

EB-2011-0038
Interrogatories on Union Reply Evidence filed August 26, 2011

Official Storage Working Capacity

1. On page 2, Union states that at the time of the 2007 rate case, Union's official storage working capacity was 154.0 PJ.

In Exhibit B3.36, Union states: "'Total Official Working Capacity' is the theoretical volume of gas calculated between the minimum and maximum operating pressures for all of Union's storage pools. 'Base' storage is the total available working capacity used for supply planning purposes to determine storage utilization. It may include minor adjustments to account for unavailable space due to non-permanent operating constraints."

In Exhibit B3.25, Union states: "'Space deemed unavailable' is working capacity which has been determined to be not available during a storage withdrawal cycle....It may include minor adjustments due to non-permanent operating constraints."

- a. Please explain why Union uses a measure of storage capacity for cost allocation purposes that is different from the measure of storage capacity used for supply planning.
- b. Please provide a table comparing the Total Official Working Capacity for each year from 2000 to 2010 with the Base storage shown on Exhibit B3.4, line 1, and explain the differences.
- c. Given Union's definitions of "Base" storage and "space deemed unavailable" cited above, is it correct to conclude that the Base storage capacity has already been adjusted for all, or at least a portion, of the space deemed unavailable? If this conclusion is not correct, please explain.

Annual Costs of Storage Deemed Unavailable

2. Preface: Union's evidence states: "The 1.5 PJ of space deemed unavailable is in excess of the 92.1 PJ required to serve in-franchise customers and is included in the 7.9 PJ of excess utility storage space. Accordingly, the annual costs associated with the 1.5 PJ of space deemed unavailable are borne by Union's unregulated storage operations."

- a. Please provide a clear description including associated rate orders that demonstrate that the cost of the 1.5 PJ's was moved out of in-franchise rates to the non-utility storage accounts.

- b. Please confirm that if Union were to get approval for the transfer of 7.9PJ to the Short-term Storage Account 179-70 that the majority of that 1.5PJ space cost would be visited on ratepayers through a reduction in margin credited to the deferral account.
- c. If Union sold the 7.9PJ short-term (as stated in its Issue 3 Cross Charge), how did it sell the 1.5PJ of unavailable space?

Storage Optimization

- 3. Beginning on page 4, Union states that “actual storage space” is sold to both utility and non-utility customers, while “optimization space” is sold to non-utility, ex-franchise customers.
 - a. When natural gas storage service is provided to a utility customer from Union’s integrated storage operation, can Union distinguish whether that storage service is physically provided using “actual storage space” that was earmarked for utility operations for cost allocation purposes, “actual storage space” that was earmarked for non-utility storage operations for cost allocation purposes, or additional storage space made available by Union’s storage optimization activities? Please explain.
 - b. Is “optimization space” sold as short-term storage service, long-term storage service, or both?
 - c. Exhibit A, Tab 4, Attachment 1, Schedule 16, shows that nearly all of Union’s non-utility short-term storage sales at October 31, 2009 were made using the portion of the 100 PJ of physical storage reserved for utility customers that was not required by utility customers at that time. Is it correct to conclude that the 14.8 PJ of Resource Optimization shown on page 2 of Schedule 16 was used almost entirely for long-term storage sales? If Union does not agree with this conclusion, please explain how the Resource Optimization space was sold at October 31, 2009.
- 4. On page 5, Union states: “At the time of the allocation in 2007, there was no optimization space.”
 - a. Please explain why Union did not engage in storage optimization “at the time of the allocation in 2007”, but storage optimization became important after this date.
 - b. Please reconcile this statement with Exhibit B3.40, which shows that 14.5 PJ of Resource Optimization space was available to Union in 2006-07.
- 5. On page 7, Union states: “In accordance with the NGEIR Decision, Union sells the excess utility storage space of 7.9 PJ on a short-term basis only.”

- a. Please identify where in the NGEIR Decision the Board requires to sell excess utility storage space on a short-term basis only.
- b. Please explain why Union believes that this statement is consistent with the second paragraph on p. 83 of the NGEIR Decision, where the Board states that “Union will have the flexibility to market the difference between the total amount needed [by in-franchise customers] and the 95 Bcf [100 PJ] reserve amount”.

Storage Cost Allocation

6. On pages 8 and 9, Union states that the Rosenkranz Report “relies on” the STAR storage index of customers reports and concludes that “STAR reporting cannot be used for cost allocation purposes.”

Please identify where information from the STAR reports is used on Schedule 2 of the Rosenkranz Report.

7. On pages 10 and 11, Union states that the estimate of the Utility Deliverability Requirement for the 2006-07 winter season shown on Schedule 2, line 18 is incorrect.

Please provide the actual Utility Deliverability Requirement for the 2006-07 winter season.

Cross Charge

8. Please provide the level of Short-term and Long-term space contracted and the revenue generated in 2004 through 2008 by completing the following table:

YEAR	Total Working Capacity	In-franchise Requirements	Short-term Space Sold	Short-term Total Gross Revenue	Long-term Space Sold	Long-term Total Gross Revenue
2004						
2005						
2006						
2007						
2008						
2009						
2010						