

**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 for an order or orders approving a one-time exemption from Union Gas Limited's approved rate schedules to reduce certain penalty charges applied to direct purchase customers who did not meet their contractual obligations.

**INTERROGATORIES OF  
TRANSALTA CORPORATION, TRANSALTA GENERATION PARTNERSHIP AND  
TRANSALTA COGENERATION L.P.**

Preamble

TransAlta Corporation, TransAlta Generation Partnership and TransAlta Cogeneration L.P. (**TransAlta**) intervened in this proceeding to address issues arising from Union Gas Limited's (**Union's**) discretionary decision-making related to obligations under its approved tariffs and related customer contracts, which has negatively impacted a significant number of customers involved in this proceeding.

For many days during the January-April 2014 period, TransAlta was required by Union to deliver gas up to an alleged obligated DCQ of 17,904 GJ per day. TransAlta consequently purchased quantities of gas far in excess of its operational requirements, and as a result incurred losses amounting to an effective penalty. TransAlta is concerned that its treatment may be different as compared to similarly situated customers during the same period.

Interrogatory #1

Please provide the total number of customers that obtain service from Union Gas Limited (**Union**) under T1/T2 contracts with (i) an obligated DCQ and (ii) a non-obligated DCQ, and confirm that each of these customers is governed by (a) a tariff, and (b) a contract that is posted and disclosed.

Interrogatory #2

Please list all current Union T1 and T2 contracts (excluding customer names) and identify for each contract:

- a. the firm CD level;
- b. the obligated DCQ level;
- c. the location for delivery and whether it is West of Dawn;
- d. the start date;
- e. whether they are considered “new” or “existing” customers/contracts as per Union’s Policies & Guidelines 05-DP-DCQS-009 and 10-DP-DCQS-009; and
- f. the average daily gas deliveries for the prior three contract years.

Interrogatory #3

The “General Terms and Conditions” in Union’s posted T2 contract contains the following provision:

**“Daily Contract Quantity”** (“DCQ”) means that portion of the daily parameters as set out in Schedule 1, being a quantity of Gas which Customer must deliver to Union on a Firm basis. The DCQ (GJ/day) is equal to 12 months of consumption of end-use locations underlying the direct purchase contract / 365 days \* heat value (GJ/m<sup>3</sup>). If this Contract has a term greater than 12 months, the DCQ is calculated by dividing the historical consumption for the term of this Contract by the number of Days in this Contract term. The consumption of general service end-use locations is weather normalized.

In respect of this provision:

- a. please confirm the method for calculation of DCQ for a contract that has a term of greater than 12 months;
- b. what, if any, discretion does Union have in the calculation of DCQ under T1/T2 contracts?;
- c. how has Union exercised any discretion referred to in (b) above in relation to each and all T1/T2 customers?

Interrogatory #4

Please provide any and all processes and procedures that Union uses to: (1) set obligated DCQs, and (2) determine the frequency with which obligated DCQs are updated.

Interrogatory #5

Has Union ever exercised discretion in the establishment of an obligated DCQ for a customer or in allowing a customer a non-obligated DCQ? If yes, please provide the circumstances and details (redacted to exclude customer names if required).

Interrogatory #6

Please provide any and all policies/guidelines/decisions that Union applies in the exercise of discretion and decision making with respect to:

- a. requiring a customer to take on a obligated DCQ;
- b. waiving an obligated DCQ requirement on any given day;
- c. changing from an obligated DCQ to a non-obligated DCQ requirement;
- d. exercising any and all flexibility in relation to meeting or waiving an obligated DCQ, including without limitation the source of such gas deliveries (eg., gas in storage, gas otherwise in-franchise or delivery at other points)

Interrogatory #7

In its Leave to Construct Application in respect of the Greenfield South Generating Station Project, EB-2014-0147 (the **Greenfield Application**), Union made the following submissions regarding Union's Rate T2 Service:

Union offers the Rate T2 service to its largest contract rate customers, including the electricity generators in the Southern delivery area of Union's franchised service area. The Rate T2 service provides customers with the flexibility required to operate their plants economically. Approximately 22 large industrial customers contract for this service. These customers collectively consume approximately 150 Bcf of gas annually. This total includes all 7 gas-fuelled electricity generation plants in Union's franchised service area in Southern Ontario which generate over 2,700 MW of electricity and consume approximately 36 Bcf of gas annually.

Rate T2 consists of a monthly customer charge, a two block monthly demand charge and a single block commodity charge. Rate T2 service is available to customers with a minimum firm daily contracted demand of 140,870 m<sup>3</sup>.

Rate T2 also includes all the Board-approved storage space and storage injection/withdrawal rights per the previously approved Rate T1 service.

Union's Rate T2 service provides the following benefits to customers:

.....

iv. Having a non-obligated Daily Contract Quantity (DCQ) gives these new electricity generators significant delivery flexibility. If the

plant is not operating for any reason, there is no obligation to deliver gas to Union.

[emphasis added]

In respect of Union's submission in the Greenfield Application:

- a. These submissions suggest that any and all customers that have (i) a T2 contract, and (ii) a firm daily contract demand that is far in excess of 140,870 m<sup>3</sup>, qualify for a non-obligated DCQ. Please confirm that this is the case.
- b. Please provide all policies/guidelines/decisions that Union applies in the exercise of discretion and decision making regarding customers meeting these criteria who wish to (i) have a non-obligated DCQ, and/or (ii) move from an obligated DCQ to a non-obligated DCQ.
- c. Please confirm that Union requires TransAlta to have an obligated DCQ, despite the fact that TransAlta meets these criteria.
- d. Please provide a list of all electricity generators with a T2 contract that have a non-obligated DCQ requirement as referenced in the Union's submissions in the Greenfield Application. Please provide the standard terms and conditions and all related provisions of such contracts (excluding customer names). Please outline any and all policies/guidelines/decisions or other matters that Union has relied on and/or relies on in the exercise of discretion and decision making in providing such customers with a non-obligated DCQ.

#### Interrogatory #8

During the months of January to April, 2014, Union alleged that TransAlta, under its T2 contract with Union, had an obligated DCQ of 17,904 GJ per day and required TransAlta to deliver that amount. Union took this position notwithstanding the fact that TransAlta did not always require such quantity of gas for its operations given that the high price of gas made it uneconomic for TransAlta to produce power under the terms of its governmental power purchase agreement.

In light of the above:

- a. Please confirm that Union refused to allow TransAlta to use any of its gas in storage to satisfy the alleged obligated DCQ of 17,904 GJ per day, and instead required TransAlta to deliver new (ex-franchise) gas to the system.
- b. Please provide the average price of gas at Dawn for each day from January 1, 2014 to April 30, 2014.
- c. Please confirm that Union refused to lower the alleged obligated DCQ amount for TransAlta, even after TransAlta offered to guarantee that it would not burn more than a specified amount each day.
- d. Please confirm the amount of gas that Union demanded that TransAlta deliver on each day pursuant to the alleged DCQ, and confirm the amount of gas that TransAlta

consumed at its Sarnia facility (i) on each respective day, and (ii) on average over the 3 month period starting from January 18, 2014 and ending on April 25, 2014. Please provide all supporting figures.

- e. Please provide any and all policies, guidelines and decisions regarding whether or not stored gas can be used to meet DCQ or whether new delivery must be used to meet any DCQ.

Interrogatory #9

Please provide all dates in the 2011-2013 period that Union did not waive delivery of the obligated DCQ volumes for (a) TransAlta, and (b) other Union customers with obligated DCQ amounts.

Interrogatory #10

Please identify any and all dates between January 18, 2014 and April 25, 2014 when Union allowed a customer or customers with an obligated DCQ to deliver less than the obligated DCQ or otherwise waived a customer's DCQ. If yes, please provide:

- a. a detailed outline of the process and procedures Union used to exercise that decision making and flexibility;
- b. the reason why DCQ was waived for each day in each circumstance (excluding customer names); and
- c. the dates and quantities of each DCQ waived or otherwise reduced.

Interrogatory #11

Please confirm that Union partially allocates storage capacity on the basis of imprecise customer estimates of gas consumption. Please confirm that in order for a customer to receive allocated storage capacity at utility rates and not market priced rates, the customer is not required to have an obligated DCQ.

Interrogatory #12

Please confirm the dates in January-April, 2014 period that Union restricted

- a. TransAlta; and/or
- b. other customers,

from selling their gas in storage to certain customers and trading partners that were not in-franchise.

Please provide any and all policies/guidelines/decisions that Union followed when exercising its discretion and decision-making to restrict TransAlta from selling excess gas it purchased – as a

consequence of Union requiring TransAlta to deliver up to the alleged obligated DCQ amount – to certain parties during the January 18, 2014 to April 25, 2014 period.

Please provide the price differential for gas stored on November 1, 2013 and sold on (a) March 1, 2014, and (b) April 30, 2014.

Please confirm the date after the period with restrictions noted above that Union Gas first allowed TransAlta to sell gas from its Sarnia Dawn storage account to a non-restricted customer list, including ex-franchise customers. Please confirm the price of gas at Dawn for that day, and the following 30 days.