

**BOARD STAFF INTERROGATORIES  
UNION GAS EARNINGS SHARING AND OTHER MATTERS EB-2010-0039**

**2009 Deferral Accounts, Market Transformation Incentive, and Tax Change Amounts**

**Account 170-70 Short-Term Storage and Other Balancing Services**

Ref: Exh A / Tab 1 / Page 6

1. Please provide a summary table with a break down of revenue, allocated costs, total margin, and the earnings sharing amount to customers for:
  - C1 off peak storage
  - Gas Loans
  - Enbridge LBA
  - Supplemental Balancing
  - C1 ST firm peak
  - C1 firm ST deliverability

**Account 179-72 Long Term Storage Services**

Ref: Exh A / Tab 1 / Page 6 -7

2. Please provide a summary table with a break down of revenue, allocated costs, total margin, and the earnings sharing amount to customers for :
  - High deliverability storage
  - T1 Delivery and upstream balancing
  - Downstream balancing
  - Dehydration Service
  - Storage Compression
  - C1 LT Storage
  - LT Peak Storage

**Account 179-113 Late Payment Penalty (LPP) Litigation Deferral Account**

Ref: Exh A/ Tab 1 / Page 13

3. Please provide the following information with respect to the LPP Litigation Deferral Account:
  - a. The amounts cleared for each of 2004, 2005, 2006, 2007 and 2008 with a breakdown for legal costs, actuarial advice and cost of analyzing historical billing records.
  - b. Will the LPP Litigation Deferral Account be required after 2011? If yes, please provide an explanation.

Ref: Exh A/ Tab 1/ Page 14

4. In the Enbridge case, the Supreme Court ruled that the LPP charge constituted a criminal interest rate. How long after that decision was issued did Union implement a new LPP methodology which addressed the court ruling? If there was a delay, please explain why.

**Account 179-115 Shared Savings Mechanism Variance Account**

Ref: Exh A / Tab 1 / Pages 19

5. The evidence indicates that in accordance with previous Board-approved practice, Union is proposing to clear the recorded SSM balance related to unaudited 2009 DSM activities. Please indicate when the audited balances will be available and filed with the Board.

### **Account 179-120 International Financial Reporting Standards Conversion**

Ref: Exh A / Tab 1 / Pages 20-21

6. Please provide the following information with respect to the International Financial Reporting Standards Conversion Deferral Account.
  - a. A detailed breakdown of Consulting costs for 2008 and 2009.
  - b. A detailed breakdown of employee costs for 2009.
  - c. Please provide a breakdown of the IFRS Conversion Costs between capital and operating expenditures

### **Accounts 179-121 and 179-122 Cumulative Under- recovery St. Clair Transmission Line and Impact of Removing St. Clair Transmission Line from Rates**

Ref: Exh A / Tab 1 / Pages 23-24

Preamble: Union notes that it will track the ratepayer credit in Deferral Account 179-122 based on a sale date later than March 1, 2010. The Board's Decision in EB-2008-0411 stated, in paragraph 20, "The Board finds that the account should record the impact of removing the St. Clair Transmission Line (and related St. Clair River Crossing) from rates (including all rate base and OM&A consequences) effective March 1, 2010 until such date that the Board adjusts Union's rates to remove the St. Clair Line. This is consistent with the Board's determination that the net gain on the sale should be determined as of March 1, 2010 and is appropriately flexible to allow the Board to adjust Union's rates to remove the St. Clair Line at an appropriate date."

7. Please provide the following information with respect to Accounts 179-121 and 179-122.
  - a. Please confirm whether or not Union is recording the impact of removing the St. Clair Line from rates as of March 1, 2010 as ordered by the Board in EB-2008-0411.
  - b. Please provide an update on the status of the Dawn Gateway Pipeline project.

### **2009 Earnings Sharing and Utility Financial Reporting**

Ref: Exh A / Tab 2

8. Please provide the December 31, 2009 audited consolidated financial statements of Union Gas Limited.

Ref: Exh A / Tab 2

9. Please provide the financial statements of each of the corporate entities that are consolidated into the Union Gas Limited December 31, 2009 Consolidated Financial

Statements requested above. Please provide the 2009 unconsolidated financial statements either audited or unaudited of the company that owns the distribution business that underpins the Ontario regulated utility disclosures for which the earnings sharing calculation applies.

Ref: Exh A / Tab 2

10. Please provide a reconciliation (similar to that found in the evidence of Enbridge in EB-2010-0042 at reference Exhibit B/Tab 1/Sch 4/Page 1/4) of the 2009 audited consolidated income statement for Union Gas Limited with the Utility Income Statement for the 2009 Historical Year that is used in the Earnings Sharing calculations.

Ref: Exh A / Tab 2

11. Please provide all the information and the calculation used to determine the benchmark ROE as well as the current ROE, including all work sheets.

### **Allocation of Costs between Union's Regulated and Unregulated Storage Operations**

Ref: Exh A / Tab 4

12. Please indicate if Union is planning to file a cost allocation study as part of its 2013 Cost of Service filing.

Ref: Exh A / Tab 4

13. Please explain why the 2007 cost allocation study would still be relevant today when that study was filed in 2005, completed prior to that date and approved as part of a Settlement Agreement. Are the allocators used in the 2007 study still valid today given lower average uses, as well as the lower cost of gas?

Ref: Exh A / Tab 4

14. Please provide details of any differences between the proposed cost allocation methodology and the referenced 2007 cost allocation study.

Ref: Exh A / Tab 4 / Page 5

15. Please explain why in most instances the allocation factor is a ratio while for third party storage space a dollar amount is used. Please indicate the level of revenues associated with the third party storage costs.

Ref: Exh A / Tab 4 / Page 6

16. Union has provided a list of storage assets and information on separation of existing underground storage assets between regulated and unregulated storage operations. Please explain whether cushion gas a part of the storage assets and has it been allocated between regulated and unregulated operations? Please provide a detailed response including the allocation percentage of cushion gas.

Ref: Exh A / Tab 4 / Page 16

17. On lines 10-12, it is indicated that the operating costs related to individual storage pools are separated between unregulated and regulated storage the same way the storage pool assets are allocated. Please answer the following questions:

- a. Are some storage pools identified or tagged as serving the regulated and unregulated businesses?
- b. If answer to (a) is Yes, please provide details of the storage pools that serve the unregulated business including the amount of cushion gas in these storage pools.

Ref: Exh A / Tab 4 / Page 14

18. The evidence indicates that the costs of new storage projects constructed subsequent to the NGEIR Decision in 2006 are fully charged to Union's unregulated storage operations. Please answer the following questions with respect to new storage development:

- a. How many new storage projects have been developed subsequent to the NGEIR Decision? Please provide a detailed response including costs.
- b. How much capacity has been added as a result of these new storage projects?
- c. Have all the costs for the development of unregulated projects been assigned on a fully allocated basis?
- d. Please provide the most recent total storage capacity for all of Union's storage operations.
- e. As new storage capacity is added, the proportion of unregulated storage will increase. How often does Union intend to update the allocation of costs between Union's regulated and unregulated storage operations?

Ref: Exh A / Tab 4 / Page 14

19. The evidence on page 14 specifies that if a project is a necessary part of normal business operations, then the new asset is split in the same way as the existing asset.

- a. What is the process for determining whether an asset is a part of normal business operations?
- b. Why would the new asset be split between the regulated and unregulated businesses when ratepayers are allocated a fixed amount of total storage capacity?
- c. Isn't the correct test that if the asset is not added or replaced and if the ratepayers still has access to 100 PJs, then the replacement would not be allocated to the regulated business? Please explain.