

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 3

COST ALLOCATION & RATE DESIGN

UNION GAS LIMITED
Revenue Requirement Change by Rate Class
Settlement Agreement Update

Line No.	Particulars (\$000's)	Revenue Requirement Total	Gen. Service Small Volume M1	Gen. Service Large Volume M2	Firm Contract M4	Interruptible Contract-Firm M5	Interruptible Contract-Interruptible M5	Special Large Volume Contract - Firm M7	Special Large Volume Contract - Interruptible M7	Large Wholesale Service M9	Small Wholesale Service M10	Storage & Transportation Service - Firm T1	Storage & Transportation Service - Interruptible T1	Wholesale Storage & Transportation Service T3
		(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)	(l)	(m)
1	Net Plant	(12,000)	(6,566)	(1,135)	(302)	(3)	(421)	(75)	(1)	1	0	(385)	(120)	4
2	Working Capital	(15,655)	(7,326)	(2,440)	(327)	(0)	(480)	(133)	(0)	(63)	(1)	(166)	(2)	(26)
3	Rate Base	(27,655)	(13,892)	(3,575)	(630)	(3)	(902)	(208)	(1)	(62)	(0)	(551)	(122)	(22)
4	Return and Taxes	(2,245)	(1,147)	(303)	(52)	(0)	(76)	(17)	(0)	(5)	(0)	(39)	(10)	(1)
5	Property Tax	(750)	(288)	(49)	(14)	(0)	(11)	(4)	(0)	(1)	(0)	(48)	(4)	(5)
6	Depreciation Expense	(372)	(265)	(24)	(5)	1	(9)	(2)	0	0	0	(3)	(2)	1
7	Cost of Gas - UFG	(1,349)	(154)	(51)	(20)	(1)	(27)	(8)	(0)	(3)	(0)	(173)	(7)	(14)
8	Compressor Fuel	(3,105)	(127)	(43)	(18)	(1)	(21)	(7)	(0)	(3)	(0)	(69)	(2)	(13)
9	O&M - Bad Debt	(350)	(225)	(37)	(2)	(0)	(1)	0	0	0	(0)	0	0	0
10	O&M - Company Used Gas	(234)	(74)	(25)	(8)	(0)	0	(3)	0	(1)	(0)	(57)	0	(6)
11	O&M - Other	(9,550)	(6,601)	(95)	(17)	(0)	(7)	(6)	0	(1)	0	(83)	(0)	(10)
12	Revenue Requirement Change⁽¹⁾	(17,955)	(8,880)	(628)	(135)	(2)	(154)	(46)	(0)	(14)	(0)	(472)	(25)	(48)

Notes:

(1) A negative value represents a decrease to the revenue requirement in the updated cost allocation study filed July 13, 2012 from the cost allocation study filed March 27, 2012.

UNION GAS LIMITED
 Revenue Requirement Change by Rate Class
Settlement Agreement Update

Line No.	Particulars (\$000's) ⁽¹⁾	Excess Utility Storage Space	Firm Transportation Service C1	Interruptible Trans. Service & Exchanges C1	Dawn- Trafalgar Transport Service M12	Local Production Transportation Service M13	Storage Transportation Service M16	Small Volume General Firm Service R01	Large Volume General Firm Service R10	Medium Volume Firm Service R20	Large Volume High Load Factor Firm Service R100	Large Volume Interruptible Service R25
		(n)	(o)	(p)	(q)	(r)	(s)	(t)	(u)	(v)	(w)	(x)
1	Net Plant	9	1	1	61	(0)	0	(2,890)	(340)	74	62	25
2	Working Capital	(308)	(25)	(114)	(727)	(4)	(8)	(2,612)	(682)	(186)	(21)	(1)
3	Rate Base	(299)	(24)	(113)	(667)	(4)	(8)	(5,502)	(1,023)	(112)	40	24
4	Return and Taxes	(25)	(2)	(10)	(24)	(0)	(1)	(451)	(86)	(6)	7	3
5	Property Tax	(2)	(0)	0	(157)	(0)	(0)	(130)	(16)	(10)	(8)	(3)
6	Depreciation Expense	2	0	0	23	0	0	(111)	(4)	11	8	4
7	Cost of Gas - UFG	(36)	(34)	(150)	(603)	(5)	(11)	(36)	(12)	(4)	(0)	0
8	Compressor Fuel	(133)	(39)	(431)	(1,983)	0	(6)	(146)	(46)	(16)	(1)	0
9	O&M - Bad Debt	0	0	0	0	0	0	(63)	(15)	(1)	0	(4)
10	O&M - Company Used Gas	0	0	0	0	0	0	(26)	(8)	(11)	(14)	(2)
11	O&M - Other	(1)	1	1	(731)	(0)	0	(1,975)	(19)	(3)	(5)	2
12	Revenue Requirement Change⁽¹⁾	(194)	(73)	(590)	(3,476)	(5)	(17)	(2,938)	(205)	(40)	(12)	0

Notes:

(1) A negative value represents a decrease to the revenue requirement in the updated cost allocation study filed July 13, 2012 from the cost allocation study filed March 27, 2012.

UNION GAS LIMITED
Revenue Requirement Impacts

Line No.	Particulars (\$000's)	Cost Type	Revenue Requirement Total	Gen. Service Small Volume M1	Gen. Service Large Volume M2	Firm Contract M4	Interruptible Contract - Firm M5	Interruptible Contract - Interruptible M5	Special Large Volume Contract - Firm M7	Special Large Volume Contract - Interruptible M7	Large Wholesale Service M9	Small Wholesale Service M10	Storage & Transportation Service - Firm T1	Storage & Transportation Service - Interruptible T1	Wholesale Storage & Transportation Service T3
			(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)	(l)	(m)
1	System Integrity Hysterisis	Allocator	0	60	21	3	0	4	1	0	1	0	19	0	5
2	Tecumseh Metering Assets	Rate Base	0	131	44	14	0	0	5	0	2	0	101	0	11
3	Oil Springs East Storage Pool	Rate Base	0	27	9	2	0	0	1	0	0	0	16	0	2
4	Distribution Maintenance - Meter and Regulator Repairs	O&M	0	(5)	(434)	65	1	71	28	4	5	1	188	45	19
5	Distribution Maintenance - Equipment on Customer Premises	O&M	0	(324)	92	35	1	39	15	2	3	0	102	24	10
6	Purchase Production General Plant	Rate Base	0	(169)	(91)	(16)	14	(41)	(28)	0	(11)	0	41	14	2
7	Distribution North Customer Stations	Rate Base	0	0	0	0	0	0	0	0	0	0	0	0	0
8	Revenue Requirement Change¹		0	(279)	(358)	103	15	74	22	7	(1)	2	467	83	51

(1) A positive value represents an increase to the revenue requirement based on the proposed methodology.

UNION GAS LIMITED
Revenue Requirement Impacts

Line No.	Particulars (\$000's)	Cost Type	Excess Utility Storage Space	Firm Transportation Service C1	Interruptible Trans. Service & Exchanges C1	Dawn- Trafalgar Transport Service M12	Local Production Transportation Service M13	Storage Transportation Service M16	Small Volume General Firm Service R01	Large Volume General Firm Service R10	Medium Volume Firm Service R20	Large Volume High Load Factor Firm Service R100	Large Volume Interruptible Service R25
			(n)	(o)	(p)	(q)	(r)	(s)	(t)	(u)	(v)	(w)	(x)
1	System Integrity Hysteresis	Allocator	(146)	0	1	4	0	0	20	5	1	0	0
2	Tecumseh Metering Assets	Rate Base	0	(0)	0	(306)	(1)	(0)	(2)	(1)	(0)	(0)	0
3	Oil Springs East Storage Pool	Rate Base	7	1	0	(77)	0	0	8	2	1	0	0
4	Distribution Maintenance - Meter and Regulator Repairs	O&M	-	-	-	-	-	-	(27)	45	(4)	(14)	12
5	Distribution Maintenance - Equipment on Customer Premises	O&M	-	-	-	-	-	-	(1,493)	286	532	152	523
6	Purchase Production General Plant	Rate Base	0	0	0	0	0	0	166	30	48	14	27
7	Distribution North Customer Stations	Rate Base	0	0	0	0	0	0	0	(2,169)	955	274	940
8	Revenue Requirement Change¹		(138)	1	1	(379)	(1)	0	(1,329)	(1,802)	1,533	427	1,502

(1) A positive value represents an increase to the revenue requirement based on the proposed methodology.

Table 1

Restatement of Union's 2013 Revenue Deficiency/(Sufficiency)

Line No.	Particulars	(\$ millions)
<u>Phase I Revenue Deficiency</u>		
1	Total Deficiency	55.810
2	Shareholder Portion of Storage Margin	0.770
3	Adjusted Deficiency	<u>56.580</u>
<u>Phase II Revenue Deficiency</u>		
4	Deficiency Per Phase I	<u>56.580</u>
5	Compressor Fuel Budget Adjustment	0.300
6	Update to Non-Utility Cross Charge	(0.196)
7	C1 Union Supplied Fuel Revenue Adjustment	(0.103)
8	Heritage Pool M16 Transmission Charge	(0.057)
9	C1 St. Clair to Dawn Revenue Adjustment	<u>(2.000)</u>
10	Updated Deficiency	<u>54.524</u>

1 The adjustments to the Phase I revenue deficiency are described below.

2

3 Compressor Fuel Budget

4 Union has updated its compressor fuel budget to account for M12 transportation activity that
 5 was not included in the compressor fuel budget. As a result of this increase in compressor fuel
 6 costs, Union's revenue deficiency has increased by \$0.300 million.

UNION GAS LIMITED
Statement of Rate Base
Calendar Year Ending December 31

Line No.	Particulars (\$000's)	Regulated ⁽¹⁾ Forecast 2013 (a)	Unregulated ⁽²⁾ Forecast 2013 (b)	
	<u>Gas Plant</u>			
1	Gross plant at cost	6,361,891	350,079	/u
2	Less: accumulated depreciation	<u>2,753,302</u>	<u>84,198</u>	/u
3	Net plant ⁽³⁾	<u>3,608,590</u>	<u>265,881</u>	/u
	<u>Working Capital and Other Components</u>			
4	Cash working capital	20,007	851	
5	Gas in storage and line pack gas ⁽⁴⁾	141,336	-	/u
6	Balancing gas	72,963	-	
7	ABC receivable (gas in storage)	(44,901)	-	
8	Inventory of stores, spare equipment	29,618	2,175	
9	Prepaid and deferred expenses	4,955	364	
10	Customer deposits	(48,231)	-	
11	Customer interest	<u>(764)</u>	<u>-</u>	
12	Total working capital and other components	<u>174,983</u>	<u>3,390</u>	/u
13	Total rate base before deduction of accumulated deferred income taxes	3,783,573	269,271	/u
14	Accumulated deferred income taxes	<u>69,686</u>	<u>9,070</u>	
15	Total rate base	<u><u>3,713,887</u></u>	<u><u>260,201</u></u>	/u

Notes:

- (1) Exhibit B3, Tab 1, Schedule 1.
- (2) Unregulated rate base calculated using comparable rate base methodology.
- (3) Includes (12,000) reduction to rate base, as provided at Settlement Agreement, Appendix A, Schedule 3. /u
- (4) Includes (15,655) reduction to gas in inventory, as provided at Settlement Agreement, Appendix A, Schedule 3. /u

Updated: 2012-07-13
EB-2011-0210
Exhibit H3
Tab 10
Schedule 1

UNION GAS LIMITED
Summary of S&T Transactional Margin Included In 2013 In-Franchise Rates

Line No.	Particulars (\$ 000's)	Total Revenue (1) (a)	Allocated Cost (2) (b)	Total Margin (c) = (a - b)	Shareholder Portion of Margin (3) (d) = (c) * 10%	Margin Included in 2013 Rates (e) = (c - d)
	Short-term Storage and Other Balancing Services Acct. 179-70					
1	Short Term Peak Storage Services	8,988	6,067	2,921		
2	Less: Non-utility System Integrity Costs	-	(321) (4)	321		
3	Off Peak Storage/Balancing/Loans Services	2,500	-	2,500		
4	Total Short-term Storage and Other Balancing Services	<u>11,488</u>	<u>5,746</u>	<u>5,742</u>	<u>574</u>	<u>5,168</u>
	M12					
5	M12 Long-term Transportation	124,994	129,958	(4,965)		
6	F24-T	647	647	-		
7	M12-X	14,407	12,048	2,360		
8	Fuel	<u>22,737</u>	<u>22,736</u>	<u>0</u>		
9	Total M12	<u>162,785</u>	<u>165,389</u>	<u>(2,605)</u>		
10	M13	423	215	209		
11	M16	759	462	297		
	C1					
12	Long-term Transportation	7,112 (5)	1,723	5,389		
13	Fuel	629	635	(6)		
14	Short-term Transportation & Exchanges	20,186	5,858	14,328		
15	Other Transactional	<u>1,067</u>	<u>-</u>	<u>1,067</u>		
16	Total C1	<u>28,994</u>	<u>8,216</u>	<u>20,778</u>		
17	Heritage Pool M16 Transmission Charge			57		
18	Total S&T Transactional Margin Included in 2013 Rates	<u>204,449</u>	<u>180,028</u>	<u>24,477</u>	<u>574</u>	<u>23,903</u>

Notes:

(1) EB-2011-0210, Exhibit H3, Tab 1, Schedule 2, Page 9 - 11, Col (g).

(2) EB-2011-0210, Exhibit H3, Tab 1, Schedule 2, Page 9 - 11, Col (e).

(3) EB-2011-0210, Exhibit H1, Tab 1, Table 3.

(4) Exclude the non-utility portion of system integrity costs of \$0.321 million as per Settlement Agreement Appendix B, Schedule 1, column (b), line 8 - line 9.

(5) Include the C1 St Clair to Dawn revenue adjustment of \$2.000 million.

UNION GAS LIMITED

Answer to Interrogatory from
Consumers Council of Canada ("CCC")

Ref: Exhibit C1, Tab 3

For the period 2007-2013 please provide a schedule setting out forecast and actual (where available) S&T revenue, including all components.

Response:

Please see Attachment 1.

UNION GAS LIMITED
Summary Revenue from Storage and Transportation of Gas
Years Ending December 31

Line No.	Particulars (\$000's)	Board Approved	Actual					Forecast	
		2007	2007	2008	2009	2010	2011	2012	2013
		(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)
<u>Transportation</u>									
1	M12 Transportation	(1) 120,667	121,812	133,833	138,681	142,421	138,273	133,972	121,109
2	M12-X Transportation	-	-	-	-	-	1,477	5,942	13,499
3	C1 Long-term Transportation	2,900	2,093	5,790	6,642	6,288	7,570	6,554	5,246
4	C1 Short-term Transportation and Exchanges	4,000	9,030	23,266	29,781	32,554	44,228	32,186	20,186
5	C1 Rebate Program	(2,178)	(1,874)	-	-	-	-	-	-
6	M13 Transportation	864	649	529	462	386	323	366	367
7	M16 Transportation	553	240	474	609	610	642	581	581
8	Other S&T Revenue	895	975	1,193	1,150	1,072	1,092	1,067	1,067
9	Total Transportation Revenue	127,701	132,925	165,085	177,325	183,331	193,605	180,668	162,055
<u>Storage</u>									
10	Short-term Storage Services	13,887	16,211	15,777	17,745	14,886	9,036	6,590	8,988
11	Off-Peak Storage/Balancing/Loan Services	(2) 4,075	8,050	7,550	11,169	6,001	1,928	2,500	2,500
12	Total Storage Revenue	17,962	24,261	23,327	28,914	20,887	10,964	9,090	11,488
13	Total S&T Revenue	145,663	157,186	188,412	206,239	204,218	204,569	189,758	173,543

Note:

- (1) Includes M12 Transportation overrun.
(2) Includes Enbridge LBA.

Updated: 2012-07-13
EB-2011-0210
Exhibit H3
Tab 1
Schedule 1
Page 1 of 2

UNION GAS LIMITED
Revenue Deficiency Recovery
Effective January 1, 2013

Line No.	Particulars	Before Recovery				After Recovery				EB-2005-0520 Approved Revenue to Cost Ratios (j)	
		Current Approved Revenue (1) (\$000's) (a)	Current Approved Rates (2) (cents/m ³) (b)	Revenue (Deficiency) / Sufficiency (\$000's) (c) = (a - d)	Proposed Revenue Requirement (3) (\$000's) (d)	Revenue (Deficiency) / Sufficiency (\$000's) (e) = (f - d)	Proposed Revenue (4) (\$000's) (f)	Proposed Rates (5) (cents/m ³) (g)	Revenue to Cost Ratios (h) = (f / d)		Rate Change (%) (i) = (g - b) / (b)
North Delivery											
1	R01	137,746	16.0994	(24,605)	162,351	(4,040)	158,311	18.5030	0.975	14.9%	0.976
2	R10	16,637	5.2606	(2,524)	19,161	(17)	19,144	6.0531	0.999	15.1%	1.058
3	R20	9,721	1.5476	(8,600)	18,322	(5,361)	12,961	2.0633	0.707	33.3%	0.597
4	R25	2,337	1.8052	(4,368)	6,705	(3,717)	2,988	2.3077	0.446	27.8%	0.467
5	R100	12,658	0.6678	(3,668)	16,326	0	16,326	0.8613	1.000	29.0%	0.895
6	Total North Delivery	179,100		(43,765)	222,866	(13,135)	209,730		0.941	17.1%	0.939
7	Total Recovery of North Delivery Deficiency (col. f - a)										
South Delivery & Storage											
8	M1	379,511	13.2224	(16,512)	396,023	1,136	397,160	13.8075	1.003	4.4%	0.972
9	M2	44,036	4.6078	(8,804)	52,840	(3,160)	49,680	5.1931	0.940	12.7%	0.972
10	M4	10,841	2.8157	(5,087)	15,927	(3,154)	12,773	3.3177	0.802	17.8%	0.783
11	M5A	8,874	1.6666	(7,406)	16,280	(4,131)	12,149	2.2818	0.746	36.9%	0.824
12	M7	3,951	2.6852	(1,340)	5,291	(1,215)	4,076	2.7701	0.770	3.2%	0.697
13	M9	819	1.3486	48	771	(3)	768	1.2639	0.996	-6.3%	0.946
14	M10	5	2.5245	(71)	75	(71)	6	2.9185	0.073	15.6%	0.131
15	T1	57,783	1.1187	3,511	54,272	0	54,272	1.0508	1.000	-6.1%	0.973
16	T3	4,571	1.6762	(271)	4,843	(180)	4,662	1.7097	0.963	2.0%	0.943
17	Total South Delivery & Storage	510,391		(35,932)	546,323	(10,778)	535,547		0.980	4.9%	0.958
18	Total Recovery of South Delivery & Storage Deficiency (col. f - a)										
19	Total In-Franchise Delivery (line 6 + line 17)	689,491		(79,697)	769,189	(23,913)	745,277		0.969	8.1%	0.953

Notes:

- (1) EB-2011-0210, Exhibit H3, Tab 1, Schedule 2, column (b)
- (2) EB-2011-0210, Exhibit H3, Tab 1, Schedule 2, column (c)
- (3) EB-2011-0210, Exhibit H3, Tab 1, Schedule 2, column (e)
- (4) EB-2011-0210, Exhibit H3, Tab 1, Schedule 2, column (g)
- (5) EB-2011-0210, Exhibit H3, Tab 1, Schedule 2, column (h)

Updated: 2012-07-13
 EB-2011-0210
 Exhibit H3
 Tab 1
 Schedule 1
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UNION GAS LIMITED
 Revenue Deficiency Recovery
 Effective January 1, 2013

		Before Recovery				After Recovery					EB-2005-0520
Line		Current Approved Revenue (1)	Current Approved Rates (2)	Revenue (Deficiency) / Sufficiency	Proposed Revenue Requirement (3)	Revenue (Deficiency) / Sufficiency	Proposed Revenue (4)	Proposed Rates (5)	Revenue to Cost	Rate Change	Approved Revenue to Cost
No.	Particulars	(\$000's)	(cents/m ³)	(\$000's)	(\$000's)	(\$000's)	(\$000's)	(cents/m ³)	Ratios	(%)	Ratios
		(a)	(b)	(c) = (a - d)	(d)	(e) = (f - d)	(f)	(g)	(h) = (f / d)	(i) = (g - b) / (b)	(j)
	<u>North Transportation & Storage</u>										
1	R01	68,509	8.0071	(2,902)	71,411	-	71,411	8.3463	1.000	4.2%	1.000
2	R10	22,677	7.1700	(517)	23,194	-	23,194	7.3337	1.000	2.3%	1.000
3	R20	8,815	7.2291	1,078	7,736	-	7,736	6.3446	1.000	-12.2%	1.000
4	R25	1,685	3.9269	(433)	2,118	-	2,118	4.9352	1.000	25.7%	1.000
5	R100	197	-	79	118	10	129	-	1.088		0.701
6	Total North Transportation & Storage	<u>101,882</u>		<u>(2,695)</u>	<u>104,577</u>	<u>10</u>	<u>104,588</u>		<u>1.000</u>	<u>2.7%</u>	<u>0.991</u>
7	Total Recovery of North Transport & Storage Deficiency (col. f - a)						<u>2,705</u>				
8	Total In-Franchise (page 1, line 19 + line 6)	<u>791,374</u>		<u>(82,392)</u>	<u>873,766</u>	<u>(23,903)</u>	<u>849,865</u>		<u>0.973</u>	<u>7.4%</u>	<u>0.956</u>
9	Total Recovery of In-Franchise Deficiency (col. f - a)						<u>58,490</u>				
	<u>Ex-Franchise</u>										
10	M12	161,163		(4,226)	165,389	(2,604)	162,785		0.984	1.0%	0.984
11	M13	373		158	215	209	423		1.971	13.5%	1.470
12	M16	748		286	462	297	759		1.643	1.5%	1.356
13	C1	40,698		26,415	14,283	26,198	40,482		2.834	-0.5%	2.610
14	Total Ex-Franchise	<u>202,982</u>		<u>22,633</u>	<u>180,349</u>	<u>24,100</u>	<u>204,449</u>		<u>1.134</u>	<u>0.7%</u>	<u>1.177</u>
15	Total Recovery of Ex-Franchise Deficiency (col. f - a)						<u>1,467</u>				
16	Total Delivery, Transportation & Storage (line 8 + line 14)	<u>994,355</u>		<u>(59,760)</u>	<u>1,054,115</u>	<u>196</u> (6)	<u>1,054,313</u>		<u>1.000</u>	<u>6.0%</u>	<u>1.004</u>
17	Total In-Franchise Commodity / Admin	<u>610,495</u>		<u>5,754</u>	<u>604,742</u>	<u>1,765</u>	<u>606,506</u>		<u>1.003</u>	<u>-0.7%</u>	<u>-</u>
18	Total Recovery of Commodity / Admin Sufficiency (col. f - a)						<u>(3,990)</u>				
19	Total Union Gas (line 16 + line 17)	<u>1,604,851</u>		<u>(54,006)</u>	<u>1,658,857</u>	<u>1,961</u>	<u>1,660,819</u>		<u>1.001</u>	<u>3.5%</u>	<u>1.002</u>

Notes:

- (1) EB-2011-0210, Exhibit H3, Tab 1, Schedule 2, column (b).
- (2) EB-2011-0210, Exhibit H3, Tab 1, Schedule 2, column (c).
- (3) EB-2011-0210, Exhibit H3, Tab 1, Schedule 2, column (e).
- (4) EB-2011-0210, Exhibit H3, Tab 1, Schedule 2, column (g).
- (5) EB-2011-0210, Exhibit H3, Tab 1, Schedule 2, column (h).
- (6) Includes Phase I sharing of short-term storage margin of \$0.770 million and Phase II update of a \$0.196 million decrease; Heritage Pool sufficiency of \$0.057 million; and the exclusion of \$0.321 million of System Integrity costs related to Union's non-utility storage space per Settlement Agreement.

UNION GAS LIMITED

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

Ref: Exhibit H1, Tab 1, page 55, Updated

- a) When was the current additional service charge of \$15 approved by the Board?
- b) What was the monthly charge for the M2 rate class when the current additional service charge of \$15 was approved by the Board?
- c) What was the basis of the charge of \$15? Was it cost based?
- d) Please explain why Union proposes to increase the additional service charge to \$70 in 2013 and then reduced it to \$35 in 2014 for the M2 class? Why not remove the volatility and increase it to \$35 in 2013?
- e) Please provide the number of accounts that are billed the \$15 additional service charge for the last year of actual data available for each of the M1 and M2 rate classes.
- f) What is the impact on the revenue forecast for each of the M1 and M2 rate classes based on Union's proposals for 2013? How has this additional revenue been included in the forecast?
- g) If two or more M1 accounts qualify to combine their meter readings for billing purposes and the annual volume exceeds 5,000 m³ in 2014, will they qualify to become an M2 customer? If not, please explain why not?
- h) If the response to (g) is no, please confirm that the customer can combine his accounts by having Union provide one meter and providing their own behind the meter piping to serve multiple contiguous pieces of property of the same owner not divided by a public right-of-way. If this cannot be confirmed, please explain why.
- i) If two or more M2 accounts qualify to combine their meter readings for billing purposes and the annual volume exceeds 350,000 m³ in 2014 (and meet the firm CD requirements), will they qualify to become an M4 customer? If not, please explain why not?

- j) If the response to (i) is no, please confirm that the customer can combine their accounts by having Union provide one meter and providing their own behind the meter piping to serve multiple contiguous pieces of property of the same owner not divided by a public right-of-way. If this cannot be confirmed, please explain why.
 - k) Can a customer with multiple M1 and M2 accounts located on contiguous pieces of property of the same owner that are not divided by a public right-of-way combine their accounts for billing purposes into an M2 account? If no, please explain why not.
 - l) Can a customer with multiple M1, M2 and/or M4 accounts located on contiguous pieces of property of the same owner that are not divided by a public right-of-way combine their accounts into an M4 account assuming the total volumes and firm CD qualify as an M4 customer? If no, please explain why not.
 - m) In either of the situations described in (k) and (l) above, please confirm that the customer can combine their accounts by having Union provide one meter and providing their own behind the meter piping to serve multiple contiguous pieces of property of the same owner not divided by a public right-of-way. If this cannot be confirmed, please explain why.
 - n) Does Union actively notify customers that may qualify to combine accounts and take advantage of the supplemental service to commercial and industrial customers under grouped meters? If not, why not?
 - o) Please confirm that the supplemental service to customers under grouped meters is not available to residential customers in either Rates M1 or M2. If confirmed, please provide Union's description of residential customers as compared to commercial customers.
 - p) What is the impact on existing customers that are taking advantage of the supplemental service to commercial and industrial customers under grouped meters of the change in the breakpoint between M1 and M2 from 50,000 m³ to 5,000 m³? In particular, will any customers that currently take advantage of this service be worse off as a result of the proposed change?
 - q) Does Union offer a similar supplemental service under Rates 01 and 10? If not, why not?
-

Response:

- a) The current additional service charge of \$15 per month was approved by the Board in the EBRO 388 Reasons for Decision, dated April 22, 1983.
- b) The monthly charge for the Rate M2 rate class was \$6.25 when the current additional charge of \$15.00 was approved.
- c) The additional service charge is not cost-based.

The basis of the \$15 charge was an assessment of the net benefits to group billing customers measured by the difference between customer's bill with and without group billing.

In its EBRO 397 Decision with Reasons, the Board stated it *"is satisfied with the current arrangements with respect to group billing and will make no adjustments to the rate schedules with respect to this matter or to the \$15.00 per month currently being levied in each additional meter."*

- d) Union's proposal to match the additional service charge of \$70 in 2013 and \$35 in 2014 for the Rate M2 class to the monthly customer charge in proposed rates for each year is meant to ensure that Rate M2 customers who can combine meter readings do not receive an unintended benefit in comparison to Rate M2 customers who cannot combine meter readings.

If Union were to set the additional service charge to \$35 in 2013, Rate M2 customers who combine meter readings would receive an unintended benefit in comparison to other Rate M2 customers who continue to pay a monthly customer charge of \$70 for meter readings that cannot be combined. The intent of Union's proposal is to avoid this situation beginning in 2013.

- e) For the last year of actual data ending April 4, 2012, 969 Rate M1 customers and 71 Rate M2 customers are billed the \$15 additional service charge.
- f) Based on the last year of actual data ending April 4, 2012, the additional revenue for 2013 would be:
- i) Rate M1 = \$69,768 (969 accounts x (\$21-\$15) x 12 months).
 - ii) Rate M2 = \$46,860 (71 accounts x (\$70-\$15) x 12 months).

Should the Board approve Union's proposal to increase the additional service charges for Rate M1 and Rate M2, Union will update its 2013 proposed rates to recognize the additional forecast revenue.

- g) No, two or more Rate M1 accounts that qualify to combine meter readings for billing purposes with annual volume that exceed 5,000 m³ in 2014 will only qualify to become a Rate M2 customer if one account has an annual volume that exceeds 5,000 m³. Union will not combine quantities of several Rate M1-size accounts such that eligibility to a different rate class results.
- h) If the annual volume taken through a single meter exceeds 5,000 m³, the customer is eligible for Rate M2 service. Service is only available provided Union determines it can serve the entire load through a single meter off a single distribution pipe.
- i) No, two or more Rate M2 accounts who qualify to combine their meter readings for billing purposes and whose annual volume exceeds 350,000 m³ in 2014 (and meet the firm CD requirements) will only qualify to become a Rate M4 customer if at least one account meets

all the following criteria necessary to qualify for revised Rate M4 service in 2014:

- a. an annual volume that exceeds 350,000 m³;
- b. a firm daily contracted demand of at least 2,400 m³; and,
- c. a load factor of at least 40% (i.e. 146 days use of contracted demand)

Union will not combine quantities of several Rate M2-size accounts such that eligibility to a different rate class results.

- j) If a single meter meets all the eligibility criteria outlined in Union's response to (i) above, the customer is eligible for Rate M4 service. Service is only available provided Union determines it can serve the entire load through a single meter off a single distribution pipe.
- k) Yes, provided that Union determines it can serve the entire load through a single meter off a single distribution pipe.
- l) Yes, provided a single meter meets all the Rate M4 eligibility criteria and the total firm volumes and total firm CD qualify as a Rate M4 customer. Service is only available provided Union determines it can serve the entire load through a single meter off a single distribution pipe.
- m) Yes, provided that Union determines it can serve the entire load through a single meter off a single distribution pipe.
- n) Union does not actively notify customers that may qualify to combine accounts, however Consolidated Billing as well as Master Summary Billing is listed and described within the Conditions of Service, located electronically on the Union Gas website and in hardcopy at the Corporate Head Office and by mail.

Upon request of the customer, Union will complete a field investigation to determine if the customer's meters are located on contiguous tracts of land not divided by a public right-of-way as per the requirements for consolidated billing, and if eligible, the customer's meters are consolidated for billing purposes.

- o) Confirmed. Supplemental service to customers under grouped meters is not available to residential customers in either Rate M1 or Rate M2.

Descriptions of the residential and commercial customers, provided at Exhibit A1, Tab 13, Schedule 1, Updated, Attachment, page 3, under the heading "Service" are as follows:

Residential: Customers supplied for residential purposes in a single family dwelling or building, or in an individual flat or apartment within a multiple family dwelling or building or a portion of a building occupied as the home, residence, or sleeping place of one or more

persons.

When service for residential purposes is supplied to two or more families served as a single customer under one rate classification contract that service is considered as commercial but is counted as only one customer.

Residential premises also used regularly for professional or business purposes (such as doctor's office in a home or where a small store is integral with the living space), are considered as residential where the residential use of gas is half or more than half of the total service.

Commercial: Applies to customers engaged in selling, warehousing or distributing a commodity, in some business activity or in some other form of economic or social activity (also includes professions).

The size of the customer's operation or volume of use is not a criterion for determining Commercial service.

- p) The reduction in the annual volume breakpoint between Rate M1 and Rate M2 from 50,000 m³ to 5,000 m³ impacts current commercial and industrial customers under grouped meters is as follows:

Rate M1:

No impact on monthly charges since Union proposes no further changes in the monthly charge or supplemental meter charge for 2014.

Delivery charges for 2013 and 2014 are similar.

Rate M2:

The proposed 2014 reduction in the monthly charge from \$70 per month to \$35 per month and consequently the additional charge for supplemental meters, reduces the monthly charges to these accounts. Please refer to Union's response in part (d) above.

The lower annual volume requirement for Rate M2 means more supplemental meters with annual volumes may qualify for Rate M2 service provided at least one account meets the Rate M2 eligibility criteria. Please refer to Union's response in part (g) above.

The reduction in delivery charges is favourable to eligible commercial and industrial customers under group meters.

Customers who continue service in Rate M1 will see minimal impact. Customers who continue service in Rate M2 will be no worse off.

With the annual volume breakpoint reduction in 2014 some customers currently served under Rate M1 will be taking Rate M2 service. The increase in the monthly charge and additional meter charge increase from \$21 in Rate M1 to \$35 in Rate M2 will be partially or fully offset by reduced M2 delivery rates. Individual customer impacts will vary.

- q) Yes, however Rate 01 and Rate 10 accounts do not have an additional service charge for each additional meter.

UNION GAS LIMITED

Undertaking of Mr. Aiken
To Mr. Tetreault

H. RATE DESIGN

1. Ref: Ex. J.H-1-1-2

The response notes that the increase in Union North delivery rates based on Union's updated evidence is about 20% and the increase in Union South delivery rates is about 7%. Page 4 of the response provides a number of rate mitigation measures that could be used to reduce these figures.

- a) Please provide the comparable figures to the 20% and 7% increases noted above if the equity component of the capital structure were to be increased from 36% to 40% in equal increments over a 4 year period.
- b) Please provide the comparable figures to the 20% and 7% increases noted above if the weather normalization methodology were to be phased in over a 5 year period in equal increments.
- c) Please provide the comparable figures to the 20% and 7% increases noted above if both of the phase-ins noted in (a) and (b) above were implemented.
- d) Does the projected loss of the FT-RAM affect only Union North delivery rates?
- e) Would Union agree to the establishment of a deferral/variance account to record any FT-RAM revenues received in 2013 that could be rebated to customers? If not, why not?
- f) Please show the impact on revenue to cost ratios of the proposal noted on page 5 for each rate class in the North and South.

2. Ref: Ex. J.H-3-3-3 & Ex. J.H-14-2, Attachment 1

- a) How did Union arrive at a monthly customer charge reduction from \$70 to \$35 per month?
- b) Please provide a version of Attachment 1 of Exhibit J.H-14-2 that shows the bill impacts if the monthly customer charge for rates M2 and 10 is set at levels of \$25 and \$30 per month instead of \$35 per month. Please also reflect the impact of the higher delivery (volumetric) rates that would be required to ensure revenue neutrality for the classes.
- c) Has Union considered a phase-in approach to the monthly customer charge for Rate M2 and 10 customers to mitigate the impacts on the smaller volume customers in these classes? If not, why not?

3. Ref: Ex. J-H-5-2-1

The response shows that for customers with a load factor of 40% and a firm CD of 2,400 or 3,600 m³ that Rate M4 would be more expensive than rate M2.

- a) Based on a monthly customer charge for Rate M2 of \$25 or \$30 and the resulting increases in the variable rate requested in the previous technical conference question, please provide a version of Attachment 1 to Exhibit J.H-5-2-1 for each of the monthly customer charges.
- b) Based on Union's proposal as shown in Attachment 1, what is the annual volume needed to make the costs under Rates M2 and M4 equivalent for a firm contract demand of 2,400 m³? for a firm contract demand of 3,600 m³?

4. Ref: Ex. J.H-5-11-1

Please confirm that the 140 days use of firm contract demand noted on the first line of page 2 should be 146 days of firm contract demand.

5. Ref: Ex. J.H-10-2-1

The response indicates, that for billing purposes a number of M1 accounts cannot be grouped to become an M2 account and that a number of M2 accounts cannot be grouped to become an M4 account. The responses to part (k) and (l) appear to indicate that a customer with M1 and M2 accounts can aggregate them into an M2 account and a customer with M1 or M2 and an M4 account can aggregate them into an M4 contract.

- a) Is the above correct?
- b) Is a single meter required to aggregate these accounts for billing purposes?

6. Ref: Ex. J.H-10-2-1

With respect to part (q) of the response, Union indicates that it does offer a similar supplemental service under rates 01 and 10 but that there is no additional service charge for each additional meter.

- a) Does the supplemental service available to rates 01 and 10 allow the volumes of the accounts combined to take advantage of the lower rates for higher volume blocks as does the M1 and M2 supplemental service?
- b) Why is Union charging a service charge for each additional meter in Rates M1 and M2 but not for Rates 01 and 10?

1.

- a) In J.H-1-1-2 part c) Union stated that the revenue requirement impact associated with the increase in equity component of its capital structure from 36% to 40% was approximately \$15 million.

As per Exhibit E1, Tab 1, Updated, Page 2, Footnote 1, the actual revenue requirement impact associated with the increase in equity component of Union's capital structure from 36% to 40% is \$17.3 million.

Union has assumed an increase in the equity component of its capital structure from 36% to 37% in 2013. The revenue requirement impact associated with a 1% increase in equity thickness is approximately \$4.3 million.

Based on a revenue requirement impact of \$4.3 million versus \$17.3 million, Union North delivery rates would increase by an average of 18.3% and Union South delivery rates would increase by an average of 5.6%.

- b) As described in J.H-1-1-2 part c) Union's proposal to change its weather normalization method from the current 55:45 method to 100% 20-year declining trend increases its revenue deficiency by approximately \$7 million.

Union has assumed that the change in the weather normalization method is implemented over five years. The revenue deficiency impact associated with a five year phase-in is approximately \$1.4 million in 2013.

Based on a revenue deficiency impact of \$1.4 million versus \$7 million, Union North delivery rates would increase by an average of 18.6% and Union South delivery rates would increase by an average of 6.2%.

- c) Based on the revenue requirement and revenue deficiency impacts described in parts a) and b) above combined, Union North delivery rates would increase by an average of 16.8% and Union South delivery rates would increase by an average of 4.9%.
- d) No, the projected loss of the FT-RAM does not affect Union North delivery rates only.
- e) As described in J.H-1-1-2 part c), Union has considered a partial rate mitigation measure whereby FT-RAM revenue is included in Union North delivery rates. Union would require deferral account protection to manage the possibility that the FT-RAM program is eliminated or changed materially in TCPL's NEB rate proceeding.
- f) Union has derived revenue to cost ratios based on achieving a \$31 bill increase for both Rate 01 and Rate M1 general service customers only. To achieve a \$31 bill increase approximately \$13 million in revenue was shifted from Rate 01 to Rate M1.

Based on the assumptions above, the revenue to cost ratio in Rate 01 decreases from 0.984 to 0.904. The revenue to cost ratio in Rate M1 increases from 1.001 to 1.033.

2.

- a) Union arrived at the proposed 2014 monthly customer charge of \$35 for Rate 10 and Rate M2 by taking the approximate mid-point of the monthly customer charges required to recover all customer-related costs.

Table 1

Setting the 2014 Monthly Customer Charge
for Rate 10 and Rate M2

Line No.	Particulars (\$000's)	Rate 10 (a)	Rate M2 (b)
1	Customer-Related Costs	10,527	22,006
2	Annual Billing Units	254,880	730,658
3	Monthly Customer Charge	\$ 41.30	\$ 30.12

- b) Please see Attachment 1 showing the bill impacts and corresponding rates if the monthly customer charge for Rate 10 and Rate M2 is set at \$25 per month.

Please see Attachment 2 showing the bill impacts and corresponding rates if the monthly customer charge for Rate 10 and Rate M2 is set at \$30 per month.

- c) No, Union has set the monthly customer charge for Rate 10 and Rate M2 customers to recover a reasonable proportion of the fixed costs allocated to these rate classes.

3.

- a) Please see Attachment 3 showing the Rate M2 and Rate M4 comparison with a 2014 Rate M2 monthly customer charge set at \$25.

Please see Attachment 4 showing the Rate M2 and Rate M4 comparison with a 2014 Rate M2 monthly customer charge set at \$30.

- b) For a firm contract demand of 2,400 m³, the annual volume that makes the Rate M2 and Rate M4 costs equivalent is 382,593 m³ (or a load factor of about 43.7%).

For a firm contract demand of 3,600 m³, the annual volume that makes the Rate M2 and Rate M4 costs equivalent is 595,505 m³ (or a load factor of about 45.3%).

4. Confirmed.

5.

- a) Yes.

- b) No.

6.

a) Yes.

b) The practice of combining meter readings from several meters for eligible Rate 01 and Rate 10 customers without charging the additional service charge has not been harmonized between Union North and Union South.

Annual General Service Delivery Bill Impacts - Union South
of Proposed 2014 Change in Annual Volume Breakpoint (1)

Annual Volume	2013 Proposed with Annual Volume Breakpoint of 50,000 m ³		2014 Proposed with Annual Volume Breakpoint of 5,000 m ³		Bill Impacts	
	Rate M1	Rate M2	Rate M1	Rate M2	\$	%
1,800	327.69		328.98		1.29	0.4%
2,200	343.16		344.58		1.42	0.4%
2,600	358.55		360.08		1.53	0.4%
3,000	373.82		375.47		1.65	0.4%
5,000	449.13		451.34		2.21	0.5%
5,001	449.17			597.10	147.93	32.9%
6,000	486.16			632.34	146.18	30.1%
7,000	523.15			667.37	144.22	27.6%
10,000	633.91			771.65	137.74	21.7%
20,000	999.67			1,117.24	117.58	11.8%
30,000	1,364.94			1,461.55	96.62	7.1%
50,000	2,095.47			2,143.84	48.37	2.3%
60,000		3,316.76		2,478.58	(838.18)	-25.3%
70,000		3,717.42		2,812.62	(904.79)	-24.3%
80,000		4,117.07		3,146.02	(971.06)	-23.6%
100,000		4,911.88		3,809.88	(1,102.00)	-22.4%
200,000		8,736.83		7,084.44	(1,652.39)	-18.9%
300,000		12,470.81		10,332.91	(2,137.89)	-17.1%
500,000		19,846.07		16,797.86	(3,048.22)	-15.4%

Notes:

(1) Grey shading represents all changes when compared to Exhibit H1, Tab 1, Updated, Table 12, page 27.

Annual Delivery Bill Impacts - Union South
Customers in Rate M2 in 2013 moving to Rate M4 in 2014

Line No.	Firm Contract Demand (m ³ /day)	Annual Volume (m ³)	Load Factor	2013 Proposed (\$)		2014 Proposed (\$)		Bill Impacts	
	(a)	(b)	(c)	Rate M2 (1)	Rate M4	Rate M2	Rate M4 (2)	\$	%
				(d)	(e)	(f)	(g)	(h) = (g-d)	(i) = (h/d)
1	2,400	350,000	40.0%	17,246.01			18,362.00	1,115.99	6.5%
2	2,400	500,000	57.1%	24,015.08			20,017.14	(3,997.95)	-16.6%
3	3,600	525,600	40.0%	25,169.04			27,549.62	2,380.57	9.5%
4	3,600	650,000	49.5%	30,776.56			28,922.28	(1,854.29)	-6.0%

Notes:

(1) Includes impact of the 2013 proposed Rate M2 storage rate of 0.8338 cents/m³.

(2) Based on parameters provided, all contract demand in first block demand and all throughput volume in first block commodity.