

RÉGIE DE L'ÉNERGIE

DOSSIER : R-4156-2021, Phase 2

**EGI – DEMANDE CONJOINTE RELATIVE À LA FIXATION DE TAUX DE RENDEMENT
ET DE STRUCTURES DE CAPITAL**

**DEMANDE DE RENSEIGNEMENTS N° 1
DU DR. BOOTH À ÉNERGIR**

Montréal, le 25 février 2022

**INFORMATION REQUESTS N° 1
OF DR. BOOTH TO ÉNERGIR ON BEHALF OF THE INDUSTRIAL GAS USERS
ASSOCIATION (« IGUA »), THE ASSOCIATION DES HÔTELIERS DU QUÉBEC ET
ASSOCIATION RESTAURATION QUÉBEC (« AHQ-ARQ »), THE CANADIAN
FEDERATION OF INDEPENDENT BUSINESS (« CFIB ») AND OPTION
CONSUMMATEURS (« OC ») ON SETTING RATES OF RETURN AND CAPITAL
STRUCTURES**

ORGANIZATIONAL STRUCTURE

1. **Requests:**

- 1.1 Please provide an organizational table showing the ownership structure of Énergir and explain how that structure has changed since 2011.
- 1.2 Please indicate the final price paid for Enbridge Inc's shares in 2021 when Trencap assumed 100% ownership and the book value per share as of the closing date.

ALLOWED RETURNS

- 2. **References:** (i) R-3724-2010 Phase 2, exhibit [B-11-GI-30](#), doc. 1.1.
(ii) R-3690-2009, exhibit [B-24](#), p. 58.
(iii) R-3752-2011, exhibit [B-0057](#), graph. 1-3

Requests:

- 2.1 Please provide a table of the basic allowed ROE, the incentive ROE from performance-based regulation, the actual ROE, and the long Canada bond yield at the time of rate setting for each year since 1990.
 - 2.1.1. With respect to the references (i) and (iii), can you explain any differences with your answer at 2.1.
- 2.2 Please provide a brief explanation of how the allowed ROE was determined in each year in answer to 2.1 above.
- 2.3 Please indicate for any year where the basic allowed ROE in 2.1 above has not been achieved the reasons for the under earning and whether it is likely to re-occur in the future.
- 2.4 Can Énergir share if the compensation package of its leadership team has a KPI related to earnings in excess of its approved rate of return.

- 2.5 Please provide a table of the annual dividend per share, earnings per share and book value per share for each year since 2000 and indicate whether its parent has injected new equity into Énergir (GMI) at any time since 2000 or simply adjusted the dividend payment to maintain the deemed common equity ratio.
- 2.6 Please provide the cumulative value of earnings in excess of the allowed ROE from 2000 to 2021, where annual over earnings are cumulated at the allowed ROE.
- 2.7 With respect to the reference (iii), please update the graphic 1, 2 and 3.

FINANCING

3. **Requests:**
 - 3.1 For all debt issues made by or passed on to Énergir (Gaz Metro) and included in rates since 2000, please provide the amount of the issue, the coupon, the all-in cost, the maturity date of the issue and the yield on both A bonds and benchmark Canada bonds of the same maturity at the time of issue.
 - 3.2 Please provide a full history of the bond rating for the issues in 3.1 above by DBRS and other rating agencies since 1990.
 - 3.3 Please provide the monthly yield of a representative long-term bond issued by Énergir (GMI) and that of an equivalent maturity long Canada bond since 2000 and indicate the identity of the representative Énergir (GMI) bond.
 - 3.4 Please provide a list of all documents provided by Énergir to both S&P and DBRS at the time of their last discussions on Énergir (GMI)'s bond rating. In particular, copies of any presentation slides provided to the rating agencies on Énergir (GMI)'s risk.

BUSINESS RISK

4. **Requests:**
 - 4.1 Please provide a full list of the deferral accounts currently available to Énergir (Gaz Metro) and estimate the percentage of both costs and revenues covered by the deferral accounts.
 - 4.2 Please indicate the date when each deferral account was requested and the reason for the request as well as any deferral accounts that are no longer in operation.
 - 4.3 Please indicate if Énergir (GMI) intends to request any future deferral accounts in the next 2-3 years and the reason for the intended request.
 - 4.4 Please provide the balances in the deferral accounts at the end of each fiscal year since

2000.

- 4.5 Please provide a breakout in terms of both volumes and dollars of the revenue requirement and revenues achieved according to the following classifications: industrial, commercial, residential, other for each year since 2000.

GAS SUPPLY

5. **Request:**

- 5.1 Please provide a copy of any gas supply studies performed by Énergir (GMI), its consultants or provided to it by TransCanada since 2011 and discuss whether there have been any changes in supply risk since that time.

COMPETITIVENESS OF NATURAL GAS IN QUEBEC

6. **Requests:**

- 6.1 Please provide an analysis of the relative cost of natural gas versus electricity and fuel oil or other energy sources for a typical customer in the following categories for each year since 2000:
- 6.1.1. Residential using natural gas for heating and cooking
 - 6.1.2. Commercial using natural gas for heating
 - 6.1.3. Large volume Industrial users
 - 6.1.4. Small volume industrial users
- 6.2 Please provide an analysis of the competitiveness of natural gas for new residential customers in new developments relative to electricity.
- 6.3 Please indicate the percentage of new residential housing that choose natural gas, electricity and other fuels for each year since 2000 in Énergir (GMI)'s franchise area.
- 6.4 Please indicate the typical cost of converting a current residential natural gas user to electricity and break out the cost into:
- 6.4.1. The cost of removing and repairs of existing furnace and ductwork.
 - 6.4.2. The cost of installing the cheapest electricity "furnace" (heat pump?) to replace a gas furnace.
- 6.5 In the case of a heat pump please discuss the feasibility of air versus ground heat pumps in Énergir (GMI)'s franchise area for residential users and provide pictures of any such typical installations that have so far occurred.

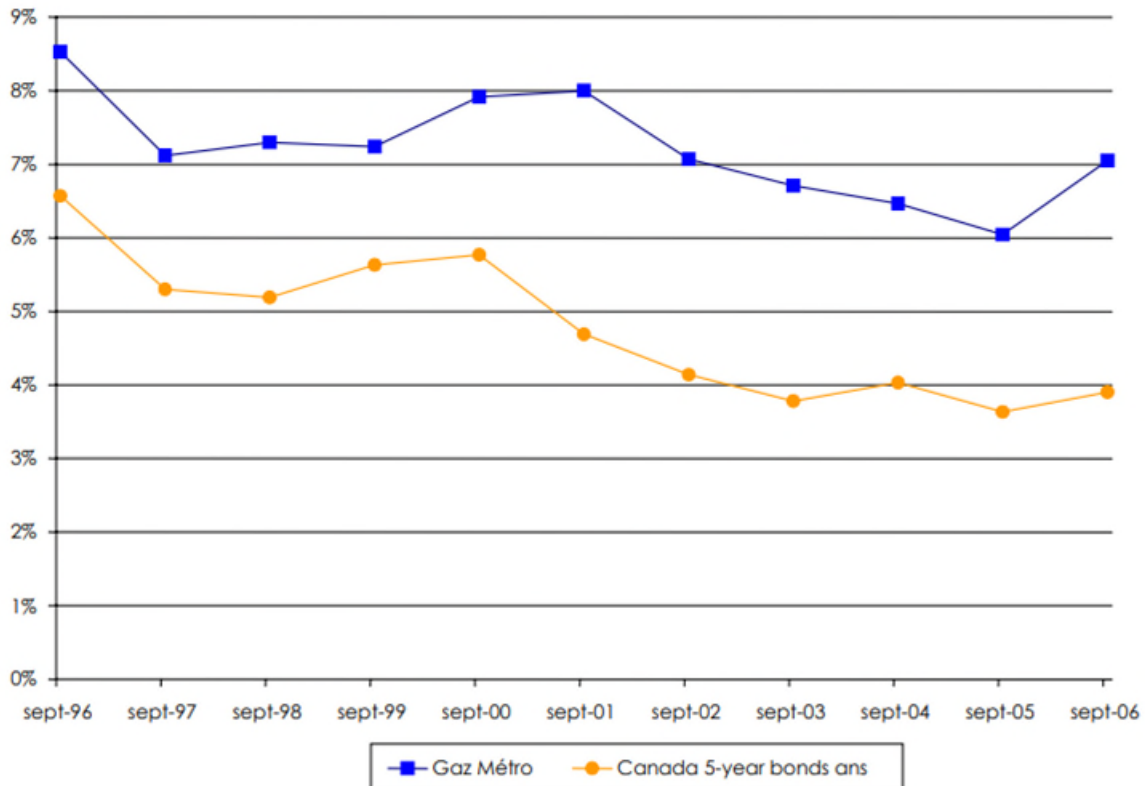
LIMITED PARTNERSHIP STATUS OF GAZ METRO (2006)

7. Reference: (i) Gaz Métro, [Annual information form 2006](#), p. 29.

Preamble:

- (i) *“Given the limited partnership status of Gaz Métro and the fact that it pays virtually all of its income to its Partners for every fiscal year, the financial markets consider Gaz Métro’s units to be more like income securities than common shares. Therefore, it is not very meaningful to compare the return on Gaz Métro’s units to the total return of the Toronto Stock Exchange’s gas and electrical companies’ index*

For information purposes, the following graph shows the evolution of the yield on 5-year Canada bonds and the return on Gaz Métro’s units since September 30, 1996. The return is calculated by dividing the annual distribution by the market value of Gaz Métro’s units on September 30 of each year.”



Requests:

- 7.1 Please update the above graph to December 2021 and indicate whether the statement still applies now that GMLP/Valener is no longer publicly traded.
- 7.2 Please provide the underlying data presented in 7.1 above back to the time when GMLP became a publicly traded limited partnership in 1993 and when Valener was delisted.
- 7.3 If the statement no longer applies, please explain why not and any public statements that Trencap have made concerning its own financial targets and reference point for its ownership of Énergir (GMI).

DELISTING OF VALENER

8. **Reference:** (i) Valener, [MD&A 2019 Q3](#), p. 2.

Requests:

- 8.1 Please explain the relationship between Énergir, Noverco and Valener at the time of its delisting in 2019.
- 8.2 Please provide copies of any public statements made by Énergir on the reasons for it assuming 100% ownership of Valener in 2019.
- 8.3 Please provide the purchase price for the Valener shares and their book value and the overall cost of the purchase when Valener was delisted in 2019.
- 8.4 Valener's 2019Q3 MD&A indicates a book value per share of \$11.98, please confirm.
- 8.5 Please provide an effective (beneficial) ownership chart of Valener both before and after the delisting.
- 8.6 Please outline the ownership changes that have occurred since 2019 and the involvement in Trencap.
- 8.7 Please provide copies of any brokerage reports discussing the purchase of Valener's shares in 2019 and the analyst recommendations.
- 8.8 Please provide the book value of Valener's shares and the prior GMLP units for each quarter since 2000 until delisting along with the share price at the close of each quarter and the associated price to book ratio. Please indicate any reasons why the calculated price to book is not representative of the typical trading value of the price to book during that quarter.

DISTRIBUTIONS OF GAZ METRO SHARES TO VALENER

9. Reference: (i) Valener, [Short Form Prospectus 2012](#), p. 9.

Preamble:

- (i) *“In addition, the Limited Partnership Agreement provides that any new units to be issued by Gaz Métro shall first be offered to each of Valener and GMi, which may purchase a number of new units corresponding to their respective pro rata share of units of Gaz Métro at fair market value, as determined by the board of directors of GMi (the “Pre-Emptive Right”). Each of Valener and GMi shall have a period of 60 days to confirm its intention to exercise its Pre-Emptive Right and commit to complete its capital injection, failing which it shall be deemed to have waived its Pre-Emptive Right, and, if the Pre-Emptive Right is exercised, up to six months (subject to certain exceptions) from the date of expiry of the 60-day acceptance period to complete its capital injection, failing which no new units shall be issued to such party, without limiting any available recourses of Gaz Métro.”*

Requests:

- 9.1 Please indicate all such offerings by Gaz Metro to Valener since 2012 reporting:
- 9.1.1. Please indicate the ownership structure of Gaz Metro at the time
 - 9.1.2. The price set by the Board on the offerings
 - 9.1.3. The book value per share of the shares offered
 - 9.1.4. The effective price to book at the offer price
 - 9.1.5. The total amount of the offering
 - 9.1.6. The effective date for the offer and settlement of the shares
- 9.2 Please indicate whether Énergir judges that the offer price paid by Valener for the Gaz Metro shares was fair and reasonable and an accurate reflection of the value attributed to its then allowed ROE and capital structure.

VALENER (GMLP/ÉNERGIR) BUSINESS RISK

10. Reference: (i) Valener, [MD&A 2019 Q3](#).

Requests:

- 10.1 In the MD&A 2019 Q3, Valener indicates that it has 9% debt in its capitalization, please confirm that this debt is in addition to the debt of the regulated utility. Please indicate and discuss whether this means that there was double leverage at the time and that the effective debt ratio for Énergir/ GMI was greater than the deemed debt ratio set by the Régie.
- 10.2 Please confirm that in its 2019 MD&A (page 19), Valener reported that the use of deferral accounts meant that:
- “Given these factors, year-over-year changes in revenues or gross margin do not necessarily lead to corresponding changes in net income. The key factors contributing to this segment's results are the authorized rate of return, the capital structure, the rate base level.”*
- Please confirm that Énergir either does or does not continue to judge that this description is correct for its operations.
- 10.3 Please confirm that in the 2019 Q3 MD&A, there was no material discussion of any business risks faced by Valener's Quebec distribution assets except for the above fact that the key factors in this segment's operations is the allowed ROE and capital structure set by the Régie.
- 10.4 Does Énergir agree that it is required under securities law to divulge all material facts about its operations and the absence of such discussion in its 2019Q3 MD&A indicates the absence of such risks at that time?
- 10.5 Please indicate any subsequent disclosures made by Énergir to securities regulators about material factors that may affects its operations and the prices of any publicly traded securities.