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**By electronic filing and by e-mail**

April 10, 2012

Kirsten Walli  
Board Secretary  
Ontario Energy Board  
2300 Yonge Street  
27<sup>th</sup> floor  
Toronto, ON M4P 1E4

Dear Ms Walli,

**Union Gas Limited**  
**2013 Rebasing Application**  
**Board File No.: EB-2011-0210**  
**Our File No.: 339583-000123**

Please find attached the Interrogatories of Canadian Manufacturers & Exporters ("CME") for Union Gas Limited ("Union").

Yours very truly,

A handwritten signature in blue ink, appearing to read 'Peter Thompson', is written over a horizontal line.

Peter C.P. Thompson, Q.C.

\slc  
enclosure

c. Chris Ripley (Union)  
Crawford Smith (Torys)  
Intervenors EB-2011-0210  
Paul Clipsham (CME)

OTT01\5018683\vl

**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  
CANADIAN MANUFACTURERS & EXPORTERS ("CME")  
TO UNION GAS LIMITED ("UNION")**

**INTRODUCTION**

These interrogatories have been prepared having regard to the following:

- (a) The Interrogatories already submitted by Mr. Aiken on behalf of London Property Management Association ("LPMA");
- (b) The Interrogatories that will be submitted by Mr. Quinn on behalf of Federation of Rental-housing Providers of Ontario ("FRPO") that will contain questions framed by John Rosenkranz, an expert retained by Consumers Council of Canada ("CCC"), CME, FRPO and the City of Kitchener with respect to transportation, storage and other matters;
- (c) Questions that will be submitted by Vulnerable Energy Consumers Coalition ("VECC") related to Union's Cost of Capital and Return evidence on which VECC, CCC, CME, London Property Management Association ("LPMA") and School Energy Coalition ("SEC") are being assisted by Laurence Booth; and
- (d) The Interrogatories circulated late in the evening of April 9, 2012, by Energy Probe Research Foundation ("Energy Probe").

To the extent possible, we have attempted to avoid duplicating questions that are already or will be covered by the Interrogatories of LPMA, FRPO, VECC and Energy Probe.

In framing the Interrogatories, we have, with one exception, attempted to adhere to the format adopted by LPMA as requested by Union. The one exception is that, at the outset of these Interrogatories, we propose a question that relates to Issues F.2 and O.4 because the information to be provided in response to that question constitutes part of the overall context related to the questions that we pose under the major topic headings B to F inclusive in the Final Issues List.

## **INTERROGATORIES**

- F.2 Is the overall change in revenue requirement reasonable, given the impact on consumers?**
- O.4 Are sustainable efficiency improvements (or efficiency gains) achieved under Incentive Regulation reflected in Union's COS estimates?**

**Reference:**    **Exhibit A2, Tab 1**  
                  **Exhibit F5, Tab 1, Schedule 1**  
                  **Exhibit F4, Tab 1, Schedule 1**

1. At Exhibit A2, Tab 1, page 2 and throughout the filing, elements of the proposed 2013 revenue requirement are compared to elements of the 2007 Board Approved revenue requirement.

Based on information in Table 3 of Exhibit A2, Tab 1, Schedule 1, at page 6, the revenue sufficiencies for 2008, 2009 and 2010 are \$82.3M, \$51.6M and \$44.1M respectively. For 2011, the revenue sufficiency shown in Exhibit F4, Tab 1, Schedule 1 is \$29.9M, and for 2012, it is about \$2.6M as shown in Exhibit F5, Tab 1, Schedule 1. The total of revenue sufficiencies over 5-years is about \$210.5M, or on average \$42.1M per year.

In order to enable us to evaluate the appropriateness of the revenue requirement and revenue deficiency amounts Union asks the Board to approve for 2013 and, in particular, whether the gains achieved under Incentive Regulation are reflected in Union's proposed 2013 revenue requirement, what we seek is a spreadsheet presentation that starts with the elements of the Board Approved 2007 revenue requirement and then tracks the causes of the revenue requirement sufficiencies achieved year-by-year from 2007 to 2012 inclusive so that all of this information can be considered alongside the elements of the proposed revenue requirement for 2013.

In this connection, would Union please provide the following:

- (a) A summary schedule in spreadsheet format that starts with a column equivalent to lines 1 to 21 inclusive of Column (b) in Exhibit A2, Tab 6, Schedule 1, page 3, showing the major elements of the EB-2005-0520 Approved revenue requirement, to be followed by columns containing the information at lines 1 to 21 inclusive for Actual Years 2007 to 2012 inclusive; followed by the information shown in Column (a) in Exhibit A2, Tab 6, Schedule 1, page 2 for 2013 Proposed showing a revenue deficiency in the amount of \$65.611M. This presentation will then show the Proposed 2013 Revenue Requirement and Deficiency alongside the Revenue Sufficiency amounts commencing with 2007 Actual and culminating with the 2012 Estimated Actual amount;
- (b) For each of the columns 2007 Actual to 2012 Estimated Actual, please provide the following additional information in a "Revenue Deficiency/Sufficiency" format similar to Exhibit A2, Tab 6, Schedule 2, including a brief description by line item of the causes for:

- (i) 2007 Actuals being less than 2007 Board Approved elements of the revenue requirement presentation;
  - (ii) 2008 Actuals differing from 2007 Actuals;
  - (iii) 2009 Actuals exceeding 2008 Actuals;
  - (iv) 2010 Actuals exceeding 2009 Actuals;
  - (v) 2011 Actuals exceeding 2010 Actuals;
  - (vi) 2012 Estimated Actuals exceeding 2011 Actuals; and
  - (vii) 2013 Elements of Revenue Requirement exceeding 2012 Estimated Actuals.
- (c) For each of the line item explanations in each year provided in response to the previous question, please identify the portion of each line item that represents an efficiency or productivity gain compared to the previous year and whether that productivity or efficiency gain continues into the following year;
- (d) For each of the line item explanations in each year to be provided above, please identify items of gain that were neither efficiency nor productivity gains, and describe the factors that gave rise to savings that were neither productivity nor efficiency related such as the following:
- (i) An initial under-forecast of revenues; and/or
  - (ii) An initial over-forecast of expenses.

**B. Rate Base**

**B1. Is Union's forecast level of capital spending in 2013 appropriate?**

**References: Exhibit B1, Tab 2  
Exhibit B1, Summary Schedule 2**

1. Please provide an exhibit that broadens Table 1 "Capital Budget Summary by Function" at page 1 of Exhibit B1, Tab 2 to include, prior to the column entitled "Actual 2007", a column showing the capital budget Union proposed in EB-2005-0520 referenced at Exhibit B1, Tab 2, page 2 for each of the line items 1 to 9 inclusive in Table 1, followed by the Actual Amounts for 2007 shown in Column (a) of Table 1, and then followed by 2 new columns not now in Table 1 showing Actual Expenditures for 2008 and 2009; and then followed by Columns (b) to (e) inclusive of Table 1 for 2010 to 2013 inclusive.
2. If Union adopted internally a revised Capital Budget for 2007 to reflect the settlement of the Rate Base amount in that proceeding, then please provide a schedule that will show the extent to which the Capital Budget, presented for approval in EB-2005-0520, was reduced to reflect that settlement.

3. Please provide an exhibit that:
  - (a) Broadens Table 2 of Exhibit B1, Tab 2 "Capital Budget Summary Year-Over-Year Change by Function" to add Actual columns for 2007, 2008 and 2009, and expands the year-over-year change by function analysis to include:
    - (i) 2007 Actual Spend compared to 2007 Capital Budget presented in EB-2005-0520,
    - (ii) 2008 Capital Spend compared to 2007 Capital Spend,
    - (iii) 2009 Capital Spend compared to 2008 Capital Spend,
    - (iv) 2010 Capital Spend compared to 2009 Capital Spend,and so on through to proposed Capital Spend for 2013 as shown in Table 2.
4. Please include with the previous exhibit "Variance Explanations" for:
  - (a) 2007 Actuals versus 2007 Budget presented in EB-2005-0520;
  - (b) 2008 Actuals versus 2007 Actuals;
  - (c) 2009 Actuals versus 2008 Actuals; and
  - (d) 2010 Actuals versus 2009 Actuals.
5. Please provide an exhibit that broadens Exhibit B1, Summary Schedule 2 to include the following:
  - (a) Details of Capital Expenditure and Justification for Projects over \$500,000 proposed in EB-2005-0520; followed by:
  - (b) Amounts shown in Exhibit B1, Summary Schedule 2 for "Actual 2007" for "Regulated" and "Total"; followed by:
  - (c) Information to be added for Actual 2008 and 2009 for "Regulated" and "Total"; followed by:
  - (d) Amounts that appear for 2010, 2011, 2012 and 2013 in Exhibit B1, Summary Schedule 2.
6. On average, for the period 2007 to 2012 inclusive, by how much per annum did Actual Capital Expenditures fall below the total amount proposed for approval in EB-2005-0520 for the 2007 Base Year?
7. What is the full year revenue requirement being recovered in Base Rates associated with the average under-spend amount in the period 2007 to 2012 inclusive to be provided in response to the preceding question?

**B4. Is the proposed Test Year Rate Base appropriate?**

**References: Exhibit B1, Summary Schedule 1**

1. Please provide an exhibit that broadens Exhibit B1, Summary Schedule 1 to include 2007, 2008 and 2009 Actuals between Columns (a) and (b) of that Exhibit.

**C. Operating Revenues**

**C1. Is Union's general service demand forecast appropriate?**

**References: Exhibit C1, Tab 1  
Exhibit C1, Summary Schedules 1, 2, 3 and 4**

1. With respect to this information, please provide revised Exhibit C1, Summary Schedules 1 (Throughput), 3 (Sales Revenue), and 4 (Delivery Revenue) for each of the following scenarios:
  - (a) The Weather Normalization Method used to forecast general service demands remains unchanged;
  - (b) The existing Weather Normalization Method is changed to a 50/50 ratio between the 30 year average and the 20 day declining trend methods; and
  - (c) The existing Weather Normalization Method is changed to a 40/60 ratio of the 30 day average and the 20 year declining trend methods.

**C3. Is the 2013 Contract Customer Demand forecast appropriate?**

**References: Exhibit C1, Tab 2  
Exhibit C1, Summary Schedules 1, 2, 3 and 4**

1. With respect to the "Volume Comparison by Market Sector", for the period 2007 through to 2013 shown in Tables 1 and 2 of Exhibit C1, Tab 2 and the "Volume Comparison by Rate Class" shown in Table 3 of Exhibit C1, Tab 2, please provide the following additional information:
  - (a) Add a column to each of Tables 1, 2 and 3 to show the number of customers in 2013 in each market sector and each rate class;
  - (b) For each market sector and for 2013 only, please provide an estimate of the number of customers, the volume, and the revenue that is attributable to customers that Union would classify as manufacturers;
2. To help us evaluate Union's forecasts, please broaden the Throughput information provided in Exhibit C1, Summary Schedule 1 to show, for lines 10 to 23 inclusive, the Throughput estimates provided to Union by its contract customers for each of the years 2007 to 2013 inclusive, along with the following information:

- (i) The extent to which Union, in its budget in each year, modified the estimates provided by customers; and
  - (ii) The extent to which Actuals in each year differed from the estimates provided by Union's customers.
- 3. Please broaden Exhibit C1, Summary Schedules 3 and 4 to show the forecast revenues for 2012 and 2013 in a scenario where Union adopts, without any change, the Throughput estimates provided by its customers.

**C4. Is the 2013 S&T forecast appropriate?**

**References: Exhibit C1, Tab 3  
Exhibit C1, Summary Schedule 5**

- 1. Please provide an exhibit that broadens Summary Schedule 5 to include Actual information for each of the line items 1 to 13 inclusive for the years 2007, 2008 and 2009.
- 2. What is the level of S&T capacity utilization Union is forecasting for 2013 compared to the actual level of S&T capacity utilization achieved in each of the prior years 2007 to 2012 inclusive?

**D. Cost of Service**

**D1. Is the 2013 O&M budget appropriate?**

**References: Exhibit D1, Tab 2  
Exhibit D1, Summary Schedules 1 and 2  
Tab 3, Schedule 1 of Exhibits D3, D4 and D5  
Tab 6, Schedule 1 of Exhibits D3, D4 and D5**

- 1. With respect to these Exhibits, please provide the following additional information:
  - (a) An Exhibit that broadens Exhibit D1, Summary Schedule 1 to include between Columns (a) and (b) additional columns providing Actual information for the years 2007, 2008 and 2009;
  - (b) A new Summary Schedule, comparable to Exhibit D1, Summary Schedule 2, that presents all of the information contained in Exhibit D1, Summary Schedule 2 by "Administrator" in the format presented in Tab 3, Schedule 1 of Exhibits D3, D4 and D5;
  - (c) An Exhibit that broadens the "Year-Over-Year Continuity for O&M" information shown in Table 4 of Exhibit D1, Tab 2 to include the information in lines 2 to 20 leading to the Board approved amount of \$325.6M, and then adds the Actual information for 2007 to 2013 inclusive so as to provide a complete continuity presentation by line item for the period 2007 to 2013 inclusive; and

- (d) A new Exhibit, comparable to Schedule 2 of Tab 6 of Exhibits D3, D4 and D5 "FTE Report by Administrator" showing the FTE Forecast in the Board Approved Revenue Requirement for 2007, followed by Actuals for 2007 to 2011 inclusive, Estimated Actuals for 2012, and Forecasts for 2013, along with the "Variance Explanations" for 2007 to 2013 inclusive.
2. According to Exhibit D3, Tab 6, Schedule 2, excluding vacancies, Actual FTEs forecast for 2013 are 2,317 compared to 2,211 for 2010, an increase of 106 FTEs. In Exhibit D1, Tab 2 at page 9, it is stated that the 2,248 FTEs for 2013 (which includes 69 vacancies) represents an increase over 2010 year-end Actual of 37 FTEs. Please reconcile this statement with the information that appears in Exhibit D3, Tab 6, Schedule 2 at lines 8 and 10 of Columns A and D.
3. With respect to Regulatory Hearing and OEB Cost Assessment amounts shown at line 20 in Exhibit D1, Summary Schedule 2, and the larger amounts for "Regulatory, Municipal Relations, and Public Affairs" shown at line 22 of Tab 3, Schedule 1 in Exhibits D3, D4 and D5, please provide a complete breakdown of the costs in each of those line items for Actual 2007 to 2012 inclusive, with the details to include a breakdown of Regulatory Hearing expenses in each year by project and services provider.

**D6. Is the proposed community investment funding appropriate?**

**References:** Exhibit D1, Summary Schedule 2  
Exhibit D1, Tab 8

1. Please provide details of Union's community investments in the 5-years prior to the 2007 Base Year and advise whether these investments were or were not included in Union's utility Cost of Service. If such investments were not previously included in the Cost of Service, then please provide the rationale for that approach.

**D7. Is the proposed Energy Technology Innovation Canada program funding appropriate?**

**References:** Exhibit D1, Tab 10

1. Please provide details of Union's R&D expenditure in the 5-years prior to the 2007 Base Year and indicate whether any of that spending was included in its utility revenue requirement. If not, then please provide the rationale for that approach.

**E. Cost of Capital**

**E2. Is the proposed change in capital structure increasing Union's deemed common equity component from 36% to 40% appropriate?**

**References:** Exhibit A3, Tab 7  
Exhibit E1, Tab 1  
Exhibit E2

1. In connection with this evidence, please provide the following additional information:



- (a) For the most recent financings listed in Exhibit A3, Tab 7, what was the amount of time that elapsed between the date the information circulars were distributed to the public and the investments described therein were fully subscribed?
- (b) How do the rates that Union paid for each of its financings for 2010 and 2011 described in Exhibit A3, Tab 7 compare with the cost of debt derived using the Board's formula?
- (c) What financings were made by Ontario Power Generation Inc. ("OPG"), Hydro One Networks Inc. ("HONI") and Enbridge Gas Distribution Inc. ("EGD") in the same time frame, and at what rates?
- (d) How do the interest rates for Financings made by OPG, HONI, and EGD over the past 5-years compare to the rates paid by Union?
- (e) Has there been any change in Union's stand-alone credit ratings over the past 5-years?

**E3. Is the proposal to use the Board's formula to calculate return on equity appropriate?**

**References: Exhibit E1, Tab 1  
Exhibit F2**

- 1. In connection with this information, please provide the following information:
  - (a) Please clarify the purpose of Dr. Vander Weide's evidence in this proceeding having regard to Union's proposal that the Board's ROE formula is to be applied in determining its 2013 Rates and the Board's Cost of Capital Report indicating that any review of the appropriateness of the Board's ROE formula return is to occur at the earliest at the end of 2013.
  - (b) Please provide the Actual and Estimated Costs Union expects to incur for the expert evidence and supporting testimony of Mr. Fetter and Dr. Vander Weide.

**G. Cost Allocation**

**G1. Is Union's Cost Allocation Study, including the methodologies and judgments used and the proposed application of that study with respect to Test Year rates, appropriate?**

**References: Exhibit A1, Tab 3  
Exhibit G1, Tab 1  
Exhibit G1, Tab 1, Appendix A and Appendix B**

- 1. Union seeks approval for the seven Cost Allocation Methodology changes listed at Exhibit A1, Tab 3, Schedule 2, page 1. The proposed changes are described in Exhibit G1, Tab 1 and summarized in Exhibit G1, Tab 1, Appendix A. The impacts on different in-franchise rate classes are shown in Exhibit G1, Tab 1, Appendix B. In connection with this evidence, please provide the following additional information:

- (a) Do any of the Cost Allocation changes Union proposes have the effect of shifting costs from non-utility to utility and/or from ex-franchise to in-franchise customers? If so, then please provide an exhibit that displays these impacts.
  - (b) Please isolate the cost shifts that Union proposes "to further harmonize the Cost Allocation methodologies used for Union North and Union South". In particular, do these "harmonizing" methodology changes have the effect of shifting costs from one operating area to another; or are they merely shifting costs between customer classes in an operating area that did not previously use a Cost Allocation methodology that is being used in Union's other operating area?
  - (c) Please provide a list of all of the other "harmonization" changes that have been made prior to this proceeding and the date on which each of those changes were approved by the Board. Please identify the operating area where the "harmonizing" methodology originated and the methodology it replaced in the other operating area.
2. Union is proposing a number of changes to the eligibility criteria for its existing rate classes. In connection with the inter-relationship, if any, between these rate design proposals and the Cost Allocation study presented in these proceedings, please provide the following additional information:
  - (a) Is the Cost Allocation study that Union presents in these proceedings, including its allocation to various rate classes, premised on the existing or the proposed rate classes?
  - (b) What effect, if any, will the approval of the new rate classes and/or sub-classes that Union proposes have on the allocation factors that are being used to allocate costs to these classes and sub-classes and, in turn, to produce revenue-to-cost ratios for each rate class and sub-class?

#### **H. Rate Design**

**References: Exhibit A1, Tab 3, Schedule 2  
Exhibit H1, Tab 1**

1. Exhibit A1, Tab 3, Schedule 2 lists the eight specific Rate Design changes that Union asks the Board to approve. Further details of these proposals are contained in Exhibit H1, Tab 1. In connection with this evidence, please provide the following additional information:
  - (a) Are any of the Rate Design changes Union is proposing being made in response to specific requests for such changes from ratepayers? If so, then please provide details of the customer requests for such rate changes, including copies of any documents exchanged between Union and its customers with respect to such requests.
  - (b) Are any of the Rate Design changes Union is proposing contingent on a finding that there is a revenue deficiency rather than a revenue sufficiency for the 2013 Test Year?

2. CME wishes to obtain a better understanding of the impacts of Union's proposed Rate Design changes on the manufacturers being served under the auspices of Union's rates. Union's manufacturer customers will be more specifically identified when Union provides its response to Interrogatory C3.1 herein. For the purposes of the information requests that follow, CME assumes that one or more manufacturers are currently being served under the auspices of Rates 01 and 10 in the Northern Zone and Rates M4, M5A, M7 and T1 in Union's Southern operations area. In connection with proposals that Union is making will affect customers served under the auspices of these existing rates, please provide the following information:
- (a) Identify the total number of commercial and industrial customers who will receive an annual bill impact in excess of 2% as a result of moving from current Rate 01 and M1 to proposed Rates 10 and M2;
  - (b) Table 14 in Exhibit H1, Tab 1 indicates that the annual bill impacts on existing M1 customers that will move to proposed Rate Class M2 with annual volumes between 7,000 and 60,000 M<sup>3</sup>/year will face very significant annual bill increases. Have the customers who will be affected by Union's proposal been notified of the steep bill increases they will face if Union's proposals are approved? If so, then please provide copies of such notices and the responses from customers, if any.
  - (c) Please broaden Table 14 in Exhibit H1, Tab 1 to include annual volumes of 6,000 M<sup>3</sup>/year, 60,000 M<sup>3</sup>/year and 70,000 M<sup>3</sup>/year.
  - (d) With respect to the proposal to lower the Rate 7 eligibility to capture 5 customers currently forecast on Rate M4 at 17 customers currently on Rate M5A, please provide information that will show the rate and annual bill impacts on each of the 22 customers that will be brought within the ambit of Rate M7 under Union's proposal.
  - (e) What will be the impact on rates and annual bills of customers who choose to utilize Union's proposed Rate M4 interruptible service offering?
  - (f) With respect to Union's proposal to split current Rate T1 into two rate classes, please provide the following:
    - (i) A Schedule that will show the range of rate and annual bill impacts on the 59 customers currently served under Rate T1 if Union's proposal is adopted;
    - (ii) Identify by letter or number each customer to be served under proposed Rate T1 and proposed Rate T2 that will be facing either a rate or a total annual bill impact increase that is 2% or greater;
    - (iii) Any specific notice that Union has provided to T1 customers of the rate and/or annual bill impacts that they will likely face if Union's proposed Rate Design change is approved and the responses that Union received to these notices, if any.