

**Union Gas Limited EB-2011-0038**  
**2010 Earnings Sharing, Deferral Accounts and Other Matters**  
**Board Staff Interrogatories on Evidence prepared by John Rosencrantz**

**Interrogatory 1**

**Ref: Page 1, 2<sup>nd</sup> paragraph**

The evidence provides a number of findings and recommendations related to Union's Non-Utility Storage Operation and Storage Service Deferral Accounts on page 1. However, it does not state the basis for these findings and recommendations.

For each finding and recommendation, please clearly indicate whether Union has deviated from any Board decision or guidelines. Please provide references (to Board decisions/guidelines).

**Interrogatory 2**

**Ref: Page 3, last paragraph**

With respect to Union's storage plant allocation methodology, Mr. Rosencrantz comments that "it is unreasonable to use out-of-date estimates developed for an entirely different purpose when actual storage supply and utilization is at hand."

a) Please explain what is meant by "an entirely different purpose".

Further in the same paragraph it states that:

The projections used in the EB-2005-0520 Cost Study were estimates for the year 2007, based on information available in 2005. These numbers do not correspond to year-end 2006, which is when the one time separation of storage plant cost occurs to coincide with the late-2006 date of the NGEIR Decision. More importantly, however, there is no reason to use stale estimates when the allocation can be done using actual information.

- b) Please clarify if the "stale estimates" mentioned above refers to the numbers presented in the Schedule 1 of this evidence.
- c) Please clarify if the "actual information" mentioned above refers to the numbers presented in the Schedule 2 of this evidence.
- d) If the answers to b) and c) above are no, please provide the stale estimates and the actual information and calculate the variances between the two sets of information.

**Interrogatory 3**

**Ref: Page 4, 1<sup>st</sup> paragraph**

This evidence states that "to avoid cross-subsidies between utility and non-utility operations, storage plant should be allocated based on the utilization of the storage

assets. For the utility storage operation, this is defined by the storage space and deliverability that are reserved to meet utility needs. For the non-utility storage operation, utilization is measured by the storage services that can be sold from the nonutility assets. Union's proposed methodology is not consistent with this basic principle. For example, "storage deemed unavailable" is treated as available storage space, which inflates the share of plant costs allocated to utility storage services."

- a) Please provide references to any Board Decision for "this basic principle" mentioned above.
- b) Please list all areas that Union's proposed methodology is not consistent with the basic principle.

#### **Interrogatory 4**

**Ref: Page 4, 2<sup>nd</sup> paragraph**

The third comment on Union's storage plant allocation methodology states that:

The storage numbers Union uses for rate making purposes significantly understate the amount of long-term non-utility storage service that Union is actually able to sell. This is illustrated by Table 1, which compares the actual storage space and utilization information for 2009 (from Exhibit B3.4), with Schedule 16 of the B&V Study, which shows actual storage capacity for October 31, 2009. The Total Utilization number from the B&V Study is 14.9 PJ higher, which appears to directly correspond to the amount of Resource Optimization Space.

- a) Please clarify the cut-off date of the actual storage space and utilization information for 2009 in Table 1 (from Exhibit B3.4).
- b) If the answer to a) above is not October 31, 2009 in Table 1 (which is the cut-off date for the actual storage capacity from the B&V Study), please provide an explanation of how the storage space and utilization quantity at two different dates are comparable.

#### **Interrogatory 5**

**Ref: Page 6, 1<sup>st</sup> paragraph**

The evidence states that:

Schedule 2 shows the relative utilization of marketable storage space by Union's utility and non-utility storage operations using actual storage information for 2006 in place of the projections from the EB-2005-0520 Cost Study.

Please clarify whether the 2006 actual storage information existed at the time of EB-2005-0520 Cost Study?

**Interrogatory 6****Ref: Schedule 2, Line 15**

The reference EB-2011-0038, Exhibit B3.29 is provided in line 15 for the Union Underground Storage of 2.563 PJ/day. However, Board Staff was not able to find this number in the noted Exhibit.

Please provide a detailed calculation as to how the Underground Storage of 2.563 PJ/day was arrived at. Please provide references.

**Interrogatory 7****Ref: Schedule 2, Line 18**

Line 18 on Schedule 2 Utility Deliverability Requirement 1.407 was explained as 80.8 PJ/82.4 PJ x 1.435.

Please provide the references for each of the numbers (80.8 PJ, 82.4 PJ & 1.435).

**Interrogatory 8****Ref: Page 7, 2<sup>nd</sup> paragraph**

The evidence states that:

Averaging the corrected space and deliverability allocation factors shown in Schedule 2, the corrected non-utility storage allocation factor is 43.4% (Schedule 2, Line 25). The corrected non-utility storage allocation factor is 15% higher than the 37.7% factor proposed by Union.

Please provide the implications on 2010 earnings sharing if the non-utility allocation factor is changed from 37.7% to 43.4%.

**Interrogatory 9****Ref: Page 7, last paragraph**

The evidence states that:

The proposed methodology for projects that combine replacement and incremental storage assets is also reasonable in principle, but requires Union to make judgment calls about which capital costs are strictly replacement, and which capital costs create incremental service. Union must be required to provide documentation to demonstrate the reasonableness of these allocations.

In Union's view, when should such documentation to demonstrate the reasonableness of these allocations be filed with the Board? Should it be included as part of COS rate application to the Board?

**Interrogatory 10****Ref: Page 8, Comment 1: Allocation based on labor time estimates**

The evidence states that:

Union's use of labor time estimates to allocate storage support activities and overhead costs is arbitrary and opaque. Of particular concern is the fact that Union does not appear to have a process in place to document and validate these estimates.

Please suggest an allocation factor which is more accurate than the labour time estimates used by Union and provide an explanation of why it is more accurate. Please explain what procedures should be followed to ensure accuracy in this area.

**Interrogatory 11****Ref: Page 8, Comment 2: Allocation of direct operating costs based on plant costs**

The evidence states that:

Since compression facilities tend to have relatively high maintenance costs compared to other storage plant, an allocation factor other than storage plant, such as compressor horsepower, would be a better allocator of compression O&M costs.

Please provide the basis for the above statement that "compression facilities tend to have relatively high maintenance costs compared to other storage plant". Please provide the percentage if available.

**Interrogatory 12****Ref: Page 10, 2<sup>nd</sup> paragraph**

The evidence states that:

To keep utility customers from unfairly subsidizing Union's non-utility storage operation, Union should provide an appropriate credit to the transmission cost of service for the use of utility transmission assets for non-utility storage transactions.

- a) Please provide any quantified information on the transmission cost of service used by non-utility transactions.
- b) Please provide the resulting implications on Union's storage cost allocation.

**Interrogatory 13****Ref: Page 10, E. Recommendations – Storage Cost Allocation #2**

Recommendation number 2 states that:

Union should provide an annual report describing how the costs of each “hybrid” storage project placed in service during the previous years were allocated between the non-utility and utility plants.

- a) Please explain in detail what the “hybrid” storage project refers to.
- b) With respect to the “annual report” mentioned above, should it be an audited report? How would the annual report be used?

**Interrogatory 14****Ref: Schedule 5, Line 11**

Line 11 on schedule 5 “Eliminate income tax on premium” of -2,674 was explained as a “Pro rata adjustment”.

Please provide a detailed calculation of the -2,674 pro rata adjustment with applicable references.