



uniongas

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August 19, 2011

By RESS & Courier

Ms. Kirsten Walli
Board Secretary
Ontario Energy Board
2300 Yonge Street, 26th Floor
Toronto, ON
M4P 1E4

**Re: EB-2011-0257 - Union Gas Limited – Kirkwall to Parkway
Responses to Interrogatories**

Dear Ms. Walli:

Please find attached Union's responses to the EB-2011-0257 interrogatories from Board Staff, APPrO, CME and FRPO.

Should you have any questions, please contact me at 519-436-5473.

Yours truly,

[original signed by]

Karen Hockin
Manager, Regulatory Initiatives

cc Emily Kirkpatrick (Torys)
EB-2011-0257 Intervenors

UNION GAS LIMITED

Answer to Interrogatory from
Board Staff

Ref: Exhibit A – Customer Need

Union stated that it executed two (2) 10-year firm M12 transportation service contracts with TransCanada Pipelines (“TCPL”), with Receipts at Kirkwall and Deliveries at Parkway, totalling 263,249 GJ/d.

- a) Did any companies, other than TCPL, make a bid for either M12 or C1 Kirkwall to Parkway transportation service?
- b) If other bids were received, please describe the basis upon which the bids were evaluated.

Response:

- a) No.
- b) N/A

UNION GAS LIMITED

Answer to Interrogatory from
Board Staff

Ref: Exhibit A – Rate Design
EB-2010-0296 – Response to Board Staff IR# 3C
EB-2010-0296 – Decision and Order

Union noted, in response to Board Staff IR # 3C (in proceeding EB-2010-0296), that it will review the cost allocation and rate design for the M12-X and C1 transportation services at the time of its next rebasing. The Board, in its Decision, agreed with this proposal.

- a) Please confirm that a review of the cost allocation and rate design for the M12-X and C1 transportation services is planned for the 2013 rebasing application.

Response:

Confirmed.

UNION GAS LIMITED

Answer to Interrogatory from
Association of Power Producers of Ontario ("APPrO")

Please identify the related required revenue requirement:

- a. If the facilities to provide this service were isolated and tolled on an incremental basis, and
- b. If the facilities were allocated and tolled based on a weighted average of all facilities and billing units between Kirkwall and Parkway.

Calculate the related revenue requirement for these facilities under 1a. and 1b.

Response:

It is not possible for Union to isolate the facilities for a segment of the Dawn-Trafalgar transmission system.

In Union's current Board-approved cost allocation study, costs associated with the entire Dawn-Trafalgar transmission system are allocated to rate classes on the basis of commodity kilometres (i.e. distance-weighted demand). Accordingly, Union is unable to calculate revenue requirements for a segment of the Dawn-Trafalgar transmission system based on the current or the alternate cost allocation methods requested.

UNION GAS LIMITED

Answer to Interrogatory from
Association of Power Producers of Ontario ("APPrO")

Please compare these computed revenue requirements to the actual revenue proposed to be collected.

Response:

Please see the response at Exhibit B2.1.

UNION GAS LIMITED

Answer to Interrogatory from
Canadian Manufacturers and Exporters ("CME")

What are the annual year-by-year incremental revenues that the new service(s) to TransCanada PipeLines Limited ("TCPL") will generate for the ten (10) year duration of each of the transportation contracts with service commencing November 1, 2012?

Response:

At the proposed rates, the incremental demand revenues for the TCPL transportation contracts for 10 years commencing November 1, 2012 and November 1, 2013 are provided below.

Kirkwall to Parkway

| <u>Capacity(GJ)</u> | <u>Rate</u> <u>(\$/GJ/month)</u> | <u>Start Date</u> | <u># of Months</u> | <u>Revenue (\$)</u> |
|---------------------|-------------------------------------|-------------------|--------------------|---------------------|
| 88,497 | \$0.346 | Nov. 1/2012 | 120 | \$3,674,395 |
| 174,752 | \$0.346 | Nov. 1/2013 | 120 | \$7,255,703 |

UNION GAS LIMITED

Answer to Interrogatory from
Canadian Manufacturers and Exporters ("CME")

What are the year-by-year incremental costs that Union expects to incur to provide the new services to TCPL over the ten (10) year duration of each of the transportation contracts?

Response:

There are no incremental facilities costs associated with provision of the M12/C1 Kirkwall to Parkway transportation service. Depending on the utilization Union will incur fuel and Unaccounted for Gas ("UFG"). Fuel and UFG are recovered by the proposed fuel ratios.

UNION GAS LIMITED

Answer to Interrogatory from
Canadian Manufacturers and Exporters (“CME”)

If the amount of the incremental revenues in any year to be provided in response to Exhibit 3.1 is greater than the amount of the incremental costs in that year, then is it Union’s shareholder or its ratepayers that will benefit from the “sufficiency”? If ratepayers are the beneficiaries of the “sufficiency”, then how is it to be allocated?

Response:

Until Union rebases in 2013, any sufficiency that results from the provision of the M12/C1 Kirkwall to Parkway transportation service will be reflected in Union’s utility earnings and accrue to the shareholder. Should utility earnings result in earnings to be shared with ratepayers under Union’s Incentive Regulation (IR) framework, those earnings will be allocated to ratepayers based on the allocation of the 2007 Board-approved return on equity. This allocation is consistent with Union’s past earnings sharing disposition throughout the IR term.

When Union rebases in 2013, any sufficiency that results from the provision of the M12/C1 Kirkwall to Parkway transportation service will be included in Union’s overall revenue sufficiency/deficiency calculation and reflected in 2013 rates.

UNION GAS LIMITED

Answer to Interrogatory from
Canadian Manufacturers and Exporters (“CME”)

Conversely, if the amount of the incremental costs in any year to be provided in response to Exhibit 3.2 is greater than the amount of the incremental revenues in that year, then upon what rate classes will the net incremental cost burden fall?

Response:

Until Union rebases in 2013, any incremental costs greater than the incremental revenues associated with the provision of the M12/C1 Kirkwall to Parkway transportation service will be reflected in Union’s utility earnings and accrue to the shareholder.

UNION GAS LIMITED

Answer to Interrogatory from
Federation of Rental-housing Providers of Ontario ("FRPO")

Has Union experienced a reduction in the combination of C1 and M12 Dawn to Parkway contracts over the last few years? Please provide a table that shows the level of total C1 and M12 Dawn to Parkway contracts using the last three years actuals and the next two years forecasted.

Response:

Union has not experienced a reduction in the combination of C1 and M12 Dawn to Parkway contracts. The annual contracted C1 and M12 Dawn to Parkway transportation demands as of November 1st for 2009, 2010 and 2011 are provided below. The forecast contracted C1 and M12 Dawn to Parkway demands will be provided as part of the 2013 rebasing proceeding.

| | Actual <u>2009</u> | Actual <u>2010</u> | Actual <u>2011</u> |
|---|-----------------------|-----------------------|-----------------------|
| Dawn to Parkway M12, C1 and M12X (PJ/day) | 3.7 | 3.7 | 3.8 |

UNION GAS LIMITED

Answer to Interrogatory from
Federation of Rental-housing Providers of Ontario ("FRPO")

Will the long-term commitment to these contracts inhibit Union's ability to sell historical levels of C1 and M12 Dawn to Parkway contracts? Please explain your answer.

- a. If so, what would the opportunity cost be for Dawn to Parkway that cannot be sold as a result of these commitments?
- b. What would the resulting rate be if the opportunity cost for the unsold pipe was added to the proposed rates to ensure that ratepayers are not held responsible to pay this opportunity cost in in-franchise rates?

Response:

The contracting of Kirkwall to Parkway capacity will not materially impact Union's ability to sell the Dawn to Parkway path. With the turnback of Dawn to Kirkwall capacity by TCPL, Union is expected to have excess capacity on the Dawn to Parkway system by November, 2012. Union has received notice of Dawn to Kirkwall turnback of 317,000 GJ/d effective November 2011 and a further 375,000 GJ/d effective November 2012.

Union held Open Seasons in 2010 and 2011 that offered, amongst other services, Firm M12 Dawn to Parkway capacity. Other than requests to convert M12 to M12-X service and the more recent requests for Kirkwall to Parkway service, Union received no further request for services on the Dawn to Parkway system.

With excess Dawn to Parkway system capacity as of November 1, 2012, there is no opportunity cost related to Union providing the Kirkwall to Parkway service.