



THE BOARD OF DIRECTORS

<i>Chair, GAIL REGAN</i> President, Cara Holdings Ltd.	<i>Secretary/Treasurer, ANNETTA TURNER</i> ANDREW ROMAN
<i>President, PATRICIA ADAMS</i> MAX ALLEN	Barrister & Solicitor, Miller Thomson
Producer, IDEAS, CBC Radio	ANDREW STARK
ANDREW COYNE	Rotman School of Management, University of Toronto
Columnist, National Post	GEORGE TOMKO
GLENN FOX	Resident Expert, PSI Initiative, University of Toronto
Professor of Economics, University of Guelph	MICHAEL TREBILCOCK
IAN GRAY	Chair, Law & Economics, University of Toronto
President, St. Lawrence Starch Co.	MARGARET WENTE
CLIFFORD ORWIN	Columnist, The Globe and Mail
Professor of Political Science, University of Toronto	

June 8, 2015

BY EMAIL & COURIER

Ms. Kirsten Walli
Board Secretary
Ontario Energy Board
2300 Yonge St, Suite 2701
Toronto ON M4P 1E4

Dear Ms. Walli:

Board File No. EB-2015-0010
Union Gas Limited – 2014 Deferral Accounts & Earnings Sharing Mechanism
Energy Probe – Interrogatories to Applicant

Pursuant to Procedural Order No. 1, issued May 27, 2015, attached please find the Interrogatories of Energy Probe Research Foundation (Energy Probe) to Union Gas Limited in the EB-2015-0010 proceeding.

Should you require additional information, please do not hesitate to contact me.

Yours truly,

David S. MacIntosh
Case Manager

cc: Chris Ripley, Union Gas Limited (By email)
Crawford Smith, Torys LLP (By email)
Roger Higgin, Consultant to Energy Probe (By email)
Shelley Grice, Consultant to Energy Probe (By email)
Parties of Interest (By email)

Energy Probe Research Foundation 225 BRUNSWICK AVE., TORONTO, ONTARIO M5S 2M6

Phone: (416) 964-9223 Fax: (416) 964-8239 E-mail: EnergyProbe@nextcity.com Internet: www.EnergyProbe.org

Ontario Energy Board

IN THE MATTER OF the *Ontario Energy Board Act, 1998*, S.O. 1998, c.15 (Schedule. B);

AND IN THE MATTER OF an Application by Union Gas Limited for an order or orders clearing certain non-commodity related deferral accounts and sharing utility earnings pursuant to a Board-approved earnings sharing mechanism.

Energy Probe Research Foundation

Interrogatories to Union Gas Limited

June 8, 2015

EB-2015-0010 Union Gas Deferral Accounts and Earnings Sharing
Interrogatories of Energy Probe Research Foundation

Deferral and Variance Accounts

Energy Probe IR # 1

**Ref: Exhibit A, Tab 1, Page 4, line 17 and Page 6, Table 1 and
Exhibit A, Tab 1, Table 1, line 6, column (b)**

Preamble: The actual variance between the aggregate BGA balances at the end of March relative to the planned BGA balance will be available late April. Union will file updated evidence when actual balances are available.

- a) Please provide the Actual Balances and revised amount in the Deferral Account.**
- b) Please indicate how/to whom this credit balance will be disposed to.**
- c) Specifically provide the basis/calculation of the spot gas credit to Union South sales service customers, as shown in the second reference**

Energy Probe IR # 2

**Ref: Exhibit A, Tab 1, Appendix A, Schedule 1, line 18 and
Exhibit A, Tab 1, Page 19, Tables 3 and 4, Line 8, 179-112 Gas Distribution
Access Rule (GDAR) Costs \$750K**

Preamble: Consistent with Union's 2013 deferrals disposition evidence (EB-2014-0145), Union replaced the capital costs with the annual revenue requirement related to the capital costs as outlined in Table 4. Accordingly, the 2014 GDAR deferral account has a debit balance of \$0.750 million. The revenue requirement will continue to be included in the respective future deferral disposition proceedings.

- a) Please provide a copy of the prior Board approval of the treatment of GDAR Capital Costs.**
- b) Please provide the calculation of the Capital costs in a modified version of Table 4, i.e. explain the derivation of Revenue Requirement and Return in the Table.**

Energy Probe IR # 3

Ref: Exhibit A, Tab 1, Appendix A, Schedule 2, line 7, Gas Supply Optimization Margin in Rates \$13,426 (2013), \$17,010 (2014)

- a) Please provide the underlying calculation for the Gas Supply Margin in rates. Include references/sources of data.**
- b) Please specifically discuss the change in the amount embedded in rates and show amounts for 2012, 2013 and 2014 with appropriate references.**

Energy Probe IR # 4

Ref: Exhibit A, Tab 1, Page 4, Appendix A, Schedule 1 line 4 and Exhibit A, Tab 1, Page 12

Preamble: Union earned \$7.919 million in net revenues from upstream transportation optimization during 2014. Per the approved sharing methodology, 90% of this net revenue, or \$7.127 million, is to be credited to customers. As stated above, \$17.010 million has already been credited through rates; therefore, \$9.883 million (\$7.127 million less \$17.010 million) is to be collected from ratepayers through this deferral account disposition.

- a) Please explain and provide the key reference(s) why in Union's corporate results, the transportation optimization built into distribution rates was reclassified to transportation revenue as an offset to the actual optimization revenue earned. In order to align with the Board-approved presentation, this adjustment of \$17.010 million has been shown as a cost of gas reduction.**
- b) Please discuss whether, given the elimination of TCPL FT RAM, the treatment of Upstream transportation should be changed i.e. the amount of deemed revenue in Rates should be reduced to approximately \$10 million to avoid large DA Balances.**
- c) Please provide what specific steps would be required to implement such a change and whether Union is willing to request such a change (in consultation with ratepayers).**

Energy Probe IR # 5

**Ref: Exhibit A, Tab 1, Page 4, Appendix A, Schedule 1, line 17 and
Exhibit A, Tab 1, Page 33, Table 10, line 2**

Preamble: References show Station Infrastructure \$6,957 (2014 approved) \$19,906 (2014 actual) difference \$12,949.

- a) Please provide Total budget for Station infrastructure and prior year actuals and future year forecast costs.**
- b) Please confirm why 2014 costs exhibited such a major variance and why “the associated infrastructure costs for these components were considered to be in-service”.**
- c) Please advise when the 2014 infrastructure assets will be in rate base?**
- d) With regard to overall Parkway West Project costs, please indicate how much of the approved assets were placed in service and rate base in 2014 and how much will be in service in 2015 (or beyond).**

Energy Probe IR # 6

**Ref: Exhibit A, Tab 1, Page 4, Appendix A, Schedule 1, line 18 - 179-138 Parkway
Obligation Rate Variance \$4,665 and
Exhibit A, Tab 1, Appendix A, Schedule 7**

Preamble: The calculation of the 2014 deferral account balance of \$4,665 million is consistent with the EB-2013-0365 Settlement Agreement and Exhibit B.BOMA.8 as filed in EB-2014-0271.

- a) Please provide a Comparison Table to show the 2014 actuals vs estimates based on the Settlement Agreement and BOMA 8 Forecast assuming a Parkway Delivery Obligation Reduction of 212 TJ/d and 66 TJ/d of M12 Turn-back. Discuss any variances and the reason(s) for these.**
- b) Please advise the status of Union’s plans to move the System Gas Parkway Obligation to Dawn.**

Energy Probe IR # 7

**Ref: Exhibit A, Tab 1, Page 39 and
Exhibit A, Tab1, Appendix B**

Preamble: Consistent with the Board's EB-2014-0145 Decision, Union is requesting approval of a new Unaccounted for Gas (UFG) Price Variance deferral account; Account No. 179-xxx

- a) Please summarize the Board's EB-2014-0145 Decision related to the new UFG Price Variance deferral account.**
- b) Please provide the Board-approved UFG costs included in Union's rates.**
- c) Please explain further how Union forecasts it's unaccounted for gas.**
- d) Please explain further why there is no balance for disposition in the 179-135 UFG Volume deferral account at December 31, 2014.**

Earnings Sharing

Energy Probe IR # 8

**Ref: Exhibit A, Tab 2, Page 1, Table 1 and
Exhibit A, Tab 2, Appendix B, Schedule 1.**

Preamble: For 2014, the difference between approved and actual ROE is 176 basis points or \$5.457 million, after tax (Tab 2, Appendix B, Schedule 1, column (d), line 34). The entire amount is attributed to 50/50 sharing. When grossed up for income taxes, the amount of the earnings sharing is \$7.424 million (Tab 2, Appendix B, Schedule 1, column (d), line 35)

Please explain/provide more information on the following adjustments to the 2014 Utility Income and Earnings Sharing calculation.

- a) The transportation optimization built into distribution rates is reclassified to transportation revenue as an offset to the actual optimization revenue earned. (In order to align with the Board-approved presentation, this adjustment of \$17.010 million has been shown as a cost of gas reduction).**
- b) Union's 2014 corporate results include the revenue associated with 2012 FT-RAM activity totaling \$32.375 million which has been removed from transportation revenues as it was already included in 2012 earnings sharing.**

Disposition of Accounts

Energy Probe IR # 9

**Ref: Exhibit A, Tab 3, Page 7 and
Exhibit A, Tab 3, Appendix A, Schedule 1 - Parkway Obligation Rate
Variance Account (179-138)**

Preamble: the Dawn-Parkway demand costs have been allocated to Union South in franchise rate classes in proportion to the 2013 Board-approved Dawn-Parkway design day demands. The Dawn-Parkway commodity costs have been allocated to Union South in franchise rate classes in proportion to 2013 Board-approved delivery volumes for customers located east of Dawn and to Union North in-franchise rate classes in proportion to Union North in-franchise winter volumes, excluding T-service and Rate 25 volumes.

- a) Please provide the specific calculations for the PORVA allocation to Rates M1 and M2**
- b) Please compare to the amounts and allocations specified in the Settlement Agreement Provide assumptions and discuss any differences**

Energy Probe IR # 10

Ref.: Exhibit A, Tab 3, Page 9 and Exhibit A Tab 3 Appendix A Schedule 3

Preamble: The prospective refund / recovery approach over six months, (October –March) proposed for Rate M1, Rate M2, Rate 01 and Rate 10 customers, is consistent with how Union disposed of 2013 deferral account and earnings sharing balances in EB-2014-0145.

- a) Please provide for the above classes, the 2013 amount and monthly charge/rebate.**
- b) Discuss the alternative option of a single charge given the total bill is highest in the latter part of the winter season**

Service Quality

Energy Probe IR # 11

**Ref: Exhibit A, Tab 2, Page 8 and
Exhibit A, Tab 2, Appendix D, Schedule 1**

- a) For the Billing and SQRs please provide a consolidated table showing 5 year historic performance 2010-2014 and include the 5 year average and Board approved “standard”. Discuss any trends and remedial actions, especially for 2014.**
- b) Specifically for G.2.1.9.A – Telephone Answering Service (CASL) and (AR) please provide analysis of trends and discuss steps taken to improve performance especially for 2014.**

Energy Probe IR # 12

Ref: No Reference

Please provide a Short Update on the status of on line billing/accounts and Customer Inquiry systems, including recent usage and trends.

Gas Supply Transportation

Energy Probe IR # 13

**Ref: Exhibit A, Tab 4 and
Exhibit A, Tab 4, Appendix A, Schedule 2**

- a) Please provide the prior gas year contracting data in the same format as Schedule 2.**
- b) Please highlight the material changes for 2014-2015 gas year**
- c) With regard to future years, please indicate how contracting for 158 TJ/d of transportation capacity on NEXUS as an anchor shipper to Dawn will change the contracts and forecasts in Schedule 2.**

Energy Probe IR # 14

Ref: Exhibit A, Tab 5, Page 30

Preamble: Union is evaluating a change to the reference price to be Dawn-based for those customers, where it is most appropriate and Empress-based for the remaining customers. Union will be filing evidence with the Board in the near future requesting approval of changes in the reference price as appropriate.

- a) Please provide a status on the review and timing of completion and filing.**
- b) Please indicate the options/weighting that may be applied to Dawn and Empress based reference prices and how sourcing gas at Dawn for Union North will impact this.**
- c) If possible provide an illustrative hypothetical example of how *directionally* the use of the two prices could affect the System Supply unit costs, including transportation, for Union South and Union North. In particular, for comparison purposes assume a date when proposed shifts of System Gas Delivery Obligations from Parkway to Dawn have occurred.**