Aiken & Associates
578 McNaughton Ave. West
Chatham, Ontario, N7L 4J6
Phone: (519) 351-8624
E-mail: randy.aiken@sympatico.ca

August 27, 2016

Ms. Kirsten Walli
Board Secretary
Ontario Energy Board
2300 Yonge Street
Suite 2700
Toronto, Ontario, M4P 1E4

Dear Ms. Walli:

RE: EB-2016-0186 - Interrogatories of London Property Management Association

Please find attached the interrogatories of the London Property Management Association in the above noted proceeding.

Sincerely,

Randy Aiken

Randy Aiken
Aiken & Associates

Encl.

cc: Karen Hockin, Union Gas Limited (e-mail)

Union Gas Limited

IN THE MATTER OF The Ontario Energy Board Act, 1998, S.O. 1998, c.15, Schedule B, and in particular, S.90.(1) thereof;

AND IN THE MATTER OF The Ontario Energy Board Act, 1998, S.O. 1998, c.15, Schedule B, and in particular, S. 36 thereof;

AND IN THE MATTER OF an Application by Union Gas Limited for an Order or Orders granting leave to construct natural gas pipelines and ancillary facilities in the Township of Dawn Euphemia, Township of St. Clair and the Municipality of Chatham-Kent;

AND IN THE MATTER OF an Application by Union Gas Limited for an Order or Orders for approval of recovery of the cost consequences of all facilities associated with the development of the proposed Panhandle Reinforcement Pipeline Project.

INTERROGATORIES OF THE LONDON PROPERTY MANAGEMENT ASSOCIATION

Interrogatory #1

Ref: Exhibit A, Tab 3, pages 4-5

Please explain why Union is requesting a deferral account to track the variance between the revenue requirement included in rates for the project and the actual revenue requirement, rather than the net delivery revenue requirement as defined in the EB-2013-0202 Settlement Agreement dated July 31, 2013.

Interrogatory #2

Ref: Exhibit A, Tab 3, page 7

a) Please explain why Union chose a 20 year depreciation period rather than a 13 year period which would coincide with the length of time between the in service date of 2017 to the date of 2030 noted in the evidence.

b) Please confirm that the use of shorter depreciation period reflects the potential economic life of the pipeline rather than the physical life of the asset. If this cannot be confirmed, please explain what the 20 year life is based on.

Interrogatory #3

Ref: Exhibit A, Tab 3, page 8

a) Please explain why the rate impacts for Union Gas south customers appear to be different depending on whether or not a rate class has Panhandle demands.

b) Please explain which Union south rate classes do not have Panhandle demands.

c) Why is there no rate impact shown in Table 3.1 for rate M5? Is it because there is no Panhandle System design day demand allocated to this rate class?

<u>Interrogatory #4</u>

Ref: Exhibit A, Tab 3, pages 8-9

Union indicates that the project revenue requirement for 2017 and 2018 is about $5 million and $27.2 million, respectively, based on the proposal to depreciate the assets over 20 years.

The EB-2013-0202 Settlement Agreement states that in the calculation of the net delivery revenue requirement the depreciation expense will be calculated using 2013 Board-approved depreciation rates.

a) Please calculate the net delivery revenue requirement using the 2013 Board-approved depreciation rates for each of 2017 and 2018.

b) Please provide the estimated revenue increases associated with the additional firm capacity available in each of 2017 and 2018. Please also show the increase in revenue of customers switching from interruptible to firm service as a result of the increase in firm capacity available as a result of the project.

c) Please show the breakdown of the $1.6 million in incremental revenue noted on page 9 for 2018 based on the question in part (b) above.

<u>Interrogatory #5</u>

Ref: Exhibit A, Tab 3, page 9

Is the $27.2 million in revenue requirement shown for 2018 the largest revenue requirement compared to future years? In other words, does the 2018 revenue requirement reflect all assets being in service at the beginning of 2018 and thus included in rate base for the full year? If not, what is the projected revenue requirement in 2019?

<u>Interrogatory #6</u>

Ref: Exhibit A, Tab 3, pages 9-10

Union indicates that it is proposing to use an interim allocation of the project costs which is different than the 2013 Board-approved cost allocation methodology used for existing Panhandle System costs. This interim allocation is based on in-franchise Panhandle System Design Day demands, updated to include the incremental design day demands.

a) Does Union propose to change the allocation of these costs as part of its next rebasing application to the interim methodology proposed in this application, or could there be some other proposal brought forward at that time? Please explain fully.

b) If this is an interim allocation methodology during the remainder of the IRM term, does this mean that Union or other parties could seek to change the allocation on a retroactive basis when the deferral account is reviewed for disposition? Please explain fully.

Interrogatory #7

Ref: Exhibit A, Tab 3, page 10

At lines 4 through 7, Union provides the impacts on the revenue requirement based on the interim cost allocation methodology being proposed. Please provide the figures for each of Union south, Union north and ex-franchise customers if Union maintained the current 2013 Board-approved cost allocation methodology.

Interrogatory #8

Ref: Exhibit A, Tab 4

a) Has Union expanded its distribution system capacity in order to serve new loads in the areas served by the Panhandle System in the last five years? If yes, please provide details, include the costs, whether an aid to construction was required from any party or parties (including contracting for a long term or higher firm CD).

b) In EB-2016-0004 Union described an Advancement Charge where material new customer attachments result in a need to accelerate future reinforcements to within three years following the year the attachment is put into service. Did Union include any advancement charges in any of the aid to construction calculations for projects in the Panhandle System area over the past five years? If yes, please provide details. If no, please explain fully why not.

Interrogatory #9

Ref: Exhibit A, Tab 4, page 2

a) Please provide the Panhandle System design day demand for the current system and for the proposed system.

b) Please provide the actual and forecasted Panhandle System firm design day demand for the period 1996 through 2034. If possible please break these figures into the portion served by the Dawn to Dover Transmission station and for the portion serviced by the Ojibway to Dover Transmission station. If the design day demand information is not available based on this breakdown, please provide it based on any other breakdown that may be available.

c) What is the firm peak day capacity available through the Ojibway Valve Station?

Interrogatory #10

Ref: Exhibit A, Tab 4, page 4

Please explain more fully why Union cannot rely on the C1 contracted volumes at Ojibway when designing the system.

Interrogatory #11

Ref: Exhibit A, Tab 4, page 4

The evidence indicates that Union has the capability to accept 115 TJ/d on an annual basis (summer limitation). The evidence also states that approximately 60 TJ/d of the demand on the Panhandle System is served through Union's gas supply delivered at Ojibway on design day.

a) Please confirm that the difference between the figures of 60 TJ/d and 115 TJ/d is the amount controlled by the two ex-franchise C1 shippers. If this is not confirmed, please explain fully the difference between these figures.

b) Please confirm that the ex-franchise C1 shipper volumes that arrive during the winter, and in particular, on a peak day are consumed in the Panhandle System area and Union provides an equivalent amount of gas to these shippers at Dawn. If this is not confirmed, please explain fully.

c) Please explain the summer month limitation on the imports of 115 TJ/d at Ojibway.

d) What is the maximum capability to accept imports at Ojibway during the winter months? How much of this is controlled by Union and how much is controlled by the ex-franchise shippers or others?

Interrogatory #12

Ref: Exhibit A, Tab 6, page 2

Did Union consider a new pipeline that would go from Dawn to the city of Chatham directly, thereby relieving the Panhandle System from supplying the city and freeing up capacity on the Panhandle System? If not, please explain why not?

Interrogatory #13

Ref: Exhibit A, Tab 6, page 8

The evidence states that for any commercial service to be considered viable, the service must be firm with ongoing renewal rights and renewal notice of at least three years, to ensure that if a commercial service is no longer available in the future, Union has sufficient time to contract for other supply and/or construct required facilities.

a) Given that Union's application only contemplates about 18 months from the time of application to when the project would be in service, please explain why Union's gas supply planning principles should be applicable in this instance.

b) Could Union contract for the use of the 21 TJ/d held by third parties for a maximum number of days in the winter by arranging a swap for any gas delivered by the third parties at Ojibway with gas at Dawn? Please explain fully.

Interrogatory #14

Ref: Exhibit A, Tab 7

Please provide a version of Tables 7-1 and 7-2 that uses a NPV calculation over a 40 year term.

Interrogatory #15

Ref: Exhibit A, Tab 7, page 4

a) Please explain why only transmission margins are used in the calculation of the incremental cash inflows. In particular, why are incremental distribution margins not included?

b) Will the incremental distribution margins that occur as a result of the project be used to justify the expansion of any distribution projects? Please explain fully.

c) Please confirm that the incremental revenue used in the calculation of the net delivery revenue requirement, as defined in the EB-2013-0202 Settlement Agreement, includes not only the transmission margin, but also the distribution margin and storage margin. If this cannot be confirmed, please explain fully.

Interrogatory #16

Ref: Exhibit A, Tab 8, page 5, Exhibit A, Tab 7, Schedule 4 & Exhibit A, Tab 8, Schedule 1

a) Please explain the difference in the revenues shown in Exhibit A, Tab 7, Schedule 4 and in Exhibit A, Tab 8, Schedule 1.

b) Please explain fully why the incremental distribution revenues associated with the ability to serve more firm loads and to convert interruptible loads to firm are not included in the net delivery revenue requirement.

Interrogatory #17

Ref: Exhibit A, Tab 8, page 5

Union has proposed a depreciation rate based on 20 years in place of the 2013 Board approved depreciation rates that would result in the use of 50 years.

a) Please confirm that this difference will impact rates through the depreciation rate used, the cost of capital and income taxes through the rate base, but will have no impact on O&M costs or property taxes or on incremental revenues. If this cannot be confirmed, please explain fully.

b) For the portion of the rates that are impacted by the change in depreciation rates (i.e. depreciation expense, cost of capital, income taxes) please provide the net present value of the revenue requirement for each of the following:

i) based on the 20 year depreciation rate, and
ii) based on the 50 year depreciation rate.

Please show the NPV at the end of each 10 years, 20 years, 30 years, 40 years and 50 years for both of the above calculations.

Interrogatory #18

Ref: Exhibit A, Tab 8, page 11

a) Does the proposed change in the allocation of the Panhandle System costs result in a change in the allocation of the St. Clair System? Please explain fully. If it does result in a change, please provide a table similar to Table 8-3 that shows the change by rate class. If it does not result in a change, please explain why, for example, M1 rate customers would still be allocated 21% or 22% of the St. Clair System costs, when their design day demand is closer to 7% on that system.

b) The evidence indicates, as an example, that the T2 allocation of the Panhandle System costs would decrease from 42% to 23%. Please confirm that based on the information in Exhibit A, Tab 8, Schedule 2 that the T2 allocation for the St. Clair System would increase from 42% to 82%. Please confirm that this change has been reflected in the interim proposal. If it has not, please explain fully why the allocation of the St. Clair System costs should not be changed when the Panhandle System costs are changed, given that they currently share an allocation.

Interrogatory #19

Ref: Exhibit A, Tab 8, Table 8-8

Please provide a table that shows, by rate class, the allocation of the Panhandle and St. Clair System costs based on the following allocation methodologies:

a) Continuation of the 2013 Board-approved methodology, adjusted for the incremental capacity (i.e maintain one allocator, but apply it to the larger design day - it is not clear if this reflects what is included in the Board approved column in Table 8-8),

b) As proposed by Union, and

c) As proposed by Union, but also with an interim change in the allocator for the St. Clair System that would parallel the change proposed for the Panhandle System (i.e. the allocator would be based only on the St. Clair System design day demands). This part is not required if Union has already incorporated a change in the St. Clair System allocator as part of its proposal.

Interrogatory #20

Ref: Exhibit A, Tab 8, page 12

a) Please explain why the C1 and M16 rate classes should not see a change in the level of costs allocated to them. In particular, please confirm that these rate classes would now represent a lower proportion of the Panhandle System costs using the current Board-approved allocator as shown in Exhibit A, Tab 8, Schedule 2, but this lower proportion would be applied against a higher cost. If this cannot be confirmed, please explain fully including why these two rate classes should not pay incremental costs associated with the assets they use, just like in-franchise customers.

b) Does Union's proposal effectively freeze the costs allocated to the C1 and M16 rate classes based on the 2013 Board-approved allocation methodology? If so, would this also be on an interim basis until Union's 2019 rebasing application?

Interrogatory #21

Ref: Exhibit A, Tab 8, Table 8-9

a) Please provide a version of Table 8-9 that reflects Union's allocation proposal, but is based on a 50 year depreciation rate.

b) Please provide a version of Table 8-9 that reflects Union's 20 year depreciation proposal, but reflects no change in the cost allocation, other than to reflect the increase in design day demands as shown in the top half of Exhibit A, Tab 8, Schedule 2.

c) If necessary, please provide a version on Table 8-9 that reflects Union's proposals with respect to allocation and depreciation, but also reflects a change in the allocator for the St. Clair System as noted in Interrogatory #19 above.

Interrogatory #22

Ref: Exhibit A, Tab 8, page 23

a) Please confirm that the actual net delivery revenue requirement would include the actual debt costs associated with the incremental debt as the then prevailing market rate, in place of the 4% estimated used by Union. If this cannot be confirmed, please explain fully.

b) Union proposes to record any variance between what is approved in rates for the Project and the actual annual revenue requirement of the Project in a new deferral account. Please confirm that the "actual annual revenue requirement" in this instance and in the deferral account shown in Exhibit A, Tab 8, Schedule 8, means the actual net delivery revenue requirement as defined in the EB-2013-0202 Settlement Agreement. If this cannot be confirmed, please explain fully the difference in the two terms.

Interrogatory #23

Ref: Exhibit A, Tab 8, Schedule 6

Please provide, if required, a table similar to Schedule 6 that reflects a change in the allocator for St. Clair System costs as noted in Interrogatory #19 above.

Interrogatory #24

Ref: Exhibit A, Tab 8, Schedule 6 & Exhibit A, Appendix B, Schedule 6

Please provide a table that shows the dollar impacts and % change for delivery charges only for each rate class based on each of the following:

a) Union's proposal,
b) Union's proposal for depreciation rates, but no change to the Board-approved allocation methodology, other than to update it for the increase in design day demand,
c) Union's proposal for allocation, but maintaining the current Board-approved depreciation rates,
d) Union's proposal, but with the change for the St. Clair System allocator, if this change is not already incorporated into Union's proposal.