November 11, 2014

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

Dear Ms. Walli:

RE: EB-2014-0271 – Union Gas Limited – 2015 Rates – Interrogatory Responses

Please find attached Union's responses to the EB-2014-0271 interrogatories.

Should you have any questions, please contact me at 519-436-5476.

Yours truly,

[original signed by]

Chris Ripley
Manager, Regulatory Applications

cc: Crawford Smith (Torys)
EB-2014-0271 Intervenors

UNION GAS LIMITED

Answer to Interrogatory from
Board Staff

Reference: Exhibit A, Tab 1, Page 7

Union Gas Limited ("Union") has indicated that it has adjusted volumes and rates to capture Loss Revenue Adjustment Mechanism ("LRAM") volume impacts using 2013 unaudited results. When will the 2013 audited LRAM volumes be available? If the audited volumes are available, please provide an update to the evidence.

Response:

Union's 2013 DSM Annual Report was finalized with Audit Committee consensus on November 10, 2014. On November 10, 2014, Union filed updated 2015 rates evidence to reflect the audited LRAM volumes. Union will file its 2013 audited DSM deferral and variance account evidence in November.

UNION GAS LIMITED

Answer to Interrogatory from
Board Staff

Reference: Exhibit A, Tab 1, Page 8

In its evidence Union has indicated that unaccounted for gas ("UFG") cost changes resulting from a difference between UFG volume included in rates and the actual UFG volume would be recorded in the UFG volume deferral account. As per the Settlement Agreement in EB-2013-0202, the amount of the UFG volume deferral account to be cleared to customers is subject to a symmetrical dead-band of $5 million, with amounts within such dead–band being to Union's account only.

Union has not provided additional information in its evidence. What is the amount recorded in the UFG volume deferral account and was any amount subject to deferral?

Response:

There is no amount recorded in the UFG volume deferral account. Union will make this determination at year-end using actual volumes. If a balance is recorded in the UFG volume deferral account, the balance will be disposed of in Union's 2014 non-commodity deferral account disposition proceeding in 2015.

UNION GAS LIMITED

Answer to Interrogatory from
Board Staff

Reference: Exhibit A, Tab 1, Pages 8-9

Please provide an update on the Parkway West and Brantford-Kirkwall/Parkway D Projects.

Response:

Parkway West and Parkway D are currently under construction at the Parkway West site. The Parkway West project includes the station site infrastructure, a new measurement station for Enbridge, a loss of critical unit compressor (Plant C) and a new measurement station to connect Plant C to TransCanada. The NPS 42 Interconnect pipeline is no longer required and will be replaced with the measurement station to feed TransCanada's existing pipeline. The Parkway D project includes a new growth compressor (Plant D) and a measurement station connection to the Enbridge GTA pipeline. The projects are forecasted to be on budget of $327 million for Parkway West and Parkway D. The forecasted in-service dates are as follows:

- December 31, 2014 for Enbridge Measurement
- November 1, 2015 for Parkway D
- December 1, 2015 for Parkway C

The Brantford – Kirkwall pipeline is forecasted to be in-service on November 1, 2015. Pre-construction activities continue, the pipe has been ordered and land acquisition is ongoing. The forecasted cost has increased from $96 million to $116 million, due to increased contractor prices since the filing. Union is waiting for the NEB to approve the King's North project and to receive a letter from TransCanada confirming their intention to construct before starting construction of the Brantford – Kirkwall project.

UNION GAS LIMITED

Answer to Interrogatory from
Board Staff

Reference: Exhibit A, Tab 1, Page 11

In its evidence Union has proposed to eliminate the Normalized Average Consumption ("NAC") volume adjustment from Union North Rate 01 and Rate 10 gas supply transportation rates for the remainder of its IRM term and keep the billing units associated with these rates at 2014 Board-approved levels. Union has noted that the impact of the NAC volume adjustment is insignificant as a majority of the costs are recovered in the Union North gas supply transportation rates.

a) Has Union already included this change in the current application?

b) What would be the impact to 2015 rates if Union were to continue with the NAC volume adjustment for Rate 01 and Rate 10?

c) Does Union's proposal align with the approach agreed to in the EB-2013-0202 settlement agreement?

Response:

a) Yes.

b) Please see Attachment 1.

c) Yes, Union's proposal aligns with the EB-2013-0202 Settlement Agreement.

   This proposal recognizes that 99.8% of the costs recovered in Union North gas supply transportation rates are upstream transportation costs, which are considered a Y factor under Union's 2014 to 2018 IRM Settlement Agreement.

   A NAC volume adjustment is not required given Y factor treatment for the upstream transportation costs recovered in these rates. Any margin variance related to Union North gas supply transportation rates as a result of changes in NAC is insignificant.

   If Union's proposal is not accepted by the Board and there are incremental upstream transportation costs as a result of increases in NAC, Union will include those costs in the NAC deferral account.

UNION GAS LIMITED
Rate Impact with NAC Volume Adjustment applied to Rate 01 and Rate 10 Transportation Rates

Line No.	Particulars	Proposed Rates without NAC Adjustment (1) (cents/m³)	Rates with NAC Adjustment (cents/m³)	Gas Transportation Rate Impact (cents/m³)	Gas Transportation Rate Impact (%)
		(a)	(b)	(c) = (b - a)	(d) = (c / a)
	Rate 01				
1	Fort Frances	4.1415	4.1372	(0.0043)	-0.1%
2	Western	4.0917	4.0875	(0.0042)	-0.1%
3	Northern	5.3100	5.3045	(0.0055)	-0.1%
4	Eastern	6.0387	6.0325	(0.0062)	-0.1%
	Rate 10				
5	Fort Frances	3.6363	3.6025	(0.0338)	-0.9%
6	Western	3.5872	3.5540	(0.0332)	-0.9%
7	Northern	4.7871	4.7427	(0.0444)	-0.9%
8	Eastern	5.5048	5.4538	(0.0510)	-0.9%

Notes:
(1) EB-2014-0271, Rate Order, Working Papers, Schedule 4, page 2 and 4, column (v)

UNION GAS LIMITED

Answer to Interrogatory from
Board Staff

Reference: Exhibit A, Tab 1, Pages 13-17

Union has proposed changes to the gas supply charge for Rate 25, which is an interruptible service in Union North. Union has proposed to decrease the minimum gas supply charge from 14.3135 cents/m^3 to 1.4848 cents/m^3 and to increase the maximum gas supply charge from 140.5622 cents/m^3 to 675.9484 cents/m^3 effective January 1, 2015.

a) Since Rate 25 is a negotiated rate, has Union discussed the change with existing customers or informed them about the potential changes to rates?

b) If Union has informed existing customers or discussed the upcoming changes, please comment on the overall feedback received from customers.

c) How many customers procure service under Rate 25 and what proportion of these customers also procure services under other rate classes?

d) Is the maximum gas supply charge of $675.9484 cents/$m^3$ applicable when the customer is interrupted and continues to consume gas or would the charge be based on market conditions? Please provide a detailed response.

Response:

a) Union has not informed existing customers of the proposed change in the range of the Rate 25 Gas Supply Charge.

By extending the range between the minimum and maximum rates, Union is not affecting the existing service available to customers. Union's proposal will increase the availability of the service through a much wider range of prices such as were actually experienced this past year.

b) Please see the response to a) above.

c) Customers contract for interruptible Rate 25 gas supply service in combination with firm service under Rate 20 or Rate 100. There are 65 Rate 20 and Rate 100 customers that have contracted for Rate 25 gas supply service. Of these 65 customers, 57 customers contract for both Rate 25 gas supply service and Rate 25 T-Service. On any given day, these customers can choose between supplying their own gas to the delivery area (Rate 25 T-Service) or purchasing gas supply from Union (Rate 25 gas supply service).

d) The increase in the maximum Rate 25 gas supply rate has no impact on the charges to the customer during the interruption of Rate 25 gas supply service. If there was an interruption, any gas consumed beyond what the customer delivered would be billed as unauthorized overrun as outlined in the contract. The unauthorized overrun charge is the highest daily price of gas in the month of the overrun or the month after.

UNION GAS LIMITED

Answer to Interrogatory from
Board Staff

Reference: Exhibit A, Tab 2

In its evidence, Union has provided an update on the gradual elimination of the Parkway Delivery Obligation. Union has noted that Dawn to Kirkwall turnback capacity is likely to be available earlier than forecasted and a further relief of 70 TJ/day is forecast to be available as early as November 1, 2016.

Is the cost impact for in-franchise customers likely to change as a result of the update? If yes, please provide the impact.

Response:

Union's filed turnback forecast of 93 TJ/d resulted in 70 TJ/d of forecast PDO relief for November 1, 2016. Based on the actual contract elections received, the PDO reduction for November 1, 2016 is now zero. Union will update the forecast PDO quantities and cost impacts in future rates proceedings.

UNION GAS LIMITED

Answer to Interrogatory from
The Association of Power Producers of Ontario ("APPrO")

Reference:

i. Application Exhibit A Tab 1 page 9, section 4.5 Major Capital Additions
ii. Appendix G
iii. Working Papers Schedule 10
iv. Working Papers Schedule 3

Preamble: APPrO is interested in better understanding the status and impact of the Brantford to Kirkwall and Parkway D Compressor station projects.

a) Please confirm that the Parkway D Compressor station is being constructed to accommodate deliveries to Enbridge at Parkway to meet its infranchise needs. If not explain.

b) Please confirm that the Brantford to Kirkwall section of pipe is being constructed to accommodate deliveries of gas that would ultimately be transported downstream of Parkway into the TCPL system. If not explain.

c) Please confirm that the construction of the Brantford to Kirkwall section of pipe is dependent on the construction of TransCanada's King's North Pipeline. If not explain.

d) Please provide an update on the status and the timing of all major approvals required for TransCanada's King's North Pipeline and any related pipeline projects required to accommodate the flows proposed for the Brantford to Kirkwall pipeline.

e) What is the latest reasonable date that TransCanada could commit to construct the required downstream facilities and Union still construct the Brantford to Kirkwall section of pipe with a high degree of certainty.

f) Please describe the rate impact if the in-service date of the Brantford to Kirkwall section of pipe does not occur in 2015.

g) Please describe the implications and the detailed rate impact of the Brantford to Kirkwall section of the pipeline if TransCanada's King's North Pipeline is not constructed (a) in 2015; (b) in 2016; (c) at all.

h) Please provide Union's projected spending as at December 31, 2014 individually for each of the Parkway D and Brantford to Kirkwall projects.

i) With respect to Appendix G, page 2, please redo the spreadsheet showing the respective individual costs, revenue and net revenue requirement separately for each of Parkway D and Brantford to Kirkwall projects.

j) Appendix G, page 2 illustrates the projected Total Revenue Requirement (line12) and Net Revenue Requirement (line 14) for the above 2 capital projects which are negative $77,000 and negative $1,611,000 in 2015, $14,720,000 and $5,516,000 in 2016, $15,433,000 and $6,229,000 in 2018, in 2017 and $15,902,000 and $66,980,000 respectively. The "Overview of Working Papers" Document, Schedule 10 illustrates the 2015 Revenue Requirement adjustment for all capital projects is $6,296,000 (line 26), including the Parkway West Project amount of $6,373,000 (footnote 1), which suggests that net amount being proposed for Brantford to Kirkwall and Parkway D is negative $77,000 which corresponds to the Total Revenue Requirement illustrated in Appendix G. Please explain why Union proposes to use the Total Revenue Requirement rather than the Net Revenue Requirement amount of a decrease of $1,611,000 (negative $1,611,000) to make adjustments for the Brantford to Kirkwall and Parkway D projects.

Response:

a) The Brantford - Kirkwall pipeline and Parkway D compressor are part of Union's integrated system and are being constructed to meet all 2015 contracted quantities. As well, operationally the Parkway D compressor station will discharge to the Enbridge GTA pipeline and TransCanada. In its EB-2013-0074 Decision and Order dated January 30, 2014, the Board stated at p. 20:

> *"The Brantford-Kirkwall/Parkway D project involves the construction of 13.9 km of NPS 48 pipeline to enhance capacity between the existing Brantford Valve Site and the Kirkwall Custody Transfer Station. The project also includes the addition of the Parkway D compressor, including measurement and associated facilities. The project would allow Union to deliver new contracted volumes to Enbridge, GMi, and the U.S. Northeast and to provide Dawn-based natural gas supply to its customers".*

As noted in EB-2013-0074, if the King's North project was not constructed in 2015 (and therefore the Union and Gaz Métro expansion volumes could not reach their respective markets), then only the Parkway D compressor is required to serve the Enbridge expansion volumes in 2015. Please see EB-2012-0433, EB-2012-0451, EB-2013-0074, Transcript, Volume 2, September 16, 2013, pp.109-110.

b) Please see the response at part a) above.

c) The Brantford - Kirkwall pipeline construction is conditional on the NEB's approval of TransCanada's King's North project and Union's receipt of written commitment from

TransCanada to proceed with the construction of their King's North project. In its EB-2013-0074, Decision and Order dated January 30, 2014, the Board stated at p. 36:

> *"However, the Board finds that the Brantford-Kirkwall pipeline and the proposed TransCanada King's North project are interdependent (as Union has acknowledged). Accordingly, the Board will condition approval of the construction of the Brantford-Kirkwall pipeline on the NEB's approval of the TransCanada King's North project. In addition, the Board will condition approval on the receipt by Union of a written commitment from TransCanada (after it receives NEB approval) to proceed with the construction of King's North in accordance with the proposed schedule. Within ten days of its receipt by Union, the company shall provide the Board with a copy of TransCanada's written commitment to proceed, and the Board will determine at that time whether further action is required".*

d) TransCanada filed an application for the approval of the King's North project with the NEB on August 15, 2014. The NEB determined on September 29, 2014 that the Application was sufficient. The NEB has not yet issued a procedural order to adjudicate the Application.

On January 30, 2014 the OEB approved the Enbridge GTA pipeline, the Parkway D Compressor and the Brantford - Kirkwall pipeline (subject to conditions identified in question 1(c) above).

All these projects are required to accommodate the contracted capacity on Union's Dawn - Parkway system commencing November 1, 2015.

e) The latest reasonable date that TransCanada could commit to construct the required downstream facilities and Union still construct the Brantford - Kirkwall pipeline with a high degree of certainty for November 2016 in-service is May 15, 2015. As the project progresses Union will continue to assess that date, schedule and mitigation available.

f) Union's proposed 2015 rates include costs of $0.178 million associated with the Brantford - Kirkwall pipeline. Should the project in-service date not occur in 2015, the actual 2015 revenue requirement of the project would be zero. Accordingly, Union would refund $0.178 million to ratepayers as part of its 2015 non-commodity deferral account proceeding in 2016. The rate impact of this refund would be immaterial.

Please see part i) below for the forecasted revenue requirements of the Brantford - Kirkwall and Parkway D Compressor projects on an individual basis.

g) Please see the response at part f) for 2015.

Union is forecasting to include costs of $7.129 million in 2016 rates for the Brantford - Kirkwall pipeline. Should the King's North project not be constructed in 2016 and as a result the Brantford - Kirkwall pipeline is not placed into service in 2016, Union expects the actual

2016 revenue requirement would be zero. Accordingly, Union would refund $7.129 million to ratepayers as part of its 2016 non-commodity deferral account proceeding in 2017. Union would include any costs incurred to date in the deferral account for future review and dispostion.

Union has not determined the 2016 rate impacts associated with the Brantford - Kirkwall pipeline. Union will do so as part of its 2016 rates application in the fall of 2015.

h) Forecast Project Spending to December 31, 2014

PLANT D	$50,095,000
BRANTFORD - KIRKWALL	$5,642,000

i) Please see Attachment 1.

j) Union does not agree with the premise of the question. Union's proposed 2015 rates include both the costs and revenues associated with the Brantford - Kirkwall pipeline and Parkway D Compressor project. The revenues have been recognized through the inclusion of project-related M12 demands.

As per Appendix G, p. 2, line 12, the 2015 total revenue requirement for this project is ($0.77 million). This figure represents the forecasted 2015 costs. As shown at Rate Order, Working Papers, Schedule 10, the total 2015 capital pass through adjustments are $6.296 million, which includes the ($0.77 million) described above and $6.373 million in costs related to the Parkway West project.

As per Appendix G, p. 2, line 14, the 2015 net revenue requirement for this project is ($1.611 million). This figure represents the 2015 revenue deficiency. This calculation includes forecasted 2015 costs of ($0.77 million) and forecasted 2015 M12 revenue of $1.534 million associated with the increase in M12 demands of 363,000 GJ/day starting November 1, 2015.

In order to recognize the M12 revenue associated with the project, Union has included the project demands of 363,000 GJ/day in proposed M12 rates. Specifically, Union has increased M12 Dawn – Parkway annual demands by 726,000 GJ/day. This figure represents two months (November and December) of M12 demands of 363,000 GJ/day. The increase in M12 annual demands of 726,000 GJ/day can also be derived from Rate Order, Working Papers, Schedule 4, p. 20, line 5, column q, which shows 60,500 GJ/day of demands multiplied by 12 months (60,500 * 12 = 726,000 GJ/day).

UNION GAS LIMITED
Brantford - Kirkwall Project Revenue Requirement

Line No.	Particulars ($000's)	2015	2016	2017	2018
		(a)	(b)	(c)	(d)
	Rate Base Investment				
1	Capital Expenditures	92,555	3,501	-	-
2	Average Investment	11,028	92,722	92,361	90,479
	Revenue Requirement Calculation:				
	Operating Expenses:				
3	Operating and Maintenance Expenses (1)	2	12	12	12
4	Depreciation Expense (2)	907	1,848	1,882	1,882
5	Property Taxes	109	658	658	658
6	Total Operating Expenses	1,017	2,518	2,552	2,552
7	Required Return (5.775% x line 2) (3)	637	5,355	5,334	5,225
	Income Taxes:				
8	Income Taxes - Equity Return (4)	128	1,073	1,069	1,047
9	Income Taxes - Utility Timing Differences (5)	(1,604)	(1,816)	(1,653)	(1,468)
10	Total Income Taxes	(1,476)	(743)	(584)	(421)
11	Total Revenue Requirement (line 6 + line 7 + line 10)	178	7,129	7,302	7,357
12	Incremental Project Revenue (6)	532	3,195	3,195	3,195
13	Net Revenue Requirement (line 11 - line 12)	(355)	3,935	4,107	4,162

Notes:

(1) O&M expenses include salaries and wages, employee-related expenses, fleet costs, materials and operating expenses.

(2) Depreciation expense at 2013 Board-approved depreciation rates.

(3) The required return for 2018 assumes total rate base of $90.479 million and capital structure of 64% long-term debt at 4% and 36% common equity at the 2013 Board-approved return.
The 2018 required return calculation is as follows:
$90.479 million * 64% * 4.0% = $2.316 million plus
$90.479 million * 36% * 8.93% = $2.909 million for a total of $5.225 million.

(4) Taxes related to the equity component of the return at a tax rate of 26.5%.

(5) Taxes related to utility timing differences are negative as the capital cost allowance deduction in arriving at taxable income exceeds the provision of book depreciation in the year.

(6) 126,000 GJ * $2.113 ($/GJd/d/mo) Figure for 2015 pro-rated for 2 months.

UNION GAS LIMITED
Parkway D Compressor Project Revenue Requirement

Line No.	Particulars ($000's)	2015 (a)	2016 (b)	2017 (c)	2018 (d)
	Rate Base Investment				
1	Capital Expenditures	107,514	506	-	-
2	Average Investment	12,508	104,400	101,174	97,727
	Revenue Requirement Calculation:				
	Operating Expenses:				
3	Operating and Maintenance Expenses (1)	105	630	630	630
4	Depreciation Expense (2)	1,715	3,439	3,447	3,447
5	Property Taxes	33	195	195	195
6	Total Operating Expenses	1,853	4,264	4,272	4,272
7	Required Return (5.775% x line 2) (3)	722	6,029	5,843	5,644
	Income Taxes:				
8	Income Taxes - Equity Return (4)	145	1,208	1,171	1,131
9	Income Taxes - Utility Timing Differences (5)	(2,976)	(3,910)	(3,155)	(2,501)
10	Total Income Taxes	(2,831)	(2,702)	(1,984)	(1,370)
11	Total Revenue Requirement (line 6 + line 7 + line 10)	(256)	7,591	8,131	8,546
12	Incremental Project Revenue (6)	1,002	6,009	6,009	6,009
13	Net Revenue Requirement (line 11 - line 12)	(1,257)	1,582	2,122	2,536

Notes:

(1) O&M expenses include salaries and wages, employee-related expenses, fleet costs, materials and operating expenses.

(2) Depreciation expense at 2013 Board-approved depreciation rates.

(3) The required return for 2018 assumes total rate base of $97.727 million and capital structure of 64% long-term debt at 4% and 36% common equity at the 2013 Board-approved return.
The 2018 required return calculation is as follows:
$97.727 million * 64% * 4% = $2.502 million plus
$97.727 million * 36% * 8.93% = $3.142 million for a total of $5.644 million.

(4) Taxes related to the equity component of the return at a tax rate of 26.5%.

(5) Taxes related to utility timing differences are negative as the capital cost allowance deduction in arriving at taxable income exceeds the provision of book depreciation in the year.

(6) 237,000 GJ * $2.113 ($GJd/d/mo) Figure for 2015 pro-rated for 2 months.

UNION GAS LIMITED

Answer to Interrogatory from
The Association of Power Producers of Ontario ("APPrO")

Reference:

i. Section 4.3 LRAM and Working Papers Schedule 17

ii. Decision EB-2013-0109

Preamble: Union is proposing to adjust the volumes associated with contract class to reflect LRAM volume impacts.

a) Please indicate when the audited 2013 results will be available.

b) In the event that the audit results will not be available in time for this rate case, please describe how Union proposes to deal with any variances that result from what is proposed in this case and the audited results.

c) In its EB-2013-0109 decision, the Board expressed concern with the way that Union calculated its energy savings from large industrial custom projects and subsequently reduced Union's amount by 25%. Please explain in detail what changes Union has subsequently made to its methodology to estimate LRAM volumes for Rates 20, Rate 100, T1 and T2, as a result of this decision.

Response:

a) and b) Please see the response at Exhibit B.Staff.1.

c) In accordance with the Board-approved EB-2011-0327 Settlement Agreement for Union's 2012-2014 DSM Plan (at p.34), the full year 2013 LRAM volumetric reductions reflected in the updated evidence filed November 10, 2014 were calculated using the best available information, up to and including the finalization of the audit. Union will provide further information on its 2013 DSM results when it files its 2013 audited DSM deferral and variance account evidence in November.

UNION GAS LIMITED

Answer to Interrogatory from
Building Owners and Managers Association, Greater Toronto ("BOMA")

Reference: Exhibit A, Tab 2, Page 4

Union will have customer confirmation by October 31, 2014 (today) of the forecasted turnback for November 1, 2016. Please provide the amounts for Dawn-Parkway and Dawn-Kirkwall, separately.

Response:

Actual elections for November 1, 2016 contract expiries were received October 31, 2014. The result of this election and how it compares to the filed forecast for November 1, 2016 turnback is reflected below.

Particulars (TJ/d)	Filed	Election
TransCanada	64	11
US North East LDC	29	0
Total	**93**	**11**

Attachment 1 is Schedule 1 and Table 1, updated to reflect this elected turnback for November 1, 2016.

Union's filed turnback forecast of 93 TJ/d resulted in 70 TJ/d of forecast PDO relief for November 1, 2016. Based on the actual contract elections received, the PDO reduction for November 1, 2016 is now zero, as shown in the attached updated Schedule 1, line 6.

Union's filed forecast also assumed early turnback of Dawn - Kirkwall capacity for November 1, 2015. Union's forecast for November 1, 2015 turnback assumes that the NEB approves the 2013 Toll Settlement Agreement and the King's North Project. Union expects the NEB decision on the 2013 Toll Settlement later this year and the on the King's North project by Q2 of 2015. Union's acceptance of early turnback is impacted by these applications as they are pre-requisites to the construction of Union's Brantford - Kirkwall facility. Without this facility and the related services that Union would then provide, Union will not be in a shortfall position and would therefore not require the early turnback as forecasted.

Regardless of the actual turnback, Union will manage the 146 TJ/d of PDO reduction that was effective in 2014. Union's management of this reduction does not affect rates in 2015 or 2016.

Schedule 1 - UPDATED
Parkway Delivery Obligation (PDO) for 2014 - 2016
(TJ/day)

Line No.	Particulars	As Filed (EB-2013-0365)				As Filed (EB-2014-0271)			Updated Forecast		
		Apr-14	Nov-14 (1)	Nov-15	Nov-16	Nov-14	Nov-15	Nov-16	Nov-14	Nov-15	Nov-16
		(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)
	CAPACITY AVAILABLE FOR PDO SHIFT										
1	Ex-Franchise M12 Dawn to Kirkwall Turnback (2)	0	0	0	-28	0	-123	-93	0	-123	-11
	Allocation of Capacity Available (turnback):										
2	Opening Balance	0	-146	-146	-146	-146	-146	-23	-146	-146	-23
3	Temporary Capacity Provided	-146	0	0	0	0	0	0	0	0	0
4	Replacement of Temporary Capacity	0	0	0	28	0	123	23	0	123	11
5	Closing Balance	-146	-146	-146	-118	-146	-23	0	-146	-23	-12
6	Available for PDO Shift	-146	0	0	0	0	0	-70	0	0	0
	TOTAL DIRECT PURCHASE PDO										
7	Beginning PDO (3)	564	352	352	352	345	345	345	345	345	345
8	Annual PDO Shift *line 11 + line 17 + line 21*	-212	0	0	0	0	0	-106	0	0	0
9	Remaining PDO	352	352	352	352	345	345	239	345	345	345
	DIRECT PURCHASE PDO DETAIL BY CUSTOMER GROUP										
	PDO for Customers without M12 Service:										
10	Beginning PDO	380	234	234	234	228	228	228	228	228	228
11	PDO Shift	-146	0	0	0	0	0	-70	0	0	0
12	Remaining PDO	234	234	234	234	228	228	158	228	228	228
13	Annual PDO Shift	146	0	0	0	0	0	70	0	0	0
14	Allocation to those with PO < 100 GJ/day	14	0	0	0	0	0	0	0	0	0
15	Percentage Reduction for those with PO > 99 GJ/day	36%	0%	0%	0%	0%	0%	31%	0%	0%	0%
	PDO for Customers with M12 Service (except TCE):										
16	Beginning PDO	52	33	33	33	33	33	33	33	33	33
17	In-Franchise M12 Dawn to Parkway Turnback *line 15 * line 16*	-19	0	0	0	0	0	-10	0	0	0
18	Remaining PDO	33	33	33	33	33	33	23	33	33	33
19	Annual PDO Shift	19	0	0	0	0	0	10	0	0	0
	PDO for TCE Halton Hills:										
20	Beginning PDO	132	85	85	85	84	84	84	84	84	84
21	In-Franchise M12 Dawn to Parkway turnback *line 15 * line 20*	-47	0	0	0	0	0	-26	0	0	0
22	Remaining PDO	85	85	85	85	84	84	58	84	84	84
23	Annual PDO Shift	47	0	0	0	0	0	26	0	0	0
24	**PDO for Sales Service**	98	103	103	11	103	103	11	103	103	11

Notes:

(1) This November 2014 column has been included in the "As Filed" section to provided comparability to the updated forecast
(2) Dawn to Parkway equivalent capacity
(3) The difference between Nov, 2014 "As Filed" column (b) and Nov, 2014 "Updated" column (e) reflects actual contract changes

Ex-Franchise M12 Dawn to Kirkwall Turnback Forecast (Dawn to Parkway Equivalent)

Pariculars (TJ/d)	Nov 2015	Nov 2016
As Filed (EB-2013-0365)	0	28
As Filed (EB-2014-0271)	123	93
Updated	123	11

UNION GAS LIMITED

Answer to Interrogatory from
Building Owners and Managers Association, Greater Toronto ("BOMA")

Reference: Exhibit A, Tab 2, Schedule 1; Appendix B, Page 3 of 7 of the EB-2013-0365, Settlement Agreement ("Settlement Agreement")

For information purposes, to help BOMA understand the Table on Schedule 1, can Union advise whether the description of the Phase I and Phase II of the PDO Reduction Proposal at Pages 2 and 3 of Appendix B to the Settlement Agreement, Sections (B) and (C) needs to be "modified" by what is being proposed? If so, please draft Union's view of the necessary revisions. BOMA is not requesting any change to the Settlement Agreement, but rather a written explanation of what is depicted in numerical form in Exhibit A, Tab 2, Schedule 1 of this case.

Response:

No, the Settlement Agreement does not need to be modified. Exhibit A, Tab 2 evidence reflects updated forecast available capacity and is consistent with the Board-approved Settlement Agreement.

UNION GAS LIMITED

Answer to Interrogatory from
Building Owners and Managers Association, Greater Toronto ("BOMA")

Reference: Exhibit A, Tab 2, Schedule 1

Please explain in text form each line of the Table on this page; in other words, provide a liberally annotated version of the Table which explains each line and column (each "cell") of the Table.

Response:

A written explanation of Schedule 1 is provided at Exhibit A, Tab 2, pp. 2-6. Within the text of that written explanation, row and column references to Schedule 1 have been noted. Schedule 1 also provides the formula for calculations using line numbers. All columns within each line use the same calculation.

UNION GAS LIMITED

Answer to Interrogatory from
Building Owners and Managers Association, Greater Toronto (“BOMA”)

Reference: Management of Shortfall – Page 3 of the Settlement Agreement, Appendix B, states that:

> "Between November 1, 2015 and October 31, 2016, there will be a Parkway delivery shortfall of 146 TJ/day."

However, the Table at Schedule 1 of the current case, line 4 shows a "Replacement of Temporary Capacity" of 123 TJ/day, starting November 1, 2015. Please explain the basis of the 123 TJ/day of additional capacity. Please itemize the sources of the additional capacity and explain fully.

Response:

A reverse open season was held from January 28, 2014 to February 4, 2014 to provide existing M12 shippers the opportunity to express interest in turning back contracted capacity prior to expiry of their contract. Through this reverse open season, the Dawn - Kirkwall capacity of 139 TJ/day forecast to be turned back at expiry for November 1, 2018 (with a Dawn to Parkway equivalency of 111 TJ/day) at the time of the Settlement Agreement (approved in EB-2013-0365) is now forecast to be turned back November 1, 2015, and at a slightly higher Dawn - Parkway equivalency factor, now equating to 123 TJ/day. This represents capacity turned back from one US Northeast shipper. Acceptance of this turnback is subject to the NEB approval of the 2013 Toll Settlement Agreement and the King’s North project, as described in the response at Exhibit B.BOMA.1.

UNION GAS LIMITED

Answer to Interrogatory from
Building Owners and Managers Association, Greater Toronto ("BOMA")

Reference: Exhibit A, Tab 2, Page 1, Lines 20-22

a) Please provide details of the turnback of 66 TJ/day of Dawn to Parkway capacity turnback from in-franchise customers that hold M12 capacity.

b) When in 2014 was it turned back and why was it not documented in Appendix B to the Settlement Agreement?

c) Where are these in-franchise customers located? Provide breakdown among central, eastern, northern, north central, other zones.

d) How does that turned back capacity relate, if at all, to the incremental 123 TJ/day capacity available November 1, 2015?

e) More generally, please distinguish clearly between the capacity being returned by in-franchise customers without M12 service, in-franchise customers that hold M12 service, and ex-franchise customers that hold M12 service, and TCPL, providing the volumes/dates of return for each amount of capacity.

f) Please explain the 28 units of Dawn-Kirkwall capacity that became available from November 1, 2016. Please identify the source of that capacity – Gaz Met, US LDC, etc.

Response:

a) The 66 TJ/day of Dawn – Parkway capacity turned back from in-franchise customers is provided at EB-2013-0365, Exhibit A, Tab 4, p. 4, Table 1 and pages 5 and 32.

b) The 66 TJ/day was documented in Appendix B of the EB-2013-0365 Settlement Agreement. It is the sum of 18 TJ/day for PDO DP customers, excluding TCE, holding M12 Dawn - Parkway capacity to meet their PDO (B (i) 1. (c)) and 48 TJ/day for TCE (C. 1.). It was turned back effective April 1, 2014 per the Settlement Agreement.

c) All customers are located in Union South.

d) There is no relationship between the 123 TJ/day Dawn - Parkway equivalent of Dawn - Kirkwall capacity forecast to be turned back by ex-franchise customers in 2015 and the 66 TJ/day of Dawn - Parkway capacity turned back by in-franchise customers in 2014.

e) Please see EB-2014-0271 Exhibit A, Tab 2, Schedule 1 for a break out of direct purchase PDO by customer group, as follows:

- In-franchise customers without M12 service (line 11)
- In-franchise customers with M12 service (lines 17 and 21)
- Ex-franchise customers holding M12 service (line 1)

Capacity returned by TransCanada is included in "Ex-franchise customers holding M12 service" (line 1). At the time of filing evidence for this proceeding, TransCanada turnback was forecasted to be 64 TJ/day on the Dawn - Kirkwall path, effective November 1, 2016. Since filing, TransCanada has provided notice to Union that they will only turnback 11 TJ/day of Dawn - Parkway equivalent capacity effective November 1, 2016. This update has been reflected in the updated Table 1 and Schedule 1 in the response at Exhibit B.BOMA.1.

f) Union assumes the reference for this part of the question is Exhibit A, Tab 2, p.3, Table 1. The 28 TJ/day of M12 Dawn - Kirkwall forecasted turnback for November 1, 2016 filed in EB-2013-0365 is related to capacity for a US Northeast LDC. This amount remained within the updated 93 TJ/day turnback forecast filed in EB-2014-0271, although was updated to 29 TJ/day. Based on contract elections received October 31, 2014 for November 1, 2016 service, this customer has elected to renew this capacity, so it is no longer available for the PDO shift. This update has been reflected in the updated Table 1 and Schedule 1 at Exhibit B.BOMA.1.

UNION GAS LIMITED

Answer to Interrogatory from
Building Owners and Managers Association, Greater Toronto ("BOMA")

Reference: Exhibit A, Tab 2, Page 6; Management Shortfall, Ex-Franchise

BOMA needs to understand how the shortfall will be managed. In particular, the return Dawn-Kirkwall capacity effective November 1, 2015. Given the two year lead requirement to provide notice of return of capacity, those amounts of capacity must be now firm.

a) Which ex-franchise customers have released their capacity? Does that correspond to the 123 TJ/day shown in Schedule 1?

b) What is the remaining shortfall for the period commencing November 1, 2015?

c) What amount of service will Union need to purchase from a third party? What is the cost of that service? Please provide details. Is there any portion of the new construction that will come into service November 1, 2015 that is available to cover the shortfall? Please provide details.

Response:

a) Please see the response at Exhibit B.BOMA.4. This is the same 123 TJ/d day shown in Schedule 1 at lines 1 and 4.

b) Please see the response at Exhibit B.BOMA.1.

c) Union has not determined what amount of service it will purchase from a third party or what the cost of this service would be. At this time, it is not expected that any portion of the November 1, 2015 Dawn **-** Parkway construction could be used to cover the shortfall. Please see the response at Exhibit B.CCC.4.

UNION GAS LIMITED

Answer to Interrogatory from
Building Owners and Managers Association, Greater Toronto ("BOMA")

Please relate the answers to questions 1 through 6, above, to the capacities and costs shown on Working Papers, Schedule 20 (Exhibit A, Tab 1). In particular, the separate calculations of the demand costs for 146 TJ/day, 19 TJ/day, 48 TJ/day, 212 TJ/day and 48 TJ/day, for a total net demand cost of $5,143,000.00 for 2015. What is the origin of each of these numbers and total amount? BOMA is not concerned here so much with the allocation to rate classes as with the amounts of the various tranches. Please relate the amounts (each tranche) to the amounts of capacity discussed at Exhibit A, Tab 2, Pages 1-6, and the amounts shown in Schedule 1.

Response:

The demand costs provided at Rate Order, Working Papers, Schedule 20 are based on the PDO shift of 212 TJ/d included in 2015 rates. A breakdown of the PDO shift of 212 TJ/d and the calculation of the associated demand costs are provided in Table 1 below.

Table 1
PDO Demand Costs included in 2015 Rates

Line No.	Particulars	Capacity (TJ/d)	Demand Costs ($ million)[1]
1	Temporary capacity available for the PDO shift	146	4.563
2	In-franchise customers with M12 Capacity	19	0.580
3	In-franchise customers with M12 Capacity	48	1.489
4	Total PDO shift included in 2015 Rates	212	6.632
5	T2 BCD Revenue Credit	(48)	(1.489)
6	Total Demand Costs (line 4 + line 5)		5.143

Note:
(1) Demand costs are based on M12 Dawn-Parkway demand rate of $2.604 GJ/d/month per Appendix A.

Exhibit A, Tab 2, pp. 1-6 provide a forecast of capacity that may be available for the PDO shift as early as November 1, 2016. The forecast PDO update associated with this available capacity does not impact 2015 rates. Union has updated the forecast PDO quantities for actual turnback received on October 31, 2014, effective November 1, 2016, as described at Exhibit B.BOMA.1. Union will update the forecast PDO quantities and cost impacts in future rates proceedings.

UNION GAS LIMITED

Answer to Interrogatory from
Building Owners and Managers Association, Greater Toronto ("BOMA")

Reference: Schedule 20; Parkway Delivery Obligation; Working Papers 20

Appendix B to EB-2013-0365 Settlement Agreement states at B.1(d) that demand costs for 2014 of the Parkway Delivery Obligation reduction of 165 TJ/day (146 + 18) is approximately $4.763 million. There is no number provided for compressor fuel.

Please reconcile that number to the $5.143 million shown at Working Papers, Schedule 20 in this case, page 1 of 4. What is the basis of the $5.145 million? Please explain fully.

What is the current amount for 2014 in the deferral account referenced at paragraph (e) on Page 3 of 7 in Appendix B to EB-2013-0365 Settlement Agreement? What is the expected amount as at December 31, 2014?

Response:

In the EB-2013-0365 Settlement Agreement, the total forecasted 2015 PDO costs were $6.355 million. The total costs include demand costs of $4.763 million, as provided at Settlement Agreement, Schedule 1, p.1, and fuel costs of $1.592 million, as provided at Settlement Agreement, Schedule 2.

As per EB-2014-0271 Rate Order, Working Papers, Schedule 20, page 1, the total PDO costs included in 2015 rates are $7.043 million. The total costs include demand costs of $5.143 million and fuel costs of $1.900 million.

The difference in the total PDO costs between the Settlement Agreement and Union's 2015 rates of $0.688 million ($7.043 million - $6.355 million) is due to an update to the M12 Dawn – Parkway demand charge and the cost of gas (WACOG).

The EB-2013-0365 Settlement Agreement PDO costs were based on the approved 2014 M12 Dawn – Parkway demand charge of $2.420 GJ/day/month and a WACOG of $4.50/GJ. In accordance with the Settlement Agreement, the PDO costs included in Union's 2015 rates application are based on the proposed 2015 M12 Dawn – Parkway demand charge of $2.604 GJ/day/month and the approved October 1, 2014 QRAM WACOG of $5.435/GJ.

The forecast deferral account amounts are as follows:

$ Millions	Deferral Accounts As at September 30, 2014 (April – September)	Forecast as at December 31, 2014 (April – December)
Demand Costs	$2.381	$3.584
Fuel Costs (1)	$0.552	$1.059
Total	$2.933	$4.643

Note:
(1) – Actual fuel costs based on quarterly WACOG.

Please see Attachment 1 for a calculation of the forecasted 2014 deferral account disposition by rate class.

UNION GAS LIMITED
Estimated 2014 Deferral Rate Adjustment Summary
Based on Forecast Parkway Delivery Obligation Reduction of 212 TJ/d and 66 TJ/d of M12 Turnback
From April 1, 2014 to December 31, 2014

Line No.	Rate Class ($000's)	Dawn-Parkway Demand Costs	Compressor Fuel Costs	Total Costs
		(a)	(b)	(c) = (a + b)
1	Rate M1	1,818	129	1,947
2	Rate M2	611	45	656
3	Rate M4	178	21	198
4	Rate M5 - Firm	2	1	2
5	Rate M5 - Interruptible	-	14	14
6	Rate M7 - Firm	82	8	90
7	Rate M7 - Interruptible	-	-	-
8	Rate M9	29	4	34
9	Rate M10	1	0	1
10	Rate T1 - Firm	88	19	107
11	Rate T1 - Interruptible	-	2	2
12	Rate T2 - Firm	569	97	667
13	Rate T2 - Interruptible	-	2	2
14	Rate T3	206	19	226
15	Total South In-franchise	3,584	362	3,946
16	Excess Utility Storage Space	-	-	-
17	Rate C1 - Firm	-	8	8
18	Rate C1 - Interruptible	-	152	152
19	Rate M12	-	529	529
20	Rate M13	-	-	-
21	Rate M16	-	3	3
22	Total Ex-franchise	-	692	692
23	Rate 01	-	3	3
24	Rate 10	-	1	1
25	Rate 20	-	0	0
26	Rate 100	-	0	0
27	Rate 25	-	-	-
28	Total North In-franchise	-	5	5
29	Total (line 15 + line 22 + line 28)	3,584	1,059	4,643

UNION GAS LIMITED
Estimated 2014 Deferral Impact to Union South In-Franchise Customers of M12 Demand Costs
Based on 212 TJ/d of M12 Dawn to Parkway Capacity and 48 TJ/d of T2 Billing Contract Demand Revenue Credit from April 1, 2014 to December 31, 2014

Line No.	Rate Class	2013 Approved Dawn-Parkway Design Day Demands (1) (10^3m^3/d)	Dawn-Parkway Demand Costs of 146 TJ/d (2) ($000's)	Dawn-Parkway Demand Costs of 19 TJ/d (2) ($000's)	Dawn-Parkway Demand Costs of 48 TJ/d (2) ($000's)	Dawn-Parkway Demand Costs of 212 TJ/d ($000's)	T2 BCD Revenue Credit of 48 TJ/d ($000's)	Total Demand Costs ($000's)
		(a)	(b)	(c)	(d)	(e) = (b + c + d)	(f)	(g) = (e + f)
1	Rate M1	22,132	1,613	205	526	2,345	(526)	1,818
2	Rate M2	7,435	542	69	177	788	(177)	611
3	Rate M4	2,162	158	20	51	229	(51)	178
4	Rate M5 Firm	20	1	0	0	2	(0)	2
5	Rate M5 Interruptible	-	-	-	-	-	-	-
6	Rate M7 Firm	997	73	9	24	106	(24)	82
7	Rate M7 Interruptible	-	-	-	-	-	-	-
8	Rate M9	356	26	3	8	38	(8)	29
9	Rate M10	11	1	0	0	1	(0)	1
10	Rate T1 Firm	1,068	78	10	25	113	(25)	88
11	Rate T1 Interruptible	-	-	-	-	-	-	-
12	Rate T2 Firm	6,931	505	64	165	734	(165)	569
13	Rate T2 Interruptible	-	-	-	-	-	-	-
14	Rate T3	2,511	183	23	60	266	(60)	206
15	Total	43,624	3,180 (3)	404 (4)	1,038 (5)	4,622	(1,038) (5)	3,584

Notes:
(1) In-franchise Design Day Demand Allocation Factor per EB-2011-0210, Exhibit G3, Tab 5, Schedule 23, Page 7, line 2, Updated for Board Decision.
(2) Allocated using column (a).
(3) Calculated as 146 TJ x 2.420 x 9 = $3.18 million. Rate represents the M12 Dawn to Parkway demand rate per EB-2013-0365.
(4) Calculated as 19 TJ x 2.420 x 9 = $0.404 million. Rate represents the M12 Dawn to Parkway demand rate per EB-2013-0365.
(5) Calculated as 48 TJ x 2.420 x 9 = $1.038 million. Rate represents the M12 Dawn to Parkway demand rate per EB-2013-0365.

UNION GAS LIMITED
2014 Estimated Deferral Commodity Cost Adjustments
Based on Parkway Delivery Obligation Reduction of 212 TJ/d and 66 TJ/d of M12 Turnback from April 1, 2014 to December 31, 2014

		2013 Board-Approved Compressor Fuel		Adjusted Compressor Fuel		Difference				
Line No.	Rate Class	Apr-Sept (GJ)	Oct-Dec (GJ)	Apr-Sept (GJ)	Oct-Dec (GJ)	Apr-Sept (GJ)	Oct-Dec (GJ)	Apr-Sept Cost (1) ($000's)	Oct-Dec Cost (2) ($000's)	Total Cost ($000's)
		(a)	(b)	(c)	(d)	(e) = (c - a)	(f) = (d - b)	(g)=(e x 6.171/1000)	(h)=(f x 5.435/1000)	(i)= (g + h)
1	Rate M1	-	7,242	4,944	25,285	4,944	18,043	31	98	129
2	Rate M2	-	2,562	1,749	8,946	1,749	6,383	11	35	45
3	Rate M4	-	1,168	797	4,078	797	2,910	5	16	21
4	Rate M5 - Firm	-	30	20	104	20	74	0	0	1
5	Rate M5 - Interruptible	-	810	553	2,827	553	2,017	3	11	14
6	Rate M7 - Firm	-	470	321	1,640	321	1,171	2	6	8
7	Rate M7 - Interruptible	-	-	-	-	-	-	-	-	-
8	Rate M9	-	241	165	842	165	601	1	3	4
9	Rate M10	-	1	1	3	1	2	0	0	0
10	Rate T1 - Firm	-	1,064	726	3,715	726	2,651	4	14	19
11	Rate T1 - Interruptible	-	113	77	396	77	282	0	2	2
12	Rate T2 - Firm	-	5,481	3,741	19,135	3,741	13,655	23	74	97
13	Rate T2 - Interruptible	-	129	88	450	88	321	1	2	2
14	Rate T3	-	1,083	739	3,781	739	2,698	5	15	19
15	Total South In-franchise	-	20,393	13,921	71,201	13,921	50,807	86	276	362
16	Excess Utility Storage Space	-	-	-	-	-	-	-	-	-
17	Rate C1 - Firm	8,640	4,064	9,779	4,253	1,138	189	7	1	8
18	Rate C1 - Interruptible	109,956	223,826	122,729	237,268	12,773	13,442	79	73	152
19	Rate M12	796,486	1,043,591	857,940	1,071,093	61,454	27,501	379	149	529
20	Rate M13	-	-	-	-	-	-	-	-	-
21	Rate M16	-	-	162	453	162	453	1	2	3
										-
22	Total Ex-franchise	915,083	1,271,481	990,609	1,313,067	75,526	41,586	466	226	692
23	Rate 01	-	7,636	-	8,250	-	614	-	3	3
24	Rate 10	-	2,403	-	2,597	-	193	-	1	1
25	Rate 20	-	854	-	922	-	69	-	0	0
26	Rate 100	-	27	-	29	-	2	-	0	0
27	Rate 25	-	-	-	-	-	-	-	-	-
28	Total North In-franchise	-	10,920	-	11,798	-	878	-	5	5
29	Total (line 15 + line 22 + line 28)	915,083	1,302,795	1,004,530	1,396,065	89,447	93,271	552	507	1,059

Notes:
(1) Compressor fuel cost based on EB-2014-0050 April 2014 QRAM Ontario Landed Reference Price of $6.171/GJ.
(2) Compressor fuel cost based on EB-2014-0208 October 2014 QRAM Ontario Landed Reference Price of $5.435/GJ.

UNION GAS LIMITED

Answer to Interrogatory from
Building Owners and Managers Association, Greater Toronto ("BOMA")

Reference: EB-2014-0271; Working Papers

a) Why is the MCC a separate item in Schedule 4, page 10 of 24?

b) How is the MCC factored into the same schedule? Please explain the arithmetic.

c) Schedule 5 – What is the one-time adjustment of (24) in column (b)?

d) Schedule 6 – Why do M1 and M2 classes break out storage and delivery rates, when the large rates do not?

e) Schedule 10 – Why are the 2015 capital pass through numbers negative for Union South in-franchise rate classes?

f) Schedule 14 – Why do FT-RAM related exchanges contain balances when the FT-RAM program has been terminated? Please explain fully. Please explain the progress of the Schedule from page 1 through page 3.

g) Schedule 16 – Please itemize the costs included in the 2015 Gas Supply Administration Charge.

Response:

a) For general service rate classes Rate 01, Rate 10, Rate M1 and Rate M2 the monthly customer charges are set at 2013 Board-approved levels for Union's 2014 – 2018 IRM term.

   Rate Order, Working Papers, Schedule 4, p.10, columns (o) to (r) are required to demonstrate that Union has held the monthly customer charges at 2013 Board-approved levels and adjusted volumetric delivery rates on a revenue neutral basis.

b) As the monthly customer charges in the general service rate classes are fixed at 2013 Board-approved levels, any changes to Union's proposed monthly customer charge revenue need to be recovered or refunded in volumetric delivery rates.

   For example in Rate M2, as shown at Rate Order, Working Papers, Schedule 4, p.10, line 8, columns (o) and (p) Union's proposed rates initially result in proposed monthly customer charge revenue of $5.679 million and a monthly customer charge of $69.72. In order to maintain the Rate M2 monthly customer charge at $70, Union has increased the proposed monthly customer charge revenue by $0.023 million to $5.702 million.

To ensure this adjustment is revenue neutral, Union has reduced volumetric delivery commodity rates by $0.023 million. As shown at line 13, columns (o) and (q) total proposed delivery revenue has remained unchanged at $44.019 million.

c) The one-time adjustment of ($0.024 million) to Rate M2 is the result of the implementation of the Board's Decision on the allocation of Board-approved Kirkwall Station costs in EB-2013-0365. In accordance with the Board Decision, Union has re-allocated the Kirkwall Station costs of $1.570 million in proportion to all demands flowing through the Kirkwall Station. The re-allocation of Kirkwall Station costs results in a cost decrease to in-franchise rate classes of $0.222 million, of which $0.024 million has been allocated to Rate M2.

   Please also see Rate Order, Working Papers, Schedule 9, column (g).

d) Rate Order, Working Papers, Schedule 6 shows the percentage change in average unit price and is derived from Rate Order, Working Papers, Schedule 4.

   Union separates storage and delivery rates for Rate M1 and Rate M2 because Union invoices Rate M1 and Rate M2 customers separately for distribution and storage service. Union South bundled contract rate classes (e.g. Rate M4, Rate M5, Rate M7) are not invoiced separately for storage and distribution service. Delivery rates for bundled contract rate classes recover the costs associated with Union's distribution and storage system.

e) Please see the response at Exhibit B.TCPL.1.

f) Rate Order, Working Papers, Schedule 14, pp. 1-2 show the 2013 Board-approved gas supply optimization margin included in gas supply transportation rates and the allocation of margin to in-franchise rate classes.

   While the FT-RAM program was terminated in July 2013, Union has maintained the ratepayer portion of the 2013 Board-approved FT-RAM margin in gas supply transportation rates. To the extent that actual gas supply optimization margin is different than the margin included in rates, the variance is captured in the Upstream Transportation Optimization deferral account (No. 179-131). This deferral account is disposed of on an annual basis as part of Union's non-commodity deferral account disposition proceeding.

   Rate Order, Working Papers, Schedule 14, p.3 shows the allocation of long-term and short-term transportation-related S&T margin in Union North and Union South delivery rates. This margin is not related to the gas supply optimization margin discussed above.

   There is no change in the amount of gas supply optimization margin (including FT-RAM margin) or long-term and short-term transportation-related S&T margin included in 2015 rates from 2013 Board approved levels.

g) The 2015 gas supply administration charge is based on 2013 Board-approved costs and sales service volumes. The 2013 Board-approved costs have been adjusted to reflect one-time and capital pass-through adjustments in 2014 and 2015 rates.

Please see Table 1 below.

Table 1
2015 Gas Supply Administration Costs

1	2013 Board-Approved Costs	($000s)
2	Return On Rate Base	158
3	Operating Expenses (Salaries and Benefits)	6,362
4	Taxes	25
5	Depreciation Expense	290
6	Accumulated Deferred Tax Drawdown	(5)
7		6,830
8	2014 Adjustments	
9	One Time Adjustment	(41)
10	Capital Pass-Throughs	(1)
11	2014 Total	6,788
12	2015 Adjustments	
13	Capital Pass-Throughs	(14)
14	2015 Total	6,774

UNION GAS LIMITED

Answer to Interrogatory from
Building Owners and Managers Association, Greater Toronto ("BOMA")

Reference: Exhibit A, Tab 1, Pages 11-12

Please explain further the paragraph beginning at line 12, on page 11. In particular:

a) Please explain what costs are collected in the Union North gas supply transportation rates. Please discuss:

   i. delivery costs;

   ii. commodity costs;

   iii. upstream pipeline costs;

   iv. upstream Union (M12) costs, if any;

   v. other costs, if any.

b) Why are NAC volume adjustments less relevant and less material in Union North than they are in Union South? Please explain fully.

Response:

a) As discussed at Exhibit B.Staff.4 c), 99.8% of the costs recovered in Union North gas supply transportation rates are upstream transportation or pass-through costs. Upstream transportation costs include firm transportation demand costs associated with transportation contracts on TransCanada, Centra Transmission Holdings ("CTHI"), Centra Pipelines Minnesota ("CPM), Michigan Consolidated Gas Company ("MichCon") and Great Lakes Gas Transmission ("GLGT").

   The remaining 0.2% of costs recovered in Union North gas supply transportation rates are return and taxes associated with gas purchase working capital and general plant.

   Given that 99.8% of the costs recovered in Union North gas supply transportation rates are pass-through costs, any margin variances related to these rates as a result of changes in NAC are immaterial. Accordingly, Union is proposing to eliminate the NAC volume adjustment for Rate 01 and Rate 10 gas supply transportation rates for the remainder of its IRM term.

b) Union does not make NAC volume adjustments to Union South gas supply transportation rates. As described at Exhibit A, Tab 1, p.12 Union's proposal to eliminate the NAC volume adjustments in Union North Rate 01 and Rate 10 gas supply transportation rates is consistent with the treatment of Union South gas supply transportation rates. Union South gas supply transportation rates recover upstream transportation costs.

Please also see the response at Exhibit B.Staff.4 c).

UNION GAS LIMITED

Answer to Interrogatory from
Building Owners and Managers Association, Greater Toronto ("BOMA")

Please confirm that under Rate 25, Union sells the gas to the customer for the same price it acquires the gas, and the same back-to-back approach is used for transportation.

Response:

There are two pricing options available for customers in Union North that choose to utilize Rate 25 Sales Service; either a no notice service based on a posted price for each delivery area, or back to back arrangements.

Union sets a Rate 25 sales price for the no-notice service for each delivery area that is reflective of the expected market prices for natural gas in the delivery area for the upcoming period (within the minimum and maximum range approved by the Board).

Rate 25 back to back, or Rate 25a, is an alternate sales service available under Rate 25. In this case, Union will arrange a specific quantity of gas supply at a price agreed to with the customer. Union will contract with the customer for Rate 25 sales service at a specified rate for a specified period of time.

In both cases, any variance between the sales price and the actual cost of commodity and upstream transport is managed within the Rate 25 Sales Service rate class. Union does not profit on the sale of commodity or upstream transportation.

UNION GAS LIMITED

Answer to Interrogatory from
Building Owners and Managers Association, Greater Toronto ("BOMA")

Reference: Page 17; New Deferral Accounts

a) Please provide a copy of the Minister's Letter to the Board of November 12, 2013 pertaining to the Energy East Pipeline Project.

b) What amount has Union placed in the deferral account to date?

c) What is the anticipated amount that will be deferred?

d) When did Union first learn of TCPL's intent to seriously consider an Energy East project?

Response:

a) Please see Attachment 1.

b) There is no balance in this deferral account to date.

c) In its EB-2013-0398 letter dated June 13, 2014, the Board indicated that total costs associated with the Energy East consultation apportioned to natural gas distributors is expected to be $110,000 to $130,000. Union expects that its apportionment of these costs will be recorded in the deferral account in 2015. This deferral account will only be used to accumulate Board-approved allocations of costs incurred by the Board for the Energy East consultations plus carrying charges.

d) Union was notified of TransCanada's intent to consider re-purposing natural gas assets to oil service in late Q1 2013 and early Q2 2013.

   TransCanada provided formal notification of their intent to pursue a project to re-purpose a portion of Mainline natural gas pipeline assets to oil service to the Mainline Tolls Task Force, of which Union is a member, on March 25, 2013.

   TransCanada publically announced the Energy East project on April 2, 2013.

Ministry of Energy

Office of the Minister

4th Floor, Hearst Block
900 Bay Street
Toronto ON M7A 2E1
Tel.: 416-327-6758
Fax: 416-327-6754

Ministère de l'Énergie

Bureau du ministre

4e étage, édifice Hearst
900, rue Bay
Toronto ON M7A 2E1
Tél. : 416 327-6758
Téléc. : 416 327-6754

Ontario

MC-2013-2977

November 12, 2013

Ms Rosemarie Leclair
Chair and Chief Executive Officer
Ontario Energy Board
PO Box 2319
2300 Yonge Street, 27th Floor
Toronto ON M4P 1E4

Dear Ms Leclair:

Re: Ontario Energy Board Report on Implications for Ontario of TransCanada PipeLines Limited Energy East Project

I write pursuant to my authority under section 35 of the *Ontario Energy Board Act, 1998* (the "Act"), in order to engage the Ontario Energy Board (the "Board") in a matter of importance and to request its assistance in the form of a report to the Ministry regarding TransCanada PipeLines Limited's ("TCPL") proposal to develop the Energy East project.

Ontario recognizes that the TCPL Energy East project falls under the jurisdiction of Canada, which has exclusive authority over the approval of interprovincial pipelines pursuant to the federal distribution of legislative powers in the *Constitution Act, 1867.* The federal government exercises its regulatory authority through the National Energy Board ("NEB"). However, Ontario, through the Board, has a major role in the regulation of the natural gas sector in Ontario, including natural gas distribution and rates. The Board also has power under the Act to examine, report and advise on any question respecting energy that is referred to it by the Minister of Energy.

<u>Background</u>

Although Ontario does not have regulatory authority in relation to the approval of interprovincial oil pipelines, the province and people of Ontario have important interests at stake in the proposed Energy East project. These include critical safety, environmental, natural gas supply, and economic concerns. Ontario needs to be fully informed to ensure that it is able to actively participate and intervene in the future NEB hearings on TCPL's Energy East proposal.

TCPL has signalled that it will file its application with the NEB in the first quarter of 2014, and has already been widely and publicly consulting on this issue.

If it proceeds, this project involves the repurposing of a section of TCPL's Canadian Mainline ("Mainline") pipeline from natural gas to crude oil service across northern Ontario, through North Bay and southeast to Cornwall where a section of new pipeline running to the Quebec border is proposed. Currently, the Mainline provides natural gas to markets in Ontario and Quebec, as well as the United States.

.../cont'd

With respect to assessing proposed pipeline projects, the Government of Ontario has adopted the following six principles:

- Pipelines must meet the highest available technical standards for public safety and environmental protection;
- Pipelines must have world leading contingency planning and emergency response programs;
- Proponents and governments must fulfil their duty to consult obligations with Aboriginal communities;
- Local communities must be consulted;
- Projects should provide demonstrable economic benefits and opportunities to the people of Ontario, over both the short and long term; and
- Economic and environmental risks and responsibilities, including remediation, should be borne exclusively by the pipeline companies, who must also provide financial assurance demonstrating their capability to respond to leaks and spills.

Section 35 Report

Accordingly, I require the Board to examine and report to me on the Energy East project from an Ontario perspective. The Board shall consider the implications of the following:

a. impacts on Ontario natural gas consumers, in particular those in Eastern and Northern Ontario in terms of rates, reliability and access to supply;
b. impacts in Ontario on the natural environment and pipeline safety;
c. impacts in Ontario on local communities and Aboriginal communities; and
d. the short and long term economic impacts of the project in Ontario.

My expectation is that, to support the preparation of its report, the Board will undertake consultations with the public, including First Nation and Métis communities, local communities and stakeholders on the proposed Energy East project focussing on these issues. Such a Board process would be broad and transparent allowing time and opportunity for stakeholders and the public to make oral and written comments. The Board consultations would provide a forum for Ontarians to express their views on the proposed Energy East project and the consequent board report would assist and inform the Ontario government in formulating a position on TCPL's application. The Board may also wish to engage and consult external experts including the Environmental Commissioner of Ontario.

The Board's examination of the Energy East project should commence as soon as possible and be completed in sufficient time to allow the Ministry to review the report and use it to inform its participation as intervener in the Energy East proceeding before the NEB. A specific date for the submission of the Board's report to me will be communicated to you in future correspondence once the NEB hearing timetable is known.

Sincerely,

Bob Chiarelli

Bob Chiarelli
Minister

UNION GAS LIMITED

Answer to Interrogatory from
Consumers Council of Canada ("CCC")

Reference: Exhibit A, T1, Page 18

Union has established an Energy East Pipeline Cost Deferral Account. What amount does Union expect to record in the new account in 2015? Is the account for the costs incurred by the Board, or does it include costs incurred by Union?

Response:

Please see the response at Exhibit B.BOMA.12.

UNION GAS LIMITED

Answer to Interrogatory from
Consumers Council of Canada ("CCC")

Reference: Exhibit A, T1, Appendix E

Appendix E sets out Miscellaneous Non-Energy Service Charges. Please indicate if Union is changing the level of any of these charges. If so, please explain the reason for the change(s).

Response:

Union is not proposing any changes to the Miscellaneous Non-Energy Charges schedule.

UNION GAS LIMITED

Answer to Interrogatory from
Consumers Council of Canada ("CCC")

Reference: Exhibit A, T1, Working Papers, Schedule 10

Union has set out the revenue requirement amounts for the Parkway West, Brantford to Kirkwall and Parkway D projects. Has Union updated its forecasts for these projects? If so, please provide the updated forecasts. To what extent does Union expect the actual costs to vary from those approved by the Board in the Leave to Construct proceedings?

Response:

Please see the response at Exhibit B.Staff.3.

UNION GAS LIMITED

Answer to Interrogatory from
Consumers Council of Canada ("CCC")

Reference: Exhibit A, T2, Page 5

Union expects a shortfall at Parkway starting November 2015 as a result of the Parkway Delivery Obligation shift until sufficient Dawn to Kirkwall capacity has been turned back. Union plans to manage this shortfall. Please explain what circumstances might impact Union's ability to manage this shortfall. What would be the implications for Union's customers if Union's ability to manage the shortfall was compromised in any way?

Response:

Union does not foresee any circumstances that would impact Union's ability to manage the shortfall.

Please see the response at Exhibit B.BOMA.1.

UNION GAS LIMITED

Answer to Interrogatory from
Canadian Manufacturers and Exporters ("CME")

Reference: Exhibit A, Tab 1, page 7 of 19

Union is proposing to include a DSM budget of $32.588M in 2015 Rates, and proposes that this budget be allocated to the various rate classes in a manner consistent with the allocation of the DSM program costs in 2014.

The OEB is currently considering the DSM framework for 2015 and beyond. CME would like to better understand what would occur if Union's proposed DSM budget for 2015 is significantly increased or significantly reduced as a result of the DSM framework decision. For this reason, CME would like further details on how the true-up for material changes arising out of the Board's Decision on the DSM Framework would be accounted for through the Demand Side Management Various Account:

a) Please describe how the DSMVA would be used to increase or decrease the DSM budget mid-way through 2015;

b) Could material changes in budget be immediately addressed through the issuance of a rate rider? If so, please explain the process for Board approval of such a rider. If not, why not?

c) Approximately when would Union expect the DSMVA for 2015 to be cleared to ratepayers?

Response:

a) Union will track the variance between actual DSM spending by rate class relative to the DSM budget included in rates by rate class in the DSMVA.

b) Rate riders are generally only used to prospectively recover/refund gas supply deferral account balances in the QRAM and in the disposition of annual non-commodity deferral account balances.

   In Union's view, there are two options available to address material changes in the 2015 DSM budget. The first option, as described in part a) above, is to track the variance between actual DSM spending by rate class and the DSM costs included in rates in the DSMVA. The second option is to adjust Union's delivery rates to reflect an updated DSM budget.

Should the Board determine that material changes in the DSM budget require an adjustment to delivery rates during 2015, Union could update delivery rates and file a draft rate order to reflect an updated DSM budget. The DSMVA would continue to be used to track the variance between actual DSM spending by rate class and the updated DSM costs included in rates.

c) Union's expectation is to file its application for the disposition of the 2015 DSMVA amount in 2016. The disposition of the balance will take place per the Board Decision in that application.

UNION GAS LIMITED

Answer to Interrogatory from
Energy Probe Research Foundation ("Energy Probe")

Reference: A, Tab 1, Pages 8-9

Preamble: Any qualifying project would be subject to both annual revenue requirement true-ups during the IRM term and an end-of-term qualification assessment. [EB-2013-0202 Exhibit A, Tab 1, Page 31]

a) Please provide an update on the Parkway West and Brantford-Kirkwall/Parkway D Projects. Indicate any changes in Capital Expenditures from approved.

b) Please provide a Schedule showing forecast Assets In-Service (Pipeline and Compression) by each Quarter of 2015.

c) Please provide the associated average 2015 Ratebase addition and Revenue Requirement associated with the projected in service assets. Provide variance explanation (if required).

d) Please provide the sensitivity of 2015 Revenue Requirement to a change in Assets in service of $1million based on the projected 2015 return on Capital.

Response:

a) Please see the response at Exhibit B.Staff.3.

b)

Asset	Forecast Cost by In-Service Date ($000's)	
	Q4-2014	Q4-2015
PLANT C		
TCPL Measurement		15,399
Enbridge Measurement	13,525	
Station Infrastructure	27,042	31,635
Station Header	3,099	16,539
Pipeline Replacement & Valve Nest	15,692	4,282
Lands	29,482	
LCU Compressor		74,493
TOTAL PLANT C	88,840	142,348
TOTAL PLANT D		96,263
BRANTFORD - KIRKWALL		115,824
TOTAL COSTS	88,840	354,435

c) Please see Attachment 1. The change in average rate base for Parkway West is a result of changes in spending timing for the project and an increase of $11.8 million in costs common to both Parkway West and Parkway D. Costs for Parkway D are forecast to decrease by $11.8 million. The total cost forecast for Parkway West and Parkway D has not changed.

d) A $1 million change in assets in-service results in a change in revenue requirement of approximately $70,000.

UNION GAS LIMITED
2015 Parkway West and Brantford to Kirkwall and Parkway D Compressor Project Revenue Requirement

Line No.	Particulars ($000's)	Parkway West Project As Filed (1)	Parkway West Project Updated	Parkway West Project Variance	Brantford to Kirkwall and Parkway D Compressor Project As Filed (1)	Brantford to Kirkwall and Parkway D Compressor Project Updated	Brantford to Kirkwall and Parkway D Compressor Project Variance
		(a)	(b)	(c) = (b - a)	(d)	(e)	(f) = (e - d)
	Rate Base Investment						
1	Capital Expenditures	218,630	225,749	7,119	200,069	207,999	7,930
2	Average Investment	102,133	106,158	4,024	23,533	15,226	(8,308)
	Revenue Requirement Calculation:						
	Operating Expenses:						
3	Operating and Maintenance Expenses	739	738	(1)	107	107	0
4	Depreciation Expense	3,026	3,279	253	2,622	2,579	(43)
5	Property Taxes	290	289	(1)	142	141	(1)
6	Total Operating Expenses	4,055	4,306	251	2,871	2,827	(44)
7	Required Return (2)	5,898	6,130	232	1,359	879	(480)
8	Total Operating Expenses and Return	9,953	10,437	483	4,230	3,706	(524)
9	Total Income Taxes	(3,580)	(3,816)	(236)	(4,307)	(4,591)	(284)
10	Total Revenue Requirement	6,373	6,621	248	(77)	(884)	(807)

Notes:
(1) As per Rate Order, Appendix G.
(2) The Required Return assumes a capital structure of 64% long-term debt at 4% and 36% common equity at the 2013 Board-approved return of 8.93%.

UNION GAS LIMITED

Answer to Interrogatory from
Energy Probe Research Foundation ("Energy Probe")

Reference: Exhibit A, Tab 1, page 8

Preamble: The Board approved a total cost of $14.7 million for UFG in 2013 base rates (EB-2011-0210) calculated by multiplying the Board-approved total UFG volume of 70,253 103m3 by a WACOG 10 of $210.506/ 10^3m^3 (the cost of gas used in Union's January 1, 2013 QRAM). This means that for 2014 UFG, a volume variance less than $9.7 million or greater than $19.7 million would be subject to deferral. To illustrate, if the volume variance is $25.7 million, $6 million would be deferred and recovered from ratepayers. [EB-2013-0202 Exhibit A Tab 1 Page 29].

a) Please provide the actual and forecast balances in the UFG Variance Account, 179-135.

b) Confirm Union will clear the 2014 account balance(s) (if any) in the next Deferral and Variance Account clearance proceeding.

Response:

a) and b) Please see the response at Exhibit B.Staff.2.

UNION GAS LIMITED

Answer to Interrogatory from
Energy Probe Research Foundation ("Energy Probe")

Reference: Exhibit A, Tab 1, Page 11

Preamble: Union proposes to eliminate the Normalized Average Consumption ("NAC") volume adjustment from Union North Rate 01 and Rate 10 gas supply transportation rates for the remainder of its IRM term and keep the billing units associated with these rates at 2014 Board-approved levels.

a) Please provide more information (admin burden etc.) why this change is necessary.

b) What are the impact(s) to 2015 rates by continuing with the NAC volume adjustment for Rate 01 and Rate 10?

c) How does Union's proposal align with the approved EB-2013-0202 Settlement Agreement?

Response:

a) - c) Please see the response at Exhibit B.Staff.4.

UNION GAS LIMITED

Answer to Interrogatory from
Energy Probe Research Foundation ("Energy Probe")

Reference: Exhibit A, Tab 2, and PDO Schedule 1

Preamble: Union has noted that due to the results of its 2014 January-February Reverse Open Season, Dawn to Kirkwall turnback capacity is likely to be available earlier than forecasted and a further relief of 70 TJ/day is forecast to be available as early as November 1, 2016.

a) Please provide the actual (not forecast) firm contract elections from the open season as of present and indicate if PDO Schedule 1 and Table 1 correspond to these volumes. If not, please update and indicate the specific change(s) together with an explanation.

b) Please provide the Cost Impacts of this change in PDO forecast. For each year show the amounts paid by in-franchise and ex-franchise customers North and South by a comparison of the original forecast at the time of the June 2014 Settlement Agreement to the current forecast.

c) PDO Schedule 1 (bottom line) shows a transition of Sales Volumes to Dawn in 2016 (103 TJ/D reduced to 11 TJ/d). Please confirm this is the forecast in the Settlement Agreement.

d) Please provide an explanation why/how the timing of this is/is not affected by the new turnback forecast and indicate whether there is a commitment from Union or just a forecast. Relate your answer to that regarding costs in part b) of this IR.

Response:

a) Please see the response at Exhibit B.BOMA.1.

b) As described at Exhibit B.BOMA.1, Union is not forecasting an additional PDO shift in November 2016. Accordingly, the only change to the costs provided in Rate Order, Working Papers, Schedule 20, will be an update to the M12 Dawn to Parkway demand charge and WACOG.

Please see the response at Exhibit B.BOMA.8 for a comparison of the costs provided in the EB-2013-0365 Settlement Agreement and proposed 2015 rates (Rate Order, Working Papers, Schedule 20).

c) Confirmed, this is the forecast that was filed with the Settlement Agreement.

d) Please see the response at Exhibit B.BOMA.1.

UNION GAS LIMITED

2015 Parkway West and Brantford to Kirkwall and Parkway D Compressor Project Revenue Requirement

Line No.	Particulars ($000's)	Parkway West Project As Filed (1)	Parkway West Project Updated	Parkway West Project Variance	Brantford to Kirkwall and Parkway D Compressor Project As Filed (1)	Brantford to Kirkwall and Parkway D Compressor Project Updated	Brantford to Kirkwall and Parkway D Compressor Project Variance
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	Revenue Requirement Calculation:						
	Operating Expenses:						
3	Operating and Maintenance Expenses	739	738	(1)	107	107	0
4	Depreciation Expense	3,026	3,279	253	2,622	2,579	(43)
5	Property Taxes	290	289	(1)	142	141	(1)
6	Total Operating Expenses	4,055	4,306	251	2,871	2,827	(44)
7	Required Return (2)	5,898	6,130	232	1,359	879	(480)
8	Total Operating Expenses and Return	9,953	10,437	483	4,230	3,706	(524)
9	Total Income Taxes	(3,580)	(3,816)	(236)	(4,307)	(4,591)	(284)
10	Total Revenue Requirement	6,373	6,621	248	(77)	(884)	(807)

Notes:

(1) As per Rate Order, Appendix G.

(2) The Required Return assumes a capital structure of 64% long-term debt at 4% and 36% common equity at the 2013 Board-approved return of 8.93%.

UNION GAS LIMITED

Answer to Interrogatory from
Federation of Rental-housing Providers of Ontario ("FRPO")
and Ontario Greenhouse Vegetable Growers ("OGVG")

Reference: Exhibit A, Tab 1, Page 7, line 9

Please provide the basis for the 1.68% increase.

Response:

Please see the response at Exhibit B.VECC.1.

UNION GAS LIMITED

Answer to Interrogatory from
Federation of Rental-housing Providers of Ontario ("FRPO")
and Ontario Greenhouse Vegetable Growers ("OGVG")

Reference: Exhibit A, Tab 1, Pages 11 and 12

Please the actual 2014 cost impact of making the change in the gas transportation rates for the first 9 months of actual.

Response:

The September 2014 year to date actual cost impact of making the change in gas transportation rates is approximately $0.942 million.

UNION GAS LIMITED

Answer to Interrogatory from
Federation of Rental-housing Providers of Ontario ("FRPO")
and Ontario Greenhouse Vegetable Growers ("OGVG")

Reference: Exhibit A, Tab 1, Pages 13

Does Union profit from the Gas Supply Charge for Rate 25?

Response:

No, Union does not profit from the gas supply charge for Rate 25.

UNION GAS LIMITED

Answer to Interrogatory from
Federation of Rental-housing Providers of Ontario ("FRPO")
and Ontario Greenhouse Vegetable Growers ("OGVG")

Reference: Exhibit A, Tab 1, Pages 13

How does Union separate the commodity portion from the transport portion of Rate 25 Sales for allocation to its respective accounts.

Response:

The rate for the Rate 25 gas supply service includes both the commodity portion and transportation portion for the Rate 25 gas supply service. Union's Rate 25 sales service is a landed service in the delivery area and includes all of the commodity and associated transportation costs to move the gas to the delivery area. The transportation component of the rate is generally TransCanada tolls from Empress to the delivery area. The remainder of the Rate 25 rate is commodity. To the extent that Rate 25 sales service uses Unions firm contracted TransCanada transportation from Empress to the delivery area, this reduces what would otherwise be unutilized pipe or UDC costs for sales service and bundled DP customers. Because Rate 25 is an interruptible service, Union does not hold firm transportation capacity for Rate 25 on a design day. If firm TransCanada transportation is not available on any given day, Union may acquire other transportation to the delivery area such as interruptible transportation on TransCanada. All costs associated with providing the Rate 25 sales service are paid for by the Rate 25 sales service customers. As approved by the Board in RP-1999 - 0017, Union does not record Rate 25 sales service activity in the gas cost deferral accounts. Any variance between the sales price and the actual cost of commodity and upstream transport is managed within the Rate 25 sales service rate class. Union does not profit on the sale of commodity or upstream transportation.

UNION GAS LIMITED

Answer to Interrogatory from
Federation of Rental-housing Providers of Ontario ("FRPO")
and Ontario Greenhouse Vegetable Growers ("OGVG")

Reference: Exhibit A, Tab 1, Pages 13

What are Union's views on the need for this level of increase if the NEB constrains TCPL's discretion on discretionary services? Please comment on whether Union would re-file this evidence based upon the resulting market conditions.

Response:

Union does not plan to re-file its Rate 25 proposal should the NEB constrain or otherwise change TransCanada's discretion on pricing discretionary services. As indicated at EB-2014-0271, Exhibit A, Tab 1, p.13, Union is proposing to modify the Rate 25 minimum and maximum to recognize the potential range of costs. This range ensures that customers will continue to have access to Rate 25 sales service even during times of extreme price volatility.

UNION GAS LIMITED

Answer to Interrogatory from
Federation of Rental-housing Providers of Ontario ("FRPO")
and Ontario Greenhouse Vegetable Growers (“OGVG”)

Reference: Exhibit A, Tab 2

What impact will this amount of PDO reduction have on Union's Dawn-Parkway facility plans for Nov. 1, 2016 and Nov. 1, 2017.

Response:

The PDO reduction forecasted in Exhibit A, Tab 2 does not impact Union’s Dawn - Parkway facility plans for 2016 or 2017.

UNION GAS LIMITED

Answer to Interrogatory from
Federation of Rental-housing Providers of Ontario ("FRPO")
and Ontario Greenhouse Vegetable Growers ("OGVG")

Reference: Appendix B Rate Schedules & Union Gas Bundled Transportation Contract

Preamble: Within numerous rate schedules, the following sentence is included: "*Where a customer elects transportation service under this rate schedule, the customer must enter into a Bundled T Gas Contract with Union for delivery of gas to Union. Bundled T Gas Contract Rates and Gas Purchase Contract Rates are described in rate schedule R1*."

We would like to understand better a customer's rights and responsibility under the contract.

Please confirm that all Bundled Transportation ("BT") contracts require an annual balancing of the Banked Gas Account ("BGA") within plus or minus 4% of annual deliveries. If this is not confirmed, please summarize the balancing responsibilities of the BT customers.

Response:

All Union South BT contracts have a Maximum Allowable Variance within their contracts that is equal to plus or minus 4% of annual deliveries at contract renewal.

Union North BT contracts do not have this allowable variance within their BT contract.

UNION GAS LIMITED

Answer to Interrogatory from
Federation of Rental-housing Providers of Ontario ("FRPO")
and Ontario Greenhouse Vegetable Growers ("OGVG")

Reference: Bundled Transportation Agreement, Schedule 2, Clause 3.03

The referenced clause states: "Union's refusal to receive Gas under any circumstances described in this section does not relieve Customer of its obligation on any subsequent Day to deliver its Obligated DCQ to Union should Union require it. Union agrees to act in a reasonable and responsible manner when interpreting the relevant data for determining the forecasted BGA balances. Union shall not be liable for any damages, losses, costs or expenses incurred by Customer as a consequence of refusing receipt of Gas."

Please clarify whether the above exemption from liability includes Union Gas penalties for BGA variances.

a) Please provide the basis for exempting or not exempting liability from Union Gas BGA variance penalties.

Response:

The excerpt noted in the question is the third paragraph of clause 3.03. The full Union South BT service terms and conditions, included as Attachment 1 to provide full context.
http://www.uniongas.com/~/media/business/accountservices/unionline/contractsrates/pdf/SouthBTSch2.pdf

Clause 3.03 outlines the customer's requirement to monitor its BGA balance throughout the contract term; not just the checkpoints.

The second paragraph outlines Union's right to refuse a customer's deliveries, including its obligated DCQ, if it forms the opinion that the customer's forecast BGA will exceed their maximum positive variance at the end of a balancing period.

The third paragraph highlights that:

- Union's refusal of gas under this section does not relieve the customer's need to deliver its obligated DCQ, if Union requires it.
- Union will act reasonably in determining whether it will refuse the deliveries per this section.

- Union is not responsible for any damages, losses, costs, or expenses incurred by the customer associated with Union’s refusal to accept deliveries from the customer or their supplier.

Union’s refusal to accept deliveries does not remove the customer’s obligation to meet its balancing requirements. If the customer does not meet its balancing obligations, it will be subject to any charges from Union associated with that failure.

Union would only exercise its rights under this clause if a customer refuses to remove excess gas from their BGA at any time. It ensures the reduction occurs, albeit over time, by refusing the obligated DCQ deliveries to Union. If Union’s refusal to accept deliveries reduces the excess BGA balance prior to a balancing date then the charges for failing to balance would be less than they would have otherwise been. However, the customer would still be responsible for any penalties that accrue.

SCHEDULE "2"

Southern Bundled T Terms And Conditions

1 UPSTREAM TRANSPORTATION COSTS

Where Union is receiving Gas from Customer at a Point of Receipt upstream of Union's system, Customer shall be responsible to Union for all direct and indirect upstream transportation costs including Compressor Fuel from the Point of Receipt to Union's system, whether Gas is received by Union or not, for any reason including Force Majeure. Where actual quantities and costs are not available by the date when Union performs its billing, Union's reasonable estimate will be used and the appropriate reconciliation will be done in the following Month.

2 OBLIGATIONS TO DELIVER AND RECEIVE

Subject to the provisions of this Contract, Union agrees to receive the Obligated DCQ parameters in Schedule 1 each Day. Customer accepts the obligation to deliver the Obligated DCQ parameters in Schedule 1 to Union on a Firm basis. On days when an Authorization Notice is given, the DCQ parameters are as defined in the Authorization Notice.

For all Gas to be received by Union at the Upstream Point of Receipt, Customer shall, in addition to the DCQ, supply on each Day sufficient Compressor Fuel as determined by the Transporter.

3 BANKED GAS ACCOUNT

The Banked Gas Account ("BGA") will be used to accumulate the daily differences between the total quantities of Gas received by Union (excluding fuel) from the Customer, and the total quantities of Gas distributed by Union to the End Use locations listed in Schedule 3, plus any BGA transactions permitted by Authorization Notice. Where the cumulative quantities received by Union exceed the cumulative quantities distributed by Union, the resulting BGA balance shall be positive. Where the cumulative quantities distributed by Union exceed the cumulative quantities received by Union, the resulting BGA balance shall be negative.

Customer shall plan and operate in a manner that will achieve a BGA balance of zero at the end of each Contract Year. In addition, Customer is expected to take balancing actions early in the summer to ensure that the BGA balance does not exceed the Fall Checkpoint Quantity as of the Fall Checkpoint Date. Customer is also expected to take balancing actions early in the winter to ensure that the BGA balance is not less than the Winter Checkpoint Quantity as of the Winter Checkpoint Date. The checkpoint quantities and dates are identified in Section 4 of Schedule 1.

Customer's ability to manage the BGA balance through changes in its supply arrangements shall require authorization from Union. Customer's request for a change does not require or obligate Union to accept a request which Union, acting reasonably, determines it cannot accommodate. If Union cannot accommodate such request, Customer shall not be relieved from its obligations for the Fall Checkpoint Date or the Winter Checkpoint Date, or any BGA Balancing Period Date.

Provided this Contract is in place for a subsequent Contract Year, that portion, if any, of the BGA balance not outside of the Maximum Positive Variance or the Maximum Negative Variance identified in Schedule 1 shall be carried forward into the BGA of the subsequent Contract Year.

3.01 Service under the Union Determined Balancing Option

Where Schedule 1 identifies the balancing option as "Union Determined Balancing Option", Section 3.01 of this Schedule 2 shall apply and Section 3.02 shall not apply.

Under the Union Determined Balancing Option, Union will determine and advise Customer of the incremental quantity of Gas that must be supplied by Customer for the BGA balance to be greater than or equal to the Winter Checkpoint Quantity as of the Winter Checkpoint Date, and the quantity of Gas that must be disposed of for the BGA balance to be less than or equal to the Fall Checkpoint Quantity as of the Fall Checkpoint Date. Customer is obligated to supply and to dispose of the quantities of Gas as determined by Union.

Winter Checkpoint

Periodically during the winter, Union will estimate what the BGA balance will be as of the Winter Checkpoint Date ("Winter BGA Balance") using recent third party weather forecasts and Customer's monthly consumption forecast. The BGA estimate will include estimated consumption, whether billed or unbilled, to and including the Winter Checkpoint Date. This information will be provided to Customer for information purposes only, and in no way limits or qualifies Customer's obligation to ensure that the actual BGA balance is greater than or equal to the Winter Checkpoint Quantity on the Winter Checkpoint Date. As the Winter BGA Balance is comprised of third party weather forecasts and Customer's consumption forecast, Union cannot make any representation or warranty as to the accuracy of the Winter BGA Balance.

During February, if Union determines that the estimated BGA will be less than the Winter Checkpoint Quantity then Union will advise Customer on or about the 10th Business Day of February of the additional quantity of Gas that must be delivered. Customer must, by the 15th Business Day of February, request approval for a balancing transaction to deliver the additional Gas. If Customer does not make a request by the 15th Business Day, or if Union has approved a balancing transaction and the Gas is not delivered in accordance with the approved balancing transaction, then Union will sell to Customer, and Customer will accept, that quantity of Gas at the Banked Gas Purchase commodity charge from the R1 Rate Schedule.

Fall Checkpoint

During September, Union will determine and advise Customer on or about the 10th Business Day of September of the quantity of Gas that must be disposed of in advance of the Fall Checkpoint Date ("Checkpoint Variance"). Once Union has advised Customer of the Checkpoint Variance, then Union, at any time prior to the Fall Checkpoint Date, upon three business days notification, shall have the right to refuse receipt of Gas until the BGA has been reduced by an amount equal to the Checkpoint Variance. Union shall not be liable for any damages, losses, costs or expenses incurred by Customer as a consequence of refusing receipt of Gas.

If, by the Fall Checkpoint Date, a quantity of Gas greater than or equal to the Checkpoint Variance has not been disposed of, then Customer shall incur a charge equivalent to the difference between the Checkpoint Variance and the actual quantity disposed of by Customer after being notified of the Checkpoint Variance ("Union Determined Excess Quantity") multiplied by the Unauthorized Storage Space Overrun rate in Union's T1 Rate Schedule. The Unauthorized Storage Space Overrun rate will be applied to the remaining Union Determined Excess Quantity each month until the Union Determined Excess Quantity is reduced to zero.

In addition, Customer shall take immediate steps to dispose of the Union Determined Excess Quantity. On the first business day of October, or at any time afterwards, upon three business days notification, Union may refuse receipt of Gas until the BGA has been reduced by an amount equal to the Union Determined Excess Quantity. Union shall not be liable for any damages, losses, costs or expenses incurred by Customer as a consequence of refusing receipt of Gas.

3.02 Service under the Customer Determined Balancing Option

Where Schedule 1 identifies the balancing option as "Customer Determined Balancing Option", Section 3.02 of this Schedule 2 shall apply and Section 3.01 shall not apply.

Under the Customer Determined Balancing Option, Customer is responsible for determining the quantity of Gas that must be supplied and executing the actions required to ensure that the actual BGA balance is greater than or equal to the Winter Checkpoint Quantity as of the Winter Checkpoint Date, and determining the quantity of Gas that must be disposed of and executing the actions required to ensure that the actual BGA balance is less than or equal to the Fall Checkpoint Quantity as of the Fall Checkpoint Date.

Winter Checkpoint

Periodically during the winter, Union will estimate what the BGA balance will be as of the Winter Checkpoint Date ("Winter BGA Balance") using recent third party weather forecasts, if applicable, and Customer's monthly consumption forecast. The BGA estimate will include estimated consumption, whether billed or unbilled, to and including the Winter Checkpoint Date. This information will be provided to Customer for information purposes only, and in no way limits or qualifies Customer's obligation to ensure that the actual BGA balance is greater than or equal to the Winter Checkpoint Quantity on the Winter Checkpoint Date. As the Winter BGA Balance is comprised of third party weather forecasts and Customer's consumption forecast, Union cannot make any representation or warranty as to the accuracy of the Winter BGA Balance.

If Customer determines that it requires a change in its supply arrangements to meet its Winter Checkpoint Quantity as of the Winter Checkpoint Date, Customer must, by the 15th Business Day of February, request approval for a balancing transaction to deliver the additional Gas. If Customer does not make a request by the 15th Business Day of February then Union is not obligated to accept the request if it cannot be reasonably accommodated or exposes Union to incremental costs.

If the actual BGA balance is less than the Winter Checkpoint Quantity on the Winter Checkpoint Date then Union will sell to Customer, and Customer will accept, a quantity of Gas equal to the difference between the actual BGA balance and the Winter Checkpoint Quantity, at the Banked Gas Purchase commodity charge in the R1 Rate Schedule.

Fall Checkpoint

During September, Union will determine and advise Customer on or about the 10th Business Day of September of the quantity of Gas projected to be in excess of the Fall Checkpoint in advance of the Fall Checkpoint Date ("Checkpoint Variance"). Once Union has advised Customer of the Checkpoint Variance, then Union, at any time prior to the Fall Checkpoint Date, upon three business days notification, shall have the right to refuse receipt of Gas until the BGA has been reduced by an amount equal to the Checkpoint Variance. Union shall not be liable for any damages, losses, costs or expenses incurred by Customer as a consequence of refusing receipt of Gas.

If the actual BGA balance is greater than the Fall Checkpoint Quantity on the Fall Checkpoint Date, Customer shall incur a charge equivalent to the difference between the actual BGA balance and the Fall Checkpoint Quantity ("Customer Determined Excess Quantity") multiplied by the Unauthorized Storage Space Overrun rate in Union's T1 Rate Schedule. The Unauthorized Storage Space Overrun rate will be applied to the remaining Customer Determined Excess Quantity each month until the Customer Determined Excess Quantity is reduced to zero.

In addition, Customer shall take immediate steps to dispose of the Customer Determined Excess Quantity. On the first business day of October, or at any time afterwards, upon three business days notification, Union may refuse receipt of Gas until the BGA has been reduced by an amount equal to the Customer Determined Excess Quantity. Union shall not be liable for any damages, losses, costs or expenses incurred by Customer as a consequence of refusing receipt of Gas.

3.03 Additional BGA Monitoring and Maintenance Obligations

In addition to meeting the Fall Checkpoint Quantity on the Fall Checkpoint Date and the Winter Checkpoint Quantity on the Winter Checkpoint Date above, Customer agrees to monitor its BGA balance on an ongoing basis, and shall maintain a BGA balance such that it does not exceed the Maximum Positive Variance or Maximum Negative Variance on the BGA Balancing Period Date(s) specified in Section 3 of Schedule 1. If Customer anticipates a BGA balance outside of any of these parameters then Customer shall promptly notify Union.

If Union forms the opinion that the BGA balance will exceed the Maximum Positive Variance at the end of a BGA Balancing Period Date as referenced in Section 3 of Schedule 1 then Union, in its discretion, shall have the right to refuse receipt of Gas.

Union's refusal to receive Gas under any circumstances described in this section does not relieve Customer of its obligation on any subsequent Day to deliver its Obligated DCQ to Union should Union require it. Union agrees to act in a reasonable and responsible manner when interpreting the relevant data for determining the forecasted BGA balances. Union shall not be liable for any damages, losses, costs or expenses incurred by Customer as a consequence of refusing receipt of Gas.

3.04 Positive BGA Implications

In addition to planning and operating to balance to zero at the end of the Contract Year, Customer must take all actions required to ensure that the Maximum Positive Variance is not exceeded. On any BGA Balancing Period Date identified in Section 3 of Schedule 1, if the actual BGA balance is in excess of the Maximum Positive Variance ("Positive Variance Excess") then such excess shall incur a charge equivalent to the Unauthorized Storage Space Overrun rate in Union's T1 Rate Schedule. The Unauthorized Storage Space Overrun rate will be applied to the remaining Positive Variance Excess each month until the Positive Variance Excess is reduced to zero.

In addition, Customer shall take immediate steps to dispose of the Positive Variance Excess. On the first business day of the month following the BGA Balancing Period Date identified in Section 3 of Schedule 1, or at any time afterwards, upon three business days notification, Union may refuse receipt of Gas until the BGA has been reduced by an amount equal to the Positive Variance Excess. Union shall not be liable for any damages, losses, costs or expenses incurred by Customer as a consequence of refusing receipt of Gas.

3.05 Negative BGA Implications

In addition to planning and operating to balance to zero at the end of the Contract Year, Customer must take all actions required to ensure that the Maximum Negative Variance is not exceeded. On any BGA Balancing Period Date identified in Section 3 of Schedule 1, if the actual BGA balance is in excess of the Maximum Negative Variance then the excess shall be sold by Union and purchased by Customer at the Banked Gas Purchase charge in the R1 Rate Schedule.

3.06 Energy Conversion

Balancing of receipt by Union with distribution to Customer is calculated in energy. The distribution to Customer is converted from volume to energy using Union’s standard practices.

3.07 Disposition of Gas at Contract Termination

If this Contract terminates or expires and Customer does not have a contract for Storage Services with Union then, except as authorized by Union, no positive BGA balance shall be allowed. Unless otherwise agreed to by Union, any positive BGA balance remaining in Customer’s BGA as of such date of termination or expiry shall incur a charge equivalent to the Unauthorized Storage Space Overrun rate in Union's T1 Rate Schedule. Customer shall incur such charge until the balance has been reduced to zero.

Unless otherwise agreed to by Union, any negative BGA balance as of the date of termination shall be sold by Union, and purchased by Customer, at the Banked Gas Purchase commodity charge in the R1 Rate Schedule.

3.08 BGA Carryover Limitation During Late Season Injection

If the current Contract Year ends during the period September 15 to November 15, Union will provide Storage Services for a positive BGA balance on a reasonable efforts basis only. If in Union's opinion such Service is not available, Customer, when requested by Union, shall reduce deliveries to Union to ensure that the positive balance is reduced to zero or to an amount specified by Union. Such request by Union shall release Customer from its Obligation to deliver during the period specified. Any Gas in excess of the amount specified by Union shall incur a charge equivalent to the Unauthorized Storage Space Overrun rate in Union's T1 Rate Schedule.

4 CHANGES TO CONTRACT PARAMETERS (SCHEDULE 1)

4.01 General Service Class

This Section 4.01 shall only apply to Contracts that do not have any end use locations served under rates M4, M5, M6, M7 or M9. Any changes to the list of End Use locations, consumption patterns, or upstream supply may have a corresponding change to the parameters in Schedule 1 as determined by Union. If there is a change, Customer will receive a revised Schedule 1 from Union prior to the effective date of the change. If Customer does not acknowledge and agree to the revised Schedule 1 in writing at least 25 days prior to the effective date of the change then the Contract will be terminated.

4.02 Contract Rate Classes

This Section 4.02 shall only apply to Contracts with one or more end use locations served under rates M4, M5, M6, M7 or M9. The monthly consumption estimates and the monthly Gas supply are used to determine the Fall and Winter Checkpoints. If Customer has not provided Notice for termination in accordance with the Notice provisions of the Contract, then the parameters in Schedule 1 shall apply to the next Contract Year. However, during the period prior to 25 days before the beginning of the next Contract Year, Union and Customer agree to negotiate in good faith new Schedule 1 parameters reflecting Customer's expected consumption profile for the next Contract Year. If the parties cannot reach agreement, then the existing parameters shall apply.

5 CUSTOMER'S FAILURE TO DELIVER GAS

5.01 Customer's Failure To Deliver Obligated DCQ to Union

If on any Day, for any reason, including an instance of Force Majeure, Customer fails to deliver the Obligated DCQ to Union then such event shall constitute a "Failure to Deliver" and the Failure to Deliver rate in the R1 Rate Schedule shall apply to the quantity Customer fails to deliver. The upstream transportation costs (if any) (Section 1) shall also apply and be payable by Customer.

For Gas that should have been received, Union may make reasonable attempts, but is not obligated to acquire an alternate supply of Gas. For greater certainty, payment of the Failure to Deliver charge is independent of and shall not in any way influence the calculation of Union's costs and expenses associated with acquiring the said alternate supply of Gas.

In addition to any rights of interruption in the Gas Distribution Contract(s), Union may immediately suspend distribution of Gas to the Consumption Points or Union may direct Customer to immediately curtail or cease consumption of Gas at the Consumption Points.

Customer shall immediately comply with such direction. Such suspension or curtailment shall not constitute an Interruption under the Gas Distribution Contract(s).

Union shall not be liable for any damages, losses, costs or expenses incurred by Customer as a consequence of Union exercising its rights under this Section.

5.02 Notice Of Failure

Each Party shall advise the other by the most expeditious means available as soon as it becomes aware that such failure has occurred or is likely to occur. Such notice may be oral, provided it is followed by written Notice.

5.03 Customer Failure To Deliver Compressor Fuel

For Gas to be delivered by Customer to Union at an Upstream Point of Receipt, if Customer fails to deliver sufficient Compressor Fuel then, in addition to any other remedy, Union shall deem the first Gas received to be Compressor Fuel and Section 5.01 will apply.

UNION GAS LIMITED

Answer to Interrogatory from
Federation of Rental-housing Providers of Ontario ("FRPO")
and Ontario Greenhouse Vegetable Growers ("OGVG")

Reference: Bundled Transportation Agreement, Schedule 2, Clause 3.03

Please confirm that all customer actions to vary deliveries to meet BGA obligations are subject to Union Gas authorization.

a) Please confirm these authorizations are interruptible by Union Gas for operational purposes.

Response:

Confirmed. All transactions to vary deliveries or transfer balances for bundled transportation contracts are subject to authorization by Union. Depending on the type of transaction, it may be firm or interruptible.

UNION GAS LIMITED

Answer to Interrogatory from
Federation of Rental-housing Providers of Ontario ("FRPO")
and Ontario Greenhouse Vegetable Growers (“OGVG”)

Reference: Bundled Transportation Agreement, Schedule 2, Clause 3.03

In a situation where Union Gas has provided authorization for incremental deliveries for a customer to meet its BGA obligations and subsequently interrupts that right to deliver, please provide:

a) Union's right to apply penalty provisions in the R1 or T1 rate schedules to rectify imbalances.

b) The supporting regulatory approvals for that right.

c) The principles behind the need for the application of imposed charges to rectify the imbalance.

Response:

a) The Union South bundled T contract and the R1 and T1 rate schedules operate together. In a situation where a customer is required to deliver gas to balance and they do not meet that requirement, the charges in the R1 rate schedule apply.

   Section 3 of the Union South bundled T contract terms and conditions (Exhibit B.FRPO_OGVG.8, Attachment 1) outlines the contractual requirements to balance the contract. The second paragraph outlines the need for the customer to actively manage its Banked Gas Account (“BGA”).

> Customer shall plan and operate in a manner that will achieve a BGA balance of zero at the end of each Contract Year. In addition, Customer is expected to take balancing actions early in the summer to ensure that the BGA balance does not exceed the Fall Checkpoint Quantity as of the Fall Checkpoint Date. Customer is also expected to take balancing actions early in the winter to ensure that the BGA balance is not less than the Winter Checkpoint Quantity as of the Winter Checkpoint Date. The checkpoint quantities and dates are identified in Section 4 of Schedule 1.
>
> The next paragraph outlines the need for the customer to seek Union’s authorization for balancing transactions.

> Customer's ability to manage the BGA balance through changes in its supply arrangement shall require authorization from Union. Customer's request for a change does not require or obligate Union to accept a request which Union, acting reasonably, determines it cannot accommodate. If Union cannot accommodate such request, Customer shall not be relieved from its obligations for the Fall Checkpoint Date or the Winter Checkpoint Date, or any Balancing Period Date.

This section applies to the authorization of the balancing transactions outlined in Exhibit B.FRPO_OGVG.9. By extension, this would also apply to the scheduling of the interruptible transactions through the nomination process.

If a customer does not deliver enough gas to meet a balancing requirement, the contract references the Banked Gas Purchase commodity charge from the R1 Rate Schedule (last paragraph within the Winter Checkpoint portions of sections 3.01 and 3.02, last sentence of section 3.05, and the last sentence of section 3.07).

b) In its EB-2001-0029 Decision, the Board approved Union's proposal to change the penalty for direct purchase customers who fail to balance within the 4% tolerance be based on the highest daily spot price during either the month of or the month following the failure to balance, whichever is higher. Please see Attachment 1.

   In addition, the Board has approved the rates outlined in the R1 and T1 rate schedules since the inception of the underlying Union South bundled T and T1 services. All customers are to proactively manage their gas supply to meet their consumption needs and Union's balancing requirements and other contract obligations. In that proactive management, the customer should take into consideration the timing of their actions and the potential for interruptible services to be interrupted. To the extent that a customer does not meet its obligations, Union and its other customers (including those that did meet their obligations) could be exposed to additional costs. The charges for not balancing are to incent appropriate behaviour and recover any costs incurred by Union should customers not meet their contractual obligations.

c) Please see the responses to a) and b) above.

RP-2001-0029

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 for an order or orders approving or fixing just and reasonable rates and other charges for the sale, distribution, transmission, and storage of gas for periods commencing January 1, 2001, and January 1, 2002;

AND IN THE MATTER OF the customer review process and other mechanisms approved by the Ontario Energy Board in its decision in RP-1999-0017.

BEFORE: Malcolm Jackson
Presiding Member

George A. Dominy
Member

Paul B. Sommerville
Member

DECISION WITH REASONS

September 20, 2002

2.58 The Alliance Vector calculated variances tracked within the Other Purchased Gas Cost deferral account (179-68) to December 31, 2001, should be disposed of together with other amounts posted to that account, and furthermore, there is no longer a requirement for tracking the prescribed variance.

2.2 FAILURE TO BALANCE PENALTIES

2.59 Union has proposed a change in the treatment of direct purchase customers which fail to balance annually to their contractual obligation to deliver gas to Union, within the contractually specified 4% tolerance.

2.60 Currently, these customers, if short on their deliveries to Union at the annual date for balancing are charged the then-approved weighted average cost of gas ("WACOG") for the volumes required to balance and, upon disposition of the deferral account balances for the year, an additional amount based upon the difference between the WACOG and the average cost of Union's spot gas purchases for the quarter in which the failure to balance occurred. If Union had not purchased any spot gas in that quarter, only the WACOG charge would apply.

2.61 Union has proposed in this Application that the penalty for direct purchase customers who fail to balance within the 4% tolerance be based on the highest daily spot price (as reported in the Canadian Gas Price Reporter) during either the month of or the month following the failure to balance, whichever is higher. The Other Purchased Gas Deferral Account would then be reduced by the difference between this charge and the approved WACOG, so that penalties go to the benefit of ratepayers and do not go to the benefit of utility earnings.

2.62 Union noted that any additional amounts levied in respect of customers who had not balanced would be posted to the Other Purchased Gas Deferral Account, "... [s]o these charges benefit the customers who are not guilty of contract breaches."

2.63 Union stated that the rationale for the proposed change was that under the current system there was insufficient incentive for direct purchase customers to balance. Because Union's imbalance penalties do not reflect market prices for gas at the time of default, a number of these customers have made a choice to rely on Union's system sales portfolio to balance. Union submitted that this phenomenon has had adverse cost impacts on other franchise customers.

2.64 Union argued that its proposal, by levying the penalty at the time of imbalance – thus strengthening the link "between the violation and the cost consequences" – and by reflecting market prices at the time of the choice to not balance, would provide sufficient incentives to ensure that the cost consequences arising from direct purchasers strategically choosing not to balance would not be visited on system gas customers.

Intervenors' Positions

2.65 A number of intervenors supported the Applicant's proposal, on the grounds that the preservation of the integrity of the system as a whole requires a more demanding penalty for non-compliance with contractual balancing obligations. Most of these intervenors also expressed reservations respecting the application of the revised penalty provisions to direct purchasers whose failure to balance arose prior to the date of this Decision.

2.66 Two intervenors, Schools and IGUA, and two observers, Barnett and Oxford, rejected Union's proposal in its entirety. In separate submissions Schools and IGUA asserted that the existing penalty structure, the availability of purely contractual remedies, and the provisions appearing in current rate schedules provided all the incentive that is needed to encourage direct purchasers to balance according to their respective contractual obligations. They also sharply rejected the application of any revised penalty methodology to instances of default arising prior to the issuance of this Decision. They characterized this aspect of the Applicant's proposal as retroactive rate making.

2.67 IGUA submitted that the charges "... should be commensurate with the charges reflected in rate schedules currently approved by the Board for drafting the system", noting that the T1 and T3 rate schedules include a "Reasonable Efforts Backstop Gas" rate applicable to drafted volumes; further, the rate specified "... appears to be linked to WACOG in some fashion." IGUA also noted that in the Northern and

Eastern Operations Area, the Rate 30 schedule includes an intermittent gas supply charge of $\$5/10^3m^3$ plus the greater of the cost of incremental gas or the customer's gas supply charge. IGUA submitted that penalty charges ,for bundled, direct purchase drafters should be consistent with the approved charges on the T1, T3, and rate 30 schedules.

2.68 Barnett and Oxford described the effect of the application of the proposed revised penalty structure to their existing defaults as "devastating". Barnett in particular cited a fundamental failure of communication and cooperation between itself and Union as a major contributing factor in its default. It submitted that penalties which would be applied if the Applicant's proposal were to be approved without revision are very significant.

2.69 Kitchener did not support Union's proposal arguing that this type of change should not be made in the mid-term of the PBR plan in the absence of evidence of a material need.

Union's Reply

2.70 Union disputed the characterization of its proposal as retroactive, submitting that customers were advised on October 3, 2000, of the proposal to use the highest spot price at Dawn in the month following contract expiry, and marketers were advised of the proposal on September 27, 2000. The Board was advised of the proposal on October 24, 2000.

2.71 Union reiterated that the rationale for the proposal was to minimize or eliminate the incentive for direct purchasers to rely on system supply, thereby shielding other customers from balancing costs incurred by Union.

2.72 Union noted that in respect of imbalance charges, the bundled-T contract refers to the R1 rate schedule. This schedule states that the drafting charge (i.e., "Banked Gas Purchases") will be the WACOG plus additional charges as approved by the Board. As such, the calculation of additional charges is not specified on the rate schedule.

2.73 Union added that in response to inquiries from marketers and customers who were considering failing to balance, Union advised them as to what the "old calculation [of the imbalance penalty] was" and further, that Union was seeking additional penalties that "would not be attractive if customers did not balance."

2.74 Union argued that "[c]ustomers had ample time to balance their contracts expiring at the end of October 2000 after receiving the communication approximately a month in advance. They did not all do so, presumably, because the price was high, the costs of drafting the system were low and these customers just decided to take their chances that higher charges would not be approved. Their conduct, in other words, simply further confirms the need for higher charges."

2.75 Union cited p. 16, para. 3.2.13 of the Board's EBRO 493-04/494-06 Decision with reasons issued February 10, 1998, as an instance in which the Board approved the retroactive application to contracts that had expired in the previous year, of the average spot gas cost incurred by Union in the quarter of contract expiry: "With respect to the specific allocation of $1.448 million of costs to direct purchase customers who were out of balance by more than the allowed contract tolerance at contract year end, the Board is satisfied that customers should have been aware as a result of the Board's Decision in EBRO 493/494, of the prospect of such charges arising, and approves the proposed disposition."

2.76 Union added that it arranges supply to balance the system. Neither specific volumes nor costs are streamed to direct purchase customers and it is impossible to calculate Union's costs of balancing those who do not balance themselves. Further, Union claimed that direct purchase customers would continue to rely on system gas for balancing when economic. Union asserted that it was inappropriate for customers who had accepted responsibility to buy their own gas "... to jump back and forth between direct purchase and system supply when it suits them, which is effectively what happens when a direct purchase customer relies on Union to balance its requirements at contract year end."

2.77 With respect to IGUA's reference to the T1 and T3 "Reasonable Efforts Backstop Gas" rate, a rate at which customers with negative storage balances will have been deemed to have been sold gas, Union cited the associated difficulties mentioned by

Mr. Packer in his testimony. The rate is pegged to WACOG and includes the first block M2 rate. As such, if gas prices spike upwards, customers may rely on this rate for balancing.

2.78 Regarding the position advanced by some parties that Rate 30 service provided an alternative balancing function, Union remarked that this was an intermittent gas supply that was only available in the Northern and Eastern Operations area and was not intended as a balancing instrument for direct purchase customers.

2.79 Union stated that "the fact that the charges under the new methodology exceed the charges under the old is irrelevant " Union argued that whereas the old methodology reflected the timing of Union's spot gas purchases, the new methodology more accurately reflects available market alternatives. Union observed that direct purchasers were facing adverse financial consequences because market prices were increasing when many contracts were expiring and customers waited to decide as to whether to balance or not.

2.80 Union repeated that there is no shareholder benefit under the proposal. All charges derived from the penalty are credited to the Other Purchased Gas Costs Deferral Account.

2.81 Union concluded that absent the proposed change, direct purchase customers will choose to balance using system gas whenever it is economic to do so, and that, in choosing to not honour their contractual obligations with gas that they have purchased independently, they will impose costs on other customers.

Board Findings

2.82 The Applicant has proposed to significantly alter the method for the calculation of the Failure to Balance penalty. This penalty is imposed on direct purchase customers which fail to balance deliveries of gas according to their contractual obligation to Union.

2.83 The prevailing "penalty" is imposed on defaulting direct purchasers which fail to balance within 4% of the contractual undertaking. The first component of the current formula for the calculation of the penalty in the event of a shortfall in the customer's deliveries consists of a charge equivalent to the contemporaneous Alberta WACOG applied to the shortfall in volume required to balance to within 4% of the contract obligation.

2.84 In addition to this amount, the defaulting direct purchaser is charged an amount representing the extent to which the spot market price paid by Union exceeded the WACOG at the time of failure to balance. This calculation is performed at the time of the disposition of the respective accounts for the year, and is only charged if Union did, in fact, purchase additional volumes on the spot market, at the spot market price, during the period of default.

2.85 The penalty as currently designed is intended to achieve two purposes: first, it ensures that Union is made whole in light of a direct purchaser's default; and second, it provides a disincentive to a direct purchaser to default on its obligation.

2.86 The Applicant's proposal in this proceeding points to deficiencies in the structure and effect of the current penalty. First among these is the possibility that a strategic direct purchaser may choose to fail to balance, because the current penalty formula, under some market conditions, creates an incentive to default. The penalty imposed may expose a direct purchase to a lower cost than it would face if it purchased its own gas to cover this shortfall.

2.87 In addition, Union stated that the current penalty methodology does not adequately recognize the burden of extra cost and effort expended by the Utility in managing balance shortfalls. The failure to balance requires further adjustments within the system as a whole and operates to the detriment of all compliant customers.

2.88 The Applicant has asked the Board to permit it to apply the proposed change in penalty methodology going forward, and against all defaulting direct purchasers from October 31, 2000, to date.

2.89 The proposed change would become more punitive in that the charge would be calculated on the basis of the difference between the WACOG price and the highest spot market price prevailing in the month of contract expiry, or the month following contract expiry, whichever is higher.

2.90 There appears to be no strategic advantage to be gained by a defaulting direct purchaser. The amounts imposed as penalties would, as now, be applied to gas supply deferral accounts so as to benefit compliant customers.

2.91 The Board accepts the premise that it is important to encourage compliance with contractual obligations to balance in a system such as Union's, where a wide variety of users are dependent on such balancing to ensure the integrity, security and efficient operation of the system. The failure to balance can place compliant system participants at risk, and may result in additional costs.

2.92 The Board approaches proposed changes to elements of the PBR plan cautiously. As stated elsewhere, extracting discrete portions of the PBR plan for revision can be unwise, given the presumed interdependence of the components of the PBR plan as a whole.

2.93 However, the proposed changes, in the Board's view, are an improvement and enhance equity among customers. Gains in system efficiency resulting from greater compliance with contractual obligations is consistent with expectations which underlie the Board-approved PBR plan.

2.94 Some intervenors expressed concerns that such penalties ought to be limited to cost recovery related to the default.

2.95 In the Board's view, the penalty must be sufficiently costly to defaulters to strongly discourage strategic non-compliance with balance obligations, and the careless or incompetent acceptance of contractual obligations which are not reasonably achievable. The Board is concerned that parties wishing to engage in the market, either directly or through agents, must be appropriately encouraged to manage their obligations responsibly. The system as a whole requires that.

2.96 The Board does not accept the Applicant's proposal that the revised penalty be applied against defaulting direct purchasers in respect of defaults that occurred prior to the date of this decision. As indicated above, the primary purpose of the penalty is to influence the behaviour of market participants, and past behaviour cannot be influenced. Defaulting direct purchasers, whose defaults have occurred prior to the date o this decision, shall be subject only to the penalties calculated and imposed under the current structure. The Board acknowledges that Union made an effort to advise direct purchasers that it had applied to the Board for a sharply increased penalty provision governing a failure to balance. This effort however is not an adequate justification for the imposition of the new penalty methodology not yet imposed by the Board on those whose defaults have already occurred, and for whom application of the new methodology may be very significant. In the Board's view, this would be an inappropriate exercise of retroactivity.

2.97 Accordingly, the Board accepts the Utility's proposal with respect to a new, more demanding penalty to be applied to direct purchasers who have failed to meet their contractual obligations to balance supply. The revised penalty shall apply to all incidents of default arising after the date of this Decision, and after potentially affected customers have been clearly notified by Union of this Decision and shown, by example, how a penalty would be applied. It will not be applied with respect to incidents of default which have arisen prior to such notice.

2.3 DEMAND SIDE MANAGEMENT AND LOST REVENUE ADJUSTMENT MECHANISM

Background

2.98 Union introduced demand side management ("DSM") programs in the 1990s and savings targets were established against which to measure the performance of Union's programs. The targets for reduced consumption were reflected in volume forecasts for ratemaking purposes. The Board accepted as part of a settlement agreement in EBRO 499 a Lost Revenue Adjustment Mechanism ("LRAM") to account for margins if the results achieved by Union's DSM programs differ from the reduced consumption levels reflected in rates. The amounts related to such DSM program savings are accumulated in the LRAM Deferral Account (179-75) for future disposition.

UNION GAS LIMITED

Answer to Interrogatory from
Federation of Rental-housing Providers of Ontario ("FRPO")
and Ontario Greenhouse Vegetable Growers (“OGVG”)

Reference: Bundled Transportation Agreement, Schedule 2, Clause 3.03

Please provide the actual storage position on a percentage basis of Union's Dawn storage facility.

a) Notwithstanding that Union reports in-franchise and ex-franchise utilization of Union storage in deferral account proceedings, please provide the percentage fill by in-franchise and ex-franchise customers during each day of the last week of October of 2014.

b) Please provide the daily ex-franchise deliveries to Dawn during each day of the last week of October.

Response:

a) Please see Attachment 1 for a summary of the utility and non-utility storage position (balance) and percentage full for the month of October 2014.

b) Please see Attachment 1.

UNION GAS LIMITED
Southern Operations Area
Summary of Utility and Non-Utility Storage Balances*

Non-Utility Balances and Activity					Utility Balances and Activity				
Date	Entitlement (PJ)	Balance (PJ)	% Full (%)	Injections/ (Withdrawals) (PJ)	Date	Entitlement (PJ)	Balance (PJ)	% Full (%)	Injections/ (Withdrawals) (PJ)
01-Oct-14	83.2	73.8	89%		01-Oct-14	96.4	85.3	88%	
02-Oct-14	83.2	74.5	90%	0.71	02-Oct-14	96.4	85.7	89%	0.40
03-Oct-14	83.2	75.2	90%	0.75	03-Oct-14	96.4	86.1	89%	0.43
04-Oct-14	83.2	76.0	91%	0.79	04-Oct-14	96.4	86.4	90%	0.30
05-Oct-14	83.2	76.8	92%	0.75	05-Oct-14	96.4	86.7	90%	0.24
06-Oct-14	83.2	77.4	93%	0.66	06-Oct-14	96.4	87.0	90%	0.34
07-Oct-14	83.2	77.8	94%	0.34	07-Oct-14	96.4	87.4	91%	0.41
08-Oct-14	83.2	77.8	94%	0.04	08-Oct-14	96.4	87.7	91%	0.23
09-Oct-14	83.2	78.0	94%	0.21	09-Oct-14	96.4	87.9	91%	0.24
10-Oct-14	83.2	78.2	94%	0.19	10-Oct-14	96.4	88.1	91%	0.24
11-Oct-14	83.2	78.5	94%	0.33	11-Oct-14	96.4	88.5	92%	0.35
12-Oct-14	83.2	78.9	95%	0.35	12-Oct-14	96.4	88.7	92%	0.21
13-Oct-14	83.2	79.3	95%	0.41	13-Oct-14	96.4	89.1	92%	0.39
14-Oct-14	83.2	79.6	96%	0.30	14-Oct-14	96.4	89.6	93%	0.48
15-Oct-14	83.2	79.8	96%	0.17	15-Oct-14	96.4	90.1	93%	0.55
16-Oct-14	83.2	80.0	96%	0.24	16-Oct-14	96.4	90.6	94%	0.46
17-Oct-14	83.2	80.4	97%	0.38	17-Oct-14	96.4	90.9	94%	0.34
18-Oct-14	83.2	80.6	97%	0.26	18-Oct-14	96.4	91.2	95%	0.30
19-Oct-14	83.2	80.7	97%	0.06	19-Oct-14	96.4	91.6	95%	0.42
20-Oct-14	83.2	80.7	97%	(0.01)	20-Oct-14	96.4	91.8	95%	0.20
21-Oct-14	83.2	80.5	97%	(0.23)	21-Oct-14	96.4	91.8	95%	0.00
22-Oct-14	83.2	80.5	97%	0.05	22-Oct-14	96.4	91.8	95%	(0.01)
23-Oct-14	83.2	80.7	97%	0.20	23-Oct-14	96.4	92.1	95%	0.28
24-Oct-14	83.2	81.0	97%	0.29	24-Oct-14	96.4	92.5	96%	0.36
25-Oct-14	83.2	81.3	98%	0.34	25-Oct-14	96.4	92.9	96%	0.45
26-Oct-14	83.2	81.6	98%	0.22	26-Oct-14	96.4	93.4	97%	0.45
27-Oct-14	83.2	81.7	98%	0.16	27-Oct-14	96.4	93.6	97%	0.25
28-Oct-14	83.2	81.9	98%	0.17	28-Oct-14	96.4	93.7	97%	0.07
29-Oct-14	83.2	81.9	99%	0.05	29-Oct-14	96.4	93.6	97%	(0.09)
30-Oct-14	83.2	82.0	99%	0.01	30-Oct-14	96.4	93.4	97%	(0.20)
31-Oct-14	83.2	82.0	99%	0.04	31-Oct-14	96.4	92.9	96%	(0.45)

* Note, final measured data is not fully reconciled until approximately three weeks after the end of the calendar month. This may result in small adjustments to the above.
Non-utility balance uses end of day nominated data and Utility balance uses a combination of end of day nominations and allocated quantities.

UNION GAS LIMITED

Answer to Interrogatory from
Federation of Rental-housing Providers of Ontario ("FRPO")
and Ontario Greenhouse Vegetable Growers (“OGVG”)

Reference: Bundled Transportation Agreement, Schedule 2, Clause 3.03

Please confirm that Union interrupted in-franchise authorizations for additional deliveries for customers trying to meet BGA obligations in the last week of October of 2014. Please provide:

a) The amount of incremental in-franchise authorizations that were interrupted each day of the last week of October.

b) The amount of notice was provided to customers interrupted.

c) Union's view on their right to apply remedies in the contract for not meeting contractual variances to the BGA.

   i) For example, if a customer's banked gas account is below the maximum tolerance of 4% below a zero balance, Union sells the customer gas at the current R1 rate.

   ii) Please confirm that for the last week of October, the R1 rate was $5.445/GJ. If not, please provide the rate.

   iii) Please provide the market price of gas transacted at Dawn for each day during the last week of October.

d) Union's view on the discretion it maintains in applying these remedies.

e) Union's intent on applying these remedies including the specific customer-initiated, discretionary considerations applicable.

f) The major considerations that Union would apply in considering whether the customer acted responsibly in respect of their obligations.

Response:

a) Over the period of October 29 through October 31, 2014, Union interrupted 0.3 PJ of incremental supply nominated Bundled Transportation (Bundled “T”) and Transportation Service (T-Service) customers. From the period of October 1 through October 28, 2014, Union accepted approximately 2.5 PJ of incremental supply from this same group of customers. Incremental supply nominations include additional deliveries for customers meeting BGA obligations.

Please see Attachment 1.

b) Notice of a change in Union's operational status was made on October 28, 2014 at approximately 9:30 am to apply to the next gas day, as allowed under the Priority of Service Guidelines that have been in place since 2007.

In advance of the notice of change in Union's operational status, the monthly Direct Purchase Status Report ("DPSR") was issued to direct purchase customers by October 9, 2014. This monthly report is provided as part of the invoice package, as well as posted online for customers to view. The DPSR projects a monthly BGA balance reflecting actual information and a forecast consumption for the remaining term of the contract, thereby indicating what balancing action is required to achieve the forecast. Customers are typically only required to act on these balances to meet check points in September and February or upon contract expiry if their balance was forecast to exceed the +/- 4% tolerance identified in their contract.

As noted above, and as shown at Attachment 1, customers delivered 2.5 PJ of incremental supply in October, much of which was delivered after October 9. Customers also had the opportunity to balance prior to October, based on information provided in the September DPSR.

c) Union's rights are outlined in the Bundled T contract. In this scenario, the customer has not met its requirement to balance the contract at contract renewal and has exceeded the allowable variance. The difference between the lower allowable variance and the actual variance (the amount greater than 4%) will be sold to the customer as a Banked Gas Account Purchase. The banked gas purchase rate from the Board approved R1 rate schedule would be applied. The rate is defined as "the higher of the daily spot cost at Dawn in the month of or the month following the month in which gas is sold under this rate and shall not be less than Union's approved weighted average cost of gas."

In this case, Union's approved weighted average cost of gas (WACOG) for October 31, 2014 was $5.435/GJ. In addition, there was not a spot price in the month of October higher than Union's approved WACOG. Union does not know if the daily spot price at Dawn will be higher than $5.435/GJ during the month of November. If it is not, then the customer will be charged Union's WACOG rate for any balances that exceeded the allowable variance.

Attachment 2 provides the next day market prices transacted at Dawn for the last week of October, 2014.

d) Union does not have discretion to vary the charges in the R1 rate schedule. As Union explained in EB-2014-0154, there are very few instances in which Union has waived the penalty when applicable. The charge most typically waived is the late payment charge when a customer has established payment arrangements with Union. Union has also provided exceptions when a metering or reporting issue caused the customer to have incomplete usage information and inadvertently exceeded their contract parameters.

e) Union intends to apply the charges to the customers that did not operate within their contract parameters as noted above. Each month, customers receive Direct Purchase Status Reports that show the quantity of gas that needs to be delivered or removed to balance to their next contracted balancing point. Customers had many days prior to October 29 (when storage injection interruptions began) to deliver gas to meet their balancing requirements for October 31.

f) Please see the response at e) above.

UNION GAS LIMITED
Southern Operations Area
Summary of Incremental Supply Nominations for October 2014
for South BT and T-Service Customers

Date	Nominated Incremental Supply BT (GJ)	T-Service (GJ)	Total (GJ)	Interrupted (GJ)	Scheduled (GJ)
01-Oct-14	6,933	26,200	33,133		33,133
02-Oct-14	12,068	25,898	37,966		37,966
03-Oct-14	7,933	61,802	69,735		69,735
04-Oct-14	7,665	33,973	41,638		41,638
05-Oct-14	7,665	33,973	41,638		41,638
06-Oct-14	7,665	33,973	41,638		41,638
07-Oct-14	19,353	40,264	59,617		59,617
08-Oct-14	9,253	44,778	54,031		54,031
09-Oct-14	21,796	38,978	60,774		60,774
10-Oct-14	82,849	32,828	115,677		115,677
11-Oct-14	20,846	47,281	68,127		68,127
12-Oct-14	20,846	47,281	68,127		68,127
13-Oct-14	20,846	47,099	67,945		67,945
14-Oct-14	20,029	39,394	59,423		59,423
15-Oct-14	9,331	43,097	52,428		52,428
16-Oct-14	79,498	40,180	119,678		119,678
17-Oct-14	70,174	48,785	118,959		118,959
18-Oct-14	40,102	41,995	82,097		82,097
19-Oct-14	39,990	42,799	82,789		82,789
20-Oct-14	39,990	42,799	82,789		82,789
21-Oct-14	20,020	86,279	106,299		106,299
22-Oct-14	26,010	109,238	135,248		135,248
23-Oct-14	25,495	96,610	122,105		122,105
24-Oct-14	92,835	103,231	196,066		196,066
25-Oct-14	47,059	104,024	151,083		151,083
26-Oct-14	47,059	102,953	150,012		150,012
27-Oct-14	47,062	106,953	154,015		154,015
28-Oct-14	54,463	105,393	159,856		159,856
29-Oct-14	48,162	59,497	107,659	107,659	-
30-Oct-14	44,017	33,346	77,363	77,363	-
31-Oct-14	43,855	30,730	74,585	74,585	-
Total	1,040,869	1,751,631	2,792,500	259,607	2,532,893

Next Day Price at Dawn for October 2014 $C/GJ

Date	Highest Traded Price	Lowest Traded Price	Average Traded Price
24/10/2014	3.93231	3.78352	3.82157
27/10/2014	3.97622	3.86962	3.92057
28/10/2014	3.99420	3.91474	3.96432
29/10/2014	4.21140	4.01614	4.12126
30/10/2014	4.41331	4.28600	4.34180
31/10/2014	4.39221	4.00749	4.26953

Source: Canadian Natural Gas Price Reporter (CGPR)
*Note: Per the CGPR, the price recorded on a Friday is carried through the weekend

UNION GAS LIMITED

Answer to Interrogatory from
Federation of Rental-housing Providers of Ontario ("FRPO")
and Ontario Greenhouse Vegetable Growers ("OGVG")

Reference: Bundled Transportation Agreement, Schedule 2, Clause 3.03

Please produce Union's current Priority of Service Schedule

Response:

Please see Attachment 1 for Union's Priority of Service policy, which includes the Priority of Service Schedule. This policy has been in place since 2007.

The information is also available on Union's website, at the following location:
https://www.uniongas.com/storage-and-transportation/informational-postings/priority-of-service-guidelines

POLICIES & GUIDELINES

Policy #: 07-CM-POS-015

Subject:	**Effective**:
Priority of Service (POS) Guidelines	December 7, 2007

Applies to:

Applied on a daily basis to services for both in-franchise and ex-franchise customers in Union Gas' Southern, and Northern and Eastern Operations area.

Purpose:

To prioritize scheduling reductions and service restrictions for Union's services during periods when Union's ability to flow interruptible gas quantities is less than the requested/forecasted quantities.

Background: *(Not to limit the applicability of the policy)*

Union offers firm no-notice (allocated) services, firm nominated services and interruptible services. The priority of service listings provide information regarding the processing of interruptions or scheduling reductions when requested services exceed available capacity under normal operating conditions.

Firm no-notice services are not interruptible. Firm nominated services are only firm if requested on the North American Energy Standard Board (NAESB) Timely Nomination Cycle for the gas day in question. Nominations for increases to daily quantities for Firm Services after the NAESB Timely Nomination Cycle are treated the same as interruptible services. Because Union is a non-bumping pipeline, interruptible services scheduled on the NAESB Timely Nomination Cycle will not be interrupted to make room for additional firm services nominated on later nomination cycles.

In order to place services on the priority of service list, Union considered several business principles. The principles included: appropriate level of access to core services; customer commitment; encouraging appropriate contracting; materiality; price and term; and promoting and enabling in-franchise consumption.

Policy:

The priority ranking for all services utilizing Union Gas' storage, transmission and distribution system as applied to both in-franchise and ex-franchise services are as follows; with number 1 having the highest priority and the last interrupted.

<u>Priority for STORAGE Services</u>

1. Firm In-franchise Storage and Distribution services and firm Ex-Franchise services[(1)]
2. In-franchise Interruptible Distribution storage services
3. Peak Storage above firm up to 5% maximum storage balance (MSB) [(2)]
4. Balancing (Hub Activity) <= 100 GJ/d; Balancing (Direct Purchase) <= 500 GJ/d [(3)]
5. Off Peak Storage (First Cycle) up to 5%; Long Term Storage up to 5% MSB [(2)]
6. Peak Storage and Off Peak (First Cycle) above 5% MSB & Loans; In-franchise storage authorized overrun
7. Peak Storage and Off Peak (Second Cycle); Long Term Storage above 5% MSB
8. Balancing (Direct Purchase) > 500 GJ/d
9. Balancing (Hub Activity) > 100 GJ/d
10. Late Nominations

<u>Priority for TRANSPORT Services</u>

Supersedes:	Page 1 of 2

1. Firm In-franchise Transportation and Distribution services and firm Ex-franchise services[(1)]
2. In-franchise Interruptible Distribution services
3. C1/M12 IT Transport and IT Exchanges with Take or Pay rates
4. Balancing (Hub Activity) <= 100 GJ/d; Balancing (Direct Purchase) <= 500 GJ/d; In-franchise distribution authorized overrun [(3)]
5. C1/M12 IT Transport and IT Exchanges at premium rates
6. C1/M12 Overrun <= 20% of CD [(4)]
7. Balancing (Direct Purchase) > 500 GJ/d
8. Balancing (Hub Activity) > 100 GJ/d; C1/M12 IT Transport and IT Exchanges
9. C1/M12 Overrun > 20% of CD
10. C1/M12 IT Transport and IT Exchanges at a discount
11. Late Nominations

Notes:
(1) Nominated services must be nominated on the NAESB Timely Nomination Cycle otherwise they are considered to be a late nomination and are therefore interruptible.
(2) Higher value or more reliable IT is contemplated in the service and contract, when purchased at market competitive prices.
(3) Captures the majority of customers that use Direct Purchase balancing transactions.
(4) Captures the majority of customers that use overrun.

Procedures

1. Union Gas will use its daily gas scheduling process to forecast the impact of firm and interruptible and/or discretionary customer activities on its storage, transmission and distribution operations.

2. Customer requested and/or forecasted quantities are compared to Union Gas' operational limitations to determine if scheduling reductions and/or service restrictions are required. Any constraints are identified in advance of the effective flow time.

3. The Priority of Service list applicable to the operational constraint is used to make reductions to the customer's requested and/or forecasted quantities to a level sufficient to alleviate the constraint. Pro-rata reductions are performed within each priority ranking when necessary.

4. Customers are notified of an operational constraint and the corresponding impact on their requested and/or forecasted activities. All notifications occur in advance of the effective flow time.

5. Customer must re-nominate, as necessary, to balance any scheduling reductions and/or service restrictions.

6. As interruptions of specific services have ended the processing of authorized transactions will resume. The customer will be notified by phone and/or Unionline that their authorization will resume.

UNION GAS LIMITED

Answer to Interrogatory from
Federation of Rental-housing Providers of Ontario ("FRPO")
and Ontario Greenhouse Vegetable Growers ("OGVG")

Reference: Bundled Transportation Agreement, Schedule 2, Clause 3.03

Please provide the aggregated level of gas stored in all Union Gas HUB accounts for each day in the last week of October and the first week of November.

a) Did the amount of gas in the collective HUB accounts contribute to Union's decision to interrupt prior authorizations?

b) If not, please explain where HUB gas is stored and specifically how it would not impact additional authorized deliveries.

Response:

a) The overall storage balances were a contributing factor in the need to restrict late season discretionary injections into storage. Hub account balances are a component of the overall storage balance. On October 30, 2014 Union provided notice to Hub account customers to reduce their outstanding balances below 500 GJ by November 5, 2014. Please see Attachment 1 for the aggregated level of gas stored in all Union Gas Hub accounts for each day in the last week of October and the first week of November.

b) Please see the response at a) above.

UNION GAS LIMITED
Southern Operations Area
Summary of Basic Hub Net Balances

Date	Net Balance (GJ)
26-Oct-14	104,729
27-Oct-14	84,176
28-Oct-14	91,820
29-Oct-14	89,277
30-Oct-14	75,518
31-Oct-14	9,711
01-Nov-14	(3,657)
02-Nov-14	(4,264)
03-Nov-14	(10,905)
04-Nov-14	(11,475)

UNION GAS LIMITED

Answer to Interrogatory from
London Property Management Association ("LPMA")

Reference: Exhibit A, Tab 1, page 7

When does Union expect the 2013 audited LRAM values to be available?

Response:

Please see the response at Exhibit B.Staff.1.

UNION GAS LIMITED

Answer to Interrogatory from
London Property Management Association ("LPMA")

Reference: Exhibit A, Tab 1, page 8

a) Is Union proposing any changes for values in the unaccounted for gas volumes variance account, 179-135?

b) Will any volume variance in this account be cleared in a future deferral and variance account clearance proceeding?

Response:

a) No, Union is not proposing any changes to the values in the unaccounted for gas variance account, 179-135.

b) Yes. Please see the response at Exhibit B.Staff.2.

UNION GAS LIMITED

Answer to Interrogatory from
London Property Management Association ("LPMA")

Reference: Working Papers, Schedule 2

Please confirm that footnote (5) should be to Schedule 15, not Schedule 1. If this cannot be confirmed, please provide the correct reference.

Response:

Confirmed.

UNION GAS LIMITED

Answer to Interrogatory from
London Property Management Association ("LPMA")

Reference: Exhibit A, Tab 1 & Working Papers, Schedules 3 & 10

Please confirm that the change in revenue shown in Table 1 in Exhibit A, Tab 1 for 2015 capital pass-throughs of $6,571 is the difference in the 2015 pass-throughs shown in Schedule 10 of the Working Papers of $6,296 and the credit to ratepayers in 2014 of $275 shown in Schedule 3 of the Working Papers.

Response:

Confirmed.

UNION GAS LIMITED

Answer to Interrogatory from
London Property Management Association ("LPMA")

Reference: Exhibit A, Tab 2

Please update Schedule 1 and Table 1 based on figures confirmed by customers through contract elections up to and include October 31, 2014.

Response:

Please see the response at Exhibit B.BOMA.1.

UNION GAS LIMITED

Answer to Interrogatory from
London Property Management Association ("LPMA")

Reference: Exhibit A, Tab 2

Is the 31% referenced on line 15 and 16 on page 4 based on the reduction of 70TJ/day out of 228 TJ/day or based on the figures at lines 7 and 8 in Schedule 1, being 106 TJ/day out of 345 TJ/day?

Response:

The 31% referenced at Exhibit A, Tab 2, p. 4, lines 15 and 16 is based on the reduction of 70 TJ/day out of 228 TJ/day. This represents the percentage of beginning PDO for customers without M12 Service in 2016 (line 10, column g) that is forecasted to be reduced by ex-franchise M12 Dawn - Kirkwall turnback available for PDO shift (line 6, column g). This same percentage is then used to calculate the PDO shift for customers with M12 Service (line 17, column g) and TCE Halton Hills (line 21, column g). The total of direct purchase PDO for these three customer groups (lines 11, 17, and 21, column g) is 106 TJ/day.

Given the lower than forecast turnback received on October 31, 2014 for November 1, 2016, the 70 TJ/day is now zero. Please also see the response at Exhibit B.BOMA.1.

UNION GAS LIMITED

Answer to Interrogatory from
London Property Management Association ("LPMA")

Reference: Exhibit A, Tab 2

At page 5, Union indicates that, similar to the PDO shift implemented this year, it will apply a threshold for PDO changes to simplify the administration of the PDO for small customers. What threshold is Union proposing to use?

Response:

Given the actual turnback on October 31, 2014 (for November 1, 2016) was much less than forecast, it is no longer expected that a further PDO shift will occur in 2016, therefore no threshold is applicable.

Please see the response at Exhibit B.BOMA.1 for details regarding actual turnback received.

UNION GAS LIMITED

Answer to Interrogatory from
TransCanada PipeLines Limited ("TCPL)

Reference:

i) Application, Working Papers, Schedule 10, Summary of 2015 Capital Pass-Through Adjustments.

ii) Application, Working Papers, Schedule 4, Page 20, Column i).

a) Please provide the allocation factors and explain in detail the methodology that results in a cost decrease of $104,000 to Union North In-Franchise customers and $5.3 million to Union South In-Franchise customers, as well as a cost increase of $11.7 million to Ex- Franchise customers. Please provide enough detail with supporting schedules to allow a third party to recalculate the allocation shown in the first reference.

b) Please explain how a total cost pass-through of $6.296 Million can result in an increase in allocated cost to ex-franchise services of $11.7 Million.

Response:

As described in evidence, Union's proposed 2015 rates include $6.296 million in capital pass-through adjustments associated with the Parkway West compressor and Brantford - Kirkwall pipeline/Parkway D Compressor projects. Please see Table 1 below for a summary of the forecasted 2015 revenue requirements for the projects.

Table 1
2015 Revenue Requirements
Parkway West and Brantford to Kirkwall and Parkway D Compressor Projects

Line No.	Particulars ($000's)	Parkway West Project	Brantford to Kirkwall & Parkway D Compressor Project	Total
		(a)	(b)	(c) = (a + b)
	Operating Expenses:			
1	Operating and Maintenance Expenses	739	107	846
2	Depreciation Expense	3,026	2,622	5,648
3	Property Taxes	290	142	432
4	Total Operating Expenses	4,055	2,871	6,926
5	Required Return	5,898	1,359	7,257
	Income Taxes:			
6	Income Taxes - Equity Return	1,182	272	1,454
7	Income Taxes - Utility Timing Differences	(4,762)	(4,580)	(9,342)
8	Total Income Taxes	(3,580)	(4,307)	(7,888)
9	Total Revenue Requirement	6,373	(77)	6,296

Please see below for the explanation of the rate impacts to Union North, Union South and ex-franchise customers. The allocation of costs associated with the Projects is consistent with the methodologies described in Union's evidence in the EB-2012-0433 (Parkway West Project) proceeding and EB-2013-0074 (Brantford - Kirkwall and Parkway D Compressor Project). Please see EB-2013-0074 Exhibit A, Section 10.

2015 Rate Impacts

For the purposes of setting 2015 rates, Union added the revenue requirement of $6.296 million (rate base, return, interest, tax, depreciation and O&M) to Union's 2013 Board-approved cost allocation study. Using the allocation of Dawn - Parkway costs per the 2013 Board-approved cost allocation study, adjusted to include the project demands, results in: (i) a decrease of approximately $5.3 million, allocated to Union South in-franchise rate classes, (ii) a decrease of approximately $0.1 million, allocated to Union North in-franchise rate classes, and (iii) an increase of approximately $11.7 million allocated to ex-franchise rate classes. The total combined project cost allocation is provided at Attachment 1, column (a).

In Union's 2013 Board-approved cost allocation study, the costs associated with the Dawn - Parkway System are allocated between in-franchise and ex-franchise rate classes using distance weighted Dawn - Parkway design day demands. This cost allocation methodology recognizes that the Dawn - Parkway transmission system is designed to meet easterly design day requirements and that a rate class' use of the Dawn - Parkway System depends on that rate class' design day demands and the distance those design day demands are required to be transported on the system.

Based on the current Board-approved allocation of Dawn - Parkway costs, adjusted to include the increase in Union North demands of approximately 70,000 GJ/d and M12 demands of 363,000 GJ/d associated with the project (for a total of 433,000 GJ/d), in-franchise rate classes are allocated approximately 16% of the costs directly attributable to the project. The remaining 84% of costs directly attributable to the project are allocated to Rate M12. The calculation of the Dawn - Parkway distance weighted demands, including the project demands, is provided at Attachment 2. The calculation was originally filed as an interrogatory response in the EB-2012-0451/EB-2012-0433/EB-2013-0074 proceedings at Exhibit I.A3.UGL.FRPO.28, Attachment 1.

The inclusion of the project demands on the Dawn - Parkway System results in a shift of existing Dawn – Parkway costs from Union South in-franchise rate classes to Union North in-franchise and ex-franchise rate classes. As shown at Attachment 1, column (b), including the project demands results in an increase in the allocation of Dawn - Parkway costs to the M12 rate class and Union North in-franchise rate classes with an equal and offsetting decrease to the allocation of costs to Union South in-franchise rate classes. Specifically, the allocation of existing Dawn – Parkway costs decreases by approximately $1.5 million for Union South in-franchise customers and increases by $1.4 million for Union North in-franchise customers and $0.1 million for Rate M12.

Adding the rate base and operating costs associated with the projects as Dawn - Parkway transmission costs to the 2013 Board-approved cost allocation study also results in the re-allocation of cost components that are functionalized based on rate base and O&M. As a result of the additional transmission rate base and operating costs associated with the project, $2.3 million of indirect costs (general plant, administrative and general expenses, and general operations and engineering costs) are re-allocated from distribution, storage and other transmission-related functional classifications to the Dawn - Parkway functional classification.

The ($7.9 million) in project-related income taxes (Table 1, line 8, column (c)) is allocated in proportion to rate base. Accordingly, ($5.6 million) in project-related property and income taxes are also allocated to distribution, storage and other transmission-related functional classifications. The total allocation to other functional classifications is provided at Attachment 1, column (i).

Of the 2015 project costs of $6.296 million, $14.2 million is functionalized to the Dawn - Parkway functional classification (including $2.3 million of indirect costs) and allocated to rate classes based on the distance weighted design day demands. The cost allocation impact by rate class to the Dawn - Parkway functional classification is provided at Attachment 1, column (e).

The impact on Union South in-franchise rate classes is a rate reduction as a result of the allocation of existing costs, the shift in indirect costs and the allocation of project property and income taxes. That is, while Union South in-franchise customers will bear 10% (or $1.5 million) of the costs directly attributable to the projects, those costs are more than offset by the reduction in the allocation of existing Dawn - Parkway costs ($1.5 million), indirect costs ($1.4 million) and project-related taxes ($3.9 million). Please see Attachment 1, columns (b), (e), (g) and (h).

The impact on Union North in-franchise rate classes is a rate reduction as a result of the shift in indirect costs and the allocation of project property and income taxes. That is, while Union North in-franchise customers will bear 6% (or $0.8 million) of the costs directly attributable to the projects and an additional allocation of $1.4 million of existing Dawn - Parkway costs, those costs are offset by the reduction in the allocation of indirect costs ($0.8 million) and project-related taxes ($1.5 million). Please see Attachment 1, columns (b), (e), (g) and (h).

The impact on ex-franchise rate classes is a rate increase as a result of the increase in project costs and the shift in indirect costs. Ex-franchise customers will bear 84% (or 12.0 million) of the costs directly attributable to the project and an additional allocation of $0.1 million of existing Dawn - Parkway costs. These costs are partially offset by the reduction in the allocation of indirect costs ($0.1 million) and project-related taxes ($0.2 million). Please see Attachment 1, columns (b), (e), (g) and (h).

UNION GAS LIMITED
2015 Cost Allocation Impacts of Parkway West and Brantford to Kirkwall and Parkway D Compressor Project

Line No.	Particulars	Total Cost Allocation Impacts ($000's)		Cost Allocation Change in Demands (3) ($000's)	Dawn-Parkway Easterly Transmission (4) Project Costs (5) ($000's)	Indirect Costs ($000's)	Total ($000's)	(%)	Other Functional Classifications Project Costs (5) ($000's)	Indirect Costs ($000's)	Total ($000's)
		(a) = (b + e + i)		(b)	(c)	(d)	(e) = (c + d)	(f)	(g)	(h)	(i) = (g + h)
1	Rate M1	(3,900)		(756)	630	123	753	5%	(2,798)	(1,099)	(3,897)
2	Rate M2	(540)		(254)	212	41	253	2%	(420)	(119)	(539)
3	Rate M4	(138)		(74)	62	12	74	1%	(104)	(34)	(138)
4	Rate M5	(126)		(1)	1	0	1	0%	(88)	(38)	(126)
5	Rate M7	(46)		(34)	28	6	34	0%	(36)	(10)	(46)
6	Rate M9	(8)		(12)	10	2	12	0%	(7)	(1)	(8)
7	Rate M10	(0)		(0)	0	0	0	0%	(0)	(0)	(0)
8	Rate T1	(99)		(36)	30	6	36	0%	(72)	(28)	(99)
9	Rate T2	(420)		(237)	197	39	236	2%	(318)	(101)	(420)
10	Rate T3	(47)		(86)	71	14	85	1%	(42)	(5)	(47)
11	Subtotal - Union South	(5,325)	(1)	(1,490)	1,242	243	1,485	10%	(3,885)	(1,434)	(5,319)
12	Excess Utility Space	(56)		-	-	-	-	0%	(43)	(13)	(56)
13	Rate C1	(20)		0	-	-	-	0%	(14)	(6)	(20)
14	Rate M12	11,808		99	9,952	1,951	11,903	84%	(133)	(61)	(194)
15	Rate M13	(1)		0	-	-	-	0%	(1)	0	(1)
16	Rate M16	(2)		0	-	-	-	0%	(2)	(0)	(2)
17	Subtotal - Ex-franchise	11,728		99	9,952	1,951	11,903	84%	(194)	(80)	(274)
18	Rate 01	(53)		1,041	522	102	625	4%	(1,102)	(616)	(1,718)
19	Rate 10	195		272	137	27	164	1%	(149)	(93)	(241)
20	Rate 20	(63)		73	37	7	44	0%	(124)	(55)	(179)
21	Rate 100	(135)		5	3	1	3	0%	(105)	(38)	(143)
22	Rate 25	(52)		-	-	-	-	0%	(38)	(15)	(52)
23	Subtotal - Union North	(108)	(2)	1,391	698	137	835	6%	(1,517)	(817)	(2,334)
24	In-franchise (line 11 + line 23)	(5,432)		(99)	1,940	380	2,320	16%	(5,402)	(2,251)	(7,653)
25	Ex-franchise (line 17)	11,728		99	9,952	1,951	11,903	84%	(194)	(80)	(274)
26	Total (line 24 + line 25)	6,296		(0)	11,892	2,331	14,223	100%	(5,596)	(2,331)	(7,927)

Notes:
(1) The Union South in-franchise adjustment of $5.314 million, as per Rate Order, Working Papers, Schedule 10, includes Gas Supply Admin costs of $0.010 million for a total of $5.325 million.
(2) The Union North in-franchise adjustment of $0.104 million, as per Rate Order, Working Papers, Schedule 10, includes Gas Supply Admin costs of $0.004 million for a total of $0.108 million.
(3) The 2013 Board-approved cost allcoation study updated to include incremental demands for Union North in-franchise of 70 TJ/d and Rate M12 for 363 TJ/d.
(4) The Dawn-Parkway costs of $14.223 million, including Project costs of $11.892 million and indirect costs of $2.331 million, are allocated in proportion to the Dawn to Parkway demand allocation provided at EB-2011-0210, Exhibit G3, Tab 5, Schedule 23, Updated, pages 7-8, line 5, updated to include the incremental demands of 433 TJ/d.
(5) The total 2015 Project costs of $6.296 million include $11.892 million directly allocated to the Dawn-Parkway Easterly functional classification and ($5.596) million of property and income taxes allocated to distribution, storage and other transmission-related functional classifications.

UNION GAS LIMITED
Dawn-Parkway Easterly Transmission - Distance Weighted Design Day Demands
2013 Board-Approved Including Incremental Union North and M12 Project-Related Demands

Line No.	Particulars	2013 Board-Approved (1) (10^6m^3/d x km)	(%)	Addition of Project-Related Demands (2) (10^6m^3/d x km)	(%)	2013 Board-Approved Including Project-Related Demands (10^6m^3/d x km)	(%)	Variance (%)
		(a)	(b)	(c)	(d)	(e) = (a + c)	(f)	(g) = ((e - a)/a)
1	Rate M1	1,820	5.7%	0	0.0%	1,820	5.3%	0.0%
2	Rate M2	612	1.9%	0	0.0%	612	1.8%	0.0%
3	Rate M4	178	0.6%	0	0.0%	178	0.5%	0.0%
4	Rate M5	2	0.0%	0	0.0%	2	0.0%	0.0%
5	Rate M7	82	0.3%	0	0.0%	82	0.2%	0.0%
6	Rate M9	29	0.1%	0	0.0%	29	0.1%	0.0%
7	Rate M10	1	0.0%	0	0.0%	1	0.0%	0.0%
8	Rate T1	88	0.3%	0	0.0%	88	0.3%	0.0%
9	Rate T2	570	1.8%	0	0.0%	570	1.7%	0.0%
10	Rate T3	207	0.7%	0	0.0%	207	0.6%	0.0%
11	Subtotal - Union South	3,588	11.3%	0	0.0%	3,588	10.4%	0.0%
12	Rate M12	26,557	83.7%	2,201	83.8%	28,758	83.7%	8.3%
13	Subtotal - Ex-franchise	26,557	83.7%	2,201	83.8%	28,758	83.7%	8.3%
14	Rate 01	1,191	3.8%	318	12.1%	1,509	4.4%	26.7%
15	Rate 10	312	1.0%	83	3.2%	395	1.1%	26.7%
16	Rate 20	83	0.3%	22	0.8%	106	0.3%	26.7%
17	Rate 100	6	0.0%	2	0.1%	7	0.0%	26.7%
18	Subtotal - Union North	1,592	5.0%	425	16.2%	2,017	5.9%	26.7%
19	In-franchise (line 11 + line 18)	5,180	16.3%	425	16.2%	5,605	16.3%	8.2%
20	Ex-franchise (line 13)	26,557	83.7%	2,201	83.8%	28,758	83.7%	8.3%
21	Total (line 19 + line 20)	31,737	100.0%	2,626	100.0%	34,363	100.0%	8.3%

Notes:
(1) The Dawn-Parkway Demand allocation is provided at EB-2011-2010, Exhibit G3, Tab 5, Schedule 23, Updated, pages 7-8, line 5.
(2) The Union North distance-weighted design day demands include 70,000 GJ/d (1.854 10^6m^3/d x 228.9 km = 425 10^6m^3/d x km) and Rate M12 includes 363,000 GJ/d (9.616 10^6m^3/d x 228.9 km = 2,201 10^6m^3/d x km).

UNION GAS LIMITED

Answer to Interrogatory from
Vulnerable Energy Consumers Coalition ("VECC")

Reference: Exhibit A, Tab 1, page 7, DSM Budget Inflation Factor

Please explain how the inflation factor of 1.68% was derived.

Response:

The 1.68% is the four quarter moving average inflation rate based on the Gross Domestic Product Implicit Price Index ("GDP IPI") reported by Statistics Canada. Use of the GDP IPI is consistent with the EB-2011-0327 Settlement Agreement (Union's 2012-2014 DSM Plan).

The average annual percent change in the price index for the period Q3 2013 to Q2 2014 is the inflation rate which is measured. Please see Table 1 below.

Table 1

Year	Quarter	Index	Year over Year Change	Annual %	Moving 4Q Average
2013	Q3	111.2	1.6	1.46%	1.30%
	Q4	111.3	1.2	1.09%	1.32%
2014	Q1	112.9	2.0	1.80%	1.41%
	Q2	113.1	2.6	2.35%	1.68%

UNION GAS LIMITED

Answer to Interrogatory from
Vulnerable Energy Consumers Coalition ("VECC")

Reference: Exhibit A, Tab 1, Appendix F, Deferral Accounts

Please confirm that there is no double counting between the entries made in the Average Use per Customer Account No. 179-118 and the Normalized Average Consumption Account No. 179-133.

Response:

Confirmed. The Average Use per Customer Account (No. 179-118) was in effect for the years 2008 to 2013. This account has been replaced by the Normalized Average Consumption Account (No. 179-133) for the years 2014 to 2018 per Union's 2014-2018 Incentive Regulation Settlement Agreement (EB-2013-0202).