

VINCENT J. DEROSE  
T 613.787.3589  
vderose@blg.com

Borden Ladner Gervais LLP  
World Exchange Plaza  
100 Queen St, Suite 1300  
Ottawa, ON, Canada K1P 1J9  
T 613.237.5160  
F 613.230.8842  
F 613.787.3558 (IP)  
blg.com



Our File # 339583-000204

By electronic filing

June 9, 2015

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

Dear Ms. Walli

**Re: Union Gas Limited ("Union")**  
**2014 Deferral Account Balances and Earnings Sharing Amount**  
**Board File #: EB-2015-0010**

Please find attached Interrogatories submitted on behalf of Canadian Manufacturers & Exporters ("CME") for Union.

We have attempted to refrain from duplicating Interrogatories posed by Board Staff and other Intervenor.

Yours very truly

A handwritten signature in black ink that reads 'V DeRose per P.T.'.

Vincent J. DeRose

enclosure

c. Chris Ripley (Union)  
Crawford Smith (Torys)  
Intervenor EB-2015-0010  
Paul Clipsham and Ian Shaw

OTT01: 5800300: v1

**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.

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

**2014 Utility Results and Earnings Sharing**

**Reference:** Exhibit A, Tab 2, pages 1 to 8 and Appendix B, Schedule 1

1. According to the evidence, Union's actual 2014 revenue sufficiency was \$34.3M. Its actual Return on Equity ("ROE") was 10.69% compared to Board approved ROE of 8.93%. Please provide the following additional information:
  - (a) What was Union's 2014 Weather Normalized Revenue Sufficiency or Deficiency?
  - (b) What was Union's Weather Normalized ROE for 2014?
  - (c) What percentage of the actual overearnings of \$34.3M is attributable to the colder than normal weather in 2014?

**2014 Deferral Account Balances**

**Spot Gas Variance Account:**

**Reference:** Exhibit A, Tab 1 UPDATED, pages 2 to 6

2. The evidence indicates that at the time of its April 1, 2015 filing, Union forecasted a requirement of 1.3 PJ of spot gas for Union South bundled direct purchase ("DP") load balancing. The actual variance between aggregate Banked Gas Account ("BGA") balances at March 31, 2015 relative to the planned BGA balance was 0.746 PJ below the planned BGA. This variance was the result of 374 bundled DP contracts being 1.761 PJ below their planned BGA level, offset in part by 194 bundled DP contracts being 1.015 PJ above the planned BGA levels at March 31, 2015. In connection with this evidence, please provide the following information:
  - (a) Please provide a detailed description of the manner in which Union's initial forecast of 1.3 PJ of spot gas was developed. Did that forecast take into account deliveries by DPs that would exceed their March 31, 2015 BGA requirements? If so, what was the forecast breakdown of bundled DP customers who were expected to over-deliver by March 31, 2015, compared to those who were expected to under-deliver by that date?

- (b) When did Union go to market to procure gas to address the initially forecasted shortfall? Please provide each of the dates on which Union purchased gas for this purpose and, for each date specified, the volume purchased and the costs per GJ and total costs paid for the supplies.
- (c) How does Union account to direct purchasers who have over-delivered gas relative to their March 31 planned BGA when Union effectively uses that gas to support a shortfall in deliveries by other direct purchasers?
- (d) What contractual or other restrictions are there on Union's right to use gas over-delivered by specific direct purchasers? Please provide the text of any contractual provisions which detail Union's obligations to its direct purchasers with respect to such temporary over-deliveries.
- (e) What are the consequences for Union of a forecast aggregate BGA shortfall which turns out to be excessive and thereby over-protects Union against the risk of BGA imbalances? Does Union retain gas which it acquires but turns out is not needed for BGA shortfall purposes to support subsequent sales of system gas?
- (f) What would be the spot gas cost recovery outcome in the following scenario:
  - (i) The 374 direct DP's who under-delivered 1.761 TJ pay the costs of the March 31, 2015 BGA short-fall of 0.746 PJ at the cost per GJ Union actually incurred to acquire that 0.746 PJ of supply;
  - (ii) System gas users pay the actual cost per GJ which Union incurred to acquire spot supply in excess of the 0.746 PJs actually needed to balance direct purchasers, on the grounds that it is system gas users who actually use that gas supply; and
  - (iii) In this scenario, would the credit of \$1.271 M which Union proposes to record in the Deferral Account and pay to system gas customers disappear?
- (g) Under the Deferral Account scenario Union proposes, please provide a detailed description of how the credit of \$1.271 M to system gas customers is derived. Include in that description the source of the funds which are being credited to system gas customers. Does the amount stem from payments made by direct purchasers or from payments made in rates by system gas users?

**Upstream Transportation Optimization:**

**Reference: Exhibit A, Tab 1, pages 11 and 12, and Appendix A, Schedule 2**

- 3. Please provide the following additional information with respect to Upstream Transportation Optimization activities in 2014:
  - (a) What was the actual Base Exchange Revenue in 2013 compared to the Board approved amount of \$9.118M?

- (b) What are the circumstances that occurred in 2014 which operated to cause a decline in Base Exchange Revenue compared to the Board approved 2013 amount of \$9.118M? In particular:
  - (i) Was there a decline in the number of transactions in 2014 compared to prior years? If so, then please list the 2014 transactions and the 2013 transactions and then explain why the number of transactions declined in 2014.
  - (ii) Did the prices charged for such transactions remain about the same as in prior years, or did they decrease? If prices decreased, then, in the transaction lists requested above, please show the extent to which the prices for the transactions declined and explain why those declines occurred.

**Proposed New Deferral Account to Capture the Price Variance on Purchased Volumes Related to Unaccounted For Gas ("UFG")**

**Reference: Exhibit A, Tab 1, page 39 and Appendix B**

4. Please provide further information pertaining to this proposal as follows:

- (a) Please advise whether there was any Deferral Account protection under Union's prior 5 year Board approved Incentive Regulation Mechanism ("IRM") for either volume-related or price-related UFG.
- (b) Did the Board approve a Deferral Account for either volume-related or price-related UFG on Rebasing in 2013? If so, please provide particulars of the account or accounts which were approved.
- (c) Please confirm that Union's shareholder realized substantial gains over the course of the 5 year IRM ending on December 31, 2012, from the fact that ratepayers did not enjoy variance account protection with respect to either volume-related and/or price-related changes to UFG.
- (d) Please confirm that the Board approved IRM Agreement for the period 2014 to 2018 inclusive only provides volume-related UFG Deferral Account protection subject to a dead band. Price-related Deferral Account protection is excluded from the ambit of that agreement.
- (e) Please confirm that the EB-2014-0145 Decision and Order dated October 30, 2014, did not authorize the establishment of a UFG Price Variance Deferral Account. Rather, it deals with the purchase of incremental gas because of UFG variances to ensure that there is an adequate supply of gas in storage to meet customer demands in March and April.
- (f) Did the circumstances which prompted the UFG price variance component of the application in EB-2014-0145 repeat themselves in 2015? If so, what volume of incremental gas did Union purchase for delivery in March of 2015 because of UFG variances and had those purchases not been made, would the gas in storage be inadequate to meet customer demands in March and April of 2015?

- (g) What is the price variance for 2015 to date? Has the variance reverted to the historical credit position referenced at page 7 of the EB-2014-0145 Decision and Order?
- (h) What is the UFG volume expressed as a percentage of the total throughput or sendout which is embedded in Union's 2013 and 2014 rates? Please provide a schedule which shows the derivation of that ratio.
- (i) What was the actual 2014 UFG volume expressed as a percentage of actual 2014 total throughput or sendout? Please provide a schedule which shows the derivation of that ratio.
- (j) What are the total volume and dollar amounts of UFG embedded in Union's 2013 and 2014 rates and the resulting unit rate of recovery of UFG in those rates? Please provide a schedule which shows the derivation of these items.
- (k) What was the actual dollar amount recovered for UFG in 2014 rates as a consequence of actual total sales service and other volumes in 2014 materially exceeding the forecast volumes embedded in base rates? Please provide a schedule which shows the derivation of this item.