

July 14, 2015

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

Dear Ms. Walli:

**RE: EB-2015-0010 – Union Gas Limited - 2014 Disposition of Deferral Account Balances and Earnings Sharing Amount - Interrogatory Responses - Corrected**

Please find attached Union's corrected responses to the interrogatories received in the above proceeding. Union corrected Exhibit B.OGVG.7.

Exhibit B.OGVG.7

Union corrected a calculation error in the Normalized Average Consumption account.

If you have any questions with respect to this submission please contact me at (519) 436-5476.

Yours truly,

*[original signed by]*

Chris Ripley  
Manager, Regulatory Initiatives

cc: Crawford Smith, Torys  
All Intervenors

June 26, 2015

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

Dear Ms. Walli:

**RE: EB-2015-0010– Union Gas Limited  
2014 Disposition of Deferral Account Balances and Earnings Sharing Amount -  
Interrogatory Responses**

Please find attached Union's responses to the interrogatories received in the above proceeding.

If you have any questions with respect to this submission please contact me at (519) 436-5476.

Yours truly,

*[original signed by]*

Chris Ripley  
Manager, Regulatory Initiatives

cc: Crawford Smith, Torys  
All Intervenors

UNION GAS LIMITED

Answer to Interrogatory from  
Board Staff

Reference: Exhibit A, Tab 1, p. 2

The evidence indicates that Union is seeking disposition of the \$1.271 million credit balance in the Spot Gas Variance Account for spot gas purchased to manage weather and consumption variances in February and March for Union South bundled direct purchase customers.

- a) Please confirm that Union is seeking disposition of amounts related to spot gas purchases made in February and March of 2015.
- b) Has Union on prior occasions requested clearance of out of period amounts for spot gas purchases? If yes, has the OEB approved out of period dispositions? Please provide reference to relevant OEB Decisions.

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**Response:**

- a) Confirmed.
- b) Union requested clearance of 2013/14 winter spot gas purchases for Union South bundled direct purchase customers in its 2013 Deferral Disposition proceeding (EB-2014-0145). In its Decision, p.5, the Board approved Union's request to dispose of 2013/14 winter spot gas purchases. The Board stated:

*"All intervenors and Board Staff agreed with Union's proposal to deal with the load balancing costs in this proceeding. The Board also agrees. These are commodity-related costs that would normally be dealt with through the QRAM process. However, in this instance the cost allocation issue being addressed is more complex than is normally intended to with dealt with in the QRAM process."*

The Board went on to state:

*"Therefore, the Board finds that, in accordance with the principles of cost casualty, Union South direct purchase customers that were below their planned Banked Gas Account balances as of March 31 should be allocated the load balancing costs of \$1.954 million. The Board also finds that the proposed allocation of the associated \$0.153 million credit to sales service customers is appropriate."*

UNION GAS LIMITED

Answer to Interrogatory from  
Board Staff

Reference: Exhibit A, Tab 1, p. 10

In Union's 2013 Cost of Service proceeding (EB-2011-0210), Union reflected the contracted capacity on CTHI / CPMI to move gas into Union's Manitoba Delivery Area of 8,473 GJ/day. Union has since reduced the contracted capacity on these pipelines to 5,572 GJ/day for a reduction of 2,143 GJ/day effective November 1, 2012 and a further reduction of 758 GJ/day effective November 1, 2014.

Why has Union reduced the contracted capacity on these pipelines?

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**Response:**

Since 2011, two primary drivers on the CTHI/CPMI system and in the Central MDA have resulted in the ability for Union to reduce contracted capacity to that delivery area. First, the introduction of automated measurement data now provides daily meter reads on the CTHI/CPMI system. This has allowed Union to better forecast demands in that market, and resulted in the ability to reduce the CTHI/CPMI contracted capacity. Second, one of Union's large industrial customers reduced their contracted services with Union, reducing upstream transportation contracting requirements.

UNION GAS LIMITED

Answer to Interrogatory from  
Board Staff

Reference: Account No. 179-70 – Short-Term Storage and Other Balancing Services  
Exhibit A, Tab 1, pp.16-17

In Union's 2013 Cost of Service Application (EB-2011-0210), it proposed to split margins from short-term peak storage services proportionately between utility and non-utility customers based on the utility and non-utility share of the total quantity of short-term peak storage sold each year. The Board, in its Decision, accepted Union's proposal.

- a) Please provide the simple average term of the short-term peak storage services sold in 2014.
- b) Please provide the volume weighted average term of the short-term peak storage services sold in 2014.

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**Response:**

- a) The simple average term for short-term peak storage services sold in 2014 was 10 months.
- b) The volume weighted average term for short-term peak storage services sold in 2014 was 11 months.

UNION GAS LIMITED

Answer to Interrogatory from  
Board Staff

Reference: Exhibit A, Tab 1, p. 31

Union has indicated that there is no balance in Account No. 179-135, the Unaccounted for Gas (UFG) Volume Deferral Account. In the EB-2013-0202 Settlement Agreement, Union agreed that the amount of the UFG volume deferral account to be cleared to customers will be subject to a symmetrical dead band of \$5 million, with amounts within such dead band being to Union's account only.

What is the difference between Union's actual UFG costs in 2014 and the OEB approved UFG costs included in Union's rates?

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**Response:**

Union's actual UFG expense was \$18.4 million for 2014 versus Board-approved UFG of \$14.7 million.

The amount recorded in the UFG volume deferral account to be cleared to customers is subject to a symmetrical dead-band of \$5 million on volume variance as a percentage of throughput volumes (line 6 in Table 1). For 2014, Union's actual experienced UFG expense had a UFG volume variance of \$4.1 million greater (unfavourable) than Board-approved. Since this year-end variance is within the \$5 million threshold, there is a year-end balance of zero in the UFG volume deferral account.

Please see the variance details in Table 1 below.

**Table 1**  
2014 UFG Variances from Board-approved  
(\$millions)

	<u>2014 Actual</u>	<u>Board Approved</u>	<u>Variance</u>
1 Gross UFG Expense	18.4	14.7	(3.7)
Less: UFG Allocated to Unregulated			
2 Storage Business	<u>(1.4)</u>	<u>(1.0)</u>	<u>0.4</u>
3 Total Regulated UFG <sup>(1)</sup>	17.0	13.7	(3.3)
Less: UFG Allocated to Excess Utility			
4 Space	<u>(0.5)</u>	<u>(0.3)</u>	<u>0.2</u>
5 Net Utility UFG Expense	16.5	13.4	(3.1)
<u>Variance Analysis</u>			
6 Price Variance <sup>(2)</sup>			(0.1)
7 Throughput Variance <sup>(3)</sup>			1.1
8 UFG Volume Variance <sup>(4)</sup>			<u>(4.1)</u>
9 Total UFG Variance			(3.1)

- (1) Total Regulated UFG is Board-approved UFG Volumes of 65,308 10<sup>3</sup>m<sup>3</sup> at \$210.506 (January 2013 QRAM).
- (2) Reference Price included in Board-approved was \$210.506 / 10<sup>3</sup>m<sup>3</sup>.  
Actual Reference Prices by quarter were \$185.325, \$236.288, \$236.288, \$208.106 / 10<sup>3</sup>m<sup>3</sup>.
- (3) Board-approved throughput was 32,010 10<sup>6</sup>m<sup>3</sup> versus actual throughput of 30,578 / 10<sup>6</sup>m<sup>3</sup>.
- (4) Board-approved UFG % is 0.219% versus actual UFG % of 0.318% for 2014.  
Subject to Deferral Account when greater than +/- \$5 million.

UNION GAS LIMITED

Answer to Interrogatory from  
Board Staff

Reference: Exhibit A, Tab 2, p. 2 – Transportation Revenue

The evidence notes that the decrease in transportation revenue of \$8.7 million relative to 2013 was mainly driven by a cancellation fee in 2013 for early termination of an M12 contract.

Why was the M12 contract terminated early and what was the cancellation fee that was incurred?

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**Response:**

Please see Attachment 1.



Filed: 2014-07-17

EB-2014-0145

Exhibit B.CME.4

UNION GAS LIMITEDAnswer to Interrogatory from  
Canadian Manufacturers and Exporters ("CME")

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

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

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

**Response:**

Union entered into a settlement with a third party for the termination of a M12 transportation contract, and received \$4.6 million (\$3.4 million net of tax) as part of the settlement. Union also received a cancellation fee of \$1.5 million (\$1.1 million net of tax) from Ontario Power Generation for the termination of a natural gas power plant conversion project in Thunder Bay. Please see the response at Exhibit B.CME.5 for an update to the normalized sufficiency.

The rationale for including these revenues as normalizing adjustments is that they are non-recurring in nature, and they were outside of management's control.

UNION GAS LIMITED

Answer to Interrogatory from  
Board Staff

Reference: Exhibit A, Tab 2, Appendix D

Please confirm that the average call answering service level was below the OEB approved standard in the second and third quarter of 2014. Please provide reasons for the below average performance and describe the steps that Union has taken to restore the call answering level to the OEB approved standard.

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**Response:**

Confirmed. Please see Attachment 1 for a letter from Union to the Ontario Energy Board (“Board”) informing the Board that Union did not meet the Call Answering Service Level (“CASL”) per Section 7.3.1.1 of the Gas Distribution Access Rule (“GDAR”) for 2014. Attachment 1 provides the reasons and the steps that Union has taken to restore the CASL to Board standard.



February 9, 2015

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

Dear Ms. Walli:

**Re: GDAR Performance – Section 7.3.1.1: Call Answering Service Level**

This letter is to inform the Ontario Energy Board (“Board”) that Union Gas Limited (“Union”) did not meet the Call Answering Service Level (“CASL”) per Section 7.3.1.1 of the Gas Distribution Access Rule (“GDAR”) for 2014.

Section 7.3.1.1 of GDAR requires that a distributor measure:

*“the percentage of all calls to the general inquiry phone number, including Interactive Voice Response (“IVR”) calls that are answered within 30 seconds. This measure will track the percentage of attempted calls that are satisfied within the IVR or successfully reach a live operator within 30 seconds of reaching the distributor’s general inquiry number. The yearly performance standard for the CASL shall be 75% with a minimum monthly standard of 40%.”*

Union experienced significantly higher call volumes in 2014 than in 2013, resulting in a year end 2014 CASL of 72.4%, which falls below the standard set forth in GDAR. Although performance has improved due to a number of actions taken by Union, Union did not meet the 75% target. The table below summarizes the monthly CASL and actions taken for 2014.



Month	CASL (%)	Action Taken
January	77.0	
February	80.4	
March	71.9	
April	73.2	Six temporary employees hired.
May	63.0	Mandatory overtime for all employees; part-time employees worked full time hours.
June	67.5	Mandatory overtime for all employees; part-time employees worked full time hours; four temporary employees hired.
July	72.0	Mandatory overtime for all employees.
August	77.9	Mandatory overtime for all employees.
September	66.7	Mandatory overtime for all employees.
October	61.5	Mandatory overtime for all employees; 12 employees moved to answer inbound calls.
November	81.0	Mandatory overtime for all employees.
December	87.8	Mandatory overtime for all employees.
<b>Total cost of actions taken = \$475,000</b>		

Call volumes for 2014 were approximately 8% higher than Union's call volume forecast, largely due to the extreme winter weather experienced this past winter.

More specifically, a colder than normal winter resulted in higher consumption and an increase in the price of natural gas, both of which led to higher bills for consumers. In addition, because of the winter weather Union could not obtain actual meter reads from some locations resulting in a higher number of estimated meter reads. Both of these issues resulted in an increased number of calls for May and June of 183,872 in 2014 compared to 152,199 in 2013.

In early fall 2014, Union updated its Equal Billing Plan ("EBP"). Given the high gas prices from the past winter, the updated EBP was higher than in previous years. This resulted in an increased number of calls for September and October of 170,179 in 2014 compared to 141,552 in 2013.

Union's response to the increase in calls described above included adding six temporary staff, implementing mandatory overtime, requiring part-time employees to work full-time hours in May and June, and moving 12 employees to take inbound calls during peak fall weeks. Furthermore, training and vacation were restricted to create capacity for employees to answer calls. Finally, the IVR was modified to allow customers to inquire about bills 24 hours a day, seven days a week in order to reduce call volumes during peak hours.

As noted above, Union took action to address the increase in calls. While Union did not



meet the 75% CASL target in 2014, Union's year end CASL was 72.4%, and November and December results were well above the target. Given Union's past performance and the actions taken, Union expects the CASL will exceed the 75% target in 2015.

Yours truly,

*[Original signed by]*

Chris Ripley  
Manager, Regulatory Applications

UNION GAS LIMITED

Answer to Interrogatory from  
Board Staff

Reference: Exhibit A, Tab 4, Appendix A, Schedules 1 and 2

Union has provided Transportation Contracting Analysis for the period 2014-2018 and for 2014-2017. For the Alliance/Vector route (2000-2015), the data shows a unitized demand charge of \$1.7023 and a commodity charge of negative 0.4048. The unitized demand charge is significantly higher than other routes provided in the schedules. Please provide clarification with respect to the demand and commodity charges for this route.

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**Response:**

The unitized demand charges used in Schedules 1 and 2 are a combination of the tolls to transport supplies on the Alliance and Vector Pipelines. Alliance is an approximately 3,700 km pipeline that transports Western Canadian Sedimentary Basin (“WCSB”) natural gas from British Columbia and Alberta to the Chicago market hub in Illinois. Union then contracts with Vector pipelines to transport these supplies from Chicago to Dawn. This transportation path is a higher price than the other routes in the schedules, given the length of the Alliance/Vector path.

The negative commodity charge of \$0.4048 is a credit to recognize the added value of Authorized Overrun Service (“AOS”) offered by Alliance, as well as additional capacity due to the high heat content of gas on Alliance. AOS is a feature of the Alliance pipeline that consists of any capacity on any given day that the pipeline has available which otherwise exceeds its contract capacity. It is distributed equally to shippers based on their firm contracted capacity at no additional cost. The negative commodity charge is calculated by Union based on historical experience with Alliance, the value of the AOS and the additional capacity created by the higher heat content gas.

UNION GAS LIMITED

Answer to Interrogatory from  
Board Staff

Reference: Exhibit A, Tab 5 – 2014-2015 Gas Supply Plan Memorandum, Page 6

Union has indicated that in the future it anticipates serving a portion of Union North delivery areas with short haul firm transportation from Dawn replacing long haul transportation from Empress.

- a) Please confirm whether Union's plan to serve the North delivery areas with short haul firm transportation is dependent on TransCanada's Kings North project.
- b) If Union is able to serve a portion of Union North delivery areas with short haul firm transportation in the future, would that lead to a reduction in the Unabsorbed Demand Costs for Union North?

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**Response:**

- a) Confirmed.
- b) Union expects unabsorbed demand costs to be lower in the future once some of Union North is converted to Dawn-based supply. There may still be unabsorbed demand charges on upstream (of Dawn) pipelines, however these demand charges are expected to be less than the current long-haul TransCanada pipeline costs.

UNION GAS LIMITED

Answer to Interrogatory from  
Board Staff

Reference: Exhibit A, Tab 5 – 2014-2015 Gas Supply Plan Memorandum, Page 31

Union has indicated that it is evaluating a change to the reference price to be Dawn-based for some customers and Empress-based for the remaining customers for purposes of setting commodity rates under the Quarterly Rate Adjustment Mechanism (QRAM).

- a) Please confirm that if Union requests approval of changes to setting the reference price, the QRAM process would involve the OEB setting two reference prices, one Dawn-based and the other Empress-based.
- b) Please provide the benefits and drawbacks of using two reference prices for setting commodity rates under the QRAM process.
- c) Will Union's proposed approach make the QRAM process more complicated considering that the rate setting mechanism would involve the OEB setting two reference prices every quarter for different customer classes?

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**Response:**

- a) Confirmed.
- b) In the NGF Report<sup>1</sup>, the Board concluded that the appropriate pricing structure for regulated gas supply should reflect the following:
  - The QRAM price should be a transparent benchmark that reflects market prices;
  - The market needs an accurate and consistent price signal; and
  - The method for determining the reference price should be formulaic and consistent.

The Board reiterated these key points in the QRAM Decision and Order dated August 14, 2014, p. 4 (EB-2014-0199), indicating:

*“the QRAM is intended to strike a balance between ensuring that consumers are receiving appropriate price signals which reflect the actual natural gas market price, and protecting the interests of system supply customers by reducing, to some extent, volatility in the price of natural gas.”*

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<sup>1</sup> Natural Gas Regulation in Ontario: A Renewed Policy Framework, Report on the Ontario Energy Board Natural Gas Forum. March 30, 2005, pp. 68-69.



Union will propose a Dawn and Alberta Border reference price to ensure that the reference price is an accurate market price indication of the forecast cost of supply. As discussed at Exhibit A, Tab 6, slide 58, the Dawn Reference Price is a better reflection of actual portfolio costs for Union South and Union North delivery areas (NDA, NCDA, and EDA) primarily sourced from Dawn. The proposed changes to the reference price used to set rates will better reflect the cost of the gas supply purchased to serve Union South and Union North customers and will minimize variances that would otherwise accumulate in gas cost deferral accounts. There will be little change for the delivery areas (SSMDA, MDA, and WDA) that will continue to have their gas sourced from Alberta.

Union will propose to use the same methodology to set the Dawn Reference Price as is used today in the QRAM process to set the Alberta Border Reference Price to maintain the formulaic and consistent approach. Union will determine the Dawn Reference Price by applying a forward Dawn basis differential to the future 12-month NYMEX market prices, applying a foreign exchange rate and weighting these monthly prices by the volume Union plans to buy in each of the 12 months. The result will be an average cost per GJ in Canadian dollars that represents the forward market price at Dawn. The reference price will be a rolling 12-month price that is updated quarterly, similar to the process used today to set the Alberta Border Reference Price. There will be no change to how the Alberta Border Reference Price will be set for those customers in the western part of the North.

Union will file an application and evidence (EB-2015-0181) providing further details regarding Union's proposal for changing the reference price.

- c) No, the QRAM process will continue to be formulaic and consistent. Please see the response to b) above.

UNION GAS LIMITED

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

Reference: Exhibit A, Tab 1, pp. 2-3

When does Union set the February 28 inventory checkpoint balances for DP customers? On what date was it set in 2015? Please provide copy of Union's letter of February 23, 2015 to customers.

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**Response:**

The February checkpoint is set at the time a Union South bundled direct purchase (“DP”) customer’s contract is established/renewed and updated as necessary as the contract amends during the term of the contract. The contracts are established/renewed/amended throughout the year as customers are added or deleted from a contract based on requests from the contract holder.

In regards to checkpoint action notices provided to the Union South bundled DP customers who have chosen Union Determined balancing, the February draft Checkpoint Action Report was available to customers on February 5, 2015. The final Checkpoint Action Report was provided to customers on February 6<sup>th</sup> with a reminder on February 17<sup>th</sup>.

Please see Attachment 1 for the letter Union sent to Union South bundled DP customers on February 23, 2015.



This message is for Union South Bundled Transportation (direct purchase) customers only.

Southern Ontario has experienced and is expected to continue to experience significantly colder than normal weather through the end of winter.

Checkpoint Action Due Today

Union Gas would like to remind customers that all balancing requests to deliver additional gas to meet checkpoint obligations must be received and approved by 4:30 PM ET. today.

Incremental Consumption (Post Checkpoint)

Union Gas needs to ensure that sufficient gas is available to manage incremental consumption requirements for its sales service and bundled transportation customers through the remainder of the winter.

Last year, as a result of colder than forecast weather, Union Gas purchased extra gas in February and March to manage incremental consumption requirements arising after the February checkpoint reporting was communicated through to the end of March. Subsequently, the OEB approved that South bundled transportation customers receive a charge for the added quantities that met their incremental consumption. The charge (based on the price difference to summer gas) was allocated to customers whose actual March 31 banked gas account (BGA) balance was less than planned when their contract parameters were set.

This year, actual weather has again been significantly colder than what had been forecast for purposes of the February checkpoint and is also forecast to be significantly colder than normal through March. Union Gas will continue to evaluate the need to purchase gas to manage incremental consumption requirements through the remainder of this winter.

Customers are responsible for continuing to review their Direct Purchase status reports, monitor their consumption and make the appropriate decisions for their business. If a customer is concerned that they might see a deferral account disposition related to incremental consumption subsequent to the February checkpoint, similar to last year, then they could consider options for gas deliveries in the remainder of this month and the month of March so that their actual March 31 BGA balance is not less than planned. In determining the quantity of gas to deliver, customers should recognize that a forecast of weather to March 31 has not been included in their current Direct Purchase status report; nor will it be included in the report issued in early March unless the contract is expiring at that date.

Transactions to Shed Gas in March

The scheduling of interruptible balancing transactions to remove gas from a BGA balance (Diversions, Suspensions, and Ex-Franchise Transfers) is managed through Union Gas's Priority of Service Policy. With colder than normal weather forecast for the rest of the winter, these transactions may be restricted from time to time.

Also, please keep in mind that balancing transaction requests are only approved if a contract's actual and projected balances show the need for the transaction. As noted above, colder than normal forecast weather beyond the checkpoint will not be reflected in Direct Purchase status reports issued in early March. Any request to remove gas from a contract's BGA balance (including In-Franchise Transfers) will be evaluated with the potential impact that colder than normal weather for the balance of winter may have on the projected balance.

If you have any questions about this message, please contact your account representative.

UNION GAS LIMITED

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

Reference: Exhibit A, Tab 1, pp. 3-4

Please provide the details of the associated infrastructure costs of \$19.906 million, referred to in Table 10, Line 2, Column (b).

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**Response:**

The \$19.906 million in infrastructure cost includes costs necessary to prepare the vacant land for the constructed facilities of which the most significant cost is contract labour. Contract labour was utilized for the land development which involved soil movement for storm water management ponds, visual and noise abatement berms, top soil stripping, excavations and backfill. Other costs included in infrastructure cost are archaeology assessments, environmental assessments and studies, construction management, and various fees for the land development including permitting, heritage assessment, zoning by-law amendments and site plan approval.

UNION GAS LIMITED

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

Reference: Exhibit A, Tab 2, p. 3, Schedule 1, Lines 1 and 6

Please explain more fully why the \$17.010 million is shown as a reduction in both "gas sales" and "cost of gas".

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**Response:**

Please see the response at Exhibit B.Energy Probe.4 a).

UNION GAS LIMITED

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

Reference: Exhibit A, Tab 3, p. 2 and Exhibit A, Tab 1, p. 6, Table 1

Why is a portion of the amounts collected from DP customers who had negative gas balances not credited to the DP customers that had positive DP balances for the period until March 31, 2015? Please discuss fully.

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**Response:**

Please see the response at Exhibit B.CME.2 d).

UNION GAS LIMITED

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

Reference: Exhibit A, Tab 4, p. 4

The receipt point is listed as Alliance Pipeline LP interconnect (Joliet). Does this mean that the gas is being transported to Joliet from Alberta by Alliance? Please explain fully.

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**Response:**

Union’s transportation contract with Vector has a primary receipt point at the interconnection of the Alliance and Vector pipelines, which is called the Alliance Pipelines L.P. Interconnect (“Joliet”). The Alliance Pipeline delivers gas to the Joliet point where Union purchases the gas from a supplier. However, the pipeline delivers gas from Western Canada (Alberta and British Columbia) and from other pipelines that interconnect with Alliance along the path. Union does not know where the gas originates.



UNION GAS LIMITED

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

Reference: Exhibit A, Tab 4, p. 11

What are the particulars of the renewal rights on the:

- SSMDA contract with TCPL?
- contract with TCPL for Union's NDA?
- Assignment of 8,000 GJ of capacity on September 11, 2014?

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**Response:**

The contracts referenced in the question are all standard TransCanada Firm Transportation (“FT”) contracts held by Union and contain standard renewal provisions. TransCanada FT contract holders are required to provide TransCanada with two years’ notice of their intention to renew with a renewal term of one or more full years.

UNION GAS LIMITED

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

Reference: Exhibit A, Tab 4, Appendix A

- a) Please explain for each of Schedule 1, Schedule 2, Schedule 3, what the three analyses are designed to show. Please account for the widely varying Assumption used in Developing Transportation Contracting Analysis for each of the three Schedules, for example, to Henry Hub prices in each of the years in each of the three Schedules. Please account for each of the variances in the three Schedules.
- b) Provide a similar explanation for Schedule 4, Scenario Analysis. What is it trying to show; why were the particular routes chosen and comparisons made?
- c) Please explain the composition supply cost at TCPL Niagara, for each of the three scenarios, and each of the other components of the Landed Cost for each of the three scenarios.

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**Response:**

The landed cost analyses shown in Schedules 1, 2, and 3 are provided to show the cost of the newly acquired transportation capacity compared to other transportation paths that currently exist within Union’s portfolio. The assumptions for the analyses vary based on the input information used (ICE for one year contracts and ICF for contracts greater than one year) and the prices forecast at the point in time the analyses were completed. Below are further details on each of the analyses.

- a) Schedule 1 is the landed cost related to the extension of the Vector contract for an additional year to 2018, referred to in the evidence as “Vector Pipeline (1 year extension)”.

Schedule 2 is the landed cost related to the Vector 2014-2017 contract referred to in the evidence as “Vector Pipeline (3 years)”.

Schedule 3 is the landed cost related to the contracts referred to as “Panhandle Eastern Pipeline (1 year)” and the “DTE Energy (1 year)” for November 1, 2014 to October 31, 2015.

- b) Schedule 4 is an analysis labelled “Scenario Analysis” and is not a traditional landed cost as regularly performed for Union South. Traditional Union South landed costs illustrate the cost of upstream assets to deliver gas into Union south portfolio at an assumed 100% load factor. Schedule 4 is for the Union SSMDA which is a delivery area in Union North that can only be served via TransCanada. This template is provided to illustrate the alternatives reviewed by

Union at the time the decision was made to acquire the capacity.

- c) In each of the Schedules, the assumptions in the landed cost are outlined in the “Sources for Assumptions” section.

UNION GAS LIMITED

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

Reference: Exhibit A, Tab 5, p. 13 et al

Please explain why Union has not made larger commitments to purchase gas at Niagara for the Marcellus Shale beyond the 2012 commitment of about 21,000 GJ/day. Please compare prices with proposed delivery to Dawn from Marcellus and Utica Shale, with deliveries to Niagara/Chippewa from Marcellus/Utica Shale. Please discuss fully.

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**Response:**

When Union determines it requires additional upstream transportation capacity, relevant transportation path options are investigated. Union will then acquire capacity based on the established Gas Supply Principles as outlined at Exhibit A, Tab 5, p. 12. Existing capacity from Niagara to Kirkwall has not been available on TransCanada as the path is sold out. Union has not requested incremental capacity in a TransCanada New Capacity Open Season (“NCOS”) from Niagara to Kirkwall. Union will look at incremental deliveries at Niagara (and other supply sources) as other existing transportation paths come up for renewal in the future.

Deliveries to Niagara and Chippawa on U.S. pipelines (for export to Ontario) also need to move on TransCanada to Kirkwall, then on Union back to Dawn. Prices for this path are shown at Exhibit A, Tab 4, Appendix A, Schedules 1, 2, and 3 of this application. The gas delivered to Niagara and Chippawa is assumed to be Marcellus supply.

UNION GAS LIMITED

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

Reference: Ibid, p. 23, Figure 9

For which of returnees to sales service from BT, General Service-unbundled and General Service-ABC does Union require additional transportation capacity? Please explain fully.

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**Response:**

Union may require additional transportation capacity for direct purchase (“DP”) customers when they return to sales service depending on each customer’s unique circumstance.

When customers transition to DP from sales service they are allocated upstream transportation capacity from Union’s transportation portfolio. Over time, Union offers DP customers, holders of the upstream transportation capacity, the option to turn back a portion of their transportation allocation while maintaining their Dawn or Parkway delivery obligation. If a DP customer turned back a portion of their transportation allocation, the DP customer will not return sufficient transportation capacity back to Union to meet their demands when they return to sales service. Union is required to meet these customers’ gas supply requirements, and therefore, is required to make up the shortfall of capacity and may need to contract for additional upstream transportation capacity.

The impact of return to sales service is described in more detail in the Gas Supply Memorandum at Exhibit A, Tab 5, Sections 5.2 and 5.7.

UNION GAS LIMITED

Answer to Interrogatory from  
Consumers Council of Canada (“CCC”)

Reference: Exhibit A, Tab 1, p. 12

The evidence states that the Upstream Transportation Optimization revenue is lower the Board approved amount primarily because of the elimination of the TCPL FT-RAM program. How much of the reduction is related to the FT-RAM program elimination? What other factors have contributed to the reduction in revenue?

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**Response:**

The elimination of the TransCanada FT-RAM program was effective July 1, 2013, and therefore no exchange revenue is associated with FT-RAM in 2014. Exhibit A, Tab 1, Appendix A, Schedule 2, lines 1-3 shows the breakdown of total exchange revenue between Base Exchanges and FT-RAM. Base Exchange Revenue in 2014 was lower than Board-approved revenue by \$1.2 million. This was primarily due to less temporary surplus capacity available given the colder-than-normal winter experienced in 2014.

	Base Exchanges	FT-RAM Exchanges	Total
2013 Board-approved	9.118	5.800	14.918
2014 Actual	7.919	0	7.919
Difference	(1.199)	(5.800)	(6.999)

UNION GAS LIMITED

Answer to Interrogatory from  
Consumers Council of Canada (“CCC”)

Reference: Exhibit A, Tab 1 p. 21

Will Account 179-120 continue beyond 2014? If so, please explain why.

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**Response:**

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

UNION GAS LIMITED

Answer to Interrogatory from  
Consumers Council of Canada (“CCC”)

Reference: Exhibit A, Tab 1 p. 22

For Account 179-123, which records the costs and revenues related to Union’s involvement in CDM activities, please explain how the costs and revenues are derived for each of the programs. Please include all assumptions. Please provide the costs and revenues recorded in this account since it was established.

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**Response:**

Union’s costs and revenues are recorded in deferral account No. 179-123 Conservation Demand Management when Union is contracted to deliver CDM programs on behalf of electric LDCs. Cost of delivery is fully allocated and net revenues are then shared 50/50 as outlined in Exhibit A, Tab 1, Table 1, p.22. Table 1 shows the costs and revenues recorded in this account since it was established in 2012.

Table 1

Historical Costs and Revenues for 179-123 Deferral Account (\$000’s)			
	2012	2013	2014
Revenues	\$ 1,001	\$ 2,344	\$ 2,581
Cost	\$ 1,013	\$ 2,208	\$ 2,076
Net margin	\$ (12)	\$ 136	\$ 505
50% Ratepayer	\$ 0	\$ 68	\$ 252



UNION GAS LIMITED

Answer to Interrogatory from  
Consumers Council of Canada (“CCC”)

Reference: Exhibit A, Tab 1, p. 29

Please explain why the Rate 01 Normalized average consumption in 2014 was greater than the forecast. Why, in this case, was residential consumption higher for residential consumers?

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**Response:**

There was an error in the evidence related to the Rate 01 Actual Normalized Average Consumption (“NAC”). The evidence stated that actual 2014 NAC was greater than the forecast 2014 NAC due to the higher residential customer consumption versus commercial customer consumption. However, the increase in Rate 01 NAC is the result of increased consumption by Rate 01 commercial customers greater than forecast.

UNION GAS LIMITED

Answer to Interrogatory from  
Consumers Council of Canada (“CCC”)

Reference: Exhibit A, Tab 1, pp. 24-30

Is Union, through this Application, changing the way in which the Normalized Average Consumption Account – 179-133 operates or the way in which amounts are recorded in the account? If so, please identify those changes and explain the rationale for making them.

---

**Response:**

The Normalized Average Consumption Account 179-133 is being filed for the first time and is being accounted for in accordance with the methodology agreed to by parties in Union’s 2014-2018 IRM Settlement Agreement (EB-2013-0202) and subsequently modified in Union’s 2015 Rates proceeding (EB-2014-0271).

UNION GAS LIMITED

Answer to Interrogatory from  
Consumers Council of Canada (“CCC”)

Reference: Exhibit A, Tab 1, p. 31

What were Union’s actual UFG costs in 2014? What amounts were included in rates?

---

**Response:**

Please see the response at Exhibit B.Staff.4.

UNION GAS LIMITED

Answer to Interrogatory from  
Consumers Council of Canada (“CCC”)

Reference: Exhibit A, Tab 1, p. 34

Please provide a detailed breakdown of the \$19.906 million station infrastructure costs. What does Union mean that the “associated infrastructure costs for these components were considered to be in service”?

---

**Response:**

Please see the response at Exhibit B.BOMA.2 and Exhibit B.VECC.4 b).

UNION GAS LIMITED

Answer to Interrogatory from  
Consumers Council of Canada (“CCC”)

Reference: Exhibit A, Tab 1, p. 31

Please describe the relief that Union is seeking, through this Application, regarding the Parkway West Project Costs. Please provide the most current estimate for the total project costs and the forecast costs. When is the project expected to be completed?

---

**Response:**

Union is seeking recovery of the costs associated with Parkway West Project assets placed into service in 2014. In its EB-2012-0433 Decision and Order, the Board approved Union’s request for recovery of costs and for a deferral and variance account to track differences between estimated and actual costs on the Parkway West Project. In its Decision and Order, pp.14-15, the Board noted “...costs will only be incorporated into rates when the project is completed and in-service.” Only in-service asset costs are included in the deferral account.

Please see the response at Exhibit B.Energy Probe.5 d) for expected contract completion and most current estimate for total project costs and forecast costs.

UNION GAS LIMITED

Answer to Interrogatory from  
Consumers Council of Canada (“CCC”)

Reference: Exhibit A, Tab 1, p. 38

Please set out how the \$4.665 million related to the Parkway Obligation is recovered from each of Union’s rate classes.

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**Response:**

Please see Exhibit A, Tab 1, Appendix A, Schedule 7.

UNION GAS LIMITED

Answer to Interrogatory from  
Consumers Council of Canada (“CCC”)

Reference: Exhibit A, Tab 3, p. 1

Please explain how the allocation methodologies proposed in this Application differ from the 2013 Deferral Account Disposition Proceeding (EB-2014-0145), or in the last cost of service proceeding (EB-2011-0210).

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**Response:**

As described at Exhibit A, Tab 3, Updated, p. 1, with the exception of the Normalized Average Consumption (“NAC”) Account, the Parkway West Project Costs Account and the Parkway Delivery Obligation Account, the allocation of 2014 deferral account balances to rate classes is consistent with the allocation methodologies approved by the Board in Union’s 2013 Deferral Account Disposition proceeding (EB-2014-0145) and in Union’s 2013 Cost of Service proceeding (EB-2011-0210).

Please see Exhibit A, Tab 3, Updated, pp. 6-7 for Union’s proposed allocation methodologies for the NAC Account, Parkway West Project Costs Account and Parkway Delivery Obligation Account.

UNION GAS LIMITED

Answer to Interrogatory from  
Consumers Council of Canada (“CCC”)

Reference: Exhibit A, Tab 2, p. 3

Union’s actual ROE for 2014 was 176 basis points above the 2014 benchmark ROE. Please indicate how much of that was related to productivity initiatives.

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**Response:**

Please see Exhibit A, Tab 2, pp. 2-3 for the primary drivers for Union’s 2014 financial results. Union does not track productivity initiatives. Therefore, the amount of ROE related to productivity initiatives has not been calculated.



UNION GAS LIMITED

Answer to Interrogatory from  
Consumers Council of Canada (“CCC”)

Reference: Exhibit A, Tab 4, p. 1

What relief is Union seeking, through this Application, regarding the evidence provided regarding its gas supply arrangements as set out in Exhibit A/T4?

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**Response:**

In this proceeding, Union is not seeking relief of the cost consequence associated with any upstream transportation contracts. Consistent with the EB-2005-0520 Settlement Agreement, p.13, Subsection 3.1, paragraph 2, Appendix B – Incremental Transportation Contract Analysis, in any proceeding where Union seeks recovery of cost consequence associated with upstream transportation contracts, Union is required to provide evidence to support its decision to enter into firm transportation capacity. The evidence is required for “...*any new or extensions to existing upstream transportation contracts with a term of one year or longer that will form part of Union’s sales serve gas supply arrangements. This analysis will not be provided for pre-existing contracts that have one year renewal provisions.*”

UNION GAS LIMITED

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

Reference: Exhibit A, Tab 2, pp. 1 to 8 and Appendix B, Schedule 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?

**Response:**

- a) Union's 2014 Weather Normalized Revenue Sufficiency was \$5.8 million. Please see the table below:

Weather Normalized Utility Results  
For the Year Ended December 31, 2014

Line No.	Particulars (\$ Millions)	Board-approved 2013 (a)	Actual 2014 (b)	Increase/ (decrease) (c) = (b) - (a)
1	Total revenue deficiency / (sufficiency)	-	(34.3)	(34.3)
2	Weather normalization adjustment	-	28.5	28.5
3	Weather normalized revenue deficiency / (sufficiency)	-	(5.8)	(5.8)

- b) Please see the response at Exhibit B.LPMA.7 a).
- c) The percentage of Revenue Sufficiency for 2014 that is attributable to the colder than normal weather is 83.09%. It is calculated as 2014 weather normalization adjustment (\$28.5 million) divided by 2014 revenue sufficiency (\$34.3 million).

UNION GAS LIMITED

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

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

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?
- 

**Response:**

- a) The 1.3 PJ forecast of spot gas required at March 31 for Union South bundled DP customers was based on projected variances below the planned March BGA in early February, assuming all Union South bundled DP customers met the February checkpoint requirements. The forecast for spot gas requirements for the end of March took into account the forecast for colder than normal weather for the period after the DP checkpoint projections were issued for the end of February and for the month of March. At the time, the 1.3 PJ of spot gas was required to maintain the planned Union South bundled DP customers expected total balance at the end of March. It would be imprudent for Union to rely on Union South bundled DP customers to have a positive BGA balance at March 31 since they have no contractual obligation to balance on Union's behalf and Union could not reasonably have expected them to do so. Therefore the 1.3 PJ was required to bring the Union South bundled DP customers that were expected to be below the March balance back to the expected balance. For those customers that were expected to have a positive balance above their expected March balance, it was assumed that they would either proactively or through weather, get back to a balance relative to the planned March balance.
- b) As indicated in Union's April 2015 QRAM (EB-2015-0035), Tab 1, Appendix A, p.5, Union purchased spot supplies on February 11, 2015 to manage "*updated forecast weather variance for sales service and Union North bundled DP customers, as well as forecast weather variances for Union South bundled DP for February and March*". A summary of the timing of Union's gas supply purchases and associated costs was provided in the April QRAM and updated in the July QRAM to reflect the final actual invoiced cost of supply. Please see Table 1 for final invoiced cost of supply.

**Table 1**  
**Winter 2014/15 Spot Purchases**

<b>Line No.</b>	<b>Date Purchased</b>	<b>Total Landed Volume (PJ)</b>	<b>Actual Cdn \$/GJ</b>	<b>Total Cost (\$million)</b>	<b>Delivery Date</b>
1	December 12, 2014	1.0	\$5.06	\$5.1	January
2	December 16, 2014	1.0	\$5.05	\$5.1	January
3	January 16, 2015	2.0	\$3.97	\$7.9	February
4	January 23, 2015	1.0	\$3.84	\$3.8	February
5	January 26, 2015	1.0	\$3.76	\$3.8	February
6	January 29, 2015	1.0	\$3.50	\$3.5	February
7	February 6, 2015	1.0	\$3.32	\$3.3	March
8	February 6, 2015	1.0	\$3.44	\$3.4	February 7-28
9	February 11, 2015	1.2	\$4.19	\$4.9	February 12-28
10	February 11, 2015	4.8	\$3.93	\$19.0	March
11	February 13, 2015	1.5	\$3.78	\$5.7	March
12	February 17, 2015	2.7	\$3.99	\$10.8	March
13	March 3, 2015	1.0	\$4.82	\$4.8	March 14-31
14	<b>Total</b>	<b>20.2</b>	<b>\$4.013</b>	<b>\$81.1</b>	

- c) On an actual basis, customers that over-delivered gas relative to their March 31 planned BGA contributed to a reduction in the total costs to the remainder of the bundled DP customers. Those customers who otherwise would have had a larger negative imbalance would have been allocated higher costs as the total variance (those over and under combined) was used to calculate the overall balancing costs.
- d) As stated above, Union does not assume that customers that are forecast to have a positive balance before March 31, will in fact, maintain a positive balance on March 31. There are no contractual requirements for any customer to carry a positive BGA balance. As a result these customers could sell or otherwise manage their over-delivered positions. Union is unable to rely on the over-delivered positions of its DP customers when planning its purchases in advance. There are no contractual provisions which detail Union's obligations to its DP customers with respect to such temporary over-deliveries.
- e) As indicated in part a) above, for the purposes of maintaining system integrity during the late winter months, Union cannot rely on Union South bundled DP customers to have a positive BGA balance at March 31 since they have no contractual obligation to balance on Union's behalf and Union could not reasonably have expected them to do so. If the forecast aggregate BGA shortfall position turns out to be lower or positive on an actual basis, the spot gas

purchased, but not required to cover BGA shortfalls, will reduce what would have otherwise been purchased for sales service customers in the following summer. This may lead to increased unabsorbed demand costs for sales service customers.

- f)
- i) Bundled DP customers acquire their own supply and ensure that they are balanced at checkpoint and contract expiry. Union is not acquiring spot gas for bundled DP customers, but rather ensuring that there is enough gas available to meet demands through March 31. Bundled DP customers are paying the incremental cost of winter supply that was purchased for load balancing to ensure that gas was available to meet their demands. If bundled DP customers are short supply in the winter, sales service customers essentially loan the gas to the bundled DP customers. The bundled DP customers pay the incremental costs that the sales service customers incur. The bundled DP customer ultimately delivers the supplies (typically in the summer following), before their year-end, or September check points.
  - ii) Sales services customers are paying the actual spot costs of supply purchased in excess of 0.746 PJ.
  - iii) No, the credit would not disappear. The credit of \$1.271 million is the difference between the actual cost of the gas relative to the reference price. As indicated at EB-2015-0010, Exhibit A, Tab, 1, p. 6, Table 1, line 3, the total variance from the reference for spot gas purchased is \$1.271 million. Union South bundled DP customers are paying \$0.320 million in aggregate (Exhibit A, Tab 1, p. 6, Table 1, line 5, column (b)) which is the summer / winter differential. The \$0.320 million is collected from bundled DP customers and credited to sales service customers to ensure that sales service customers do not bear the costs related to relatively more expensive incremental winter purchases for bundled DP load balancing requirements. This is consistent with the Board's view in the EB-2014-0145 Decision and Order, that *"the principle of cost causality makes it appropriate to allocate the load balancing costs to this group of Union South bundled direct purchase customers."* Therefore, sales service customers get a total credit of \$1.591 million.
- g) As described at Exhibit A, Tab 1, p 3, lines 7-14, and in Table 1, the summer-winter differential is the difference between the spot price paid for incremental spot supplies purchased in the winter of 2014/15 and the forecast summer price at the time each spot gas purchase was made. The incremental gas supply is required and consumed by bundled DP customers in February and March. Because the bundled DP customer has to provide total annual supply to meet total actual demand (including higher winter consumption that created the need for incremental spot) the bundled DP customers subsequently returns that supply prior to contract expiry and or the fall check point. Union reduces planned summer purchases it would normally have made on behalf of sales service customers in order to accept the incremental summer delivery from bundled DP customers. Bundled DP customers are only paying the price difference (summer-winter differential) for the gas purchased in February and March relative to the summer price. These bundled DP customers are not purchasing the gas supply. As indicated in (e) above, when Union reduces planned summer purchases for

sales service customers, this may lead to increased unabsorbed demand costs for sales service customers.

In other words, by having bundled DP customers pay the higher price of winter supply versus summer supplies, sales service customers are only paying the summer price that they would normally have paid had the gas been purchased in the summer as planned. As discussed in EB-2014-0145 Decision and Order, applying the summer/winter price differential to the cost of the gas purchased ensures that sales service customers do not bear the costs related to relatively more expensive incremental winter purchases. This is the same treatment as was approved and applied after the winter of 2013/14.

As described at EB-2015-0010, Exhibit A, Tab, 1, p. 6, Table 1, line 3, the total variance from the reference for spot gas purchased is \$1.271 million. Bundled DP customers are paying \$0.320 million in aggregate (EB-2015-0010, Exhibit A, Tab 1, p. 6, Table 1, line 5, column (b)) which is the summer / winter differential. The \$0.320 million is collected from bundled DP customers and credited to sales service customers to ensure that sales service customers do not bear the costs related to relatively more expensive incremental winter purchases acquired for South bundled DP load balancing requirements. Therefore, sales service customers receive a total credit of \$1.591 million.

UNION GAS LIMITED

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

Reference: Exhibit A, Tab 1, pp. 11 and 12, and Appendix A, Schedule 2

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.
- 

**Response:**

- a) The actual Base Exchange Revenue in 2013 was \$15.408 million compared to the Board-approved amount of \$9.118 million.<sup>1</sup>
- b)
  - i) The Board-approved revenue is not based on number of transactions. The decreased revenue was due to less temporary surplus capacity being available given the colder-than-normal winter experienced in 2014.
  - ii) The prices charged for transactions remained about the same in 2014 as compared to 2013. The variance in the prices charged in 2014 vs. 2013 was less than 3%.

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<sup>1</sup> EB-2014-0145, Exhibit A, Tab 1, Appendix A, Schedule 5, line 1



UNION GAS LIMITED

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

Reference: Exhibit A, Tab 1, p. 39 and Appendix B

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.
- 

**Response:**

- a) During Union's 2008-2012 IRM framework, price-related UFG was part of the QRAM process and neither a price nor volume-related UFG deferral account existed.

In its 2013 Deferral Decision (EB-2014-0145), p. 7, the Board found that cost causality required the price variances associated with UFG be allocated in the same way as underlying costs and that it should be allocated to sales service customers and direct purchase customers for which Union provides fuel. The only mechanism to properly capture and dispose of price variances between the actual price of Union's purchases and the applicable Board-approved reference price is through a price variance deferral account as the QRAM process will only allow for allocation to sales service customers.

In Union's 2014-2018 IRM Settlement Agreement (EB-2013-0202), the Board approved the UFG Volume Variance Deferral Account to capture the difference between Union's actual UFG costs and Board-approved UFG costs in Union's rates.

- b) No, the Board did not approve a deferral account related to UFG in Union's 2013 Rebasing proceeding (EB-2011-0210).
- c) During Union's 2008-2012 IRM there were some years of favourable UFG variances from Board-approved and some years with unfavourable variances from Board-approved. Please see Table 1 below.

Table 1 identifies the portion of variance that is due to change in Reference Price which is updated at each QRAM, and therefore the price variance portion is not actually realized as a variance from Board-approved.

Table 1

	<b>Board - approved</b>	<b>Actuals</b>					
	<b>2007</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>
UFG Expense (\$ millions)	52.4	70.4	56.2	56.0	13.7	8.0	12.9
UFG Volume (PJs)	5.6	7.7	5.4	7.6	2.5	1.3	2.6
Avg Price (\$ / GJ)	\$9.44	\$9.20	\$10.39	\$7.35	\$5.39	\$5.97	\$4.97
% of throughput	0.455%	0.609%	0.411%	0.637%	0.192%	0.105%	0.210%

<b>Variance from Board-approved</b>						
Volume Variance (Volume Variance * Actual price)	-19.3	1.5	-15.2	16.3	25.1	14.7
Price Variance (Price Variance * BA Volume)	1.3	-5.3	11.6	22.5	19.3	24.8
Total Variance	-18.0	-3.8	-3.6	38.7	44.4	39.5

- d) Confirmed.
- e) Confirmed. However, as discussed in a) above, there is no other mechanism to properly capture price variance to be allocated to both sales service and direct purchase customers. Therefore, a deferral account is most appropriate.
- f) It is difficult for Union to ascertain the circumstances which drive UFG and whether the circumstances in the winter of 2014/15 were similar to the winter of 2013/14. However, Union's proposals for managing UFG price variances are similar between the two winters and consistent with the Board's EB-2014-0145 Decision.

At the time of the April 1, 2015 QRAM filing (EB-2015-0035, Tab 1, p. 8, Table 2, line 4), Union was forecasting spot gas requirements to cover UFG of 0.800 PJ (based on actual UFG for November 2014-January 2015 and forecasted UFG for February and March 2015). As of March 31, 2015, Union experienced a small positive UFG variance of 0.022 PJ resulting in no spot gas attributable to UFG. The difference between forecast spot purchases and actual spot

purchases is attributable to variances in activity to the end of March 2015.

- g) The price variance on UFG volumes for 2015 for January to May is a \$0.3 million credit. Yes, this variance has reverted to the historical credit position because Union's average purchase prices have been lower than the Ontario Landed Reference Price.
- h) The UFG volume expressed as a % of throughput included in rates is 0.219%. The derivation is below in Table 2.

**Table 2**

<u>Line No.</u>	<u>Particulars</u>	<u>Volume</u> (a)	<u>Weighting</u> (b)	<u>Volume Weighted</u> (c)
	<u>Determination of Forecast UFG volume for 2013</u>			
	3 year average of actual UFG ( $10^3\text{m}^3$ ):			
1	2011	35,668	50%	17,834
2	2010	67,283	33%	22,203
3	2009	201,845	17%	<u>34,314</u>
4	Average actual UFG volume			<u>74,351</u>
	3 year average of actual throughput ( $10^6\text{m}^3$ ):			
5	2011	33,824	50%	16,912
6	2010	35,090	33%	11,580
7	2009	31,677	17%	<u>5,385</u>
8	Average actual UFG throughput			<u>33,877</u>
9	UFG ratio for 2013 (line 4 / line 8 / 1,000)			0.219%

- i) The actual 2014 UFG volume expressed as a percentage of actual throughput is 0.318%.  
 $(97,108 / 30,577,949 = 0.318\%)$   
2014 Actual UFG Volume ( $10^3\text{m}^3$ ) / 2014 Actual Throughput ( $10^3\text{m}^3$ ) = UFG as % of throughput.

- j) The 2013 Board-approved UFG volumes included in rates are 65,308  $10^3\text{m}^3$ .

The cost of UFG included in 2013 rates is \$13.7 million based on an Ontario Landed Reference Price of \$210.506/ $10^3\text{m}^3$  (per Union's January 2013 QRAM). The cost of UFG included in 2014 rates is \$12.1 million based on an Ontario Landed Reference Price of \$185.325/ $10^3\text{m}^3$  (per Union's January 2014 QRAM).

Please see Attachment 1 for the unit rate of recovery for UFG costs for in-franchise rate classes where UFG costs are included in delivery rates.

- k) The actual incremental dollars recovered for UFG in 2014 rates as a consequence of actual total sales service and other volumes differing from the forecast volumes is approximately \$0.358 million (12%) more than was expected when rates were set.

Please see Attachment 2.

UNION GAS LIMITED  
2013 and 2014 Unaccounted For Gas (UFG) Volumes and Costs by Rate Class

Line No.	Particulars	UFG Volumes (10 <sup>3</sup> m <sup>3</sup> ) (a)	2013			2014		
			UFG Costs (1)	Annual Volume (2)	Unit Rate Change	UFG Costs (3)	Annual Volume (4)	Unit Rate Change
			(\$000's) (b) = (a x 0.210506)	(10 <sup>3</sup> m <sup>3</sup> ) (c)	(cents/m <sup>3</sup> ) (d) = (b / c x 100)	(\$000's) (e) = (a x 0.185325)	(10 <sup>3</sup> m <sup>3</sup> ) (f)	(cents/m <sup>3</sup> ) (g) = (d / e x 100)
<u>Union North In-franchise</u>								
1	Rate 01	1,795	378	884,421	0.0427	333	926,963	0.0359
2	Rate 10	565	119	322,887	0.0368	105	343,530	0.0305
3	Rate 20	201	42	629,802	0.0067	37	622,853	0.0060
4	Rate 25	-	-	159,555	0.0000	-	159,555	0.0000
5	Rate 100	6	1	1,895,488	0.0001	1	1,877,394	0.0001
6	Total Union North	2,568	540	3,892,153	0.0139	476	3,930,296	0.0121
<u>Union South In-franchise</u>								
7	Rate M1	7,499	1,579	2,939,543	0.0537	1,390	2,910,973	0.0477
8	Rate M2	2,489	524	975,571	0.0537	461	1,119,452	0.0412
9	Rate M4	1,021	215	404,678	0.0531	189	391,630	0.0483
10	Rate M5A	1,362	287	535,132	0.0536	252	526,543	0.0479
11	Rate M7	375	79	147,143	0.0537	70	144,407	0.0482
12	Rate M9	155	33	60,750	0.0537	29	60,750	0.0473
13	Rate M10	0	0	189	0.0537	0	189	0.0473
14	Total Union South Excluding T-Service	12,901	2,716	5,063,008	0.0536	2,391	5,153,944	0.0464
15	Union South Rate T1, T2 and T3 (5)	9,743	2,051			1,806		
16	Ex-Franchise	40,096	8,440			7,431		
17	Total Regulated UFG	65,308	13,748			12,103		

Notes:

- (1) Based on Ontario Landed Reference Price of \$210.506/10<sup>3</sup>m<sup>3</sup> as per January 2013 QRAM, EB-2012-0437.
- (2) 2013 annual distribution volumes as per EB-2011-0210, Working Papers, Schedule 14.
- (3) Based on Ontario Landed Reference Price of \$185.325/10<sup>3</sup>m<sup>3</sup> per January 2014 QRAM, EB-2013-0413.
- (4) 2014 annual distribution volumes as per EB-2013-0365, Working Papers, Schedule 4.
- (5) Union South Rate T1, Rate T2 and Rate T3 UFG is recovered through customer supplied fuel.

UNION GAS LIMITED  
2014 Forecast and Actual Unaccounted For Gas (UFG) Volumes and Costs by Rate Class

Line No.	Particulars	2014 Rate Setting Volumes			2014 Actuals		Variance
		UFG Costs (1) (\$000's)	Annual Volume (1) (10 <sup>3</sup> m <sup>3</sup> )	Unit Rate Change (1) (cents/m <sup>3</sup> )	Annual Volume (2) (10 <sup>3</sup> m <sup>3</sup> )	UFG Recovery in Rates (\$000's)	Incremental UFG Recovered in Rates (\$000's)
		(a)	(b)	(c) = (a / b x 100)	(d)	(e) = (d * c x 100)	(f) = (e) - (a)
<u>Union North In-franchise</u>							
1	Rate 01	333	926,963	0.0359	1,053,067	378	45
2	Rate 10	105	343,530	0.0305	379,430	116	11
3	Rate 20	37	622,853	0.0060	535,626	32	(5)
4	Rate 25	-	159,555	0.0000	186,550	-	-
5	Rate 100	1	1,877,394	0.0001	1,710,928	1	(0)
6	Total Union North	<u>476</u>	<u>3,930,296</u>	<u>0.0121</u>	<u>3,865,601</u>	<u>527</u>	<u>51</u>
<u>Union South In-franchise</u>							
7	Rate M1	1,390	2,910,973	0.0477	3,328,692	1,589	199
8	Rate M2	461	1,119,452	0.0412	1,284,428	529	68
9	Rate M4	189	391,630	0.0483	484,404	234	45
10	Rate M5A	252	526,543	0.0479	259,358	124	(128)
11	Rate M7	70	144,407	0.0482	392,256	189	119
12	Rate M9	29	60,750	0.0473	67,138	32	3
13	Rate M10	0	189	0.0473	312	0	0
14	Total Union South Excluding T-Service	<u>2,391</u>	<u>5,153,944</u>	<u>0.0464</u>	<u>5,816,588</u>	<u>2,698</u>	<u>307</u>
15	Total North & South Excluding T-Service	<u>2,867</u>	<u>9,084,240</u>		<u>9,682,189</u>	<u>3,224</u>	<u>358</u>

Notes:

(1) See response to CME #4 j).

(2) EB-2015-0010 Exhibit A Tab 2 Appendix A Schedule 6 column r.

(3) Line 15 (f) / Line 15 (a).

% Variance (3) 12%

UNION GAS LIMITED

Answer to Interrogatory from  
Energy Probe Research Foundation

Reference: Exhibit A, Tab 1, p. 4, line 17 and p. 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.

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**Response:**

- a) As described in Union's 2014 updated Deferral evidence (EB-2015-0010), pp. 4-5, the actual variance between aggregate BGA balances at the end of March relative to planned BGA is 0.746 PJ. The revised amount in the deferral account is a credit of \$1.271 million.
- b) As described at Exhibit A, Tab 1, pp. 4-5 (EB-2015-0010) updated evidence:

*"The actual variance between the aggregate BGA balances at the end of March 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 the planned BGA, offset in part by 194 bundled DP contracts being 1.015 PJ above the planned BGA at March 31.*

*The deferral impact associated with the projected 0.7461 PJ of spot gas required by Union South bundled DP customers is a credit of \$1.271 million. This amount reflects the price variance between actual average spot gas costs and Union's Ontario Landed Reference Price. A forecast cost of \$0.320 million as shown at Table 1, line 5 (calculated as the summer/winter differential of \$0.429/GJ multiplied by 0.746 PJ) will be collected from Union South bundled DP customers for load balancing costs based on the projected BGA variance at March 31, 2015."*

- c) Please see Exhibit A, Tab 1, p. 6, Table 1 Updated.



UNION GAS LIMITED

Answer to Interrogatory from  
Energy Probe Research Foundation

Reference: Exhibit A, Tab 1, Appendix A, Schedule 1, line 18 and  
Exhibit A, Tab 1, p. 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.

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**Response:**

- a) Please see Attachment 1 for the excerpt of the 2013 Deferrals Settlement Agreement (EB-2014-0145), p.7, showing complete agreement of GDAR capital cost treatment and Attachment 2 for the subsequent Board's approval of the Settlement Agreement in the 2013 Deferrals Decision.
- b) Please see Attachment 3.

EB-2014-0145

## **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.

## **SETTLEMENT AGREEMENT**

**August 22, 2014**  
**(Revised September 5, 2014)**

million in the EB-2011-0210 Rate Order. The parties also accept Union's methodology to allocate the short-term peak storage margins between utility and non-utility.

Evidence References:

1. A/T1/pp.24-29, A/T1/App.A/S6, A/T1/App.A/S7, A/T1/App.A/S8
2. Exhibit B.Staff.3

**7. Unbundled Services Unauthorized Storage Overrun (No. 179-103)**

(Complete Settlement)

The parties accept that there is no balance in the Unbundled Services Unauthorized Storage Overrun account (179-103). No unauthorized storage overrun charges were incurred by customers electing unbundled service in 2013.

Evidence References:

1. A/T1/p.31

**8. Gas Distribution Access Rule ("GDAR") Costs (No. 179-112)**

(Complete Settlement)

The parties accept the debit balance of \$0.493 million in the Gas Distribution Access Rule ("GDAR") Costs account (179-112). The costs will be collected from ratepayers based on the annual revenue requirement related to the capital costs incurred in 2011, 2012 and 2013.

Evidence References:

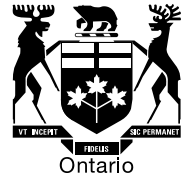
1. A/T1/pp.31-35, A/T1/App.B
2. Exhibit B.FRPO\_OGVG.9

**9. Carbon Dioxide Offset Credits (No. 179-117)**

(Complete Settlement)

Ontario Energy  
Board

Commission de l'énergie  
de l'Ontario



**EB-2014-0145**

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

**AND IN THE MATTER OF** an application by Union Gas Limited for an order or orders clearing certain non-commodity related deferral accounts;

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

**Before:** Marika Hare  
Presiding Member

Ellen Fry  
Member

**DECISION AND ORDER**  
**October 30, 2014**

**Introduction**

Union Gas Limited (“Union”) filed an application dated May 2, 2014 with the Ontario Energy Board (the “Board”) under section 36 of the *Ontario Energy Board Act, 1998*, S.O. c.15, Schedule B (the “Act”), for an order of the Board approving the final disposition of 2013 year-end deferral account balances (the “Application”). The Application also requested the approval of a new Deferral Clearing Variance Account (Account No. 179-132).

The Board granted intervenor status to the Building Owners and Managers Association (“BOMA”), the Canadian Manufacturers and Exporters (“CME”), the Consumers Council of Canada (“CCC”), the Federation of Rental-housing Providers of Ontario (“FRPO”), the Industrial Gas Users Association (“IGUA”), the City of Kitchener (“Kitchener”), the London Property Management Association (“LPMA”), the Ontario Greenhouse Vegetable Growers (“OGVG”), TransCanada Energy Ltd. (“TCE”), TransCanada PipeLines Ltd. (“TransCanada”), and the Vulnerable Energy Consumers Coalition (“VECC”). The Board also determined that BOMA, CME, CCC, FRPO, IGUA, LPMA, OGVG and VECC will be eligible to apply for an award of costs under the Board’s *Practice Direction on Cost Awards*.

Intervenors and Board staff filed interrogatories on July 3, 2014 and Union responded to the interrogatories on July 17, 2014. In responding to the interrogatories, Union identified a number of necessary updates it considered appropriate to make to the Application. Union filed an updated Application on July 23, 2014.

A Settlement Conference was held on August 7, 2014. Union filed a proposed Settlement Agreement on August 22, 2014. BOMA, CME, Kitchener, FRPO, IGUA, LPMA, OGVG, TransCanada and VECC were parties to the Settlement Proposal. Board staff filed a letter dated August 27, 2014 stating that Board staff did not oppose the proposed Settlement Agreement.

The Board held an oral hearing on September 3 and 4, 2013, which covered some, but not all, issues in this proceeding. The following intervenors participated in the hearing: CME, FRPO, IGUA, LPMA, and OGVG. At the hearing, the Board accepted the proposed Settlement Agreement, with a minor revision to reflect a clarification requested by the Board.<sup>1</sup> The proposed Settlement Agreement did not include agreement on the following four items, which were the subject of the oral hearing:

- 1) Union South Bundled Direct Purchase Load Balancing Costs (Spot Gas Variance Account)
- 2) Unaccounted For Gas (“UFG”) Price Variance (Spot Gas Variance Account)
- 3) Average Use Per Customer Deferral Account
- 4) Allocation of Checkpoint Balancing Penalties

Union provided its argument-in-chief at the oral hearing. The Board subsequently received written submissions from Board staff, BOMA, CME, FRPO / OGVG, IGUA, LPMA, and VECC and a written reply submission from Union.

<sup>1</sup> The revision was reflected in the Updated Settlement Proposal filed on September 5, 2014.

## **1) Union South Bundled Direct Purchase – Load Balancing Costs (Spot Gas Variance Account)**

### **Background**

Union retains load balancing obligations for South bundled direct purchase customers associated with variances relative to the February 28 checkpoint<sup>2</sup> (for variances that occur after the establishment of the checkpoint) and March weather and consumption variances. The purpose of Union's load balancing obligations is to ensure that there is sufficient gas in storage at March 31 in order to maintain system integrity. Union, in some cases, will require incremental spot gas purchases to load balance for these customers.

In the winter of 2014, which was colder than normal, Union purchased 0.8 PJs of incremental gas in order to meet its load balancing obligations related to its South bundled direct purchase customers. The incremental gas purchased by Union and consumed by South bundled direct purchase customers in February and March 2014 is returned to Union by direct purchase customers in the summer (prior to the contractual year-end).

The balance in the Spot Gas Variance Account associated with the 0.8 PJs of spot gas purchased for the South bundled direct purchase customers is \$1.801 million. The load balancing costs associated with the 0.8PJs of incremental gas purchased are \$1.954 million. The load balancing costs were calculated by applying the winter/summer price differential to the 0.8 PJs of gas purchased.

Union proposed to allocate the load balancing costs (\$1.954 million) associated with the 0.8PJs of incremental gas purchased to the South bundled direct purchase customers that were below their planned Banked Gas Account balances as of March 31, 2014. Union proposed to allocate the credit balance of \$0.153 million to Union South sales service customers. The \$0.153 million credit arises as a result of the difference between the load balancing costs (which are calculated based on the winter/summer price differential) and the variance account impact of the spot gas purchase.<sup>3</sup>

There are three questions that the Board will make findings on with respect to this issue: (i) whether Union is permitted to recover the load balancing costs; (ii) if recovery is permitted, whether it should be addressed in this proceeding or in Union's 2014 non-commodity deferral account proceeding; and (iii) the appropriate allocation of these costs.

<sup>2</sup> The February 28 checkpoint is the deadline whereby a South bundled direct purchase customer must have delivered incremental gas to Union if it is short of gas relative to its planned Banked Gas Account balance.

<sup>3</sup> Union Revised Application, EB-2014-0145, July 23, 2014 at Exhibit A / Tab 1 / pp. 4-7.

## Board Findings

### (i) Permissibility of Cost Recovery

FRPO / OGVG submitted that Union could be held responsible for the load balancing costs because a portion of the 0.8 PJs of gas that Union purchased for its South bundled direct purchase customers resulted from Union under-forecasting the balancing requirements for direct purchase customers at the February checkpoint. In addition, FRPO / OGVG submitted that because Union did not give customers an opportunity (through the provision of notice) to take action and purchase gas to be in balance at March 31, Union should be disallowed recovery of the load balancing costs.

In addition, cross-examination raised the issue of whether Union's system integrity inventory, rather than incremental spot gas purchases, should have been used to manage the consumption variances for Union's South bundled direct purchase customers.

Other intervenors and Board staff accepted the premise that Union should be permitted to recover the load balancing costs. These parties argued that Union incurred real incremental costs to load balance for South bundled direct purchase customers, therefore, the Board should approve cost recovery.

The Board does not agree with the FRPO / OGVG arguments on this question. The evidence does not indicate that Union's forecasting of the balancing requirements at the February checkpoint was deficient. Furthermore, the evidence does not provide support for the theory that direct purchasers, if given notice, would necessarily have taken action that decreased the load balancing requirements.

The Board also does not consider it appropriate that Union should have used its system integrity inventory to cover its load balancing obligations for its South bundled direct purchase customers. The Board accepts Union's evidence that system integrity inventory is intended to cover "unforecasted or expected variances" and that the "incremental consumption of the direct purchase customers was not unforecasted or unforeseen"<sup>4</sup> as at a certain point it was obvious to Union that additional gas would need to be purchased in order for Union to fulfill its load balancing obligations for this group of customers.

<sup>4</sup> Oral Hearing Transcripts, EB-2014-0145, Vol. 1 at p. 36.

Accordingly, the Board finds that Union should be permitted to recover the load balancing costs.

(ii) Timing of Cost Recovery

All intervenors and Board staff agreed with Union's proposal to deal with the load balancing costs in this proceeding. The Board also agrees. These are commodity-related costs that would normally be dealt with through the QRAM process.

However, in this instance the cost allocation issue being addressed is more complex than is normally intended to be dealt with in the QRAM process.

(iii) Cost Allocation

As indicated above, Union proposed to allocate the load balancing costs (\$1.954 million) associated with the 0.8PJs of incremental gas purchased to the South bundled direct purchase customers that were below their planned Banked Gas Account balances as of March 31, 2014. Union proposed to allocate the credit balance of \$0.153 million to Union South sales service customers. The \$0.153 million credit arises as a result of the difference between the load balancing costs (which are calculated based on the winter/summer price differential) and the variance account impact of the spot gas purchase. LPMA and VECC agreed with Union's proposal.

Union submitted that its proposal is based on cost causality. In its view, the South bundled direct purchase customers that did not meet their required Banked Gas Account balances as of March 31 were the customers that caused Union to buy the spot gas at issue here. Accordingly, in Union's view these customers should bear the cost.

Board staff submitted that the load balancing cost of \$1.954 million should be recovered from all Union South bundled direct purchase customers (not just those below their Banked Gas Account balances on March 31) and that the associated \$0.153 million credit should be allocated to Union South sales service.

In support of its argument, Board staff referred to the evidence that South bundled direct purchase customers do not have a contractual obligation to balance on March 31, and were not given advance notice by Union that the planned Banked Gas Account balances as of March 31 would be used to determine the allocation of the load balancing costs. Board staff argued that because there is no March 31 balancing checkpoint in Union South the situation is analogous to that in Union North, where load balancing costs are allocated to all direct purchase customers (as part of the allocation to all Northern customers) based on overall volume.



CME, IGUA and BOMA agreed with Board staff that costs should be allocated to all South bundled direct purchase customers. However, CME submitted that the costs allocated should be limited to the actual cost of \$1.801 million and that the proposed credit of \$0.153 million to sales service customers should not be approved. BOMA indicated that it takes no position on the allocation of the proposed \$0.153 million credit.

Union submitted that its proposal differs from the cost allocation applicable to Union North, where load balancing for sales service and bundled direct purchase customers is managed on an aggregate basis, because in Union North there are no balancing checkpoints to determine which direct purchase customers contributed to the load balancing costs.

Regarding CME's argument concerning the amount to be allocated, the Board finds that the appropriate amount is \$1.954 million as proposed by Union rather than \$1.801 million as proposed by CME. The Board also finds it appropriate that sales service customers should receive an associated \$0.153 million credit. Applying the winter/summer price differential to the cost of the gas purchased ensures that sales service customers do not bear the costs related to relatively more expensive incremental winter purchases.

The Board finds that the spot gas at issue was purchased to meet the needs of Union South bundled direct purchase customers who were below their planned Banked Gas Account balances as of March 31. It is true that these customers did not have a contractual obligation to meet these balances as of March 31 and that Union did not give notice that March 31 balances would be used for the allocation of load balancing costs. However, the Board is of the view that the principle of cost causality makes it appropriate to allocate the load balancing costs to this group of Union South bundled direct purchase customers.

Therefore, the Board finds that, in accordance with the principle of cost causality, Union South direct purchase customers that were below their planned Banked Gas Account balances as of March 31 should be allocated the load balancing costs of \$1.954 million. The Board also finds that the proposed allocation of the associated \$0.153 million credit to sales service customers is appropriate.

## **Unaccounted for Gas ("UFG") Price Variance (Spot Gas Variance Account)**

### **Background**

Union purchased 2.1 PJs of incremental gas for delivery in March because of actual UFG variances experienced for the 2014 winter. Union noted that if it had not purchased the incremental supply there would not have been adequate gas in storage to meet customer demands in March and April, 2014.

Union proposed to allocate the price variance associated with UFG (a \$4.729 million debit) to Union South sales service customers consistent with historical practice. This historical practice has resulted in a benefit to Union South sales service customers over the past six years (averaging \$5.5 million per year).<sup>5</sup> The issue for the Board to determine is the appropriate allocation of this price variance.

## **Board Findings**

Union submitted that the price variance should continue to be allocated to Union South sales service customers. It submitted that to allocate it to all Union South customers would be difficult because it would require a change in Union's methodology and processes. IGUA and VECC supported Union's proposed allocation. IGUA also submitted that, on a going forward basis, it has no objection to a review of how the UFG price variances should be allocated.

Other intervenors and Board staff submitted that the price variance should be allocated to all Union South customers (with the exception of those customers that supply their own fuel), in accordance with the principle of cost causality.

Union testified that the costs associated with UFG are recovered in delivery rates from all Union South customers other than those with customer-supplied fuel. The Board finds that cost causality requires the price variances associated with UFG to be allocated in the same way as the underlying costs, both in the current proceeding and going forward. Therefore, the Board finds that the UFG price variance should be allocated to sales service customers and the direct purchase customers for which Union provides fuel.

The Board notes that although this change in allocation entails a debit for direct purchase customers that did not share in past benefits, the direct purchase customers may benefit in future if these price variances revert to the historical credit position experienced over the past six years.

## **Average Use Per Customer Deferral Account**

### **Background**

The total balance in the Average Use Per Customer Deferral Account for all four general service rate classes (M1, M2, Rate 01 and Rate 10) for 2013 is a credit to customers of \$11.475 million.<sup>6</sup>

<sup>5</sup> Union Revised Application, EB-2014-0145, July 23, 2014 at Exhibit A / Tab 1 / p. 9.

<sup>6</sup> Union Revised Application, EB-2014-0145, July 23, 2014 at Exhibit A / Tab 1 / p. 36.

The Average Use Per Customer Deferral Account records the variance resulting from the difference between the actual average gas use by Union's customers and the forecast average use included in delivery rates. The issue before the Board in this proceeding is whether, in addition to delivery rates, storage revenues and costs should also be included when calculating the balance in the Average Use Deferral Account.

## Board Findings

All intervenors and Board staff agreed with Union that, as currently worded, the Accounting Order for the Average Use Per Customer Deferral Account does not include storage related revenues and costs.

However, Board staff submitted that the fundamental purpose of this Deferral Account is to ensure that neither customers nor Union's shareholder are harmed by differences between forecast and actual average gas use by the general service rate classes. Board staff submitted that variances in average use can impact storage-related revenues and costs just as they can impact delivery-related revenues and costs. Accordingly, Board staff submitted that the Accounting Order for the Average Use Per Customer Deferral Account should be amended so that storage-related revenues and costs are included going forward, effective in 2014. Intervenors that made submissions on this issue generally supported Board staff's position.

Union submitted that as part of its Board approved Incentive Rate Mechanism for 2014-2018 a Normalized Average Consumption ("NAC") Deferral Account was established to replace the Average Use Per Customer Deferral Account and to capture the variance resulting from the difference between forecast NAC included in rates and actual NAC for general service customers. Union submitted that the NAC Deferral Account already contemplates the inclusion of storage related revenues and costs for general service customers.

The Board agrees with the parties and Union that storage related revenues and costs are not included in the Accounting Order for the Average Use Per Customer Deferral Account, and accordingly should not be included in the calculation of the balance in this account for 2013. The relevant portion of the accounting order for this deferral account describes it as follows:

To record as a debit (credit) in Deferral Account No. 179-118 the margin variance resulting from the difference between the actual rate of decline in use-per-customer and forecast rate of decline in use-per-customer included in **gas delivery rates** as approved by the Board in 2013.<sup>7</sup> [Italics and bold added]

<sup>7</sup> Decision and Rate Order, EB-2011-0210, January 17, 2013, at Appendix G.

Accordingly, the Board approves disposition of the 2013 balance in the Average Use Per Customer Deferral Account as filed.

The Board also agrees with Union that, starting in 2014, the NAC Deferral Account, which replaces the Average Use Per Customer Deferral Account, will include storage related revenues and costs for general service rate classes. Accordingly, there is no need for the Board to make a finding on whether storage revenues and costs should be included in the Average Use Per Customer Deferral Account going forward.

## **Allocation of Checkpoint Balancing Penalties**

### **Background**

In the EB-2014-0154 proceeding, Union requested that, on a one-time basis, the penalty charges applied for Rate T1 / T2 Supplementary Inventory and Rate 25 Unauthorized Overrun Gas Commodity in February and March, 2014 be reduced. In addition, Union requested that the penalty charge applied to bundled T-Service customers that did not meet their contractual balancing obligations in February 2014 be reduced. The quantum of these penalty charges was the subject of the Board's EB-2014-0154 proceeding.

The issue in this proceeding is how to allocate the amount that Union collects from these penalty charges.

Union proposed to allocate the amount collected from these penalty charges to Union South sales service customers only.

### **Board Findings**

Union submitted that the amount paid in penalty charges should be allocated only to sales service customers because it was their gas that was used to balance for the direct purchase customers that failed to meet their contractual obligations. Union submitted that direct purchase customers, even those that met their contractual obligations, should not share in the allocation of the penalty amount because they did not contribute to the management of customers' failures to meet their obligations.

Board staff, LPMA, and VECC supported Union's proposal. Board staff submitted that meeting contractual obligations is a duty and accordingly does not warrant a reward. Board staff also submitted that allocating any credit amount from the penalty charges to direct purchase customers who had not met their contractual obligations would effectively reduce the price of the penalty charges, which would not be appropriate.

CME, BOMA, FRPO / OGVG, and IGUA submitted that sales service customers should be allocated an amount that reflects the actual cost of gas used to cover the direct purchase customers' defaults related to their contractual obligations.

CME argued that the checkpoint balancing revenues were realized by Union through the performance of its function as the system operator for direct purchase customers. On that basis, CME submitted that the excess penalty amount (i.e. the margin over the actual cost of gas) should be allocated to all Union South bundled direct purchase customers.

BOMA argued that the excess penalty amount should be allocated to both sales service and compliant direct purchase customers on a pro rata basis.

FRPO / OGVG argued that Union's position that sales service customers' gas was used to balance for the direct purchase customers that failed to meet their contractual obligations is not correct. FRPO / OGVG submitted that this gas transfer was only an accounting transaction. FRPO / OGVG submitted that the excess penalty amount should be used to offset the load balancing costs for Union's South bundled direct purchase customers and the remainder should be allocated to all bundled customers.

IGUA submitted that the excess penalty amount should be used to offset the UFG price variance to sales service customers.

The Board agrees with the submissions of Union and the parties that supported Union's proposal on this issue, because the Board is of the view that it was sales service customers' gas that was used to balance for the direct purchase customers that failed to meet their contractual obligations. Accordingly, the Board finds that the amount paid in penalty charges should be allocated to sales service customers.

## **Implementation**

The Board directs Union to file a Draft Rate Order which reflects the Board's findings in this Decision and Order. The Board will provide Board staff and intervenors an opportunity to comment on the Draft Rate Order. Union will also be given the opportunity to respond to the comments of Board staff and intervenors.

Once the Draft Rate Order has been filed and all parties have had the opportunity to comment on it, the Board will issue a subsequent Decision and Rate Order.

The Board asks Union, in its Draft Rate Order, to make a proposal regarding when the rate impact arising from this Decision can be implemented. The Board is of the view that the implementation of this decision should occur as soon as possible.

The Board notes that the process for cost claims will also be set out in the subsequent Decision and Rate Order.

**THE BOARD ORDERS THAT:**

1. Union shall file a Draft Rate Order reflecting the Board's findings in this Decision on, or before, November 13, 2014.
2. Board staff and intervenors who wish to file comments on the Draft Rate Order shall do so on, or before, November 20, 2014.
3. Union shall file responses to the comments of Board staff and intervenors on, or before, November 27, 2014.

All filings to the Board must quote file number **EB-2014-0145**, be made electronically through the Board's web portal at [www.pes.ontarioenergyboard.ca/eservice](http://www.pes.ontarioenergyboard.ca/eservice) in searchable / unrestricted PDF format. Two paper copies must also be filed at the Board's address provided below. Filings must clearly state the sender's name, postal address, telephone number, fax number and e-mail address.

All filings shall use the document naming conventions and document submission standards outlined in the RESS Document Guideline found at [www.ontarioenergyboard.ca/OEB/Industry](http://www.ontarioenergyboard.ca/OEB/Industry). If the web portal is not available, parties may email their documents to the address below.

For all electronic correspondence and materials related to this proceeding, parties must include in their distribution lists the Case Manager, Lawrie Gluck at [Lawrie.Gluck@ontarioenergyboard.ca](mailto:Lawrie.Gluck@ontarioenergyboard.ca) and Senior Legal Counsel, Michael Millar at [Michael.Millar@ontarioenergyboard.ca](mailto:Michael.Millar@ontarioenergyboard.ca).

All communications should be directed to the attention of the Board Secretary and be received no later than 4:45 p.m. on the required date.

**ADDRESS**

Ontario Energy Board  
P.O. Box 2319  
2300 Yonge Street, 27th Floor  
Toronto ON M4P 1E4  
Attention: Board Secretary

Filings: <https://www.pes.ontarioenergyboard.ca/eservice/>  
E-mail: [boardsec@ontarioenergyboard.ca](mailto:boardsec@ontarioenergyboard.ca)  
Tel: 1-888-632-6273 (Toll free)  
Fax: 416-440-7656

**DATED** at Toronto, October 30, 2014

**ONTARIO ENERGY BOARD**

*Original Signed By*

Kirsten Walli  
Board Secretary

**UNION GAS LIMITED**  
**GDAR Revenue Requirement Analysis**

Line No.	Particulars (\$000's)	2012	2013	2014	2015	2016	2017	TOTAL
	<u>Capital cost</u>							
1	Gross plant	1,753	2,221	2,221	2,221	2,221	2,221	
2	Acc dep	219	716	1,271	1,826	2,163	2,221	
3	Average net plant	1,643	1,754	1,228	672	227	29 <sup>1</sup>	
	<u>Revenue requirement</u>							
4	Depreciation exp	219	497	555	555	336	59	2,221 <sup>2</sup>
5	Interest	80	82	57	31	10	1	261 <sup>3</sup>
6	Return	51	55	38	21	7	1	173 <sup>4</sup>
7	Income tax - current	(156)	(141)	100	153	90	15	61 <sup>5</sup>
8	Revenue requirement (Lines 4 through 7)	194	493	750	760	443	76	2,716
	<u>Income tax calculation for 2014</u>							
9	Revenue requirement (Lines 4 + 5 + 6 + 18)			664				
10	Depreciation (Line 4)			(555)				
11	Interest (Line 5)			(57)				
12	Income before income taxes (Lines 9 through 11)			52				
13	Add back depreciation			555				
14	Deduct CCA			(234) <sup>6</sup>				
15	Taxable income (Lines 12 through 14)			373				
16	Income tax - current			100 <sup>5</sup>				
17	Income tax - deferred (Lines 18 - 16)			(86)				
18	Income tax on return			14				

*Notes:*

<sup>1</sup> Average monthly plant net of accumulated depreciation.

<sup>2</sup> Depreciated over 4 years with 50% depreciation in years 1 and 5.

<sup>3</sup> Net plant x Board-approved interest rate x 64% (debt portion of capital structure).

<sup>4</sup> Net plant x Board-approved ROE x 36% (common equity portion of capital structure).

<sup>5</sup> Taxable income x income tax rate.

<sup>6</sup> Capital cost allowance rate of 100% with half year rule applying in the first year.



UNION GAS LIMITED

Answer to Interrogatory from  
Energy Probe Research Foundation

Reference: 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.
- 

**Response:**

- a) Please see Attachment 1, p. 1, for the calculation of the Gas Supply Margin in rates.
- b) There is no gas supply optimization margin included in 2012 rates. The Board-approved gas supply optimization margin included in 2013 and 2014 rates is \$13.426 million.

Please see Attachment 1, p.2.

UNION GAS LIMITED  
Summary of Gas Supply Optimization Margin Included In 2014 Gas Supply Transportation Rates

Line No.	Particulars (\$000's)	Total Revenue (1) (a)	Allocated Cost (b)	Total Margin (c) = (a - b)	Shareholder Portion of Margin (d) = (c) * 10%	Margin Included in 2013 Gas Supply Transportation Rates (e) = (c - d)	Margin Included in 2014 Gas Supply Transportation Rates (f)	Variance (g) = (f - e)
	<u>Exchanges (2)</u>							
1	Base Exchanges	9,118	-	9,118	912	8,206	8,206	-
2	FT-RAM Related Exchanges	5,800	-	5,800	580	5,220	5,220	-
3	Total Exchanges Revenue	<u>14,918</u>	<u>-</u>	<u>14,918</u>	<u>1,492</u>	<u>13,426</u>	<u>13,426</u>	<u>-</u>

Notes:

- (1) EB-2011-0210, Rate Order, Working Papers, Schedule 14, Page 11, Line 18, column (g).  
 (2) EB-2011-0210, Board Decision, page 40.

UNION GAS LIMITED  
2014 Gas Supply Optimization Margin - Allocation of Ratepayer Portion and Calculation of Unit Rates

Line No.	Rate Class	Union North FT Demand Allocation Units TRANSALLO (\$000's) (a)	Union North Margin (\$000's) (b)	Union South Landed Supply Allocation Units S_SUPPLYVOL (10 <sup>3</sup> m <sup>3</sup> ) (c)	Union South Margin (\$000's) (d)	Total Margin (\$000's) (1) (e) = (b + d)	Billing Units (10 <sup>3</sup> m <sup>3</sup> ) (2) (f)	2014 Unit Rate (cents/m <sup>3</sup> ) (g) = (e / f)
1	Rate 01	65,876	(3,920)			(3,920)	926,963	(0.4229)
2	Rate 10	22,548	(1,342)			(1,342)	343,530	(0.3906)
3	Rate 20	8,016	(477)			(477) (3)		
4	Rate 100	-	-			-	-	-
5	Rate 25	1,961	(117)			(117)	42,913	(0.2720)
6	Total Union North	98,400	(5,856)			(5,856)		
7	Rate M1			2,271,443	(6,415)	(6,415)	2,271,443	(0.2824)
8	Rate M2			378,137	(1,068)	(1,068)	378,137	(0.2824)
9	Rate M4			16,855	(48)	(48)	16,855	(0.2824)
10	Rate M5 - Firm			226	(1)	(1)	226	(0.2824)
11	Rate M5 - Int			13,906	(39)	(39)	13,906	(0.2824)
12	Rate M10			48	(0)	(0)	48	(0.2824)
13	Total Union South			2,680,616	(7,571)	(7,571)	2,680,616	
14	Total Exchanges Revenue					(13,426)		

Notes:

- (1) EB-2011-0210, Rate Order, Working Papers, Schedule 43, Line 3, column (e).  
(2) Union North billing units per EB-2013-0365, Rate Order, Working Papers, Schedule 12, Page 2, Column (d).  
Union South billing units are 2013 Board-approved Sales volumes per EB-2011-0210.  
(3) Rate 20 margin with be refunded 60% in the Gas Supply Demand Charge and 40% in the Commodity Transportation 1 Charge.  
The Rate 20 unit rates are calculated below:

Margin Allocated to Gas Supply Demand Charge (\$000's)	(286)
Total Gas Supply Demand Billing Units (10 <sup>3</sup> m <sup>3</sup> )	6,873
Unit Rate (cents/m <sup>3</sup> )	(4.1642)
Margin Allocated to Commodity Transportation Charge 1 (\$000's)	(191)
Total Commodity Transportation 1 Billing Units (10 <sup>3</sup> m <sup>3</sup> )	73,456
Unit Rate (cents/m <sup>3</sup> )	(0.2597)

UNION GAS LIMITED

Answer to Interrogatory from  
Energy Probe Research Foundation

Reference: Exhibit A, Tab 1, p. 4, Appendix A, Schedule 1 line 4 and  
Exhibit A, Tab 1, p. 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).

---

**Response:**

- a) In its EB-2011-0210 Decision and Order, p.39, the Board ordered:

*"the establishment of a new gas supply variance account in which 90% of all optimization margins not otherwise reflected in the revenue requirement are to be captured for the benefit of ratepayers."*

In the findings on rate design, the Board further found at p.85 that the optimization revenues should be considered to be part of gas supply and removed from S&T revenue.

For external reporting, Union classifies the credit to distribution customers for the optimization revenue as a reduction in the transportation revenue to report only the 10% share. The cost of gas expense is reported as the gross cost.

For regulatory reporting, consistent with the Board's order in EB-2011-0210 Union reduces the distribution revenue and the cost of gas by the amount of the optimization credit.

- b) In Union's 2014-2018 IRM (EB-2013-0202), Union proposed to reduce the credit in rates associated with TransCanada FT-RAM. However, as part of the Settlement, the parties agreed to maintain the 2013 Board-approved revenue in rates for the duration of the IRM term.
- c) Please see the response to b) above.

UNION GAS LIMITED

Answer to Interrogatory from  
Energy Probe Research Foundation

Reference: Exhibit A, Tab 1, p. 4, Appendix A, Schedule 1, line 17 and  
Exhibit A, Tab 1, p. 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).

---

**Response:**

- a) The original budget for Station Infrastructure costs as filed in Union’s 2014 Rates proceeding (EB-2013-0365) was \$31.8 million. The current forecast for the Station Infrastructure costs is \$61.4 million. Station Infrastructure assets of \$19.9 million were placed into service in 2014 and the remaining \$41.5 million is expected to be in-service in 2015. The increase to total forecast for station infrastructure costs is driven by unanticipated permitting requirements to prepare the site for its intended use; including, additional watercourse crossing requirements, storm water management and firewater system requirement and environmental mitigation. There is no expected increase in the forecasted project costs from the update provided in Union’s 2015 Rates proceeding (EB-2014-0271, Exhibit B.Staff.3) of \$327 million for both Parkway West and Parkway D. The increase in the forecast station infrastructure cost component has been offset with decreases in other project components.
- b) Please see the response at Exhibit B.VECC.4 b). The variance of \$12.9 million related to Station Infrastructure was caused by a delay in the administration building’s 2014 in-service of \$6.96 million offset by the 2014 in-service of the land preparation related to the pipeline replacement, the Dawn-Parkway valve nest NPS 26 and NPS 34 connections and Enbridge measurement components.

- c) The 2014 infrastructure assets are in 2014 rate base (EB-2014-0271).
- d) In 2014, \$80.9 million of assets were in-service and rate base related to the Parkway West Project. Union expects to place \$143.1 million of Parkway West assets into service in 2015 and \$7.2 million in 2016 for a total of \$231.2 million.

UNION GAS LIMITED

Answer to Interrogatory from  
Energy Probe Research Foundation

Reference: Exhibit A, Tab 1, p. 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.

---

**Response:**

- a) The calculation of the 2014 Parkway Delivery Obligation ("PDO") deferral account balance of \$4.655 million includes \$3.584 million in Dawn-Parkway demand costs, \$1.059 million in compressor fuel costs and \$0.022 million in interest based on nine months of activity (April-December). Exhibit B.BOMA.8 (EB-2014-0271) showed a cost of \$4.643 million, which included the \$3.584 million in Dawn-Parkway demand costs and \$1.059 million in compressor fuel costs. The difference between the two costs is the inclusion of \$0.022 million of interest to December 31, 2014.

The EB-2013-0365 Settlement Agreement included an estimated \$6.355 million of PDO demand and compressor fuel costs. The PDO costs were based on 12 months of activity at the approved 2014 M12 Dawn-Parkway demand charge of \$2.420 GJ/day/month and a cost of gas of \$4.50/GJ. The proposed 2014 deferral account balance of \$4.665 million is based on 9 months of activity at the approved 2014 M12 Dawn-Parkway demand charge of \$2.420 GJ/day/month and the approved April 1, 2014 QRAM of \$6.171/GJ and the approved October 1, 2014 QRAM of \$5.435/GJ. Accordingly, the difference between the EB-2013-0365 Settlement Agreement and the 2014 PDO deferral account balance is the result of the actual effective date of the PDO reduction (April 1, 2014) and changes in fuel and the cost of gas.



Please see Table 1 for calculations and assumptions.

Table 1  
Comparison of the 2014 Parkway Delivery Obligation Rate Variance

Line No.	Particulars (\$000's)	EB-2015-0010 (1)	EB-2014-0271	EB-2013-0365
		(a)	(2) (b)	(3) (c)
	Dawn-Parkway Demand			
1	Costs	3,584	3,584	4,763
2	Compressor Fuel Costs	1,059	1,059	1,592
3	Interest	22	-	-
4	Total Rate Variance	4,665	4,643	6,355

Notes:

- (1) As per EB-2015-0010, Exhibit A, Tab 1, Appendix A, Schedule 7.
  - Demand costs of \$3.584 million calculated as 164 TJ x \$2.420/GJ x 9 months.
  - Fuel costs of \$1.059 million include \$0.552 million April-Sept fuel calculated as 89,447 GJ x \$6.171 and \$0.507 million October-December fuel calculated as 93,271 GJ x \$5.435.
  - Simple interest computed monthly on the opening balance at a rate of 1.47%.
- (2) As per EB-2014-0271, Exhibit B.BOMA.8.
- (3) As per EB-2013-0365, Settlement Agreement, Schedule 1, page 1, and Schedule 2.
  - Full year demand costs of \$4.763 million calculated as 164 TJ x \$2.420/GJ x 12 months.
  - Fuel costs of \$1.592 million calculated as 353,840 GJ x \$4.500.

b) As discussed in EB-2013-0365, Exhibit A, Tab 4, p. 10, Union's sales service customers currently deliver 98 TJ/d of supply at Parkway.

Union plans to reduce its TransCanada Empress to Union CDA contracts from a level of 67 TJ/day down to 11 TJ/day once the TransCanada 2016 new capacity builds are complete. Union also intends to turn back 60 TJ/day of TransCanada Dawn to Union CDA capacity once the 2016 Dawn to Parkway and Burlington Oakville projects are in service.

After Union implements the changes mentioned above, the sales service Parkway deliveries would be reduced to 11 TJ/day (targeted for Nov 1, 2016) and the remainder of the deliveries would be transitioned to Dawn. These would then be replaced with transportation capacity on Union's Dawn-Parkway system as part of the Union 2016 Dawn-Parkway expansion project (EB-2014-0261).

UNION GAS LIMITED

Answer to Interrogatory from  
Energy Probe Research Foundation

Reference: Exhibit A, Tab 1, p. 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.

---

**Response:**

- a) In its EB-2014-0145 Decision and Order, p.7, the Board found that cost causality requires the price variances associated with UFG be allocated in the same manner as the underlying costs. The Board determined that the UFG price variance should be allocated to sales service customers and the direct purchase customers for which Union provides fuel. Please see the response at Exhibit B.CME.4 a).
- b) Please see the response at Exhibit B.Staff.4, Table 1.
- c) Union forecasts UFG using a Board-approved methodology based on actual historical UFG.

Union's forecasted UFG is included in rates based on forecast throughput volumes multiplied by a UFG ratio. The UFG ratio is determined using a Board-approved weighted average of the most recent three years of actual activity. The most recent year has a weighting of 3/6<sup>th</sup>, the second year has a 2/6<sup>th</sup> weighting and the first year has a 1/6<sup>th</sup> weighting.

This calculation is shown in EB-2011-0210, Exhibit D3, Tab 2, Schedule 2.

- d) Union's actual UFG expense for 2014 was greater than the amount included in rates but the difference did not exceed the \$5 million dead-band.

Please see the response at Exhibit B.Staff.4, Table 1.

UNION GAS LIMITED

Answer to Interrogatory from  
Energy Probe Research Foundation

Reference: Exhibit A, Tab 2, p. 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.

---

**Response:**

- a) Please see the response at Exhibit B.Energy Probe.4 a).
- b) Please see the response at Exhibit B.FRPO.1 a).

UNION GAS LIMITED

Answer to Interrogatory from  
Energy Probe Research Foundation

Reference: Exhibit A, Tab 3, p. 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.

---

**Response:**

- a) Of the total Parkway Delivery Obligation (“PDO”) rate variance of \$4.665 million, Rate M1 is allocated \$1.956 million and Rate M2 is allocated \$0.660 million. The Dawn-Parkway demand costs are allocated to Union South in-franchise rates classes in proportion to the 2013 Board-approved Dawn Parkway design day demands. The Dawn-Parkway compressor costs are allocated to rate classes in proportion to Union South in-franchise volumes east of Dawn. The calculation of the Rate M1 and Rate M2 2014 PDO deferral account is provided at Attachment 1.
- b) The calculation of the PDO costs and allocation to rate classes is consistent between the EB-2013-0365 Settlement Agreement and the 2014 PDO deferral account. As described at Exhibit B.Energy Probe.6, the cost variances are attributable to the actual effective date of the PDO reduction (April 1, 2014) and changes in fuel and the cost of gas.

Please see Attachment 1 for the cost allocation based on the Settlement Agreement compared to the 2014 deferral account balance.

UNION GAS LIMITED

Allocation of the Union South In-franchise 2014 Parkway Obligation Rate Variance to Rate M1 and Rate M2

Line No.	Particulars	Union South In-franchise				Union North & Ex-franchise
		Total	Rate M1	Rate M2	Other	
		(a)	(b)	(c)	(d)	(e)
<u>Allocation Factors - Union South In-franchise</u>						
1	Dawn-Parkway Design Day Demands (10 <sup>3</sup> m <sup>3</sup> )	43,624	22,132	7,435	14,057	-
2	Dawn-Parkway Design Day Demands (%)	100%	51%	17%	32%	0%
3	Delivery Volumes East of Dawn (10 <sup>3</sup> m <sup>3</sup> )	5,135,803	1,823,853	645,259	2,666,691	-
4	Delivery Volumes East of Dawn (%)	100%	36%	13%	52%	0%
<u>Cost Allocation (\$000's)</u>						
<u>2014 PDO Deferral (EB-2015-0010)</u>						
5	Dawn-Parkway Demand Costs (1)	3,584	1,818	611	1,155	-
6	Dawn-Parkway Compressor Fuel Costs (2)	1,059	129	45	188	697
7	Interest (3)	22	9	3	6	3
8	Total	4,665	1,956	660	1,349	700
<u>PDO Settlement Agreement (EB-2013-0365)</u>						
9	Dawn-Parkway Demand Costs (1)	4,763	2,416	812	1,535	-
10	Dawn-Parkway Compressor Fuel Costs (2)	1,592	351	124	513	604
11	Interest (3)	-	-	-	-	-
12	Total	6,355	2,767	936	2,048	604
13	Variance (line 8 - line 12)	(1,690)	(811)	(276)	(698)	96

Note:

- (1) Union South In-franchise allocated in proportion to line 1.
- (2) Union South in-franchise allocated in proportion to line 3.
- (3) Allocated to rate classes in proportion to total Dawn-Parkway demand and compressor fuel costs.

UNION GAS LIMITED

Answer to Interrogatory from  
Energy Probe Research Foundation

Reference: Exhibit A, Tab 3, p. 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.

---

**Response:**

- a) Please see Attachment 1 for the monthly disposition of the balances approved in Union's 2013 Deferral Disposition proceeding (EB-2014-0145) for all general service rate classes.
- b) Union's billing system for general service customers (Rate 01, Rate M2, Rate 01 and Rate 10) does not have the functionality to process one-time bill adjustments.

In addition, the bill impacts associated with Union's 2014 Deferral Disposition for general service customers represent less than 1% of the total annual gas bill.

The bill impact for the average Rate 01 residential customer over the six month disposition period is a credit of \$3.43, or approximately \$0.57 per month. For the average Rate M1 residential customer the bill impact over the six month disposition period is a charge of \$2.79, or approximately \$0.47 per month. These amounts do not materially impact a customer's monthly gas bill.

**UNION GAS LIMITED**  
General Service Bill Impacts  
Approved Disposition of General Service Amounts per EB-2014-0145 (2013 Deferrals)

Line No.	Particulars	Rate Component	Unit Rate for Prospective Recovery/(Refund) (cents/m <sup>3</sup> ) (1)	January 2015		February 2015		March 2015		April 2015		May 2015		June 2015		Total (1)	
				Volume (m <sup>3</sup> ) (2)	Bill Impact (\$)	Volume (m <sup>3</sup> ) (2)	Bill Impact (\$)	Volume (m <sup>3</sup> ) (2)	Bill Impact (\$)	Volume (m <sup>3</sup> ) (2)	Bill Impact (\$)	Volume (m <sup>3</sup> ) (2)	Bill Impact (\$)	Volume (m <sup>3</sup> ) (2)	Bill Impact (\$)	Volume (m <sup>3</sup> ) (2)	Bill Impact (\$)
			(a)	(b)	(c) = (a x b) / 100	(d)	(e) = (a x d) / 100	(f)	(g) = (a x f) / 100	(h)	(i) = (a x h) / 100	(j)	(k) = (a x j) / 100	(l)	(m) = (a x l) / 100	(n)	(o) = (a x n) / 100
1	<u>Rate 01</u>	Delivery	(0.4725)	395	(1.87)	341	(1.61)	293	(1.38)	169	(0.80)	96	(0.45)	49	(0.23)	1,343	(6.34)
2		Commodity	-	395	-	341	-	293	-	169	-	96	-	49	-	1,343	-
3		Transportation	(1.6633)	395	(6.58)	341	(5.67)	293	(4.87)	169	(2.81)	96	(1.59)	49	(0.81)	1,343	(22.33)
4			(2.1358)		(8.44)		(7.28)		(6.26)		(3.61)		(2.04)		(1.04)		(28.67)
5	Sales Service				(8.44)		(7.28)		(6.26)		(3.61)		(2.04)		(1.04)		(28.67)
6	Direct Purchase Bundled T				(8.44)		(7.28)		(6.26)		(3.61)		(2.04)		(1.04)		(28.67)
7	<u>Rate 10</u>	Delivery	(0.6162)	13,683	(84.31)	12,317	(75.90)	11,616	(71.58)	7,318	(45.09)	5,403	(33.29)	3,830	(23.60)	54,167	(333.77)
8		Commodity	-	13,683	-	12,317	-	11,616	-	7,318	-	5,403	-	3,830	-	54,167	-
9		Transportation	(1.7674)	13,683	(241.83)	12,317	(217.70)	11,616	(205.31)	7,318	(129.34)	5,403	(95.48)	3,830	(67.68)	54,167	(957.34)
10			(2.3836)		(326.14)		(293.60)		(276.88)		(174.44)		(128.78)		(91.28)		(1,291.12)
11	Sales Service				(326.14)		(293.60)		(276.88)		(174.44)		(128.78)		(91.28)		(1,291.12)
12	Direct Purchase Bundled T				(326.14)		(293.60)		(276.88)		(174.44)		(128.78)		(91.28)		(1,291.12)
13	<u>Rate M1</u>	Delivery	0.2353	385	0.91	403	0.95	332	0.78	200	0.47	114	0.27	64	0.15	1,498	3.53
14		Commodity	(0.0623)	385	(0.24)	403	(0.25)	332	(0.21)	200	(0.12)	114	(0.07)	64	(0.04)	1,498	(0.93)
15			0.1730		0.67		0.70		0.57		0.35		0.20		0.11		2.60
16	Sales Service				0.67		0.70		0.57		0.35		0.20		0.11		2.60
17	Direct Purchase				0.91		0.95		0.78		0.47		0.27		0.15		3.53
18	<u>Rate M2</u>	Delivery	(0.8512)	12,702	(108.12)	13,067	(111.23)	10,512	(89.48)	6,789	(57.79)	3,869	(32.93)	2,190	(18.64)	49,129	(418.19)
19		Commodity	(0.0623)	12,702	(7.91)	13,067	(8.14)	10,512	(6.55)	6,789	(4.23)	3,869	(2.41)	2,190	(1.36)	49,129	(30.61)
20			(0.9135)		(116.03)		(119.37)		(96.03)		(62.02)		(35.34)		(20.01)		(448.79)
21	Sales Service				(116.03)		(119.37)		(96.03)		(62.02)		(35.34)		(20.01)		(448.79)
22	Direct Purchase				(108.12)		(111.23)		(89.48)		(57.79)		(32.93)		(18.64)		(418.19)

Notes:

(1) EB-2014-0145, Rate Order, Working Papers, Schedule 2

(2) Average consumption, per customer, for the period January 1, 2015 to June 30, 2015.



Filed: 2014-11-13  
EB-2014-0145  
Rate Order  
Working Papers  
Schedule 2

**UNION GAS LIMITED**  
General Service Bill Impacts

Line No.	Particulars	Rate Component	Unit Rate for Prospective Recovery/(Refund) (cents/m <sup>3</sup> ) (1) (a)	Volume (m <sup>3</sup> ) (2) (b)	Bill Impact (\$) (c) = (a x b) / 100
1	<u>Rate 01</u>	Delivery	(0.4725)	1,343	(6.34)
2		Commodity	-	1,343	-
3		Transportation	(1.6633)	1,343	(22.33)
4			(2.1358)		(28.67)
5	Sales Service				(28.67)
6	Direct Purchase Bundled T				(28.67)
7	<u>Rate 10</u>	Delivery	(0.6162)	54,167	(333.77)
8		Commodity	-	54,167	-
9		Transportation	(1.7674)	54,167	(957.34)
10			(2.3836)		(1,291.12)
11	Sales Service				(1,291.12)
12	Direct Purchase Bundled T				(1,291.12)
13	<u>Rate M1</u>	Delivery	0.2353	1,498	3.53
14		Commodity	(0.0623)	1,498	(0.93)
15			0.1730		2.60
16	Sales Service				2.60
17	Direct Purchase				3.53
18	<u>Rate M2</u>	Delivery	(0.8512)	49,129	(418.19)
19		Commodity	(0.0623)	49,129	(30.61)
20			(0.9135)		(448.79)
21	Sales Service				(448.79)
22	Direct Purchase				(418.19)

Notes:

(1) EB-2014-0145, Appendix D, Pages 1-3.

(2) Average consumption, per customer, for the period January 1, 2015 to June 30, 2015.

UNION GAS LIMITED

Answer to Interrogatory from  
Energy Probe Research Foundation

Reference: Exhibit A, Tab 2, p. 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.

---

**Response:**

- a) Please see Attachment 1.
- b) Please see the response at Exhibit B.Staff.6, Attachment 1.

**SQR Five Year Performance**

	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>5 Year Average</b>	<b>OEB-approved Standards</b>
Call Answering Service Level (CASL) (%)	82.5	79.9	81.4	78.4	73.5	79.14	Yearly performance 75%; minimum monthly standard 40%
Abandon Rate (AR) (%)	3.2	4.3	3.5	3.8	4.6	3.88	Yearly performance shall not exceed 10%
Meter Reading Performance Measurement (MRPM) (%)	0.1	0.1	0.1	0.2	0.4	0.18	Yearly measurement not to exceed 0.5%
Number of Days to Provide a Written Response (NDPAWR) (%)	100	100	100	100	100	100	Minimum standard is 80% of customers have written responses within 10 days of distributor receiving complaint
Billing Performance - Total Number of Manual Checks Done When Meter Reads Shoe Excessively High Usage (as per QAP Criteria)	74,801	85,366	76,230	95,145	117,263	89,761	None specified
Billing Performance - Total Number of Manual Checks Done When Meter Reads Shoe Excessively Low Usage (as per QAP Criteria)	11,368	16,223	11,971	15,923	7,552	12,607	None specified
Percentage of Emergency Calls Responded Within One Hour (ECRWOH) (%)	98.0	98.3	98.1	97.9	97.8	98.0	90% of customers have recieved responses within 60 minutes of their calling and reaching a live person. Calculated on an annual basis
Number Of Days to Reconnect A Customer (NDTRAC) (%)	91.5	93.5	91.7	92.2	91.9	92.2	85% of customers are reconnected within 2 business days of bringing their accounts into good standing. Tracked on a monthly basis
Appointments Met Within the Designated Time Period (AMWDTP) (%)	97.1	98.2	98.8	97.8	97.7	97.9	Minimum performance is 85% averaged over a year
Time To Reschedule a Missed Appointment (TRMA) (%)	99.9	99.8	99.9	99.9	99.9	99.9	Minimum performance shall be 100% will recieve a call from the utility offering to reschedule within 2 hours of end of original appointment

Note: As per QAP criteria, Union performs manual checks for accuracy when meter reads show excessively high or excessively low usage.

UNION GAS LIMITED

Answer to Interrogatory from  
Energy Probe Research Foundation

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

---

**Response:**

Since 2007, Union has provided its customers with online access to their gas accounts through its online management tool, MyAccount. Union launched a mobile version of MyAccount in late February 2015. Currently, there are 821,000 active MyAccount profiles that include 867,389 of Union's 1.4 million gas accounts. Approximately 250,000 customers access MyAccount each month. MyAccount mobile usage has grown to 12% of all MyAccount usage. Currently 390,000 or 27.6% of customers are enrolled in paperless billing and receive their gas bills solely through email, accessing MyAccount for any additional information they may need as well as to read any monthly communications typically sent with paper bills.

UNION GAS LIMITED

Answer to Interrogatory from  
Energy Probe Research Foundation

Reference: 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.

---

**Response:**

- a) Please see Attachment 1 for the 2013-2017 Transportation Contracting Analysis from Union's updated 2013 Deferrals evidence EB-2014-0145, Exhibit A, Tab 4, Appendix A, Schedule 1.
- b) There are a number of factors that can contribute to variances between any two landed cost analyses performed at different times. Some of these factors include:
  - Natural gas forward prices are market driven and change based on the market;
  - Time periods being analysed are different between landed costs (i.e. 1 year vs. multiple years);
  - Posted tolls change on paths over time (i.e. TransCanada tolls now include abandonment fees, and will change again based on the compliance tolls recently approved by the NEB);
  - Foreign exchange rates used for conversions are market driven and change over time; and,
  - Fuel ratios for pipelines also change over time.

Each landed cost analysis documents the key assumptions used at the time they are completed. It is not practical to analyse all the landed costs performed and quantify the impacts of each factor on variances between analyses.

- c) The information requested is not relevant to Union's 2014 deferral account disposition and has not been provided.

**Schedule 1**  
**2013-2017 Transportation Contracting Analysis**

	<u>Route</u>	<u>Point of Supply</u>	<u>Basis Differential</u> \$US/mmBtu	<u>Supply Cost</u> \$US/mmBtu	<u>Unitized Demand</u> <u>Charge</u> \$US/mmBtu	<u>Commodity</u> <u>Charge</u> \$US/mmBtu	<u>Fuel Charge</u> \$US/mmBtu	<u>100% LF</u> <u>Transportation</u> <u>Inclusive of Fuel</u> \$US/mmBtu	<u>Landed Cost</u> \$US/mmBtu	<u>Landed Cost</u> <u>\$Cdn/G</u>	<u>Point of Delivery</u>
	(A)	(B)	(C)	(D) = Nymex + C	(E)	(F)	(G)	(I) = E + F + G	(J) = D + I	(K)	(L)
(2)	Trunkline/Panhandle	Trunkline Field Zone 1A	-0.048	4.7216	0.1923	0.0275	0.1803	0.4000	\$5.12	\$5.11	Ojibway
(2)	PEPL (2012-2017)	Panhandle Field Zone	-0.143	4.6266	0.3200	0.0441	0.2230	0.5871	\$5.21	\$5.20	Ojibway
(2)	TCPL Niagara	Niagara	0.318	5.0876	0.1427	0.0000	0.0000	0.1427	\$5.23	\$5.22	Kirkwall
*	Vector (2008-2016)	Chicago	0.206	4.9751	0.2500	0.0018	0.0478	0.2996	\$5.27	\$5.26	Dawn
(2)	Panhandle Longhaul (2010-2017)	Panhandle Field Zone	-0.143	4.6266	0.4251	0.0441	0.2230	0.6922	\$5.32	\$5.31	Ojibway
	Dawn	Dawn	0.647	5.4165	0.0000	0.0000	0.0000	0.0000	\$5.42	\$5.41	Dawn
(2)	Alliance/Vector (2000-2015)	CREC	-0.715	4.0543	1.7310	-0.4129	0.2251	1.5432	\$5.60	\$5.59	Dawn
(1)	TCPL SWDA	Empress	-0.597	4.1722	1.4228	0.0000	0.0968	1.5196	\$5.69	\$5.68	Dawn
(2)	TCPL CDA	Empress	-0.597	4.1722	1.5435	0.0000	0.1135	1.6570	\$5.83	\$5.82	Union CDA

(1) For Reference Only

(2) Existing Union Gas Contract

\* indicates path referenced in evidence for this analysis

**Assumptions used in Developing Transportation Contracting Analysis:**

	<u>Annual Gas Supply &amp; Fuel Ratio</u> <u>Forecasts</u>	<u>Point of Supply</u> <u>Col (B) above</u>	<u>Dec 2013 - Nov</u> <u>2014</u>	<u>Dec 2014 - Nov</u> <u>2015</u>	<u>Dec 2015 - Nov</u> <u>2016</u>	<u>Dec 2016 - Nov</u> <u>2017</u>	<u>Average Annual</u> <u>Gas Supply Cost</u> \$US/mmBtu <u>Col (D) above</u>	<u>Fuel Ratio</u> <u>Forecasts</u> <u>Col (G) above</u>
	Henry Hub (NYMEX)	Henry Hub	\$3.92	\$4.37	\$4.84	\$5.95	\$4.77	
	Trunkline/Panhandle	Trunkline Field Zone 1A	\$3.88	\$4.33	\$4.79	\$5.89	\$4.72	3.82%
	PEPL (2012-2017)	Panhandle Field Zone	\$3.79	\$4.25	\$4.71	\$5.76	\$4.63	4.82%
	TCPL Niagara	Niagara	\$4.25	\$4.68	\$5.14	\$6.28	\$5.09	0.00%
	Vector (2008-2016)	Chicago	\$4.13	\$4.60	\$5.07	\$6.11	\$4.98	0.96%
	Panhandle Longhaul (2010-2017)	Panhandle Field Zone	\$3.79	\$4.25	\$4.71	\$5.76	\$4.63	4.82%
	Dawn	Dawn	\$4.60	\$5.08	\$5.52	\$6.47	\$5.42	0.00%
	Alliance/Vector (2000-2015)	CREC	\$3.25	\$3.76	\$4.14	\$5.07	\$4.05	5.55%
	TCPL SWDA	Empress	\$3.37	\$3.87	\$4.26	\$5.19	\$4.17	2.32%
	TCPL CDA	Empress	\$3.37	\$3.87	\$4.26	\$5.19	\$4.17	2.72%

**Sources for Assumptions:**

Gas Supply Prices (Col D): ICF Q3 2013 Base Case

Fuel Ratios (Col G): Average ratio over the previous 12 months or Pipeline Forecast

Transportation Tolls (Cols E & F): Tolls in effect on Alternative Routes at the time of Union's Analysis

Foreign Exchange (Col K) \$1 US = 1.053 CDN From Bank of Canada Closing Rate September 3, 2013

Energy Conversions (Col K) 1 dth = 1 mmBtu = 1.055056

Union's Analysis Completed: Sep-13

Paths included in analysis are those with comparable services available for contracting, as well as relevant benchmarks and currently contracted paths.

UNION GAS LIMITED

Answer to Interrogatory from  
Energy Probe Research Foundation

Reference: Exhibit A, Tab 5, p. 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.

---

**Response:**

a) to c) Union will file its application and evidence with the Board in early July 2015 (EB-2015-0181), requesting approval for a Dawn reference price. Please see Union's evidence for that proceeding.

UNION GAS LIMITED

Answer to Interrogatory from  
Federation of Rental-housing Providers of Ontario ("FRPO")

Reference: Exhibit A, Tab 2, p. 6

Preamble: Union's evidence states: "*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.*"

We would like to understand more about this presentation.

Why is the \$32.4 million included in 2014 Corporate Earnings?

- a) Please explain the removal in greater detail.
- b) Please provide the relevant 2012 presentation of adjustment.
- c) Please provide the resulting impact on ratepayers from the combination of adjustments.

---

**Response:**

- a) The Board's Decision in 2012 Deferral Disposition proceeding (EB-2013-0109), approving the position that 2012 FT-RAM optimization revenues should be included in utility earnings, was issued in March 2014. As a result of that decision the \$32.4 million related to 2012 FT-RAM optimization activities was recognized in 2014 earnings for external financial reporting. Prior to the receipt of the Board's Decision the FT-RAM optimization revenues were subject to deferral and not recognized in earnings. For regulatory reporting and deferral disposition, the Board's EB-2013-0109 Decision was reflected in the final order for the 2012 earnings sharing and deferral disposition. Since the ratepayer received the benefit in 2012 earnings sharing of the FT-RAM optimization revenues the amount was removed to determine the 2014 earnings sharing amount.



b)

2012 Utility Earnings Adjustment

(Per EB-2013-0109 Draft Rate Order, Appendix C, Schedule 5, note ii)

Reversal of 2012 Upstream Transportation Optimization provision	\$33.8
Impact of Board Decision in EB-2013-0109 (portion of FT-RAM Deferral) (\$0.7 million x 90%)	<u>\$(0.6)</u>
Increase in utility earnings	<u>\$33.2</u> million

2013 Utility Earnings Adjustment

(Per EB-2014-0145, Exhibit A, Tab 2, Appendix B, Schedule 1, note ii)

Reversal of FT-RAM fuel cost provision for 2012 (2011 - \$0.8 million, 2012 - \$0.6 million)	<u>\$(0.6)</u>
Decrease in utility earnings	<u>\$(0.6)</u> million

2014 Utility Earnings Adjustment

(Per EB-2015-0010, Exhibit A, Tab 2, Appendix B, Schedule 1, note ii)

Exclusion of 2012 FT-RAM revenue	<u>\$(32.4)</u>
Decrease in utility earnings	<u>\$(32.4)</u> million

Summary of Relevant Adjustments

2012 Adjustment	\$ 33.2
2013 Adjustment	\$ (0.6)
2014 Adjustment	<u>\$ (32.4)</u>
	<u>\$ 0.2</u> million

The 2012 Upstream Transportation FT-RAM Optimization provision was based on a year end estimate. Consistent with all year end estimates, the true-up to actual was included in utility earnings in 2013.

- c) The resulting impact on ratepayers from the combination of adjustments was an overstatement of 2012 utility earnings subject to sharing as a result of the normal year end estimation process.

UNION GAS LIMITED

Answer to Interrogatory from  
Federation of Rental-housing Providers of Ontario ("FRPO")

Reference: Exhibit A, Tab 2, Appendix A, Schedule 13, line 21

Please provide the major drivers that contribute to the significant increase in Inbound Affiliate Services from 2013 to 2014.

- a) Please provide the Board-approved forecast along with the 2013 and 2014 actuals for the above identified drivers.

---

**Response:**

- a) The two major drivers for the change in Inbound Affiliate Services from 2013 to 2014 were foreign exchange and Union's increased use of SAP. Please see the table below:

<b>Major Variance Drivers (000's)</b>	<b>2013 Board- approved</b>	<b>2013 Actual</b>	<b>2014 Actual</b>	<b>2013 vs. 2014 Actual Variance</b>
Foreign Exchange (1)	-	300	1,500	1,200
Sap Enterprise Support (2)	-	-	4,898	4,898
Other	11,888	10,272	10,967	695
<b>Inbound Affiliate Services</b>	<b>11,888</b>	<b>10,572</b>	<b>17,365</b>	<b>6,793</b>

Notes:

- (1) 2013 Board-approved budget assumed USD at par to CAD.
- (2) Union moved to enterprise wide SAP support across Spectra Energy. The SAP department has been restructured to align IT support resources with the users of specific SAP modules across the entire organization (rather than individual support for each geographic location). The new structure provides better support to users and is necessary because of Union's extensive use of the SAP system (e.g. SAP replaced Union's third party Payroll and Human Resource Management System vendor services as described in EB-2011-0210, Exhibit D1, Tab 3). The new structure resulted in higher inbound and outbound charges. Outbound Affiliate Services recoveries increased by \$4.1 million for Union's provision of SAP Enterprise support service to affiliates. The net impact to affiliate charges on SAP Enterprise Support is summarized below:

SAP Enterprise Support - Inbound	4,898
SAP Enterprise Support - Outbound	(4,105)
<b>Net 2014 Impact - SAP Enterprise Support</b>	<b><u>793</u></b>

The net increase is the result of Union implementing several new SAP modules.

UNION GAS LIMITED

Answer to Interrogatory from  
Federation of Rental-housing Providers of Ontario ("FRPO")

Reference: Exhibit A, Tab 2, Appendix A, Schedule 19

Please expand the table to show 2013 actual and the percentage of the total fuel allocated to each of M12 and other.

- a) Please describe the major drivers associated with the increasing percentage allocation of Other.
- 

**Response:**

Please see Attachment 1 for the expanded table showing 2013 actual and percentage of total fuel allocated to rate M12 and other.

- a) Lower actual M12 activity occurred in 2014 than was forecast in Union's 2013 Cost of Service proceeding (EB-2011-0210) which led to a lower allocation of compressor fuel and a proportionally higher percentage allocation to Other.

UNION GAS LIMITED  
Allocation of Fuel

Line no.	Particulars (GJ)	Board- approved	%	2014 Actual	%	2013 Actual	%
1	M12	3,616,843	77%	1,862,928	63%	3,612,833	79%
2	Other	1,057,714	23%	1,093,774	37%	965,831	21%
3	Total Fuel	4,674,557	100%	2,956,702	100%	4,578,664	100%

UNION GAS LIMITED

Answer to Interrogatory from  
Federation of Rental-housing Providers of Ontario ("FRPO")

Reference: Exhibit A, Tab 2, Appendix C, Schedule 1, line 5

For the major capital investment of \$4.9 million in non-utility compressor equipment, was there any allocation of costs to the utility?

a) If so, please describe the project, the function improvements and the allocation methodology between utility and non-utility.

---

**Response:**

Yes, of the \$4.9 million investment in non-utility compressor equipment, \$3.1 million was allocated 100% to the non-utility business and \$1.8 million was allocated between the utility and the non-utility businesses in accordance with the methodology described in Union's 2014 Rates evidence (EB-2013-0365), Exhibit A, Tab 2, pp.11-13.

- a) The significant projects which included an allocation between the utility and non-utility businesses are:

Project Description	2014 Non- Utility Additions	Utility Allocation	Function Improvements
	<i>(\$millions)</i>		
100% allocation to non-utility	\$ 3.1	\$ -	
Allocated projects			
Dawn G Gas Turbine Overhaul	0.4	1.3	Mid-life engine overhaul
Dawn D Recycle Valve Upgrade	0.2	0.7	Replacement and upgrade of the existing recycle valve to reduce minor surge events that were occurring
Dawn Dehy Heat Exchanger Replacement	0.9	0.7	Replacement of all 3 heat exchangers at Dawn due to cracking of the internal support structure which had resulted in significant leaks
Bickford Solar Overhaul	0.2	0.2	Replacement of the Bickford Solar unit due to operational failure
Other non-utility additions	0.1	0.4	
Total	\$ 4.9		



UNION GAS LIMITED

Answer to Interrogatory from  
Federation of Rental-housing Providers of Ontario ("FRPO")

Reference: Exhibit A, Tab 4 and Tab 5, pp. 12-14 and p. 19, Figure 7

We would like to understand Union's approach to Incremental Contracting Analysis including the contribution of each current path to peak day and annual volumes for Union South.

To assist in seeing a summary, please fill in the following table for all paths, including Dawn purchases, under contract currently (Jan. 1, 2015) and amount contributed to the peak day design for the winter of 2014/15

Route	Landed Cost	Point of Delivery	Daily Capacity	Annual Volume	Design Day Capacity	Term	Renewal Rights	Notice Provision To Renew

- a) While the TCPL path from Niagara to Kirkwall is not amongst the contracts described in the summary of contracts in Tab 4, please produce a summary for that path including:
  - i) Capacity History
  - ii) Rationale for Transportation Capacity including the benefits of this capacity
  - iii) Contract Parameters
- b) Please provide Union's assessment of this path and its potential contribution to Union's Gas Supply Planning Objectives and Principles on pages 12 to 14 of Tab 5.
- c) On a peak design day, for every 1,000 GJ's of capacity that could arrive at Kirkwall, how many GJ's of Dawn to Parkway capacity could be created? Said differently, with an additional 1,000 GJ being delivered at Kirkwall on a peak day, how many GJ's of incremental gas could be transported to Parkway keeping all other factors constant (e.g. compressor HP, etc.)?

**Response:**

Please see Attachment 1 for all paths, including Dawn purchases, under contract currently (Jan. 1, 2015) and the amount contributed to the peak day design for the winter of 2014/15.

a)

- i. Union has been purchasing 21,101 GJ/d at Niagara for delivery to Kirkwall since late 2012; however the path of Niagara to Kirkwall is currently sold out on the TransCanada system.
- ii. Union described the rationale for Niagara to Kirkwall transportation capacity and associated benefits in the request for Pre-Approval of three Long Term Transportation Contracted evidence (EB-2010-0030), dated October 7, 2010.

The rationale for Niagara to Kirkwall capacity is described at Exhibit A, p. 4

*“To accommodate requests from Marcellus Shale Gas producers for capacity on their pipelines that would physically export gas into Canada via Niagara, pipeline operators downstream of the Niagara interconnect are proceeding with plans to reverse flow on some of their lines.*

*The Niagara/Kirkwall contracted capacity will interconnect with Union’s Dawn/Trafalgar transmission system at Kirkwall using existing pipelines that are currently used to export gas to the U.S. To receive volumes at Kirkwall, Union must make modifications to the station to allow for bidirectional flow.”*

The benefit of Niagara to Kirkwall capacity is described at Exhibit A, p. 4

*“Union’s Niagara contract will allow the utility to purchase a portion of these Marcellus supplies at Niagara and ship the gas into Ontario for the purpose of improving security and diversity of supply for Union’s in-franchise customers.”*

Exhibit A, p. 6 - *“Union proposes to add the Niagara capacity for the purpose of further diversifying the sources of supply within this portfolio. The Niagara capacity will result in annual imports of 7.7 PJ’s from the developing Marcellus Shale Gas play for a 10-year term. At present, this represents 5.7 % of Union’s annual sales service purchases of 135.7 PJ’s/year.”*

iii. As described at Union's request for Pre-Approval of three Long Term Transportation Contracted evidence (EB-2010-0030), Exhibit A, p. 2, the parameters of the Niagara to Kirkwall contract:

*"The parameters for the contract with TCPL for Niagara to Kirkwall transportation service are listed below:*

- *Transportation Provider: TransCanada Pipeline*
- *Quality of Service: FT (Firm Transportation Service)*
- *Primary Term: November 1, 2012 through October 31, 2022*
- *Volume: 21,101 GJ/d (20,000 Dth/d)*
- *Rate: TCPL NEB approved mainline toll, currently demand is at \$2.75281/GJ/month*
- *Receipt Point: Niagara*
- *Delivery Point: Kirkwall*
- *Renewal Notice: Upon expiration of the primary term, Union has the option to renew up to the existing volume indefinitely, for further periods of at least one year, on 6 months prior notice."*

b) For Union's analysis of the Niagara to Kirkwall path, please see EB-2010-0300. Specifically, a summary of the path can be found on p.14 and includes:

*"By contracting for new sources of supply for Ontario from Niagara and diversifying the supply path serving Union's EDA and NDA customers, Union is providing alternative sources of supply to its customers which may not otherwise be available. In addition, these actions help promote security of supply by introducing nearby alternatives in the face of the trend towards declining supply flowing from the WCSB.*

*Based on this analysis, Union believes that these contracts will be a benefit to ratepayers in Ontario. Security of supply will be increased by connecting to a separate supply basin. System integrity benefits result from connection to more receipt points along the Union Gas system and diversity of supply is enhanced through contract term and addition of another supply basin."*

c) For every 1000 GJ/day of supply arriving at Kirkwall, 100 GJ/day of Dawn Parkway capacity would be used to transport the volume to Parkway. The ratio of the capacity used to transport gas to Parkway divided by the Kirkwall supply volume will increase as the supply volume at Kirkwall increases. In addition to the system capacity used to transport the gas between Kirkwall and Parkway, there will be a requirement for additional horsepower at Parkway to move the gas through compression.

Row	Route	Contract ID	Landed Cost (\$Cdn/G J)	Point of Delivery	Daily Capacity (TJ/d)	Annual Volume (TJ/d)	Design Day Capacity (TJ/d)	Term	Renewal Rights	Notice Provision to Renew	Note
	(a)	(b)	(c)	(d)	(e)	(f) = (e) * 365	(g) = (e)	(h)	(i)	(j)	(k)
1	TCPL Empress to Union CDA	22754	\$5.47	Union CDA	40	14,600	40	31-Oct-17	Yes	31-Oct-15	(1) (2)
2	TCPL Empress to Union CDA	12430	\$5.47	Union CDA	1	366	1	31-Oct-17	Yes	31-Oct-15	(1) (2)
3	TCPL Empress to Union CDA	6673	\$5.47	Union CDA	2	722	2	31-Oct-17	Yes	31-Oct-15	(1) (2)
4	TCPL Empress to Union CDA	2776	\$5.47	Union CDA	4	1,350	4	31-Oct-17	Yes	31-Oct-15	(1) (2)
5	TCPL Empress to Union CDA	44283	\$5.47	Union CDA	8	2,973	8	31-Dec-17	Yes	31-Dec-15	(1) (2)
6	TCPL Empress to Union CDA	39928	\$5.47	Union CDA	11	4,015	11	31-Oct-17	Yes	31-Oct-15	(1)
7	TCPL Empress to Union CDA	48912	\$5.47	Union CDA	2	548	2	31-Dec-17	Yes	31-Dec-15	(1) (2)
8	Trunkline/Panhandle	TGC 21273/PEPL 23171	\$4.43	Ojibway	21	7,702	21	31-Oct-17	No	N/A	
9	Panhandle	19605	\$4.52	Ojibway	26	9,627	26	31-Oct-17	ROFR	09/31/2016	(1)
10	Panhandle	36203	\$4.41	Ojibway	2	770	2	31-Oct-17	No	N/A	
11	Panhandle	43059	\$4.52	Ojibway	11	3,851	11	31-Oct-16	ROFR	09/31/2015	(1)
12	TCPL Niagara	45509	\$4.47	Kirkwall	21	7,702	21	31-Oct-22	Yes	31-Oct-20	(1)
13	Alliance/Vector	Alliance 1034/5034 Vector 1176	\$5.04	Dawn	84	30,808	84	30-Nov-15	Expired	N/A	(5)
14	Vector	24	\$4.58	Dawn	84	30,808	84	30-Nov-18	Yes	30-Nov-16	(5)
15	Vector	5005	\$4.58	Dawn	26	9,627	26	31-Oct-17	Yes	31-Oct-15	'(5)
16	Michcon	406906	\$4.44	St. Clair	11	3,851	11	31-Oct-15	Yes	31-Jul-15	(3)

**Assumptions:**

As at Jan 1, 2015

ROFR = Right of First Refusal

Landed cost (c) for Nov 1, 2014 to Oct 31, 2015 as per EB-2015-0010 Exhibit A, Tab 4, Appendix A, Schedule 3

**Notes:**

- (1) Renewal provision as per Tariff provision.
- (2) Subject to termination upon 2016 NCOS capacity in service.
- (3) One time renewal provision.
- (4) renewal rights attributable to portion of path.
- (5) includes Canadian and US pipeline in path.

UNION GAS LIMITED

Answer to Interrogatory from  
Federation of Rental-housing Providers of Ontario ("FRPO")

Reference: Exhibit A, Tab 5, p. 15

Please provide the SENDOUT output that informed the decision on which paths to renew/increase for the 2014/15 gas year and for the subsequent 4 years.

- a) If multiple scenarios were run, please provide any variance in underlying assumptions.
- b) If SENDOUT did not inform the decision on paths to renew/increase, please provide the analytical analysis that did inform the choices.

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**Response:**

- a) and b) The results of Union's SENDOUT modelling can be found in the Gas Supply Memorandum at Exhibit A, Tab 5, p. 26. However, SENDOUT is only one of the tools used by Union to inform its transportation contracting decisions. When managing its transportation portfolio and analyzing potential pipeline paths and supply sources, Union does so in the context of its Gas Supply Planning Principles (see Exhibit A, Tab 5, p.12). These principles ensure customers consistently receive secure, diverse natural gas supply at a prudently incurred cost and minimal risk. They also help Union to determine whether changes are required to the current transportation and supply portfolios. In addition, landed cost analyses are performed to ensure that a transportation path is reasonably priced compared to alternatives. These landed cost analyses can be found at Exhibit A, Tab 4, Appendix A.

UNION GAS LIMITED

Answer to Interrogatory from  
Federation of Rental-housing Providers of Ontario ("FRPO")

Reference: Exhibit A, Tab 5, p. 18

Please provide the major contributing factors to the design day increase from 2,743 TJ/day to 2,868 TJ/day.

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**Response:**

The primary drivers for the increase in the design day demand are:

- 1) Growth in general service demand;
- 2) Growth in the petrochemical industry resulting in increased customer demand; and,
- 3) Growth in the greenhouse market.

UNION GAS LIMITED

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

Reference: Exhibit A, Tab 1, Updated, p. 6

Please provide a table that shows the number of direct purchase customers and volumes that make up the 1.761 PJ shortfall in direct purchase deliveries at the end of March by rate class.

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**Response:**

Union is not able to provide information by rate class as a bundled direct purchase ("DP") contract can have multiple customers/accounts from different rate classes within it. Please see Attachment 1 for a listing of the 374 Union South bundled DP contracts and their associated variances that make up the 1.761 PJ shortfall. The column titled "Actual" is the actual month end balance, while the column titled "Planned" is the balance that would have been expected under normal conditions.

Customer	Actual BGA Balance (GJ) (a)	Planned BGA Balance (GJ) (b)	Difference in BGA Balance (GJ) (c)	Proposed Charge (\$) (d)
1	-348,683	-260,565	-88,118	-16,002
2	-90,276	-13,719	-76,557	-13,903
3	-136,435	-77,445	-58,990	-10,713
4	-47,254	10,229	-57,483	-10,439
5	-891,634	-839,051	-52,583	-9,549
6	-474,259	-424,019	-50,240	-9,124
7	-86,859	-44,230	-42,629	-7,741
8	-132,962	-98,328	-34,634	-6,290
9	-35,019	-5,044	-29,975	-5,443
10	-146,062	-120,481	-25,581	-4,646
11	-66,164	-43,739	-22,425	-4,072
12	-115,677	-93,804	-21,873	-3,972
13	-158,329	-136,516	-21,813	-3,961
14	-93,751	-72,581	-21,170	-3,844
15	-60,123	-39,665	-20,458	-3,715
16	-30,611	-12,096	-18,515	-3,362
17	-95,169	-77,342	-17,827	-3,237
18	-87,205	-69,425	-17,780	-3,229
19	-24,257	-6,607	-17,650	-3,205
20	-39,722	-22,603	-17,119	-3,109
21	-9,657	7,377	-17,034	-3,093
22	-94,527	-78,592	-15,935	-2,894
23	-3,081	12,705	-15,786	-2,867
24	-109,165	-93,478	-15,687	-2,849
25	-54,834	-39,372	-15,462	-2,808
26	-61,530	-46,315	-15,215	-2,763
27	-11,307	3,320	-14,627	-2,656
28	-107,937	-93,518	-14,419	-2,618
29	-25,564	-11,168	-14,396	-2,614
30	-46,550	-32,477	-14,073	-2,556
31	-83,461	-69,400	-14,061	-2,553
32	-30,023	-16,155	-13,868	-2,518
33	-17,555	-3,882	-13,673	-2,483
34	-36,315	-22,916	-13,399	-2,433
35	-7,216	4,611	-11,827	-2,148
36	-41,328	-30,146	-11,182	-2,031
37	-85,908	-75,128	-10,780	-1,958
38	-16,379	-5,618	-10,761	-1,954
39	-84,834	-75,145	-9,689	-1,760
40	-59,648	-50,074	-9,574	-1,739
41	-20,406	-10,874	-9,532	-1,731
42	-45,429	-35,926	-9,503	-1,726
43	-27,264	-17,773	-9,491	-1,724
44	-5,510	3,761	-9,271	-1,684
45	-62,331	-53,172	-9,159	-1,663
46	-9,469	-489	-8,980	-1,631



47	-32,016	-23,541	-8,475	-1,539
48	-35,730	-27,308	-8,422	-1,529
49	-34,420	-26,099	-8,321	-1,511
50	-7,143	1,108	-8,251	-1,498
51	-21,579	-13,580	-7,999	-1,453
52	-43,251	-35,258	-7,993	-1,452
53	-39,256	-31,388	-7,868	-1,429
54	-24,362	-16,498	-7,864	-1,428
55	-21,002	-13,164	-7,838	-1,423
56	-33,322	-25,715	-7,607	-1,381
57	-6,270	1,286	-7,556	-1,372
58	-26,646	-19,103	-7,543	-1,370
59	-637	6,794	-7,431	-1,349
60	-48,043	-40,665	-7,378	-1,340
61	-51,362	-44,061	-7,301	-1,326
62	-30,843	-23,580	-7,263	-1,319
63	-52,158	-45,050	-7,108	-1,291
64	3,971	10,798	-6,827	-1,240
65	-19,196	-12,779	-6,417	-1,165
66	-25,438	-19,022	-6,416	-1,165
67	-44,546	-38,298	-6,248	-1,135
68	-1,819	4,403	-6,222	-1,130
69	-7,282	-1,597	-5,685	-1,032
70	-21,841	-16,223	-5,618	-1,020
71	-23,195	-17,695	-5,500	-999
72	-9,724	-4,237	-5,487	-996
73	-13,682	-8,197	-5,485	-996
74	8,074	13,514	-5,440	-988
75	-21,737	-16,359	-5,378	-977
76	-23,717	-18,353	-5,364	-974
77	-23,036	-17,771	-5,265	-956
78	-12,619	-7,362	-5,257	-955
79	-1,421	3,834	-5,255	-954
80	-19,283	-14,055	-5,228	-949
81	-12,986	-7,780	-5,206	-945
82	-42,796	-37,598	-5,198	-944
83	-9,217	-4,052	-5,165	-938
84	-48,748	-43,591	-5,157	-937
85	-36,339	-31,194	-5,145	-934
86	-7,678	-2,598	-5,080	-923
87	-4,739	312	-5,051	-917
88	-2,567	2,352	-4,919	-893
89	-22,053	-17,165	-4,888	-888
90	-11,957	-7,079	-4,878	-886
91	-30,504	-25,675	-4,829	-877
92	-12,487	-7,670	-4,817	-875
93	-15,287	-10,508	-4,779	-868
94	-3,512	1,157	-4,669	-848
95	-25,604	-20,968	-4,636	-842
96	-4,466	32	-4,498	-817
97	-11,252	-6,763	-4,489	-815
98	-9,344	-4,880	-4,464	-811
99	-7,380	-3,029	-4,351	-790
100	-36,331	-31,987	-4,344	-789
101	-18,274	-14,046	-4,228	-768

102	-2,997	1,186	-4,183	-760
103	-14,452	-10,307	-4,145	-753
104	-28,608	-24,500	-4,108	-746
105	-24,006	-19,921	-4,085	-742
106	-13,870	-9,806	-4,064	-738
107	-16,970	-12,976	-3,994	-725
108	-18,247	-14,258	-3,989	-724
109	-23,087	-19,153	-3,934	-714
110	-125,247	-121,401	-3,846	-698
111	-62	3,779	-3,841	-698
112	-41,406	-37,603	-3,803	-691
113	-20,257	-16,463	-3,794	-689
114	-5,129	-1,345	-3,784	-687
115	-15,210	-11,451	-3,759	-683
116	-26,397	-22,643	-3,754	-682
117	-13,741	-10,002	-3,739	-679
118	-26,932	-23,229	-3,703	-672
119	-10,571	-6,923	-3,648	-662
120	-4,535	-939	-3,596	-653
121	-8,421	-4,833	-3,588	-652
122	-13,685	-10,125	-3,560	-646
123	-26,722	-23,171	-3,551	-645
124	-5,759	-2,264	-3,495	-635
125	-923	2,570	-3,493	-634
126	-1,537	1,896	-3,433	-623
127	-7,629	-4,214	-3,415	-620
128	-950	2,456	-3,406	-619
129	-14,647	-11,241	-3,406	-619
130	-23,630	-20,247	-3,383	-614
131	-13,543	-10,213	-3,330	-605
132	-6,064	-2,739	-3,325	-604
133	-30,226	-26,961	-3,265	-593
134	-12,642	-9,415	-3,227	-586
135	-3,052	84	-3,136	-569
136	-22,922	-19,815	-3,107	-564
137	-15,979	-12,896	-3,083	-560
138	-5,724	-2,692	-3,032	-551
139	-35,638	-32,643	-2,995	-544
140	-34,226	-31,266	-2,960	-538
141	-1,942	988	-2,930	-532
142	-4,327	-1,405	-2,922	-531
143	-20,717	-17,831	-2,886	-524
144	-3,131	-281	-2,850	-518
145	-34,127	-31,302	-2,825	-513
146	-7,927	-5,148	-2,779	-505
147	-6,942	-4,190	-2,752	-500
148	-4,131	-1,380	-2,751	-500
149	-11,467	-8,785	-2,682	-487
150	-4,952	-2,285	-2,667	-484
151	-5,221	-2,558	-2,663	-484
152	-10,525	-7,891	-2,634	-478
153	-7,393	-4,774	-2,619	-476
154	-1,802	800	-2,602	-473
155	-15,615	-13,026	-2,589	-470
156	-9,533	-6,955	-2,578	-468

157	-7,598	-5,052	-2,546	-462
158	-3,628	-1,086	-2,542	-462
159	-2,753	-228	-2,525	-459
160	-26,126	-23,629	-2,497	-453
161	-11,861	-9,380	-2,481	-451
162	-7,635	-5,158	-2,477	-450
163	-6,327	-3,863	-2,464	-447
164	-11,494	-9,069	-2,425	-440
165	-11,835	-9,457	-2,378	-432
166	-14,968	-12,607	-2,361	-429
167	-10,918	-8,576	-2,342	-425
168	-17,151	-14,828	-2,323	-422
169	-826	1,496	-2,322	-422
170	-8,528	-6,265	-2,263	-411
171	-12,926	-10,665	-2,261	-411
172	-4,714	-2,462	-2,252	-409
173	-917	1,330	-2,247	-408
174	-3,814	-1,597	-2,217	-403
175	-8,405	-6,189	-2,216	-402
176	-4,332	-2,121	-2,211	-402
177	-15,112	-12,911	-2,201	-400
178	-2,802	-603	-2,199	-399
179	-9,825	-7,652	-2,173	-395
180	-916	1,253	-2,169	-394
181	-11,770	-9,647	-2,123	-386
182	-5,166	-3,059	-2,107	-383
183	-671	1,417	-2,088	-379
184	-10,744	-8,661	-2,083	-378
185	-4,117	-2,034	-2,083	-378
186	-9,067	-7,080	-1,987	-361
187	-5,654	-3,682	-1,972	-358
188	-6,911	-4,941	-1,970	-358
189	-7,817	-5,868	-1,949	-354
190	-18,429	-16,485	-1,944	-353
191	-1,642	290	-1,932	-351
192	-11,158	-9,249	-1,909	-347
193	-14,857	-12,983	-1,874	-340
194	-14,204	-12,344	-1,860	-338
195	-8,333	-6,486	-1,847	-335
196	-5,825	-3,978	-1,847	-335
197	-2,171	-332	-1,839	-334
198	-4,848	-3,010	-1,838	-334
199	-9,636	-7,798	-1,838	-334
200	-6,892	-5,070	-1,822	-331
201	-9,516	-7,710	-1,806	-328
202	-7,206	-5,423	-1,783	-324
203	-3,079	-1,349	-1,730	-314
204	-9,389	-7,672	-1,717	-312
205	-2,501	-808	-1,693	-307
206	-5,523	-3,864	-1,659	-301
207	-1,721	-90	-1,631	-296
208	-10,275	-8,711	-1,564	-284
209	223	1,765	-1,542	-280
210	-14,105	-12,589	-1,516	-275
211	-5,182	-3,680	-1,502	-273

212	-8,105	-6,691	-1,414	-257
213	-6,129	-4,755	-1,374	-250
214	-9,758	-8,396	-1,362	-247
215	-2,175	-815	-1,360	-247
216	-4,032	-2,675	-1,357	-246
217	-3,666	-2,341	-1,325	-241
218	-233	1,043	-1,276	-232
219	-5,013	-3,747	-1,266	-230
220	-4,958	-3,694	-1,264	-230
221	-4,476	-3,212	-1,264	-230
222	-25,314	-24,061	-1,253	-228
223	-13,230	-11,986	-1,244	-226
224	-5,880	-4,639	-1,241	-225
225	-22,064	-20,827	-1,237	-225
226	-7,716	-6,483	-1,233	-224
227	-14,438	-13,272	-1,166	-212
228	-11,348	-10,183	-1,165	-212
229	-6,645	-5,483	-1,162	-211
230	3,999	5,151	-1,152	-209
231	-1,475	-335	-1,140	-207
232	-1,832	-698	-1,134	-206
233	-8,711	-7,578	-1,133	-206
234	-4,860	-3,760	-1,100	-200
235	-2,002	-918	-1,084	-197
236	-341	730	-1,071	-194
237	348	1,414	-1,066	-194
238	-2,451	-1,404	-1,047	-190
239	-4,560	-3,524	-1,036	-188
240	-650	365	-1,015	-184
241	-1,187	-172	-1,015	-184
242	-4,951	-3,945	-1,006	-183
243	-6,304	-5,328	-976	-177
244	-17,549	-16,582	-967	-176
245	-14,956	-14,007	-949	-172
246	-5,171	-4,222	-949	-172
247	-7,019	-6,088	-931	-169
248	-1,039	-110	-929	-169
249	-23,880	-22,966	-914	-166
250	-3,921	-3,010	-911	-165
251	-462	429	-891	-162
252	-2,435	-1,549	-886	-161
253	-3,124	-2,240	-884	-161
254	-2,417	-1,534	-883	-160
255	-9,518	-8,665	-853	-155
256	-2,881	-2,062	-819	-149
257	-6,270	-5,453	-817	-148
258	-7,680	-6,890	-790	-143
259	-1,182	-395	-787	-143
260	-9,447	-8,685	-762	-138
261	-9,518	-8,761	-757	-137
262	-2,985	-2,228	-757	-137
263	-5,439	-4,685	-754	-137
264	-6,407	-5,659	-748	-136
265	-1,616	-888	-728	-132
266	-3,077	-2,354	-723	-131

267	-1,794	-1,076	-718	-130
268	-2,419	-1,705	-714	-130
269	-13,298	-12,592	-706	-128
270	-1,680	-985	-695	-126
271	-10,208	-9,520	-688	-125
272	-22,883	-22,201	-682	-124
273	-7,770	-7,105	-665	-121
274	-4,144	-3,484	-660	-120
275	-8,012	-7,353	-659	-120
276	186	838	-652	-118
277	-638	0	-638	-116
278	-418	208	-626	-114
279	-31,133	-30,515	-618	-112
280	-2,092	-1,477	-615	-112
281	-2,365	-1,756	-609	-111
282	131	722	-591	-107
283	-6,271	-5,686	-585	-106
284	-633	-49	-584	-106
285	-2,548	-1,968	-580	-105
286	-5,389	-4,818	-571	-104
287	-27,636	-27,074	-562	-102
288	-582	-20	-562	-102
289	-1,819	-1,258	-561	-102
290	-2,341	-1,784	-557	-101
291	-2,495	-1,943	-552	-100
292	-3,228	-2,682	-546	-99
293	-4,586	-4,047	-539	-98
294	-3,104	-2,567	-537	-98
295	-1,309	-775	-534	-97
296	-3,874	-3,344	-530	-96
297	294	822	-528	-96
298	37	558	-521	-95
299	-182	321	-503	-91
300	-1,944	-1,442	-502	-91
301	13,857	14,348	-491	-89
302	-1,830	-1,352	-478	-87
303	-6,620	-6,149	-471	-86
304	-2,973	-2,514	-459	-83
305	-4,018	-3,567	-451	-82
306	-2,398	-1,967	-431	-78
307	-2,148	-1,719	-429	-78
308	-63	339	-402	-73
309	-1,636	-1,237	-399	-72
310	-1,136	-742	-394	-72
311	-395	-16	-379	-69
312	-1,472	-1,094	-378	-69
313	-1,713	-1,339	-374	-68
314	-2,385	-2,013	-372	-68
315	-4,555	-4,183	-372	-68
316	-1,697	-1,335	-362	-66
317	34,808	35,165	-357	-65
318	-3,266	-2,910	-356	-65
319	-6,950	-6,596	-354	-64
320	-4,034	-3,685	-349	-63
321	-748	-406	-342	-62

322	-3,785	-3,460	-325	-59
323	-2,554	-2,234	-320	-58
324	-3,667	-3,379	-288	-52
325	-878	-598	-280	-51
326	-571	-303	-268	-49
327	-2,766	-2,521	-245	-44
328	-214	22	-236	-43
329	-1,655	-1,421	-234	-42
330	-21,716	-21,484	-232	-42
331	11,455	11,677	-222	-40
332	-6,706	-6,488	-218	-40
333	-6,636	-6,420	-216	-39
334	-3,596	-3,390	-206	-37
335	-2,118	-1,914	-204	-37
336	-260	-56	-204	-37
337	-1,950	-1,755	-195	-35
338	150	334	-184	-33
339	-508	-335	-173	-31
340	895	1,065	-170	-31
341	-18,530	-18,364	-166	-30
342	-797	-636	-161	-29
343	-1,440	-1,279	-161	-29
344	-661	-502	-159	-29
345	-1,376	-1,219	-157	-29
346	-377	-224	-153	-28
347	-1,731	-1,582	-149	-27
348	-633	-502	-131	-24
349	-5,365	-5,240	-125	-23
350	4,760	4,884	-124	-23
351	-199	-91	-108	-20
352	-6,423	-6,316	-107	-19
353	-80	20	-100	-18
354	-670	-578	-92	-17
355	-868	-786	-82	-15
356	-535	-458	-77	-14
357	-1,865	-1,791	-74	-13
358	-1,146	-1,073	-73	-13
359	-6,532	-6,459	-73	-13
360	-878	-806	-72	-13
361	-3,111	-3,044	-67	-12
362	-1,897	-1,836	-61	-11
363	-747	-687	-60	-11
364	-3,993	-3,936	-57	-10
365	-3,160	-3,105	-55	-10
366	4,337	4,389	-52	-9
367	-3,290	-3,239	-51	-9
368	-15,161	-15,115	-46	-8
369	683	723	-40	-7
370	108	141	-33	-6
371	-887	-865	-22	-4
372	-1,377	-1,361	-16	-3
373	-3,515	-3,502	-13	-2
374	-5,958	-5,950	-8	-1
	<u>-7,400,786</u>	<u>-5,639,584</u>	<u>-1,761,202</u>	<u>-319,834</u>

UNION GAS LIMITED

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

Reference: Exhibit A, Tab 1, Table 4

Please show the calculation of the current tax line in Table 4 for 2014, including but not limited to the capital cost allowance deduction.

---

**Response:**

Please see the response at Exhibit B.Energy Probe.2 b).

UNION GAS LIMITED

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

Reference: Exhibit A, Tab 1, Table 5

Please confirm that 2014 is the last year for which there will be a recovery for IFRS transition costs. If not confirmed, when will this recovery end?

---

**Response:**

Confirmed.



UNION GAS LIMITED

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

Reference: Exhibit A, Tab 1, p. 31

Please explain why there is no balance in account no. 179-135 (UFG volume) for 2014. Was the difference between the actual UFG costs and those built into rates within the \$5 million deadband? If so, please show the calculation of the difference and show the volumes and prices used.

---

**Response:**

Yes, the difference between the actual UFG costs for 2014 and those built into rates was within the \$5 million dead-band.

Please see the response at Exhibit B.Staff.4, Table 1 for the UFG variance from 2014 Board-approved details.

UNION GAS LIMITED

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

Reference: Exhibit A, Tab 1, Schedule 3

Please show the figures and calculations used to calculate the costs for OM&A, UFG and compressor fuel for both the Board approved 2013 and actual 2014 columns.

---

**Response:**

Please see Attachment 1.

Line No.	Particulars (\$000's)	Board-approved 2013 (a)	Actual 2014 (c)
	Costs		
1	O&M	3,810 (1)	2,161 (2)
2	UFG	316 (3)	500 (3)
3	Compressor Fuel	1,201 (4)	428 (4)
4	Total Costs	5,327	3,089

### **Calculations**

(1) 2013 Board-approved: Refer to 2013 Rebasing, EB-2011-0210, Working Paper, Schedule 8.

(2) Excess Utility Space Available for Sale in 2014 / Excess Utility Space included in 2013 Board-approved rates x 2013 Board-approved O&M Cross Charge

$$2014 \text{ Actual: } 6,423 \text{ TJ} / 11,321 \text{ TJ} \times \$3,810 = \$2,161$$

(3) Ratio of unregulated storage volumes to total system volumes x UFG Expense forecasted/incurred

$$2013 \text{ Board-approved: } 2.15\% \times \$14,729 = \$316$$

$$2014 \text{ Actual: } 2.66\% \times \$18,785 = \$500$$

(4) Ratio of unregulated net storage activity to total net storage activity x CF Expense forecasted/incurred

$$2013 \text{ Board-approved: } 3.51\% \times \$34,199 = \$1,201$$

$$2014 \text{ Actual: } 2.18\% \times \$19,650 = \$428$$

### **Definitions**

Total Volumes are total in-franchise and ex-franchise throughput volumes.

Cost of Gas Used is the Ontario Landed Reference Price at the applicable point in time.

UNION GAS LIMITED

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

Reference: Exhibit A, Tab 2

Is the calculation of utility earnings and earnings sharing consistent with the methodology used to calculate the earnings sharing in previous years. If not, please explain any differences.

---

**Response:**

Yes, the methodology used to calculate earnings sharing and utility earnings is consistent with previous years.

UNION GAS LIMITED

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

Reference: Exhibit A, Tab 2, Appendix B, Schedule 1

- a) What is Union's normalized actual return on equity for 2014?
  - b) At what level would the X factor have had to been in 2014 to result in a normalized return on equity equal to the benchmark ROE of 8.93%?
- 

**Response:**

- a) Union's weather normalized actual return on equity for 2014 is 9.23%.
- b) In order for the 2014 weather normalized return on equity to equal 8.93%, the X-factor would have had to be 1.41% versus the X-factor of 0.76% included in 2014 rates.

UNION GAS LIMITED

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

Reference: Exhibit A, Tab 2, Appendix D, Schedule 1

- a) Union gas failed to meet the yearly performance level of 75% for the Call Answering Service Level (G.2.1.9.A.1). Please explain why Union failed to meet the yearly performance target.
  - b) What has Union done to ensure it meets this yearly target (G.2.1.9.A.1) in 2015 and subsequent years?
  - c) Please explain the high level of meters with no reads for 4 consecutive months or more for March and April (G.2.1.9.C.1).
- 

**Response:**

- a) and b) Please see the response at Exhibit B.Staff.6.
- c) Beginning December 2013 Ontario experienced a harsh winter across Ontario. Heavy snowfall made many of Union's meters inaccessible. The reads completed were at 94.74% for December 2013 which was 3.5% lower than a typical December. A large number of accounts were estimated as a result. Union's monthly meter reads completed continued to drop with the severity of the weather and didn't start to return to normal levels until April and into May.

For the month of March 2014 the consecutive estimates were at 1.1% and for April they were 1.6%. May results were 0.343% and June was down to 0.159%. Union's final results were 0.359% for 2014, under the Board SQR of 0.5%.

UNION GAS LIMITED

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

Reference: Exhibit A, Tab 3, p. 5

Why is Union proposing to allocate the balances in Account 179-112 based on the Board-approved average number of customers in Rate 01 and Rate M1 in approved 2013 rates rather than based on the actual average number of customers in these two rate classes in 2014?

---

**Response:**

Union is proposing to allocate the GDAR deferral account (179-112) balance to the Rate 01 and Rate M1 rate classes based on the Board-approved average number of customers to be consistent with the allocation of GDAR deferral account balances approved by the Board in Union's 2012 and 2013 annual Deferral Disposition proceedings. This approach is also consistent with how Union would expect to include these types of costs in rates.

UNION GAS LIMITED

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

Reference: Exhibit A, Tab 3, Schedule 1, Updated

Please add descriptions to the rows shown at the bottom of the table on page 1 where there are none.

---

**Response:**

This question was withdrawn by LPMA.



UNION GAS LIMITED

Answer to Interrogatory from  
Ontario Greenhouse Vegetable Growers ("OGVG")

Reference: Exhibit A, Tab 1, p. 2

Please provide the forecasted monthly consumption and contracted DCQ from all Direct Purchase customers aggregated by rate class for the winter (November to March) of 2014/15.

---

**Response:**

Union is not able to provide information by rate class as a bundled direct purchase contract can have multiple customers/accounts from different rate classes within it.

The requested forecast information for the winter of 2014/15 is provided in aggregate below:

	Bundled DP Forecast Consumption (GJ)	Bundled DP DCQ (GJ/day)
November	6,698,195	202,056
December	7,786,608	204,254
January	10,607,665	206,373
February	9,992,762	208,197
March	9,238,771	208,801

UNION GAS LIMITED

Answer to Interrogatory from  
Ontario Greenhouse Vegetable Growers ("OGVG")

Reference: Exhibit A, Tab 1, p. 2

Please provide the actual monthly consumptions and volumes delivered by those Direct Purchase customers by rate class for the winter of 2014/15.

---

**Response:**

Union is not able to provide information by rate class as a bundled direct purchase contract can have multiple customers/accounts from different rate classes within it.

The requested actual information for the winter of 2014/15 is provided in aggregate below:

	Bundled DP Actual Consumption (GJ)	Bundled DP Actual Deliveries (GJ)
November	6,987,441	6,414,007
December	8,324,047	6,885,657
January	10,771,581	7,201,035
February	11,330,748	7,651,417
March	10,968,146	6,777,579

UNION GAS LIMITED

Answer to Interrogatory from  
Ontario Greenhouse Vegetable Growers ("OGVG")

Reference: Exhibit A, Tab 1, p. 2

Please provide the comparative figures for the winter of 2013/14.

---

**Response:**

The requested comparable information for the winter of 2013/14 is provided in aggregate below:

	Bundled DP Forecast Consumption (GJ)	Bundled DP DCQ (GJ/day)	Bundled DP Actual Consumption (GJ)	Bundled DP Actual Deliveries (GJ)
November	6,583,280	195,708	7,140,101	6,056,431
December	7,481,690	196,860	8,615,409	6,240,130
January	9,423,900	197,139	11,250,365	6,435,882
February	9,629,513	197,165	11,191,171	11,127,360
March	8,857,615	196,884	10,441,296	6,430,267

UNION GAS LIMITED

Answer to Interrogatory from  
Ontario Greenhouse Vegetable Growers ("OGVG")

Reference: Exhibit A, Tab 1, p. 2

Please provide forecasted consumption and deliveries for the system gas program for winter of both 2013/14 and 2014/15.

---

**Response:**

The forecast consumption and deliveries for sales service customers in Union North and Union South, as forecast in the Gas Supply Plan for winter 2013/14 and 2014/15 are:

Gas Supply Plan  
Sales Service Customer Supply and Demand

	<u>2013/14</u>	<u>2014/15</u>
TJ	<u>Winter</u>	<u>Winter</u>
South Supply	49,028	54,363
South Demand	84,077	93,128
North Supply	15,188	15,589
North Demand	26,616	27,786

Winter is defined as November 1 through March 31.

The difference between forecasted supply and demand in each winter is gas that would be sourced out of storage. On an actual basis, Union alters the supply purchases as required to respond to actual activity experienced and forecast variances as the winter progresses.

UNION GAS LIMITED

Answer to Interrogatory from  
Ontario Greenhouse Vegetable Growers ("OGVG")

Reference: Exhibit A, Tab 1, p. 6 and Table 1

Preamble: Table 1 uses a forecasted summer cost. We would like to understand better the methodology behind that forecast.

Please provide the methodology used to determine the forecasted gas cost including

- a) the period for which that cost is forecasted.
- b) the date upon which that forecasted cost was taken
- c) Please provide an appropriate excerpt from the referenced publication showing the gas price forecasted for the period from the time frame when incremental purchase decisions were made.

---

**Response:**

- a) The Forecast Summer Cost is a volume weighted average forecast price of a Dawn summer strip (April through October 2015) observed on each of the spot gas purchase dates.
- b) Please see the response to part a) above.
- c) Forecast prices for the calculation of the Forecast Summer Cost are obtained through a data subscription to the following price reporting agencies:
  - NYMEX price: CME Group;
  - Dawn Basis price: SunGard Kiodex; and,
  - USD/CAD Forward Exchange price: Bloomberg.

Union maintains and pays for a license to use data from the above sources. Please see Table 1 for an excerpt of the forecasted prices.

Table 1  
Calculation of Dawn Summer Price

<u>Transaction Date</u>	<u>Spot Volume Purchased</u> (PJ)	<u>Summer Strip FX Rate</u> (Apr-Oct)	<u>Dawn Summer Strip Price</u> (US/MMBtu)	<u>Dawn Summer Strip Price</u> (CAD/GJ)
December 12, 2014	1.0	1.16	\$ 3.66	\$ 4.04
December 16, 2014	1.0	1.17	\$ 3.55	\$ 3.93
January 16, 2015	2.0	1.20	\$ 3.15	\$ 3.59
January 23, 2015	1.0	1.25	\$ 3.07	\$ 3.62
January 26, 2015	1.0	1.25	\$ 2.99	\$ 3.54
January 29, 2015	1.0	1.26	\$ 2.88	\$ 3.45
February 6, 2015	1.0	1.26	\$ 2.80	\$ 3.32
February 6, 2015	1.0	1.26	\$ 2.80	\$ 3.32
February 11, 2015	1.2	1.27	\$ 3.03	\$ 3.63
February 11, 2015	4.8	1.27	\$ 3.03	\$ 3.63
February 13, 2015	1.5	1.25	\$ 3.02	\$ 3.57
February 17, 2015	2.7	1.24	\$ 2.97	\$ 3.49
March 3, 2015	1.0	1.25	\$ 2.89	\$ 3.42
	<u>20.2</u>			<u>\$ 3.58</u>

**Sources:**

FX Data: Bloomberg;  
Summer Prices: CME Group (NYMEX Futures); and,  
SunGard KiodeX (Dawn forward basis).

UNION GAS LIMITED

Answer to Interrogatory from  
Ontario Greenhouse Vegetable Growers ("OGVG")

Reference: Exhibit A, Tab 1, p. 14

Please provide the utility storage requirement for the last ten years.

a) Please provide the specific drivers for the recent significant increase.

---

**Response:**

<u>Year</u>	<u>Utility Storage Requirement (PJ)</u>
2006	90.0
2007	92.1
2008	86.7
2009	91.1
2010	90.3
2011	89.7
2012	90.0
2013	88.7
2014	91.4
2015	93.6

a) The utility storage requirement increased from 88.7 PJ in the 2013 Board-approved forecast to 93.6 PJ for the 2015 forecast year for a change of 4.9 PJ.

The main drivers of the change are:

1. General Service Rate Classes

Increase in the normalized average consumption (see Exhibit A, Tab 1, pp. 24-30) and an increase in customer growth from 2013 to 2015.

2. Contract Rate Classes

Increase in demands due to overall lower gas prices and an increase in production activity in the industrial sector.



UNION GAS LIMITED

Answer to Interrogatory from  
Ontario Greenhouse Vegetable Growers ("OGVG")

Reference: Exhibit A, Tab 1, pp. 27-29

Please provide the monthly data for the general service rate classes for the last two years.

- a) Please provide the working sheets that developed the increase in required storage allocated to the general service rate classes.
- b) Please provide the detailed calculation showing all assumptions for the determination of \$1.095.

---

**Response:**

Please see the tables below for the forecasted monthly general service rate class data for 2013 and 2014.

2013 Board-approved Volumes

Total Forecasted Throughput Volumes: 10<sup>3</sup>m<sup>3</sup>

**General Service Rates - All Delivery Service Options**

Month	Rate M1	Rate M2	Rate 01	Rate 10
Apr-12	247,891	73,446	70,834	28,237
May-12	128,395	38,704	36,710	17,725
Jun-12	71,930	19,687	16,844	9,237
Jul-12	69,956	25,087	17,144	9,630
Aug-12	70,004	25,101	17,683	9,035
Sep-12	84,204	30,812	22,352	11,311
Oct-12	170,600	57,725	49,104	22,480
Nov-12	289,801	94,881	92,341	34,147
Dec-12	445,768	152,575	138,402	44,853
Jan-13	523,988	170,589	169,380	50,751
Feb-13	455,790	158,269	141,550	45,986
Mar-13	402,519	133,921	117,889	42,674

2014 NAC Deferral Volumes

Total Forecasted Throughput Volumes: 10<sup>3</sup>m<sup>3</sup>

**General Service Rates - All Delivery Service Options**

Month	Rate M1	Rate M2	Rate 01	Rate 10
Apr-14	228,706	101,042	74,357	28,991
May-14	111,587	63,525	39,022	18,624
Jun-14	64,932	39,848	21,361	12,261
Jul-14	68,804	34,008	18,685	11,183
Aug-14	66,033	34,863	17,843	11,171
Sep-14	76,239	46,398	22,767	12,596
Oct-14	142,361	91,607	51,031	23,554
Nov-14	283,523	133,340	99,612	37,779
Dec-14	460,414	170,987	146,346	48,725
Jan-15	538,839	171,183	176,402	49,507
Feb-15	462,916	165,809	146,783	45,881
Mar-15	396,771	150,393	123,307	42,142

a)

**Volume Change due to Change in Usage (in 10<sup>3</sup>m<sup>3</sup>)**

	Rate M1	Rate M2	Rate 01	Rate 10	Total
Apr-14	-24,414	23,286	517	1,878	1,267
May-14	-16,941	23,141	1,151	2,173	9,524
Jun-14	-8,517	19,356	3,724	3,675	18,237
Jul-14	-2,742	7,692	841	2,189	7,981
Aug-14	-5,496	7,673	-512	2,826	4,491
Sep-14	-9,726	13,576	-449	1,964	5,365
Oct-14	-30,604	30,175	138	2,479	2,189
Nov-14	-16,222	30,404	2,722	5,216	22,119
Dec-14	3,161	9,595	607	5,420	18,783
Jan-15	4,657	-7,827	442	707	-2,022
Feb-15	-1,658	1,504	-304	2,616	2,158
Mar-15	-8,631	12,774	1,507	2,235	7,886
<b>Total</b>	<b>-117,134</b>	<b>171,349</b>	<b>10,384</b>	<b>33,378</b>	<b>97,977</b>

**Aggregate Excess Impact - Volume Change due to change in Usage**

	Rate M1	Rate M2	Rate 01	Rate 10	Total
Annual	-117,134	171,349	10,384	33,378	97,977
(/365*151)	-48,458	70,887	4,296	13,809	40,533
Winter	-18,694	46,450	4,974	16,193	48,924
Storage Impact (in 10 <sup>3</sup> m <sup>3</sup> )	29,764	-24,437	678	2,385	8,391
Convert to GJ	1,139,664	-935,678	25,667	90,220	319,873
<b>Total Aggregate Excess Impact (GJ)</b>	<b>1,139,664</b>	<b>-935,678</b>	<b>25,667</b>	<b>90,220</b>	<b>319,873</b>
<b>Total Aggregate Excess Impact (PJ)</b>	<b>1.14</b>	<b>-0.94</b>	<b>0.03</b>	<b>0.09</b>	<b>0.32</b>

b)

**Additional Space**

**0.32**

Line No.	Particulars (\$ 000's)	South Usage		North Usage		Total Costs
		M1	M2	01	10	
	Storage Space (PJ)	1.14	(0.94)	0.03	0.09	0.32
<u>Costs of storage</u>						
1	O&M (Revenue Req't cross charge)	385	(316)	9	30	108
2	UFG	31	(26)	1	2	9
3	Compressor Fuel	118	(97)	3	9	33
4	Third Party Costs	-	-	-	-	-
5	Dawn to Parkway Costs	-	-	4	14	18
6	Inventory Carrying Costs	199	(163)	4	16	56
7	Deliverability	99	(82)	2	8	28
8	<b>Total Costs</b>	<b>833</b>	<b>(684)</b>	<b>23</b>	<b>80</b>	<b>251</b>

### O&M Cross Charge

PJ of Additional Gas	0.32
Board Approved Cross Charge @ 11.3 PJ	\$ 3,810,000
<b>O&amp;M Cross Charge @ 0.32 PJ</b>	<b>\$ 107,894</b>

### Unaccounted For Gas

Board-approved Volume for 11.3 PJ	56,773	GJ
Volume Allocation for 0.32 PJ (56,773 x 0.32/11.3)	1,608	GJ
October 2014 WACOG	\$ 5,435	/ GJ
<b>UFG Costs</b>	<b>\$ 8,738</b>	

### Compressor Fuel

Board-approved volume for 11.3 PJ	215,774	GJ
Volume allocation for 0.32 PJ (215,774 x 0.32/11.3)	6,110	GJ
October 2014 WACOG	\$ 5,435	/ GJ
<b>Compressor Fuel Costs</b>	<b>\$ 33,210</b>	

### Dawn to Parkway Costs

North Additional Storage for Usage (GJ)	115,887	GJ
Dawn to Parkway Rate	\$ 0.07960	/GJ
Dawn to Parkway Toll	\$ 9,225	
Dawn to Parkway Fuel Ratio	1.320%	
October 2014 WACOG	\$ 5,435	/GJ
Dawn to Parkway Fuel	\$ 8,314	
<b>Dawn to Parkway Costs (North GS)</b>	<b>\$ 17,539</b>	

**Inventory Carrying Costs**

GJ of Additional Gas	320,000	GJ
Average Inventory Level (per Inventory Profile)	62%	
October 2014 WACOG	\$ 5.435	/GJ
Inventory Carrying Charge	<u>5.18%</u>	
<b>Inventory Carrying Costs</b>	<b>\$ 55,856</b>	

**Deliverability**

GJ of Additional Gas	320,000	GJ
Additional Deliverability (1.8% vs. 1.2%)	0.6%	
Board Approved Monthly T1 Rate for Deliverability	<u>\$ 1.210</u>	/GJ
	2,323	
	<u>12</u>	months
<b>Deliverability Costs</b>	<b>\$ 27,878</b>	

UNION GAS LIMITED

Answer to Interrogatory from  
Ontario Greenhouse Vegetable Growers ("OGVG")

Reference: Exhibit A, Tab 1, Appendix A, Schedule 2

Please explain the derivation of the \$17.0 million that Union refers to as Gas Supply Optimization in Rates.

- a) Given that the Board-approved amount for Gas Supply Margin is \$13.4, what is Union relying upon to convert that into rate for the purposes of determining the difference between the actual margin recovered and the amount embedded in rates?

---

**Response:**

The derivation of the \$17.0 million is as follows:

<u>Rate Class</u>	<u>Volumes 10<sup>3</sup>m<sup>3</sup></u>	<u>Rate: \$ / m<sup>3</sup></u>	<u>Gas Optimization (\$000s)</u>
Rate 01	1,053,067	\$0.004229	\$4,459
Rate 10	376,384	\$0.003906	1,471
Rate 20	5,552	\$0.041642	231
Rate 20T	61,724	\$0.002597	160
Rate 25	94,822	\$0.002720	258
Rate M1	2,942,275	\$0.002824	8,309
Rate M2	670,955	\$0.002824	1,895
Rate M4	37,330	\$0.002824	105
Rate M5	14,733	\$0.002824	42
Rate M7	27,984	\$0.002824	79
Rate M10	312	\$0.002824	1
			<u>\$17,010</u>

Rates are consistent with 2014 Board-approved. Please see Exhibit B.Energy Probe.3, Attachment 1 for rate support (EB-2013-0365, Working Paper, Schedule 14, p. 2).

- a) Union relies on actual volumes multiplied by Board-approved rates of each of the rate classes as per the Upstream Transportation Optimization Deferral Account No. 179-131 accounting order in 2015 Rates (EB-2014-0271). The accounting order states:

*“To record as a debit in Deferral Account No. 179-131 a receivable from customers and a reduction in cost of gas for the unit rate of optimization revenues refunded to in-franchise customers multiplied by the actual distribution transportation volumes.”*

Please see Exhibit B.Energy Probe.3, Attachment 1 for the conversion calculation.



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EB-2013-0365

Rate Order

Working Papers

Schedule 14

Page 2 of 3

UNION GAS LIMITED  
2014 Gas Supply Optimization Margin - Allocation of Ratepayer Portion and Calculation of Unit Rates

Line No.	Rate Class	Union North FT Demand Allocation Units TRANSALLO (\$000's) (a)	Union North Margin (\$000's) (b)	Union South Landed Supply Allocation Units S_SUPPLYVOL (10 <sup>3</sup> m <sup>3</sup> ) (c)	Union South Margin (\$000's) (d)	Total Margin (\$000's) (1) (e) = (b + d)	Billing Units (10 <sup>3</sup> m <sup>3</sup> ) (2) (f)	2014 Unit Rate (cents/m <sup>3</sup> ) (g) = (e / f)
1	Rate 01	65,876	(3,920)			(3,920)	926,963	(0.4229)
2	Rate 10	22,548	(1,342)			(1,342)	343,530	(0.3906)
3	Rate 20	8,016	(477)			(477) (3)		
4	Rate 100	-	-			-	-	-
5	Rate 25	1,961	(117)			(117)	42,913	(0.2720)
6	Total Union North	98,400	(5,856)			(5,856)		
7	Rate M1			2,271,443	(6,415)	(6,415)	2,271,443	(0.2824)
8	Rate M2			378,137	(1,068)	(1,068)	378,137	(0.2824)
9	Rate M4			16,855	(48)	(48)	16,855	(0.2824)
10	Rate M5 - Firm			226	(1)	(1)	226	(0.2824)
11	Rate M5 - Int			13,906	(39)	(39)	13,906	(0.2824)
12	Rate M10			48	(0)	(0)	48	(0.2824)
13	Total Union South			2,680,616	(7,571)	(7,571)	2,680,616	
14	Total Exchanges Revenue					(13,426)		

Notes:

- (1) EB-2011-0210, Rate Order, Working Papers, Schedule 43, Line 3, column (e).  
 (2) Union North billing units per EB-2013-0365, Rate Order, Working Papers, Schedule 12, Page 2, Column (d).  
 Union South billing units are 2013 Board-approved Sales volumes per EB-2011-0210.  
 (3) Rate 20 margin will be refunded 60% in the Gas Supply Demand Charge and 40% in the Commodity Transportation 1 Charge.  
 The Rate 20 unit rates are calculated below:

Margin Allocated to Gas Supply Demand Charge (\$000's)	(286)
Total Gas Supply Demand Billing Units (10 <sup>3</sup> m <sup>3</sup> )	6,873
Unit Rate (cents/m <sup>3</sup> )	(4.1642)
Margin Allocated to Commodity Transportation Charge 1 (\$000's)	(191)
Total Commodity Transportation 1 Billing Units (10 <sup>3</sup> m <sup>3</sup> )	73,456
Unit Rate (cents/m <sup>3</sup> )	(0.2597)

UNION GAS LIMITED

Answer to Interrogatory from  
Ontario Greenhouse Vegetable Growers ("OGVG")

Reference: Exhibit A, Tab 1, Appendix A, Schedule 3

Preamble: Footnote 3 states that UFG costs are "*Based on short-term peak storage volumes in proportion to total volumes*"

Please show the calculation or worksheet that provides this breakout including a definition of total volume and cost of gas used.

a) Please provide the information for the original Board-approved figure.

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**Response:**

Please see the response at Exhibit B.LPMA.5, Attachment 1.

UNION GAS LIMITED

Answer to Interrogatory from  
Ontario Greenhouse Vegetable Growers (“OGVG”)

Reference: Exhibit A, Tab 1, Appendix A, Schedule 4

Please provide the summary of utility storage balances from Oct. 1st to Nov. 30th.

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**Response:**

Please see Attachment 1.

UNION GAS LIMITED

Summary of Utility Storage Balances

<u>Date</u>	<u>Entitlement</u> (PJ)	<u>Balance</u> (PJ)	<u>% Full</u> (%)	<u>Date</u>	<u>Entitlement</u> (PJ)	<u>Balance</u> (PJ)	<u>% Full</u> (%)
01-Oct-14	96.4	85.2	88%	01-Nov-14	96.4	92.6	96%
02-Oct-14	96.4	85.6	89%	02-Nov-14	96.4	92.4	96%
03-Oct-14	96.4	86.0	89%	03-Nov-14	96.4	92.3	96%
04-Oct-14	96.4	86.3	89%	04-Nov-14	96.4	92.3	96%
05-Oct-14	96.4	86.5	90%	05-Nov-14	96.4	92.3	96%
06-Oct-14	96.4	86.9	90%	06-Nov-14	96.4	92.0	95%
07-Oct-14	96.4	87.3	90%	07-Nov-14	96.4	91.8	95%
08-Oct-14	96.4	87.5	91%	08-Nov-14	96.4	91.5	95%
09-Oct-14	96.4	87.7	91%	09-Nov-14	96.4	91.1	94%
10-Oct-14	96.4	88.0	91%	10-Nov-14	96.4	90.8	94%
11-Oct-14	96.4	88.3	92%	11-Nov-14	96.4	90.7	94%
12-Oct-14	96.4	88.5	92%	12-Nov-14	96.4	89.9	93%
13-Oct-14	96.4	88.9	92%	13-Nov-14	96.4	89.4	93%
14-Oct-14	96.4	89.4	93%	14-Nov-14	96.4	88.5	92%
15-Oct-14	96.4	90.0	93%	15-Nov-14	96.4	88.1	91%
16-Oct-14	96.4	90.4	94%	16-Nov-14	96.4	87.7	91%
17-Oct-14	96.4	90.8	94%	17-Nov-14	96.4	86.9	90%
18-Oct-14	96.4	91.1	94%	18-Nov-14	96.4	86.2	89%
19-Oct-14	96.4	91.5	95%	19-Nov-14	96.4	85.4	89%
20-Oct-14	96.4	91.7	95%	20-Nov-14	96.4	84.6	88%
21-Oct-14	96.4	91.7	95%	21-Nov-14	96.4	83.7	87%
22-Oct-14	96.4	91.7	95%	22-Nov-14	96.4	83.4	86%
23-Oct-14	96.4	92.0	95%	23-Nov-14	96.4	83.4	86%
24-Oct-14	96.4	92.3	96%	24-Nov-14	96.4	83.4	87%
25-Oct-14	96.4	92.8	96%	25-Nov-14	96.4	83.3	86%
26-Oct-14	96.4	93.2	97%	26-Nov-14	96.4	82.9	86%
27-Oct-14	96.4	93.5	97%	27-Nov-14	96.4	82.4	85%
28-Oct-14	96.4	93.5	97%	28-Nov-14	96.4	81.9	85%
29-Oct-14	96.4	93.4	97%	29-Nov-14	96.4	81.7	85%
30-Oct-14	96.4	93.4	97%	30-Nov-14	96.4	81.6	85%
31-Oct-14	96.4	92.9	96%				

Notes: Storage entitlement is calculated by taking Utility allocation of 100 PJ less 3.6 PJ of integrity space

UNION GAS LIMITED

Answer to Interrogatory from  
Vulnerable Energy Consumers Coalition (“VECC”)

Reference: Exhibit A, Tab 1, p. 17

- a) What has been the year-end balance of account 179-103 Unbundled Services Unauthorized Storage Overrun in the last 5 years.
  - b) If it has been zero (or nominal amount) please comment as to the possibility of eliminating this account in the future.
- 

**Response:**

- a) There has been no balance in this account for the last five years.
- b) Union will not close the Unauthorized Storage Overrun deferral account because Union continues to have two unbundled rate classes – rate U2 in Union South and rate S1 in Union North which could incur unauthorized storage overrun.

UNION GAS LIMITED

Answer to Interrogatory from  
Vulnerable Energy Consumers Coalition (“VECC”)

Reference: Exhibit A, Tab 1, p. 20

- a) What has been the year-end balance of account 179-117 Carbon Dioxide Offset Credits in the last 5 years?
- b) If it has been zero (or nominal amount) please comment on as to the possibility of eliminating this account in the future.

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**Response:**

- a) There has been no balance in this account for the last five years.
- b) As discussed in the Board’s Decision in the EB-2006-0021 proceeding, dated August 25, 2006, p. 43, the Board concluded that the establishment of a deferral account was a reasonable approach as there is no harm in ordering a deferral account to capture future carbon dioxide offset credits and therefore ordered Union to establish the account.

UNION GAS LIMITED

Answer to Interrogatory from  
Vulnerable Energy Consumers Coalition (“VECC”)

Reference: Exhibit A, Tab 2, p.2

May be answered in conjunction with Board Staff IR #5

- a) Has the M12 contract cancellation fee been included in the calculation of the transportation revenue?
- 

**Response:**

- a) No.

UNION GAS LIMITED

Answer to Interrogatory from  
Vulnerable Energy Consumers Coalition (“VECC”)

Reference: Exhibit A, Tab 1, p. 33, Table 10

- a) Please describe in more detail the \$19.906 million in station infrastructure costs which were put into service in 2014.
- b) Please explain in what year these assets were originally forecast to be put in service. Specifically explain, why these assets were not originally proposed for inclusion in 2014.
- c) Of the original 2014 Board approved Parkway West Expenditures two items which were forecast to be included in 2014 were not completed: (2) Station Infrastructure (explained as an administration building); and (4) Dawn –Parkway Valve Nest (explained as delay due to timing of connection of the NPS 48 pipeline). Please explain how, if these precedent assets expected to be in-service in 2014 were in fact delayed, the related assets of \$19.906 were put into service in advanced of their original schedule.
- d) A part of the explanation for the advancement of \$19.906 in assets is that the Dawn-Parkway valve nest is in-service. However, Union also explains that the valve nest was delayed due to pipeline connections. This appears to be a contradiction. Please clarify.

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**Response:**

- a) Please see response at Exhibit B.BOMA.2.
- b) The station infrastructure costs were originally forecast to be in-service in 2015. The assets were not originally proposed for inclusion in 2014 because the compressor was not planned for in-service until 2015. However, Union subsequently recognized that there were significant station infrastructure costs which were necessary for the 2014 in-service components to be operational and therefore included the associated infrastructure costs in-service in 2014.
- c) The administration building was originally scheduled to be in-service in 2014. However, delays in zoning and site plan approval permits delayed the original construction timeline. The administration building was complete and placed into service in March 2015. The other facilities put into service in 2014 did not require the use of the administration building. The entire Dawn-Parkway Valve Nest was scheduled to be in-service in 2014; however, the NPS 48 connection to the station under construction was delayed until a 2015 in-service due to material delays and to align with the expected in-service date of the station. The NPS 26



and NPS 34 connections of the Valve Nest were placed in-service in 2014 as they were complete and necessary to serve Union's transmission obligations to customers.

- d) Please refer to c) above. The Dawn-Parkway Valve Nest 2014 in-service was less than the 2014 Board-approved due to the NPS 48 connection component not being placed into service in 2014.

UNION GAS LIMITED

Answer to Interrogatory from  
Vulnerable Energy Consumers Coalition (“VECC”)

Reference: Exhibit A, Tab 2, Appendix B, Table

- a) Please why the “Net Short-Term Storage Revenue and Net Optimization Activity” (lines 23&24) are done on an after tax basis.

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**Response:**

- a) Presenting the Net Short-Term Storage Revenue and Net Optimization Activity on an after tax basis provides a simplified presentation that is consistent with Union’s methodology of calculating earnings subject to sharing on an after-tax basis.