre-vingt-quatorze dollars et quatre-vingt-douze cents (21 694,92 \$), payable en versement mensuels, égaux et consécutifs de mille huit cent sept dollars et quatre-vingt-onze cents (1 807,91 \$) chacun au début de chaque mois à compter du 1^{er} octobre 2009.

Pour l'usage de l'espace additionnel de 5 968,62 pi² situé dans la nouvelle construction à l'arrière de l'édifice, un loyer annuel additionnel brut de ~~vingt-cinq mille deux-cent-dollars~~ (26,331,98 \$)^①, payable en versement mensuels, égaux et consécutifs de ~~deux-mille cent dollars~~ (2 194,33 \$) chacun au début de chaque mois à compter du 1^{er} octobre 2009. ^② Deux mille cent quatre-vingt-quatorze dollars et trente-trois cents

① vingt-six mille trois cent trente et un dollars et quatre-vingt-dix-huit cents
LB

À la fin de chaque année, le Locateur fournira un relevé final des montants réels et fera un ajustement au besoin.

Les taxes T.P.S et T.V.Q. sont en surplus du Loyer ci-avant mentionné et payables par le Locataire, et elles sont sujettes à modification selon les décisions gouvernementales.

Les sommes exigibles en vertu du bail, comme loyer ou autrement impayées à échéance, portent intérêt, composé mensuellement au taux préférentiel de la banque du Locateur, augmenté de deux pour cent (2 %).

À compter du 1^{er} octobre 2010, le Loyer sera indexé annuellement au 1^{er} octobre, selon l'IPC, Montréal (31 août de chaque année) (base 100 au 31 août 2010). Cette augmentation ne pourra être inférieure à 0 et aura lieu tous les 1^{er} octobre. »

3. Le Bail est prolongé jusqu'au 30 septembre 2016.

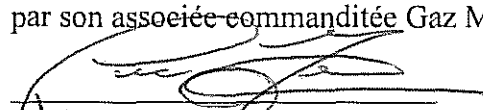
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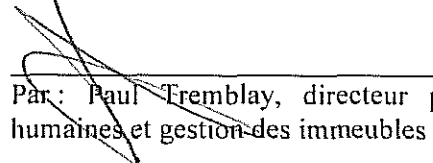
INITIALES	
LOCATEUR	LOCATAIRE
Gaz Métro - 118, Document 5	

4. Les autres dispositions du Bail demeurent inchangées.
5. Les dispositions du présent avenant # 1 seront réputées faire partie intégrante du Bail.
6. Nonobstant la date de sa signature, le présent Avenant # 1 sera réputé être entrée en vigueur le 1^{er} octobre 2009.

Le LOCATEUR a signé en la Ville de Boucherville,
Province de Québec, ce 20 ième jour de juillet
2010.

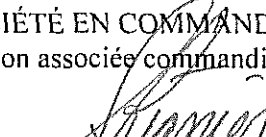
SOCIÉTÉ EN COMMANDITE GAZ MÉTRO PLUS
par son associée commanditée Gaz Métro Plus inc.

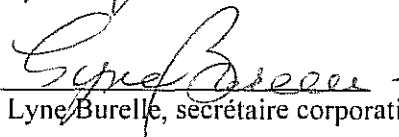

Par : Luc Génier, Président et chef de la direction


Par : Paul Tremblay, directeur principal ressources
humaines et gestion des immeubles



Le LOCATAIRE a signé en la Ville de Montréal, Province de Québec, ce
21 ième jour de octobre 2010.

SOCIÉTÉ EN COMMANDITE GAZ MÉTRO
par son associée commanditée Gaz Métro inc.


Par : Serge Régnier, Vice-président Employés et culture


Par : Lyne Burelle, secrétaire corporatif



INITIALES	
LOCATEUR	LOCATAIRE
	

COST OF SERVICE AGREEMENT

THIS AGREEMENT is made as of March 31, 2011

BETWEEN: **GAZ MÉTRO LIMITED PARTNERSHIP, represented by
its General Partner, Gaz Métro inc.**

(hereinafter called "Gaz Métro")

AND: **CHAMPION PIPE LINE CORPORATION LIMITED**

(hereinafter called "Champion")

WHEREAS:

- A. Champion has agreed to be a carrier of gas carried by Trans-Canada PipeLines Limited to Champion's gas transmission pipelines system in northern Quebec (the "**Pipeline System**"), such gas having been purchased from third party suppliers by Gaz Métro or its clients and to be delivered to Gaz Métro's gas transmission pipelines system;
- B. In order to ensure that Champion shall have the necessary financial resources to cover its operating costs on an ongoing basis and to meet its operating costs on an ongoing basis and to meet its obligations to its creditors, it is in the interest of the parties hereto to enter into this Agreement; and
- C. The parties are desirous of terminating their current arrangements and agreements in respect of the cost of service and entering into this Agreement in respect of such cost of service.

NOW, THEREFORE, THE PARTIES HERETO HAVE AGREED AS FOLLOWS:

1. Champion hereby undertakes to use its best efforts to carry in its Pipeline System the volumes of gas that Gaz Métro wishes to supply from time to time to its customers in the cities of Rouyn and Témiscamingue, subject always to the maximum capacity of the Pipeline System at any particular time.
2. In consideration of the foregoing, Gaz Métro undertakes to pay to Champion during the term hereof, any and all costs incurred by Champion in the course of its business, regardless of the volume of gas actually carried from time to time over the Pipeline System. Without limiting the generality of the foregoing, the following amounts shall be deemed to form part of the obligations of Gaz Métro towards Champion hereunder, namely:
 - a. all operating costs, insurance and maintenance of the Pipeline System;
 - b. all taxes, insurance premiums and administrative costs related to Champion's business as a gas pipeline owner and operator;
 - c. all taxes payable by Champion on its taxable income;
 - d. all amounts payable by Champion to any of its creditors from time to time, and whether at maturity or by acceleration, including principal, interest, costs, fees or otherwise as the same become due and payable;
 - e. provided there is no duplication with any of the amounts of principal set forth in the preceding paragraphs, all amortization and depreciation of Champion's physical assets (including the Pipeline

System) as reported by Champion annually in its audited financial statements, such amounts to be calculated in accordance with generally accepted accounting principles consistently applied;

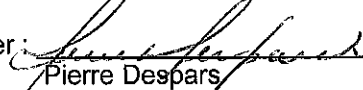
- f. all environmental costs and liabilities for which Champion may be held responsible from time to time by reason of events which may have occurred prior to or during the term of this Agreement; and
- g. a rate of return calculated on the basis of Champion's cost of the Pipeline System and related assets (after depreciation) which at all times shall be at least equal to the rate of return allowed by the *Régie de l'énergie du Québec* (the "**Régie**") to Gaz Métro and a capital structure which at all times shall be identical to the capital structure authorized by the Régie for Gaz Métro's rate-setting purposes. Gaz Métro shall advise Champion on a timely basis of any change by the Régie of such prescribed rate of return or authorized capital structure, as the case may be.

- 3. This Agreement shall come into force immediately and shall continue from year to year on each anniversary hereof unless otherwise terminated by any of the parties hereto by written notice addressed to the other party at least 12 months prior to the intended termination date. Gaz Métro undertakes to confirm to any of Champion's secured creditors that Gaz Métro will not amend or terminate this Agreement without the prior written consent of such secured creditor while such person is a secured creditor of Champion.
- 4. The payments made by Gaz Métro to Champion hereunder shall be made not less frequently than every month unless more frequent payments are required by Champion's cash flow requirements. Such payments shall be in immediately available funds and without right of set-off, counterclaim or compensation. Furthermore, in respect of payments to which reference is made in paragraph 2.d, Gaz Métro shall, at least one business day prior to the due date thereof, transfer such amount to any account designated for such purpose by Champion.
- 5. This Agreement shall enure to the benefit of and be binding upon the successors and assigns of each party.
- 6. This Agreement, which shall become effective as of the date hereof, replaces and supersedes all prior arrangements and agreements between the parties hereto in respect of the matters contemplated hereunder (which prior arrangements and agreements, as of the date hereof, shall have no further force and effect except as to amounts accrued prior to the date hereof and unpaid), and shall be interpreted and construed in accordance with the laws of the Province of Quebec.

[signatures on next page]

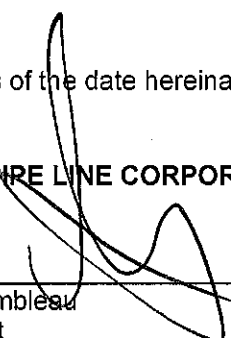
IN WITNESS WHEREOF the parties have signed this Agreement as of the date hereinabove first mentioned.


GAZ MÉTRO LIMITED PARTNERSHIP, by its
General Partner, Gaz Métro inc.


Per: 
Pierre Despars
Executive Vice-President, corporate affairs and
chief financial officer

Per: 
Lyne Burelle
Corporate Secretary

CHAMPION FIRE LINE CORPORATION LIMITED

Per: 
Martin Imbleau
President

Per: 
Sophie Riendeau
Assistant Corporate Secretary

 GazMétro
AMQ
Initiales
101-233
No. Dossier

ADMINISTRATION AND MANAGEMENT SUPPORT AGREEMENT

BETWEEN

GAZ MÉTRO LIMITED PARTNERSHIP

AND

VALENER INC.

DATED AS OF SEPTEMBER 30, 2010

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ADMINISTRATION AND MANAGEMENT SUPPORT AGREEMENT

This Agreement is made as of September 30, 2010

BETWEEN: **VALENER INC.**, a corporation formed under the laws of Canada;

(the “**Corporation**”)

AND **GAZ MÉTRO LIMITED PARTNERSHIP**, a limited partnership formed under the laws of the Province of Quebec, herein represented by Gaz Métro Inc., its general partner;

 (“**GMLP**”)

WHEREAS GMLP, Gaz Métro Inc. (“**GMI**”), Gaz Métro Plus Inc., the Corporation and Noverco Inc. (“**Noverco**”) entered into the Arrangement Agreement (as defined herein) containing the terms and conditions pursuant to which the Corporation would, on the Effective Date (as defined herein), acquire through the Plan of Arrangement (as defined herein) all the outstanding units of GMLP, except those held by GMI and Gaz Métro Plus Inc., in exchange for common shares of the Corporation; and

WHEREAS the completion of the Plan of Arrangement is conditional, among other things, upon the entering into of this Administration and Management Support Agreement pursuant to which, *inter alia*, (i) GMLP either directly or through GMI, its general partner, will provide to the Corporation certain administration and management support services solely in respect of the Corporation’s interest in GMLP and related public company matters and, in certain circumstances, may provide certain additional services, and (ii) GMLP will, under the circumstances and subject to the limitations provided herein, reimburse the Corporation for certain expenses;

NOW THEREFORE THIS AGREEMENT WITNESSES that, for good and valuable consideration, the parties hereto agree as follows:

1. INTERPRETATION

1.1 Definitions

As used herein, the following terms will have the meanings set forth below:

1.1.1 “**Additional Services**” has the meaning ascribed thereto in Section 2.4;

1.1.2 “**Administration and Management Support Services**” has the meaning ascribed thereto in Section 2;

- 1.1.3 “**Affiliate**” has the meaning that would have been ascribed thereto in the *Securities Act* (Quebec), as amended from time to time, if the word “company” as used in sections 8 and 9 of the *Securities Act* (Quebec) was changed to Person;
- 1.1.4 “**Agreement**” means this administration and management support agreement, as it may be amended, restated or modified from time to time;
- 1.1.5 “**Applicable Laws**” means any applicable law, as amended from time to time, including any statute, regulation, by-law, treaty, guideline, directive, rule, standard, requirement, policy, order, judgement, injunction, award, decree or resolution of any Governmental Authority binding on the Parties;
- 1.1.6 “**Arrangement Agreement**” means the arrangement agreement dated as of June 22, 2010 between GMLP, GMi, Gaz Métro Plus inc., the Corporation and Noverco;
- 1.1.7 “**Associate**” has the meaning ascribed thereto in the *Securities Act* (Quebec);
- 1.1.8 “**Business Day**” means a day, other than Saturday, Sunday or a statutory holiday, when banks are generally open for business in the City of Montreal, in the Province of Quebec, for the transaction of banking business;
- 1.1.9 “**Business Fully Managed by GMLP**” means all aspects of the operations, business and affairs of the Corporation (including all assets, investments, projects and indebtedness) under the overall administration and management by GMLP (either directly or through GMi, its general partner), pursuant to the terms of (i) this Agreement, and (ii) any other agreement for Additional Services that may be agreed to in writing from time to time between the Parties;
- 1.1.10 “**Change of Control of the Corporation**” has the meaning ascribed thereto in Section 9.6;
- 1.1.11 “**Confidential Information**” has the meaning ascribed thereto in Section 11.3;
- 1.1.12 “**Corporation’s Administration Expenses**” has the meaning ascribed thereto in Section 4.1 and, for purposes of Sections 4.2 and 4.3, shall include the expenses payable by GMLP under Section 2.3.1;
- 1.1.13 “**Corporation Event of Termination**” has the meaning ascribed thereto in Section 9.1;
- 1.1.14 “**Corporation Shareholders**” means the holders of common shares of the Corporation;
- 1.1.15 “**CPI**” means the *Statistics Canada Consumer Price Index –2001 basket content, monthly* (1992 index = 100 except otherwise noted, CANSIM, Table 326-0001);

- 1.1.16 “**Effective Date**” has the meaning ascribed thereto in the Plan of Arrangement;
- 1.1.17 “**Excluded Services**” has the meaning ascribed thereto in Section 2.5;
- 1.1.18 “**First Additional Services Agreement relating to the Debt of the Corporation**” means the services agreement with respect to the management of certain indebtedness of the Corporation between GMLP and the Corporation executed as of the Effective Date and which will come into force as of the Effective Date;
- 1.1.19 “**Force Majeure**” means for the purposes hereof, an event, condition or circumstance (and the effect thereof) which is not within the reasonable control of the party claiming Force Majeure and which, by the exercise of due diligence the party claiming Force Majeure is unable to prevent or overcome, including acts of God, fire, explosion, strike, lock-out, civil disturbance, war, riot, insurrection, military or guerrilla action, terrorist activity, economic sanction, blockade or embargo, sabotage, flooding, earthquake, drought and action or restraint by the order of any Governmental Authority (so long as the party claiming Force Majeure has not applied for or assisted in the application for, and has opposed where and to the extent possible, such action or restraint by such Governmental Authority); provided, however, that a party’s own lack of funds will not constitute “**Force Majeure**” in respect of such party;
- 1.1.20 “**GMi**” has the meaning ascribed thereto in the recitals of this Agreement;
- 1.1.21 “**GMi Senior Management**” means the Senior Officers of GMi;
- 1.1.22 “**GMLP**” has the meaning ascribed thereto in the recitals of this Agreement;
- 1.1.23 “**GMLP Event of Termination**” means any of the events described in Section 9.4;
- 1.1.24 “**GMLP Services**” means the services provided by GMLP pursuant to this Agreement, either directly or through GMi, its general partner, being the Administration and Management Support Services and those services provided in Section 2.3;
- 1.1.25 “**Governmental Authority**” means any court or governmental ministry, department, tribunal, commission, board, bureau, agency or instrumentality of Canada, or of any province, state, territory, county, municipality, city, town or other political jurisdiction whether domestic or foreign and whether now or in the future constituted or existing, having or purporting to have jurisdiction over the business conducted by either Party or any of their Affiliates or over any Party or any of their Affiliates;

- 1.1.26 **“Insolvent”** means in relation to any Person, being insolvent, bankrupt, making a proposal under the *Bankruptcy and Insolvency Act* (Canada) or similar Applicable Law or having a trustee, receiver or manager appointed in respect of its assets;
- 1.1.27 **“LP Agreement”** means the amended and restated limited partnership agreement of GMLP dated as of September 30, 2010, as amended from time to time;
- 1.1.28 **“NI 52-109”** has the meaning ascribed thereto in Section 2.1.6;
- 1.1.29 **“Operating Expenses”** has the meaning ascribed thereto in Section 3.1;
- 1.1.30 **“Parties”** means GMLP and the Corporation and their respective permitted successors and assigns and **“Party”** means any one of them;
- 1.1.31 **“Person”** means any natural person, corporation, division of a corporation, partnership, trust, joint venture (which includes a co-ownership), association, company, estate, unincorporated organization or government or Governmental Authority;
- 1.1.32 **“Sales Taxes”** has the meaning ascribed thereto in Section 3.3;
- 1.1.33 **“Second Additional Services Agreement with respect to the Seigneurie Project”** means the services agreement, if required as agreed by the parties, to be executed by GMLP and the Corporation as of the Effective Date and which will come into force upon the exercise by the Corporation of the Seigneurie Option, substantially in the form of the draft to be agreed upon between the relevant parties prior to the Effective Date;
- 1.1.34 **“Seigneurie Option”** means the option in favour of the Corporation for the transfer of 49% of GMLP’s interests in the Seigneurie Project (through Gaz Métro Éole Inc.) to the Corporation under the terms and conditions set forth in the Seigneurie Option Agreement;
- 1.1.35 **“Seigneurie Option Agreement”** means the agreement evidencing the Seigneurie Option executed as of Effective Date between GMLP, GMi, Gaz Métro Éole Inc., Noverco and the Corporation;
- 1.1.36 **“Seigneurie Project”** means the development, construction and operation of the wind power projects currently jointly developed and to be jointly developed directly or indirectly by Gaz Métro Éole Inc. and Boralex Inc. consisting of wind farms to be located on the private property of the Seigneurie de Beaupré owned by the Séminaire de Québec;
- 1.1.37 **“Senior Officer”** means any chief executive officer, chief operating officer, chief financial officer, president or vice-president (other than Human Resources and

Marketing vice-presidents), or any natural person designated as such or acting in a similar capacity;

1.1.38 “**Service Fees**” has the meaning ascribed thereto in Section 3.1;

1.1.39 “**Tax Act**” has the meaning ascribed thereto in Section 9.1.2;

1.1.40 “**Term**” has the meaning ascribed thereto in Section 8.1; and

1.1.41 “**Termination Date**” means the date of termination of this Agreement in accordance with Article 9 hereof.

1.2 Headings

The section headings in this Agreement have been inserted for convenience of reference only and will not be construed to affect the meaning, construction or effect of this Agreement. The terms “**hereof**”, “**hereunder**” and similar expressions refer to this Agreement and not to any particular Article, Section or other portion hereof and include any agreement supplemental hereto. Unless something in the subject matter or context is inconsistent therewith, references herein to Articles and Sections are to Articles and Sections of this Agreement.

1.3 Interpretation

Words importing the singular number only will include the plural and vice versa. Words importing gender will include all genders. Where the word “**including**” or “**includes**” is used in this Agreement it means “**including without limitation**” or “**includes without limitation**”, respectively. Any reference to any document will include a reference to any schedule, amendment or supplement thereto or any agreement in replacement thereof, all as permitted under such document.

1.4 Currency

All dollar amounts referred to in this Agreement are in lawful money of Canada.

2. SERVICES

Subject to the overall supervision and direction of the Board of Directors of the Corporation, the Corporation hereby retains the services of GMLP, and GMLP hereby accepts to render services, in accordance with, and subject to, the terms of this Agreement, either directly or through GMi, its general partner, for the management and general administration of the business, operations and affairs of the Corporation as provided in Section 2.1 or 2.2 below, as applicable (the “**Administration and Management Support Services**”).

2.1 Business Fully Managed by GMLP

As long as (i) the Corporation's activities consist solely of holding its interest in GMLP and that the Corporation is not engaged, directly or indirectly, in any other business, operations or affairs and that the Corporation has no other assets, investments or projects and is not subject to any indebtedness, or (ii) in the event the conditions under (i) are not satisfied but all of the additional business, operations and affairs (including all assets, investments, projects and indebtedness) are subject to an agreement between the Parties providing for the terms and conditions of Additional Services (including the First Additional Services Agreement relating to the Debt of the Corporation and, only if the parties have agreed to execute such agreement, the Second Additional Services Agreement with respect to the Seigneurie Project) with respect to these matters such that the Business is Fully Managed by GMLP, the Administration and Management Support Services shall consist of all services (except for services consisting of Excluded Services unless otherwise part of Additional Services) necessary for the management and general administration of the business, operations and affairs of the Corporation, including the following:

- 2.1.1 provide corporate accounting services reasonably required in connection with the preparation of financial statements of the Corporation, including but not limited to providing financial budgeting and analysis when reasonably requested by the Board of Directors of the Corporation;
- 2.1.2 prepare all continuous disclosure documents required under Applicable Laws, including the Corporation's annual information form, audited annual and unaudited interim financial statements and related management discussions and analysis in conformity with generally accepted accounting principles in Canada (including International Financial Reporting Standards) and in compliance with all requirements of Applicable Laws;
- 2.1.3 provide to the Corporation services reasonably required for the Corporation to comply with all Applicable Laws and rules of the Toronto Stock Exchange, including arranging for the filing and delivery of all relevant documentation in compliance thereof;
- 2.1.4 provide to the Corporation services reasonably required in connection with the calling and holding of all annual/special meetings of shareholders of the Corporation and prepare and arrange for the distribution of all materials (including notices of meetings and information circulars) in respect thereof;
- 2.1.5 prepare such document reasonably required to enable the Corporation to provide on a timely basis all information to which the shareholders of the Corporation are entitled under Applicable Laws;

- 2.1.6 cause the Chief Executive Officer and Chief Financial Officer of GMi, GMLP's general partner, to execute certifications required under National Instrument 52-109 *Certificate of Disclosure in Issuer's Annual and Interim Filings* ("NI 52-109") on behalf of the Corporation;
- 2.1.7 attend to matters relating to the transfer agent for the Corporation's shares and related matters;
- 2.1.8 prepare and file all required tax returns and reports (including T5s) to Governmental Authorities;
- 2.1.9 provide investor relation services similar to those which prevailed at GMLP prior to the execution of this Agreement as reasonably requested by the Board of Directors of the Corporation;
- 2.1.10 retain, as are required from time to time, audit, legal, insurance and other third party professional or non-professional services;
- 2.1.11 obtain risk management services from third parties, including risk assessment, evaluation of insurance coverages, negotiation with insurance brokers, carriers and underwriters;
- 2.1.12 open, operate and close all relevant bank accounts, including for the distributions received from GMLP and other general administrative expenses of the Corporation;
- 2.1.13 report to the Corporation with respect to the business, operations and affairs of GMLP as may reasonably be requested by the Corporation from time to time, subject to restrictions under Applicable Laws or confidentiality obligations;
- 2.1.14 provide record retention, bookkeeping and other similar administrative services;
- 2.1.15 generally provide all other services as may be necessary or as reasonably requested by the Corporation for the administration of the Corporation;
- 2.1.16 provide office space, together with the use, on an as required basis and upon reasonable notice, of additional office premises, boardrooms and other meeting room space and all related ancillary services and expenses;
- 2.1.17 prepare, plan and co-ordinate meetings of the Board of Directors of the Corporation and of Committees of the Board of Directors;
- 2.1.18 provide office services for Board and Committee members, including printers, faxes, photocopiers and the use of communications services, reception, mailroom, filing, etc.;

- 2.1.19 provide to the Corporation the necessary technology services reasonably required for the Corporation to initially set up its website and subsequently maintain up-to-date its content, as well as services reasonably required to maintain up-to-date its content;
- 2.1.20 provide information reasonably requested by the Board of Directors of the Corporation to compute the amount of dividends to be declared to shareholders of the Corporation; and
- 2.1.21 prepare invoices for the Corporation's Administration Expenses.

2.2 Basic Administration and Management Support Services

If the Business is not Fully Managed by GMLP, the Administration and Management Support Services shall consist of the following services (except for services consisting of Excluded Services) for the management and general administration of the business, operations and affairs of the Corporation which are solely related to the Corporation's interest in GMLP and related public company matters:

- 2.2.1 provide to the Corporation within reasonable delays, but subject to restrictions under Applicable Laws or confidentiality obligations, such financial statements of GMLP and other information solely related to the Corporation's interest in GMLP (including financial budgeting and analysis) which are reasonably required for the preparation by the Corporation of the Corporation's continuous disclosure documents required under Applicable Laws, including the annual information form, audited annual and unaudited interim financial statements and related management discussions and analysis in conformity with generally accepted accounting principles in Canada (including International Financial Reporting Standards) and in compliance with all requirements of Applicable Laws;
- 2.2.2 provide to the Corporation such information solely related to the Corporation's interest in GMLP reasonably required to enable the Corporation to prepare and provide on a timely basis all information to which the shareholders of the Corporation are entitled under Applicable Laws with respect to the Corporation's interest in GMLP, including notifying without delay the Corporation of any material change concerning GMLP;
- 2.2.3 provide to the Corporation and its Chief Executive Officer and Chief Financial Officer (or persons performing similar functions) sub-certifications as to matters solely related to the Corporation's interest in GMLP which are necessary for the Corporation to comply with the certification requirements under NI 52-109;
- 2.2.4 provide investor relation services solely related to the Corporation's interest in GMLP as reasonably requested by the Board of Directors of the Corporation; and

- 2.2.5 report to the Corporation with respect to the business, operations and affairs of GMLP as may reasonably be requested by the Corporation from time to time, subject to restrictions under Applicable Laws or confidentiality obligations.

2.3 Access to the GMi Senior Management

- 2.3.1 The Corporation, at its cost, on a cost recovery basis, (except in connection with potential investments by the Corporation in GMLP pursuant to the terms of the LP Agreement, which will be at the reasonable cost of GMLP) will also have the right to have reasonable access to the GMi Senior Management to assist the Corporation with investor relations and financial reporting matters (including for financing roadshows, analyst calls/meetings and shareholders meetings), save and except if access cannot be granted in the sole discretion of GMi, acting reasonably, to ensure compliance with Applicable Laws, confidentiality and/or any conflict restrictions.
- 2.3.2 If after the expiry of this Agreement (but, for greater certainty, not the termination of this Agreement as provided in Sections 9.1 and 9.6), the Corporation's interest in GMLP continues to represent a material asset of the Corporation and access to the GMi Senior Management is still material to the Corporation from a capital markets perspective, the parties agree to negotiate in good faith continued reasonable access to the GMi Senior Management for a reasonable period, substantially on terms and conditions stated above.

2.4 Additional Services

GMLP, either directly or through GMi, its general partner, may provide to the Corporation such other services as may be reasonably requested by the Corporation from time to time, including with respect to the management of other operations, business and affairs (including other assets, investments, projects or financing) of the Corporation in addition to the Corporation's interest in GMLP and any other Excluded Services, and which GMLP may agree to perform on terms mutually agreed in writing among GMLP and the Corporation (the "**Additional Services**"), it being acknowledged by the Corporation that GMLP will be under no obligation to perform any Additional Services unless the terms of provision of such services are mutually agreed in writing among GMLP and the Corporation.

2.5 Excluded Services

The Corporation acknowledges that the GMLP Services will initially be limited to those matters which are solely related to the Corporation's interest in GMLP (and related public company matters) and that GMLP will have no obligation under this Agreement to provide any services which are not solely related to the Corporation's interest in GMLP (and related public company matters) (the "**Excluded Services**"). The GMLP Services are aimed at assisting the Corporation in administering and managing its business

operations and affairs assuming the Corporation's sole asset and sole business purpose consist of holding its interest in GMLP. It is intended that the Corporation will have its own management team and employees and/or other consultants to support any development activities of the Corporation at the Corporation's cost, unless otherwise agreed to between the parties for the provision of Additional Services. The Excluded Services will include, without limitation, any services in connection with:

- 2.5.1 the planning, negotiation or administration of other investments or assets of the Corporation;
 - 2.5.2 the development, implementation and monitoring of those aspects of the Corporation's strategic plan which are not solely related to its interest in GMLP;
 - 2.5.3 those aspects of the Corporation's annual business plan which are not solely related to the Corporation's interest in GMLP, including any operational and capital expenditures budgets;
 - 2.5.4 litigation matters involving the Corporation;
 - 2.5.5 the development of acquisition strategies and investigations of potential acquisitions or business opportunities and analysis of feasibility of potential acquisitions or business opportunities or the development of potential projects;
 - 2.5.6 the carrying out of acquisitions, dispositions or investments and related financings required for such transactions contemplated in Section 2.5.5;
 - 2.5.7 arranging for borrowing money upon the credit of the Corporation and its assets or any other equity or debt financing of the Corporation;
 - 2.5.8 the making of investments or supervision of the making of investments;
 - 2.5.9 investor relation services which are not solely related to the Corporation's interest in GMLP;
 - 2.5.10 the planning, negotiation or administration of any commercial agreements or contracts of the Corporation;
 - 2.5.11 the continuous disclosure obligations of the Corporation which are not solely related to its interest in GMLP, including for those matters described above; and
 - 2.5.12 any other operations, business, affairs, assets or projects of the Corporation;
- unless, in all cases, otherwise part of Additional Services.

2.6 Performance of services by GMi as General Partner of GMLP

The Corporation acknowledges that any GMLP Services provided hereunder by GMi will be performed in its capacity as general partner of GMLP to the Corporation. GMLP and GMi, its general partner, shall have, subject to the provisions terms, conditions and limitations of this Agreement, all requisite powers and authorities, during the Term, to provide the services described hereunder.

2.7 Authority of GMLP

Subject to the terms of this Agreement, GMLP shall have full right, power and authority to execute and deliver all contracts, leases, licenses, and other documents and agreements to make all necessary applications and filings with Governmental Authorities and to take such other actions as GMLP considers appropriate in connection with the GMLP Services, in the name of and on behalf of the Corporation, and no Person shall be required to determine the authority of GMLP to give any undertaking or enter into any commitment on behalf of the Corporation, provided that GMLP shall not have the authority to commit to any contract, agreement or transaction if such contract, agreement or transaction is required to be dealt with by the Board of Directors of the Corporation pursuant to Section 6.1.3.

2.8 Obligations and Covenants of the Corporation

The Corporation will (i) grant access or cause access to be granted to GMLP to all information necessary in order for GMLP to perform its obligations, covenants and responsibilities pursuant to the terms hereof, and (ii) provide, or cause to be provided to GMLP, all information as may be reasonably requested by GMLP, and promptly notify GMLP of any material facts or information of which it is aware, in relation to and which may affect the performance of the GMLP Services pursuant to this Agreement.

3. COST OF SERVICES PROVIDED BY GMLP

3.1 Fees and Services

GMLP shall be reimbursed by the Corporation for all operating and other expenses (including out of pocket expenses) it incurs in providing the GMLP Services under this Agreement (including amounts payable by or to Affiliates or Associates of GMLP in consideration of GMLP Services provided by such Affiliates or Associates, direct payroll and payroll related costs with respect to employees of GMLP or of its Affiliates, and all reasonable travel and telephone expenses and reasonable bookkeeping, accounting, consulting and legal fees paid to third parties) (the “**Operating Expenses**”), it being understood that the Operating Expenses will be determined by GMLP based on the actual cost to GMLP of providing the GMLP Services without a profit component for GMLP and its Affiliates. The Parties agree that the direct payroll and payroll related costs with respect to employees of GMLP or of its Affiliates comprising Operating Expenses for any given period shall be calculated based on a good faith evaluation by GMLP of the

proportion of time spent during such period by such employees to provide the GMLP Services.

3.2 Invoicing

GMLP will calculate the Operating Expenses on a quarterly basis (based on GMLP financial year-end) and by the twenty-fifth (25th) day of the month following the end of each quarter will invoice the Corporation in respect thereof by setting out the details of the GMLP Services provided by GMLP in such quarter and the Operating Expenses and any applicable Sales Taxes incurred by GMLP in relation thereto with supporting vouchers or other documentation for the Operating Expenses payable by the Corporation to GMLP pursuant to this Agreement. Such amounts will be payable by the Corporation to GMLP not later than thirty (30) days after receipt of the relevant invoice.

3.3 Payment of Sales Taxes

Unless otherwise provided in this Agreement, all amounts payable to GMLP pursuant to this Agreement will be exclusive of any applicable sales, use or goods and services taxes required to be paid thereon pursuant to the *Excise Tax Act* (Canada), an *Act respecting the Quebec Sales Tax Act* or otherwise (collectively, the “**Sales Taxes**”) and GMLP will be paid by the Corporation, in addition to such amounts, all amounts of Sales Taxes collectible by GMLP with respect thereto and such amounts will be included by GMLP in the invoices described in Section 3.2.

3.4 Failure to Pay When Due

Any amount payable to GMLP hereunder and which is not remitted to GMLP when so due will remain due (whether on demand or otherwise) and interest will accrue on such overdue amounts (both before and after judgement), at a rate per annum equal to the prime rate charged by the GMLP’s principal banker plus three percent (3%) from the date payment is due until the date payment is made.

4. REIMBURSEMENT OF ADMINISTRATION COSTS OF THE CORPORATION

4.1 Reimbursement of Costs by GMLP to the Corporation

4.1.1 GMLP hereby agrees to reimburse the Corporation for all general administrative expenses (including public company costs) (the “**Corporation’s Administration Expenses**”) it incurs after the Effective Date until the Termination Date or a Change of Control of the Corporation, subject to the limitations set forth in Sections 4.1.2, 4.1.3 and 4.1.4 below.

4.1.2 The amount of the Corporation’s Administration Expenses to be reimbursed will be subject to a maximum aggregate annual amount determined as follows: (i) \$1.75 million annually for the five (5)-year period following the Effective Date, and (ii) \$1 million annually for the subsequent ten (10)-year period until the

Termination Date. Such aggregate maximum annual amounts will be subject from and after the first anniversary of the Effective Date to an annual indexation (i) in accordance with CPI (except for such portion representing fees payable to regulatory authorities and the Toronto Stock Exchange which shall be dealt with under (ii) below) and (ii) to reflect any fee increases implemented by regulatory authorities or the Toronto Stock Exchange from time to time (other than fee increases resulting from an increase in the number of outstanding securities of the Corporation from and after the Effective Date), which are out of the Corporation's control.

- 4.1.3 GMLP will only reimburse as Corporation's Administration Expenses attendance fees (*jetons de présence*) for Board and Committee meetings of the Corporation's directors (and no other directors' retainer, compensation, fees and expenses which the Corporation may agree to pay from time to time) and the aggregate annual attendance fees for the Corporation's directors comprised in public company costs to be reimbursed to the Corporation as Corporation's Administration Expenses will not be greater than \$200,000 (to be included in the aggregate maximum amounts provided in 4.1.2 above).
- 4.1.4 For greater certainty, the following expenses will not be included as Corporation's Administration Expenses: (i) costs for any management team, consultants or employees of the Corporation, (ii) expenses of the Corporation directly or indirectly related to possible acquisitions of assets, indebtedness incurred by the Corporation or new investments after the Effective Date (other than in connection with the subscription by the Corporation to additional units of GMLP in which case the Corporation's expenses for any prospectus offering of common shares by the Corporation (solely for such portion of the offering to be used to subscribe to GMLP units) shall be included as Corporation's Administration Expenses), (iii) expenses of the Corporation which are not solely related to its interest in GMLP and related public company costs, including any expenses related to other projects or opportunities which may be pursued from time to time by the Corporation, (iv) costs for any third party service provider retained by the Corporation for services otherwise to be provided by GMLP as contemplated under Section 2 hereunder or for Excluded Services, and (v) costs for any Additional Services.
- 4.1.5 For indicative purposes, the Corporations' Administration Expenses which are expected to be incurred by the Corporation on a stand-alone basis following the Effective Date to be subject to reimbursement as the Corporation's Administration Expenses pursuant to this Section 4.1 are reflected in Schedule 4.1.5 attached hereto.

4.2 Invoicing

The Corporation will calculate the Corporation's Administration Expenses on a quarterly basis (based on GMLP financial year-end) and by the twenty-fifth (25th) day of the month following the end of each quarter will invoice GMLP in respect thereof by setting out the details of these expenses in such quarter with supporting vouchers or other documentation for the Corporation's Administration Expenses payable by GMLP pursuant to this Agreement. Such amounts will be payable by GMLP not later than thirty (30) days after receipt of the relevant invoice.

4.3 Failure to Pay When Due

Any amount payable to the Corporation hereunder and which is not remitted to the Corporation when so due will remain due (whether on demand or otherwise) and interest will accrue on such overdue amounts (both before and after judgement), at a rate per annum equal to the prime rate charged by the Corporation's principal banker plus three percent (3%) from the date payment is due until the date payment is made.

5. EXAMINATION OF RECORDS

5.1 Books and Records

GMLP shall keep proper books, records and accounts in relation to the Corporation in which full, true and correct entries in conformity with generally accepted accounting principles in Canada (including International Financial Reporting Standards) and in compliance with all requirements of Applicable Laws will be made of all dealings and transactions resulting from the performance of the GMLP Services. Such books, records and accounts are to be kept at GMLP's principal place of business in the Province of Quebec.

5.2 Examination of Records

GMLP will permit the Corporation and its authorized representatives, upon a three days prior written notice and at any time during normal business hours on a Business Day, to examine all books and records, including invoices, payments or claims and receipts pertaining to the GMLP Services maintained by or on behalf of GMLP at its principal place of business in the Province of Quebec and elsewhere which may be reasonably requested by the Corporation, subject to restrictions under Applicable Laws or confidentiality restrictions. Any examination at GMLP's principal place of business in the Province of Quebec will be conducted in a manner which will not unduly interfere with the conduct of GMLP's business in the ordinary course.

5.3 Examination of Records related to the Corporation's Administration Expenses

The Corporation will permit GMLP and its authorized representatives, upon a three days prior written notice and at any time during normal business hours on a Business Day, to

examine the books and records of the Corporation, including invoices, payments or claims and receipts pertaining to the Corporation's Administration Expenses maintained by or on behalf of the Corporation at its head office and elsewhere which may be reasonably requested by GMLP, subject to restrictions under Applicable Laws or confidentiality obligations. Any examination at the Corporation's head office will be conducted in a manner which will not unduly interfere with the conduct of the Corporation's business in the ordinary course.

6. ACTIVITIES OF GMLP

6.1 Standard of Care and Delegation

- 6.1.1 In exercising its powers and discharging its duties under this Agreement, GMLP will act honestly, in good faith and in the best interests of the Corporation and in connection therewith will exercise that degree of care, diligence and skill that a reasonable, prudent advisor or manager having responsibilities of a similar nature would exercise in comparable circumstances.
- 6.1.2 GMLP may delegate specific aspects of its obligations hereunder to any other Person for which no prior approval of the Corporation will be necessary, provided that any such delegation will not relieve GMLP of any of its obligations under this Agreement.
- 6.1.3 To the extent there is a conflict of interest between GMLP acting in its capacity as service provider hereunder and the Corporation in respect of any matter under this Agreement relating to the GMLP Services, (i) GMLP shall give prompt notice to the Chairman of the Board of Directors of the Corporation, with a copy to the Chairman of the Board of Directors of GMi, setting forth the reasons for such conflict of interest, (ii) GMLP shall abstain to render any GMLP Services with respect to the matters giving rise to the conflict of interest and (iii) the Board of Directors of the Corporation shall take all such actions and/or make all such decisions on behalf of the Corporation relating to such matters giving rise to the conflict of interest.
- 6.1.4 The Corporation acknowledges that GMLP, GMi and/or their respective Affiliates are engaged in or may become engaged in a variety of businesses, operations, ventures, projects and other activities. Nothing in this Agreement, including in the event of a conflict of interest, or any agreement for Additional Services shall prevent GMLP, GMi and/or their respective Affiliates from engaging in or investing in, or carrying on, any business, operations, affairs, ventures, projects or any other activities as they consider appropriate, whether or not in competition with the Corporation. GMLP, GMi and/or their respective Affiliates shall have the right independently to engage in, invest in or carry on and receive the full benefits from business, operations, affairs, ventures, projects and other activities whether

or not similar to or competitive with the business, operations and affairs of the Corporation and any Affiliate, without consulting or notifying the Corporation.

6.1.5 GMLP and GMi will only have the duties and obligations provided expressly in this Agreement in respect thereof, and no other obligations or duties (mandatory, fiduciary or otherwise) shall be implied, including without limitation, those set forth in Title 7 – Administration of the Property of Others Book 4 – Property of the Civil Code of Quebec.

6.2 Reliance

In carrying out its duties hereunder, GMLP and its delegates will be entitled to rely on: (i) statements of fact of other Persons (any of which may be Persons with whom GMLP is Affiliated or Associated) who are considered by GMLP, acting reasonably, to be knowledgeable of such facts; and (ii) statements, the opinion or advice of or information from any solicitor, auditor, consultant, valuator, engineer, surveyor, appraiser or other expert selected by GMLP, provided that GMLP exercised reasonable care and diligence in selecting such Person to provide such statements, opinion, advice or information; and may employ such experts as may be necessary to the proper discharge of its duties.

GMLP and its delegates may, acting reasonably, honestly and in good faith, rely, and will be protected in acting, upon any instrument or other documents believed by them to be genuine and in force.

6.3 No Liability for Advice

Neither GMLP nor GMi will be liable, answerable or accountable to the Corporation or any Corporation Shareholders for any loss or damage resulting from, incidental to or relating to the provision of GMLP Services hereunder, including any exercise of, or refusal to exercise, a discretion, any mistake or error of judgement or any act or omission believed by GMLP or GMi to be within the scope of authority conferred on them by this Agreement, unless such loss or damage resulted from the fraud, wilful default or gross negligence of GMLP or GMi in performing GMLP's obligations hereunder.

7. INDEMNIFICATION

7.1 Indemnification of GMLP

GMi and GMLP and any Person who is serving or will have served as a director, officer or employee of GMi or GMLP, as applicable, will be indemnified and saved harmless by the Corporation from and against all losses, claims, damages, liabilities, obligations, costs and expenses (including judgments, fines, penalties, amounts paid in settlement and counsel and accountants' fees) of whatsoever kind or nature incurred by, borne by or asserted against any of such indemnified parties in any way arising from or related in any manner to this Agreement or the provision of services hereunder, unless such losses, claims, damages, liabilities, obligations, costs and expenses (including judgments, fines,

penalties, amounts paid in settlement and counsel and accountants' fees) arise from the fraud, wilful default or gross negligence of such indemnified party. The foregoing right of indemnification will not be exclusive of any other rights to which GMi and GMLP or any Person referred to in this Section 7.1 may be entitled as a matter of law or equity or which may be lawfully granted to such Person.

7.2 Indemnification of GMi, Gaz Métro Plus Inc. and GMLP

7.2.1 GMi, Gaz Métro Plus Inc. and GMLP will be indemnified and saved harmless by the Corporation from and against all losses, claims, damages, liabilities, obligations, costs and expenses (including in particular increased tax liabilities, fines, penalties, interest and counsel and accountants' fees in contesting tax matters) of whatsoever kind or nature incurred by or asserted against any such indemnified parties in any way arising from or related in any manner to payments made by GMLP to the Corporation pursuant to this Agreement being determined by a Governmental Authority not to be deductible on a current basis in calculating GMLP's income for federal, provincial or other tax purposes. Any amount payable pursuant to this Section 7.2 will be grossed-up to include tax payable, if any, by GMi or Gaz Métro Plus Inc. as a result of such indemnification payment (including as a result of an increased allocation of GMLP taxable income) such that the net after-tax amount directly or indirectly received by GMi, GMLP or Gaz Métro Plus Inc. is equal to the full amount of any such indemnified party's loss, claim, damage, liability, obligation, cost or expense.

7.2.2 GMi, Gaz Métro Plus Inc. or GMLP, as the case may be, will give prompt notice to the Corporation of a challenge by a Governmental Authority (including the commencement of any proceedings, investigations or audits) that may result in an amount payable under this Section 7.2. The failure to provide such notice will not relieve the Corporation of any obligation to indemnify the relevant party, except to the extent such failure prejudices the Corporation. The Corporation will have the right, upon written notice to GMi, Gaz Métro Plus Inc. or GMLP, as the case may be, within 30 days after receipt of the above notice (or sooner if specified in the notice) to conduct, at its own expense, the defence in respect of the challenge in its own name or, if necessary, in the name of a party potentially entitled to indemnification; GMi, Gaz Métro Plus Inc. or GMLP will cooperate fully to make available to the Corporation all pertinent information and witnesses under their control, make such assignments and take such other steps as are reasonably necessary to enable the Corporation to conduct such defence. GMi, Gaz Métro Plus Inc. or GMLP, as the case may be, will have the right to employ separate counsel and/or to participate in the defence of a challenge that may result in an amount payable under this Section 7.2, but the fees and expenses of such counsel will not be included as part of any losses, claims, damages, liabilities, obligations, costs or expenses incurred by the the relevant party unless (i) the Corporation failed to give notice of its intention to conduct the defence in the 30 day period described above; or (ii) GMi, Gaz Métro Plus Inc. or GMLP, as the

case may be, has received an opinion of counsel to the effect that the interests of the GMI, Gaz Métro Plus Inc. or GMLP, as the case may be, and the Corporation with respect to the challenge that may result in an amount payable under this Section 7.2 are sufficiently adverse to prohibit the representation by the same counsel of both parties under applicable ethical rules; or (iii) the employment of such counsel at the expense of the Corporation has been specifically authorized by the Corporation. The Corporation will not enter into any settlement, compromise or consent to judgment with respect to a matter with respect to which it has assumed the defence under this subsection unless the GMI, Gas Métro Plus Inc. or GMLP, as the case may be, consent, which consent will not be unreasonably withheld. If the Corporation assumes the defence of any challenge under this subsection, it will keep GMI, Gaz Métro Plus Inc. or GMLP, as the case may be, apprised of all significant developments.

7.3 Indemnification of the Corporation

The Corporation and any Person who is serving or will have served as a director, officer or employee of the Corporation will be indemnified and saved harmless by GMLP from and against all losses, claims, damages, liabilities, obligations, costs and expenses (including judgments, fines, penalties, amounts paid in settlement and counsel and accountants' fees) of whatsoever kind or nature incurred by, borne by or asserted against any of such indemnified parties in any way arising from or related in any manner to the fraud, wilful default or gross negligence of GMLP in the performance of its obligations hereunder, unless such losses, claims, damages, liabilities, obligations, costs and expenses (including judgments, fines, penalties, amounts paid in settlement and counsel and accountants' fees) arise from the fraud, wilful default or gross negligence of such indemnified party. The foregoing right of indemnification will not be exclusive of any other rights to which the Corporation or any Person referred to in this Section 7.3 may be entitled as a matter of law or equity or which may be lawfully granted to such Person.

7.4 Claims Process

If a Party entitled to indemnification pursuant to the terms hereof (the "**Indemnified Party**") intends to seek indemnification under this Article 7 from the other Party (the "**Indemnifying Party**"), the Indemnified Party will give the Indemnifying Party notice of such claim for indemnification within thirty (30) days of the receipt of actual knowledge or information by the Indemnified Party of any possible claim or action including the commencement of any claim or action by a third party which is subject to indemnification. The Indemnifying Party will have no liability under this Article 7 for any claim or action for which such notice is not provided to the extent that the failure to give such notice materially prejudices the Indemnifying Party.

The Indemnifying Party will have the right to assume the defence of any claim or action brought by a third party, at its sole cost and expense, with counsel designated by the Indemnifying Party and reasonably satisfactory to the Indemnified Party; provided

however, that if the defendants in any such action include both the Indemnified Party and the Indemnifying Party, and the Indemnified Party will have reasonably concluded that there may be legal defences available to it which are different from or additional to those available to the Indemnifying Party, the Indemnified Party will have the right to select separate counsel, the reasonable costs of which will be at the Indemnifying Party's expense, to assert such legal defences and to otherwise participate in the defence of such action on behalf of such Indemnified Party.

Should any Indemnified Party be entitled to indemnification under this Article 7 as a result of a claim or action by a third party, and should the Indemnifying Party fail to assume the defence of such claim or action, the Indemnified Party may, at the expense of the Indemnifying Party, contest (or, with or without the prior consent of the Indemnifying Party, settle) such claim or action. Except to the extent expressly provided herein, no Indemnified Party will settle any claim or action with respect to which it has sought or intends to seek indemnification pursuant to this Section without the prior written consent of the Indemnifying Party, which consent will not be unreasonably withheld or delayed.

Except to the extent expressly provided herein, no Indemnifying Party will settle any claim or action with respect to which it may be liable to provide indemnification pursuant to this Article 7 without the prior written consent of the Indemnified Party, which consent will not be unreasonably withheld or delayed; provided, however, that if the Indemnifying Party has reached a *bona fide* settlement agreement with the claimant(s) or plaintiff(s) regarding any such claim or in any such action and the Indemnified Party does not consent to such settlement agreement, then the dollar amount specified in the settlement agreement will act as an absolute maximum limit on the indemnification obligation of the Indemnifying Party.

7.5 Net Amount

In the event that an Indemnifying Party is obligated to indemnify and hold any Indemnified Party harmless under this Article 7, the amount owing to the Indemnified Party will be the amount of such Indemnified Party's actual out-of-pocket loss, net of any insurance proceeds or other amount recovered from any other Person.

7.6 Survival of Obligation

The obligation to indemnify under this Article 7 will continue in full force and effect notwithstanding the expiration or termination of this Agreement, with respect to any loss, claim, liability, damage or other expense based on events or conditions which occurred prior to such expiration or termination.

8. TERM

8.1 Term

This Agreement will become effective as of the Effective Date and will continue in full force and effect for a period of fifteen (15) years (the “**Term**”) and may only be terminated in the circumstances described in Article 9.

8.2 Survival

Any obligation of the Parties pursuant to the terms hereof which accrued prior to the termination of the Agreement and was explicitly intended to continue after the termination of the Agreement will survive the termination of the Agreement.

9. TERMINATION

9.1 Events of Termination by GMLP

The Corporation will be in default under this Agreement upon the occurrence of any of the following events (a “**Corporation Event of Termination**”):

- 9.1.1 the Corporation breaches or fails to observe or perform any of the Corporation’s material obligations under this Agreement and, within thirty (30) days after notice from GMLP to the Corporation specifying the nature of such breach or failure, the Corporation fails to cure such breach or failure or to provide satisfactory evidence that such breach or failure will be cured or remedied within a reasonable period of time or after providing such satisfactory evidence thereafter fails to diligently pursue such cure or remedy; or
- 9.1.2 the Corporation (i) becomes Insolvent; (ii) is subject to any proceeding, voluntary or involuntary, with a view to postponing or rescheduling its debts generally or of distributing its assets among its creditors under the provisions of the *Bankruptcy and Insolvency Act* (Canada), the *Companies Creditors’ Arrangement Act* (Canada), or any other Applicable Laws for the benefit of creditors; (iii) is liquidated; (iv) is wound-up either voluntarily or under an order of a court of competent jurisdiction; (v) makes a general assignment for the benefit of its creditors; (vi) otherwise takes any action that acknowledges its Insolvency, or (vii) takes an action or becomes party to a transaction that, in the reasonable opinion of GMi, could cause GMLP to become a “SIFT partnership” within the meaning of the *Income Tax Act*, as amended from time to time (the “**Tax Act**”), including, for greater certainty, any transaction that could cause GMLP to cease to be an “excluded subsidiary entity” within the meaning of the Tax Act.

9.2 Remedies of GMLP

Upon the occurrence of a Corporation Event of Termination that has not been remedied, GMLP may, without recourse to legal process and without limiting any other rights or remedies which it may have at law or otherwise, immediately terminate this Agreement by delivery of a sixty (60) day prior written notice of termination to the Corporation.

9.3 Termination by the Corporation Upon a 180-Day Prior Notice

Notwithstanding any provision provided herein, the Corporation may at any time terminate this Agreement by providing GMLP a one hundred and eighty (180) day prior written notice.

9.4 Events of Termination by the Corporation

GMLP will be in default under this Agreement upon the occurrence of any of the following events (a “**GMLP Event of Termination**”):

- 9.4.1 GMLP breaches or fails to observe or perform any of GMLP’s material obligations, covenants or responsibilities under this Agreement and, within thirty (30) days after notice from the Corporation to GMLP specifying the nature of such breach or failure, GMLP fails to cure such breach or failure or to provide satisfactory evidence that such breach will be cured or remedied within a reasonable period of time or after providing such satisfactory evidence thereafter fails to diligently pursue such cure or remedy; or
- 9.4.2 GMLP (i) becomes Insolvent; (ii) is subject to any proceeding, voluntary or involuntary, with a view to postponing or rescheduling its debts generally or of distributing its assets among its creditors under the provisions of the *Bankruptcy and Insolvency Act* (Canada), the *Companies Creditors’ Arrangement Act* (Canada), or any other Applicable Laws for the benefit of creditors; (iii) is liquidated; (iv) is wound up either voluntarily or under an order of a court of competent jurisdiction; (v) makes a general assignment for the benefit of its creditors; or (vi) otherwise takes any action that acknowledges its Insolvency.

9.5 Remedies of the Corporation

Upon the occurrence of a GMLP Event of Termination that has not been remedied, the Corporation may, without recourse to legal process and without limiting any other rights or remedies it may have at law or otherwise, immediately terminate this Agreement by delivery of a sixty (60) days prior written notice of termination to GMLP.

9.6 Termination Upon a Corporation Change of Control

Notwithstanding any provisions provided herein, if a Change of Control of the Corporation (as defined below) occurs, GMLP will have the right, within 365 days of its

knowledge of the Change of Control of the Corporation, to immediately terminate this Agreement by delivery of a written notice of termination to the Corporation.

For the purpose of this Section 9.6, a “**Change of Control of the Corporation**” occurs when a Person, acting alone or together with its Affiliates or joint actors or through agreements, becomes the beneficial owner or holds voting rights (through a proxy or otherwise) in respect of more than 50% of the voting rights attached to all the securities of the Corporation.

9.7 Post Termination Arrangements

In the event of a termination of this Agreement: (i) GMLP will , upon payment by the Corporation of GMLP’s reasonable expenses, deliver to the Corporation (GMLP being allowed to retain a copy thereof) of all books, records, accounts and documents which it has maintained relating to the Corporation pursuant to this Agreement; and (ii) the Parties will take all steps as may be reasonably required to complete any final accounting between them and to provide, if applicable, for the completion of any other matter contemplated by this Agreement.

10. FORCE MAJEURE

10.1 Consequences of Force Majeure

During the occurrence of an event of Force Majeure, the obligations of the Party affected by such event of Force Majeure, to the extent that such obligations cannot be performed as a result of such event of Force Majeure, will be suspended, and such Party will not be considered to be in breach or default hereunder, for the period of such occurrence, except that the occurrence of an event of Force Majeure:

- (i) affecting the Corporation but not affecting the performance of GMLP’s obligations hereunder, will not relieve (A) the Corporation of its obligation to make payments to GMLP of the Operating Expenses, or (B) GMLP of its obligations to reimburse to the Corporation the Corporation’s Administration Expenses, in all cases in accordance with the provisions hereof; or
- (ii) affecting GMLP but not affecting the performance of the Corporation’s obligations hereunder, will not relieve (A) the Corporation of its obligation to make payments to GMLP of the Operating Expenses incurred before the event of Force Majeure in respect of GMLP Services performed by GMLP prior to such event of Force Majeure, or (B) GMLP of its obligations to reimburse to the Corporation the Corporation’s Administration Expenses incurred before the event of Force Majeure, in all cases in accordance with the provisions hereof.

The suspension of performance will be of no greater scope and of no longer duration than is required by the event of Force Majeure. No obligation of either Party that arose prior to

the event of Force Majeure causing the suspension of performance will be excused as a result of the event of Force Majeure.

10.2 Notice

Upon the occurrence of an event of Force Majeure, the non-performing party:

- (i) will give the other party prompt written notice of the particulars of the event of the event of Force Majeure and its expected duration, and
- (ii) will use its best efforts to remedy its inability to perform.

11. MISCELLANEOUS

11.1 No Partnership, Joint Venture, Agency or Trust

The Parties are not and will not be deemed to be partners or joint venturers with one another (except as provided in the LP Agreement) and nothing herein will be construed so as to impose any liability as such on any of them. The Parties agree that GMLP will perform its obligations under this Agreement as an independent contractor and will not be, and will not be deemed to be, a trustee or mandatary for any Person, whether or not a Party, in connection with the discharge by GMLP of such obligations.

11.2 Amendments

This Agreement will not be amended or varied in its terms except by instrument in writing executed by the duly authorized representatives of the Parties hereto or their respective successors or assigns.

11.3 Confidentiality

Each Party hereby agrees that it will not at any time use, disclose or make available to any Person, and will take reasonable steps to prevent such disclosure and restrain further disclosure by any other Person, any information concerning the business, operations and affairs of any other Party and its Affiliates, without the prior written consent of such Party, whether acquired in connection with the performance of duties and obligations pursuant to the terms hereof or otherwise or prior to or after the commencement of this Agreement (collectively, the "**Confidential Information**"), except:

- (a) such use as may be expressly permitted in or necessary or advisable for the performance of this Agreement, including the disclosure of such information to any Affiliate of GMLP under this Section 11.3, provided such Persons have agreed to maintain such Confidential Information in confidence on terms substantially similar to those contained in this Section 11.3;

- (b) such disclosure as may be required in order to comply with any Applicable Laws, including disclosure obligations of a Party hereto; and
- (c) such information which has come into the public domain independently where the Person disclosing the same is not otherwise under an obligation of confidentiality with respect thereto.

Subject to the foregoing, any Confidential Information disclosed by one Party to the other Party shall remain the property of the disclosing party.

11.4 Non-Solicitation of GMi and GMLP Employees

11.4.1 The Corporation must not in any manner whatsoever, without the prior written consent of GMi, at any time during the Term of this Agreement and for a period of (i) 24 months after its expiry or earlier termination if this Agreement is terminated by GMLP for any reasons in accordance with this Agreement or by the Corporation as a result of a GMLP Event of Termination or (ii) five years after termination if this Agreement is terminated by the Corporation for any reasons in accordance with this Agreement other than as a result of a GMLP Event of Termination, directly or indirectly:

- a) induce or endeavour to induce any employee of GMLP or any of its Affiliates to leave his or her employment (other than through a general advertisement to the public);
- b) employ or attempt to employ or assist any Person to employ any Senior Officer of GMLP, Vermont Gas Systems, Inc. or Green Mountain Power Corporation within 24 months of the cessation of the employee's employment with GMLP, Vermont Gas Systems, Inc. or Green Mountain Power Corporation; or
- c) as long as GMi or GMLP holds, directly or indirectly, an interest in the Seigneurie Project, employ or attempt to employ or assist any Person to employ any employee of GMLP or any of its Affiliates who is involved, directly or indirectly, in the Seigneurie Project within 24 months of the cessation of the employee's employment with GMLP or any of its Affiliates.

Notwithstanding the foregoing, the restrictions in Sections 11.4.1 (b) and (c) shall not apply with respect to a Senior Officer or an employee, as applicable, mentioned therein that is terminated (with or without cause).

11.4.2 The Corporation acknowledges and confirms that all restrictions in Section 11.4.1 are reasonable and valid in the circumstances of the transactions and agreements contemplated by this Agreement and the Arrangement Agreement and given as an integral and essential part of the transactions and agreements contemplated herein

and are necessary in order to protect and maintain the business, assets and goodwill of GMLP and its Affiliates in connection with the transactions and agreements contemplated herein and the Arrangement Agreement and waives all defences to the strict enforcement thereof.

11.4.3 The Corporation covenants and agrees that it will cause its Affiliates to comply with the provisions of Section 11.4.1.

11.5 Assignment

This Agreement may be not be assigned by any Party without the prior written consent of the other Parties.

11.6 Severability

The provisions of this Agreement are severable. In the event of the unenforceability or invalidity of any one or more of the terms, covenants, conditions or provisions of this Agreement under Applicable Laws, such unenforceability or invalidity will not render any of the other terms, covenants, conditions or provisions hereof unenforceable or invalid; and the Parties agree that this Agreement will be construed as if such an unenforceable or invalid term, covenant or condition was never contained herein.

11.7 Notices

All notices or other communications required or permitted herein under this Agreement will be in writing and may be given by delivering or faxing same during normal business hours to the address set forth below. Any such notice or other communication will, if delivered, be deemed to have been given or made and received on the date delivered, and if faxed (with confirmation received), will be deemed to have been given or made and received on the day on which it was so faxed. The Parties hereto may give from time to time written notice of change of address in the aforesaid manner.

To GMLP:

Gaz Métro Limited Partnership
c/o Gaz Métro Inc.
1717, rue du Havre
Montréal QC H2K 2X3

Attention: Corporate Secretary
Fax No.: (514) 598-3725

To the Corporation:

Valener Inc.
1717, rue du Havre
Montréal QC H2K 2X3

Attention: Chairman of the Board
Fax No.: (514) 598-3725

11.8 Governing Law

The provisions of this Agreement will be governed by and interpreted in accordance with the laws of the Province of Quebec and the federal laws of Canada applicable therein.

11.9 Further Assurances

Each Party hereto agrees to execute any and all documents and to perform such other acts as may be necessary or expedient to further the purposes of this Agreement and the transactions contemplated hereby.

11.10 Time of Essence

Time will be of the essence in respect of this Agreement.

11.11 Entire Agreement

This Agreement constitutes the entire agreement between the Parties hereto, and supersedes all prior agreements in respect of the subject matter hereof.

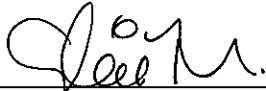
11.12 Enurement

This Agreement will enure to the benefit of and be binding upon the parties hereto and their respective successors and permitted assigns.

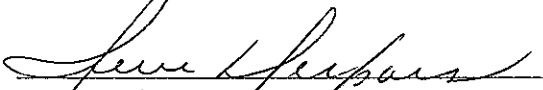
[Signature page follows]

IN WITNESS WHEREOF the Parties hereto have executed this Agreement by their duly authorized officers on the date first written above.

GAZ MÉTRO LIMITED PARTNERSHIP, by
its general partner, **GAZ MÉTRO INC.**

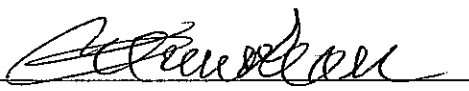
By: 

Name: Sophie Brochu
Title: President and Chief Executive
Officer


By: 

Name: Pierre Despars
Title: Executive Vice President,
Corporate Affairs and Chief
Financial Officer

VALENER INC.

By: 

Name: Pierre Monahan
Title: Director

By: 

Name: Réal Sureau
Title: Director

SCHEDULE 4.1.5

CORPORATION'S ADMINISTRATION EXPENSES

(See attached)

Gaz Métro
Frais annuels associés à une compagnie publique
30-Sep-09

	Coûts actuels pour SCGM et GMI	Newco		SCGM et GMI		Hypothèses de travail
		Récurrent	Ponctuel	Récurrent	Ponctuel	
A) Département juridiques:						
Assemblée Annuelle						
Schématisme de procuration - Laurel Hill	36	36				0
Circulaire d'information	81	81				0
Honoraires juridiques	115	92				-23
Impression	23	25				0
Traduction discours	3	3				0
Prospectus lors d'émission d'actions						
Dépôt SEDAR	66	48	6% de la valeur d'émission	48	6% de la valeur d'émission	0
Notice Annuelle						30
						0
Traduction	50	35		50		35
Conseillers juridiques	20	20		20		20
Impression (250 exemplaires)	2	2		2		2
Autres conseillers (ADN, etc.)	8	8		8		8
Gouvernance						
Honoraires et jetons de présence	800	200		800		200
Évaluation de la performance	5	2,5		5		2,5
Papeterie, frais postaux, messagerie	15	7,5		15		7,5
Traduction - rapports de gestion						
Salaires / avantages sociaux	110	55		55		0
	350	140		150		140
						0
						140
	1696	775	0	1353	0	422
B) Département de réserve / Affaires publiques:						
Équité						
Frais d'inscription à la bourse de Toronto (TSX)	55	30				-5
Frais de l'agent des transferts - CBC Motion	28	28				0
Frais des agences de notation de crédit - DBRS	28			28		0
Frais des agences de notation de crédit - S&P	30			30		0
CNW (Comm. Presse + appel conférence)	15	15		10		10
Rapport Annuel SCGM	78	78				0
Assemblée annuelle	101	101				0
Avis de convocation à l'assemblée annuelle	88	88				0
Consultant - ERDP	26	26				0
Activités relation investisseurs (présentation, journée invest. etc)	23	25				0
Investitions + Panamak	63	63				0
Frais d'assistance D&O	70	50		76		56
Debt						
Frais de l'agent des transferts - Computershare	70			70		0
Frais des agences de notation de crédit - DBRS	86			86		0
Frais des agences de notation de crédit - S&P	67			67		0
Salaires et avantages sociaux	140	140				0
	1030	724		361		55
C) Contrôle corporatif						
Frais de vérification provision impôt	11			11		0
Frais de révision TSX/TS	6	6				0
Frais de vérification (trimestre + annuel + AOK)	603	125		603		125
Salaires et avantages sociaux (cotisation + formation) (spéc. floue au reporting)	148	140		443		140
	1069	271		1063		265
TOTAL	3790	1750		2777		742

Montréal, le 1^{er} octobre 2010

REMISE EN MAINS PROPRES

M. Pierre Despars
Vice-président exécutif, Affaires Corporatives
et chef des finances
Société en commandite Gaz Métro
1717, rue du Havre
Montréal (Québec) H2X 2K3

Adoption d'un code d'éthique et de politiques par Valener Inc.

Monsieur Despars,

Dans l'exercice de son rôle de supervision aux termes du paragraphe 2 de la convention d'administration et de soutien de gestion intervenue entre Valener Inc. (« **Valener** ») et Société en commandite Gaz Métro (« **Gaz Métro** ») en date du 30 septembre 2010 (la « **convention d'administration** »), le conseil d'administration de Valener vous informe qu'il a adopté un code d'éthique, une politique de divulgation et une politique relative à la négociation restreinte, dont des copies sont jointes aux présentes, lors de sa réunion du 29 septembre 2010.

Le conseil d'administration de Valener s'attend à ce que les services offerts à Valener par Gaz Métro aux termes de la convention d'administration soient offerts en conformité avec les dispositions de ce code et de ces politiques.

Veillez s'il vous plaît signer la présente lettre et nous transmettre l'original signé à votre plus proche convenance.

Veillez agréer nos salutations distinguées,

VALENER INC.

Par: _____

Nom: Pierre Monahan

Titre: Administrateur

Par: _____

Nom: Nicolle Forget

Titre: Administrateur

ACCEPTÉ le 29 sept 2010.

**SOCIÉTÉ EN COMMANDITE GAZ MÉTRO,
par son commandité GAZ MÉTRO INC.**

Par

Pierre Despars
Nom: Pierre Despars

Titre: Vice-président exécutif,
Affaires corporatives et chef
des finances

Par:

Lyne Burelle
Nom: Lyne Burelle

Titre: Secrétaire corporatif

ENTENTE

ENTENTE intervenue en date du 10 février 2012 (l' « **Entente** »)

ENTRE : **SOCIÉTÉ EN COMMANDITE GAZ MÉTRO**, société en commandite, légalement constituée en vertu des lois du Québec agissant aux présentes par son commandité Gaz Métro Inc., compagnie légalement constituée en vertu de la *Loi sur les compagnies* (Québec) dont le siège social est situé au 1717, du Havre, Montréal (Québec) H2K 2X3, représentée et agissant aux présentes par ses représentants dûment autorisés aux fins des présentes, tel qu'ils le déclarent

(ci-après désignée « **Gaz Métro** »)

ET : **VALENER INC.**, société par actions légalement constituée en vertu de la *Loi canadienne sur les sociétés par actions* (Canada), dont le siège social est situé au 1717, du Havre, Montréal (Québec) H2K 2X3, représentée et agissant aux présentes par ses représentants dûment autorisés aux fins des présentes, tel qu'ils le déclarent

(ci-après désignée « **Valener** »)

(collectivement appelées les « **Parties** »)

LES PARTIES DÉCLARENT CE QUI SUIT :

ATTENDU QUE le Séminaire de Québec (le « **Séminaire** »), Boralex Inc. (« **Boralex** ») et Beaupré Éole S.E.N.C. (« **Beaupré Éole S.E.N.C.** ») ont conclu une entente en date d'effet du 6 octobre 2010 (l' « **Entente de 2010** »), laquelle est jointe à la présente dans le but de développer et de réaliser des projets éoliens (les « **Projets** », tel que ce terme est défini dans l'Entente de 2010) sur le territoire de La Seigneurie de Beaupré dont le Séminaire est propriétaire (le « **Territoire** », tel que ce terme est défini dans l'Entente de 2010);

ATTENDU QUE Beaupré Éole S.E.N.C. a été créé dans le but de développer et de réaliser un certain projet éolien sur le Territoire étant connu sous le nom de Projet Seigneurie (tel que ce terme est défini dans la convention de société de Parcs éoliens de la Seigneurie de Beaupré 2 et 3, Société en nom collectif, datée du 13 juin 2011 et intervenue entre Beaupré Éole S.E.N.C. et 7638957 Canada Inc., une filiale de Boralex);

ATTENDU QU'en date du 1^{er} novembre 2011, Beaupré Éole S.E.N.C. a cédé tous les droits et intérêts qu'elle détenait dans l'Entente de 2010 à Gaz Métro afin de concentrer ses activités sur le Projet Seigneurie;

ATTENDU QUE Valener Éole Inc., une filiale détenue à 100% par Valener, détient 49% des intérêts de Beaupré Éole S.E.N.C., les parts restantes étant détenues par Gaz Métro Éole, une filiale détenue à 100% par Gaz Métro;

ATTENDU QUE Valener Éole 4 Inc., une autre filiale détenue à 100% par Valener, détient 49% des intérêts de la Beaupré Éole 4 S.E.N.C. (« **Beaupré Éole 4 S.E.N.C.** »), les parts restantes étant détenues par Gaz Métro Éole 4 Inc., une filiale détenue à 100% par Gaz Métro;

ATTENDU QUE Beaupré Éole 4 S.E.N.C. a été créé dans le but de développer et de réaliser un certain projet éolien sur le Territoire étant connu sous le nom de Projet SDB4 (tel que ce projet est défini dans la convention de société de Beaupré Éole 4 S.E.N.C. intervenue le 22 septembre 2011);

ATTENDU QU'en vertu de l'Entente de 2010, certains autres Projets peuvent éventuellement être développés et réalisés sur le Territoire (« **Nouveaux Projets** »);

ATTENDU QUE les Parties désirent que Valener puisse participer, à son entière discrétion, à la hauteur de 49%, directement ou indirectement par l'entremise d'une filiale, dans de tels Nouveaux Projets et que, par conséquent, les Parties désirent établir aux présentes les grands principes qui permettront d'assurer une telle participation de Valener ou d'une filiale dans de tels Nouveaux Projets;

EN CONSIDÉRATION DU PRÉAMBULE QUI FAIT PARTIE INTÉGRANTE DES PRÉSENTES, LES PARTIES CONVIENNENT DE CE QUI SUIT :

1. CRÉATION DE STRUCTURE

1.1 Advenant le cas où un (ou des) Nouveau(x) Projet(s) étai(en)t développé(s) ou réalisé(s) par le Séminaire, Boralex et Gaz Métro en vertu de l'Entente de 2010, Gaz Métro s'engage à :

(i) sous réserve de l'accord préalable de Valener confirmant, à son entière discrétion et après avoir obtenu toute l'information mentionnée au paragraphe 3.1 des présentes, son intention de participer à un Nouveau Projet donné, créer pour chaque Nouveau Projet une structure similaire à celles mises en place pour le Projet Seigneurie et le Projet SDB4 ou créer toute autre structure convenue entre les Parties (la « **Structure** »); et

(ii) transférer dans la Structure la totalité (et non moins que la totalité) des droits, titres et intérêts qu'elle détient dans le Nouveau Projet sans autre considération que celle prévue à l'article 2, et ce afin d'assurer une participation de 49% de Valener, directement ou indirectement par l'entremise de ses filiales, dans chaque Nouveau Projet (le « **Transfert** »), qui aura été sélectionné par Valener, agissant à son entière discrétion.

1.2 Gaz Métro s'engage à créer la Structure et à effectuer le Transfert avant la signature de toute entente d'approvisionnement en électricité avec Hydro-Québec de tout autre contrat important avec une tierce partie en lien avec tout Nouveau

Projet (par exemple, une convention d'achat d'éoliennes, un contrat de construction ou un bail) (un « **Contrat Important** »).

2. REMBOURSEMENT DES COÛTS

- 2.1 Avant la création d'une Structure pour un Nouveau Projet, toutes sommes ou dépenses engagées ou encourues dans le cadre de l'Entente de 2010 (les « **Dépenses** »), incluant, mais n'étant pas limitées à, tous travaux ou études préliminaires (les « **Travaux Préliminaires** »), seront partagées entre Gaz Métro et Valener à raison de 51% par Gaz Métro et 49% par Valener, et Valener s'engage à rembourser Gaz Métro sur une base trimestrielle pour de telles sommes ou dépenses, sous réserve de l'article 2.2 des présentes.
- 2.2 À tout moment lors de la réalisation de Travaux Préliminaires relativement à tout Nouveau Projet et avant la création d'une Structure pour tout tel Nouveau Projet ou la signature de toute entente d'approvisionnement en électricité avec Hydro-Québec ou de tout Contrat Important en lien avec tout tel Nouveau Projet, Valener peut donner avis à Gaz Métro de son intention de cesser de partager les Dépenses relativement à tel Nouveau Projet (un « **Avis de Non-Participation** »), et ce, à compter de la date de l'Avis de Non-Participation. Dans un tel cas, en plus d'être exonéré d'avoir à acquitter une quote-part des Dépenses à compter de la date de l'Avis de Non-Participation, tel que mentionné à l'article 2.1 des présentes, Valener sera réputée avoir irrévocablement confirmé son intention de ne pas participer à tel Nouveau Projet et aucune Structure et aucun Transfert ne seront requis en vertu de l'article 1 des présentes.
- 2.3 Gaz Métro s'engage à fournir à Valener dans un délai raisonnable toutes pièces justificatives concernant les sommes ou dépenses engagées ou encourues par Gaz Métro en lien avec les Travaux Préliminaires et pour lesquelles Gaz Métro demande remboursement à Valener.
- 2.4 Tous coûts, sommes ou dépenses engagés ou encourus par Gaz Métro (y compris pour ses ressources internes) dans le cadre du développement ou de la réalisation d'un Nouveau Projet seront ultimement supportés par les Parties au prorata de leur participation respective dans la Structure. Les Parties s'engagent à faire en sorte que ce principe soit respecté lors de la création de la Structure et du Transfert.
- 2.5 Les Parties conviennent que suite à la création de la Structure, les dépenses liées au nouveau Projet seront assumées par chaque Partie selon les termes et modalités prévus dans une convention à intervenir entre les Parties dans le cadre de la création de ladite Structure.

3. OBLIGATION D'INFORMATION

- 3.1 Pendant toute la durée de cette Entente, Gaz Métro s'engage à transmettre et à partager avec Valener, sur une base régulière, toute information pertinente relative au développement éventuel et à la réalisation potentielle de tout Nouveau Projet et à tous Travaux Préliminaires de façon telle à permettre à Valener de disposer de

toute l'information disponible afin de pouvoir (i) exercer ses droits en vertu de l'article 2.2 des présentes; et de (ii) confirmer ou non son intention de participer à un Nouveau Projet donné, et ce, avant l'établissement d'une Structure et la concrétisation d'un Transfert, tel qu'envisagé à l'article 1.1 des présentes.

4. DURÉE

- 4.1 La présente Entente entre en vigueur le jour de sa signature et les obligations qui y sont contenues lient les Parties et demeurent en vigueur tant et aussi longtemps que l'Entente de 2010 demeurera en vigueur.
- 4.2 Advenant le cas où l'Entente de 2010 était résiliée ou annulée de quelque manière que ce soit, la présente Entente sera automatiquement résiliée.

5. AVIS

- 5.1 Tout avis, requête, demande ou toute autre communication devant être expédiée à une partie en vertu de la présente entente doit se faire par écrit et être envoyé aux coordonnées suivantes :

Pour Gaz Métro

Société en commandite Gaz Métro
c/o Gaz Métro Inc.
1717, rue du Havre
Montréal QC H2K 2X3

Attention : Secrétaire corporatif
Facsimile : (514) 598-3725

Pour Valener

Valener Inc.
c/o Société en commandite Gaz Métro
c/o Gaz Métro Inc.
1717, rue du Havre
Montréal QC H2K 2X3

Attention : Secrétaire corporatif
Facsimile : (514) 598-3725

6. DIVERS

- 6.1 Les droits et obligations découlant de la présente Entente, en tout ou en partie ne peuvent être cédés ou transférés par une partie sans le consentement préalable et écrit de l'autre partie.
- 6.2 La présente Entente est régie par les lois en vigueur au Québec et doit être interprétée conformément à celles-ci. Toute réclamation ou poursuite judiciaire pour quelque motif que ce soit relativement à la présente sera constituée dans le

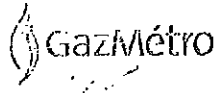
district judiciaire de Montréal, province de Québec, à l'exclusion de tout autre district.

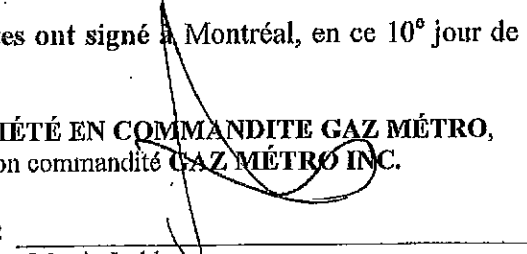
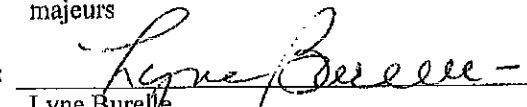
- 6.3 Aucune modification à la présente Entente ne lie les Parties à moins d'être effectuée par écrit et dûment signée par les Parties.
- 6.4 Aucune annonce publique relative aux présentes ou aux opérations qui y sont visées, ne doit être faite par une partie à moins que le texte de l'annonce ainsi que le moment et la manière de la communiquer n'aient été approuvés par les Parties. Cependant, si à un moment quelconque, une partie est tenue par une loi de faire une telle annonce publique, cette partie est libre de le faire, et ce, malgré le défaut des Parties d'approuver cette annonce après en avoir reçu le texte.

[pages de signatures suivent]


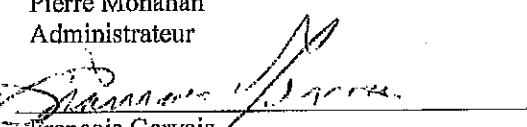
EN FOI DE QUOI, les Parties aux présentes ont signé à Montréal, en ce 10^e jour de février 2012.

SOCIÉTÉ EN COMMANDITE GAZ MÉTRO,
par son commandité **GAZ MÉTRO INC.**


Initiales
925.00332
No. Dossier

Par : 
Martin Imbeau
Vice-président, Exploitation et projets
majeurs
Par : 
Lyne Burelle
Secrétaire corporatif

VALENER INC.

Par : 
Pierre Monahan
Administrateur
Par : 
François Gervais
Administrateur

**FIRST ADDITIONAL SERVICES AGREEMENT
FOR THE MANAGEMENT OF DEBT**

BETWEEN

GAZ MÉTRO LIMITED PARTNERSHIP

AND

VALENER INC.

DATED AS OF SEPTEMBER 30, 2010

**FIRST ADDITIONAL SERVICES AGREEMENT
FOR THE MANAGEMENT OF DEBT**

This Agreement is made as of September 30, 2010

BETWEEN: **VALENER INC.**, a corporation formed under the laws of
Canada;

(the “**Corporation**”)

AND **GAZ MÉTRO LIMITED PARTNERSHIP**, a limited
partnership formed under the laws of the Province of
Quebec, herein represented by Gaz Métro Inc., its general
partner;

(“**GMLP**”)

WHEREAS GMLP and the Corporation entered into as of September 30, 2010 an administration and management support agreement pursuant to which, *inter alia*, GMLP either directly or through Gaz Métro Inc. (“**GMI**”), its general partner, will provide to the Corporation certain administration and management support services solely in respect of the Corporation’s interest in GMLP and related public company matters and, in certain circumstances, may provide certain additional services (the “**Administration and Management Support Agreement**”);

WHEREAS the Administration and Management Support Agreement provides that GMLP, either directly or through GMI, its general partner, may provide to the Corporation such other services as may be reasonably requested by the Corporation from time to time, including with respect to the management of other operations, business, and affairs (including other assets, investments, projects or financings) of the Corporation in addition to the Corporation’s interest in GMLP, and which GMLP may agree to perform on terms mutually agreed in writing among GMLP and the Corporation (such services being referred to in the Administration and Management Support Agreement and herein as the “**Additional Services**”); and

WHEREAS the Corporation wishes to retain the services of GMLP, either directly or through GMI, its general partner, to provide the Additional Services set forth herein.

NOW THEREFORE THIS AGREEMENT WITNESSES that, for good and valuable consideration, the parties hereto agree as follows:

1. INTERPRETATION

1.1 Definitions

Unless otherwise provided herein, terms which are not defined herein will have the respective meanings set forth in the Administration and Management Support Agreement.

2. INCORPORATION OF TERMS OF ADMINISTRATION AND MANAGEMENT SERVICES AGREEMENT

The terms and conditions of Sections 1.2, 1.3, 1.4, 2.6, 2.7, 2.8, 5.1, 5.2, 6, 7, 10 and 11 of the Administration and Management Support Agreement are incorporated by reference herein and deemed to form an integral part of this Agreement *mutatis mutandis*. Without limiting the generality of the foregoing, such provisions which apply to the GMLP Services in the Administration and Management Support Agreement will apply *mutatis mutandis* to the Additional Services described herein.

3. ADDITIONAL SERVICES

Subject to the overall supervision and direction of the Board of Directors of the Corporation, the Corporation hereby retains the services of GMLP, and GMLP hereby accepts to render services, in accordance with, and subject to, the terms of this Agreement, either directly or through GMi, its general partner, for the following services which will consist of Additional Services:

3.1.1 arrange for borrowing money upon the credit of the Corporation and its wholly-owned subsidiaries and their respective assets or any other equity or debt financing of the Corporation and its wholly-owned subsidiaries, including providing to the Corporation services reasonably required to structure and implement such financings required by the Corporation and its wholly-owned subsidiaries; and

3.1.2 administer the financings referred above of the Corporation and its wholly-owned subsidiaries, including preparing such documents reasonably required to enable the Corporation and its wholly-owned subsidiaries to provide on a timely basis all information known by GMLP to which the lenders or debtholders of the Corporation and its wholly-owned subsidiaries are entitled.

4. FEES AND INVOICING

4.1 Fees

The Corporation shall reimburse to GMLP an amount equal to all of GMLP's operating and other expenses (including out of pocket expenses) it incurs in providing the Additional Services under this Agreement (including amounts payable by or to Affiliates

or Associates of GMLP in consideration of Additional Services provided by such Affiliates or Associates, direct payroll and payroll related costs with respect to employees of GMLP or of its Affiliates, and all reasonable travel and telephone expenses and reasonable bookkeeping, accounting, consulting and legal fees paid to third parties) (the “**Operating Expenses**”), plus an additional fee equal to 10% of the aggregate amount of such Operating Expenses (the “**Additional Fee**”), it being understood that the Operating Expenses will be determined by GMLP based on the actual cost to GMLP of providing the Additional Services. The Parties agree that the direct payroll and payroll related costs with respect to employees of GMLP or of its Affiliates comprising Operating Expenses for any given period shall be calculated based on a good faith evaluation by GMLP of the proportion of time spent during such period by such employees to provide the Additional Services.

4.2 Invoicing

GMLP will calculate the Operating Expenses on a quarterly basis (based on GMLP financial year-end) and by the twenty-fifth (25th) day of the month following the end of each quarter will invoice the Corporation in respect thereof by setting out the details of the Additional Services provided by GMLP in such quarter and the details of the Operating Expenses and the Additional Fee and any applicable Sales Taxes payable in relation to the Additional Services with supporting vouchers or other documentation for the Operating Expenses payable by the Corporation to GMLP pursuant to this Agreement. Such amounts will be payable by the Corporation to GMLP not later than thirty (30) days after receipt of the relevant invoice.

4.3 Payment of Sales Taxes

Unless otherwise provided in this Agreement, all amounts payable to GMLP pursuant to this Agreement will be exclusive of any applicable sales, use or goods and services taxes required to be paid thereon pursuant to the *Excise Tax Act* (Canada), an *Act respecting the Quebec Sales Tax Act* or otherwise (collectively, the “**Sales Taxes**”) and GMLP will be paid by the Corporation, in addition to such amounts, all amounts of Sales Taxes collectible by GMLP with respect thereto and such amounts will be included by GMLP in the invoices described in Section 4.2.

4.4 Failure to Pay When Due

Any amount payable to GMLP hereunder and which is not remitted to GMLP when so due will remain due (whether on demand or otherwise) and interest will accrue on such overdue amounts (both before and after judgement), at a rate per annum equal to the prime rate charged by the GMLP’s principal banker plus three percent (3%) from the date payment is due until the date payment is made.

5. TERM

5.1 Term

This Agreement will become effective as of the date hereof and will continue in full force and effect for a period of fifteen (15) years (the “Term”) and may only be terminated in the circumstances described in Article 6.

5.2 Survival

Any obligation of the Parties pursuant to the terms hereof which accrued prior to the termination of the Agreement and was explicitly intended to continue after the termination of the Agreement will survive the termination of the Agreement.

6. TERMINATION

6.1 Events of Termination by GMLP

The Corporation will be in default under this Agreement upon the occurrence of any of the following events (a “**Corporation Event of Termination**”):

- 6.1.1 the Corporation breaches or fails to observe or perform any of the Corporation’s material obligations under this Agreement and, within thirty (30) days after notice from GMLP to the Corporation specifying the nature of such breach or failure, the Corporation fails to cure such breach or failure or to provide satisfactory evidence that such breach or failure will be cured or remedied within a reasonable period of time or after providing such satisfactory evidence thereafter fails to diligently pursue such cure or remedy; or
- 6.1.2 the Corporation (i) becomes Insolvent; (ii) is subject to any proceeding, voluntary or involuntary, with a view to postponing or rescheduling its debts generally or of distributing its assets among its creditors under the provisions of the *Bankruptcy and Insolvency Act* (Canada), the *Companies Creditors’ Arrangement Act* (Canada), or any other Applicable Laws for the benefit of creditors; (iii) is liquidated; (iv) is wound-up either voluntarily or under an order of a court of competent jurisdiction; (v) makes a general assignment for the benefit of its creditors; (vi) otherwise takes any action that acknowledges its Insolvency, or (vii) takes an action or becomes party to a transaction that, in the reasonable opinion of GMi, could cause GMLP to become a “SIFT partnership” within the meaning of the *Income Tax Act*, as amended from time to time (the “Tax Act”), including, for greater certainty, any transaction that could cause GMLP to cease to be an “excluded subsidiary entity” within the meaning of the Tax Act.

6.2 Remedies of GMLP

Upon the occurrence of a Corporation Event of Termination that has not been remedied, GMLP may, without recourse to legal process and without limiting any other rights or remedies which it may have at law or otherwise, terminate this Agreement by delivery of a sixty (60) day prior written notice of termination to the Corporation.

6.3 Termination by the Corporation Upon a 180-Day Prior Notice

Notwithstanding any provision provided herein, the Corporation may at any time terminate this Agreement by providing GMLP a one hundred and eighty (180) day prior written notice.

6.4 Events of Termination by the Corporation

GMLP will be in default under this Agreement upon the occurrence of any of the following events (a “**GMLP Event of Termination**”):

6.4.1 GMLP breaches or fails to observe or perform any of GMLP’s material obligations, covenants or responsibilities under this Agreement and, within thirty (30) days after notice from the Corporation to GMLP specifying the nature of such breach or failure, GMLP fails to cure such breach or failure or to provide satisfactory evidence that such breach will be cured or remedied within a reasonable period of time or after providing such satisfactory evidence thereafter fails to diligently pursue such cure or remedy; and

6.4.2 GMLP (i) becomes Insolvent; (ii) is subject to any proceeding, voluntary or involuntary, with a view to postponing or rescheduling its debts generally or of distributing its assets among its creditors under the provisions of the *Bankruptcy and Insolvency Act* (Canada), the *Companies Creditors’ Arrangement Act* (Canada), or any other Applicable Laws for the benefit of creditors; (iii) is liquidated; (iv) is wound up either voluntarily or under an order of a court of competent jurisdiction; (v) makes a general assignment for the benefit of its creditors; or (vi) otherwise takes any action that acknowledges its Insolvency.

6.5 Remedies of the Corporation

Upon the occurrence of a GMLP Event of Termination that has not been remedied, the Corporation may, without recourse to legal process and without limiting any other rights or remedies it may have at law or otherwise, terminate this Agreement by delivery of a sixty (60) day prior written notice of termination to GMLP.

6.6 Other Termination Triggering Events

This Agreement will automatically terminate upon the termination of the Administration and Management Support Agreement. In the event that the Business is no longer Fully

Managed by GMLP, GMLP may terminate this Agreement by delivery of a sixty (60) day prior written notice of termination to the Corporation.

6.7 Post Termination Arrangements

In the event of a termination of this Agreement: (i) GMLP will, upon payment by the Corporation of GMLP's reasonable expenses, deliver to the Corporation (GMLP being allowed to retain a copy thereof) all books, records, accounts and documents which it has maintained relating to the Additional Services provided by the Corporation pursuant to this Agreement; and (ii) the Parties will take all steps as may be reasonably required to complete any final accounting between them and to provide, if applicable, for the completion of any other matter contemplated by this Agreement.

[Signature page follows]

IN WITNESS WHEREOF the Parties hereto have executed this Agreement by their duly authorized officers on the date first written above.

GAZ MÉTRO LIMITED PARTNERSHIP, by
its general partner, **GAZ MÉTRO INC.**

By: (signed) Sophie Brochu
Name: Sophie Brochu
Title: President and Chief Executive
Officer

By: (signed) Pierre Despars
Name: Pierre Despars
Title: Executive Vice President,
Corporate Affairs and Chief
Financial Officer

VALENER INC.

By: (signed) Pierre Monahan
Name: Pierre Monahan
Title: Director

By: (signed) Réal Sureau
Name: Réal Sureau
Title: Director

**SECOND ADDITIONAL SERVICES AGREEMENT
FOR THE SEIGNEURIE PROJECT**

BETWEEN

GAZ MÉTRO LIMITED PARTNERSHIP

AND

VALENER INC.

DATED AS OF SEPTEMBER 30, 2010

**SECOND ADDITIONAL SERVICES AGREEMENT
FOR THE SEIGNEURIE PROJECT**

This Agreement is made as of September 30, 2010

BETWEEN: **VALENER INC.**, a corporation formed under the laws of Canada;

(the “**Corporation**”)

AND **GAZ MÉTRO LIMITED PARTNERSHIP**, a limited partnership formed under the laws of the Province of Quebec, herein represented by Gaz Métro Inc., its general partner;

(“**GMLP**”)

WHEREAS GMLP and the Corporation entered into as of September 30, 2010 an administration and management support agreement pursuant to which, *inter alia*, GMLP either directly or through Gaz Métro inc. (“**GMI**”), its general partner, will provide to the Corporation certain administration and management support services solely in respect of the Corporation’s interest in GMLP and related public company matters and, in certain circumstances, may provide certain additional services (the “**Administration and Management Support Agreement**”);

WHEREAS the Administration and Management Support Agreement provides that GMLP, either directly or through GMI, its general partner, may provide to the Corporation such other services as may be reasonably requested by the Corporation from time to time, including with respect to the management of other operations, business, and affairs (including other assets, investments, projects or financings (including the Seigneurie Project)) of the Corporation in addition to the Corporation’s interest in GMLP, and which GMLP may agree to perform on terms mutually agreed in writing among GMLP and the Corporation (such services being referred to in the Administration and Management Support Agreement and herein as the “**Additional Services**”); and

WHEREAS with effect from and after the exercise by the Corporation of the Seigneurie Option, the Corporation wishes to retain the services of GMLP, either directly or through GMI, its general partner, to provide the Additional Services set forth herein.

NOW THEREFORE THIS AGREEMENT WITNESSES that, for good and valuable consideration, the parties hereto agree as follows:

1. INTERPRETATION

1.1 Definitions

Unless otherwise provided herein, terms which are not defined herein will have the respective meanings set forth in the Administration and Management Support Agreement.

2. INCORPORATION OF TERMS OF ADMINISTRATION AND MANAGEMENT SERVICES AGREEMENT

The terms and conditions of Sections 1.2, 1.3, 1.4, 2.6, 2.7, 2.8, 5.1, 5.2, 6, 7, 10 and 11 of the Administration and Management Support Agreement are incorporated by reference herein and deemed to form an integral part of this Agreement *mutatis mutandis*. Without limiting the generality of the foregoing, such provisions which apply to the GMLP Services in the Administration and Management Support Agreement will apply *mutatis mutandis* to the Additional Services described herein.

3. ADDITIONAL SERVICES

Subject to the overall supervision and direction of the Board of Directors of the Corporation, the Corporation hereby retains, upon the exercise of the Seigneurie Option, the services of GMLP, and GMLP hereby accepts to render services, in accordance with, and subject to, the terms of this Agreement, either directly or through GMi, its general partner, for the following services (except for services consisting of Excluded Services) which are solely related to the Corporation's interest in the Seigneurie Project (directly or through its equity ownership in Gaz Métro Éole Inc. or in any other entity in which the Corporation and GMLP will hold their respective interests in the Seigneurie Project ("Éole")), which will consist of Additional Services:

- 3.1.1 managing and administering the Corporation's interest in the Seigneurie Project (directly or through Éole);
- 3.1.2 provide to the Corporation within reasonable delays, but subject to restrictions under Applicable Laws or confidentiality obligations, such information known to GMLP solely related to the Corporation's interest in the Seigneurie Project (directly or through Éole) (including financial budgeting and analysis) which are reasonably required for the preparation by the Corporation of the Corporation's continuous disclosure documents required under Applicable Laws, including the annual information form, audited annual and unaudited interim financial statements and related management discussions and analysis in conformity with generally accepted accounting principles in Canada (including International Financial Reporting Standards) and in compliance with all requirements of Applicable Laws;

- 3.1.3 provide to the Corporation such information known to GMLP solely related to the Corporation's interest in the Seigneurie Project (directly or through Éole), but subject to restrictions under Applicable Laws or confidentiality obligations, reasonably required to enable the Corporation to prepare and provide on a timely basis all information known to GMLP to which the shareholders of the Corporation are entitled under Applicable Laws with respect to the Corporation's interest in the Seigneurie Project (directly or through Éole), including notifying without delay the Corporation of any material change concerning the Seigneurie Project known to GMLP;
- 3.1.4 if required, provide to the Corporation and its Chief Executive Officer and Chief Financial Officer (or persons performing similar functions) sub-certifications as to matters known to GMLP solely related to the Corporation's interest in the Seigneurie Project (directly or through Éole) which are necessary for the Corporation to comply with the certification requirements under NI 52-109;
- 3.1.5 provide investor relation services solely related to the Corporation's interest in the Seigneurie Project (directly or through Éole) as reasonably requested by the Board of Directors of the Corporation from time to time;
- 3.1.6 assist the Corporation to provide letters of credit and guarantees, upon its own credit, which may be required in connection with the development of the Seigneurie Project;
- 3.1.7 assist the Corporation to make investments or supervise the making of additional investments in the Seigneurie Project through Éole, as long as the interest of the Corporation is held through Éole ;
- 3.1.8 report to the Corporation with respect to the business, operations and affairs of the Seigneurie Project known to GMLP as may reasonably be requested by the Corporation from time to time, subject to restrictions under Applicable Laws or confidentiality obligations;
- 3.1.9 provide record retention, bookkeeping and other similar administrative services solely related to the Corporation's interest in the Seigneurie Project (directly or through Éole);
- 3.1.10 provide to the Corporation the necessary technology services reasonably required for the Corporation to maintain up-to-date the content of its website as well as services reasonably required to maintain up-to-date its content, provided such services relate solely to the Corporation's interest in the Seigneurie Project (directly or through Éole); and
- 3.1.11 generally provide all other services as may be necessary or as reasonably requested by the Corporation for the managing and administering of the Corporation's interest in the Seigneurie Project (directly or through Éole),

provided such services are solely related to the Corporation's interest in the Seigneurie Project (directly or through Éole).

4. EXCLUDED SERVICES

The Corporation acknowledges that the Additional Services under the terms of this Agreement will be limited to those matters which are solely related to the Corporation's interest in the Seigneurie Project (directly or through Éole) as provided under Section 3 and that GMLP will have no obligation under this Agreement to provide any other services (the "**Excluded Services**"). For greater certainty, the Additional Services described in Section 3 above will not include any of the following services which are directly or indirectly related to the following:

- 4.1.1 the development, implementation and monitoring of those aspects of the Corporation's strategic plan which are not solely related to its interest in the Seigneurie Project (directly or through Éole);
- 4.1.2 those aspects of the Corporation's annual business plan which are not solely related to the Corporation's interest in the Seigneurie Project (directly or through Éole), including any operational and capital expenditures budgets;
- 4.1.3 litigation matters involving the Seigneurie Project or the interest in Éole;
- 4.1.4 the development of acquisition strategies and investigations of potential acquisitions or business opportunities and analysis of feasibility of potential acquisitions or business opportunities or the development of potential projects;
- 4.1.5 the carrying out of acquisitions, dispositions or investments and related financings required for such transactions contemplated in Section 4.1.4;
- 4.1.6 arranging for borrowing money upon the credit of the Corporation and its assets or any other equity or debt financing of the Corporation, including for any additional funds required to be invested in connection with the Seigneurie Project directly or through Éole;
- 4.1.7 investor relation services which are not solely related to the Corporation's interest in the Seigneurie Project (directly or through Éole);
- 4.1.8 the continuous disclosure obligations of the Corporation which are not solely related to its interest in the Seigneurie Project (directly or through Éole), including for those matters described above; and
- 4.1.9 administering any agreements which are not solely related to the interest of the Corporation in the Seigneurie Project (directly or through Éole);

unless, in all cases, otherwise part of Additional Services.

5. FEES AND INVOICING

5.1 Fees

The Corporation shall reimburse to GMLP an amount equal to all of GMLP's operating and other expenses (including out of pocket expenses) it incurs in providing the Additional Services under this Agreement (including amounts payable by or to Affiliates or Associates of GMLP in consideration of Additional Services provided by such Affiliates or Associates, direct payroll and payroll related costs with respect to employees of GMLP or of its Affiliates, and all reasonable travel and telephone expenses and reasonable bookkeeping, accounting, consulting and legal fees paid to third parties) (the "**Operating Expenses**"), plus an additional fee equal to 10% of the aggregate amount of such Operating Expenses (the "**Additional Fee**"), it being understood that the Operating Expenses will be determined by GMLP based on the actual cost to GMLP of providing the Additional Services. The Parties agree that the direct payroll and payroll related costs with respect to employees of GMLP or of its Affiliates comprising Operating Expenses for any given period shall be calculated based on a good faith evaluation by GMLP of the proportion of time spent during such period by such employees to provide the Additional Services.

5.2 Invoicing

GMLP will calculate the Operating Expenses on a quarterly basis (based on GMLP financial year-end) and by the twenty-fifth (25th) day of the month following the end of each quarter will invoice the Corporation in respect thereof by setting out the details of the Additional Services provided by GMLP in such quarter and the details of the Operating Expenses and the Additional Fee and any applicable Sales Taxes payable in relation to the Additional Services with supporting vouchers or other documentation for the Operating Expenses payable by the Corporation to GMLP pursuant to this Agreement. Such amounts will be payable by the Corporation to GMLP not later than thirty (30) days after receipt of the relevant invoice.

5.3 Payment of Sales Taxes

Unless otherwise provided in this Agreement, all amounts payable to GMLP pursuant to this Agreement will be exclusive of any applicable sales, use or goods and services taxes required to be paid thereon pursuant to the *Excise Tax Act* (Canada), an *Act respecting the Quebec Sales Tax Act* or otherwise (collectively, the "**Sales Taxes**") and GMLP will be paid by the Corporation, in addition to such amounts, all amounts of Sales Taxes collectible by GMLP with respect thereto and such amounts will be included by GMLP in the invoices described in Section 5.2.

5.4 Failure to Pay When Due

Any amount payable to GMLP hereunder and which is not remitted to GMLP when so due will remain due (whether on demand or otherwise) and interest will accrue on such overdue amounts (both before and after judgement), at a rate per annum equal to the

prime rate charged by the GMLP's principal banker plus three percent (3%) from the date payment is due until the date payment is made.

6. TERM

6.1 Term

This Agreement will become effective, upon the exercise of the Seigneurie Option, and will continue in full force and effect for a period of fifteen (15) years (the "**Term**") and may only be terminated in the circumstances described in Article 7.

6.2 Survival

Any obligation of the Parties pursuant to the terms hereof which accrued prior to the termination of the Agreement and was explicitly intended to continue after the termination of the Agreement will survive the termination of the Agreement.

7. TERMINATION

7.1 Events of Termination by GMLP

The Corporation will be in default under this Agreement upon the occurrence of any of the following events (a "**Corporation Event of Termination**"):

7.1.1 the Corporation breaches or fails to observe or perform any of the Corporation's material obligations under this Agreement and, within thirty (30) days after notice from GMLP to the Corporation specifying the nature of such breach or failure, the Corporation fails to cure such breach or failure or to provide satisfactory evidence that such breach or failure will be cured or remedied within a reasonable period of time or after providing such satisfactory evidence thereafter fails to diligently pursue such cure or remedy; or

7.1.2 the Corporation (i) becomes Insolvent; (ii) is subject to any proceeding, voluntary or involuntary, with a view to postponing or rescheduling its debts generally or of distributing its assets among its creditors under the provisions of the *Bankruptcy and Insolvency Act* (Canada), the *Companies Creditors' Arrangement Act* (Canada), or any other Applicable Laws for the benefit of creditors; (iii) is liquidated; (iv) is wound-up either voluntarily or under an order of a court of competent jurisdiction; (v) makes a general assignment for the benefit of its creditors; (vi) otherwise takes any action that acknowledges its Insolvency, or (vii) takes an action or becomes party to a transaction that, in the reasonable opinion of GMi, could cause GMLP to become a "SIFT partnership" within the meaning of the *Income Tax Act*, as amended from time to time (the "**Tax Act**"), including, for greater certainty, any transaction that could cause GMLP to cease to be an "excluded subsidiary entity" within the meaning of the Tax Act.

7.2 Remedies of GMLP

Upon the occurrence of a Corporation Event of Termination that has not been remedied, GMLP may, without recourse to legal process and without limiting any other rights or remedies which it may have at law or otherwise, immediately terminate this Agreement by delivery of a sixty (60) day prior written notice of termination to the Corporation.

7.3 Termination by the Corporation Upon a 180-Day Prior Notice

Notwithstanding any provision provided herein, the Corporation may at any time terminate this Agreement by providing GMLP a one hundred and eighty (180) day prior written notice.

7.4 Events of Termination by the Corporation

GMLP will be in default under this Agreement upon the occurrence of any of the following events (a “**GMLP Event of Termination**”):

7.4.1 GMLP breaches or fails to observe or perform any of GMLP’s material obligations, covenants or responsibilities under this Agreement and, within thirty (30) days after notice from the Corporation to GMLP specifying the nature of such breach or failure, GMLP fails to cure such breach or failure or to provide satisfactory evidence that such breach will be cured or remedied within a reasonable period of time or after providing such satisfactory evidence thereafter fails to diligently pursue such cure or remedy; and

7.4.2 GMLP (i) becomes Insolvent; (ii) is subject to any proceeding, voluntary or involuntary, with a view to postponing or rescheduling its debts generally or of distributing its assets among its creditors under the provisions of the *Bankruptcy and Insolvency Act* (Canada), the *Companies Creditors’ Arrangement Act* (Canada), or any other Applicable Laws for the benefit of creditors; (iii) is liquidated; (iv) is wound up either voluntarily or under an order of a court of competent jurisdiction; (v) makes a general assignment for the benefit of its creditors; or (vi) otherwise takes any action that acknowledges its Insolvency.

7.5 Remedies of the Corporation

Upon the occurrence of a GMLP Event of Termination that has not been remedied, the Corporation may, without recourse to legal process and without limiting any other rights or remedies it may have at law or otherwise, immediately terminate this Agreement by delivery of a sixty (60) day prior written notice of termination to GMLP.

7.6 Other Termination Triggering Events

This Agreement will automatically terminate upon the earlier of (i) the termination of the Administration and Management Support Agreement, or (ii) the Corporation or GMLP

ceasing to hold any ownership interest in the Seigneurie Project (directly or through Éole). In the event that the Business is no longer Fully Managed by GMLP, GMLP may terminate this Agreement by delivery of a sixty (60) day prior written notice of termination to the Corporation.

7.7 Post Termination Arrangements

In the event of a termination of this Agreement: (i) GMLP will, upon payment by the Corporation of GMLP's reasonable expenses, deliver to the Corporation (GMLP being allowed to retain a copy thereof) all books, records, accounts and documents which it has maintained relating to the Corporation's interest in the Seigneurie Project (directly or through Éole) pursuant to this Agreement; and (ii) the Parties will take all steps as may be reasonably required to complete any final accounting between them and to provide, if applicable, for the completion of any other matter contemplated by this Agreement.

[Signature page follows]

IN WITNESS WHEREOF the Parties hereto have executed this Agreement by their duly authorized officers on the date first written above.

GAZ MÉTRO LIMITED PARTNERSHIP, by
its general partner, **GAZ MÉTRO INC.**

By: (signed) Sophie Brochu
Name: Sophie Brochu
Title: President and Chief Executive
Officer

By: (signed) Pierre Despars
Name: Pierre Despars
Title: Executive Vice President,
Corporate Affairs and Chief
Financial Officer

VALENER INC.

By: (signed) Pierre Monahan
Name: Pierre Monahan
Title: Director

By: (signed) Réal Sureau
Name: Réal Sureau
Title: Director

EXECUTION COPY

2011-10-14
No. archivage

1316-2011-006
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SERVICES AGREEMENT (Gaz Métro)

THIS AGREEMENT entered into in Montréal as of December 22, 2011,

BETWEEN: **GAZ MÉTRO LIMITED PARTNERSHIP**, a limited partnership formed under the laws of the Province of Québec, having its registered office at 1717 du Havre, Montréal, Province of Québec, H2K 2X3, herein acting and represented by its general partner, **GAZ MÉTRO INC.**, herein acting and represented by Martin Imbleau and Sophie Riendeau, duly authorized for the purposes hereof as he so declares;

(the "Provider")

AND: **SEIGNEURIE DE BEAUPRÉ WIND FARMS 2 AND 3 GENERAL PARTNERSHIP**, a partnership formed under the laws of the Province of Ontario, having its principal place of business at 772 Sherbrooke Ouest, bureau 200, Montréal, Province of Québec, H3A 1G1, herein acting and represented by its partners, **7638957 CANADA INC.**, herein acting and represented by Sylvain Aird, its Secretary, duly authorized for the purposes hereof as he so declares, and **BEAUPRÉ ÉOLE GENERAL PARTNERSHIP**, herein acting and represented by its partners, **GAZ MÉTRO ÉOLE INC.**, herein acting and represented by Pierre Despars, duly authorized for the purposes hereof as he so declares, and **VALENER ÉOLE INC.**, herein acting and represented by Réal Sureau, duly authorized for the purposes hereof as he so declares;

(the "Partnership")

WHEREAS the Partnership is the owner of a 271.8 MW wind farm project located on the lands of the Seigneurie de Beaupré, property of the Séminaire de Québec, in the unorganized territory of the Côte-de-Beaupré Regional County Municipality, Province of Québec (the "Project");

WHEREAS the Partnership wishes to retain the Provider to provide certain services in respect of the Project, and the Provider wishes to provide such services to the Partnership in respect of the Project;

NOW THEREFORE THIS AGREEMENT WITNESSES that in consideration of the premises and mutual covenants hereinafter contained, the parties agree that:

1. INTERPRETATION

- 1.1 In this Agreement, unless something in the subject matter or context is inconsistent therewith or is expressly excluded:
- 1.1.1 **"Affiliate"** means, in relation to any person, any other person that directly or indirectly controls or is controlled by or is under direct or indirect common control with the first-mentioned person. For the purposes of this Agreement, "control" or "controlled" means (i) a person controls a corporation if securities of the corporation to which are attached more than fifty percent (50%) of the votes that may be cast to elect directors of the corporation are beneficially owned by such person and the votes attached to those securities are sufficient, if exercised, to elect a majority of the directors of the corporation; (ii) a person controls an unincorporated person, other than a limited partnership, if more than fifty percent (50%) of the ownership interests, however designated, into which the unincorporated person is divided are beneficially owned by the first-mentioned person and such person is able to direct the business and affairs of the unincorporated person; (iii) the general partner of a limited partnership controls the limited partnership; and (iv) a person who controls a person is deemed to control any other person that is controlled, or deemed to be controlled by the latter person;
 - 1.1.2 **"Benefits"** has the meaning ascribed to such term in Section 5.4;
 - 1.1.3 **"Business Day"** means a day on which commercial banks in Montréal, Québec are open for business, but does not include Saturday and Sunday;
 - 1.1.4 **"Coordinator"** has the meaning ascribed to such term in Section 2.3;
 - 1.1.5 **"Disclosing Party"** has the meaning ascribed to such expression in Section 14.1;
 - 1.1.6 **"Dispute"** has the meaning ascribed to such term in Section 12.1;
 - 1.1.7 **"Dispute Notice"** has the meaning ascribed to such expression in Section 12.2;
 - 1.1.8 **"Disputing Party"** has the meaning ascribed to such expression in Section 12.2;
 - 1.1.9 **"Fees"** has the meaning ascribed to such term in Section 5.1;
 - 1.1.10 **"First Party"** has the meaning ascribed to such expression in Section 8.3;
 - 1.1.11 **"Foreground Intellectual Property Rights"** has the meaning ascribed to such expression in Section 11.2;

- 1.1.12 **“Intellectual Property Rights”** means any and all rights and interests in registered and unregistered trademarks, service marks, patents, trade designs, property marks, registered designs, utility marks, applications for any of the foregoing, copyrights (including, but not limited to, future copyrights, unregistered designs, inventions, confidential information, know-how, software or other intellectual property (whether in written form, or generated by or maintained on a computer or similar system or otherwise) subsisting in or relating to all specifications, plans, drawings, graphs, sketches, models and other materials;
 - 1.1.13 **“Invoice”** has the meaning ascribed to such term in Section 6.1.1;
 - 1.1.14 **“Partnership”** has the meaning ascribed to such term in the recitals to this Agreement;
 - 1.1.15 **“Personal Service”** has the meaning ascribed to such term in Section 3.1;
 - 1.1.16 **“Project”** has the meaning ascribed to such term in the recitals to this Agreement;
 - 1.1.17 **“Provider”** has the meaning ascribed to such term in the recitals to this Agreement;
 - 1.1.18 **“Provider’s Background Intellectual Property Rights”** has the meaning ascribed to such expression in Section 11.1;
 - 1.1.19 **“Receiving Party”** has the meaning ascribed to such expression in Section 14.1;
 - 1.1.20 **“Reimbursable Expenses”** has the meaning ascribed to such expression in Section 5.2;
 - 1.1.21 **“Representatives”** has the meaning ascribed to such term in Section 12.3;
 - 1.1.22 **“Results of Work”** has the meaning ascribed to such term in Section 11.3; and
 - 1.1.23 **“Services”** has the meaning ascribed to such term in Section 2.1.
- 1.2 The division of this Agreement into Sections and the insertion of headings are for convenience of reference only and shall not affect the construction or interpretation of this Agreement. The terms **“this Agreement”**, **“hereof”**, **“hereunder”**, and similar expressions refer to this Agreement and not to any particular Section or other portion hereof. Unless something in the subject matter or context is inconsistent therewith, references herein to Sections are to Sections of this Agreement.

- 1.3 Words importing the singular number shall include the plural and vice versa, words importing the masculine gender shall include the feminine and neuter genders and vice versa, and words importing persons shall include individuals, partnerships, associations, trusts, unincorporated organizations and corporations and vice versa.

2. SERVICES

- 2.1 The Provider shall, upon request from the Partnership and subject to the terms and conditions hereof, provide the Partnership with those services that are identified and defined in Schedule A attached hereto (the "Services"); provided, however, that the Services shall exclude any task, activity or services required for the exclusive use of Boralex Inc., Gaz Métro Limited Partnership, Valener Inc. or any of their respective Affiliates.
- 2.2 In the event and to the extent the Provider is unable to provide a Service or a portion of a Service due to a shortage or absence of employees capable of providing such Services in accordance with the terms and conditions hereof or any other circumstances determined by the Provider to be beyond its reasonable control, for the duration of such circumstances, the obligation of the Provider to provide such Service or portion of Service shall be suspended and the Provider shall only be required to provide those other Services the Provider is capable of providing.
- 2.3 For the administration of this Agreement, each party shall designate an individual to be its representative, who shall be responsible to co-ordinate the provision of the Services by the Provider (each a "Coordinator"). The Provider hereby designates Martin Imbleau as its Coordinator and the Partnership hereby designates Hugues Girardin as its Coordinator. Any party may change its designated Coordinator under this Section 2.3 by sending a written notice to the other party in accordance with Section 17.4 below.
- 2.4 If there is a conflict between this Agreement and any schedule attached thereto, the provisions of this Agreement shall govern and prevail.

3. PERFORMANCE OF SERVICES

- 3.1 Except for support Services (the "Support Services"), all Services shall be rendered only by the individuals listed in Schedule B and such individuals shall only render Services which they are responsible for in accordance with the delegation of tasks chart approved by the Partnership. Notwithstanding the foregoing, with the prior written consent of the Partnership, which shall not be unreasonably withheld, the Provider may cause a Support Service to be provided by an individual different from the one set forth in Schedule B attached hereto for the provision of such Support Service, provided that such individual possesses such skills and qualifications as are necessary or desirable

for the performance of such Support Service in accordance with the applicable professional standards and qualifications governing such person.

- 3.2 For the provision of Services other than Support Services, the Provider shall provide employees which possess such skills and qualifications as are necessary or desirable for the performance of such Services in accordance with the applicable professional standards and qualifications governing such employees.
 - 3.3 The Provider agrees that the Services rendered by it pursuant to this Agreement will be provided in a timely, competent and workmanlike fashion, in accordance with applicable laws, good industry operating practice and any applicable operating or maintenance procedures as may be set out in Schedule A attached hereto.
 - 3.4 If the Partnership disputes the quality or level of Services provided by the Provider hereunder, the parties will endeavour to resolve the dispute forthwith in accordance with Section 12 below.
 - 3.5 The Provider shall remain, at all times, the employer of the employees performing the Services. In that regard, the Provider is the sole person responsible for the administrative supervision and management of such employees and, in that regard, has sole discretion regarding the hiring, training and disciplinary measures relating to such employees. For greater certainty, no employer/employee relationship is created between the Partnership and the employees performing the Services.
 - 3.6 Employees of the Provider performing the Services at the Project site or at the premises of the Partnership or any of its partners shall at all times comply with all applicable rules, procedures, directives and policies, including working safety policies, of the Partnership or, in the absence of any such rules, procedures, directives or policies of the Partnership, of the Provider.
 - 3.7 The Provider may not subcontract the performance of the Services without the prior written consent of the Partnership, which consent shall not be unreasonably withheld.
 - 3.8 Except as previously approved in writing by the Partnership, the Provider shall not hold itself toward any third party as having any authority to act on behalf of the Partnership or act as mandatary or agent of the Partnership.
4. **ASSISTANCE AND COOPERATION OBLIGATIONS OF THE PARTNERSHIP**
- 4.1 The Partnership shall, free of cost, provide the Provider with all reasonable information necessary to provide the Services within a reasonable time so as not to delay the Services.

- 4.2 The Partnership shall, as applicable, take all reasonable steps to assist the Provider in connection with the Provider's performance of the Services.
- 4.3 The Partnership shall notify the Provider in a timely manner of its decision on all matters referred to it in writing by the Provider, so as not to delay the Services.

5. PRICING

- 5.1 The fees for Services provided by the Provider (the "Fees") shall be the applicable fee or hourly rate for employees of the Provider executing Services, plus any applicable taxes, as set out in Schedule C. As of January 1, 2012 and thereafter annually, the fees of the Provider's personnel rendering Services, as set out in Schedule C, shall be increased annually according to Consumer Price Index.
- 5.2 The Partnership will be required to reimburse the Provider for reasonable out-of-pocket expenses, including applicable taxes, incurred by the Provider that are directly related to the provision of Services ("**Reimbursable Expenses**"), including, but not limited to, the following:
 - a) reasonable and justifiable travel charges such as mileage, parking, airfare, out-of-town accommodation and meal expenses; and
 - b) overnight courier charges.
- 5.3 The Provider shall maintain appropriate records to substantiate the provision of Services to the Partnership and such records shall be made available to the Partnership for review upon request.
- 5.4 The Provider is responsible for and shall pay any salary, benefit, fringe benefit and other charges that an employer shall pay and shall make all required deductions, including but not limited to, those related to employment insurance, income tax, R.R.Q., C.S.S.T. and the like (collectively, the "**Benefits**") for all the employees of the Provider that execute the Services. The Provider shall indemnify, hold harmless and defend the Partnership against any claim of the employees of the Provider or governmental authorities related to the Benefits.

6. INVOICE AND PAYMENT PROCEDURES

- 6.1 The following sets forth the procedure applicable to invoicing and payments related to Services provided under this Agreement:
 - 6.1.1 The Provider will prepare and deliver to the Partnership, on a quarterly basis, a written statement of Fees and Reimbursable Expenses (an "**Invoice**") owing by the Partnership to the Provider for Services provided and Reimbursable Expenses incurred by the Provider in the

preceding quarter. Each Invoice will be consolidated to account for the Services provided and shall itemize each Service provided and the Fees and Reimbursable Expenses associated with each Service.

- 6.1.2 For Services invoiced on an hourly basis, the Provider will provide time sheets on a monthly basis.
- 6.1.3 Invoices delivered pursuant to this Section 6.1 may include amounts related to the expenditures incurred by the Provider to obtain goods or services from third parties for the benefit of the Partnership, provided such expenditures have been pre-approved in writing by the Partnership either manually or through an enterprise resource planning system, such as Jovaco or SAP.
- 6.1.4 The Provider shall provide the Partnership with any supporting information for an Invoice, which the Partnership may reasonably request.
- 6.1.5 Unless the Partnership, within thirty (30) days from the date on which it receives an Invoice from the Provider, shall have disputed in writing the amount thereof, then the Invoice will be deemed to have been accepted by it. If the Partnership disputes the amount of an Invoice, designated representatives of the Partnership and the Provider will endeavour to resolve the dispute forthwith, and failing such resolution within fifteen (15) days from the date on which the Provider received a written notice of the Partnership disputing the amount of an Invoice, the dispute will be resolved using the procedures set forth in Section 12 below, whereupon the Invoice, revised to the extent necessary to resolve the dispute as aforesaid, will be deemed to have been accepted by all parties.
- 6.1.6 Except with respect to those portions of an Invoice which are the subject of a *bona fide* dispute between the parties, the Partnership shall pay each Invoice within thirty (30) days from the receipt thereof. However, any income or other tax that the Partnership is required to withhold and pay on behalf of the Provider to Canada Revenue Agency or Revenu Québec (or other tax authority) with respect to any amount payable hereunder will be deducted from such payment and remitted within the prescribed delays on behalf of the Provider to the applicable tax authority, provided, however, that with respect to any tax so deducted or withheld, the Partnership will give the Provider such assistance as may be reasonably necessary to enable the Provider to claim exemption or reduction therefrom, provided such assistance does not involve any disbursement by the Partnership.
- 6.1.7 Any amount to be remitted by the Partnership to the Provider and not remitted on or before the date on which it is due shall thereafter bear interest at an annual rate equal to the prime rate of interest of the Royal Bank of Canada (or its successor) (Montréal, Main Branch) on the due date plus one percent (1%) per annum, compounded monthly.

6.1.8 The Partnership shall pay applicable goods and services taxes, sales taxes, value added taxes and other similar taxes imposed by law on or required to be collected by the Provider in relation to the Services.

6.1.9 All amounts payable under this Agreement are expressed, and shall be paid, in Canadian dollars unless otherwise stated in this Agreement or the schedules attached thereto.

7. AMENDMENTS

7.1 This Agreement and the schedules attached thereto may be amended from time to time upon the approval in writing of all parties.

7.2 All amendments to this Agreement and the schedules attached thereto will be effected in accordance with the procedures described in Section 9 below.

8. TERM, TERMINATION AND RENEWAL

8.1 The parties hereby acknowledge that the provision of the Services commenced on April 30, 2008 and shall continue in accordance with the terms of this Agreement until terminated in accordance with this Section 8.

8.2 Notwithstanding Section 2125 of the *Civil Code of Québec*, any party may terminate, in whole or in part, the provision of Services upon advising the other party in writing that certain or all Services will terminate on a specified date. Such written notice shall be sent at least thirty (30) days before the date on which the relevant Services will terminate.

8.3 Each party to this Agreement (the "First Party") may terminate this Agreement if any other party is in material default hereunder and such default is not remedied within ten (10) Business Days from a notice given by the First Party.

8.4 Any party to this Agreement may terminate this Agreement upon written notice to the other party in the event the Provider ceases to directly hold a participation in the Partnership.

8.5 Sections 5.3, 10.1, 11, 12, 13 and 14 of this Agreement shall survive the termination of this Agreement.

9. SERVICES ADJUSTMENTS

9.1 During the term of this Agreement, the parties may identify the need to modify elements of the schedules attached thereto, add new Services or discontinue existing Services.

9.2 Either the Provider or the Partnership may initiate a request for change. All requested changes must be identified in writing with an appropriate notice

period within which the party receiving such notice may respond, such period not to be less than thirty (30) days unless otherwise agreed to by all parties.

- 9.3 Except for partial termination pursuant to Section 8.2 above, no amendment shall be effective unless all parties agree in writing to the requested modifications and the effective date for implementation.

10. ANNUAL PERFORMANCE REVIEW

- 10.1 Following the date of this Agreement, the parties shall cooperate in the completion of a formal annual performance review. All Services will be reviewed with reference to the applicable service levels and Fees. The parties will endeavour to complete an annual performance review within sixty (60) days of each anniversary date of this Agreement. It is expressly agreed that there shall not be such an annual performance review with respect to Services provided prior to the date of this Agreement.

11. INTELLECTUAL PROPERTY

- 11.1 In this Agreement, "**Provider's Background Intellectual Property Rights**" means any and all Intellectual Property Rights owned by the Provider, or which the Provider has the right to use, and used in performing the Services, other than any improvements to such Intellectual Property Rights in the Results of Work specifically developed or generated by the Provider in performing the Services.
- 11.2 In this Agreement, "**Foreground Intellectual Property Rights**" means any and all Intellectual Property Rights in the Results of Work which are not Provider's Background Intellectual Property Rights, including, but not limited to, any and all improvements to the Provider's Background Intellectual Property Rights specifically developed or generated by the Provider in performing the Services.
- 11.3 In this Agreement, "**Results of Work**" means any deliverable, document or result that shall be delivered to the Partnership pursuant to or as a result of the Services.
- 11.4 Provider is and shall remain the sole owner of any and all Provider's Background Intellectual Property Rights.
- 11.5 The Partnership is and shall remain the sole owner of any and all Foreground Intellectual Property Rights. For greater certainty, the Provider hereby assigns, sells and transfers to the Partnership all of its rights in the Foreground Intellectual Property Rights. However, the Partnership hereby grants the Provider a non-exclusive, non-transferable (except to an Affiliate), irrevocable, perpetual, royalty-free, limited license to use, copy and modify any and all Foreground Intellectual Property Rights, with the right to grant a sublicense to any third party. Notwithstanding the foregoing, the exercise by the Provider of

the rights granted under this license shall be subject to the confidentiality undertakings of the Provider under this Agreement.

- 11.6 To the extent that any Provider's Background Intellectual Property Right is used by, necessary for the use of, or integrated into any Result of Work, Provider hereby grants the Partnership a non-exclusive, non-transferable (except to an Affiliate or to a successor or purchaser of the business of the Partnership), irrevocable, perpetual, royalty-free, limited license to use, copy and modify such Provider's Background Intellectual Property Right as necessary for the use of such Result of Work, with the right to grant a sublicense to any subcontractor assisting the Partnership in the development, construction, ownership, management and operation of the Project. Notwithstanding the foregoing, the exercise by the Partnership of the rights granted under this license shall be subject to the confidentiality undertakings of the Partnership under this Agreement.

12. DISPUTE RESOLUTION

- 12.1 If any dispute of any kind whatsoever shall arise in relation to this Agreement, including any question regarding its existence, validity or termination, ("**Dispute**"), such Dispute shall be resolved exclusively using the Dispute resolution process set forth in this Section 12. Although the procedures specified in this Section 12 are the sole and exclusive procedures for the resolution of dispute arising out of or relating to this Agreement, any party may seek preliminary injunction or other provisional, extraordinary or equitable relief from a court of the Province of Québec of appropriate jurisdiction if, in its reasonable judgment, such action is necessary to avoid irreparable harm to itself or to preserve its rights under this Agreement.
- 12.2 Any party to this Agreement (the "**Disputing Party**") shall initiate the dispute resolution procedures set forth in this Section 12 by notice in writing to the other party setting out the details of the Dispute (the "**Dispute Notice**").
- 12.3 A designated representative of the Partnership and of the Provider (the "**Representatives**"), which designated representatives shall be senior officers of the parties, and in the case of the Partnership, a senior officer of Boralex Inc., shall meet within seven (7) Business Days after the Disputing Party notifies the other party by Dispute Notice. The purpose of the meeting will be to develop an action plan to resolve the Dispute. If the action plan fails to bring a resolution to the Dispute within fourteen (14) Business Days after the delivery of the original Dispute Notice, the issue shall be escalated further as described below.
- 12.4 On the fifteenth (15th) Business Day after the delivery of the original Dispute Notice (or earlier should the Representatives be unable to agree on an action plan to resolve the Dispute pursuant to subsection 12.3 above), the issue shall

be escalated to the President of the Provider and the President of Boralex Inc., as applicable, if no resolution of the Dispute has been reached by such time.

- 12.5 In the event that the processes described in subsections 12.3 and 12.4 above do not result in a resolution of the Dispute acceptable to all parties to the Dispute within sixty (60) days after the date on which the original Dispute Notice was delivered, any party may refer the Dispute to arbitration.
- 12.6 If the Dispute is referred to arbitration, the Dispute shall be finally settled in accordance with the *Code of Civil Procedure* by a sole arbitrator appointed jointly by the parties. If the parties fail to agree on the appointment of the arbitrator within five (5) Business Days, the parties shall apply the procedure for the appointment of an arbitrator set out in the *Code of Civil Procedure*.
- 12.7 The seat of the arbitration will be Montréal, Canada.
- 12.8 The language of the arbitration will be French.
- 12.9 The merits of the Dispute shall be settled in accordance with the laws in force in the Province of Québec and the laws of Canada applicable therein.
- 12.10 Pending the resolution of any Dispute, unless otherwise provided in this Agreement and subject to the arbitrator issuing any interim measures, the Provider and the Partnership shall abide by all of their obligations under this Agreement.
- 12.11 Any Dispute shall be conducted and resolved in strict confidence and there will be no disclosure to any person of the facts of the Dispute or any aspect of the Dispute except as necessary for the resolution of the Dispute. Any hearing will be attended only by those persons whose presence, in the opinion of the arbitrator, is reasonably necessary for the determination of the Dispute. All matters relating to, all evidence presented to, all submissions made in the course of, and all documents produced in accordance with the Dispute resolution procedure or an order of the arbitrator or created in the course of or for the purposes of the arbitration, including any award or interim award by the arbitrator, will be kept confidential and will not be disclosed to any person without the prior written consent of all parties to the arbitration except as required to enforce the award or as required by law or as permitted by an order of the arbitrator made pursuant to a motion or application on notice to all parties to the arbitration.

13. INDEMNIFICATION

- 13.1 The Provider hereby agrees to indemnify, defend and hold harmless the Partnership and its Affiliates, their respective officers, directors, employees, representatives and agents, from and against any and all claims, actions, damages, liabilities, costs and expenses arising out of or resulting from the performance of the Services of this Agreement to the extent attributable to a

fault of the Provider, its Affiliates, their subcontractors or their respective officers, directors, employees, representatives and agents.

- 13.2 The Partnership hereby releases and agrees to indemnify, defend and hold harmless the Provider and its Affiliates, their directors, officers, agents, representatives and/or employees from and against any and all claims, actions, damages, liabilities, costs and expenses arising out of or resulting from the use by the Partnership of the Provider's Background Intellectual Property Rights contemplated in Section 11.6.

14. CONFIDENTIALITY

- 14.1 Each of the parties agrees to keep all information provided by any other party (the "Disclosing Party") to it (the "Receiving Party") in connection with this Agreement confidential and not to use it for any purpose other than in connection with the development, construction, ownership, management and operation of the Project, and the Receiving Party shall not, without the prior written consent of an authorized senior officer of the Disclosing Party, disclose any part of such information which is not available in the public domain from public or published information or sources except:

14.1.1 to those of its employees or consultants who require access to the information in connection with the performance of Services by the Receiving Party under this Agreement;

14.1.2 as in the Receiving Party's judgment may be appropriate to be disclosed in connection with the provision by the Receiving Party of Services hereunder;

14.1.3 as the Receiving Party may be required to disclose in connection with the preparation by the Receiving Party or any of its direct or indirect holding companies, Affiliates or subsidiaries of reporting documents including, but not limited to, annual financial statements, annual reports and any filings or disclosure required by statute, regulation or order of a regulatory authority; and

14.1.4 to such legal and accounting advisors, valuers and other experts and consultants as in the Receiving Party's judgment may be appropriate or necessary in order to permit the Receiving Party to rely on the services of such persons in carrying out the Receiving Party's duties under this Agreement.

The Receiving Party shall be responsible for any breach of this Section 14 by its employees or consultants.

- 14.2 The covenants and agreements of the parties shall not apply to any information:

- 14.2.1 which is lawfully in the Receiving Party's possession or the possession of its professional advisors or its personnel, as the case may be, at the time of disclosure and which was not acquired directly or indirectly from the Disclosing Party;
 - 14.2.2 which is at the time of disclosure in, or after disclosure falls into, the public domain through no fault of the Receiving Party or its personnel;
 - 14.2.3 which, subsequent to disclosure by the Disclosing Party, is received by the Receiving Party from a third party who, insofar as is known to the Receiving Party, is lawfully in possession of such information and not in breach of any contractual, legal or fiduciary obligation to the Disclosing Party and who has not required the Receiving Party to refrain from disclosing such information to others; or
 - 14.2.4 disclosure of which the Receiving Party reasonably deems necessary to comply with any legal or regulatory obligation which the Receiving Party believes in good faith it has.
- 14.3 Each party to this Agreement shall be entitled periodically to conduct reasonable reviews of the procedures implemented by the other party to this Agreement in relation to the confidentiality obligations described in this Section 14.
 - 14.4 Subject to the licenses granted under Section 11 above, upon the termination of the provision of Services each party shall immediately return to the other party all confidential information and all copies thereof in its possession or control, or destroy such information and copies and certify to the other party, as applicable, that such destruction has been carried out.

15. FORCE MAJEURE

- 15.1 If any party is rendered unable by force majeure to carry out its obligations under this Agreement, other than a party's obligation to make payments to any other party, that party shall give the other party prompt written notice of the event giving rise to force majeure with reasonably full particulars concerning it. Thereupon, the obligations of the party giving the notice, so far as they are affected by the force majeure, shall be suspended during, but no longer than the continuance of, the force majeure. The affected party shall use all reasonable diligence to remove or remedy the force majeure situation as quickly as practicable. In the event that the affected party is unable to resume performance within ninety (90) days after giving notice of the force majeure event and if such force majeure event prevents the performance of a material obligation hereunder, the other party may terminate this Agreement upon a written notice to the other party. For the purposes of this Agreement "force majeure" means any act or event that prevents the affected party from performing its obligations under this Agreement or complying with any

conditions required by the other party under this Agreement if such act or event is unforeseeable, beyond the reasonable control of and not the fault of the affected party, including Acts of God, riots, insurrections and acts of war.

16. GOVERNING LAW

16.1 This Agreement shall be governed by and interpreted in accordance with the laws of the Province of Québec and the laws of Canada applicable therein.

17. GENERAL

17.1 A party to this Agreement shall, from time to time, and at all times, do such further acts and execute and deliver all such further deeds and documents as shall be reasonably requested by the other party to this Agreement in order to fully perform and carry out the terms of this Agreement.

17.2 All payments by the Partnership to the Provider shall be made without setoff, compensation, counterclaim or deduction of any kind.

17.3 Time is of the essence of this Agreement.

17.4 Any notice, request, demand, direction or other communication required or permitted to be given or made under this Agreement to a party shall be in writing and shall be validly given if delivered in person (including by courier service) to the party to whom it is addressed or transmitted by facsimile as follows:

Provider:

Address: Gaz Métro Limited Partnership
c/o Gaz Métro Inc.
1717 du Havre
Montréal, Québec H2K 2X3

Attention: Vice President, Operations and Major Projects

Facsimile: (514) 598-3144

Partnership:

Address: Seigneurie de Beaupré Wind Farms 2 and 3
General Partnership
Bureau 200
772, rue Sherbrooke Ouest
Montréal, Québec H3A 1G1

Attention: Secretary

Facsimile: (514) 284-9895

Any such notice or other communication shall be deemed to have been given and received on the day on which it was delivered or transmitted by facsimile (or, if such day is not a Business Day, on the next following Business Day).

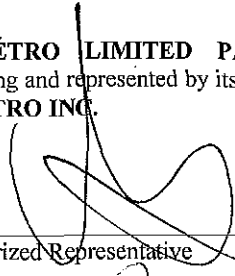
Any party may at any time change its address for notice by giving notice to the other party in accordance with the provisions of this Section 17.4.

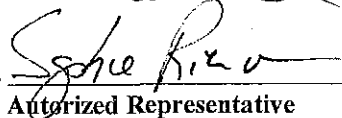
- 17.5 This Agreement may be executed in counterparts, no one of which needs to be executed by all parties. Each counterpart, including a facsimile transmission of this Agreement, shall be deemed to be an original and shall have the same force and effect as an original. All counterparts together shall constitute one and the same instrument.
- 17.6 This Agreement will enure to the benefit of and be binding upon the parties and their respective successors. This Agreement may not be assigned by any party without the prior written consent of the other party.
- 17.7 In the event that one or more of the provisions contained in this Agreement shall be invalid, illegal or unenforceable in any respect under any applicable law, the validity, legality or enforceability of the remaining provisions hereof shall not be affected or impaired thereby. Each of the provisions of this Agreement is hereby declared to be separate and distinct.
- 17.8 This Agreement may not be modified or amended except by an instrument in writing signed by all parties to this Agreement or by their respective successors.
- 17.9 This Agreement and the schedules attached thereto constitute the whole and entire agreement between the parties respecting the subject matter of the Agreement and supersedes any prior agreement, undertaking, declarations, commitments, representations, verbal or oral, in respect thereof.

[Signatures on following page]

IN WITNESS WHEREOF, the parties have caused this Agreement to be executed by their duly authorized representatives as of the date first set above.

GAZ MÉTRO LIMITED PARTNERSHIP,
herein acting and represented by its general partner,
GAZ MÉTRO INC.

By: 
Authorized Representative

By: 
Authorized Representative

 **GazMétro**

Initiales

No Dossier

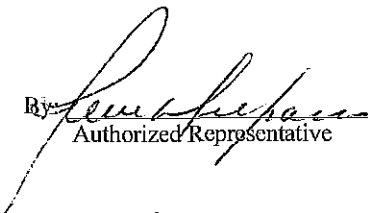
**SEIGNEURIE DE BEAUPRÉ WIND FARMS 2
AND 3 GENERAL PARTNERSHIP,** herein
acting and represented by its partners:

7638957 CANADA INC.

By: 
Authorized Representative

BEAUPRÉ ÉOLE GENERAL PARTNERSHIP,
itself herein acting and represented by its partners:

GAZ MÉTRO ÉOLE INC.

By: 
Authorized Representative

VALENER ÉOLE INC.

By: _____
Authorized Representative

BEAUPRÉ ÉOLE GENERAL PARTNERSHIP,
Herein acting and represented by its partners /
BEAUPRÉ ÉOLE S.E.N.C., agissant et représenté
par ses associés:

GAZ MÉTRO ÉOLE INC.

By/Par:

Duly authorized

VALENER ÉOLE INC.

By/Par:

Réal Sureau

Name/Nom: Réal Sureau

Title/Titre: Diector/Administrateur

SCHEDULE A
SERVICES SCHEDULE

The Services to be provided by Gaz Métro shall comprise the following:

Environmental services:

- Follow-up on environmental studies and process for the obtaining of provincial environmental permits;

Financial services:

- Participation in the realization of models and financial analysis with respect to the Project;

Commercial services:

- Participation to negotiations in connection with agreements with Hydro-Québec Distribution and Hydro-Québec TransÉnergie;
- Participation to negotiations in connection with agreements with the Séminaire de Québec;
- Participation to negotiations in connection with EPC and EPK contracts with Enercon Canada Inc.;
- Participation to negotiations in connection with EPC contract for BOP works with Borea Construction ULC;
- Participation to negotiations in connection with other contracts relating to the construction and operation of the Project;

Financing services:

- Management and follow-up on various studies required for financing purposes;
- Management and implementation of, and follow-up on insurance program;
- Participation to negotiations in connection with the financing of the Project;

Legal services:

- Provision of legal services in connection with contractual arrangements;
- Provision of legal services in connection with the construction activities;

Communications services:

- Participation in public affairs, governmental relations and community relations in connection with the Project;

Administrative services:

- Management of and follow-up on cost control services, supply of goods and services and quality management system;
- Support to contract management;
- Management of Power Purchase Agreement with Hydro-Québec prior to commercial operation date
- Management of EPC and EPK Contracts with Enercon prior to commercial operation date
- Inspection services (civil, foundation and electric).

SCHEDULE B
SPECIFIC INDIVIDUALS

Prénom	Nom	Compagnie	Type	Taux
Nicolas	Gravel	Gaz Métro	Services spécialisés - Finance	\$85
Nathalie	Longval	Gaz Métro	Services spécialisés - Légal Sénior	\$100
Félix	Turgeon	Gaz Métro	Services spécialisés - Légal	\$85
Benoît	Leduc	Gaz Métro	Services spécialisés – Directeur administratif-Gestion et suivis Sénior	\$100
Jean	Trudelle	Gaz Métro	Direction	\$0\$
Geneviève	Deschamps	Gaz Métro	Services spécialisés-Finance	85\$
Martin	Imbleau	Gaz Métro	Direction	0\$
To be approved by the Partnership			Services ingénierie -Inspection	85\$ 100\$ if senior

SCHEDULE C

FEES

Type d'employé	Taux (\$ / hr)
Service administratif	\$60
Services spécialisés - Technique	\$85
Services spécialisés - Technique Sénior	\$100
Services spécialisés - Ingénierie	\$85
Services spécialisés - Ingénierie Sénior	\$100
Services spécialisés - Finance	\$85
Services spécialisés - Finance Sénior	\$100
Services spécialisés - Légal	\$85
Services spécialisés - Légal Sénior	\$100
Services spécialisés - Communication	\$85
Services spécialisés - Communication Sénior	\$100
Services spécialisés - Gestion et suivis	\$85
Services spécialisés - Gestion et suivis Sénior	\$100
Direction	-\$0

DÉTAIL DES TRANSACTIONS ENTRE APPARENTÉS

Budget 2013

SOCIÉTÉ EN COMMANDITE GAZ MÉTRO (SCGM) () = vente

Coût de transport de gaz - Champion	1 704
Service d'entreposage de SEC Intragaz (St-Flavien et Pointe-du-Lac)	13 891
Loyer ETG	764
Revenus de vente de gaz à CDH (CCUM)	(4 070)
Revenus de vente de gaz à Solutions Transport ⁽¹⁾	(1 148)
Frais d'administration et de soutien de gestion facturé par Valener	1 750
Frais de gestion facturé à Beaupré Éole et à Beaupré Éole 4	(1 243)
Frais de gestion facturé à Parcs éoliens de la Seigneurie de Beaupré 2 et 3	(127)

SOCIÉTÉ EN COMMANDITE GAZ MÉTRO PLUS (SCGMP)

Loyer ETG	(764)
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CORPORATION CHAMPION PIPE LINE LIMITÉE (CHAMPION)

Revenus de transmission de SCGM	(1 704)
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SOCIÉTÉ EN COMMANDITE INTRAGAZ (INTRAGAZ)

Revenus d'entreposage de SCGM (St-Flavien et Pointe-du-Lac)	(13 891)
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CLIMATISATION ET CHAUFFAGE URBAINS DE MONTREAL , s.e.c. (CCUM)

Achat de gaz de SCGM	4 070
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GAZ MÉTRO SOLUTIONS TRANSPORT, S.E.C.

Achat de gaz de SCGM ⁽¹⁾	1 148
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VALENER INC.

Revenus provenant de la recharge à SCGM des frais d'administration et de soutien de gestion	(1 750)
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BEAUPRÉ ÉOLE, S.E.N.C. ET BEAUPRÉ ÉOLE 4, S.E.N.C.

Frais de gestion facturé par SCGM	1 243
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PARCS ÉOLIENS DE LA SEIGNEURIE DE BEAUPRÉ 2 ET 3, S.E.N.C.

Frais de gestion facturé par SCGM	127
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0

⁽¹⁾ Ce chiffre tient compte de la décision D-2012-171 qui fixe les modalités de calcul des coûts de l'usine LSR attribuables à l'activité de vente de GNL.

Mode de partage années antérieures							Mode de partage proposé au DT 2013							MP proposé vs MP années antérieures		
	TP DFC	TP TÉ	TP TO	Remb. Dette	Indice qualité	TP GMST	TP Total	TP DFC	TP TÉ	TP TO	Remb. Dette	Indice qualité	TP GMST	TP Total	Bonification	Écart
	(déficit de rendement / MAG)	(MAG)					(déficit de rendement / MAG)	(MAG)						(déficit de rendement / MAG)	des associés intégrés au DT	intégrant bonif
	(1)	(2)	(3)	(4)	(0)	(6)	total col. 1 à 6=(7)	(8)	(9)	(10)	(11)	(0)	(13)	total col. 8 à 13=(14)	(15)	(14)-(7)-(15)
2012	Total	8 541	(9 915)	9 553		17	8 196	8 541	(9 907)	9 545			17	8 196		
	Associés	(1 374)		2 388		-	1 014	6 639	-	2 386			-	9 025	7 412	599
	Clients			7 165		17	7 182	1 902	(9 907)	7 159			17	(829)		(8 011)
	Total	(1 374)	-	9 553		17	8 196	8 541	(9 907)	9 545			17	8 196		
Partage																
Total DFC net d'impôt							(Col 8 * (1-27,28%))									
							6 211							0,90%		
Avoir moyen							688 952									
Taux impôts							27,28%									
Partage							0,50%							0,50% 100% associés		
							1,00%							0,40% 50% associés/50% clients		
														0,00% 100% clients		
2011	Total	10 112	7 974	2 673		-	20 759	10 112	8 562	2 085			-	20 759		
	Associés	2 528	1 994	668	(5)	-	5 185	7 386	-	521		(5)	-	7 902	-	2 717
	Clients	7 584	5 980	2 005	5	-	15 574	2 726	8 562	1 564		5	-	12 857		(2 717)
	Total	10 112	7 974	2 673	-	-	20 759	10 112	8 562	2 085		-	-	20 759		
Partage																
Total DFC net d'impôt							(Col 8 * (1-28,78%))									
							7 202							1,08%		
Avoir moyen							663 896									
Taux impôts							28,78%									
Partage							0,50%							0,50% 100% associés		
							1,00%							0,58% 50% associés/50% clients		
														0,00% 100% clients		
2010	Total	17 935	1 250	7 296	14 142	-	40 623	17 935	2 512	6 034	14 142		-	40 623		
	Associés	4 484	313	1 824	(34)	-	6 587	9 592	-	1 508		(34)	-	11 066	-	4 479
	Clients	13 451	937	5 472	14 142	34	34 036	8 343	2 512	4 526	14 142	34	-	29 557		(4 479)
	Total	17 935	1 250	7 296	14 142	-	40 623	17 935	2 512	6 034	14 142	-	-	40 623		
Partage																
Total DFC net d'impôt							(Col 8 * (1-30,15%))									
							12 528							1,87%		
Avoir moyen							670 013									
Taux impôts							30,15%									
Partage							0,50%							0,50% 100% associés		
							1,00%							1,00% 50% associés/50% clients		
														0,37% 100% clients		
2009	Total	15 853	(2 793)	8 910	-	-	21 970	15 853	(2 003)	8 120	-		-	21 970		
	Associés	3 963	(698)	2 227	(91)	-	5 401	9 835	-	2 030		(91)	-	11 774	1 818	4 555
	Clients	11 890	(2 095)	6 683	91	-	16 569	6 018	(2 003)	6 090		91	-	10 196		(6 373)
	Total	15 853	(2 793)	8 910	-	-	21 970	15 853	(2 003)	8 120	-	-	-	21 970		
Partage																
Total DFC net d'impôt							(Col 8 * (1-30,90%))									
							10 954							1,61%		
Avoir moyen							679 587									
Taux impôts							30,90%									
Partage							0,50%							0,50% 100% associés		
							1,00%							1,00% 50% associés/50% clients		
														0,11% 100% clients		

Mode de partage années antérieures								Mode de partage proposé au DT 2013						MP proposé vs MP années antérieures																																																																																																																									
	TP DFC	TP TÉ	TP TO	Remb. Dette	Indice qualité	TP GMST	TP Total	TP DFC	TP TÉ	TP TO	Remb. Dette	Indice qualité	TP GMST	TP Total	Bonification	Écart																																																																																																																							
	(déficit de rendement / MAG)	(MAG)					(déficit de rendement / MAG)	(déficit de rendement / MAG)	(MAG)					(déficit de rendement / MAG)	des associés intégrée au DT	intégrant bonif																																																																																																																							
2008	Total	12 657	759	6 963	-	-	20 379	12 657	1 112	6 610	-	-	-	20 379																																																																																																																									
	Associés	3 164	190	1 741	(34)	-	5 061	8 795	-	1 653	-	(34)	-	10 414	4 778	575																																																																																																																							
	Clients	9 493	569	5 222	-	34	15 318	3 862	1 112	4 957	-	34	-	9 965		(5 353)																																																																																																																							
	Total	12 657	759	6 963	-	-	20 379	12 657	1 112	6 610	-	-	-	20 379																																																																																																																									
<table border="1"> <tr> <td colspan="17">Partage</td> </tr> <tr> <td>Total DFC net d'impôt</td> <td>(Col 8 * (1-31,93%))</td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td>8 616</td> <td></td> <td>1,28%</td> <td colspan="6"></td> </tr> <tr> <td>Avoir moyen</td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td>671 570</td> <td></td> <td></td> <td colspan="6"></td> </tr> <tr> <td>Taux impôts</td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td>31,93%</td> <td></td> <td></td> <td colspan="6"></td> </tr> <tr> <td>Partage</td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td>0,50%</td> <td></td> <td>0,50%</td> <td>100% associés</td> <td colspan="5"></td> </tr> <tr> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td>1,00%</td> <td></td> <td>0,78%</td> <td>50% associés/50% clients</td> <td colspan="5"></td> </tr> <tr> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td>0,00%</td> <td>100% clients</td> <td colspan="5"></td> </tr> </table>																	Partage																	Total DFC net d'impôt	(Col 8 * (1-31,93%))							8 616		1,28%							Avoir moyen								671 570									Taux impôts								31,93%									Partage								0,50%		0,50%	100% associés														1,00%		0,78%	50% associés/50% clients																0,00%	100% clients					
Partage																																																																																																																																							
Total DFC net d'impôt	(Col 8 * (1-31,93%))							8 616		1,28%																																																																																																																													
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										0,00%	100% clients																																																																																																																												
2007	Total	(620)	8 727	4 808	-	-	12 915	(620)	8 727	4 808	-	-	-	12 915																																																																																																																									
	Associés	(155)	2 182	1 202	-	-	3 229	(620)	-	1 202	-	-	-	582	8 416	(11 063)																																																																																																																							
	Clients	(465)	6 545	3 606	-	-	9 686	-	8 727	3 606	-	-	-	12 333		2 647																																																																																																																							
	Total	(620)	8 727	4 808	-	-	12 915	(620)	8 727	4 808	-	-	-	12 915																																																																																																																									
<table border="1"> <tr> <td colspan="17">Partage</td> </tr> <tr> <td>Total DFC net d'impôt</td> <td>(Col 8 * (1-32,02%))</td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td>(421)</td> <td></td> <td>-0,06%</td> <td colspan="6"></td> </tr> <tr> <td>Avoir moyen</td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td>665 999</td> <td></td> <td></td> <td colspan="6"></td> </tr> <tr> <td>Taux impôts</td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td>32,02%</td> <td></td> <td></td> <td colspan="6"></td> </tr> <tr> <td>Partage</td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td>0,50%</td> <td></td> <td>-0,06%</td> <td>100% associés</td> <td colspan="5"></td> </tr> <tr> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td>1,00%</td> <td></td> <td>0,00%</td> <td>50% associés/50% clients</td> <td colspan="5"></td> </tr> <tr> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td>0,00%</td> <td>100% clients</td> <td colspan="5"></td> </tr> </table>																	Partage																	Total DFC net d'impôt	(Col 8 * (1-32,02%))							(421)		-0,06%							Avoir moyen								665 999									Taux impôts								32,02%									Partage								0,50%		-0,06%	100% associés														1,00%		0,00%	50% associés/50% clients																0,00%	100% clients					
Partage																																																																																																																																							
Total DFC net d'impôt	(Col 8 * (1-32,02%))							(421)		-0,06%																																																																																																																													
Avoir moyen								665 999																																																																																																																															
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										0,00%	100% clients																																																																																																																												
2006	Total	(12 245)	21 050	4 037	-	-	12 842	(12 245)	21 050	4 037	-	-	-	12 842																																																																																																																									
	Associés	(3 061)	5 262	1 009	-	-	3 210	(8 616)	-	1 009	-	-	-	(7 607)	3 684	(14 501)																																																																																																																							
	Clients	(9 184)	15 788	3 028	-	-	9 632	(3 629)	21 050	3 028	-	-	-	20 449		10 817																																																																																																																							
	Total	(12 245)	21 050	4 037	-	-	12 842	(12 245)	21 050	4 037	-	-	-	12 842																																																																																																																									
<table border="1"> <tr> <td colspan="17">Partage</td> </tr> <tr> <td>Total DFC net d'impôt</td> <td>(Col 8 * (1-31,14%))</td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td>(8 432)</td> <td></td> <td>-1,25%</td> <td colspan="6"></td> </tr> <tr> <td>Avoir moyen</td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td>674 952</td> <td></td> <td></td> <td colspan="6"></td> </tr> <tr> <td>Taux impôts</td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td>31,14%</td> <td></td> <td></td> <td colspan="6"></td> </tr> <tr> <td>Partage</td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td>-0,50%</td> <td></td> <td>-0,50%</td> <td>100% associés</td> <td colspan="5"></td> </tr> <tr> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td>-1,00%</td> <td></td> <td>-0,75%</td> <td>50% associés/50% clients</td> <td colspan="5"></td> </tr> <tr> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td>0,00%</td> <td>100% clients</td> <td colspan="5"></td> </tr> </table>																	Partage																	Total DFC net d'impôt	(Col 8 * (1-31,14%))							(8 432)		-1,25%							Avoir moyen								674 952									Taux impôts								31,14%									Partage								-0,50%		-0,50%	100% associés														-1,00%		-0,75%	50% associés/50% clients																0,00%	100% clients					
Partage																																																																																																																																							
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										0,00%	100% clients																																																																																																																												
2005	Total	(18 603)	5 303	2 955	-	-	(10 345)	(18 603)	5 303	2 955	-	-	-	(10 345)																																																																																																																									
	Associés	(18 603)	5 303	2 955	-	-	(10 345)	(9 210)	-	739	-	-	-	(8 471)	17 841	(15 967)																																																																																																																							
	Clients	-	-	-	-	-	-	(9 393)	5 303	2 216	-	-	-	(1 874)		(1 874)																																																																																																																							
	Total	(18 603)	5 303	2 955	-	-	(10 345)	(18 603)	5 303	2 955	-	-	-	(10 345)																																																																																																																									
<table border="1"> <tr> <td colspan="17">Partage</td> </tr> <tr> <td>Total DFC net d'impôt</td> <td>(Col 8 * (1-29,90%))</td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td>(13 041)</td> <td></td> <td>-2,02%</td> <td colspan="6"></td> </tr> <tr> <td>Avoir moyen</td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td>645 597</td> <td></td> <td></td> <td colspan="6"></td> </tr> <tr> <td>Taux impôts</td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td>29,90%</td> <td></td> <td></td> <td colspan="6"></td> </tr> <tr> <td>Partage</td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td>-0,50%</td> <td></td> <td>-0,50%</td> <td>100% associés</td> <td colspan="5"></td> </tr> <tr> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td>-1,00%</td> <td></td> <td>-1,00%</td> <td>50% associés/50% clients</td> <td colspan="5"></td> </tr> <tr> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td>-0,52%</td> <td>100% clients</td> <td colspan="5"></td> </tr> </table>																	Partage																	Total DFC net d'impôt	(Col 8 * (1-29,90%))							(13 041)		-2,02%							Avoir moyen								645 597									Taux impôts								29,90%									Partage								-0,50%		-0,50%	100% associés														-1,00%		-1,00%	50% associés/50% clients																-0,52%	100% clients					
Partage																																																																																																																																							
Total DFC net d'impôt	(Col 8 * (1-29,90%))							(13 041)		-2,02%																																																																																																																													
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Partage								-0,50%		-0,50%	100% associés																																																																																																																												
								-1,00%		-1,00%	50% associés/50% clients																																																																																																																												
										-0,52%	100% clients																																																																																																																												

Mode de partage années antérieures								Mode de partage proposé au DT 2013						MP proposé vs MP années antérieures		
	TP DFC	TP TÉ	TP TO	Remb. Dette	Indice qualité	TP GMST	TP Total	TP DFC	TP TÉ	TP TO	Remb. Dette	Indice qualité	TP GMST	TP Total	Bonification	Écart
	(déficit de rendement / MAG)	(MAG)					(déficit de rendement / MAG)	(déficit de rendement / MAG)	(MAG)					(déficit de rendement / MAG)	des associés intégrée au DT	intégrant bonif
2004	Total	(439)	11 641	2 794	-	-	13 996	(439)	11 641	2 794	-	-	-	13 996		
	Associés	(146)	3 881	931	-	-	4 666	(439)	-	698	-	-	-	259	12 596	(17 003)
	Clients	(293)	7 760	1 863	-	-	9 330	-	11 641	2 096	-	-	-	13 737		4 407
	Total	(439)	11 641	2 794	-	-	13 996	(439)	11 641	2 794	-	-	-	13 996		
								Partage Total DFC net d'impôt (Col 8 * (1-30,40%)) <u>(308)</u> -0,05% Avoir moyen 642 605 Taux impôts 30,40% Partage 0,50% -0,05% 100% associés 1,00% 0,00% 50% associés/50% clients 0,00% 100% clients								
2003	Total	(1 549)	5 148	9 552	-	-	13 151	(1 549)	5 148	9 552	-	-	-	13 151		
	Associés	(516)	1 716	3 184	-	-	4 384	(1 549)	-	2 388	-	-	-	839	3 665	(7 210)
	Clients	(1 033)	3 432	6 368	-	-	8 767	-	5 148	7 163	-	-	-	12 311		3 544
	Total	(1 549)	5 148	9 552	-	-	13 151	(1 549)	5 148	9 551	-	-	-	13 150		
								Partage Total DFC net d'impôt (Col 8 * (1-32,40%)) <u>(1 047)</u> -0,17% Avoir moyen 613 759 Taux impôts 32,40% Partage -0,50% -0,17% 100% associés -1,00% 0,00% 50% associés/50% clients 0,00% 100% clients								
2002	Total	18 963	(1 482)	9 566	-	-	27 047	18 963	(1 482)	9 566	-	-	-	27 047		
	Associés	6 320	(494)	3 188	-	-	9 014	9 234	-	2 392	-	-	-	11 626	201	2 411
	Clients	12 643	(988)	6 378	-	-	18 033	9 729	(1 482)	7 174	-	-	-	15 421		(2 612)
	Total	18 963	(1 482)	9 566	-	-	27 047	18 963	(1 482)	9 566	-	-	-	27 047		
								Partage Total DFC net d'impôt (Col 8 * (1-34,40%)) <u>12 440</u> 2,05% Avoir moyen 605 755 Taux impôts 34,40% Partage 0,50% 0,50% 100% associés 1,00% 1,00% 50% associés/50% clients 0,55% 100% clients								

Notes :

Précisions quant aux modes de partage des trop-perçu/manque à gagner des années passées

pour les années 2001 à 2004 : trop-perçu global partagé 33% associés/ 67% clients
 pour les années 2005 à 2007 : trop-perçu global partagé 25% associés/ 75% clients; déficit de rendement attribué 100% associés
 pour les années 2008 à 2012 : trop-perçu des transactions d'optimisation financières et opérationnelles partagé 25% associés/ 75% clients
 trop-perçu résiduel partagé 25% associés/ 75% clients; déficit de rendement attribué 100% associés

Précisions quant aux modes de partage des trop-perçu/manque à gagner selon mode de partage proposé pour 2013

trop-perçu des transactions d'optimisation financières partagé 25% associés/ 75% clients
 trop-perçu/manque à gagner en transport et équilibrage attribué 100% clients
 trop-perçu résiduel (DFC) partagé selon le niveau de rendement atteint (voir l'encadré présenté pour chaque année)

Pour les années 2008 à 2012, le montant de trop-perçu sur les transactions d'optimisation diffère selon le mode de partage des années précédentes par rapport au mode de partage proposé. Cet écart s'explique par le fait que seules les transactions financières sont considérées dans le mode de partage proposé. Les transactions d'optimisation opérationnelles sont donc exclues. Le différentiel est alors reporté dans le trop-perçu de l'équilibrage et transport.