Responses to Information Requests no 1 of Option consommateurs to Société en commandite Gaz Métro

Application for the Approval of the Supply Plan and the Modification of the Conditions of Service and Tariffs of the Société en commandite Gaz Métro as of October 1st, 2012 (Phase 2)

R-3809-2012 Phase 2 Filing

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)

ln	Reference (date(s))	# Customers	Energy TJ	Volume 10^3m^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.

Response:

Gaz Métro has corrected the data from lines 1 and 4 (ref (i) and (iii)) of the table provided in the Preamble because since 2011-2012, the totals calculated for the Tariff 1 customers (D1) must include customers with a transitional rebate who were previously under the Tariff M (DM). A note identical to that already presented on page 4 has been added to this effect on page 2 of the Revised Exhibit, R-3831-2012, Gaz Métro-16 Document 1.

Gaz Métro also had to correct the revenues reported on line 2 of the table provided in the Preamble to bring them on the same basis as the line 1 of the same table, that is to say, on the basis of the distribution revenue only. Indeed, the revenue numbers presented to the reference (ii) include revenues for all the services, and not just those for the distribution service.

Here is the table of the Preamble corrected by including Tariff 1 customers with a transitional rebate (lines 5 and 6 in Exhibit A-0064 and lines 7 and 8 from Exhibit B-0164):

(Translator note: Table in original is in English so to save time I took a snapshot. Look at original if you need better resolution).

ln	Reference (date(s))	# Customers	Energy TJ	Volume 10^3m^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).

Response:

See response to Question 1.1.

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

Response:

The number of clients in the Exhibits in Reference is based on the average number of projected or issued monthly bills during the reference year. The volumes and the revenues are the forecast or actual totals for the reference year.

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

Response:

See response to Question 1.1.

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

Response:

As explained in the Response to Question 1.1, no correction was required relative to the data presented in the Exhibits in references (i), (ii) and (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.

Response:

See response to 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.

Response:

(Translator note: To save time, I took a snapshot of the table. Look at original if you need better resolution).

Donnée	Unité	2012		2013	Variation (%)		
		Prévision	Réel	Prévision	(4) / (3) - 1	(5) / (3) - 1	(5) / (4) - 1
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Clients	#	187 906	188 684	192 650	0,41 %	2,52 %	2,10 %
Volumes	10^3m^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.

Response:

Gaz Metro does not know which document is referring to. To GM's knowledge, such a document does not exist.

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?

Response:

The last rate case presented as a cost of service (COS) case was in the year 1999 -2000. It should be noted that a forecast of customers and volumes is performed each year and is presented at each rate case filing and annual report. In the context of the current rate case, the results are presented, among others, at the Exhibit in reference i).

2.3 Please provide a copy of that evidence.

Response:

See answers to Questions 1.1 and 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 actuals and 2013 forecasts.

Response:

See answer to 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).

Response:

a) The methodology used to establish the Heating Degree Day Forecast is the same one presented in Exhibit R-3690-2009, GM-11, Doc 6.

b) Average Use (AU) per customer by end use is not required for the purposes of establishing the volumes for the small and medium use market – and therefore for the D1 Tariff.

   For small and medium use market, forecast volumes for the test year are based on the volumes of the year t-1, to which is added the impact of each of the factors affecting the deliveries. These factors and their impact are defined in Section 5.1.2 of Exhibit B-0062, Gaz Metro-1, Document 1 of the current rate case.

c) The Weather Normalized Average Use per Customer can be obtained with the help of the data presented in response to Q1.1 by dividing column (5) by column (3). For the D1 rate, the results presented at line 2A make it possible to obtain an average volume of 13,221 m^3 per customer (2,494,503 m^3 / 188,684 customers).

The results presented in the answer to question 1.1 at row 3F make it possible to obtain for the rate D1, an average volume of 13,093 m^3 per customer (2,522,282 m^3 / 192,650 customers), or an average volume similar to that of 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).

Response:

a) Addition of 1,000 customers

The following table shows that the addition of 1,000 customers would have a downward effect on the rate variation for 2012 for the Distribution service excluding the Green Fund.

(Translator note: Table in original is in French but a snapshot does not provide sufficient resolution. Look at original and let me know if you need translation for line items.)

b) Addition of 100 m^3 of consumption per customer

Response:

Addition of 100 m^3 of consumption per customer

An addition of customer consumption would have a have a negligible effect on the revenue requirement. Indeed, an increase in the distributed volumes results in an increase in the volumes of lost gas (waste gas?), which is not taken into account in this analysis. In addition, to assess the revenue impact of these additional volumes, we used the average rate of variable revenues for distribution.

Average number of customers	**192 650**
Variable revenues for D1	**355 799 (1)**
D1 Volumes	**2 522 282 (2)**
$/m³	**0,1411**
Impact of projected revenue in $000	**2 718 $**
vs. Revenue generated by Distribution	**476 940 (3) (2 718 / 476 940) 0,57%**

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

Response:

Gaz Métro is not proposing the creation of this type of account for the year 2012-2013. As part of the decision D-2012-076 on the Incentive Mechanism to improve the performance of Gaz Métro, the Régie decided that the 2013 rate case would be treated on the basis of a cost of service. This decision mentioned that GM should come back in the 2013 rate case with a proposal for a sharing mechanism. The Exhibits filed rate case 2013, phase 2 respond to requests from the Board. At no time did the Régie request that Gaz Métro implement this type of account, which would only be applicable for the year 2013, which is based on a cost of service. Indeed, we must not lose sight of the fact that Rate case 2013 should be the only one under the cost of service and that the subsequent rate cases should be under the new Incentive Mechanism.

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

Moreover, under the proposed new incentive mechanism in Phase 3 following the decision D-2012-076, Gaz Métro proposes a decoupling mechanism, which is relatively similar to an "Average Use True Up Variance Account AUTVA ".

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).

Response:

See Annexe 1. All of the data relative to questions 4.1, 4.3, 4.4, 5, 6 et 7 have also listed in the same Excel file from which OC can obtain the different graphics it wishes.

Actual and budgeted data were corrected and presented from 2003-2004, according to available data.

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.

Response:

As presented in Exhibits Gaz Métro-12, Document 16, page 1, and Gaz Métro-12

Document 14, page 11 (revised), the components entitled "salaries (*salaires*)", "benefits (*avantages sociaux*) "and" other expenses (*autres dépenses*) "are detailed as follows:

(Translator note: Table in original is in French but to save time I took a snapshot. Look at original if you need better resolution and ask me for help with translation if needed.)

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

Regarding corporate charges, no expense has been registered in this budget item since 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).

Response

As explained in response to question 4.1, the data required in Excel format are presented in the tab entitled “Q 4.1 à 4.4” in Appendix 1.

4.4 Please add a 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

Response

As explained in response to question 4.1, the data required in Excel format are presented in the tab entitled "Q 4.1 à 4.4" in Appendix 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.

Response

Gaz Métro notes that the Exhibit in reference (i) has a variance with the Exhibit in reference (ii) for 2007-2008 of $ 2.9 million with respect to operating expenses. This variance comes from a contribution to the pension plan for management incurred in 2008, but postponed to the 2011 rate year following the Régie's decision in the 2008Annual Report (D-2009-078, R-3680-2008, pp. 5-9). A version of the Exhibit Gaz Métro-12, Document 12 has been therefore revised and filed to reflect the final amount of operating costs of $132.7 million (versus $135.6 million).

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)

<u>Preamble</u>

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

<u>Questions:</u>

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.

Response

As explained in response to question 4.1, the data required in Excel format are presented in the tab entitled “Q 5.1 et 6.1” in Appendix 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.)

Response

See response to 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 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.

Response

As explained in response to question 4.1, the data required in Excel format are presented in the tab entitled "Q 5.1 et 6.1" in Appendix 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.)

Response

See response to 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)

<u>Preamble</u>

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

<u>Questions</u>

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

Response

As explained in response to question 4.1, the data required in Excel format are presented in the tab entitled "Q 7.1" in Appendix 1.

7.2 Using the approved annual escalator, please provide two charts similar to the referenced Charts that uses 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.

Response

See response to 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.)

Response

See response to 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.

Response

See response to 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 and Forecast 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**	**$107.5m**	**n/a**
Benefits	**n/a**	**$47.1m**	**n/a**
Other Expenses	**n/a**	**$47.6m**	**n/a**
Capitalization	**n/a**	**($41.0m)**	**n/a**
Corporate Charges	**n/a**	**$ n/a**	**n/a**
TOTALS from ref (ii)	**167.6 F**	**161.2 A**	**187.7 F**
Total salary costs (*masse salariale*) 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.

Response:

Gaz Métro confirms the data and the sources of the data presented in the preamble. Please see below for the duly completed table from the preamble.
(Translator note: Table in original is in English so to save time I took a snapshot. Look at original if you need better resolution).

OC Compilation Of Compensation and Other Distribution Expenses for 2012 and 2013 (September 30)			
Cost Component	2011-2012 Budget	2011-2012 Réel	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 (*masse salariale*) 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.

Response:

Please refer to note (d) at revised Exhibit GM-12, Doc 16, p. 1.

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

Response:

CONCILIATION DES SALAIRES	2011-2012 Budget	2011-2012 Réel	2012-2013 Budget
Salaires selon : 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)	(0,4)	(0,3)	0,7
Salaires selon : B-0175, GM-12, Doc. 16, page 1	108,5	110,0	114,9

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)	(0,1)	0,1	0,7
Avantages sociaux selon : B-0175, GM-12, Doc. 16, page 1	48,5	49,0	68,9

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

The data relative to “Other Expenses” are presented at the tab entitled “Q 4.1 a 4.4” of Appendix 1. Moreover, as indicated in the answer to question 4.2, no expense was recorded in the budget item “corporate charges” since 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.

Response:
Please refer to the response to the UMQ’s question 2.6.4 to 2.6.6 (GM-18, doc 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.

Response:
Please refer to the response to 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.

Response:
Please refer to Appendix 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.

<u>Questions</u>

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).

Response:

Gaz Métro understands that the cost of $38.286 million in OC's question should have read $39.286 million, as it appears in the reference (i). Please refer to the response to Régie question 9.4 in 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).

Response:

Gaz Métro believes that this issue is not relevant in the current filing as the use of previous methods to determine the pension fund expenses related to the post-employment benefits related to post-employment has been maintained in the 2013 rate case.

In addition, considering the question 10.2 and the following questions, Gaz Métro deems it appropriate to present a summary of events that occurred in two filings affecting the accounting for post-employment benefits.

First, we note that that as of several years (D-2001-109, page 46), Gaz Métro uses the method of actual disbursements to determine the expenses related to pension funds for unionized employees and management, as well as that related to the group insurance plan of retired employees, i.e. the contributions actually paid. A similar method to the actuarial method is used to determine the annual expense pension fund expenses for executives. These two methods will be referred to as "Previous Methods" subsequently herein.

In November 2011, Gaz Métro has asked the Régie to harmonize the treatment of expenses related to post-employment benefits with the treatment required under U.S. GAAP, i.e. accounting according to the actuarial method, a treatment that is similar to that prescribed under Canadian standards and IFRS standards, and this, as of October 1, 2012 (R-3773-2011).

In June 2012, the Régie issued a decision in the context of this case (D-2012-077) approving an amendment to the regulatory accounting policy such that expenses related to post-employment benefits are charged to cost of service according to the actuarial method rather than on the basis of actual disbursements; but refused, however, the creation in the rate base of the requested deferral accounts, as well as their amortization.

In July 2012, Gaz Métro has filed an application for review of the decision D-2012-077. Hearings were held on this subject in November 2012 and Gaz Métro is awaiting a decision from the Régie.

For the preparation of the 2013 rate case, Gaz Métro has filed an application for a stay (in the sense of a delay or deferral) in October 2012 in order to maintain the method based on actual disbursements (B-0008). The Board granted the request for a stay in decision D-2012-141 and thus, Gaz Métro has maintained the use of the Previous Methods for determining the post-employment benefits expense for the preparation of rate case in 2013.

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

Response:

Refer to appendices in Response to Régie Question 9.4 in GM-18, Doc 1.

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

Response:

Refer to appendices in Response to Régie Question 9.4 in GM-18, Doc 1.

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

Response:

No such document was filed by GM in the R-3773-2011 case.

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

Response:

Gaz Métro believes that this issue is not relevant in the current filing. Please refer to response to question 10.2.

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

Response:

Please refer to Appendix 3 with the Report entitled *Suivi de performance mensuel au 31 décembre 2012* (Monthly Performance Monitoring Report at December 31, 2012) on the Pension Fund Plans for Gaz Métro staff. This report is produced at our request by our actuaries at Aon on a monthly basis.

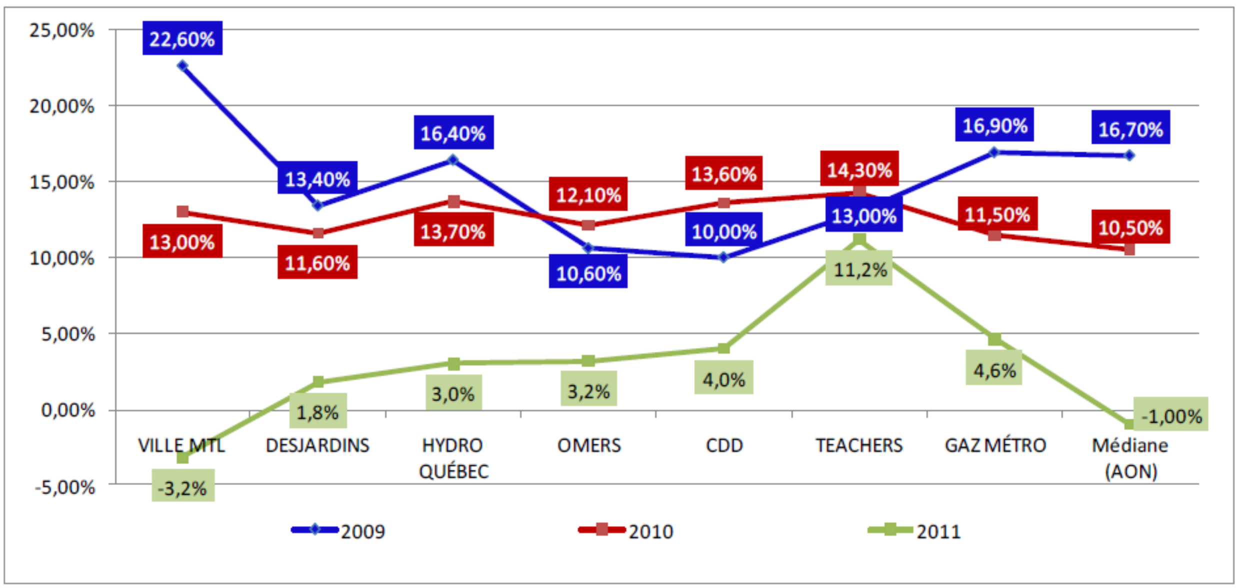
With respect to the projections for the year 2013, in addition to the information included in annual actuarial evaluation report as at December 31, 2012, which will be obtained at the end of summer 2013, actuaries produce no other projection.

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.

Response:

Information on Plan Performance of comparable entities for the year 2011/2012 is not available at this time. However, Gaz Métro refers to the following graph showing the performance of Gas Metro Pension plans for six comparable entities, as well as a median provided by our actuaries at Aon, and this, for the years 2009, 2010 and 2011. This median is based on the performance of pension plans for Aon clients, of which nearly 150 are located in Quebec, 30 in Ontario and 20 in the other Canadian provinces.



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.

Response:

Gaz Métro believes that this issue is not relevant in the current filing. Please refer to response to question 10.2.

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

<u>Preamble</u>

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 deprecation 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 *(account already exists under Canadian GAAP, but outside rate base)* [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.

Response:

Gaz Métro believes that this issue is not relevant in the current filing. Please refer to response to 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.

Response:

Gaz Métro believes that this issue is not relevant in the current filing. Please refer to response to question 10.2.

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

Response:

Gaz Métro believes that this issue is not relevant in the current filing. Please refer to response to 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.

Response:

Gaz Métro believes that this issue is not relevant in the current filing. Please refer to response to 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).

Response:

Gaz Métro believes that this issue is not relevant in the current filing. Please refer to response to 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?

Response:

Gaz Métro believes that this issue is not relevant in the current filing. Please refer to response to question 10.2.

SHARING METHODOLOGY FOR OVER- AND UNDER-EARNING FOR 2013

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

Questions:

13.1 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.

Response:

Apart from the expenses that cannot be forecast during the establishment of rates and that are subject to a regulatory treatment to capture these effects in a deferral account, there is no other discretionary treatment possible.

For a complete list of deferral accounts, please refer to the response to the Régie's question 20.1.1, in Exhibit Gaz Metro-18 Document 1.

13.2 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.

Response:

In addition to revenue that should be matched to the level of expenditure incurred (e.g. Green Fund (*Fonds Vert*)) and subject to a regulatory treatment to capture these effects in a deferral account, there is no other discretionary treatment possible.

For a complete list of deferral accounts, please refer to the response to the Régie's question 20.1.1, in Exhibit Gaz Metro-18 Document 1.

13.3 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.

Response:

Appendix 9 presents for each of the fiscal year from 2001/2002 to 2011/2012 the sharing of over- or under- earnings according to the sharing mechanism in effect during the reference year compared to the sharing mechanism proposed for fiscal year 2013. The analysis cannot be performed for the year 2000/2001; the information disclosed in the annual report does not allow us to establish the over-earnings for each service.

It is important to remember that unlike previous years, for fiscal 2013, no productivity gains have been integrated in the rate filing because the rates are being set according to the cost of service. The amount of the bonus integrated into the rate filing for each fiscal year was therefore added to the analysis in order to determine the difference in the additional return attributed to associates considering the integrated bonus for each rate filing.