

**UNION GAS LIMITED
2013 RATES - EB-2011-0210
KITCHENER COMPENDIUM FOR PANEL 7**

1. UPDATED H1 TAB 1, PAGES 32-46
2. H3 TAB 11, SCHEDULE 1
3. H3 TAB 2, SCHEDULE 1, PAGE 12
4. TECHNICAL CONFERENCE TRANSCRIPT – JUNE 1, 2012
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5. J.H-1-8-1 – ATTACHMENT 2
6. JT2.19 - ATTACHMENT

1 **d) Rate M4 Interruptible Service Offering**

2 Union is proposing to enhance the current Rate M4 firm service by adding an interruptible
3 service offering to the Rate M4 rate schedule. Union's proposal to introduce an interruptible
4 service offering to firm Rate M4 mirrors the optional, firm base service currently available to
5 interruptible customers taking service under Rate M5A. The introduction of this interruptible
6 service offering to Rate M4 ensures all contract rate customers in Union South for which Union
7 provides the burner-tip service (Rates M4, M5A, M7 and T1) have both firm and interruptible
8 service offerings.

9
10 The eligibility criteria for the proposed Rate M4 interruptible service will be an interruptible
11 daily contracted demand of at least 2,400 m³ and a minimum annual interruptible volume of
12 350,000 m³. The structure and pricing of the proposed Rate M4 interruptible service matches
13 the Rate M5A interruptible service.

14
15 **e) Rate T1 Redesign**

16 Union is proposing to split current Rate T1 into two rate classes with distinct rate structures; a
17 new Rate T1 mid-market service and a new Rate T2 large market service. If approved by the
18 Board, Union proposes to implement the new rate classes, eligibility changes and rate
19 structures, on a revenue neutral basis, effective January 1, 2013.

1 Current Rate Design

2 The Rate T1 rate schedule is applicable to customers with combined firm and interruptible
3 annual consumption of 5,000,000 m³ or more. Customers can contract for 100% firm, 100%
4 interruptible or combined firm and interruptible transportation service. Interruptible
5 transportation rates are customer specific and are negotiated within a Board-approved range.
6 Union is not proposing any rate design changes to the rates it charges for interruptible services.

7 The current rate design for firm transportation service was approved by the Board in RP-2003-
8 0063. In RP-2003-0063, the Board approved Union's proposal to introduce a two demand, two
9 commodity block rate structure for Rate T1 firm transportation service. This rate design was
10 proposed by Union to better align cost incurrence with cost recovery and to reduce intra-class
11 cross subsidization of small customers by large customers.

12

13 Proposed 2013 rates designed using the current approved rate structure for firm Rate T1
14 transportation service are provided at Table 13.

Table 13

2013 Proposed Rate T1 with no Redesign

	2013 Proposed Rate T1 Firm Transportation Rate with no Redesign	
Monthly Customer Charge	Charge per Re-delivery point	\$6,600.83
Monthly Demand Charge (cents/m ³)	First 140,870 m ³ All Over 140,870 m ³	17.8705 12.2113
Monthly Commodity Charge (cents/m ³)	First 2,360,653 m ³ All Over 2,360,653 m ³	0.0232 0.0116
Fuel Ratio	Transportation	0.237%

1 Union is not proposing any changes to the rate design for storage service provided under the
 2 Rate T1 rate schedule. Storage service is an optional service available at cost-based rates for
 3 space up to the amount determined by applying the aggregate excess methodology or 15 times
 4 the customer's daily contract quantity ("DCQ"). Rate T1 customers may also contract for cost-
 5 based deliverability at the greater of DCQ or CD minus DCQ. The current method for
 6 allocating cost-based storage to T1 customers was approved in EB-2007-0725.

1 Rationale for Splitting the Current T1 Rate Class

2 Union is proposing to split current Rate T1 into two rate classes to better align cost incurrence
3 and cost recovery by recognizing the differences in distribution demand and distribution
4 customer-related costs between small Rate T1 and large Rate T1 customers. The proposed split
5 also addresses the significant diversity in daily contracted demand and firm annual
6 consumption that exists between small and large customers within the current Rate T1 rate
7 class.

8
9 Customers Served Directly Off Transmission Main

10 Under the current cost allocation method used to allocate distribution demand-related costs,
11 rate classes with customers served directly off transmission main are allocated less distribution
12 demand-related costs than rate classes with fewer customers served directly off transmission
13 main. The proportion of customers in a rate class served off transmission main has an impact
14 on the overall level of distribution demand-related costs allocated to a rate class.

15
16 As customers served directly off transmission main are generally larger in terms of daily
17 contracted demand and annual consumption than those customers served off distribution main,
18 an intra-class subsidy of small customers (CD's less than 140,870 m³/day) by large customers
19 exists. The current two block demand rate design for Rate T1 firm transportation service only
20 partially recognizes the costing differences within the Rate T1 class. In the current Rate T1
21 rate class, 20 of 59 customers (or 34%) are served directly off transmission main, while the
22 remaining 39 customers (66%) are served off distribution main.

1 Mains and Services Replacement Costs

2 Mains and services classified to distribution customer are allocated to rate classes using service
3 replacement costs. The allocation of service replacement costs to Rate T1 is determined by
4 estimating the cost of replacing the service based on service length, size and type of pipe.

5 When preparing the 2013 cost allocation study, Union updated the service replacement cost
6 information used to determine its service replacement cost allocator. The allocation of service
7 replacement costs to the current Rate T1 rate class has increased, primarily as a result of the
8 service replacement costs associated with large Rate T1 customers. This is the case because,
9 generally, the service replacement costs for large Rate T1 customers are greater than the
10 service replacement costs for small Rate T1 customers due to the services being of greater size
11 and length.

12
13 By proposing to split the current Rate T1 rate class, Union is able to address the intra-class
14 subsidy of large Rate T1 customers by small Rate T1 customers by setting monthly customer
15 charges that are more reflective of the level of customer-related costs for each of the new semi-
16 unbundled rate classes.

17
18 Non-homogeneous Rate Class Characteristics

19 As shown at Table 14, the current Rate T1 rate class is comprised of a diverse group of
20 customers with significantly different load profiles.

Table 14
Load Profile - Current Rate T1 Customers

Particulars		2013 Rate T1 Customers
Number of Customers		59
Firm Contracted Demand (m ³ /day)	MIN	9,300
	MAX	2,755,000
	AVG	343,191
	MED	67,800
Annual Firm Volume (m ³)	MIN	4,640,210
	MAX	836,320,120
	AVG	78,383,593
	MED	13,628,490
Customers served directly off transmission (Percent of class)		20 (34%)

1 Of the 59 customers forecasted in current Rate T1 for 2013, there is significant diversity in firm
2 daily contracted demands. The smallest Rate T1 customer has a firm daily contracted demand
3 of 9,300 m³, while the largest Rate T1 customer has a firm daily contracted demand of
4 2,755,000 m³ (296 times the size of the smallest Rate T1 customer). The average firm daily
5 contracted demand is approximately 343,000 m³.

6

7 This diversity within Rate T1 is also exhibited when examining firm annual consumption for
8 small and large Rate T1 customers. The smallest Rate T1 customer has firm annual
9 consumption of approximately 4,600,000 m³, while the largest Rate T1 customer has firm

annual consumption of 836,000,000 m³ (181 times the consumption of the smallest Rate T1 customer). The average firm annual consumption is approximately 78,000,000 m³.

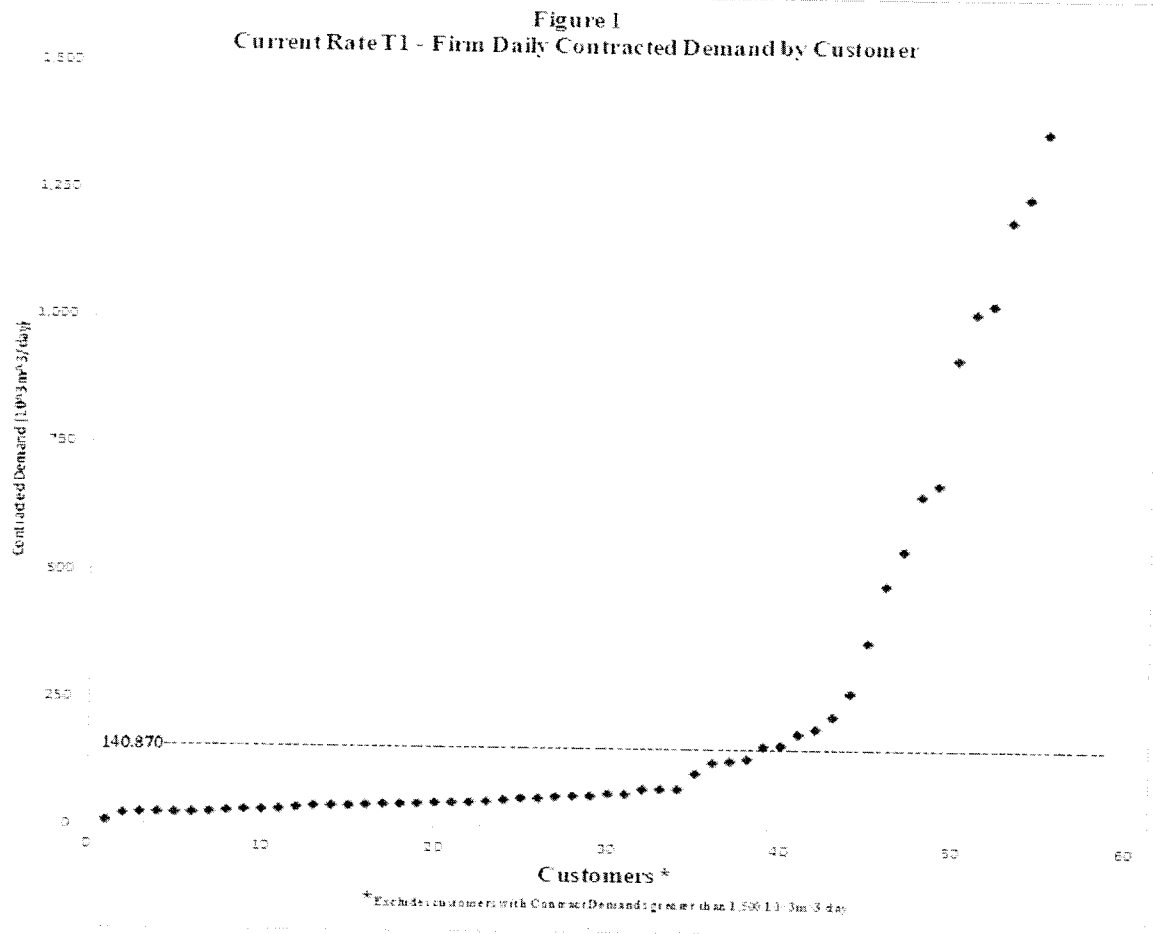
Union's proposal to split current Rate T1 will result in a more homogeneous group of customers in both the new Rate T1 and Rate T2 rate classes.

Proposed Rate T1/Rate T2 Eligibility

As indicated above, to qualify for the current Rate T1 service, a customer must have combined firm and interruptible annual consumption of 5,000,000 m³ or more. For the new Rate T1 mid-market service, Union is proposing a minimum annual volume of 2,500,000 m³. Further, Union is proposing that the daily firm contracted demand for the new Rate T1 not exceed 140,870 m³.

The new Rate T2 large market service will be available to customers with a minimum firm daily contracted demand of 140,870 m³. Union is not proposing any minimum annual volume requirement as a condition for qualifying for new Rate T2.

The proposed firm contracted demand breakpoint between mid-market Rate T1 and large market Rate T2 is derived using the scatter diagram plotting firm daily contracted demands provided at Figure 1.



- 1 Union's proposal to split the current Rate T1 into two rate classes will result in improved rate
- 2 class composition in both Rate T1 and Rate T2. Specifically, both proposed Rate T1 and Rate
- 3 T2 will be comprised of more homogeneous customers in terms of firm contracted demands
- 4 and firm annual consumption. The proposed split of current Rate T1 will also recognize cost
- 5 differences within the current Rate T1 rate class associated with the allocation of distribution
- 6 demand-related and distribution customer-related costs. Table 15 shows the load

- 1 characteristics after the proposed split of the current Rate T1. For comparison purposes, Table
 2 15 also includes the load characteristics of the current Rate T1 provided at Table 14.

Table 15
 Load Profile - Current Rate T1 Customers
with Rate T1 Redesign

Particulars		2013 Rate T1 without Redesign	Rate T1 Redesign	
			Proposed Rate T1	Proposed Rate T2
Number of Customers		59	39	20
Firm Contracted Demand (m ³ /day)	MIN	9,300	9,300	165,000
	MAX	2,755,000	140,000	2,755,000
	AVG	343,191	55,812	889,212
	MED	67,800	48,750	669,000
Annual Firm Volume (m ³)	MIN	4,640,210	4,640,210	22,590,890
	MAX	836,320,120	42,600,000	836,320,120
	AVG	78,383,593	12,795,770	199,721,065
	MED	13,628,490	10,726,120	146,616,000
Customers served directly off transmission (Percent of class)		20 (34%)	6 (15%)	14 (70%)

- 3 The rate structures and proposed pricing for the new Rate T1 and new Rate T2 rate classes are
 4 described below.

1 Rate T1 Rate Design and Pricing

2 Union is proposing that the rate structure of the new Rate T1 consist of a monthly customer
3 charge, a two block monthly demand charge and a single block commodity charge. Table 16
4 provides a comparison of Rate T1 before rate redesign and proposed new Rate T1 rate
5 structures and proposed rates.

Table 16
Comparison of 2013 Proposed Rate T1 with no Redesign
and 2013 Proposed Rate T1 with Redesign

	2013 Proposed Rate T1 Firm Transportation Rate with no Redesign		2013 Proposed Rate T1 Firm Transportation Rate With Rate Design Changes	
Monthly Customer Charge	Charge per Re-delivery point	\$6,600.83	Charge per Re-delivery point	\$2,001.29
Monthly Demand Charge (cents/m ³)	First 140,870 m ³ All Over 140,870 m ³	17.8705 12.2113	First 28,150 m ³ Next 112,720 m ³	31.5395 23.2744
Monthly Commodity Charge (cents/m ³)	First 2,360,653 m ³ All Over 2,360,653 m ³	0.0232 0.0116	All Volumes	0.0715
Fuel Ratio	Transportation	0.237%	Transportation	0.256%

6 The proposed monthly customer charge of \$2,001.29 is cost-based and fully recovers all of the
7 customer-related costs applicable to the new Rate T1. The two block demand charge recovers
8 approximately 82% of new Rate T1 demand-related transportation costs. The remainder of

new Rate T1 demand-related transportation costs are recovered through the Rate T1 storage-related sufficiency. The single commodity charge recovers all the variable transportation costs.

The two block demand and single block commodity rate structure for firm service in new Rate T1 is based on the comparable Rate M4 firm service, which also has a daily contracted demand breakpoint of 28,150 m³. This approach results in consistency between mid-market bundled and mid-market semi-unbundled service offerings.

As indicated above, Union is not proposing any changes to the storage services currently available under the current Rate T1 rate schedule. However, given that Union is proposing a maximum firm daily contracted demand of 140,870 m³ in the new Rate T1, the new Rate T1 rate schedule will exclude the storage space, storage injection/withdrawal rights and transportation service provisions that are only applicable to new and existing customers with incremental daily firm demand requirements in excess of 1,200,000 m³/day.

The derivation of the Rate T1 monthly customer charge, demand charges and commodity charge are provided at Exhibit H3, Tab 11, Schedule 1.

Delivery bill impacts for typical proposed Rate T1 customers are provided at Table 17.

Table 17

Calculation of 2013 Estimated Bill Impacts with and without Rate T1 Redesign

Particulars (\$'s)	Transportation Bill at 2013 Rates <u>No Redesign</u> (a)	Transportation Bill at 2013 Rates <u>With Redesign</u> (b)	Estimated Bill Impacts (c) = ((b-a)/a)
<u>Small Customer - Rate T1</u>			
Contracted Demand (m ³ /day)	25,750		
Load Factor	80%		
Annual Volume (m ³)	7,537,000		
Demand Bill	55,220	97,457	
Commodity Bill	1,750	5,392	
Customer Charge	79,210	24,015	
Total Annual Bill	136,180	126,864	-6.8%
<u>Average Customer - Rate T1</u>			
Contracted Demand (m ³ /day)	48,750		
Load Factor	65%		
Annual Volume (m ³)	11,565,938		
Demand Bill	104,542	164,075	
Commodity Bill	2,686	8,274	
Customer Charge	79,210	24,015	
Total Annual Bill	186,438	196,364	5.3%
<u>Large Customer - Rate T1</u>			
Contracted Demand (m ³ /day)	133,000		
Load Factor	53%		
Annual Volume (m ³)	25,624,080		
Demand Bill	285,213	399,379	
Commodity Bill	5,759	18,330	
Customer Charge	79,210	24,015	
Total Annual Bill	370,182	441,725	19.3%

- 1 New Rate T2 Rate Design and Pricing
- 2 Union is proposing that the rate structure of the new Rate T2 consist of a monthly customer
- 3 charge, two block monthly demand charge and a single block commodity charge. Table 18
- 4 provides a comparison of Rate T1 before rate redesign and proposed new Rate T2 rate
- 5 structures and proposed rates.

Table 18
Comparison of 2013 Proposed Rate T1 with no Redesign
and 2013 Proposed Rate T2 with Redesign

	2013 Proposed Rate T1 Firm Transportation Rate with no Redesign		2013 Proposed Rate T2 Firm Transportation Rate With Rate Design Changes	
Monthly Customer Charge	Charge per Re-delivery point	\$6,600.83	Charge per Re-delivery point	\$6,000.00
Monthly Demand Charge (cents/m ³)	First 140,870 m ³	17.8705	First 140,870 m ³	21.7032
	All Over 140,870 m ³	12.2113	All Over 140,870 m ³	11.3232
Monthly Commodity Charge (cents/m ³)	First 2,360,653 m ³	0.0232	All Volumes	0.0081
	All Over 2,360,653 m ³	0.0116		
Fuel Ratio	Transportation	0.237%	Transportation	0.234%

- 6 The proposed monthly customer charge for the new Rate T2 rate class has been set at \$6,000.
- 7 At this level, the proposed monthly customer charge recovers approximately 50% of the
- 8 customer-related costs attributable to the new Rate T2. Union is proposing to set the monthly

customer charge at \$6,000 to ensure a smooth rate continuum between Rate T1 and Rate T2 at the daily contracted demand breakpoint of 140,870 m³. The balance of the customer-related costs not recovered in the Rate T2 monthly customer charge are recovered in the first block demand charge, which is common to all Rate T2 customers. The revenue to cost ratio for new Rate T2 is consistent with the revenue to cost ratio for Rate T1 before rate redesign.

The two block demand rate structure for the new Rate T2 is based on a daily contracted demand breakpoint of 140,870 m³. This is the same daily contracted demand as the current Rate T1 structure. The two block demand charge also recovers all the demand-related transportation costs. The single commodity charge recovers all the variable transportation costs.

As indicated above, Union is not proposing any changes to the storage services currently available under the current Rate T1 rate schedule. The proposed 2013 Rate T2 rate schedule, which is provided at Exhibit H3, Tab 3, Schedule 2, will include all the current Board-approved storage space and storage injection/withdrawal rights per the current approved Rate T1 rate schedule. Also, the transportation service provisions that are applicable to new and existing customers with incremental daily firm demand requirements in excess of 1,200,000 m³/day are included in the proposed T2 rate schedule.

The derivation of the Rate T2 monthly customer charge, demand charges and commodity charge are provided at Exhibit H3, Tab 11, Schedule 1.

- 1 Delivery bill impacts for typical proposed Rate T2 customers are provided at Table 19.

Table 19

Calculation of 2013 Estimated Bill Impacts with and without Rate T1 Redesign

Particulars (\$'s)	Transportation Bill at 2013 Rates <u>No Redesign</u> (a)	Transportation Bill at 2013 Rates <u>With Redesign</u> (b)	Estimated Bill Impacts (c) = ((b-a)/a)
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Small Customer - Rate T2

Contracted Demand (m ³ /day)	190,000		
Load Factor	85%		
Annual Volume (m ³)	59,256,000		
Demand Bill	374,082	433,637	
Commodity Bill	10,152	4,808	
Customer Charge	79,210	72,000	
Total Annual Bill	463,445	510,445	10.1%

Average Customer - Rate T2

Contracted Demand (m ³ /day)	669,000		
Load Factor	81%		
Annual Volume (m ³)	197,789,850		
Demand Bill	1,075,988	1,084,495	
Commodity Bill	26,160	16,049	
Customer Charge	79,210	72,000	
Total Annual Bill	1,181,358	1,172,543	-0.7%

Large Customer - Rate T2

Contracted Demand (m ³ /day)	1,200,000		
Load Factor	84%		
Annual Volume (m ³)	370,089,000		
Demand Bill	1,854,092	1,806,009	
Commodity Bill	46,069	30,029	
Customer Charge	79,210	72,000	
Total Annual Bill	1,979,371	1,908,039	-3.6%

UNION GAS LIMITED
Rate T1 Firm Transportation Redesign based on 2013 Revenue Requirement
Revenue Proof for Proposed Rate T1 and Rate T2

Line No.	Particulars	Annual Billing Units (a)	Rates (cents/m ³) (b)	Revenue (\$000's) (c)	Revenue Requirement (\$000's) (d)	Revenue to Cost Ratio (e) = (c / d)
<u>Rate T1 with Current Rate Design</u>						
<u>2013 Proposed Current Rate T1 Firm Transportation (1)</u>						
1	Monthly Charge	972	\$6,600.83	6,416	6,416	1.000
	Firm Transportation Demand (10 ³ m ³ /day/month)					
2	First 140,870 m ³ per month	71,774	17.8705	12,826		
3	All Over 140,870 m ³ per month	167,088	12.2113	20,404		
4	Total Firm Transportation Demand	238,861		33,230	34,683	0.958
	Firm Transportation Commodity (10 ³ m ³)					
5	First 2,360,653 m ³ per month	1,241,155	0.0232	288		
6	All Over 2,360,653 m ³ per month	3,502,055	0.0116	405		
7	Total Firm Transportation Commodity	4,743,211		693	693	1.000
8	Total 2013 Proposed Current Rate T1 Firm Transportation	4,743,211		40,339	41,793	0.965
<u>Proposed Rate T1 and Rate T2 Redesign</u>						
<u>2013 Proposed Rate T1 Firm Transportation Redesign</u>						
9	Monthly Charge	528	\$2,001.29	1,057	1,057	1.000
	Firm Transportation Demand (10 ³ m ³ /day/month)					
10	First 28,150 m ³ per month	12,448	31.5395	3,926		
11	Next 112,720 m ³ per month	13,002	23.2744	3,026		
12	Total Firm Transportation Demand	25,450		6,952	8,406	0.827
	Firm Transportation Commodity (10 ³ m ³)					
13	All Volumes	485,700	0.0715	347	347	1.000
14	Total 2013 Proposed Rate T1 Firm Transportation Redesign	485,700		8,356	9,810	0.852
<u>2013 Proposed Rate T2 Firm Transportation Redesign</u>						
15	Monthly Charge	444	\$6,000.00	2,664	5,360	0.497
	Firm Transportation Demand (10 ³ m ³ /day/month)					
16	First 140,870 m ³ per month	46,323	21.7032	10,054		
17	All Over 140,870 m ³ per month	167,088	11.3232	18,920		
18	Total Firm Transportation Demand	213,411		28,973	26,277	1.103
	Firm Transportation Commodity (10 ³ m ³)					
19	All Volumes	4,257,511	0.0081	345	345	1.000
20	Total 2013 Proposed Rate T2 Firm Transportation Redesign	4,257,511		31,983	31,983	1.000
21	Grand Total 2013 Proposed Rate T1 and Rate T2 Redesign	4,743,211		40,339	41,793	0.965

Notes:

(1) EB-2011-0210, Exhibit H3, Tab 1, Schedule 2, Page 8.

UNION GAS LIMITED
Southern Operations Area
Summary of Changes to Contract Carriage Rates

Line No.	Particulars	EB-2010-0359 Approved January 1, 2011 Rate (a)	Rate Change (b)	EB-2011-0210 Proposed January 1, 2013 Rate (c)
	<u>Rate T3 - Storage and Transportation</u>			
	<u>Storage (\$ / GJ)</u>			
	Monthly demand charges:			
1	Firm space	0.010	0.002	0.012
	Firm Injection/Withdrawal Right			
2	Union provides deliverability inventory	1.532	0.120	1.652
3	Customer provides deliverability inventory	1.016	0.234	1.250
4	Firm incremental injection	1.016	0.234	1.250
5	Interruptible withdrawal	1.016	0.234	1.250
	Commodity charges:			
6	Withdrawal	0.039	(0.012)	0.027
7	Customer provides compressor fuel	0.007	0.000	0.007
8	Injection	0.039	(0.012)	0.027
9	Customer provides compressor fuel	0.007	0.000	0.007
10	Storage fuel ratio- Cust. provides fuel	0.598%	-0.195%	0.403%
	<u>Transportation (cents / m³)</u>			
11	Monthly demand charge	9.0218	0.9849	10.0067
	Firm commodity charges			
12	Union supplies compressor fuel	0.2147	(0.1503)	0.0644
13	Customer provides compressor fuel	0.0682	(0.0572)	0.0110
14	Transportation fuel ratio- Cust. provides fuel	0.723%	-0.430%	0.293%
	<u>Authorized overrun services</u>			
	<u>Storage (\$ / GJ)</u>			
	Commodity charges:			
15	Injection / Withdrawals	0.112	(0.009)	0.103
16	Customer provides compressor fuel	0.057	0.005	0.062
17	Transportation commodity charge (cents/m ³)	0.5113	(0.1179)	0.3934
18	Customer provides compressor fuel (cents/m ³)	0.3648	(0.0248)	0.3400
	<u>Monthly Charge</u>			
19	City of Kitchener	\$17,567.33	\$4,093.58	\$21,660.91
20	Natural Resource Gas	\$2,696.77	\$628.41	\$3,325.17
21	Six Nations	\$898.92	\$209.47	\$1,108.39



ONTARIO ENERGY BOARD

FILE NO.: EB-2011-0210

VOLUME: Technical Conference

DATE: June 1, 2012

1 MR. BRETT: But there are some general service
2 customers, as we discussed the other day, who are from
3 other rate classes? Not many, but some?

4 MR. TETREAULT: No. Those are our four general
5 service rate classes.

6 MR. BRETT: Okay. All right. So are these all
7 residential, then?

8 MR. TETREAULT: No, they would be residential, small
9 commercial, small industrial customers.

10 MR. BRETT: Okay. But then -- but I am sorry, I am
11 not quite -- just to be sure, help me. This -- we allocate
12 costs on a rate class basis; right?

13 MR. TETREAULT: We do.

14 MR. BRETT: So are you saying, then, that the costs of
15 the cross-bore program are going to be allocated to the M1,
16 M2 and their comparables in the north, to those four rate
17 classes?

18 MR. TETREAULT: Yes, that's what I am saying.

19 MR. BRETT: All right. Thank you.

20 MR. MILLAR: Mr. Gruenbauer, did you want to go next?

21 **QUESTIONS BY MR. GRUENBAUER:**

22 MR. GRUENBAUER: Yes. Thank you, Mr. Millar.

23 Good afternoon, panel. Have you got the technical
24 conference questions with respect to rates in front of you
25 that I e-mailed a couple of days ago?

26 MR. TETREAULT: We do, Jim.

27 MR. GRUENBAUER: Thank you.

28 And the reference is J.H1-8-1, attachment 2 to that

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1 response, which was one of our interrogatories. Was one of
2 you folks directly responsible for preparing that
3 attachment 2?

4 MS. STEVENSON: Yes, we are.

5 MR. GRUENBAUER: I like the attachment because it
6 provides helpful information. I should clarify that. I
7 don't like the numbers, but at least I appreciate the
8 information that's provided.

9 MR. SMITH: I appreciate your candour.

10 MR. GRUENBAUER: Would you have any difficulty with
11 part (b) of the follow-up question? Would you be able to
12 duplicate that attachment for each of Rates T1 and T2? At
13 some point, would you be able to undertake to do that, just
14 so I can look at it for comparative purposes?

15 MR. SMITH: Yes, we will do that.

16 MR. MILLAR: JT2.19.

17 **UNDERTAKING NO. JT2.19: TO DUPLICATE ATTACHMENT W FOR**
18 **USING RATES T1 AND T2.**

19 MR. GRUENBAUER: That's great.

20 In part (a) the precise nature of the customer-related
21 costs that are allocated to rate T3 is shown at line 5. If
22 I understand the response that you provided, those costs
23 are directly assigned to T3? Did I understand that
24 correctly?

25 MS. STEVENSON: Yes, sorry, those costs are directly
26 assigned to T3.

27 MR. GRUENBAUER: Okay. Can you help me with exactly
28 what that represents, what those dollars represent?

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1 MS. STEVENSON: Those costs are provided by our sales
2 group to us, and they are specific costs that relate to the
3 sales reps' time and the costs that they provide that they
4 use with the City of Kitchener.

5 MR. GRUENBAUER: Okay. So this would basically be
6 time spent by our rep, Patrick Boyer (ph), Dave --

7 MS. STEVENSON: That is correct.

8 MR. GRUENBAUER: -- McEachren (ph), that group?

9 MS. STEVENSON: That's correct, yes.

10 MR. GRUENBAUER: All right. And maybe, if we can just
11 go to the next question that I had. And again, it may be
12 the attachment 2 that helps answer this question.

13 We understood that our customer charge -- the monthly
14 customer charge that we pay under our rate T3 is designed
15 to recover customer-related costs of providing service to
16 us, and part of those costs would be facilities associated
17 with our gate station. We have got two gate stations
18 serving us, and associated operating and maintenance
19 expenditures with respect to those facilities.

20 I guess my first question of clarification, because we
21 put that in the preamble to our interrogatories, is that a
22 correct assumption on our part, or is that incorrect?

23 MR. TETREAUULT: No, I think it's a fair assumption.

24 MR. GRUENBAUER: Okay. And if I were to look at lines
25 1 and 2 on attachment 2, where I see return and taxes and
26 depreciation expense, and in column A, that's where we were
27 in 2007, and column B is proposed for 2013, those dollars
28 would represent capital-related costs, which would include

1 the gate-station-facilities cost?

2 MS. STEVENSON: Yes, that's correct.

3 MR. GRUENBAUER: Okay. And one thing I did with this
4 attachment which I found it helpful, that total revenue
5 requirement of 206,000 for 2007, I went back to the final
6 rate order in the 0520 case, and the monthly customer
7 charge -- or as in Kitchener we like to call that the joy
8 factor -- is \$17,155, and if you multiply that by 12 months
9 you get precisely \$206,000.

10 So it appears that the rate design was -- for the
11 customer charge was intended to recover 100 percent of the
12 allocated -- or sorry, the classified customer-related
13 costs to rate T3? Is that right, Harold?

14 MR. PANKRAC: That is correct.

15 MR. GRUENBAUER: Okay. And again, similarly for 2013,
16 the proposed charge is 421,613. You multiply that by 12
17 months and you get \$259,000, which you see at column B,
18 line 8; is that correct too?

19 MR. PANKRAC: That is correct. The customer-related
20 charge recovers the customer-related costs.

21 MR. GRUENBAUER: Okay. Is it fair to say that the T3
22 customer charge, both back in 2007 and proposed for 2013,
23 is the highest of customer charge that's levied on any of
24 your customers in-franchise?

25 MR. TETREAUULT: Based on the allocated costs, subject
26 to check, I would -- I can agree with that statement.

27 MR. GRUENBAUER: Just to clarify -- and I am looking
28 at Exhibit H1, tab 1, page 39, table 15, and this is the

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1 proposal with respect to the T1/T2 redesign, and I believe
2 the proposed customer charges, if this proposal is accepted
3 by the Board, the T1 customer charge would be \$1,999, say
4 \$2,000 for all intents and purposes, per month, the rate T2
5 would be \$6,000 per month, and rate T3 would be \$21,600 per
6 month. Have I got that right?

7 MR. TETREAULT: You do.

8 MR. GRUENBAUER: Okay. So T2 is about three times
9 what T1 is, and T3 is about three-and-a-half times what T2
10 is, by my math.

11 Looking at that table, and approaching this from kind
12 of a like-to-like comparison purpose --

13 MR. TETREAULT: Which table? Which table, Jim, sorry?

14 MR. GRUENBAUER: Yes, sorry, table 15 at H1, tab 1,
15 page 39. For the proposed rate T2 there is 20 customers
16 that are going to be there, and 14 of them would be served
17 directly off transmission, and there is statistics there
18 giving the range, sort of min/max average.

19 Is it fair to say that just the load characteristics
20 for Kitchener of T3 is pretty similar to a lot of these
21 proposed T2 rates -- or T2 customers?

22 MR. TETREAULT: No, I couldn't confirm that, Mr.
23 Gruenbauer. I don't know the comparable load
24 characteristics of T3 versus T2.

25 MR. GRUENBAUER: Okay. I guess the last clarification
26 question I had with respect to the customer-related charge,
27 T3 is not allocated any distribution-related costs
28 whatsoever; is that correct? We are not served off

1 distribution, as I understand it. We are served off
2 transmission.

3 MS. STEVENSON: That is true for distribution demand-
4 related costs, not customer-related cost.

5 MR. GRUENBAUER: Okay. Well, I am just trying to get
6 a sense for the majority of the customer-related costs that
7 are allocated to us, would they be functionalized more from
8 -- almost solely from transmission?

9 MS. STEVENSON: All these costs are distribution-
10 related costs that are allocated to the customer. It's the
11 distribution customer functional classification.

12 MR. GRUENBAUER: Okay. I am probably going to have to
13 chew on that a little bit, because I previously understood
14 in comparing existing rate T1 and T3, that if you compare
15 the rates, the rates for storage service are identical, but
16 the rates for the provision of the transportation service
17 are different, and the T1 customers are higher than the T3,
18 because they are allocated distribution costs that
19 Kitchener is not allocated, because we are not a
20 distribution customer, we are an embedded distribution
21 utility, so that explains the lower rate, and that is what
22 I'm just trying to get some clarity around, the extent to
23 which we are allocated customer-related costs that are
24 functionalized from distribution, as opposed to
25 transmission. Can you help me there?

26 MS. STEVENSON: Jim, as Ms. Stevenson said, it is the
27 distribution customer functional classification, the costs
28 allocated to T3 within that classification that represent

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1 the costs we are recovering in Kitchener's monthly customer
2 charge.

3 MR. GRUENBAUER: Okay. Well, it might be a little
4 clearer once I see the comparable attachments for T1 and
5 T2, so I appreciate it. Thanks for your answers. Thank
6 you.

7 MR. MILLAR: Thank you, Jim. Who would like to go
8 next?

9 MR. WOLNIK: I can go next.

10 Panel, I just have three kind of question areas. Can I
11 get you to pull up G1, tab 1, appendix B? G1, tab 1,
12 appendix B.

13 MS. STEVENSON: Yes, we have it.

14 MR. WOLNIK: Page 2. And line 6 refers to purchase
15 production general plan. Can you tell me what that is?

16 MS. STEVENSON: That's our proposal for allocating
17 purchase production general plant costs, and we provide
18 that detail in G1.

19 MR. WOLNIK: Can you just describe what those costs
20 are?

21 MS. STEVENSON: So there are general plant costs that
22 are allocated based on rate base and O&M expenses. So we
23 recognize the general plant costs would be attributable to
24 O&M and rate base-related costs, and so a portion of those
25 costs are allocated to the purchase production function.

26 MR. WOLNIK: And what is purchase production? Can you
27 just help me with that?

28 MS. STEVENSON: That's the function in the cost study

Summary of Customer-Related Costs Allocated to Rate T3
Proposed 2013 vs. 2007 Board-Approved Cost Allocation Study

Line No.	Particulars (\$000's)	2007 (a)	2013 (b)	Difference (c) = (b - a)	Proposed Methodology Changes		Difference less Methodology Changes (f') = (c - d - e)
					Meter and Regulator Repairs (d)	Equipment on Customer Premises (e)	
1	Return and Taxes	68	61	(6)	0	0	(7)
2	Depreciation Expense	50	52	2	1	0	0
<u>Operating Expenses</u>							
3	Distribution (Southern Ontario)	0	15	15	10	5	0
4	General Operating & Engineering	7	7	0	0	0	0
5	Sales Promotion and Merchandise	45	54	9	0	0	9
6	Distribution Customer Accounting	2	1	(0)	0	0	(0)
7	Administrative & General	34	68	35	9	5	21
8	Total Revenue Requirement	206	259	54	19	10	24

Summary of Customer-Related Costs Allocated to Proposed Rate T1/Rate T2 and Rate T3
2007 Board-Approved vs. 2013 Proposed Cost Allocation Study

Line No.	Particulars (\$000's)	2007 (a)	2013				Difference (f) = (e - a)	Proposed Methodology Changes		Difference less Methodology Changes (i) = (f - g - h)
			T1 (b)	T2 (c)	T3 (d)	Total (e)=(b+c+d)		Meter and Regulator Repairs (g)	Equipment on Customer Premises (h)	
<u>T1/T2 Customer-Related Costs</u>										
1	Return and Taxes	758	303	2,942	-	3,245	2,487	4	2	2,481
2	Depreciation Expense	465	216	1,719	-	1,935	1,470	8	4	1,457
<u>Operating Expenses</u>										
3	Distribution (Southern Ontario)	109	63	587	-	650	540	117	63	360
4	General Operating & Engineering	75	35	346	-	381	307	(0)	0	307
5	Sales Promotion and Merchandise	92	362	333	-	695	604	0	0	604
6	Distribution Customer Accounting	137	27	56	-	83	(54)	0	0	(54)
7	Administrative & General	233	415	1,077	-	1,493	1,260	103	56	1,101
8	Total T1/T2 Revenue Requirement	1,867	1,421	7,060	-	8,482	6,614	231	126	6,257
<u>T3 Customer-Related Costs⁽¹⁾</u>										
1	Return and Taxes	68	-	-	61	61	(6)	0	0	(7)
2	Depreciation Expense	50	-	-	52	52	2	1	0	0
<u>Operating Expenses</u>										
3	Distribution (Southern Ontario)	0	-	-	15	15	15	10	5	0
4	General Operating & Engineering	7	-	-	7	7	0	0	0	0
5	Sales Promotion and Merchandise	45	-	-	54	54	9	0	0	9
6	Distribution Customer Accounting	2	-	-	1	1	(0)	0	0	(0)
7	Administrative & General	34	-	-	68	68	35	9	5	21
8	Total T3 Revenue Requirement	206	-	-	259	259	54	19	10	24

Note:
(1) As provided at J.H-1-8-1, Attachment 2.