EB-2013-0365

Ontario Energy Board

IN THE MATTER OF the Ontario Energy Board Act, 1998, S.O. 1998, c.15 (Sched. 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, 2014.

INTERROGATORIES OF
LONDON PROPERTY MANAGEMENT ASSOCIATION
("LPMA")

January 6, 2014

Interrogatory #1

Ref: Exhibit A, Tab 1, pages 4 & 6 & Working Papers, Schedules 1 & 11

The DSM budget increase is based on a 1.29% inflation factor applied to the 2013 DSM budget. Please explain the difference between this figure and the inflation rate of 1.27% use for price cap purposes.

Interrogatory #2

Ref: Exhibit A, Tab 1, pages 11-12 & Exhibit A, Tab 3

Does Union have a model that provides a comparison of distribution costs under Rates M2 and M4 based on customer specific daily demands and monthly volumes? If so, can customers request that Union provide a copy to them based on their last year of historical data so they can analyze the impact of moving from one rate class to another? If not, why not?

Interrogatory #3

Ref: Exhibit A, Tab 1, page 12

What is the transition period in relation to the M4 and M5A customers that will be switched to M7? Is it based on the remaining term of the contract with the M4 and M5A customers?

Interrogatory #4

Ref: Exhibit A, Tab 4, page 3

Is the "distance credit" referred to that reduces the allocation of Dawn-Parkway transmission system costs to Union South in-franchise customers allocated to all in-franchise customers including direct purchase (bundled, semi-unbundled and unbundled) and system gas customers?

Interrogatory #5

Ref: Exhibit A, Tab 4, page 4

What is the impact on Union's proposal if a Board decision on the Parkway delivery obligation is not received by Union prior to April 1, 2014?

Interrogatory #6

Ref: Exhibit A, Tab 4, page 5

a) The evidence indicates that the reduction in the Parkway delivery obligation that Union is proposing for April 1, 2014 would have an expected increase in delivery rates of $8.5 to $9.0 million starting January 1, 2015. What is the expected increase in delivery rates in 2014?

b) How would rates be charged to recovery any costs in 2014?

c) How does Union propose to change the rates in 2015 to recover additional costs allocated to in-franchise rate classes?

d) How much of the $8.5 to $9.0 million would be collected from direct purchase customers and how much would be collected from system gas customers?

e) Would the split requested in part (d) above be applicable to the ultimate annual cost of $15 million? If not, please provide a split of this amount between that recovered from direct purchase customers and that from direct purchase customers on a best efforts basis.

<u>Interrogatory #7</u>

Ref: Exhibit A, Tab 4, page 5

What is the expected annual savings to direct purchase customers of removing the Parkway delivery obligation? In providing this response, please base it on the current gas price differential between Parkway and Dawn deliveries. Please also provide a sensitivity analysis based on historical differentials that have existed over the last 2 years.

<u>Interrogatory #8</u>

Ref: Exhibit A, Tab 4, page 7

a) Union indicates that it will continue to obligate deliveries of gas to Parkway on behalf of system gas customers (i.e. the 98 TJ/day noted on page 3). Please provide a calculation similar to that requested in Interrogatory #7 to show the annual gas cost savings for system gas customers if this 98 TJ/day was moved from Parkway to Dawn.

b) Please explain why system gas customers should continue to pay for higher priced Parkway gas and at the same time pay higher delivery rates for the elimination of the Parkway delivery obligation that would only benefit direct purchase customers.

c) Did Union consider prorating the transition from Parkway to Dawn between direct purchase customers and system gas customers, based on the current mix of obligated deliveries at Dawn (i.e. 98/662 or 14.8% for system gas customers and 564/662 or 85.2% for direct purchase customers)? If not, why not?

Interrogatory #9

Ref: Exhibit A, Tab 4, page 8

a) Why did direct purchase customers prefer to keep their TCPL long haul capacity rather than transport gas on Alliance and Vector?

b) What was the impact of this preference by direct purchase customers on the gas transportation and supply costs incurred by system gas customers?

Interrogatory #10

Ref: Exhibit A, Tab 4, pages 15-18

In discussing the option to re-allocate Dawn and Parkway delivery obligations between system and direct purchase customers, Union states that this option out:
i) force direct purchase customers to change their existing gas supply arrangements, making the gas supply arrangements more complicated for some direct purchase customers; and
ii) that this option would not be immediately possible because many customers make gas supply arrangements many months ahead of time and would not be able to unwind those contracts.

Please comment on how these issues are mitigated under the Union proposal.

Interrogatory #11

Ref: Exhibit A, Tab 4, pages 16-18

Did Union consider a version of Option 2 where instead of re-allocating the Dawn and Parkway delivery obligation between system and all direct purchase customers to one that re-allocated only the Parkway obligation of direct purchase customers (564 TJ/day) with Dawn (202 TJ/day) and Parkway (92 TJ/day) deliveries for system gas customers? If not, why not?

Interrogatory #12

Ref: Exhibit A, Tab 4, pages 16-18

a) Please confirm that currently Union receives approximately 59.7% of the obligated delivers for direct purchase and system gas customers ((564+98)/(564+98+245+202)) at Parkway, excluding deliveries at Kirkwall, and the remaining 40.3% at Dawn.

b) If Union applied these percentages to the direct purchase and system gas obligated deliveries that total 1,109 TJ/day (excluding Kirkwall), please confirm that

the allocation would be approximately as follows: direct purchase Parkway obligation of 483 TJ/day and Dawn obligation of 326 TJ/day; system gas Parkway obligation of 179 TJ/day and Dawn obligation of 121 TJ/day.

c) Please comment on an option where Union did not change the current Dawn delivery obligations of direct purchase customers, but allowed the direct purchase customers with obligated deliveries at Parkway to shift 14.4% ((564-483) / 564) of their current deliveries at Parkway to Dawn and Union moved an equivalent amount of system gas purchases from Dawn to Parkway.

d) Under the scenario presented in part (c) above, based on current differentials, what would be the increase in annual system gas costs?

e) Please confirm that under the scenario presented in part (c), there would be no increase in delivery rates for Union South in-franchise customers.

Interrogatory #13

Ref: Exhibit A, Tab 4

a) Do any direct purchase customers have obligated deliveries at Kirkwall? Can direct purchase customers deliver obligated volumes to Union at Kirkwall?

b) Does Union expect direct purchase customers to have any interest in delivering volumes to Kirkwall and/or Parkway sourced in shale gas production areas in the U.S. north east?

Interrogatory #14

Ref: Exhibit A, Tab 4, page 31

a) For a customer that has taken advantage of turnback of TCPL capacity, but has maintained Parkway delivery obligations, please provide an example of how the transition would take place. For example, if a customer has a total Parkway obligation of 2,000 GJ/day of which 500 are Western deliveries transported to Parkway using TCPL capacity assigned to them by Union, and no in-franchise M12 capacity, please show the Step 3 calculations in Figure 1 for this customer and further extend the analysis to a Step 4 that shows the shifted obligation and remaining obligation between deliveries at Parkway and deliveries at Empress and assigned TCPL capacity.

b) In the above note scenario, using the 36% transition ratio shown in Figure 1, the direct purchase customer would have shifted obligations of about 720 GJ/day from Parkway to Dawn. Could the customer request that all of their Western deliveries (500 in this example) be moved to Dawn, along with an additional 220 GJ of deliveries at Parkway, with all of the upstream TCPL transportation capacity that

has been assigned to the customer by Union reverting back to Union? If not, please explain why not.

c) What will Union do with the TCPL capacity that is turned back? Will Union reduce its contracted capacity on TCPL to reflect this turnback from direct purchase customers or will Union shift purchases for system gas customers from Dawn to Parkway in order to utilize this TCPL capacity to Parkway? Please explain fully.

<u>Interrogatory #15</u>

Ref: Exhibit A, Tab 4, page 37

Please explain why there is no change in the Union North in-franchise design day demands shown in Table 3. Please also explain why the net impact in Table 3 does not sum to zero as it does in Table 4.

<u>Interrogatory #16</u>

Ref: Exhibit A, Tab 4, pages 43-46

If Union were to increase or decrease obligated deliveries at Parkway on behalf of system gas customers from the current 98 TJ/day level:

a) Would the allocation of costs be re-estimated annually based on the actual level of obligated gas being delivered at Parkway rather than on the anticipated level in the current proposal?

b) In the above scenario, please explain how the amount to be recorded in the deferral account would be calculated.

<u>Interrogatory #17</u>

Ref: Exhibit A, Tab 4, pages 45-46

Please confirm the proration in relation to "two months of costs for 2015 through 2018" is due to the November 1 changes shown in Table 1 on page 4.

<u>Interrogatory #18</u>

Ref: Exhibit A, Tab 4

a) Will a direct purchase customer be able to decline to shift a portion of their obligated deliveries from Parkway to Dawn if they so chose?

b) Once a customer shifts all or a portion of their obligated deliveries from Parkway to Dawn, can they subsequently shift some of this deliveries back to Parkway without seeking approval from Union, but simply providing Union notice of the change?

c) What would be the impact on the deferral account of the situations noted in (a) and (b) above?

<u>Interrogatory #19</u>

Ref: Exhibit A, Tab 4, page 37

a) Based on the Dawn-Parkway distance weighted design day demands, and assuming Union could employ DSM programs or convince some customers to shift some of their consumption from firm to interruptible, which geographical area of Union's South franchise would provide the biggest benefit in terms of reducing the costs allocated to in-franchise customers?

b) Given the long time horizon through 2019 over which Union could implement measures to reduce design day demands for in-franchise customers and given that some geographical areas would have a bigger impact on the allocation of costs to in-franchise customers, has Union investigated DSM and DSM-type programs that could be used to reduce design day demands? If not, why not?