

EB-2011-0210

IN THE MATTER OF the *Ontario Energy Board Act, 1998*,
S.O. 1998, c.15 (Schedule B);

AND IN THE MATTER OF an Application by Union Gas
Limited, pursuant to section 36(1) of the *Ontario Energy Board
Act, 1998*, for an order or orders approving or fixing just and
reasonable rates and other charges for the sale, distribution,
transmission and storage of gas as of January 1, 2013.

**INTERROGATORIES OF THE
CORPORATION OF THE CITY OF KITCHENER**

B. Rate Base

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

Interrogatory # 1

Ref: Exhibit B1, Summary Schedule 2

- a) When did the most recent rebuild of the regulating components that control the pressure and capacity out of the Kitchener Gate Station (KGS) serving the gas distribution utility of Kitchener take place and what were the associated capital costs?
- b) What was the design minimum operating delivery pressure(s) of the KGS during this most recent rebuild?
- c) What has been the lowest actual winter set delivery pressure provided by Union from the High Pressure feed at the KGS since the most recent rebuild? How many times and for what duration of time has the actual winter set delivery pressure reached this minimum experienced level?
- d) What was the design maximum pressure of the High Pressure outlet of the KGS at the time of rebuild and what amount of capacity was it designed for? Has Kitchener exceeded that capacity in the last 5 years?
- e) Are the most recent rebuild capital costs of the KGS fully depreciated? If not, what is the net book value of these capital costs as of December 31, 2012 and December 31, 2013, respectively?
- f) What are the designed and remaining life spans of the KGS and the Plains Road Station serving the gas distribution utility of Kitchener?
- g) When is the next rebuild of the KGS and the Plains Road Station scheduled to occur?

- h) What are the associated capital costs of each scheduled station rebuild?
- i) What duration would be added to the remaining in-service life spans of each station by the scheduled rebuilds?
- j) With respect to Union's facilities fed from its Dawn Trafalgar system that are adjacent to facilities serving Kitchener, have there been sustainable reductions in the utilization of existing capacity due to industrial demand destruction that reinforce the integrity of design minimum operating pressures of Union's facilities downstream of the KGS into Waterloo and St. Jacobs?
- k) Has Union evaluated the feasibility of facilities for its own system integrity or expansion that could back feed the eastern portion of Kitchener's franchise area in Bridgeport? If so, please provide a copy of this evaluation.

G. Cost Allocation

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

Interrogatory # 1

Ref: Exhibit G3, Tab 5, Schedules 1 & 21
EB-2005-0520 – Exhibit G3, Tab 5, Schedules 1 & 24

Preamble: The attached table prepared by Kitchener compares Gross Plant in Service and Accumulated Depreciation for Underground Storage from the cost studies filed by Union for its 2013 and 2007 base rates applications. For illustrative purposes, the table also compares storage demand related allocation factors from the 2013 and 2007 cost studies.

- a) For each of lines 1 through 8 of the attached table, please provide a continuity schedule for Total Gross Plant In Service (columns a and d) that identifies: plant additions and retirements from 2007 through 2013 for regulated storage; plant additions and retirements from 2007 through 2013 for unregulated storage; adjustments or reclassifications; and, the removal of plant assets related to the unregulated storage business.
- b) Please provide a similar continuity schedule as in part (a) above for Total Accumulated Depreciation for Underground Storage as shown at line 10 of the attached table.
- c) Please verify that the allocation factor STORAGEXCESS for Kitchener's T3 rate class has decreased by about 7% from the 2007 cost study to the 2013 cost study as shown at line 12 of the attached table at columns b and e.

d) Have other in-franchise rate classes, particularly in the Southern Area, also reduced their allocated use of storage based on the STORAGEXCESS allocation factor from the 2007 cost study to the 2013 cost study?

e) Please verify that the allocation factor NETFROMSTOR for Kitchener's T3 rate class has decreased by about 10% from the 2007 cost study to the 2013 cost study as shown at line 14 of the attached table at columns b and e.

f) Have other in-franchise rate classes, particularly in the Southern Area, also reduced their allocated use of storage based on the NETFROMSTOR allocation factor from the 2007 cost study to the 2013 cost study?

g) Please explain why the allocation of Measuring and Regulating gross plant to the T3 rate class has increased by \$ 489,000 or about 82% from the 2007 cost study to the 2013 cost study as shown at line 5, column h of the attached table?

h) Please explain why the allocation of Compressor Equipment gross plant to the T3 rate class has increased by \$ 710,000 or about 15% from the 2007 cost study to the 2013 cost study as shown at line 7, column h of the attached table?

i) Please explain why the total NBV (Net Book Value) of Underground Storage as expressed in \$ per GJ for illustrative purposes using the STORAGEXCESS allocation factor as shown at line 15 of columns a and d of the attached table has increased by \$0.65 per GJ or 26% from the 2007 cost study to the 2013 cost study? Assuming the removal of unregulated storage assets for the 2013 cost study at generally more recent and higher marginal capital costs than the remaining embedded costs for regulated storage assets, shouldn't the average net capital cost of underground storage expressed in unit terms based on a space allocator (for illustrative purposes) decrease instead of increase?

H. Rate Design

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

Interrogatory # 1

Ref: Exhibit H3, Tab 2, Schedule 1, Page 12

a) For cost of service rate-making purposes for Rate T3, please verify that Kitchener's transportation demand has reduced by about 8% from 2,558 10^3 m^3 in Union's approved 2007 base rates to 2,350 10^3 m^3 in Union's proposed 2013 base rates.

b) Given the 8% reduction in Kitchener's transportation demand under Rate T3, please explain fully why the proposed monthly demand charge for transportation service shown at line 11 is increasing by 1.3150 cents per m^3 , or about 15%? To the extent possible, please identify and quantify each major component of the demand related costs to serve Kitchener which the proposed monthly demand charge is intended to recover.

c) Please explain fully why the proposed monthly charge for Kitchener under Rate T3 at line 19 is increasing by \$3,355 or about 19% to \$ 20,923? To the extent possible, please identify and quantify each major component of the customer related costs to serve Kitchener which the proposed monthly charge is intended to recover.

d) What portion, if any, of Kitchener's monthly charge under Rate T3 at line 19 is allocated to the ultimate rebuild of the existing Kitchener Gate Station and the Plains Road Station?

e) Would there be an additional charge imposed by Union for a guaranteed minimum delivery pressure of 225 psig or 275 psig to Kitchener at the time of rebuild?

f) If there is to be an additional charge, what components, or incremental change in the components of the station(s) rebuild, would be covered by this charge?

g) Given Union's responses to Kitchener's Interrogatory # 1 under Issue B #1, what would Union's justification be for any incremental charge to guarantee a minimum delivery pressure to Kitchener of 225 psig?

8. Is the splitting of T1 into two rate classes effective January 1, 2013 appropriate?

Interrogatory # 1

Ref: Exhibit H1, Tab 1, Pages 34 to 47
Exhibit H3, Tab 11, Schedule 1

Preamble: Figure 1 on page 40 of Exhibit H1, Tab 1 illustrates the current Rate T1 firm daily contract demand by customer. Larger customers are located in the upper right hand quadrant of the scatter diagram. These customers are included in the proposed Rate T2 redesign. Kitchener understands that the customer related costs of serving T2 customers are partially recovered by the proposed monthly charge of \$6,000. Customer related costs include capital and operating costs for delivery gate stations and related facilities needed to provide service.

a) For the three customers in the proposed Rate T2 class which are nearest in size or load characteristics to Kitchener (which can be identified as T2 Customer A, B and C), please provide the following information related to their delivery gate stations: in-service date of each station; capital cost of each station; net book value of each station as of December 31, 2012 and December 31, 2013, respectively; remaining service life of each station; minimum operating delivery pressure and maximum operating delivery pressure of each station; and, estimated capital costs to rebuild each station at the end of their remaining service life.

O. Other Issues

1. Has Union responded appropriately to all relevant Board directions from previous proceedings?

Interrogatory # 1

Ref: RP-2003-0063 Decision

a) Does Union intend to continue or enhance checkpoint balancing? If so, why and what changes are being considered and when would they be implemented?

b) Are any of the following improvements to Unionline planned? If so, when would they be implemented, and at what cost and which customers would bear the cost for each improvement?

- Include real time meter reads / consumption data
- Vendor Consolidated Billing (has Union received any requests?)
- Other changes to accommodate Gas Vendor programs