

Interrogatory Requests to Union Gas From APPrO

1. New Services

References:

- EB-2007-0606, Exhibit B, Tab 1, Page 1, Paragraph 1.0
- EB-2005-0551, Union Settlement Agreement, Page 12 & 16
- EB-2007-0630
- Ontario Power Authority (OPA) Clean Energy Standard Offer Program (CESOP)

Question:

Union is requesting an Incentive Regulation (IR) period of 5 years.

- a. Please indicate what new services for gas fired generation, Union is contemplating making available in Union Southern, Northern and Eastern Regions during the IR period?
- b. Is Union open to offering new services for generators during this IR period, and if so what process does Union expect to follow to obtain input from existing and prospective generators in order to offer these services on a timely basis?
- c. Certain non utility generator (NUG) power purchase contracts are likely to come due during the IR period.
 - i. Will NUG generators have access to the same new services offered by Union as a result of the NGEIR proceeding?
 - ii. If not please indicate which services will not be available and why.
 - iii. How will the NUG generators in Union's Northern and Eastern Region get access to similar services as offered by Union in the NGEIR proceeding?
- d. Union has noted that no later than March 31, 2009 Union will meet with interested parties to discuss the experience with services resulting from the NGEIR process and receive requests for further modifications of the service. Would Union be open to expanding the scope of this consultation process to include other potential services for generators?
- e. The Board has initiated a process to look at certain aspects of electricity rates and other matters relating to Distributed Generation (DG). The OPA has also initiated a CESOP program for generation up to 10 MW. Some DG and CESOP initiatives will use natural gas to generate electricity at peak times of the day. These programs may require additional gas related services or features from the LDC to accommodate these new programs. Has Union developed any services to accommodate these generation programs? If so please describe them, if not please indicate if Union is prepared to work with generators to identify and implement new services that have similar features (such as access to high deliverability storage, pooling of nominations, and more frequent nomination windows) to the services that were implemented in the NGEIR process.
- f. For large volume T-1 and U-7 customers connecting directly to the Dawn-Trafalgar in close proximity to Parkway or a third party pipeline, Union

has agreed to allow for the Billing Contract Demand quantity to be set at a level that recognizes the economics of the facilities over the contract term, please indicate:

- i. How these rates will be determined over the term of the IR if a customer wishes to use this service option during the term of the IR?
- ii. Will Union make a similar service available for power generators in Union's Southern, Northern and Eastern Regions?

2. Impact on NGEIR Services

References:

- EB-2007-0606, Exhibit B,

Question:

- a. Please describe how T-1 and U-7 rates will be affected by Union's IR proposal during the IR period.
- b. Please describe how Rates 20, 25, 100 and CBS rates in Union North/East will be affected by Union's IR proposal during the IR period.
- c. Given Union's proposal to implement a price cap for its customers, and the limited experience with F-24-T to date, please describe how F-24-T rates will be affected by the IR proposal over the IR period.
- d. Please describe how M12 rates will be affected by Union's IR proposal during the IR period.
- e. Union had required some threshold capacity to be met to offer F-24-T service. Please indicate Union's progress in securing sufficient market demand to continue to offer F-24-T service
- f. Union's T-1, U-7, and Rate 25 rate schedules provide for an interruptible component of the rate. Please describe how these rates will be negotiated under Union's proposed IR plan.
- g. Under Union's T-1 rate schedule the customer may provide its own fuel to provide for storage injections and withdrawals. Moreover Union has offered through an open season certain high deliverability storage services. These high deliverability or other services may include the development or use of additional compression to enable to Union to provide these services. In developing new storage services Union may have the option to construct various types of plant to provide a service (for example to improve storage deliverability, Union may be able to either add new compression or add new wells). Please indicate:
 - i. Since fuel is a pass through cost and is uniform across all shippers, how does Union take the incremental cost of fuel into account when evaluating the feasibility options to add new facilities to provide new storage services?
 - ii. If new facilities chosen to provide such services that are subject to rate forbearance, that result in incremental fuel (above the average fuel requirements) required to provide such service that is subject

to forbearance, will Union absorb the incremental cost of such fuel?

3. Impact on NGEIR Services

References:

- EB-2005-0551 Union Gas Settlement Agreement June 13, 2006
- EB-2005-0551 Union Evidence Tab 4, Page 23

Question:

- a. Union notes on page 13 of the Settlement Agreement that it requires 12 months to develop the necessary IT systems to implement F24-T, F24-S, UPBS and DPBS following a Board Decision. Union also notes on page 23 of Tab 4 of its NGEIR evidence that the IT costs are expected to be \$3.85 million. Please indicate:
 - i. Union's current estimate (or actual) costs to make these IT changes.
 - ii. Since these IT changes are required to support both cost based (F24-T) and market based services (F-24-S, UPBS, and DPBS), please indicate the costs that will be allocated to F24-T during the IR period, the rationale for this allocation and how this allocation may change over the IR period.
- b. Union agreed on page 11 of the Settlement Agreement to evaluate the possibility of extending the additional nomination windows as found in its F24-T service to its C1 Service between Dawn and certain border points including Ojibway, Bluewater and St. Clair.
 - i. Please provide a current status of this evaluation.
 - ii. What outcomes have resulted from this evaluation?
 - iii. What issues or concerns, if any, has Union identified with implementing such nomination windows?
 - iv. What are the next steps to implement such nomination windows?
- c. Union agreed on page 12 of the Settlement Agreement to convene and industry task force to investigate and develop, where feasible, appropriate arrangements for services that would enable Union to accept nomination changes each hour throughout the day.
 - i. Please provide a current status of the findings from such task force.
 - ii. What issues or concerns, if any, has Union identified with implementing such nomination windows?
 - iii. What are the next steps?

4. Z Factor

References:

- EB-2007-0606, Exhibit B, Tab 1, Paragraph 5.9

Question:

- a. Please confirm that Union's IR proposal provides sufficient access to capital to construct facilities for new gas fired generation projects provided that such projects meet Union's economic tests.