

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

EB-2011-0038

SUPPLEMENTAL INTERROGATORIES

Reference: Exhibit B3.5

1. Please provide additional information about Union's reporting of short-term storage revenue.
 - a. Please explain why the revenue numbers for Supplemental Balancing Services and Gas Loans are negative for some months.
 - b. If this table includes costs for services purchased from third parties, please identify the counter-party, the type of service, the start date and the end date for each third-party transaction.
 - c. Please expand this table to show, by month and by service (a) the total revenue received by Union Gas and (b) payments made by Union Gas, and (c) the net revenue amount.

Reference: Exhibit B3.15

2. Please provide additional information about the “return on purchased assets” cost for 3rd party storage services.
 - a. Please explain why Union imputes a return on equity “cost” for 3rd party storage services, in addition to the payments made to the storage operator for the service.
 - b. Please provide tables in the same format to show how the “return on purchased assets” was calculated for 3rd party storage services for the years 2008 and 2009.

Reference: Exhibit B3.16

3. Union states that the long-term storage margin for 2010 includes \$10.7 million of 3rd party storage costs as a reduction to revenue.
 - a. Are the 3rd party storage costs used for calculating the long-term storage margin different from the amounts Union actually pays the 3rd party storage providers? If not, why not?
 - b. Are 3rd party storage costs incremental to the “return on purchased assets” addressed in Exhibit B3.15? If they are, please explain why Union is charging both a return on purchased assets for 3rd storage services and additional costs for 3rd party storage services?
 - c. Please restate the long-term storage revenue for 2010 (Attachment to Exhibit B1.3, col. (d), lines 1 through 7) to exclude any and all reductions, including reductions for 3rd party storage payments. Please provide the same information requested in (c) for the years 2008 and 2009.

Reference: Exhibit B3.17

4. Please provide additional information concerning the “Incremental Return” cost included in the long-term storage margin calculation.
 - a. What is the source of the 14.40% Post Tax Hurdle Rate?
 - b. Prior to the NGEIR Decision, did Union evaluate opportunities to expand or acquire gas storage assets based on the Board-approved return on equity, or did Union use a higher Post Tax Hurdle Rate for these capital investment decisions?
 - c. Has the Board specifically approved the post-tax hurdle rate approach that Union is using to calculate the margin-sharing credits that would be used to adjust Board-approved rates? If so, please provide that evidence and decision.
 - d. Union states that “the additional investment in unregulated storage projects would not have been approved”. For each of 2007, 2008, 2009 and 2010, please provide the Profitability Index given the expected revenues and costs at the time using the Board-approved return and Union's deemed hurdle rate.

Reference: Exhibit B3.19

5. Please provide additional information about the relationship between Union's non-utility gas storage operation and its gas transmission operation.
 - a. Please clarify the statement that “gas is transported between the Heritage storage pool and Dawn using storage assets”. Does this mean that Union transmission assets are not used to inject gas into, or withdraw gas from, the Heritage storage pool?

- b. Please confirm that the Heritage storage pool is connected to the Sarnia Industrial Line at the St. Clair Station. If this is not the case, please describe where gas withdrawn from the Heritage storage pool enters the Union Gas transmission system.
- c. Please confirm that the Jacob storage pool will connect to the Panhandle Pipeline at the Dover Station. If this is not the case, please describe where gas withdrawn from the Jacob storage pool will enter the Union Gas transmission system.

Reference: Exhibit B3.22, Attachment 2

- 6. The relationship between the 10^3m^3 and PJ numbers does not appear to be consistent.
 - a. What factor was used to convert the units between 10^3m^3 and PJ for this table?
 - b. Which numbers were used in the 2007 Cost Study (i.e. the 10^3m^3 numbers or the PJ numbers)?
 - c. If necessary, provide a corrected table.

Reference: Exhibit B3.32

- 7. Please replicate the Attachment showing the actual deliverability requirement for each period, instead of the space requirement. Please present the information in PJ/day, with three decimal places.