

UNION GAS LIMITED

Answer to Interrogatory from  
TransAlta Cogeneration L.P. and TransAlta Energy Corp. ("TransAlta")

*Reference: Exhibit B, Tab 1, page 9, 17-18*

*Issue 1.1 - What are the implications associated with a revenue cap, a price cap and other alternative multi-year incentive ratemaking frameworks?*

***Question:***

*Preamble: A number of large natural gas consumers including electricity generators require detailed understanding of the potential changes in rates and services and the impacts of Union's proposed IR plan in order to: (i) assess the resulting rate change impacts on customers; (ii) make informed choices on rates and services; (iii) identify any issues that may impede or support electricity generation in the province of Ontario; (iv) allow for prudent budgeting and planning; and assess the relative rate and cost allocation implications of the IR model selected by Union. Currently, the rate-making process and rate impacts associated with Union's proposed price cap IR model are uncertain and it is challenging for customers to assess each of the above-mentioned factors.*

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Answer: September 4, 2007  
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- a) Please complete the chart below. Where exact numbers are not known, please identify the same and provide for estimates using reasonable and identified assumptions.

Rate Schedule (a)		Current Average Unit Rate (b)	Proposed 2008 Average Unit Rate (c)	% Change  Column (b) vs. Column (c) (d)
T1	Monthly Charge Storage Transportation			
M2	Monthly Charge Storage Delivery Commodity			
M12	Demand Charge Delivery Commodity			

- b) Assume that: (i) Union's IR plan is implemented as proposed (including all proposed Y and Z factors) (ii) none of the proposed Y and Z factors are allowed by the Board; and (iii) please complete the following chart for each scenario. In the event that the elements of each rate cannot be estimated, please complete the chart using reasonable and identified assumptions and/or estimate for the overall rates.

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Rate Schedule (a)		Current Rates (a)	Proposed 2008 Average Unit Rate (b)	Proposed 2009 Average Unit Rate (c)	Proposed 2010 Average Unit Rate (d)	Proposed 2011 Average Unit Rate (e)	Proposed 2012 Average Unit Rate (f)	% Change Column (a) vs. Column (f)
T1	Monthly Charge Storage Transportation							
M2	Monthly Charge Storage Delivery Commodity							
M12	Demand Charge Delivery Commodity							

**Response:**

- a) Please see interrogatory response provided at Exhibit C2.2 a).
- b) The Y factors Union has proposed at Exhibit B, Tab 1 p.37-39 of Union's Evidence include items such as upstream cost of gas and transportation, DSM, and the elimination of the sharing of LT storage premiums where there already is a Board approved rate making framework established that would not be affected by Union's incentive regulation proposal. Union is not seeking approval of any specific Z factors in this proceeding.

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*Reference: Exhibit B, Tab 1, page 9, 17-18*

*Issue 7.1 - How should the impacts of NGEIR decisions, if any, be reflected in rates during the IR plan?*

***Question:***

- a) *Please identify any and all changes to base rates resulting from NGEIR that have been incorporated into the EB-2005-0520 Draft Rate Order.*
- b) *Please identify any and all changes to rates resulting from NGEIR that have yet to be incorporated into the EB-2005-0520 Draft Rate Order.*
- c) *Please provide, in unit rate (\$/GJ) and by percentage, the current estimated impact of these NGEIR changes estimated in the components provided in the tables provided in (b) above for 2008-2012.*
- d) *Please provide any and all: (i) rate impacts; and (ii) change in services or fees that Union has included in its evidence and/or intends to bring forward following the Board's decision in EB-2006-0322; EB-2006-0338; EB-2006-0340.*

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**Response:**

- a) The following changes were incorporated into the EB-2005-0520 Rate Order as a result of the NGEIR decision.
  - The Enbridge long term storage contracts originally forecast at market prices were included at cost based rates.
  - Adjusted the sharing of short term transactional S&T margin from 100% ratepayer to 90% rate payer/10% shareholder.
  - Union removed the M12 transportation premiums associated with the Phase I and II of Dawn-Trafalgar expansion.

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- b) No changes remain to be incorporated into the EB-2005-0520 Rate Order. The following impacts associated with the NGEIR decision that are yet to be incorporated into future Rate Orders are:
- Phase out the sharing of long term storage margins.
  - Adjustment to the sharing of short-term storage margins (pp. 99-103 of NGEIR decision).
  - Any changes resulting from the Board's directive to review the T1 storage allocation.
- c) Please see the attached schedule.
- d) Union is not bringing forward any change in services or fees as a result of the Board's EB-2006-0322, EB-2006-0338, and EB-2006-0340 decisions.

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Summary of S&T Transactional Margin Included in Rates - 2007 to 2012

Line No.	Particulars (\$ 000's)	Total Revenue (1) (a)	Allocated Cost (2) (b)	Total Margin (c) = (a - b)	Included in 2007 Rates (d) = (c) * 90%	Included in 2008 Rates (e)	Included in 2009 Rates (f)	Included in 2010 Rates (g)	Included in 2011 Rates (h)	Included in 2012 Rates (i)
	Short Term Storage & Balancing Services									
1	Short Term Peak Storage	13,794	847	12,947						
2	Off Peak Storage, Balancing & Loans	4,092	1,285	2,807						
3	Enbridge LBA	75	-	75						
4	Total Short Term Storage & Balancing Services	<u>17,961</u>	<u>2,132</u>	<u>15,829</u>	<u>14,246</u>	<u>11,254</u>	<u>11,254</u>	<u>11,254</u>	<u>11,254</u>	<u>11,254</u> (3)
5	Total Long Term Peak Storage Services	<u>42,058</u>	<u>20,653</u>	<u>21,405</u>	<u>19,265</u>	<u>16,054</u>	<u>10,703</u>	<u>5,351</u>	<u>-</u>	<u>-</u> (4)
6	Total	<u>60,019</u>	<u>22,785</u>	<u>37,234</u>	<u>33,511</u>	<u>27,308</u>	<u>21,957</u>	<u>16,606</u>	<u>11,254</u>	<u>11,254</u>
7	Difference from previous year					(6,202)	(5,351)	(5,351)	(5,351)	-

Notes: (1) EB-2005-0520, Rate Order, Working Papers, Schedule 6, Page 10, Col (g).  
(2) EB-2005-0520, Rate Order, Working Papers, Schedule 6, Page 10, Col (e).  
(3) EB2005-0551, Decision with Reasons, Section 9.1.2  
(4) EB2005-0551, Decision with Reasons, Section 7.3

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*Issue 7.1 - How should the impacts of NGEIR decisions, if any, be reflected in rates during the IR plan?*

***Question:***

- a) *Please describe any changes in services and impacts on rates related to any Union activities pertaining to requirement to provide in-franchise storage on a cost for service basis and ex-franchise storage on a market price basis.*
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**Response:**

Please see interrogatory response provided at Exhibit C27.2 b).

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*Issue 7.1 - How should the impacts of NGEIR decisions, if any, be reflected in rates during the IR plan?*

**Question:**

- (a) *How will the Y-factor expenses be reviewed, given that they are to be incorporated on an annual basis?*
  - (b) *How will any large increases in Y-factor expenses be incorporated, given that a large increase would have a significant impact if incorporated on an annual basis?*
  - (c) *Please confirm that there are no changes in the method determining the revenue requirement for, accounting for, and cost allocation of, storage and transportation costs under Union's price cap plan? In the event that this assumption is not correct, please describe precisely how storage and transportation costs will be determined and charged to customers. Will all storage and transportation costs be treated as Y factor expenses. If not, how is this accounted for in the IR plan?*
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**Response:**

- a) and b) They will be reviewed as part of the Rate Setting Filings under incentive regulation, the QRAM process, or the deferral account disposition process (see Union's evidence Exhibit B, Tab 1, pages 44-45).
- c) Revenue requirements and cost allocation are not features of Union's proposed incentive regulation plan. Storage and transportation (on system) prices will be adjusted annually based on the price cap formula.

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