

UNION GAS LIMITED

**2015 DISPOSITION OF DEFERRAL ACCOUNT BALANCES AND THE 2015
EARNINGS SHARING AMOUNT**

EB-2016-0118

OEB STAFF INTERROGATORIES

May 31, 2016

Interrogatory #1

Ref: Exhibit A / Tab 1 / p. 6

Preamble:

Table 2 provides the net Unabsorbed Demand Costs (UDC) incurred by Union in 2015.

Questions:

- a) Please provide a breakdown of the cost and revenue items included in Table 2 by operational area.

Interrogatory #2

Ref: Exhibit A / Tab 1 / pp. 8-9
Exhibit A / Tab 1 / Appendix A / Schedule 2

Preamble:

Union noted that the 2015 upstream transportation optimization revenue forecast, approved by the OEB, is \$14.918 million. 90% of that amount (\$13.426 million) was to be credited to ratepayers in 2015 rates. However, on an actual basis, Union credited \$15.565 million to ratepayers in 2015 as Union's actual sales service volumes exceeded the forecast sales service volumes. Union noted that this is consistent with the method approved by the OEB in its EB-2011-0210 Decision and Rate Order.

The balance in the Upstream Transportation Optimization Deferral Account is a debit of \$8.6 million. This is the difference between the \$15.565 million credited to ratepayers in

2015 rates for optimization revenue and 90% of the \$7.739 million of actual optimization revenue generated in 2015 (\$6.965 million).

Union stated that its actual 2015 optimization revenues are lower than OEB-approved primarily because of the elimination of the TransCanada FT-RAM program.

Questions:

- a) Please provide the calculation to support the \$15.565 million that was credited to ratepayers in 2015 rates.
- b) Please explain why actual 2015 base exchange revenues were \$1.379 million lower than OEB-approved.

Interrogatory #3

Ref: Exhibit A / Tab 1 / p. 11

Preamble:

Union noted that the storage requirement for the contract market was calculated using either the OEB-approved “aggregate excess methodology” or the “15 X obligated Daily Contract Quantity (DCQ) storage methodology”.

Questions:

- a) Please advise whether the use of a “15 X obligated DCQ storage methodology” to determine the storage requirement for the contract market is a change from the 2014 Deferral Account Disposition proceeding (EB-2015-0010). If so, please provide rationale.

Interrogatory #4

Ref: Exhibit A / Tab 1 / pp. 24-27

Preamble:

Union noted that to determine the change in storage requirements for each general service rate class due to Normalized Average Consumption (NAC) variances, Union calculated the NAC volume variance between its 2015 / 2016 Gas Supply Plan and the

2013 OEB-approved volumes multiplied by the 2013 OEB-approved number of customers. Union then calculated the change in storage requirement for each of the general service rate classes due to variances in the NAC using the OEB-approved aggregate excess methodology.

Questions:

- a) For each general service rate class, please provide detailed calculations supporting the change in storage volume requirements from 2013 OEB-approved (as set out in Table 8).
- b) For each general service rate class, please also provide the calculation supporting the storage cost balances (as set out in Table 7 at Line 3).

Interrogatory #5

Ref: Exhibit A / Tab 1 / pp. 46-48

Preamble:

Union noted that the Unaccounted for Gas (UFG) Price Variance Account will capture the variance between the average monthly price of Union's purchases and the applicable OEB-approved reference price, applied to Union's actual UFG volumes.

Union stated that relative to the OEB-approved reference prices included in rates, the weighted average price variance is \$45.08 / 10³m³.

Questions:

- a) Please provide the detailed calculation for the weighted average price variance of \$45.08 / 10³m³.

Interrogatory #6

Ref: Exhibit A / Tab 2 Corrected / p. 4

Preamble:

Union noted that the increase in expenses of \$16 million relative to 2014 was mainly driven by higher depreciation expense due to new projects placed into service.

Questions:

- a) Please provide a more detailed explanation for the increase in expenses relative to 2014. Please provide a table highlighting all of the changes in expenses.

Interrogatory #7

Ref: Exhibit A / Tab 3 / p. 2

Preamble:

Union proposed to allocate the portion of the balance in the UDC Variance Account related to Union South to sales service customers based on forecast sales service volumes.

Questions:

- a) Please provide rationale for this proposed allocation methodology.

Interrogatory #8

Ref: Exhibit A / Tab 3 / pp. 3-4

Questions:

- a) Please advise whether the allocation methodology discussed at Lines 3-12 on Page 4 of Exhibit A / Tab 3 is related to the Upstream Transportation Optimization Account and not the Deferral Clearing Variance Account.