

INTERROGATORIES FOR UNION GAS LIMITED
FROM THE CONSUMERS COUNCIL OF CANADA

2013 RATES APPLICATION - EB-2011-0210

B RATE BASE

1 Is Union's forecast level of capital spending in 2013 appropriate?

1. (B1/T2/p. 2) The evidence states that Union does not have a detailed 2007 Board approved budget. Please file the applied for capital budget in EB-2005-0520 and the actual spending for the years 2007-2011 in the same format. Please provide the forecast capital budgets for 2012 and 2013 in the same format.
2. Please explain the process Union used over the course of the IRM term to prioritize its capital projects. Please explain to what extent that process changed in the preparing the 2013 capital budget.
3. (B1/T2/Appendix A) Please explain any changes to Union's capitalization policy since 2007. What is the impact of those changes on the 2013 revenue requirement?
4. (B1/T3/p. 2) Union has filed new "Distribution New Business Guidelines". Please specifically identify all the changes since 2007. Please provide the impact of all of those changes on the 2013 revenue requirement.
5. (B1/T3/p. 2) Union is no longer offering the Market Charge option as a means of financing community expansion projects. What are the implications of eliminating this option?
6. (B1/T3/ Appendix B) Please provide Union's Customer Attachment Forecast and actual number of attachments for each year 2007-2013.
7. (B1/T4/p. 5) With respect to the Thunder Bay Project, when is it expected to be in service? What factors could delay the in-service date? Please provide a detailed total budget for the project. Please explain how the contribution in aid of construction was determined.
8. (B/T4/p. 5) With respect to the Red Lake Project what is the expected in-service date? The evidence indicates that the project is dependent upon funding from both the Provincial and Federal Governments. Please provide the current status of the project and indicate what factors could delay the in-service date.
9. (B1/T4/p. 6) What is the expected in-service date for the Lambton Power Plant project? What factors might delay the in-service date?

10. (B1/T4/p. 6) With respect to the Guelph Plant what is the expected in-service date? What factors could delay the in-service date?
11. (B1/T4/p. 7) Union's budget for field-based facilities is \$13.6 million in 2013 and \$14 million in 2012. Please provide a detailed budget for this budget item and business cases for the proposed expenditures.
12. (B1/T4/p. 8) Please provide a schedule setting out all of the field-based facilities work planned for 2012 and 2013. Please include the Chatham Corporate Office Project, the Hamilton District Building, and the Waterloo Building. For each project included as field-based facilities please provide a complete project budget, including spending in each year, and a business case, justifying the expenditures.
13. (B1/T4/p. 7) Please provide a copy of the CB Richard Ellis Study.
14. (B1/T5/p. 5) Please provide a business case analysis for the Owen Sound Replacement project. What is the current status of the project? What factors could delay the in-service date?
15. (B1/T7/p. 1) Please provide a schedule setting out Union's total IT budget for the years 2007-2013. For 2007 please include Board approved and the IT budget applied for. Please provide a breakdown of each of those budgets into major projects/cost categories.
16. (B1/T7/p. 10) Union's practice has been to replace core network equipment, general purpose servers, and desktop and laptop computers after approximately 3 years of service. How long has this practice been in place? For the years 2007-2013 please provide a schedule setting out the number of employees, the number of desktops and the number of laptops. Please provide the actual expenditures on desktops and laptops in each year. What is Union's policy regarding laptops for its employees?

4 Is the proposed Test Year Rate Base Appropriate?

1. (B1/T1/p. 2) Rate base growth from 2007 to 2013 is \$470.6 million. Gross plant has increased by \$1.2 billion over 2007. Please identify the largest components of that increase.

5 Is the proposed working capital allowance appropriate?

1. (B1/T1/p. 6) Please explain why there was a significant decrease in customer deposits from 2010 to 2011-2013. Please explain why there has been a decline in 2013 of ABC receivables of \$8.9 million.

C OPERATING REVENUES

4 Is the 2013 S&T forecast appropriate?

1. (H1/T1/p. 13) In the H evidence it states that Union has included the ratepayer portion of the S&T transactional service revenue in the revenue stream for ratemaking purposes in 2013. That revenue is \$17.840 million for in-franchise rates. Please reconcile that amount with the amounts provided at Exhibit C1/T3. Please provide a detailed explanation as to how that amount was derived. Please include all assumptions.
2. (C1/T3) For the period 2007-2013 please provide a schedule setting out forecast and actual (where available) S&T revenue, including all components.

5 Is the proposed amount for Test year Other revenue, including the methodologies used to cost and price those services appropriate?

1. (C1/T4/p. 2) The evidence states that the 2012 forecast customer count, based on Union's established forecasting methodology for billing revenues, holds the direct purchase general service customer count constant at January 2011 for forecast period. Please explain why the customer count is not updated to reflect the most recent actuals. What would be the impact on the revenue requirement if this update was undertaken?
2. (C1/ Summary Schedule 6) Please explain why, with respect to every component of Other Revenue, the 2007 actuals were greater than the Board approved levels.
3. (C1/Summary Schedule 6) Please explain what Mid-Market transactions are and how Union forecasts this revenue item.
4. (C1/Summary Schedule 6) Please explain what is included in Other Operating Revenue and how Union forecasts this revenue item.

D COST OF SERVICE

1 Is the 2013 O&M budget appropriate?

1. (A2/T3/S1/p. 5) The evidence states with respect to the budget process the budgets are reviewed at successively higher levels of management, with modifications made on an iterative basis as required. For the 2013 budget please identify any major changes made by senior management through that process, and explain why those changes were made.
2. (D1/T2) Please provide a schedule setting out O&M per customer for the years 2007-2013.

3. (D1/T2/p. 12) Contract Services are increasing by \$2.7 million in 2013 relative to 2012. Contract Services are increasing in 2012 by \$2.9 million relative to 2011. Please provide an explanation as to what items are included in Contract Services and a budget for each item for the years 2007-2013. Please explain how these amounts are forecast.
4. (D1/T2/pp. 12-13) Consulting Services are increasing by \$2.1 million in 2013 and by \$2.3 million in 2012. Please provide an explanation as to what items are included in Consulting Services and a budget for each item for the years 2007-2013. Please explain how these amounts are forecast.
5. (D1/T2/p. 15) During the period 2007-2010 there were reductions in affiliate services and the associated costs of those services. Please explain what services were reduced and the associated costs. Have those reductions continued in the period 2011-2013. If not, why not? If so, please identify those items where the associated costs have been reduced.
6. (D1/T2) Please provide a detailed schedule setting out Regulatory Costs for the years 2007-2013. Please set out all of the individual items including Legal, Consulting, Intervenor, OEB, etc.
7. (D3/T3/S2) Please reproduce "Operating and Maintenance by Cost Type" to include 2007 Board Approved, and actuals for the period 2007-2011.
8. (D3/T3/S1) The 2013 budget for Regulatory, Municipal Relations and Public Affairs is \$16.982 million. Please provide a detailed breakdown of all of the items included in this budget and the associated costs. Please provide the 2007 Board approved and actuals for 2007-2011. Please provide the same level of detail for 2012.
9. (D3/T3/S1) The 2013 budget for Government Affairs/ Relations is \$993,000. Please provide a detailed breakdown of all of the items included in this budget and the associated costs. Please provide the 2007 applied for amounts and actuals for 2007-2011. Please provide the same level of detail for 2012.
10. (D3/T3/ S1) For the IT expenditures at lines 15, 16 and 17 please provide a detailed breakdown of each of the items included in these budgets for 2007-2013 (actuals where available). Please include applied for numbers for 2007 and budgets for 2012 and 2013.
11. (A1/T13/S1) Union has filed its Conditions of Service. Please identify all of the changes made since 2007. What is the annual incremental cost of adopting those changes?

2 Are the 2013 affiliate charges appropriate?

1. (D1/T7/p. 2) With respect to Affiliate Services there is a net revenue increase from 2010 to 2013 of \$3.5 million. Please explain the reason for that variance.

2. (D1/T7/p. 7) For all of the services for which Union is a "receiver only" Please provide a schedule setting out budgets for each item (Corporate Services, ECS, Ethics, Finance etc.) for the years 2011-2013. Please provide evidence demonstrating that it is more cost-effective to procure those services from its affiliates than from other sources.
3. (D1/T7) Please explain what services are provided to Union under the heading "Ethics".

6 Is the proposed community investment funding appropriate?

1. (D1/T8) How was the \$374,000 Community Investment Fund budget derived? Please indicate what projects are planned for 2013. What has been the annual budget for the period 2007-2012? Please explain why these expenditures are not more appropriately characterized as charitable donations. Will Union receive any taxable benefits for these expenditures?

7 Is the Proposed Energy Technology Innovation Canada program funding appropriate?

1. (D1/T10/p. 6) Union is proposing to spend \$.6 million in 2011, \$3 million in 2012 and \$5 million in 2013 on its Energy Technology and Innovation Canada program. Please provide a list of projects that have been pursued in 2011. Please provide a list of the projects planned for 2012 and the actual spending to date. For 2013 what projects are being considered?
2. (D1/T10/p. 1) In September 2010 the CGA Board of Directors approved the establishment of the energy technology innovation fund. Union is proposing to spend \$5 million in 2013. What are the proposed spending levels for the other CGA members? If the investments are to help "Canada achieve a low carbon energy future and ensure the continued relevance of natural as a foundation fuel", why should Union's ratepayers alone, and not its shareholders, fund these projects? What is the annual level of spending currently undertaken by Spectra Energy regarding energy technology innovation?

9 Are the Test year Human Resources related costs (wages, salaries, benefits, incentive payments, labour productivity and pension costs) including employee levels appropriate?

1. (A2/T3/S1/Appendix B, p. 6) Please explain how the 3% vacancy rate was derived. How is that rate applied to the budget?
2. (D1/T2/p. 4) Projected salary and wage increases are 3% for 2012 and 3.5% for 2013. What is the basis for this assumption?
3. (D1/T2/p. 9) Please provide a schedule setting out FTEs for the years 2007 to 2013. For 2007 please include the Board approved numbers.
4. (D1/T3/p. 5) Please provide all internal documentation that describes the Long-Term Incentive Program. How has the program changed since 2007?

5. (D1/T3/p. 6) What is the cost of the LTIP included in the 2013 revenue requirement?
6. (D1/T3/p. 6) Please provide a schedule setting out the following for each year 2007-2013: For each of these categories Executive, Management, Salaries Professionals and Unionized - Average Base Salary, Average Variable Pay, Average Total Cash Compensation. Please include FTEs in the schedule in each category.

12 Is the proposal to update the bad debt expense as part of the QRAM process appropriate?

1. (D1/T2/p. 9) Please explain why Union is proposing to update the bad debt expense as part of the QRAM process. Why is this expense unlike Union's other O&M expenses?

14 Is the gas supply plan for 2013 appropriate?

1. (D1/T1/p. 2) The evidence states that in developing the gas supply plan Union models all upstream transportation capacity and storage assets to provide an integrated service across all delivery areas for bundled customers. Union uses SENDOUT to complete the gas supply plan and has been presented in previous rate applications including EB-2005-0520 (2007). The 5-year plan was completed in the Spring of 2011 and there are no material changes in the 2012-2016 plan from the plan filed in 2007. ICF has concluded that changing patterns in the North American natural gas market mean shippers are facing "changing economics for the acquisition of gas supply that will precipitate changes in their portfolio of gas transportation and storage assets under contract". (A2/T1/S4/p. 3) In light of ICF's conclusions, to what extent will Union be required to revise its gas supply planning process? Is the plan developed in 2011 still appropriate for 2013?
2. (D1/T1/p. 13) Union has elected not to extend the term of its Alliance contract beyond December 1, 2015 based on economic reasons. Please explain what arrangements will replace the contract and why the contract extension was not considered economic.

E COST OF CAPITAL

3 Is the proposal to use the Board's formula to calculate return on equity appropriate?

1. (A2/T1/p. 6) For each year 2007-2012(forecast) please provide the level of overearnings and the allocation of that amount to the ratepayers and the shareholders.

F REVENUE REQUIREMENT

2 Is the overall change in revenue requirement reasonable given the impact on consumers?

1. Please provide copies of all materials provided to Union's Board of Directors when it sought Board approval of the 2013 revenue requirement. When was approval of the currently filed application (including updates) granted by Union's Board of Directors?

G COST ALLOCATION

1 Is Union's Cost Allocation Study, including the methodologies and judgements used and the proposed application of that study with respect to Test Year Rates, appropriate?

1. (G1/T1/S1) For each of the major changes made to Union's cost allocation study please provide the impact on the revenue allocated to Rates 1 and M1.

H RATE DESIGN

1 Are the rates proposed in Exhibit H just and reasonable?

1. Do these rates represent an appropriate base for an incentive regulation mechanism for the period beyond 2013? If not, why not? Please explain on what basis Union intends to apply for rate approvals beyond 2013 (Cost of Service or IRM).
2. (H1/T1/p. 14) The evidence states that the proposed revenue to cost ratios are within an acceptable range and are generally consistent with those previously approved by the Board. Please identify what Union views as an "acceptable range". What, from Union's perspective, would not be an acceptable revenue to cost ratio?

3 Is the proposal to lower the breakpoint between small and large volume general service customers to 5000 m3/year effective January 1, 2014, appropriate?

1. (H1/T1/pp. 17-30) Please provide the estimated annual bills of the following:

A customer consuming 5,050 m3/year in the new M2 class with the 5000 m3 threshold;
A customer consuming 5,050 m3/year in the M1 class assuming no change to the threshold;
A customer consuming 5,050 m3/year in the new Rate 10 class with the 5000 m3 threshold;
A customer consuming 5,050 m3/year in the Rate 01 class assuming no change to the threshold;
A customer consuming 2,170 m3/year in the M1 class assuming the new threshold is approved;
A customer consuming 2,170 m3/year in the M1 class assuming no change to the threshold;
A customer consuming 2,167 m3/year in the new Rate 1 class with the 5000 m3 threshold;
A customer consuming 2,167 m3/year in the Rate 1 class assuming no change to the threshold;

2. (H1/T1/p. 26) Please provide a schedule setting out the monthly fixed charge for Rates 01 and M1 for the years 2007-2013. What percentage of fixed costs is currently recovered through the monthly fixed charges?
3. (H1/T1/p. 26) Has Union considered lowering the monthly fixed charge for Rates 1 and M1 in order to encourage conservation? If not, why not?

12 Are the proposed changes to the Distributor Consolidated Billing fee to \$.57 per month per customer appropriate?

1. (H1/T3/pp. 3-5) Under Union's proposal to reduce the DCB fee how are gas vendors billed for the use of Union's billing system (exclusive of bad debt and program administration)?

O OTHER ISSUES

2 Are Union's economic and business planning assumptions for the Test Year appropriate?

1. (A2/T1/p. 23) The evidence states that the escalating value of the Canadian dollar is expected to continue to negatively affect the competitiveness of the Canadian manufacturing sector and as a result impair natural gas throughput and revenues. How does Union incorporate this factor into the 2013 load forecast?
2. (A2/T3/S1/Appendix C/p. 3) Please explain why the inflation index for Contract Labour is 4% for 2013.

4 Are sustainable efficiency improvements (or efficiency gains) achieved under incentive regulation reflected in Union's CoS estimates?

1. (A2/T5/p. 2) This evidence discusses Union's productivity initiatives during the IRM period. Please provide copies of any instructions/ directives provided to managers regarding the achievement of productivity initiatives during the IRM period.
2. (A2/T5/p. 3) For each of the productivity initiatives set out in Tables 1, 2 and 3 please indicate the savings implicit in the 2013 test year revenue requirement.
3. (A2/T5/p. 10) For each of the productivity initiatives related to revenue set out in Table 4, please indicate whether these are implicit in the 2013 revenue requirement.
4. (A2/T5/p. 7) With respect to Employee Spending please explain why the cost reductions of \$1.4 million experienced in 2010 could not be maintained beyond 2011.
5. (A2/T3/S1p. 3) The evidence states that for the 2012 and 2013 period a productivity improvement target of 1% per year is to be achieved by each

functional area. How was the 1% determined? Why are managers not required to pursue greater productivity improvements?

5 Are the forecasts of Natural Gas Market Conditions in 2013 and beyond and the impacts on Union, including turnback and mitigation actions by Union, appropriate?

1. (A2/T1/p. 12) With respect to the Impact of M12 Turnback as set out in Table 4 please explain how the 2013 and 2014-2018 amounts were derived. Please provide all assumptions.

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