EB-2010-0210

FOLLOW-UP QUESTION FOR UNION GAS

May 28, 2012

B.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?

Ref J.B-6-10-1

The question asked what the overrun penalties would be and Union discussed how they would be accommodating. Notwithstanding what could occur, please calculate the unauthorized overrun penalties that could accrue for the amount of space and deliverability overruns of the non-utility business in October of 2011.

B.8 Is the allocation of capital expenditures between utility and non-utility ("unregulated") operations appropriate?

Ref: J.B-8-10-2, Attachment 1, Line 3

Union states that the non-utility storage plant allocation factor for the Dawn Plant J project should be 42.5% because (a) it is a storage and transmission asset, and (b) the project created incremental capacity.

Please show in detail how the 42.5% allocation factor was calculated.

Identify the costs that were allocated and the costs that were direct assigned, with an explanation for each.

Please provide the resulting increase in working capacity and deliverability for each storage pool.

Please provide additional detail on Line No.144 including the type of infrastructure and its role in creating the additional services? Are these type of services also provided by the non-utility business?

Please provide additional detail on Line No. 146 including the type of infrastructure and its role in meeting emerging demands? How are those demands not met?

Ref: J.B-8-10-2, Attachment 1, Line 13

Please describe the improved injection and withdrawal capacity that will result from the Mandaumin Pool Modifications project.

Provide the working capacity and design deliverability for this pool before and after the project.

Union's proposed cost allocation methodology states that if a project "improves efficiency or provides growth opportunities for he unregulated business, then the incremental cost of the project beyond the simple replacement is directly assigned to unregulated storage."(EB-2010-0039, Exhibit A, Tab 4, p. 14) Please explain why a direct allocation to non-utility storage is not necessary for this project.

Ref: J.B-8-10-2, Attachment 1, Line 19

Will Union need to install emergency shut down valves on any storage injection/withdrawal wells that were put into service since the NGEIR Decision?

Please provide a table showing, for each Union storage pool, the number of storage/injection wells in operation as of 12/31/2006, 12/31/2011, and 12/31/2012 (forecast).

Ref: J.B-8-10-2, Attachment 1, Lines 142-147

Using the same methodology shown in EB-2010-0039, Exhibit A, Tab 4, Page 13, please calculate the General Plant Excluding Vehicles Allocation Factor for each year from 2008 through 2013 using the actual or forecast data applicable to that year.
J.B-8-10-2, Attachment 1, Line 144

Please confirm that the ex-franchise services referred to are the F24-T, F24-S, UPBS, and DPBS services, and that except for F24-T, these services are non-utility storage services.

Please identify the portion of the $1.932 million of capital cost that Union proposes to include in rate base that is associated with the non-utility storage service and the portion of the cost is related to F24-T.

What this capital expenditure included in the 2007 budget that was approved in the 2007 rate case?

Please confirm that Union has been charging a rate for F24-T service that is designed to recover the incremental costs of providing this service.
Please provide the revenue Union has collected each year for F24-T service from 2007 to the present.

C.3 Is the 2013 Contract Customer Demand forecast appropriate?

Power generator revenue forecast for 2013 is $3.26 million lower than 2011 actuals (C1, Tab 2, Figure 1)

J.C-3-2-2 2013 forecast includes no Rate 25 volumes for Lennox and no authorized overrun revenue for the CES plants. Does Union also exclude all interruptible services for other CES plants (e.g. Brighton Beach and St. Clair)?

J.C-3-10-1 Authorized overrun from T1 customers with Billing Contract Demand was $606,335 in 2011. Why does Union assume this will be zero in 2013?

J.C-4-10-1 Union's response refers to J.C-4-7-7. Union's response says that the impact on rates would be minimal. Please describe why and provide the assumptions that underpin that conclusion.

J.C-4-10-4 Please confirm that Union has assumed a value of zero. What would the rate effect be assuming an average unit value generated in 2011?

J.C-4-10-6,7 Union's response refers **J-C-4-7-9**. In **Attachments 1 and 2,** Union provides the revenue generated from the respective categories of optimization. Please provide an actual numeric example of each of the categories to show how the Net Revenue is calculated. Please show all costs associated with the transaction. Further in answering the IR in terms of uncertainty associated with the RAM program, please reconcile the answer in c)1. with the answer in g) (is Union's shareholder willing to take the risk of including a RAM forecast in the S&T forecast)? Since the future of the FT-RAM program is unknown, does Union agree that a deferral account for transportation and exchange revenue is warranted?

J.C-4-10-9 Part f) asked for the 2010 and 2011 revenue generated using <u>utility storage space that is not included in Excess Utility storage space.</u> The answer stated that the services using both Excess Utility space and available Non-Utility space. Did Non-utility space get sold? How were the revenues allocated? Did un-utilized utility space remain idle for those years?

J.C-4-10-10 **Attachment 2** shows a significant increase in storage space between Oct-11 and Nov-11. What contributed to that increase and how was the additional space utilized? Why was there no increase in withdrawal capability between Oct-11 and Nov-11?

C.6 Has Union levied proper charges and allocations to non-regulated businesses and affiliates, and provided proper credit for those charges and allocations in calculating revenue requirement to be recovered from regulated ratepayers?

Please describe how Union achieves recovery for transportation services under the M16 rate. Specifically, how is the demand component of transportation recovered? (**J.C-6-10-1).**

Please explain why Union refuses to provide information related to transportation for third party storage services. **(J.C-6-10-5)**

Please describe how Union transports gas between Michigan storage and Dawn, and explain whether any utility transportation contracts on MichCon, Vector, or TCPL are used for these transactions.

Does Union agree that if an upstream gas transportation service that is being paid for by utility customers is used for Union's non-utility storage operation, compensation is due? Does the non-utility hold a contract with the utility for the transportation right?

D.14 Is the gas supply plan for 2013 appropriate?

Ref: D3, Tab 2, Schedule 5, p. 2

Please explain the reason for 60,000 GJ of Union Dawn to Union CDA capacity on TCPL. Has Union extended this contract? Why doesn't Union convert this contract to a Parkway receipt point?

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

Ref: G1, T1, p. 6, Table 1

Please explain the source of 66.5 PJ of Long-Term storage space.

Does number include Space Deemed Unavailable? If so, what amount?

Does this number include third-party storage services? If so, what amount?

J.G-10-10-1 Please explain the absence of C1 volumes from responses provided. If these volumes were inadvertently omitted, please update the tables to include.

J.G-10-10-1 Union's answer in a) provided that there was no peaking service in 2011/2012 and yet the answer in b) provides a $2.4M cost. Please provide an explanation of the cost.

J.G-10-10-5 Union's description includes lines 2,5,and 11 in the volumes requiring Parkway compression. Please describe why line7 M-12-X is not included in this sum.

DV.4 Is the proposal to modify the wording of the Short-term Storage and Other Balancing Services (No. 179-70) … deferral account appropriate?

In J.C-4-10-9(e), Union says that it markets off-peak storage, balancing and loan services from utility storage that is not classified as excess utility storage space.

In J.DV-4-10-1 Union states: "It is only the net revenue earned on the "excess" utility storage assets that are subject to deferral and sharing."

Please explain this statement. "Is it Union's position that revenue from storage and balancing services sold using the 77.5 PJ of utility storage space does not belong to the ratepayers that pay for these storage assets in rates?"

Does Union agree that it has an obligation to optimize the value of all storage assets on behalf of ratepayers?