

**EB-2013-0365**

**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 THE  
CORPORATION OF THE CITY OF KITCHENER (“KITCHENER”)  
AND  
JOINT INTERROGATORIES OF CME, KITCHENER, FRPO & OGVG**

**CCK Interrogatories on Exhibit A Tab 4 (Parkway Delivery Obligation)**

Interrogatory # 1

Ref: Exhibit A, Tab 4, Page 2, lines 13 – 15 and footnote 1

- a) Please clarify and quantify the “historical allocation” of Union’s upstream transportation contracts used to determine delivery points on Union’s system for direct purchase and system gas customers?
- b) Why does Union’s Parkway delivery obligation proposal exclude system sales deliveries to Parkway?

Interrogatory # 2

Ref: Exhibit A, Tab 4, Page 3, lines 17 – 22

- a) Please quantify the “gas supply cost to direct purchase customers” and the “delivery rate benefit of the obligation” to support this statement.

Interrogatory # 3

Ref: Exhibit A, Tab 4, Page 7, lines 4 – 8

- a) To achieve a more equitable treatment among direct purchase and system gas customers in Union South, why would Union not immediately shift some of the current direct purchase customer obligation to deliver at Parkway to its system gas customers, particularly as most system gas customers are served under Rates M1 / M2?

Interrogatory # 4

Ref: Exhibit A, Tab 4, Page 10, lines 8 – 16

a) Please quantify in GJ per day the gas delivered at Kirkwall for the system sales portfolio.

b) Please confirm that Kitchener, as a Union South in-franchise direct purchase customer, provides 100% of its obligated deliveries at Parkway?

Interrogatory # 5

Ref: Exhibit A, Tab 4, Page 20, lines 1 – 14

Exhibit A, Tab 4, Page 44, line 13 to Page 46, line 3

a) Please reconcile the first criteria of “a permanent solution at a known cost” [emphasis added] with Union’s proposed deferral account.

b) Based on feedback from the POWG meetings, please explain why equitably rebalancing the delivery point obligations at Parkway for the system sales portfolio was not included in the criteria to guide the development of the implementation proposal?

Interrogatory # 6

Ref: Exhibit A, Tab 4, Page 22, lines 11 – 16

a) Please clarify and specify how Union will “...manage the shortfall using an appropriate combination of resources...” [emphasis added].

Interrogatory # 7

Ref: Exhibit A, Tab 4, Page 22, line 21 to Page 23, line 2

a) What alternatives to a pro-rata reduction in the Parkway obligation for direct purchase customers, if any, did Union consider? Please explain fully.

Interrogatory # 8

Ref: Exhibit A, Tab 4, Page 25, lines 2 – 3

a) When will the new capacity open season be held? Will it be binding or non-binding?

Interrogatory # 9

Ref: Exhibit A, Tab 4, Page 29, lines 5 – 15, including Table 2

a) What alternatives to the proposed threshold mechanism of 100 GJ/d DCQ to fully transition a delivery obligation from Parkway to Dawn for such direct purchase contracts, if any, did Union consider? Please explain fully.

Interrogatory # 10

Ref: Exhibit A, Tab 4, Page 31, Figure 1 and lines 4 – 7

a) Please specify what “third party solutions” are? For example, would these include TCPL short haul FT from Dawn to Parkway? If so, what portion of the 380 TJ/d of

obligated deliveries at Parkway, effective April 1, 2014, is being met by direct purchase customers using TCPL short haul as a “third party solution”?

Interrogatory # 11

Ref: Exhibit A, Tab 4, Page 45, lines 21 – 22 to Page 46, line 1

a) Please explain the proposed rationale to prorate the annual cost allocation impacts to reflect two months of cost for 2015 – 2018?

### **Joint CME / Kitchener / FRPO / OGVG Interrogatories on Cost Allocation**

Interrogatory #1

Ref: Exhibit A, Tab 1, page 19, Lines 17-18

Union states that, in accordance with the Board’s directive in EB-2011-0210, it reviewed the usage of the Kirkwall Station.

- a. Please provide the studies, reports, or other analyses developed in the course of Union’s review of Kirkwall Station usage.
- b. Please provide the contract quantities for Kirkwall-Dawn M12/C1 service, M12-X service, and Kirkwall-Parkway M12/C1 service that were used for the 2013 cost study.
- c. Please provide the design day demands of the in-franchise customers supplied from the TCPL Kirkwall transmission line that were used for the 2013 cost study.
- d. Please provide the actual contract quantities for Kirkwall-Dawn M12/C1 service, M12-X service, and Kirkwall-Parkway M12/C1 service on November 1, 2013.
- e. Please provide the estimated contract quantities for Kirkwall-Dawn M12/C1 service, M12-X service, and Kirkwall-Parkway M12/C1 service on November 1, 2014.

Interrogatory #2

Ref: Exhibit A, Tab 1, Page 20, Lines 2-3 and EB-2010-0296, Exhibit A, Page 9, Lines 20-22.

- a. Please describe the metering and regulating facilities at the Kirkwall Station before and after the referenced metering modifications.
- b. In EB-2010-0296 Union estimated the cost of the metering modifications to be \$4.7 million and estimated the annual revenue requirement associated with this capital investment to be \$0.266 million. Please provide the actual costs of the Kirkwall metering modifications, and update the associated revenue requirement for actual costs and the rate parameters used in the 2013 cost study.

- c. Please provide the 2013 revenue requirement for all Kirkwall Station facilities.

Interrogatory #3

Ref: Exhibit A, Tab 1, Page 20, Lines 18-19 and EB-2011-0210, Exhibit G.

Union states that the cost allocation methodology used for Kirkwall Station costs is appropriate because “it treats these facilities in a manner consistent with other Dawn-Parkway assets”. We want to better understand how Union treats the costs associated with the transmission metering and regulating assets located at Dawn.

The Union Gas cost allocation study functionalizes metering and regulating assets located at Dawn as either storage or transmission. The rate base related costs of measuring and regulating assets that are used solely for transmission or storage are directly assigned using the STORM&R Direct Assignment Factor. The remaining assets are functionalized using the M&RRECL-PT Allocation Factor. The operating and maintenance costs of measuring and regulating assets located at Dawn are functionalized between storage and transmission using the M&RRECL-O&M Allocation Factor.

The factors used to functionalize Dawn measuring and regulating costs are defined as follows:

STORM&R	Directly assigns the plant costs of reclassified Underground Storage measuring and regulating equipment at Dawn Station that relates to the Dawn-Trafalgar Easterly transmission system. Directly assigns the plant costs of outboard Underground Storage measuring and regulating equipment.
M&RRECL-PT	Functionalizes measuring and regulating rate base related costs based on an analysis of use.
M&RRECL-O&M	Functionalizes measuring and regulating O&M costs based on an analysis of use.

- a. With respect to the STORM&R Direct Assignment Factor, please explain why most of the rate base related costs of storage assets that are used for transmission are assigned to the Dawn Station cost category, but some of the rate base related costs of storage assets that are used for transmission are assigned to the Dawn-Trafalgar Easterly cost category. What is the basis for this determination?
- b. With respect to the M&RRECL-PT Allocation Factor, please explain why all of the remaining rate base related costs of storage assets that are used for transmission (excluding Ojibway costs) are allocated to the Dawn-Trafalgar Easterly cost category and none of the remaining costs are allocated to the Dawn Station cost category. What is the basis for this determination? Please provide a detailed explanation of the information and calculations that go into the “analysis of use”.
- c. With respect to the M&RRECL-O&M Allocation Factor, please explain why all of the operating and maintenance costs of storage assets that are used for transmission

are allocated to the Dawn-Trafalgar Easterly cost category and none of these costs are allocated to the Dawn Station cost category. What is the basis for this determination? Please provide a detailed explanation of the information and calculations that go into the “analysis of use”.

- d. Please explain why the M&RRECL-PT Allocation Factor and M&RRECL-O&M Allocation Factor appear to be identical.
- e. Please confirm that Dawn measuring and regulating costs that are assigned or allocated to the Dawn Station cost category are not allocated to customer classes using the same methodology as Kirkwall Station metering and regulating costs, but are allocated based on peak demands for easterly flows into the Dawn Parkway transmission system at Dawn.
- f. Would it be reasonable to include all of the Dawn measuring and regulating costs that are functionalized as transmission in the Dawn Station cost category? If Union believes that this would not be reasonable, please explain.

#### Interrogatory #4

Ref: Exhibit A, Tab 1, Page 20, Lines 18-19 and EB-2011-0210, Exhibit G.

Union states that the cost allocation methodology used for Kirkwall Station costs is appropriate because “it treats these facilities in a manner consistent with other Dawn-Parkway assets”. We want to better understand how Union treats the costs associated with the transmission compression assets located at Dawn.

The Union Gas cost allocation study functionalizes compression assets located at Dawn as either storage or transmission. The rate base related costs of compression assets and structures & improvements that are used solely for transmission or storage are directly assigned using the STORCOMP Direct Assignment Factor and the STORS&I Direct Assignment Factor. The remaining compression assets and structures and improvements are functionalized using the COMPRECL-PT Allocation Factor. The operating and maintenance costs of compression assets located at Dawn are functionalized between storage and transmission using the COMPRECL-O&M Allocation Factor.

The factors used to functionalize Dawn compression costs are defined as follows:

STORCOMP	Directly assigns the plant costs of reclassified Underground Storage compressor equipment at Dawn Station that relates to the Dawn-Trafalgar Easterly transmission system. Directly assigns the plant costs of outboard Underground Storage compressor equipment.
STORS&I	Directly assigns the plant costs of reclassified Underground structures and improvements at Dawn Station that related to the Dawn-Trafalgar Easterly transmission system. Directly assigns the

plant costs of outboard Underground Storage structures and improvements.

COMPRECL-PT Functionalizes compression rate base related costs based on horsepower requirements.

COMPRECL-O&M Functionalizes compression O&M costs based on fuel requirements.

- a. With respect to the STORCOMP and STORS&I Direct Assignment Factors, please explain why most of the rate base related costs of storage assets that are used for transmission are assigned to the Dawn Station cost category, but some of the rate base related costs of storage assets that are used for transmission are assigned to the Dawn-Trafalgar Easterly cost category. What is the basis for this determination?
- b. With respect to the COMPRECL-PT Allocation Factor, please explain why all of the remaining rate base related costs of storage assets that are used for transmission (excluding Ojibway costs) are allocated to the Dawn Station cost category and none of the remaining costs are allocated to the Dawn-Trafalgar Easterly cost category. What is the basis for this determination?
- c. With respect to the COMPRECL-O&M Allocation Factor, please explain why all of the operating and maintenance costs of storage assets that are used for transmission are allocated to the Dawn Station cost category and none of these costs are allocated to the Dawn Station cost category. What is the basis for this determination?
- d. Is the COMPRECL-O&M Allocation Factor based on design day fuel requirements, annual fuel requirements, or something different? Please explain.
- e. Assuming no change in in-franchise or ex-franchise customer demands, does an increase in transmission compression horsepower at Dawn reduce the compression horsepower required at Lobo and/or Bright? Please explain.
- f. Would it be reasonable to include all of the Dawn compression costs that are functionalized as transmission in the Dawn-Trafalgar Easterly cost category, which would be consistent with Union's treatment of the other compressor assets on the Dawn-Parkway transmission system? If Union believes that this would not be reasonable, please explain.

Interrogatory #5

Ref: Exhibit A, Tab 1, Page 20, Lines 18-19

Union states that the existing cost allocation methodology used for Kirkwall Station costs is appropriate because "it treats these facilities in a manner consistent with other Dawn-Parkway assets". We want to better understand how Union treats the costs associated with the metering and regulating assets located at Parkway.

- a. Please provide the gross plant in service and revenue requirement for the following assets at Parkway: (i) the metering and regulating and associated facilities at the interconnection with TCPL, and (ii) the metering and regulating and associated facilities at the interconnection with Enbridge at Parkway, and (iii) the metering and regulating and associated facilities at the interconnection with Enbridge at Lisgar.
- b. Please provide the design day demands for deliveries into TCPL at Parkway, broken out by ex-franchise (M12/C1), Union South, and Union North and East that were used for the 2013 cost study.
- c. Please provide the design day demands for deliveries into Enbridge that were used for the 2013 cost study.

Interrogatory #6

Ref: Exhibit A, Tab 1, Page 20, Lines 18-19

Union states that the existing cost allocation methodology used for Kirkwall Station costs is appropriate because “it treats these facilities in a manner consistent with other Dawn-Parkway assets”. We want to better understand how Union treats the costs associated with the compression assets located at Parkway.

- a. Please provide (i) the minimum pressure at which Union Gas is contractually obligated to deliver gas to TCPL at Parkway, and (ii) the maximum operating pressure of the Dawn Parkway transmission system.
- b. Assuming no change in in-franchise or ex-franchise customer demands, does an increase in compression horsepower at Parkway reduce the compression horsepower required at Lobo and/or Bright, or is the Parkway compression only required to meet the minimum pressure for gas delivered to TCPL? Please explain.

Interrogatory #7

Ref: Exhibit A, Tab 1, Page 20, Lines 11-15 and EB-2011-0210, Exhibit J.G-1-7-5, Attachment 1.

Union states that Kirkwall metering costs are allocated to rate classes based on a “commodity-kilometres” (distance-weighted demands) allocation, and that this methodology recognizes that the Dawn-Parkway transmission system is designed to meet easterly design day requirements.

- a. Please provide a table showing how the Dawn Trafalgar allocation factors were calculated for the 2013 cost study.
- b. Please explain any differences between the table provided in (a) and Exhibit J.G-1-7-5, Attachment 1, from the EB-2011-0210 proceeding.

- c. Please explain why the total commodity-kilometres are increased by westerly flows for Union South demands that are assumed to be supplied by Parkway (Exhibit J.G-1-7-5, Attachment 1, Line 26).

Interrogatory #8

Ref: Exhibit A, Tab 1, Page 20, Lines 11-17

Union states that Kirkwall metering costs are allocated to rate classes based on a “commodity-kilometres” (distance-weighted demands) allocation, and that this methodology recognizes that rate classes use the Dawn-Parkway system in varying degrees based on the distance design day demands are required to be transported along the Dawn-Parkway transmission system.

1. Please explain how the design of the Kirkwall Station facilities is affected by the distance gas is transported along the Dawn-Parkway transmission system either prior to entering the Kirkwall Station or after leaving the Kirkwall Station.
2. Please explain how Kirkwall Station metering and regulating operating and maintenance costs are affected by the distance gas is transported along the Dawn-Parkway transmission system either prior to entering the Kirkwall Station or after leaving the Kirkwall Station.
3. Would it be reasonable to allocate Kirkwall Station costs to rate classes based on design day demands through the metering and regulating facilities? If Union believes that this would not be reasonable, please explain.

Interrogatory #9

Ref: Exhibit A, Tab 1, Page 20, Lines 19-20

Union states that the existing cost allocation methodology used for Kirkwall Station costs is appropriate because it “recognizes that these facilities are required to meet easterly peak day demands on the Dawn-Parkway transmission system.”

- a. Please explain how the Kirkwall Station facilities are “required” to meet peak day demands.
- b. Are the Kirkwall Station metering modifications that were completed in 2012 required to meet the peak day demands of any customers other than the ex-franchise customers with transportation services with firm receipt at Kirkwall? If so, please explain.
- c. Does Union Gas design the Dawn-Parkway transmission system facilities so that it will be able to meet its delivery obligations to in-franchise customers and other ex-franchise customers on a design day in the event that the ex-franchise customers with Kirkwall-Parkway and Kirkwall-Dawn transportation services do not deliver any gas at Kirkwall? If this is not the case, please explain.



Interrogatory #10

Ref: Exhibit A, Tab 4, Page 38, Lines 1-10 and EB-2011-0210, Exhibit J.D-18-9-6.

Union states that Dawn transmission compression costs are allocated to rate classes in proportion to design day demands, and that Parkway obligated deliveries (including firm supply for sales service) reduce the allocation of Dawn transmission demand costs to Union South in-franchise customers.

- a. Please provide a table showing how the Dawn Compressor allocation factors were calculated for the 2013 cost study.
- b. Please explain any differences between the table provided in (a) and Exhibit J.D-18-9-6 from the EB-2011-0210 proceeding.
- c. Do firm deliveries at Kirkwall also reduce the allocation factors for Union South in-franchise customers? If so, please explain where this adjustment appears in the calculations.

Interrogatory #11

Ref: Exhibit A, Tab 4, Page 24, Lines 1-12.

Please provide the estimated equivalency factor for repurposing Dawn-Parkway transmission system capacity that is used for firm transportation service from Dawn to Parkway (Consumers) to provide firm transportation service from Dawn to Parkway (TCPL). For example, for every 100 TJ/d of Dawn to Parkway (Consumers) capacity that is turned back, how much additional Dawn to Parkway (TCPL) service can Union provide with the same assets?