

**Ontario Energy Board**  
**Union Gas Limited – 2010 Earnings Sharing & Disposition of Deferral Accounts and Other**  
**Balances**

**EB-2011-0038**

**INTERROGATORIES OF FRPO**

Updates

References: Exhibit A, Pages 4 to 6

EB-2010-0039, Exhibit B1.01

EB-2010-0039, Exhibit B1.02

EB-2010-0039, Exhibit B3.38

EB-2005-0520, Exhibit J5.02, Attachment 1, Page 2

1. Please update the table labeled “2007 – 2009 Continuity: Short Term Storage Services Account 179-70” that Union provided as EB-2010-0039, Exhibit B1.01 to include the same information for 2010.
2. Please correct and update the table labeled “2007 – 2009 Continuity: Long Term Storage Services Account 179-72” that Union provided as EB-2010-0039, Exhibit B1.02 to include the same information for 2010.
3. Please provide plant continuity tables for Unregulated, Regulated, and Total Regulated and Unregulated for calendar year 2010 to update the tables Union provided as EB-2010-0039, Exhibit B3.38.
4. Please update the table Union provided as EB-2005-0520, Exhibit J5.02, Attachment 1, Page 2 to include the actual quantities for the years 2006 through 2010.

## Details of Short-Term and Long-Term Storage Revenue

Reference: Exhibit A, Tab 1, Schedule 6, Page 1

5. Please provide a table showing the 2010 short-term storage revenue of \$20.887 million broken out by service and by month.
6. Please provide the applicable contract quantities (e.g. space, maximum daily withdrawal, and maximum daily injection, in GJ or GJ/day) for each month of 2010 for each short term-storage service.
7. Please break out the total 2010 Long-term storage revenue of \$111.941 million by service, for each of the storage services listed below.

Long Term Storage

Long Term Peak Storage

High Deliverability Storage

T1 Market-Priced Deliverability

T1 Market-Priced Space

F24-S Service

Upstream Balancing Service

Downstream Balancing Service

Dehydration Service

Storage Compression

8. Please provide the amounts of long-term storage revenue and short-term storage revenue for 2010 that was derived from each of the following:
  - a) Storage services sold from Union's non-utility storage asset (i.e. storage space above 100 PJ and associated deliverability);

- b) Storage services sold from the 7.9 PJ of “surplus” utility storage;
- c) Optimization of the 92.1 PJ of utility storage currently included in rates; and
- d) Optimization of transmission line pack (e.g. standard pipeline park and loan services).

#### Customer-Supplied Fuel

Reference: Exhibit A, Tab 1, Schedule 6, Page 2, Line 5

- 9. Please confirm that none of Union’s customers for non-utility storage services with terms less than two years supply their own fuel.
- 10. Does Union offer short-term storage customers the option to provide their own fuel, or does Union require that fuel costs must be included in the contract price?

#### Short-Term Storage Service O&M

Reference: Exhibit A, Tab 1, Schedule 6, Page 2, Line 14

- 11. Please show in detail how the \$2.261 million labeled “Revenue Requirement on 7.9 PJs of excess in-franchise storage capacity” was calculated.
- 12. What is the relationship between this \$2.261 million and the base revenue requirement of \$0.599 million that was allocated to short-term C1 storage in the 2007 Cost Study? Is the \$0.599 million included in the \$2.261 million?
- 13. If the \$2.261 million represents the revenue requirement for a portion of Union’s storage plant, please explain why is this labeled as “O&M” on Page 1 of Schedule 6.

## Long-Term Storage Service Costs

Reference: Exhibit A, Tab 1, Schedule 6, Page 2, Lines 11 and 12

14. What assets are included in the 2010 unregulated rate base? Please provide a table showing the calculation of the unregulated rate base for 2010 and each of the three previous years.
15. Please explain what is meant by “return on purchased assets” and provide a table showing how this return and the underlying “rate base” are calculated.
16. Are the 3<sup>rd</sup> party storage costs used for calculating the long-term storage margin different from the amounts Union actually pays the 3<sup>rd</sup> party storage providers? If so, please provide a comparison of the return on purchased assets and the actual cost of the services.
17. Please explain what is meant by “Incremental Return”. Please show how the Incremental Return is calculated, including documentation supporting the return on equity.
18. Since the 179-72 Deferral Account is a component of Union’s regulated utility rates, please explain why Union should not use the Board-approved return for purposes of calculating the margin on long-term storage service. Please provide the derivation and bottom line result for Long-term Margin sharing that would have been calculated using the Board-approved return for each of the years 2008, 2009 and 2010.
19. Please identify the cost that is charged to the non-utility storage business for transporting gas between the Heritage storage pool and Dawn. Is the cost of transportation charged to Union’s non-utility storage business to move gas to and from the Heritage storage pool the same as the cost that would be paid by a non-affiliated storage operator under the M16 transportation rate schedule? If not, please explain the difference.

### One-Time Separation of Storage Plant

Reference: Exhibit A, Tab 4, Attachment 1, Schedule 5

20. If the separation of storage plant occurs on 12/31/2006, please explain why Schedule 5 of the Black & Veatch report shows a “one-time separation” of costs at 12/31/2007? Please confirm that the numbers shown in this schedule are correct. If not, what would be the percentage of unregulated storage assets using year-end December 31, 2007 values.

Reference: Exhibit A, Tab 4, Attachment 1, Pages 3-4 to 3-7

21. Is Union’s existing pipeline that extends from the Bickford storage pool and Dawn a storage line, or is it included in transmission plant?

### Non-Utility Storage Plant Percentage

Reference: EB-2010-0039, Exhibit A, Tab 4, Schedule 2

22. Please explain in detail how the storage space, storage deliverability and dehydration demand numbers shown on Lines 1 and 2 of EB-2010-0039, Exhibit A, Tab 4, Schedule 2 were calculated. Provide copies of the exhibits from EB-2005-0520 that support the storage space and storage deliverability numbers shown in the table.

23. Please explain why the number in line 5, col. (a) is not 90.3 (100 PJ minus 9.7 PJ of system integrity space).

24. Please explain why Union has assumed 1.2% deliverability for the 7.9 PJ of reserved utility space. Is it Union's position that if the Board approves its allocation methodology, as Union has requested, the cost-based storage deliverability available to utility customers will be permanently capped at 1.5 PJ per day?
25. Please define "space deemed unavailable". Why is "space deemed unavailable" included in the available storage space when calculating of the non-utility storage space allocator? What amount of space and deliverability is associated with "space deemed unavailable"? Are these fixed numbers or does Union adjust the "space deemed unavailable" from time to time?
26. Does Union consider allocation factors based on the numbers used in the EB-2005-0520 cost study to be a better measure of the relative use of the existing storage assets for utility and non-utility markets as of 12/31/2006 than allocation factors based on the actual storage assets and actual storage utilization on that date? Please explain your response.
27. In a scenario where a failure to deliver by a company at Dawn creates an inability for Union to meet all of its delivery commitments for that day:
- i) how would system integrity space be used to backstop Union's ability to meet as many commitments as possible?
  - ii) please describe Union's protocol for interrupting customers.
  - iii) are the customers to be interrupted more likely to be in-franchise customers or ex-franchise?

Storage Availability and Utilization as of 12/31/2006

References: EB-2010-0039, Exhibit A, Tab 4, Schedule 2

EB-2005-0520, Exhibit J5.02, Attachment 1, Page 2

28. For the questions below, please refer the following table, which shows the 2007 Forecast numbers from EB-2005-0520, Exhibit J5.02, Attachment 1, Page 2.

Space Available

Base	162.5
(Unavailable)	(0.7)
LNG	0.6
3 <sup>rd</sup> Party	1.1
Total Storage Space	163.5

In-Franchise

Union Requirement	63.8
Carriage	18.7
Contingency	9.7
Total In-Franchise Space	92.1

Ex-Franchise

Total Long-Term C1 Contracts	67.9
Total Short-Term Contracts	3.5
Total Ex-Franchise	71.4

Total Utilization	163.5
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a) Are the numbers Union used to derive the storage space numbers in EB-2010-0039, Exhibit A, Tab 4, Schedule 2 the same as the 2007 forecast numbers shown above? If not, please provide a full explanation of the differences.

b) Does the “Base” storage space of 162.5 PJ include Union’s share of the Enbridge Black Creek storage pool?

c) Please identify the storage operator supplying the 1.1 PJ of 3<sup>rd</sup> Party storage space, and provide a full description of the contract (i.e. term, MSQ, MDWQ, MDIQ, injection and withdrawal location(s)).

29. For each of the storage pools owned and operated by Union, please provide the total storage capacity as of 12/31/2006 (in GJ), the working storage capacity as of 12/31/2006 (in GJ), the design maximum deliverability for the 2006-2007 winter season (in GJ/day), and the highest actual daily withdrawal for 2006-2007 winter season (in GJ). Please also provide the coincident peak daily withdrawal for all pools during the 2006-2007 winter season (in GJ).

30. Please provide the maximum storage quantity and maximum daily withdrawal quantity for each third-party storage service contract that was in effect on 12/31/2006.

31. For each gas year (April-March), how does Union determine how much:

- i) space available for sale as non-utility?
- ii) deliverability availability for sale as non-utility?
- iii) Do those figures change throughout the year?
- iv) Is there a specific process that deems whether the space can be sold Short-term or Long-Term? If so, please describe the process and how often it is performed.



32. Please provide a detailed breakdown of the in-franchise storage requirement for 2006-2007, 2007-2008, 2009-2010 and 2010-2011 by operating area and class of customer. Please explain how these requirements were calculated.

Storage Availability and Utilization Since 12/31/2006

33. For each storage project undertaken by Union since 12/31/2006, identify the date the facilities were placed into service; the resulting changes in storage capacity, working capacity, and deliverability (total, and by storage pool); and the resulting changes to the storage plant accounts for each year. For projects implemented in multiple phases, please show this information for each phase.
34. Please provide Union's storage Index of Customers postings for each month of 2010. For each month, please show the total quantities for the long-term storage services and short-term storage services.
35. Please provide the same information as is currently shown in Union's Index of Customers posting for all long-term and short-term storage services in effect on 12/31/2006, 12/31/2007, 12/31/2008, 12/31/2009, and 12/31/2010. If necessary, use generic contract identifiers to avoid disclosing customer names.

Reconciliation of Storage Utilization and Available Capacity

Reference: Exhibit A, Tab 4, Attachment 1, Schedule 16, Page 2.

36. Please define "Total Official Working Capacity". How does this compare to the amounts that Union has labeled "Base" storage?

37. Please define “Additional Union Capacity”. Why is this additional amount not included in “Total Official Working Capacity”?
38. Please define “Resource Optimization”, “resource gas loans”, and “space encroachment”. Please explain the source of the 14.8 PJ of “Resource Optimization” space that was available on 10/31/2009.
39. Is Resource Optimization space derived from optimizing Union’s integrated storage portfolio, or is it only associated with the non-utility (“unregulated”) storage assets?
40. What amount of Resource Optimization space was available to Union on 12/31/2006, 12/31/2007, 12/31/2008, 12/31/2009 and 12/31/2010?
41. Please amend this table by adding a new column next to the column labeled “Space” showing the corresponding deliverability amounts.

#### Continuity of Storage Additions

Reference: Exhibit A, Tab 2, Appendix B, Schedule 4

42. Please provide an explanation of the costs shown on the first four lines of the table (Maintenance Capital, Major Maintenance – Dawn J, Storage Support, and Other).
43. Please provide detailed workpapers showing how each of the costs on this table was allocated between Regulated and Unregulated.
44. Please explain what costs are included in “Overheads” and why these costs are assigned 100% to the Regulated storage operation.

FRPO SPECIFIC IR'S

REF: EX A, TAB 4 PG. 3-12 (B&V)

EB-2010-0039 JT1.6

45. Union has stated that the allocations of the Unregulated portion of the Storage O&M Business Development costs are derived through discussions with the respective departments involved. Please provide any time studies or comparable evidence that these allocations are more accurate than the allocations made between utility and non-utility using the assets or activity approaches for other cost separations.

REF: EX A, TAB 4 PG. 3-12 (B&V)

EB-2010-0039 B4.12

46. What would the utility and non-utility storage percentages be if Construction Work in Process for 2007 were included

REF: APPLICATION PAGE 3, para 12 e)

47. Please confirm that Union communicated at the May 11, 2011 stakeholder meeting on re-basing issues that its intent was to deal with the storage study and allocations in the ESM and Deferral Account proceeding and not re-address these issues at the time of re-basing later this year and next. Is that still Union's intent? If not, please clarify Union's intent specifically.

REF: EX A. TAB 5

48. Please provide a map(s) that show the location of the respective pipelines and delivery points for the respective contracts Union considered in its Transportation Contracting analysis.
49. Schedule 1 shows Trunkline and Midwestern supply points having a lower landed cost of gas than either of the ANR alternatives. Please provide your reasoning on choosing ANR paths.
50. With gas being transported through Michigan with the ANR alternatives, what impact, if any, do these contracts have on the opportunities for Dawn Gateway pipeline to proceed?