

July 27, 2012

Ontario Energy Board  
2300 Yonge Street  
Suite 2700  
Toronto, Ontario  
M4P 1E4

Attention: Ms. Kirsten Walli, Board Secretary

**RE: EB-2011-0210 – Union Gas Limited – 2013 Rates Application – Day 8  
Undertaking Responses**

Dear Ms. Walli,

Please find attached Union's responses to undertakings J8.3, J8.4 and J8.5 from Day 8 of the EB-2011-0210 proceeding.

Yours truly,

*[original signed by]*

Chris Ripley  
Manager, Regulatory Applications

cc: Crawford Smith, Torys  
EB-2011-0210 Intervenors

UNION GAS LIMITED

Undertaking of Mr. Quinn  
To Ms. Elliott

Please provide a schedule disclosing how OM&A is being allocated as between the regulated and unregulated assets for 2013, on a storage pool-by-storage pool basis, and to provide rationale for the allocations affected and whether OM&A allocation should follow the capital cost allocation.

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Storage assets are not functionally separated into distinct regulated and unregulated assets, so operating and maintenance work performance on the entire asset cannot specifically be separated between regulated and unregulated. As a result, costs are incurred against the entire asset and then proportioned to unregulated and regulated operations in the same allocation as the underlying capital costs.

This allocation approach is consistent with the Board-approved 2007 cost allocation methodology which was deemed to be “adequate for the purposes of separating the regulated and unregulated costs and revenues” as part of the NGEIR Decision (EB-2005-0051). This methodology was further reviewed in depth by an independent consultant, Black and Veatch (B&V) who concluded that “the conceptual underpinnings and resulting methodologies upon which Union’s cost allocation process is based are well-conceived, thorough and reasonable in their treatment of storage-related plant and expenses”. As part of the EB-2011-0038 deferral disposition proceeding, the B&V report was filed and subject to intervenor review, prior to acceptance of the cost allocation methodology in the Board decision.

The Attachment identifies the 2013 O&M allocators used for each shared storage asset. The first section reflects the allocators used in the 2013 filed evidence. The second section reflects the updated Plant Accounting allocators (reference undertaking J8.5) that will be used for 2013 actual allocations.

OM & A Allocation by Storage Pool

<b>Pool Name</b>	<b>Section 1 2013 Filed</b>			<b>Section 2 Plant Accounting Update</b>		
	<b>Unreg</b>	<b>Reg</b>	<b>Total</b>	<b>Unreg</b>	<b>Reg</b>	<b>Total</b>
<b>Bentpath</b>	38%	62%	100%	38%	62%	100%
<b>Bentpath East</b>	38%	62%	100%	39%	61%	100%
<b>Bickford</b>	38%	62%	100%	38%	62%	100%
<b>Black Creek</b>	38%	62%	100%	38%	62%	100%
<b>Bluewater</b>	38%	62%	100%	42%	58%	100%
<b>Both Creek</b>	38%	62%	100%	38%	62%	100%
<b>Dawn 156</b>	38%	62%	100%	68%	32%	100%
<b>Dawn 167</b>	38%	62%	100%	31%	69%	100%
<b>Dawn 47/49</b>	38%	62%	100%	38%	62%	100%
<b>Dawn 59/85</b>	38%	62%	100%	65%	35%	100%
<b>Dawn J</b>	42%	58%	100%	42%	58%	100%
<b>Dow A</b>	39%	61%	100%	32%	68%	100%
<b>Dow Moore</b>	38%	62%	100%	38%	62%	100%
<b>Edys Mills</b>	38%	62%	100%	29%	71%	100%
<b>Enniskillen</b>	38%	62%	100%	41%	59%	100%
<b>Mandaumin</b>	38%	62%	100%	38%	62%	100%
<b>Oil City</b>	38%	62%	100%	36%	64%	100%
<b>Oil Springs</b>	38%	62%	100%	30%	70%	100%
<b>Payne</b>	38%	62%	100%	48%	52%	100%
<b>Rosedale</b>	38%	62%	100%	38%	62%	100%
<b>Sombra</b>	38%	62%	100%	37%	63%	100%
<b>Terminus</b>	38%	62%	100%	38%	62%	100%
<b>Waubuno</b>	38%	62%	100%	37%	63%	100%

UNION GAS LIMITED

Undertaking of Mr. Quinn  
To Ms. Vienneau

Please provide the resulting space and deliverability between regulated and unregulated for 2013.  
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The attachment provides the allocation of storage capacity and deliverability to the unregulated operation and is for illustrative purposes only. Union operates its storage operation (both wholly owned pools and 3rd party purchased storage) as an integrated business and does not specify by storage pool the storage capacity and deliverability that is assigned to the unregulated operation.

2006						2013					
Pool	Working Storage Capacity as of 12/31/2006 Note 1 (GJ)	Design Maximum Deliverability for W06/07 Note 1 (GJ/d)	Non-Utility Allocation			Working Storage Capacity as of 12/31/2013 (37.75 Heat Value) (GJ)	Design Maximum Deliverability for W13/14 (37.75 Heat Value) (GJ/d)	Non-Utility Allocation			UG Updated Allocation Factor (Note 1)
			Working Storage Capacity as of 12/31/2006 (37.66 Heat Value) (GJ)	Design Maximum Deliverability for W06/07 (37.66 Heat Value) (GJ/d)	Allocation Factor			Working Storage Capacity as of 12/31/2013 (37.75 Heat Value) (GJ)	Design Maximum Deliverability (37.75 Heat Value) (GJ/d)	Allocation Factor	
Bentpath	5,382,000	405,600	2,026,861	152,749	37.66%	5,395,000	474,100	2,031,705	178,546	37.66%	37.66%
Bentpath East	4,711,000	-	1,774,163	-	37.66%	5,043,000	-	2,099,168	-	41.63%	45.44%
Bickford	22,325,000	164,400	8,407,595	61,913	37.66%	22,378,000	188,100	8,427,688	70,838	37.66%	37.66%
Bluewater	2,007,000	13,300	755,836	5,009	37.66%	2,133,000	9,700	878,931	3,654	39.44%	48.94%
Booth Creek	1,962,000	-	738,889	-	37.66%	1,672,000	-	629,670	-	37.66%	37.66%
Dawn 156	28,121,000	467,300	10,590,369	175,985	37.66%	28,188,000	1,062,600	10,615,678	723,867	52.89%	68.44%
Dawn 167	4,990,000	19,200	1,879,234	7,231	37.66%	5,002,000	15,500	1,883,725	5,837	37.66%	37.66%
Dawn 47-49	4,937,000	55,200	1,859,274	20,788	37.66%	4,949,000	32,500	1,863,717	12,238	37.66%	37.66%
Dawn 59-85	5,977,000	492,100	2,250,938	185,325	37.66%	5,991,000	587,400	2,256,317	221,217	37.66%	77.46%
Dow A	6,462,000	74,700	2,433,589	28,132	37.66%	6,810,000	68,400	2,772,198	25,759	39.18%	49.21%
Edys Mills	2,587,000	40,100	974,264	15,102	37.66%	2,593,000	7,200	976,592	2,710	37.65%	47.89%
Enniskillen	3,581,000	51,000	1,348,605	19,207	37.66%	3,741,000	20,500	1,503,189	7,719	38.92%	49.40%
Mandaumin	3,909,000	29,400	1,472,129	11,072	37.66%	3,918,000	52,900	1,475,647	19,923	37.66%	37.66%
Oil City	1,725,000	27,900	649,635	10,507	37.66%	1,842,000	6,900	764,458	2,597	39.57%	48.94%
Oil Springs East	3,736,000	27,900	1,406,978	10,507	37.66%	3,963,000	27,000	1,628,861	10,170	39.38%	54.39%
Payne	24,946,000	161,500	9,394,664	60,821	37.66%	26,440,000	181,800	10,851,535	68,467	39.35%	56.76%
Rosedale	3,356,000	234,100	1,263,870	88,162	37.66%	3,364,000	207,700	1,266,890	78,221	37.66%	37.66%
Sombra	2,203,000	10,700	829,650	4,030	37.66%	1,170,000	10,300	440,542	3,880	37.66%	37.66%
Terminus	11,788,000	135,600	4,439,361	51,067	37.66%	11,816,000	124,500	4,449,970	46,887	37.66%	37.66%
Waubuno	10,179,000	46,400	3,833,411	17,474	37.66%	10,203,000	59,800	3,842,572	22,520	37.66%	37.66%
Dow Moore	6,114,000	106,800	2,302,532	40,221	37.66%	6,129,000	61,200	2,308,035	23,047	37.66%	N/A
<b>Total - Allocated</b>	<b>160,998,000</b>	<b>2,563,200</b>	<b>60,631,847</b>	<b>965,302</b>	<b>37.66%</b>	<b>162,740,000</b>	<b>3,198,100</b>	<b>62,967,088</b>	<b>1,528,097</b>	<b>43.24%</b>	

Note 1 - Union Gas Allocation factors updated in 2012 using the methodology outlined in undertaking EB-2011-0210 Exhibit JT1.41

UNION GAS LIMITED

Undertaking of Mr. Quinn  
To Ms. Vienneau

Please provide underlying the methodology used for capital additions in 2013.

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In preparing the forecast for the 2013 rate case, Union categorized storage projects into 4 categories:

Description	Allocation Methodology
New Storage Asset – increase in capacity or deliverability	100% Allocation to unregulated
New Storage Asset – no increase in capacity or deliverability	Allocated regulated versus unregulated based on the historic allocation of assets at that location
Replacement Asset – no increase in capacity or deliverability	Allocated regulated versus unregulated based on the historic allocation of assets being replaced.
Replacement Asset – increase in capacity or deliverability	Cost of replacing the existing asset like for like is allocated regulated versus unregulated based on the historic allocation of assets being replaced. The cost of providing the incremental capacity or deliverability is allocated 100% to the unregulated operation. This results in a new blended rate for this asset.

Projects that included an allocation based on the historic allocation of the assets used the following to determine the appropriate unregulated rate:

**Storage Pools**

Storage only	S	Mandaumin, Bluewater, Dow Moore, Waubuno, Payne, Bickford, Sombra, Enniskillen, Bentpath, Terminus, Rosedale, Dawn 47-49, Dawn 59-85, Dawn 156, Booth Creek, Bentpath East, Black Creek
Storage & Transmission	ST	Oil City, Dawn 167, Oil Springs East, Edys Mills, Dow A Plant

Allocation to the unregulated operation is further defined by asset class:

Asset Class	Allocation to Unregulated
Land	S – 37.66%; ST – 19.86%
Land Rights	S & ST – 37.66%
Structures & Improvements	S – 37.66%; ST – 19.86%
Storage Wells	S & ST – 37.66%

Field Lines	S & ST – 37.66%
Compressor Equipment	S – 37.66%; ST – 19.86%
Measuring & Regulating Equipment	S – 37.66%; ST – 9.94%
Base Pressure Gas	S & ST – 37.66%

### **Compressor Stations**

Storage & Transmission	ST	Plant A, Plant B, Plant C, Plant D, Plant F, Plant G
Transmission Only	T	Plant E, Dawn- Trafalgar Meter Runs, Tecumseh Measurement, TCPL Measurement, Great Lakes Header, Total Measurement
Dehy	D	Dawn Dehy

Allocation to the unregulated operation is further defined by asset class:

Asset Class	Allocation to Unregulated
Land	ST – 19.86%
Structures & Improvements	ST – 19.86%; T – 0%
Compressor Equipment	ST – 19.86%; T – 0%; D – 22.22%
Measuring & Regulating Equipment	ST – 9.94%

Allocation factors above are the factors used for the one time allocation of regulated and unregulated as of December 31, 2006.

### **Subsequent Review**

In response to B&V’s recommendation that more robust documentation be established, Union completed a comprehensive review of the unregulated storage allocation factors in early 2012. Union’s methodology followed the approach outlined in EB-2010-0039 Exhibit A, Tab 4, page 14 of 22. On lines 5 – 9 Union describes the methodology for new storage assets as “If the project is a necessary part of normal business operations, then the new asset is split in the same way as the existing asset. If the project improves the efficiency or provides growth opportunities for the unregulated storage business, then the incremental cost of the project beyond the simple replacement is directly assigned to unregulated storage.” Union illustrates this methodology in undertaking EB-2011-0210 Exhibit JT1.41.

The review identified that updates were required at 10 of the storage pools.

Storage Pool		Storage Well Allocator	Pool Allocator (includes all asset classes)
Bentpath	Reg	62.34%	62%
	Non Reg	37.66%	38%
Bentpath East	Reg	54.56%	61%

	Non Reg	45.44%	39%
Bickford	Reg	62.34%	62%
	Non Reg	37.66%	38%
Black Creek	Reg	N/A	62%
	Non Reg	N/A	38%
Bluewater	Reg	51.06%	58%
	Non Reg	48.94%	42%
Booth Creek	Reg	62.34%	62%
	Non Reg	37.66%	38%
Dawn 156	Reg	31.56%	32%
	Non Reg	68.44%	68%
Dawn 167	Reg	62.34%	69%
	Non Reg	37.66%	31%
Dawn 47-49	Reg	62.34%	62%
	Non Reg	37.66%	38%
Dawn 59-85	Reg	22.54%	35%
	Non Reg	77.46%	65%
Dow A	Reg	50.79%	68%
	Non Reg	49.21%	32%
Dow Moore	Reg	N/A	62%
	Non Reg	N/A	38%
Edys Mills	Reg	52.11%	71%
	Non Reg	47.89%	29%
Enniskillen	Reg	50.60%	59%
	Non Reg	49.40%	41%
Mandaumin	Reg	62.34%	62%
	Non Reg	37.66%	38%
Oil City	Reg	51.06%	64%
	Non Reg	48.94%	36%
Oil Springs East	Reg	45.61%	70%

	Non Reg	54.39%	30%
Payne	Reg	43.24%	52%
	Non Reg	56.76%	48%
Rosedale	Reg	62.34%	62%
	Non Reg	37.66%	38%
Sombra	Reg	62.34%	63%
	Non Reg	37.66%	37%
Terminus	Reg	62.34%	62%
	Non Reg	37.66%	38%
Waubuno	Reg	62.34%	63%
	Non Reg	37.66%	37%

After the factors were updated, the 2013 rate case evidence was reviewed. It was determined that the use of the revised allocation factors on maintenance capital projects would have increased the allocation to unregulated by approximately \$50,000 in 2012 and \$25,000 in 2013.