BOARD STAFF INTERROGATORIES

Dawn Reference Price and North T-Service Application – Union Gas Limited

EB-2015-0181

Interrogatory # 1

Ref: Exhibit A / Tab 1 / Page 1 / Lines 2-6

Union Gas Limited (Union) is proposing a change to the reference price used to set commodity rates on a quarterly basis to better reflect the changes in Union's gas supply transportation portfolio going forward. Union further states that it will be converting long-haul transportation contracts on TransCanada Pipelines Limited (TransCanada) to short-haul transportation contracts.

Will Union incur any financial penalties or additional demand charges as a result of converting long-haul transportation contracts on TransCanada to short-haul transportation contracts? If yes, please provide details and quantify the amounts.

Interrogatory # 2

Ref: Exhibit A / Tab 1 / Page 7 / Lines 12-16

Union is proposing to set storage and transportation rates for the Union North West and Union North East Zone based on a detailed cost allocation methodology by zone. Within each of the two proposed Union North zones, Union is proposing to set storage and transportation rates on a postage stamp basis.

a) Please state the furthest points in each of the two proposed Union North zones and provide the distance between the two points.
b) Why is Union proposing rates on a postage stamp basis for the two Union North zones?

Interrogatory # 3

Ref: Exhibit A / Tab 1 / Pages 13-15

Union has proposed a change to the reference price used to set commodity rates on a quarterly basis. Union has proposed to use a Dawn-based reference price as opposed to the Alberta Border Reference Price to set commodity rates for Union North and Union South sales service customers. However, Union proposes to continue to use the Alberta Border Reference Price to set gas commodity rates for the Union North West Zone.

a) Has Union considered using one reference price for its entire service area? What would be the impact on Union North West customers if Union were to use the Dawn Reference Price to set gas commodity rates?
b) Why is Union proposing the use of two reference prices considering that the Quarterly Rate Adjustment process is short and mechanistic?
c) What would be the implication if Union continued using the existing Quarterly Rate Adjustment Methodology in 2018 corresponding to the full implementation of the new gas supply plan?

Interrogatory # 4

Ref: Exhibit A / Tab 1 / Page 17 / Lines 6-12

Union's current rate design and associated rate schedules include four rate zones in the North: Fort Francis, the Western Delivery Area, the Northern Delivery Areas and the Eastern Delivery areas.

a) Does the current rate design cross-subsidize commodity, storage and/or transportation costs within these areas including Union South? If yes, please provide a detailed response. Please identify the areas that subsidize and those that are being subsidized and also indicate the level of subsidies.
b) Will Union's proposal to move to a Dawn Reference Price including the proposed changes to cost allocation and rate design for Union North West and Union North East customers reduce the cross-subsidies? Please provide details.

Interrogatory # 5

Ref: Exhibit A / Tab 1 / Page 29 / Lines 6-7

Union has indicated that as a result of the changing market dynamics, Union will reduce reliance on supply from Western Canadian Sedimentary Basin and increase supply sourced at Dawn or upstream of Dawn. Union is therefore proposing to use a Dawn-based reference price to set gas supply rates in the Quarterly Rate Adjustment Mechanism for Union South and Union North customers.

Does Union's proposal depend on a portion of the gas being transported to Dawn via the NEXUS pipeline?

Interrogatory # 6

Ref: Exhibit A / Tab 1 / Page 16 / Lines 1-6 / Tab 2 / Page 6

Union has noted that the change to the Union South gas commodity and transportation rates results in an annual decrease of $20 for the average Union South residential customer to approved rates, as per April 2015 QRAM (EB-2015-0035). Union has further noted in its evidence that the projected cost of the Union South portfolio, relative to the cost of serving Union South sales service customers based on the Ontario Landed Reference Price currently results in a significant credit in the Union South Purchase Gas Variance Account.

Union manages this variance by reducing the transportation rate by the South Portfolio Cost Differential.

a) Does the projected annual decrease of $20 in Union South residential rates reflect the significant credit in the Union South PGVA that customers currently receive?
b) Please provide a revised comparison that takes into account the effective price (including all debits and credits received) for transportation and commodity that customers paid in the April 2015 QRAM (EB-2015-0035).

Interrogatory # 7

Ref: Exhibit A / Tab 2 / Page 26 / Table 4 / Lines 17-19

In the table showing the summary of proposed Rate 01 changes, the commodity rates for Union North East in 2018 show a significant increase as compared to the April 2015 QRAM (EB-2015-0035). Please explain the reasons for the significant increase in commodity rates.

Interrogatory # 8

Ref: Exhibit A / Tab 2 / Page 26 / Table 4 / Lines 17-19

Union has provided the bill impacts as a result of changes in the gas supply plan, cost allocation and rate design for Union North West and Union North East customers. Union has also indicated that a change in the reference price would impact the annual bill of Union South customers.

Will Union's proposed changes require a change to the billing system or bill design? Also, would any of the line items that are currently displayed on customer bills change as a result of Union's proposal? If yes, please provide a detailed response including any timelines that would be required to implement such a change.

Interrogatory # 9

Ref: Exhibit A / Tab 3 / Page 9 / Lines 5-12

Union has proposed a new optional North T-Service Transportation from Dawn for the Union North East Zone. To provide the service, Union has reserved incremental firm transportation capacity on the Dawn to Parkway system in the 2016 and 2017 expansions for the Dawn to Parkway portion of the transportation path. Union has also entered TransCanada Open Seasons for long-term firm transportation with TransCanada for transportation capacity starting in 2016 and 2017.

Union has further noted that it will re-market any excess capacity in an attempt to mitigate the cost of the entire path of the excess capacity (from Dawn to the delivery area).

What would be the financial impact on in-franchise customers if Union is unable to re-market any excess capacity?