EB-2011-0210

IN THE MATTER of the *Ontario Energy Board Act 1998*, Schedule B to the *Energy Competition Act*, 1998, S.O. 1998, c.15;

AND IN THE MATTER OF an Application by Union Gas Limited for an Order or Orders approving just and reasonable rates and other service charges for the sale, distribution, transmission and storage of natural gas, effective on January 1, 2013.

INTERROGATORIES

OF THE

SCHOOL ENERGY COALITION

[Note: All interrogatories have been assigned to issues. However, please provide answers that respond to each question in full, without being restricted by the issue or category. Many interrogatories have application to multiple issues, but all have been asked only once to avoid duplication.]

B. Rate Base

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

1. [A2/1/1, p. 22] Please provide a detailed estimate of the impact in 2013 (relative to the last rebasing year in 2007) of the strong Canadian dollar on the cost of capital assets. Please describe the interaction, if any, between the impact on the Applicant's expenditures and the impact on the Applicant's revenues.

2. [B1/4. P. 8] Please provide the Transportation Replacements actual spending for each of 2007 through 2011.

3. [B1/4, p. 9] Please provide the business case for the head office renovation.

4. [B1/6, p. 2] Please provide the most up to date multi-year pipeline integrity plan, and if not included in that plan please update the 10-year IMP forecast to include 2011 through 2020.

5. [B1/6, p. 4] Please provide the "integrated OMS" referred to, and any updates to it.

6. [B1/7, p. 2] Please provide the full business case for the Enterprise Asset Management project, together with any presentations to the Executive team or the Board of Directors seeking approval or revised approval for that project.

4. Is the proposed Test Year Rate Base appropriate?

1. [A2/1/1, p. 3] Please provide a detailed breakdown of the updated figure $20 million listed as "Rate Base Growth Net of Tax Changes and Debt Costs".

2. [B1/2/A, p. 13] Please confirm that the Applicant closes capital assets to regulatory rate base when they are available for use, even if they are not actually "used and useful" for regulatory purposes. Please provide a list of all capital assets in that category as of December 31, 2011.

6. Are the methods proposed by Union to allocate the cost and use of capital assets between regulated and non-regulated activities appropriate, and are the proposed allocations to the regulated business appropriate for the Test Year?

1. The[B1/2/A, p. 14] Please provide details of all storage-related AROs in the Test Year, including the type and amount of each, and an evidence reference showing how those AROs are allocated between regulated and unregulated storage operations.

7. Do Union's Asset Condition Assessment and Investment Planning Process appropriately address the condition of the distribution system assets and support the OM&A and capital expenditures proposed for the Test Year?

1. [A2/3/1, App. C] Please provide the immediately prior version of this "Revised" document.

2. [A2/3/1/App.C, p. 17] Please explain in detail the "risk ranking" process.

3. [A2/3/1/App.A, p. 18] Please identify in the Application all "projects that require an investment of Maintenance Capital dollars to…realize an O&M savings". For any of those projects that have business cases showing the economic justification, please identify them in the evidence or provide them in the response to this question. For any that do not have business cases, please provide whatever economic justification document the Applicant relied on in approving the project.

4. [B1/4, p. 7] Please provide a copy of the CB Richard Ellis report.

C. Operating Revenues

2. What is the appropriate methodology to be used to forecast degree days for the Test Year?

1. [A3/1/5] Please advise which weather methodology was used for the 2012 Forecast.

D. Cost of Service

1. Is the 2013 O&M budget appropriate?

1. [A2/3/1, p. 4] Please provide a copy of the original "prior year – productivity + inflation" budget for 2013, a list of all material adjustments for "new program additions" and "material changes to existing programs", and either an explanation or an evidence reference for each of those adjustments.

2. [A2/3/1/App.B, p. 4] Please explain in more detail the box that is headed up "Customer Growth", including the two lines below, and the three dollar figures in each of the three boxes to the right of the heading.

3. Has Union complied with the Affiliate Relationships Code ("ARC") and the Board's "three prong test" (as described by the Board in the EBRO 493/494 Decision with Reasons)?

1. [A1/11/1] Please provide a list of all of the entities (whether corporations or otherwise) listed on the Corporate Organization Chart that are affiliates of the Applicant for the purpose of the undertakings.

7. Is the proposed Energy Technology Innovation Canada program funding appropriate?

1. [D1/10] Please provide the following information with respect to ETIC:

    a. Most recent annual report or, if none available, financial statements;
    b. The proposal to the CGA Board of Directors that they ultimately approved;
    c. Current list of members, with their respective annual financial commitments;
    d. Current list of investments, including in each case the name of the member sponsoring the investment, the investment to date, the total commitment for that particular investment, and for any investment that is more than $1 million, the proposal on which the investment was ultimately approved.

E. Cost of Capital

2. Is the proposed change in capital structure increasing Union's deemed common equity component from 36% to 40% appropriate?

1. [A3/6, DBRS p. 3] Please provide the most recent DBRS rating reports for Westcoast Energy Inc., Spectra Energy Capital, LLC, and Spectra Energy Corp.

2. [A3/6, S&P, p. 2] Please confirm that the Applicant has no information that S&P is considering a rating separation between the Applicant and its ultimate parent company.

3. [A3/6] Please provide any more recent credit rating reports than those filed in the original Application.

4. [E2] Please provide the following information with respect to the witness:

    a. What is his formal training economics or corporate finance?
    b. To what extent, if any, did the witness personally prepare ratings for utility companies? To what extent was his responsibility management of individuals who

prepared ratings, and to what extent was his responsibility a support or advisory role with respect to others who prepared ratings?

c. Please provide a list of all "consumer advocate" clients, and a brief summary of the nature of each retainer. If any public reports or testimony were prepared for any of these clients, please provide copies.

F. Revenue Requirement

G. Cost Allocation

H. Rate Design

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

1. Please confirm that the calculations in the table set forth below are accurate in all respects. If they are not accurate, please provide a corrected table in the same format.

Comparison of M1 and M2 Rates by Volume - 2013 Proposed Rates

Monthly Volume	Monthly Bill at M1 Rate Schedule					Monthly Bill at M2 Rate Schedule				
	Fixed	Volumetric	Total	Unit Cost	Avg. Vol. Rate	Fixed	Volumetric	Total	Unit Cost	Avg. Vol. Rate
250	$21.00	$10.56	$31.56	$0.1262	$0.0422	$70.00	$10.56	$80.56	$0.3223	$0.0423
500	$21.00	$19.69	$40.69	$0.0814	$0.0394	$70.00	$21.13	$91.13	$0.1823	$0.0423
750	$21.00	$28.82	$49.82	$0.0664	$0.0384	$70.00	$31.69	$101.69	$0.1356	$0.0423
1000	$21.00	$37.95	$58.95	$0.0590	$0.0380	$70.00	$42.26	$112.26	$0.1123	$0.0423
1500	$21.00	$56.22	$77.22	$0.0515	$0.0375	$70.00	$63.01	$133.01	$0.0887	$0.0420
2000	$21.00	$74.48	$95.48	$0.0477	$0.0372	$70.00	$83.76	$153.76	$0.0769	$0.0419
3000	$21.00	$111.01	$132.01	$0.0440	$0.0370	$70.00	$125.25	$195.25	$0.0651	$0.0418
4000	$21.00	$147.54	$168.54	$0.0421	$0.0369	$70.00	$166.75	$236.75	$0.0592	$0.0417
4166.67	$21.00	$153.62	$174.62	$0.0419	$0.0369	$70.00	$173.66	$243.66	$0.0585	$0.0417
5000	$21.00	$184.06	$205.06	$0.0410	$0.0368	$70.00	$208.24	$278.24	$0.0556	$0.0416
6000	$21.00	$220.59	$241.59	$0.0403	$0.0368	$70.00	$249.74	$319.74	$0.0533	$0.0416
7000	$21.00	$257.12	$278.12	$0.0397	$0.0367	$70.00	$291.24	$361.24	$0.0516	$0.0416
8000	$21.00	$293.64	$314.64	$0.0393	$0.0367	$70.00	$330.46	$400.46	$0.0501	$0.0413
9000	$21.00	$330.17	$351.17	$0.0390	$0.0367	$70.00	$369.68	$439.68	$0.0489	$0.0411
10000	$21.00	$366.70	$387.70	$0.0388	$0.0367	$70.00	$408.91	$478.91	$0.0479	$0.0409
11000	$21.00	$403.22	$424.22	$0.0386	$0.0367	$70.00	$448.13	$518.13	$0.0471	$0.0407
12000	$21.00	$439.75	$460.75	$0.0384	$0.0366	$70.00	$487.35	$557.35	$0.0464	$0.0406
13000	$21.00	$476.28	$497.28	$0.0383	$0.0366	$70.00	$526.57	$596.57	$0.0459	$0.0405
14000	$21.00	$512.81	$533.81	$0.0381	$0.0366	$70.00	$565.79	$635.79	$0.0454	$0.0404
15000	$21.00	$549.33	$570.33	$0.0380	$0.0366	$70.00	$605.02	$675.02	$0.0450	$0.0403
16000	$21.00	$585.86	$606.86	$0.0379	$0.0366	$70.00	$644.24	$714.24	$0.0446	$0.0403
17000	$21.00	$622.39	$643.39	$0.0378	$0.0366	$70.00	$683.46	$753.46	$0.0443	$0.0402
18000	$21.00	$658.91	$679.91	$0.0378	$0.0366	$70.00	$722.68	$792.68	$0.0440	$0.0401
19000	$21.00	$695.44	$716.44	$0.0377	$0.0366	$70.00	$761.90	$831.90	$0.0438	$0.0401
20000	$21.00	$731.97	$752.97	$0.0376	$0.0366	$70.00	$801.13	$871.13	$0.0436	$0.0401

2. With respect to the table contained in SEC #H.1.1 above:

a. Please explain why the average unit cost to distribute gas to higher volume general service customers is in all cases higher than the average unit cost to distribute gas to lower volume general service customers.
b. Please identify and quantify all diseconomies of scale affecting the cost to distribute gas to higher volume general service customers.
c. Please explain why the average volumetric rate for M2 customers is in all cases higher than the average volumetric rate for M1 customers. Please explain the cost drivers causing this result.
d. Please prepare a table in this format performing the same calculations for Rates 01 and 10. Please explain why the same pattern of higher unit rates for higher volume customers (both overall unit rate and average volumetric rate) does not apply to these rate classes in the same way as M1 and M2. Please identify and quantify the costs that cause this different result.

3. Is the proposal to lower the breakpoint between small and large volume general service customers to 5000 M3 per year effective January 1, 2014 appropriate?

1. Please provide a detailed explanation as to why the Applicant proposes to implement this change on January 1, 2014 rather than on January 1, 2013 along with other rate changes.

2. Please confirm that the calculations in the table set forth below are accurate in all respects. If they are not accurate, please provide a corrected table in the same format.

Comparison of M1 and M2 Rates by Volume - 2014 Proposed Rates

Monthly Volume	Monthly Bill at M1 Rate Schedule					Monthly Bill at M2 Rate Schedule				
	Fixed	Volumetric	Total	Unit Cost	Avg. Vol. Rate	Fixed	Volumetric	Total	Unit Cost	Avg. Vol. Rate
250	$21.00	$10.68	$31.68	$0.1267	$0.0427	$35.00	$8.85	$43.85	$0.1754	$0.0354
416.667	$21.00	$16.81	$37.81	$0.0908	$0.0404	$35.00	$14.76	$49.76	$0.1194	$0.0354
500	$21.00	$19.88	$40.88	$0.0818	$0.0398	$35.00	$17.71	$52.71	$0.1054	$0.0354
750	$21.00	$29.08	$50.08	$0.0668	$0.0388	$35.00	$26.56	$61.56	$0.0821	$0.0354
1000	$21.00	$38.28	$59.28	$0.0593	$0.0383	$35.00	$35.41	$70.41	$0.0704	$0.0354
1500	$21.00	$56.67	$77.67	$0.0518	$0.0378	$35.00	$52.58	$87.58	$0.0584	$0.0351
2000	$21.00	$75.07	$96.07	$0.0480	$0.0375	$35.00	$69.75	$104.75	$0.0524	$0.0349
3000	$21.00	$111.87	$132.87	$0.0443	$0.0373	$35.00	$104.08	$139.08	$0.0464	$0.0347
4000	$21.00	$148.66	$169.66	$0.0424	$0.0372	$35.00	$138.41	$173.41	$0.0434	$0.0346
5000	$21.00	$185.45	$206.45	$0.0413	$0.0371	$35.00	$172.75	$207.75	$0.0415	$0.0345
6000	$21.00	$222.25	$243.25	$0.0405	$0.0370	$35.00	$207.08	$242.08	$0.0403	$0.0345
7000	$21.00	$259.04	$280.04	$0.0400	$0.0370	$35.00	$241.42	$276.42	$0.0395	$0.0345
8000	$21.00	$295.84	$316.84	$0.0396	$0.0370	$35.00	$269.98	$304.98	$0.0381	$0.0337
9000	$21.00	$332.63	$353.63	$0.0393	$0.0370	$35.00	$298.54	$333.54	$0.0371	$0.0332
10000	$21.00	$369.42	$390.42	$0.0390	$0.0369	$35.00	$327.10	$362.10	$0.0362	$0.0327
11000	$21.00	$406.22	$427.22	$0.0388	$0.0369	$35.00	$355.66	$390.66	$0.0355	$0.0323
12000	$21.00	$443.01	$464.01	$0.0387	$0.0369	$35.00	$384.22	$419.22	$0.0349	$0.0320
13000	$21.00	$479.81	$500.81	$0.0385	$0.0369	$35.00	$412.78	$447.78	$0.0344	$0.0318
14000	$21.00	$516.60	$537.60	$0.0384	$0.0369	$35.00	$441.34	$476.34	$0.0340	$0.0315
15000	$21.00	$553.39	$574.39	$0.0383	$0.0369	$35.00	$469.90	$504.90	$0.0337	$0.0313
16000	$21.00	$590.19	$611.19	$0.0382	$0.0369	$35.00	$498.46	$533.46	$0.0333	$0.0312
17000	$21.00	$626.98	$647.98	$0.0381	$0.0369	$35.00	$527.02	$562.02	$0.0331	$0.0310
18000	$21.00	$663.78	$684.78	$0.0380	$0.0369	$35.00	$555.58	$590.58	$0.0328	$0.0309
19000	$21.00	$700.57	$721.57	$0.0380	$0.0369	$35.00	$584.14	$619.14	$0.0326	$0.0307
20000	$21.00	$737.36	$758.36	$0.0379	$0.0369	$35.00	$612.70	$647.70	$0.0324	$0.0306

3. With respect to the table contained in SEC #H.3.1 above:

   e. Please confirm that, until a 6000 m3 per month volume level, the cost to distribute gas to higher volume general service customers at M2 rates is higher than the cost to distribute gas to lower volume general service customers at M1 rates. Please explain the reasons for this result.
   f. Please confirm that changing the break point to 5000 m3 per year has the result that all customers that shift from M1 to M2 under the Applicant's proposal will have a higher monthly distribution cost, despite being in a higher volume general service class.
   g. Please identify and quantify all diseconomies of scale affecting the cost to distribute gas to higher volume general service customers.
   h. Please explain what changes were made between the original filing and the update to cause the volumetric rates for M2 to now be lower than the lowest volumetric rate for M1, when they were not in the original filing.

i. Please compare the cost profile for rates M1 and M2 for 2013 and 2014, and explain in detail any changes to costs that have driven changes to the profile of those costs by volume.
j. Please prepare a table in this format performing the same calculations for Rates 01 and 10. Please explain why the same pattern of higher unit rates for higher volume customers (both overall unit rate and average volumetric rate) does not apply to these rate classes in the same way as M1 and M2. Please identify and quantify the costs that cause this different result.

4. [H1/1, p. 17] Please provide a summary of the rationale used by the Applicant in EB-2005-0520 to use the 50,000 m3 breakpoint to split the former M2 rate class into M1 and M2.

5. [H1/1, p. 18] Please explain why in EB-2005-0520 the Applicant believed that the new M1 rate class would have homogeneity when the overwhelming majority of the customers in the class would be residential at much lower volumes. Please explain any changes that have taken place between that proceeding and today that result in the homogeneity of the class changing.

6. [H1/1, p. 29, 30] Please provide all calculations of the numbers on Tables 13 and 14.

4. Is the proposal to harmonize the general service rate structures between the North and South operating areas effective January 1, 2014 appropriate?

1. Please provide a detailed explanation as to why the Applicant proposes to implement this change on January 1, 2014 rather than on January 1, 2013 along with other rate changes.

5. Is the proposal to lower the eligibility for the M4 and M5A rate classes to a daily contracted demand of 2400 m3 and a minimum annual volume of 350,000 M3 effective January 1, 2014 appropriate?

1. Please provide a detailed explanation as to why the Applicant proposes to implement this change on January 1, 2014 rather than on January 1, 2013 along with other rate changes.

6. Is the introduction of an M4 interruptible service offering effective January 1, 2014 appropriate?

1. Please provide a detailed explanation as to why the Applicant proposes to implement this change on January 1, 2014 rather than on January 1, 2013 along with other rate changes.

7. Is the proposal to lower the eligibility for the M7 rate class to a combined firm, interruptible and seasonal daily contract demand of 60,000 M3 effective January 1, 2014 appropriate?

1. Please provide a detailed explanation as to why the Applicant proposes to implement this change on January 1, 2014 rather than on January 1, 2013 along with other rate changes.

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

1. Please provide a detailed explanation as to why the Applicant proposes to implement this change on January 1, 2013 rather than on January 1, 2014 as proposed for most of the other rate design changes.

DV. Deferral and Variance Accounts

1. Are Union's proposed and existing deferral and variance accounts appropriate?

1. [H1/4/3] Please explain the new purpose of the Average Use per Customer deferral account in a year in which the Applicant is not under an incentive regulation formula. Please confirm that the Applicant is proposing to remove the risk in a cost of service year that its forecasts for general service volumes are accurate. If this is not the case, please provide an analysis of the change in risk associated with the proposed use of this deferral account in a cost of service year.

O. Other Issues

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

1. [A1/15] Please confirm that the Applicant is not seeking approval from the Board for the definitions contained in the Glossary.

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

1. [A2/1/1, p. 6] Please provide all presentations made to the Applicant's executive team or its Board of Directors in 2011 that include a forecast of the 2012 ROE. Please include the full presentations in which the ROE is included. Please provide an explanation of any material changes to the forecast of 2012 ROE during the 2011 year.

Respectfully submitted on behalf of the School Energy Coalition this 10th day of April, 2012

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Jay Shepherd