EB-2013-0365

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, 2014.

INTERROGATORIES OF
ENERGY PROBE RESEARCH FOUNDATION
("ENERGY PROBE")

January 15, 2014

UNION GAS LIMITED
2014 Incentive Regulation Mechanism Rates

EB-2013-0365

ENERGY PROBE INTERROGATORIES

Energy Probe IR #1

Ref: Exhibit A, Page 5, Income tax rate change

Please provide the Revenue Canada tax policy changes that result in the increase in Income tax from 25.5% to 26.5 % 2013/2014.

Energy Probe IR #2

Ref: Exhibit A, Page 7, Section 4.4

Please explain in terms of the Settlement why the base amount of UFG for 2014 is based on a fulcrum point calculated based on the UFG cost in current rates based on 2013 volume forecast of 70,253 10^3m^3 with a Jan 1, 2013 WACOG of \$210.506/ 10^3m^3 .

Energy Probe IR #3

Ref: Exhibit A, Page 8, Section 4.5

Preamble: The capital cost of the Parkway West Project exceeds \$50 million (\$219.4 million as filed in EB-2012-0433 on August 23, 2013).

a) **Please provide details based on EB-2012-0433 evidence record of the calculation and accounting for the PW Capital Cost in terms of 2014 Revenue Requirement and PW Capital Variance account.**

b) **Please explain the treatment of the PW capital cost if the Board provides a Decision not approving the costs for 2014.**

c) **Specifically, since the assets are not in service, why should PW be included in the 2014 Revenue Requirement?**

d) **Why would the Deferral Account be required and what if any would be the corresponding adjustment to the 2014 Revenue requirement?**

e) **Why should Union not recover/refund the costs associated with the project included in 2014 rates instead of via its annual deferral account disposition proceeding in 2015?**

Energy Probe IR #4

Ref: Exhibit A, Tab1, Page 10, Section 5, NAC Adjustment Table 2

a) **Please show historic 2010-2013 NAC changes for rate classes broken down between Forecast, LRAM and Actual.**

b) **Please provide an estimate for each class of the RR impact of a 100% error in NAC Forecast change vs Actual e.g. if Rate M1 stays the same as 2013 and the same for each GS rate.**

Energy Probe IR #5

Ref: Exhibit A, Tab1, Page 15, Section 8, Deferral Accounts

a) **Please explain why the PW Capital Variance account is not listed in this application.**

b) **Please provide accounting details.**

c) **Please explain why the Upstream FT-RAM 179-130 Account is required in 2014 given the program ended in 2013?**

Energy Probe IR #6

Ref: Exhibit A, Tab 2

Preamble: Union filed an updated Black & Veatch ("B&V") report for the allocation of costs between Union's regulated and unregulated businesses in response to the Board's directive in EB-2011-0210. The report includes findings and recommendations.

a) **Please confirm Union has responded to all of the recommendations in the report.**

b) **Please confirm any changes made or proposed changes to the cost allocations.**

c) **Please discuss the impact on ratepayers as a result of the B&V report.**

d) **Page 3 - Please provide the summary table of the allocation methodologies used to separate the costs between Union's regulated and unregulated business from EB-2011-0210.**

Energy Probe IR #7

Ref: Exhibit A, Tab 3, Page 2

Preamble: The evidence indicates Union will send a final notification to all M4 and M5A customers that are required to transition to M7 due to their usage profile, at the start of the calendar year prior to implementation to remind them of the rate class change.

Please provide an update on when Union will be issuing this final notification and provide a copy.

Energy Probe IR #8

Ref: Exhibit A, Tab 3, Page 3

Preamble: Union indicates that it intends to send an email communication (Enerline and Factsline) in the fourth quarter of 2013 to advise customers that it has added an interruptible component to its M4 rate class.

Please confirm this communication has been issued.

Energy Probe IR #9

Ref: EB-2011-0210 Decision dated October 24, 2012, Page 98

Preamble: The Board's Decision notes that LPMA is concerned with the communication that large M2 customers may receive about the movement from Rate M2 to Rate M4 as the impact on the large M2 customer can be positive or negative, depending on the load factor. Customers with a low load factor could end up paying more under Rate M4 than they did under Rate M2.

a) **Please discuss Union's communication with the Rate M2 customer class.**

b) **Please discuss if a comparison of annual costs based on both Rates M2 and M4 was undertaken and if the impacts were communicated to Rate M2 customers. If not, why not.**

c) **Please provide copies of any correspondence (to Rate M2 customers) undertaken or planned.**

Energy Probe IR #10

Ref: Exhibit A, Tab 4, Page 1

Preamble: Union is, proposing to transition the Parkway delivery obligation to Dawn using temporarily available Dawn-Parkway capacity, shortfall capacity, expected Dawn-Kirkwall turnback capacity from ex-franchise customers and Dawn-Parkway turnback capacity from in-franchise customers (some direct purchase customers have chosen to contract for M12 capacity directly to meet their Parkway delivery obligation and source their supply at Dawn).

a) **Please provide an indication of which of these capacity forecasts is part of the current gas supply plan.**

b) **Indicate by year 2014-2019 which of these are subject to contracts terminating, non-renewals**

c) **What will happen to the P.O. transition if the capacities differ from forecast - positive and negative**

Energy Probe IR #11

Ref: Exhibit A, Tab 4, Page 3

Preamble: Approximately 564 TJ/d of direct purchase customers' DCQ are obligated to be delivered at Parkway, either directly or through upstream capacity allocated from Union.

a) **How much of System/Sales customers' gas is obligated to be delivered at Parkway in each of the 2014-2019 transition years. Include in the response a clear indication of the commitments to TCPL under the Proposed TCPL Union Enbridge and GMI Settlement.**

b) **Please provide the forecast of Direct Purchase and Sales deliveries to Dawn for the transition period.**

Energy Probe IR #12

Ref: Exhibit A, Tab 4, Page 3

Preamble: Dawn-Parkway costs are allocated to Union South in-franchise rate classes on the basis of Dawn-Parkway design day demands, the primary beneficiary of the "distance credit" are Union South general service rate classes (Rate M1 and Rate M2).

a) **Please quantify the 2013 distance credit relative to Dawn–Parkway costs allocated to rates M1 and M2.**

b) **Please provide the quantitative impact on the "credit" and rates for each year of the Transition Period 2014-2019.**

Energy Probe IR #13

Ref: Exhibit A, Tab 4, Page 4, Table 1

Preamble: Union is proposing to transition the Parkway delivery obligation to Dawn using temporarily available Dawn-Parkway capacity, shortfall capacity, expected Dawn-Kirkwall turnback capacity from ex-franchise customers and Dawn-Parkway turnback capacity from in-franchise customers.

a) **Please explain Line 2 Temporary/Shortfall capacity and the assumptions how this continues to be available beyond 2014 since it is required to meet firm contractual commitments.**

b) **Please explain the assumption (Line 4) that this capacity will be replaced by in-franchise Dawn-Parkway M12 capacity.**

Energy Probe IR #14

Ref: Exhibit A Tab 4 Page 4 Table 1: Section 8.0

a) **Please show for 2014-2019 based on Table 1, the annual total and incremental cost increases/reductions costs and rate impacts on in-franchise customers broken out between Direct purchase and System sales.**

b) **Please indicate how many and what volume of customers are still using Union TCPL capacity (rather than vertical slice).**

c) **Please provide the total and net cost changes (PO-rates) for direct purchase customers providing deliveries at Parkway with Union-assigned TCPL Capacity.**

d) **Provide the corresponding impacts 2014-2019 on ex-franchise customers.**

Energy Probe IR #15

Ref: Exhibit A, Tab 4, Page 7

Preamble: Currently, Union's sales service customers deliver 98 TJ/d of supply at Parkway. Union's Parkway delivery obligation proposal does not include the transition of these quantities from Parkway. Should Union move all or a portion of the sales service Parkway delivery obligation to Dawn, the cost impacts will be treated the same as the costs to transition the direct purchase Parkway delivery obligation to Dawn.

a) **Please explain and provide an illustrative example for Sales customers in Rates M1 and M2**

b) **Please explain how any such Transition is affected by the Sales volume commitments in the TCPL-Union EGD GMI Settlement.**

c) **Please re-run the illustration taking the constraints on System/sales in the Agreement**

Energy Probe IR #16

Ref: Exhibit A, Tab 4, Page 8

Preamble: As part of the RP-1999-0017 Settlement Agreement, Union and the Industrial Gas Users Association ("IGUA") and one other intervenor supported the grandfathering of upstream pipeline capacity and receipt point allocations to existing direct purchase customers.

a) **Please provide an extract of the Settlement regarding Upstream Capacity and Parkway Obligation.**

b) **If not included above, indicate which parties supported vertical slice and which opposed or took no position.**

Energy Probe IR #17

Ref: Exhibit A, Tab 4, Pages 15-16

Please provide current and estimated 2014-2019 M12 volumes, taking into account requested EGD and Gaz Metro incremental volumes.

Energy Probe IR #18

Refs: Exhibit A, Tab 4, Pages 17-18; IGUA Presentation

a) **Please explain why Option 2 -proportionally allocating deliveries between Dawn and Parkway, is unfair to either direct purchase and system customers.**

b) **Explain how Union's proposal, differs from Option1 (repurpose M12 capacity).**

c) **Please explain how Union's proposal favours direct purchase customers, specifically those represented by IGUA, in terms of costs and rate impacts rather than Option 2 and explain why it is equitable to all customers.**

d) **Please provide support for the statement "Union understands that direct purchase customers prefer a simple gas supply portfolio and prefer not to deliver gas at multiple points."**

e) **Please indicate how many DP customers deliver gas at multiple points and provide estimated volumes by delivery point.**

f) **Please explain how Union's proposal remedies the fact that:**

   "The obligation as among direct purchase customers is also unequally distributed:
   - **All new DP volumes consumed west of Dawn may be delivered to Dawn.**
   - **All new DP volumes consumed east of Dawn must be delivered to Parkway.**
   - **Existing customers who became DP customers prior to vertical slice are obligated to deliver to Parkway." [from IGUA's presentation]**

Energy Probe IR #19

Ref: Exhibit A, Tab 4, Page 20

a) **Provide an equivalent list to that shown for direct purchase customers, showing the attributes that Union's proposal provides for in-franchise system sales customers.**

b) **Comment on the attributes that Option 2 (or similar reallocation) would provide to System/Sales customers.**

Energy Probe IR #20

Ref: Exhibit A, Tab 4, Page 22-23

Preamble: Based on current forecasts, Union proposes to use 146 TJ/d of Dawn-Parkway capacity from April 1, 2014 to October 31, 2015 by reserving temporarily available capacity that could otherwise be sold in the S&T markets as short-term transportation revenue during Union's incentive regulation period. The cost associated with this capacity at 2014 proposed M12 tolls plus fuel is approximately $6.1 million.

a) **Please indicate how the net incremental S&T revenue would be recorded and allocated to rate classes.**

b) **If possible, indicate how much would be allocated to direct purchase and System/Sales customers.**

Energy Probe IR #21

Ref: Exhibit A, Tab 4, Page 25 and Page 32, Figure 1

Preamble: Any delay in the forecasted Dawn-Kirkwall capacity turnback in excess of 146 TJ/d will result in a corresponding delay in the transition of the Parkway delivery obligation beyond 2018.

a) **Please provide more detail of what Union will do if the proposed DP in-franchise M12 capacity (voluntary) does not happen.**

b) **If in-franchise DP customers decide to hold or sell their M12 capacity what will happen to their Parkway Obligation transition?**

c) **Is Union making a firm commitment to IGUA and DP customers on the initial 2014 36.1% Parkway Obligation reduction, or is this contingent on certain events (e.g. turnback)?**

d) **If the latter, please indicate the contingent events and potential impact on the transition.**

Energy Probe IR #22

Ref: Exhibit A, Tab 4, Page 28

Preamble: Should Union move all or a portion of the Sales Service Parkway delivery obligation to Dawn, the cost impacts will be treated the same as the costs to transition the direct purchase Parkway delivery obligation to Dawn.

a) **Please comment on the factors affecting Union's decision to move system/sales volumes away from Dawn to other delivery points such as Kirkwall and Parkway.**

b) **Please provide more detail and illustrative scenario(s) of the effect of adjusting System/Sales Portfolio deliveries during the transition period.**

Energy Probe IR #23

Ref: Exhibit A, Tab 4, Page 34 and Page 45

Preamble: Union proposes to track the rate variances associated with the timing differences between the effective dates (e.g. April 1 or November 1) of the Parkway delivery obligation changes each year and the inclusion of the cost allocation impacts in rates (January 1 of the following year) in a new deferral account. The balance in the new deferral account will be disposed of as part of Union's annual deferral account disposition proceeding.

a) **Please confirm the DA was not discussed at the POWG.**

b) **Confirm the DA was not either part of the 2013-0202 IRM Settlement, nor listed in the 2014 DAs in this Application.**

c) **Please provide more details (than provided on Page 45) of the proposed DA--exactly how it will work with illustrative examples. Specifically effects on rates M1 and M2.**

d) **Please explain why a Deferral Account is required rather than "best efforts" commitment to a certain PO volume reduction each year?**

e) **If there is a commitment and M12 in-franchise DP customers do not provide turnback, explain why System/ Sales customers should be faced with the costs.**

Energy Probe IR #24

Refs: Exhibit A, Tab 4, Schedules 23 d, Appendix B, Attachment 4, Rate Impact Schedules and Schedule 29 Parkway Obligation, Final Schedules for PO Evidence 2019 Oct 31

a) **Please confirm which are the final schedules and rate impacts.**

b) **Why does the second reference not show 2014 estimates?**

c) **Please show and explain the material differences between the first and second reference for each comparable schedule.**

d) **What implementation date is assumed for the Parkway Projects (EB-2012-0433 and EB-2013-0074)?**

e) **If this implementation date is delayed by one year what is the impact on the annual Revenue Requirement?**

Energy Probe IR #25

Ref: Exhibit A, Tab 4, Schedule 29, Parkway Obligation, Final Schedules for PO Evidence 2019, Oct 31

a) **Please explain the net reductions in PO of 66 Tj/d, 94Tj/d, 212 Tj/d and 379 Tj/d shown in Schedules 1-5 and reconcile this to Exhibit A Tab 4 Page 4 Table 1.**

b) **Please provide a summary schedule showing from 2014-2019 the impact of PO on the annual revenue requirement allocated to each rate class.**

c) **Please show the cumulative rate impact 2014-2019 in % for each rate class.**

d) **Discuss by class, impacts that exceed 5% increases in delivery rates.**

e) **Compare this impact to the increases under the IRM that will also occur 2014-2019.**