

Union Gas Limited
EB-2011-0038
2010 Earnings Sharing, Deferral Accounts and Other Matters
Board Staff Interrogatories on Reply Evidence of Union Gas Limited

Issue: Allocation of Storage Operation Costs based on Compression Horsepower

Interrogatory #1

Ref: John Rosencrantz Evidence – Page 1 & 8
Union Reply Evidence – Page 10 – 11
Black and Veatch Report – Section 3

Preamble:

The Rosencrantz Evidence stated that Union should consider whether factors such as compression horsepower would result in a better allocation of direct operating costs. Rosencrantz noted that non-utility storage additions have been heavily weighted towards compression in order to provide new high deliverability storage services. 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.

Union replied that it does consider compression horsepower when allocating costs between the regulated and unregulated businesses. In the Black and Veatch Report, it is noted that the compression horsepower required to bring the pressure up to 4,926 kPa on a design day is deemed to be storage-related.

Board staff questions the logic of basing allocations between regulated and unregulated businesses on compression horsepower at a design day forecast when non-utility storage additions are largely related to new high deliverability storage services. Board staff notes that high deliverability services are mainly for generators who are more likely to use high deliverability services in the summer (and not on a design day).

Question / Request:

- a) Is Board staff correct that the compression horsepower allocation factor is based on a design-day forecast?
- b) If so, please explain how a design day based horsepower allocation factor adequately accounts for high deliverability storage services.

**Issue: O&M Expenses and Margin Calculation for Union's Storage Service
Deferral Accounts**

Interrogatory #2

**Ref: John Rosencrantz Evidence – Page 8 – 9 & 12 – 13
Union Reply Evidence**

Preamble:

The Rosencrantz Evidence makes a number of comments in Section 1C that seem to be unaddressed in Union's Reply Evidence including: O&M Allocation based on Labour Time Estimates and No Comparison of Non-Utility Storage O&M and Utility Storage O&M Costs. In addition, the Rosencrantz Evidence makes comments in Section 2B/C regarding the use of Union's internal hurdle rate in the calculation of storage service margins to be shared with ratepayers that also seems to be unaddressed in Union's Reply Evidence.

Question / Request:

- a) Please provide your reply to the above noted comments found in the Rosencrantz Evidence.