

Ontario Energy Board

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.

LONDON PROPERTY MANAGEMENT ASSOCIATION

(“LPMA”)

CROSS-EXAMINATION COMPENDIUM

PART 2

UNION GAS LIMITED

Answer to Interrogatory from
London Property Management Association ("LPMA")

Ref: Exhibit H1, Tab 4, pages 2-3, Updated

Union is proposing to change the working in Account No. 179-70 for Short-term Storage and Other Balancing Services to reflect an updated list of revenues included in the account.

- a) Are there any sources of revenue that Union is aware of that may materialize in the future that would be based on the use of utility storage space in excess of in-franchise requirements up to the 100 PJ of space that is not included in the proposed list of revenues? If yes, please provide details and explain why Union has not included these revenues in the proposed list.
- b) Does Union agree that any source of revenue that is received based on the use of the regulated utility storage space that is not included in the proposed list should be included in the deferral account? If not, please explain why not.

Response:

- a) No.
- b) Union expects to sell the space in excess of in-franchise requirements up to 100 PJ on a short term basis. The net revenue from these transactions would be deferred and shared with rate payers.

UNION GAS LIMITED

**Accounting Entries for
 Short-term Storage and Other Balancing Services
Deferral Account No. 179-70**

Account numbers are from the Uniform System of Accounts for Gas Utilities, Class A prescribed under the Ontario Energy Board Act.

Debit	-	Account No. 570 Storage and Transportation Revenue
Credit	-	Account No. 179-70 Other Deferred Charges - Short-term Storage and Other Balancing Services

To record, as a debit (credit) in Deferral Account No. 179-70 the difference between actual net revenues for Short-term Storage and Other Balancing Services including; Peak Short-Term Storage underpinned by excess utility storage assets, Off-Peak Short-Term Storage, Gas Loans and Supplemental Balancing Services and the net revenue forecast for these services as approved by the Board for ratemaking purposes.

Debit	-	Account No. 179-70 Other Deferred Charges - Short-term Storage and Other Balancing Services
Credit	-	Account No. 323 Other Interest Expense

To record, as a debit (credit) in Deferral Account No. 179-70, interest on the balance in Deferral Account No. 179-70. Simple interest will be computed monthly upon finalization of the year end balance in the said account in accordance with the methodology approved by the Board in EB-2006-0117.

UNION GAS LIMITED

**Accounting Entries for
 Inventory Revaluation Account
Deferral Account No. 179-109**

Account numbers are from the Uniform System of Accounts for Gas Utilities, Class A, prescribed under the Ontario Energy Board Act.

Debit - Account No. 179-109
 Other Deferred Charges – Inventory Revaluation

Credit - Account No. 152
 Gas Stored Underground - Available for Sales

To record, as a debit (credit) in Deferral Account No. 179-109, the decrease (increase) in the value of gas inventory available for sale to sales service customers due to changes in Union's weighted average cost of gas approved by the Board for rate making purposes.

Debit - Account No. 179-109
 Other Deferred Charges – Inventory Revaluation Account

Credit - Account No. 323
 Other Interest Expense

To record, as a debit (credit) in Deferral Account No. 179-109, interest expense on the balance in Deferral Account No. 179-109. Simple interest will be computed monthly on the opening balance in the said account in accordance with the methodology approved by the Board in EB-2006-0117.

UNION GAS LIMITED

**Accounting Entries for
 Average Use Per Customer
Deferral Account No. 179-118**

Account numbers are from the Uniform System of Accounts for Gas Utilities, Class A prescribed under the Ontario Energy Board Act.

Debit - Account No. 500
 Sales Revenue

Credit - Account No. 179-118
 Other Deferred Charges - Declining Average Use

To record as a debit (credit) in Deferral Account No. 179-118 the margin variance resulting from the difference between the actual rate of decline in use-per-customer and forecast rate of decline in use-per-customer included in gas delivery rates as approved by the Board. Actual and forecast rate of declines in use-per-customer will be calculated on a percentage and rate class specific basis for rate classes M1, M2, 01 and 10, be normalized for weather and exclude the impacts attributed to DSM which are captured in the Lost Revenue Adjustment Mechanism Deferral Account No. 179-75.

Debit - Account No. 179-118
 Other Deferred Charges - Declining Average Use

Credit - Account No. 323
 Other Interest Expense

To record, as a debit (credit) in Deferral Account No. 179-118, interest on the balance in Deferral Account No. 179-118. Simple interest will be computed monthly on the opening balance in the said account in accordance with the methodology approved by the Board in EB-2006-0117.

UNION GAS LIMITED

Answer to Interrogatory from
London Property Management Association ("LPMA")

Ref: Exhibit C1, Tab 3, Updated & Exhibits C3, C4, C5 & C6, Tab 4, Schedule 1, as Updated.

- a) Please provide a table that shows the revenue, costs and margins in the same format as the table shown as Attachment 1 to Exhibit C3/C16/C33.2 in EB-2007-0606 for each of the deferral accounts for transmission-related transactional services that were eliminated in EB-2007-0606 for the period 2010 through 2013, including actual data for 2011.
- b) Please provide a reconciliation of the revenues used in the response to part (a) above with the revenues shown in Schedule 1 of Tab 4 in Exhibits C3 through C6, along with those discussed in Exhibit C1, Tab 3, Updated.

Response:

- a) Please see Attachment 1. Union notes that had the transmission-related deferral accounts been in place over the IR term, the revenues and costs associated with these transactions would be excluded from the earnings sharing calculation.
- b) Please see Attachment 2.

Summary of C1 Short-Term Transportation Service Block
For the Years Ending December 31
(\$000's)

Line No.	Particulars	Actual		Forecast	
		2010 (a)	2011 (b)	2012 (c)	2013 (d)
	<u>Total C1 Short-Term Transportation Service Block</u> <u>Previously Account #179-69</u>				
1	Revenue	33,100	44,245	32,186	20,186
2	Less: Costs	<u>12,557</u>	<u>9,965</u>	<u>9,040</u>	<u>6,448</u>
3	Gross Margin	20,543	34,280	23,146	13,738
4	Less: Board Approved Margin in Rates	<u>6,883</u>	<u>6,883</u>	<u>6,883</u>	<u>13,738</u>
5	Hypothetical Deferred Margin	13,660	27,397	16,263	-

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EB-2011-0210

J.DV-2-2-1

Attachment 2

Reconciliation of C1 Short-Term Transportation Service Block Revenues
For the Years Ending December 31
(\$000's)

Line No.	Particulars	Actual		Forecast	
		2010 (a)	2011 (b)	2012 (c)	2013 (d)
1	C1 Short-Term Transportation and Exchanges Revenue	(1) 32,554	44,228	32,186	20,186
2	M12 Transportation Overrun/Limited Firm	(2) 546	17	-	-
3	Total C1 Transportation Service Block Revenue	33,100	44,245	32,186	20,186

Note:

- (1) As reported Exhibit C1, Summary Schedule 5, Line 4.
(2) Included as part of Exhibit C1, Summary Schedule 5, Line 1.

UNION GAS LIMITEDUndertaking of Ms. Girvan
To Ms. Cameron

Please explain how year-to-date S&T revenue is trending, relative to 2012 forecast.

UNION GAS LIMITED

Summary Revenue from Storage and Transportation of Gas

<u>Line No.</u>	<u>Particulars (\$000's)</u>	<u>Actual 2012 (Q1)</u>	<u>Forecast 2012 (Q1)</u>	<u>Difference</u>
		(a)	(b)	(c)
<u>Transportation</u>				
1	M12 Transportation	33,486	33,595	(109)
2	M12-X Transportation	1,104	1,107	(3)
3	C1 Long-term Transportation	1,795	1,708	87
4	C1 Short-term Transportation and Exchanges	17,879	11,595	6,284
5	C1 Rebate Program	-	-	-
6	M13 Transportation	76	91	(15)
7	M16 Transportation	183	204	(21)
8	Other S&T Revenue	<u>257</u>	<u>267</u>	<u>(10)</u>
9	Total Transportation Revenue	54,780	48,567	6,213
<u>Storage</u>				
10	Short-term Storage Services	2,638	1,602	1,036
11	Off-Peak Storage/Balancing/Loan Services	<u>447</u>	<u>500</u>	<u>(53)</u>
12	Total Storage Revenue	<u>3,085</u>	<u>2,102</u>	<u>983</u>
13	Total S&T Revenue	<u><u>57,865</u></u>	<u><u>50,669</u></u>	<u><u>7,196</u></u>

UNION GAS LIMITED

Answer to Interrogatory from
London Property Management Association ("LPMA")

Ref: Exhibit H1, Tab 4, page 3, Updated

- a) Please explain why Union Gas wants to maintain the average use per customer deferral account for a cost of service rebasing year.
 - b) If the Board approves the continuation of the average use per customer deferral account for the general service customer classes, does this eliminate the forecast risk associated with the margin impact of the average use for these general service customer classes? If not, please explain.
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Response:

- a) There is no need for the Average Use Per Customer (AU) deferral account in 2013. However, Union wishes to keep it available as a possible component of its next multi-year incentive regulation proposal.
- b) Board approval of the continuation of the AU deferral account would allow it to be a possible component of Union's next multi-year incentive regulation proposal.

2/ **PROPOSED CHANGES TO EXISTING DEFERRAL ACCOUNTS**

Gas Cost Deferral Accounts

Inventory Revaluation Account (Deferral Account No. 179-109)

Union proposes to remove the Transmission Line Pack Gas account in the accounting order to be consistent with accounting changes and for administrative simplicity. Since Union has reclassified line pack gas from gas in inventory to property, plant and equipment Union is proposing Line Pack Gas should not be revalued quarterly as part of inventory. Further details can be found at Exhibit A2, Tab 4.

The proposed inventory revaluation deferral accounting order has been provided at Appendix C.

Storage Deferral Accounts

In the Natural Gas Electricity Interface Review (“NGEIR”) Decision with Reasons (EB-2005-0551) the Board approved continuation of the Short-term Storage and Other Balancing Services deferral account (No. 179-70). Although this account continues to record the same types of transactions, the names of the services have changed to align with the NGEIR decision. Storage services are no longer offered as part of the C1 or M12 service.

Union is proposing to allocate the margins associated with short-term peak storage transactions between its utility and non-utility storage operations as outlined in Exhibit C1, Tab 7.

Union proposes to change the description of the Short-term Storage and Other Balancing Services deferral account in the accounting order to update the list of revenues included in the account and the proposed short-term storage margin sharing methodology. The proposed accounting order for the Short-term Storage and Other Balancing Services allows the proper transactions to be included in the account and has been provided in Appendix C.

Other Deferral Accounts

Average Use Per Customer (Deferral Account No. 179-118)

The Average Use per Customer deferral account was established in EB-2007-0606. Union proposes to continue tracking the average use per customer in the existing deferral account.

Union also proposes to change the description of AU deferral account in the accounting order to remove the limitation that makes it applicable only to the current incentive regulation plan, 2008 through 2012. The proposed accounting order for the AU deferral account will allow it to be in effect until it is changed or eliminated.

The proposed AU deferral accounting order has been provided at Appendix C.

3/ SPECIFIC DEFERRAL ACCOUNT PROPOSALS

Union proposes to create the following deferral account effective January 1, 2013: