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By electronic filing

July 3, 2014

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

Dear Ms. Walli,

Union Gas Limited ("Union")
2013 Disposition of Deferral Accounts Balances
Board File No.: EB-2014-0145
Our File No.: 339583-000175

We are enclosing the Interrogatories of our client, Canadian Manufacturers & Exporters ("CME"), pursuant to Procedural Order No. 1 dated June 13, 2014.

Yours very truly,

Peter C.P. Thompson

PCT\slc
enclosure
c. Karen Hockin (Union)
Intervenors EB-2014-0145
Paul Clipsham and Ian Shaw (CME)
Vince DeRose Emma Blanchard (BLG)

OTT01: 6413551: v1

EB-2014-0145

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

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

CME #1 – Spot Gas Variance Account

Reference: Exhibit A, Tab 1, pages 2 to 11

We understand that this deferral account covers spot volumes in excess of planned purchases on or before December 31, 2013, and that spot volumes in excess of planned purchases during 2014 should be recorded in the 2014 Spot Gas Variance Account.

We also understand that purchases of gas to manage Unaccounted For Gas ("UFG") variances fall within the ambit of the UFG volume variance account established pursuant to the provisions of the Incentive Regulation Mechanism ("IRM") approved by the Board in EB-2013-0202.

Having regard to the foregoing and in connection with the $1.801M shown at line 1 of Exhibit A, Tab 1, Appendix A, Schedule 1, please provide the following information:

(a) Please confirm that these costs were incurred up to and including December 31, 2013. If not, then please exclude from the amount any costs incurred in 2014.

(b) Regardless of when the costs were incurred, are the amounts actual costs which Union incurred because certain direct purchase ("DP") customers failed to meet their checkpoint balancing obligations?

(c) If the answer to question (b) above is yes, then have these customers been assessed penalty charges for their failure to meet their checkpoint balancing obligations? If so, then what is the total amount of the penalty charges which Union has assessed against these customers and is that penalty amount more than sufficient to cover the debit in the Spot Gas Variance Account of $1.801M?

(d) By what amount do the penalty charges exceed the $1.801M?

(e) How many of the Union South DP customers were below the planned BGA balance?

(f) Will the $2.264M be allocated only to those Union South DP customers who were below the planned BGA balance?

(g) What communications, if any, has Union had with those Union South DP customers who were below the planned BGA balance to advise that Union is proposing to stream to them about $2.264M of gas cost increases? Please provide a copy of written communications provided to such customers.

(h) Please provide an exhibit which will show the portion of the $2.264M to be allocated to each non-compliant customer with each customer to be identified by a letter or number.

CME #2

Reference: Exhibit A, Tab 1, page 9

In connection with the spot gas purchases to manage UFG of 2.1 PJ at a cost of $4.729M, please provide the following information:

(a) Confirm that this amount represents costs incurred in 2014 and that the amount is not recorded in any 2013 or 2014 deferral account.

(b) Please explain why Union is not treating these volumes and costs as falling within the ambit of the "dead band" in the UFG Variance Account approved by the Board in the EB-2013-0202 proceeding, being the dead band for which Union's shareholder is responsible.

CME #3 – Upstream Transportation Optimization

Reference: Exhibit A, Tab 1, pages 18 to 23
Exhibit A, Tab 2, Appendix A, Schedule 11, Column (b), lines 11 and 12

The evidence states that Union earned $23.747M in net revenues from upstream transportation optimization during 2013. However, the evidence goes on to suggest that this total amount reflects the removal of an unspecified amount of revenue which Union has attributed to Dawn Parkway capacity which it used in conjunction with what were previously characterized as upstream transportation optimization transactions. Union did not previously segregate the revenues from these transactions in this fashion.

In connection with this evidence, please provide the following information:

(a) Please confirm that prior to this proceeding, Union did not segregate the revenues from these optimization transactions in the manner in now proposes.

(b) Please reconcile the $23.747M found at Exhibit A, Tab 1, page 19, line 3 with the amount of $24.524M found at Exhibit A, Tab 2, Appendix A, Schedule 11, column B, line 11.

(c) Please provide the total optimization revenues which stemmed from the use of a combination of upstream transportation and some Dawn Parkway resources. Is the total of these two items the sum of $9.713M and $24.524M shown at lines 10 and 11 of Exhibit A, Tab 2, Appendix A, Schedule 11? If not, then what is the accurate total?

(d) What is the ratepayer's share of that total?

(e) Using that total amount, please calculate the incremental amount to be entered at line 5 on Exhibit A, Tab 1, Appendix A, Schedule 1 on the assumption that the amount is incremental to the $13.426M embedded in Board approved 2013 base rates.

CME #4 – 2013 Utility Results

Reference: Exhibit A, Tab 2, pages 1 to 4

Union presents its 2013 actual revenue sufficiency at $32.2M and its normalized sufficiency at $19.3M. One of the normalizing adjustments is for "Terminated Contract Settlements" in the amount of $4.5M. In connection with this evidence, please provide the following information:

(a) The details of the "Terminated Contract Settlements" adjustment and the rationale for its inclusion as a normalizing adjustment.

CME #5

Reference: Exhibit A, Tab 2, pages 1 to 4

The actual and normalized sufficiencies of $32.2M and $19.3M respectively are substantially in excess of the estimated 2013 sufficiency provided by Union in September 2013 when ratepayer representatives were negotiating an appropriate adjustment to Union's 2013 base rates for use as the point of departure for Union's 2014 to 2018 IRM Plan. In this connection, please provide the following information:

(a) Using the format of Table 2 at Exhibit A, Tab 2, page 2, lines 1 to 16, reproduce "Board Approved 2013" in column (a); add a new column entitled "Estimated Actual 2013 as of September 2013"; provide in this column the line item amounts Union "Estimated in September 2013"; reproduce as column (c) the "Actual 2013" line item amounts in Table 2; and, in a new column (d), quantify the variances between the "Estimated Actual in September 2013" in column (b) and the "Actual 2013" in column (c), and provide an explanation for each line item variance.

CME #6 – Allocation – Spot Gas Variance Account

Reference: Exhibit A, Tab 3, page 2

Please confirm that the penalty amounts Union has charged its direct purchasers who caused Union to purchase spot gas for load balancing purposes are more than sufficient to cover any amounts Union has recorded in either the 2013 or 2014 Spot Gas Variance Account.

CME #7 – Suspension of Vertical Slice Program

Reference: Exhibit A, Tab 4, page 13 of 25

One of the two drivers for Union's plan to suspend the vertical slice program is "a continued and steady reduction in the number of customers moving from sales service to direct purchase." This reduction allows Union to manage the migration within the sales service portfolio without requiring an allocation of upstream transportation going forward, "provided it remains small and/or predictable". In order to help us better understand the linkage between the duration of the proposed vertical slice suspension and the reduction in migration to direct purchase, please provide the following information:

(a) What would the consequences be to Union if the vertical slice program is suspended, and there is subsequently a sudden increase in the number of customers moving from sales service to direct purchase?

(b) For illustrative purposes, and assuming that the vertical slice program is suspended, please provide an explanation of what would occur if:

  (i) 10,000 customers moved from sales service to direct purchase in a single year;

  (ii) 50,000 customers moved from sales service to direct purchase in a single year;

  (iii) 100,000 customers moved from sales service to direct purchase in a single year; and

  (iv) 250,000 customers moved from sales service to direct purchase in a single year.

(c) In providing the explanation for (b) above, please set out how Union would manage the various levels of migration without requiring an allocation of upstream transportation capacity going forward, and at what point, Union would be required to allocate a portion of its upstream transportation capacity. Also please set out the steps that Union would be required to undertake in order to resume an allocation of upstream transportation to direct purchasers at a point in time following the Board's approval of the proposed suspension of the vertical slice methodology.

CME #8

Reference: Exhibit A, Tab 4, page 25

Union states that if migration to direct purchase significantly increases over time, then it will need to maintain the right to re-instate the vertical slice methodology. In this regard, please provide the following information:

(a) Is Union seeking approval from the Board, at this time, to maintain the right to re-instate the vertical slice methodology if migration to direct purchase significantly increases? If so, please provide a full explanation of the level of migration increases which will trigger Union's entitlement to re-instate the vertical slice methodology, as well as an explanation of how that re-instatement will occur.

(b) If Union is not seeking Board approval of this right to re-instate at this time, then please confirm that if migration to direct purchase significantly increases over time, then Union will be required to bring a separate application to the Board, at which time, all affected parties will be able to make submissions on whether it is or is not appropriate to re-instate the vertical slice methodology.

CME #9 – Annual Stakeholder Meeting

Reference: Exhibit A, Tab 4, page 25

Union held the first Annual Stakeholder Meeting on April 9, 2014. Has Union received any negative feedback from direct purchase stakeholders relating to its plan to suspend the vertical slice program? If so, then please provide a summary of the concerns expressed by those stakeholders.