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By electronic filing

July 10, 2013

Kirsten Walli
Board Secretary
Ontario Energy Board
2300 Yonge Street
27th floor
Toronto, ON M4P 1E4

Dear Ms Walli,

Union Gas Limited ("Union")
2012 Earnings Sharing & Disposition of Deferral Accounts
Board File No.: EB-2013-0109
Our File No.: 339583-000157

Pursuant to Procedural Order No. 1 dated June 25, 2013, we enclose the Interrogatories of Canadian Manufacturers & Exporters ("CME") in the above-noted proceeding.

We have attempted to refrain from duplicating Interrogatories already submitted by others.

Yours very truly,

Peter C.P. Thompson, Q.C.

PCT\slc
enclosure
c. Karen Hockin (Union)
Paul Clipsham
Vince DeRose

OTT01: 5790233: v1

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 for an order or orders clearing certain non-commodity related deferral accounts and sharing utility earnings pursuant to a Board approved earnings sharing mechanism;

AND IN THE MATTER OF an Application by Union Gas Limited for an order approving a deferral account to capture variances between earnings sharing, deferral account and other balances approved for disposition and amounts actually refunded/ recovered.

INTERROGATORIES OF CANADIAN MANUFACTURERS & EXPORTERS ("CME") TO UNION GAS LIMITED ("UNION")

Account 179-108 – Unabsorbed Demand Costs ("UDC") Deferral Account

Ref: Exhibit A, Tab 1, pages 2 to 6

1. The evidence indicates that the "unabsorbed" gas volume embedded in rates is a total of 4.6 PJs consisting of 4.4 PJs in the North and 0.2 PJs in the South. Please provide a step by step description of the derivation of the "unabsorbed" volume amounts for the North and the South at the time that the Base Rates were set.

2. The evidence indicates that for 2012, the actual UDC volume was 13.7 PJs in the North and 10.7 PJs in the South, for a total of 24.4 PJs, and these volumes are described as being in excess of "planned levels":

   (a) What were the 2012 "planned levels" of UDC volumes in each of the North and South respectively, and describe step by step how each of these planned volume levels were derived?

   (b) Describe step by step how actual volume levels of UDC in the North and South of 13.7 and 10.7 PJs respectively were derived?

   (c) What is the volume variance in each of the North and South:

      (i) between 2012 planned and actual levels of UDC? and

      (ii) between the volumes embedded in Base Rates and the actual levels of UDC in the North and South in 2012?

   (d) Please specify the extent to which the foregoing volume variances were "offset" by direct purchasers returning to system in 2012.

3. The evidence indicates that the amounts recovered in rates for UDC total $7.330M consisting of $6.67M in the North and $0.117M in the South:

   (a) Are these amounts based on 2007 costs applied to the 4.4 and 0.2 PJs of forecast UDC embedded in Base Rates? If not, then on what costs are these values based?

   (b) Please show step by step how the $7.330M was derived?

4. The evidence indicates that the costs reflected in the UDC variance account for the total capacity unutilized in 2012 are $13.292M. This amount is partially offset by transportation releases having a value of $7.865M, leaving an actual cost difference of $5.427M, of which $3.039M is attributable to the North and $2.387M is attributable to the South:

   (a) Please provide step by step descriptions of the derivation of the amount of $13.292M and each of the net amounts allocated to the North and South of $3.039M and $2.387M respectively.

5. The "transportation releases" in 2012 of $7.865M are discussed in greater detail in Exhibit B, Tab 2 at pages 9 and 10, and shown in Table 1 of that Exhibit at page 9, under lines 1 and 2 in an amount of $7.3M. In connection with this evidence, please provide the following information:

   (a) Please provide a breakdown of the $7.865M referenced at Exhibit A, Tab 1, page 4 and reconcile that amount with the $7.3M shown in Table 1 of Exhibit B, Tab 2 at page 3 under lines 1 and 2 of the Table. Please provide a breakdown of these amounts between the North and the South.

   (b) The evidence indicates that a UDC assignments/releases are only those which take place when a system supply surplus gives rise to a transportation surplus. When did Union first establish this criterion as a basis for limiting the benefits received from assigning to third parties Upstream Transportation surpluses?

   (c) Was the system supply surplus criterion for limiting the recording of the benefits of transportation assignments in the UDC deferral account ever specifically presented by Union to the Board for approval and specifically approved?

   (d) Does this limiting criterion find expression in the Accounting Order for the UDC deferral account 179-08?

   (e) Has the consideration Union realizes from transportation releases been credited to the UDC deferral account for many years? If so, for how long?

   (f) Please indicate how transportation releases are priced.

   (g) Does the assignee pay the demand charge directly to TransCanada PipeLines ("TCPL")? If so, is the consideration which Union receives for the transaction reflected as a discount to the TCPL demand charge with Union paying that discounted demand charge to the assignee and recording the difference between the discounted demand charge and the full demand charge as a credit to the UDC deferral account? Please provide a numerical illustration which is typical for this type of transaction.

(h) Please provide a table showing the value of transportation releases credited to UDC for the last twenty (20) years, i.e. for the period 1993 to 2012.

(i) Are the system supply surpluses which give rise to transportation assignments/ releases temporary? What is the range of periods, either days or months, over which a transportation assignment/release caused by a system supply surplus can operate?

(j) Has Union heretofore required an incentive to engage in transportation assignments/releases, the benefits of which are recorded in UDC deferral account 179-08 attributable to system supply surpluses? If the answer is no, then please explain why an incentive is not required for Union to engage in such transactions?

(k) Does Union accept that, as a regulated monopoly gas distributor, it has an obligation to mitigate UDC and other pass-through costs for items that it acquires for utility purposes without receiving an incentive payment for discharging that obligation?

(l) Is Union seeking in this case an incentive for engaging in transportation assignments/releases in 2012 which were attributable to gas supply surpluses?

(m) Do transportation assignments/releases prompted by a system supply surplus, along with transportation assignments/releases prompted by other factors, contribute to the strength of the secondary market?

(n) Are the benefits derived from transportation assignments/releases recorded in the UDC allocated to those who paid for the costs of the Upstream Transportation assets temporarily assigned?

Account 179-130 – Upstream Transportation FT-RAM Optimization

Ref: Exhibit A, Tab 1, pages 5 and 6

6. Please provide a copy of the Accounting Order that pertains to this account.

7. Was the 2011 balance in this deferral account which was cleared to ratepayers in an amount of about $19.8M?

8. Please identify the number of system gas users and bundled customers in each rate classes to whom the amount was cleared, along with the amounts cleared to each rate class.

9. Does adhering to the EB-2012-0087 Decision for 2012 produce an incentive benefit to Union of $3.664M as shown in Exhibit A, Tab 1, Appendix B, Schedule 2, line 9, column (b)?

10. Does adhering to the EB-2012-0087 Decision lead to an allocation to certain ratepayers of a refund of $32.977M apart from the total deferral account debit amount which Union proposes to recover from ratepayers of $15.929M as shown in Exhibit A, Tab 1, Appendix A, Schedule 1?

11. Please reconcile the $37.3M shown in Table 1 at Exhibit B, Tab 2, page 9 with the $36.6M shown in Exhibit A, Tab 1, Appendix B, Schedule 1, line 7, column (b).

12. Please provide an Exhibit that presents all exchanges in each of the years 2007 to 2012 inclusive in the format of Table 1 at Exhibit B, Tab 2, page 9.

Earnings Sharing

Ref: Exhibit A, Tab 2, pages 1 to 10

13. The IRM Agreement calls for Earnings Sharing to be based on "corporate earnings". In its proposal at Exhibit A, Tab 2, page 5, Union states that it has reversed the $19.8M reduction to 2012 "corporate earnings" that stems from the Board's EB-2012-0087 Decision with respect to Union's inappropriate classification of FT-RAM exchange net revenues as "earnings" rather than as Upstream Transportation cost reductions:

    (a) Why has Union reversed this transaction which appears in the 2012 corporate accounts?

    (b) Please re-calculate the proposed 2012 earnings sharing amount at Exhibit A, Tab 2, Appendix B, Schedule 1 with the reversal of $19.8M for 2011 removed from the 2012 adjustments listed in Note (ii).

14. Please provide the excerpts from USGAAP referenced at Exhibit A, Tab 2, page 5.

15. Assume that the Board adheres to the findings of fact made at pages 25 to 30 in the EB-2012-0087 Decision and Order to the effect that:

    (i) Union's treatment of net FT-RAM exchange revenues as profits or earnings is inconsistent with the IRM Settlement Agreement and Framework and contrary to the long-standing regulatory principle that the cost of gas and Upstream Transportation are to be treated as pass-through items; and

    (ii) Union's treatment of net FT-RAM exchanges as revenues had never been approved by the Board because Union had never made sufficient disclosure of the details of those transactions to enable such an approval to have been granted; and

    and, as a result, rejects Union's proposal to re-classify 2012 FT-RAM net revenues as "earnings" rather than as "gas cost reductions".

    In that scenario, are the 2012 adjusted corporate earnings before taxes of $276.855M as shown at line 15, column (d) of Exhibit A, Tab 2, Schedule 19, with the result that:

(a) System gas and bundled T ratepayers will receive the benefit of the credit amount of $32.977M;

(b) The debit amount of $15.929M shown at Exhibit A, Tab 1, Appendix A, Schedule 1, will, to the extent the amount is approved by the Board, be cleared to all ratepayers; and

(c) There will be no earnings sharing.

16. Is Union's proposal, in substance, a proposal to increase its incentive share of 2012 net FT-RAM exchange revenues from 10% to about 50%?

17. If the Board characterizes Union's proposal as, substantively, a request to increase its incentive share of 2012 net FT-RAM exchange revenues, then, is Union indifferent to the classification of net FT-RAM exchange revenues?

Transportation Exchange Services

Ref: Exhibit B, Tab 2, pages 1 to 82

18. For each of the three (3) cases described in section 9 of this testimony and for each of the six (6) cases described in section 12, provide typical examples of the amounts which would be paid by all parties so that in each case, we will have concrete numerical examples of the financial impacts being described in the testimony.

Incremental Transportation Contracting Analysis

Ref: Exhibit A, Tab 4, pages 1 to 17

19. The evidence at page 12 indicates that Union currently holds 67,327 Gjs/day of firm transportation on TCPL from Empress to Union's CDA through to October 31, 2013, and refers to additional FT capacity of 8,145 Gjs/day from Empress to Union's CDA obtained by way of a permanent assignment from a third party:

(a) What is the total capacity which Union has under contract with TCPL beyond October 31, 2013?

Rate Impacts

Ref: Exhibit A, Tab 3, Appendix B, Schedule 3

20. Please broaden the response to interrogatory no. 10 from the London Property Management Association ("LPMA") to include therein the typical and the largest bundled contract customers in the North who benefit from an outcome in this proceeding that adheres to the Board's EB-2012-0087 Decision.