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June 1, 2016

BY EMAIL & COURIER

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

Dear Ms. Walli:

Board File No. EB-2016-0118

**Union Gas Limited – 2015 Deferral Accounts & Earnings Sharing Mechanism
Energy Probe – Interrogatories to Applicant**

Pursuant to Procedural Order No. 1, issued May 19, 2016, attached please find the Interrogatories of Energy Probe Research Foundation (Energy Probe) to Union Gas Limited in the EB-2016-0118 proceeding.

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

Yours truly,

David S. MacIntosh
Case Manager

cc: Chris Ripley, Union Gas Limited (By email)
Crawford Smith, Torsys LLP (By email)
Roger Higgin, Consultant to Energy Probe (By email)
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ONTARIO ENERGY BOARD

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

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

Union Gas Limited
Interrogatories of
Energy Probe Research Foundation

June 1, 2016

**EB-2016-0118 Union Gas Limited DA and ESM 2015
Energy Probe Interrogatories**

Energy Probe IR#1

**References: Exhibit A, Tab1, Page 8 and
Exhibit A, Tab 1, Appendix A, Schedule 2**

Preamble: On an actual basis, consistent with the method approved in its EB-2011-0210 Decision and Rate Order, Union credited \$15.565 million in rates to ratepayers during 2015, \$2.139 million greater than the Board-approved amount of \$13.426 million.

- a) Please provide the calculations for the \$15.565 m in rates in 2015.
- b) For reference please provide the calculations for 2013 base year and for 2014.

Energy Probe IR#2

Reference: Exhibit A, Tab 1, Page 23 and Table 6

Preamble: The 2015 target NAC for each rate class was approved by the Board in Union's 2015 Rates proceeding (EB-2014-0271). The 2013 actual NAC, weather normalized using the 2015 weather normal, was used to determine the 2015 target NAC.

- a) Please provide a Schedule showing as applicable, for the Rate Classes in Table 6 the following for 2011-2015
 - Board Approved or Forecast NAC
 - Actual NAC
 - Normalized DD North and South
 - Actual DD North and South
 - Average Normalized DD North and South
 - Average Actual DD North
- b) Please provide a 5 year graphical trend analysis of Normalized NAC for the 4 rate classes in Table 6.
- c) Please show Average DD on same chart.
- d) Please comment on the impact of Winter 2013/14 on NAC forecasts and trends.
- e) Please provide comments on whether there are/are not significant trends in Consumption and NAC for each class.

Energy Probe IR#3

Reference: OM&A Expenses Exhibit A, Tab 2, Appendix A, Schedule 13, line 5

- a) Please provide an explanation of the nature of Contract Services.
- b) Please provide the major drivers that contribute to the significant increase in Contract Services from 2014 to 2015.
- c) Please provide the CS amount included in the Base Year OM&A.
- d) Are CS interchangeable with Salaries and Wages? Please explain.
- e) Please provide a summary of costs for each--Board approved 2012 and actuals 2013-2015

Energy Probe IR#4

Reference: OM&A Expenses Exhibit A, Tab 2, Appendix A, Schedule 13, lines 21&22.

- a) Please provide the major drivers that contribute to the increase in Inbound Affiliate Services from 2014 to 2015.
- b) Please provide the drivers for the reduction in Outbound Affiliate services 2014-2015.
- c) Please provide an explanation how the changes in Affiliate Services affect both Utility Income and Earnings Sharing calculations for 2015.
- d) Please provide details of the Board-approved base year Affiliate Services amounts (Inbound and Outbound) along with the actual 2013, 2014 and 2015 actuals for the main categories.
- e) Please provide a breakdown (major categories) of the additional services that have been added, or reduced, after 2012 and the cost impacts of these.

Energy Probe IR#5

Reference: Cost of Capital Exhibit A, Tab 2, Appendix A, Schedule 4, line 2

- a) Please explain the increase in both the amount and Cost Rate for Unfunded short term debt.
- b) Please describe what are the effects on 2015 Cost of Capital and how this flows into the Requested Return, Revenue Sufficiency and into the 2015 Earnings Sharing calculation.

Energy Probe IR#6

Reference: Exhibit A, Tab1, Appendix A, Schedule 2.

Preamble: In setting rates for 2015, the Board approved a forecast of optimization revenue of \$14.918 million . 90% of that amount, or \$13.426 million, was credited to ratepayers in the Board-approved 2015 rates. On an actual basis, consistent with the method approved in its EB-2011-0210 Decision and Rate Order, Union credited \$15.565 million in rates to ratepayers during 2015, \$2.139 million greater than the Board-approved amount of \$13.426 million. The credit is due to Union's actual sales service volumes exceeding the forecast sales service volumes in rates.

- a) Please provide a schedule similar to EB-2013-0365 Rate Order Working Papers Schedule 14, showing the calculations of the Gas Supply Optimization Margin Included In 2015 Gas Supply Transportation Rates.
- b) Please provide comments/notes regarding drivers of changes relative to prior years.

Energy Probe IR#7

**Reference: Exhibit A, Tab 2, p. 9 and
Exhibit A, Tab 2, Appendix D, Schedule 1**

- a) For the Billing and SQRs please provide an updated consolidated table similar to EB-2015-0010 Exhibit B.Energy Probe.11 Attachment 1, showing 5 year historic performance 2011-2015 and the 5 year average and Board approved "standard".
- b) Discuss any trends and remedial actions, especially for 2015.

Energy Probe IR#8

Reference: Exhibit A Tab 2 Page 2 and
Exhibit A Tab 2 Appendix B, Schedule 1 column (d), line 28

Preamble: Actual ROE is determined using utility earnings calculated as described above divided by deemed common equity at 36% of actual utility rate base. The actual 2015 ROE is 9.89%.

- a) What is Union's normalized actual return on equity for 2015?
- b) What is the Normalized ROE *excluding adjustments*?
- c) What is the actual X factor in 2015 compared to 0.76?

Energy Probe IR#9

References: Exhibit A, Tab 2, Page 6 Adjustments and
Exhibit A, Tab 2, Appendix A, Schedule 3

Preamble: Facility fees, customer deposit interest and foreign exchange on bank balances are recorded in the company's corporate results as interest expense. Since these items should be included in utility earnings, and are not part of the utility interest calculation they need to be adjusted. As a result, facility fees and customer deposit interest of \$0.820 million have been added to operating expenses and foreign exchange gain on bank balances of \$1.154 million has been included in other expenses to arrive at utility earnings.

- a) Please provide the 2015 Working Papers and explanatory notes for customer deposits and foreign exchange adjustments.
- b) Please provide historical data 2013-2015 with explanatory notes on main drivers (customer deposits and foreign exchange).