UNION GAS LIMITED

2017 RATES

EB-2016-0245

OEB STAFF INTERROGATORIES

October 31, 2016

1-Staff-1

Ref: Exhibit A / Tab 1 / p. 6
Working Papers / Schedule 11

Preamble:

Union provided the allocation of the 2017 Demand Side Management (DSM) Budget to rate classes at Working Papers / Schedule 11.

Question(s):

(a) Please explain any changes to the allocation of the DSM budget to rate classes from 2016 to 2017.

1-Staff-2

Ref: Exhibit A / Tab 1 / p. 6
Working Papers / Schedule 17

Preamble:

Union proposes to adjust its 2017 volumes and rates to reflect the 2015 Lost Revenue Adjustment Mechanism (LRAM) volume savings using its 2015 pre-audited results

Question(s):

(a) Please advise when the 2015 audited LRAM volumes will be available.

(b) If the audited 2015 LRAM volumes are available, please provide an update to the evidence.

1-Staff-3

Ref: Exhibit A / Tab 1 / p. 7
Working Papers / Schedule 10 / p. 2
Rate Order / Appendix G

Preamble:

Union noted that the OEB approved capital pass-through treatment for a number of major capital projects. Union included the OEB-approved 2017 costs for each of the cited major capital projects in 2017 rates.

Question(s):

(a) For each major capital project, please provide a status update and confirm that the asset will be in service in 2017.

(b) Please provide the original schedules referenced in the footnotes at Working Papers / Schedule 10 / p. 2. If there are any differences between the original schedules and the schedules set out in Appendix G, please explain the variances.

(c) For each major capital project, please provide the rate impacts (by rate class) associated with the incorporation of the project-specific 2017 revenue requirement in rates.

1-Staff-4

Ref: Exhibit A / Tab 1 / pp. 8-10
Working Papers / Schedule 23

Preamble:

Union proposed to implement changes to Union North storage and transportation rates in accordance with the Dawn Reference Price Settlement Proposal (EB-2015-0181) approved by the OEB on January 7, 2016. There will also be related changes to Union's service areas.

Union noted that it plans to change the reference price used to set gas commodity rates to account for the changing gas supply portfolio with the Quarterly Rate Adjustment Mechanism (QRAM) coincident with or immediately following the TransCanada King's North Project in-service date.

Question(s):

(a) Please explain how Union intends to communicate to customers: (i) the planned changes to their service areas; and (ii) the bill impacts arising from the implementation of the changes related to the Dawn Reference Price Settlement. If available, please provide a communications plan.

(b) Please provide the current expected in-service date of the King's North Project.

(c) Please explain Union's implementation plan for the changes related to the Dawn Reference Price Settlement if the King's North Project is delayed beyond January 1, 2017.

(d) Please explain the allocation between transportation and storage set out in Columns A and B at Working Papers / Schedule 23 / p. 1. Please provide supporting evidence.

(e) Please provide the calculation for the common cost allocation by zone set out in Column G at Working Papers / Schedule 23 / p. 1.

(f) Please provide the calculation for the gas supply optimization allocation by zone set out in Column H at Working Papers / Schedule 23 / p. 1.

(g) Please provide the supporting calculation for the Incentive Rate Mechanism (IRM) adjustment in Columns I and J at Working Papers / Schedule 23 / p. 1.

(h) Please file the relevant toll schedules supporting the April 2015 and October 2016 tolls used in Working Papers / Schedule 23 / pp. 2-3.

1-Staff-5

Ref: Rate Order / Appendix H

Question(s):

(a) Please confirm that the language included in the rate schedules regarding the Union North East Zone Transportation Service (for example, Rate 01 rate schedule – paragraph 2 of part b) was previously approved by the OEB.

1-Staff-6

Ref: Exhibit A / Tab 1 / p. 10

Preamble:

Union noted that, consistent with 2016 rates, it adjusted Rate M1 and Rate 01 distribution customer-related costs on a revenue neutral basis by adjusting the 2017 customer-related cost variance over all of the delivery volumes within each of the M1 and 01 rate classes.

Question(s):

(a) Please provide rationale for continuing to use this approach for 2017 rates.

1-Staff-7

Ref: Exhibit A / Tab 1 / pp. 10-11
Exhibit A / Tab 2
Working Papers / Schedule 20

Preamble:

Union stated that the Parkway Delivery Commitment Incentive (PDCI) credit will be paid monthly to sales service customers by way of the SPGVA rather than including the PDCI credit in the gas supply transportation rate as was established in the Settlement Agreement.

Question(s):

(a) Please confirm that there have been no changes to the methodology for setting the PDCI credit and allocating the PDCI costs to rate classes established in the Parkway Delivery Obligation (PDO) Settlement Agreement.

(b) Please confirm that the only change to the methodology is the manner in which the PDCI credit will be paid to sales service customers.

   i. Please confirm that this change is only being made as a result of the elimination of the South transportation rate (arising from the Dawn Reference Price proceeding).

   ii. Please advise whether this change has any impact on the actual PDCI costs or the allocation of the PDCI costs.

(c) Please explain all of the volumes used in the PDO Demand Cost Calculation at Working Papers / Schedule 20 / p. 2.

(d) Please provide the schedule referenced in Note 1 at Working Papers / Schedule 20 / p. 2.

(e) Please explain the volume used in the Sales Service PDCI Cost Calculation at Working Papers / Schedule 20 / p. 5.

(f) Please provide the schedule referenced in Note 4 at Working Papers / Schedule 20 / p. 5.

(g) Please explain the volume used in the Direct Purchase PDCI Cost Calculation at Working Papers / Schedule 20 / p. 6.

(h) Please explain why the total Dawn-Parkway Demand Costs (19 TJ) set out at Column C / Line 15 at Working Papers / Schedule 20 / p. 2 ($758,000) is not the same as the Sales Service Demand Cost (19 TJ) set out Column B / Line 15 at Working Papers / Schedule 20 / p. 5 ($777,000).

1-Staff-8

Ref: Rate Order / Appendix F
February 9, 2016 OEB Letter – Revisions to the Ontario Energy Board Cost Assessment Model

Preamble:

The description for the Greenhouse Gas Emissions Impact Deferral Account states the following:

"To record, as a debit (credit) in Deferral Account No. 179-152, the impacts of provincial and federal regulations related to greenhouse gas emission requirements."

Question(s):

(a) Does Union agree that the description for the Greenhouse Gas Emissions Impact Deferral Account should be updated to better reflect its purpose (i.e. to record the administrative costs associated with Cap-and-Trade)? If so, please propose revised language. If not, please explain.

(b) Please provide the amount associated with Union's Cap-and-Trade related administrative costs that have been recorded in the Greenhouse Gas Emissions Impact Deferral Account to date.

(c) Please confirm that the following accounts have previously been approved by the OEB. Please provide a reference to that approval.

- Transportation Tolls and Fuel – Union North West Operations Area (Account No. 179-145)
- Transportation Tolls and Fuel – Union North East Operations Area (Account No. 179-146)
- Union North West Purchase Gas Variance Account (Account No. 179-147)
- Union North East Purchase Gas Variance Account (Account No. 179-148)
- Base Service North T-Service TransCanada Capacity Deferral Account (Account No. 179-153)

(d) Please advise whether the existing Transportation Tolls and Fuel – Northern and Eastern Operations Area account (Account No. 179-100) and the existing North Purchase Gas Variance Account (Account No. 179-105) are still required. Please explain.

(e) Please advise whether the description for the OEB Cost Assessment Variance Account (Account No. 179-151) was previously approved by the OEB.

(f) The February 9, 2016 letter of the OEB in relation to electricity distributors states that it has established a Cost Assessment Variance Account to record any <u>material</u> differences between OEB cost assessments currently built into rates, and cost assessments that will result from the application of the new cost assessment model effective April 1, 2016. Please advise whether Union proposes a materiality threshold applicable to the OEB Cost Assessment Variance Account (Account No. 179-151).

1-Staff-9

Ref: Exhibit A / Tab 1 / p. 8
Working Papers / Schedule 12

Preamble:

Union set out its calculation of the 2017 Normalized Average Consumption (NAC) target percentage change in Working Papers / Schedule 12. The 2017 NAC target change is: -5.7% for Rate 01; -7.3% for Rate 10; -4.0% for rate M1; and -3.7% for Rate M2.

Question(s):

(a) Please discuss the main drivers of the large change in NAC. Please provide specific details for each rate class.

1-Staff-10

Ref: Working Papers / Schedule 2

Question(s):

(a) Please provide the amounts excluded, for the purposes of the 2017 Price Cap Adjustment, from the 2016 Current Approved Revenue (at Line 1 of Workings Papers / Schedule 2) for the Gas Supply Admin Charge Revenue, Rate C1 Market Based Storage Services, Short-Term Transportation, Exchanges and Other Transactional Revenues. Please explain the excluded amounts.

1-Staff-11

Ref: Exhibit A / Tab 3 / p. 10

Preamble:

Union noted that its transportation contract with the NEXUS pipeline is effective November 1, 2017.

Question(s):

(a) Please provide the latest information regarding the status of the NEXUS pipeline and the expected in-service date.

1-Staff-12

Ref: Exhibit A / Tab 4 / pp. 4, 6, 11

Preamble:

Union noted that currently customers may request a reduction to their obligation DCQ to match consumption by nominating a suspension of their obligated DCQ. A DCQ suspension is considered interruptible.

Union proposed to the customer focus group an annual Storage Space entitlement of Firm CD x 9, which was considered acceptable by the focus group. Union noted that any excess storage space not contracted for by customers electing the proposed CMS becomes Excess Utility Storage Space and is treated accordingly.

Union also noted that the proposed CMS design meets the following design criteria:

- No impact to the amount of physical assets used by the Rate T2 rate class during the period of the current IRM.
- Union remains financially neutral regardless of which customers elect the new service.
- No financial impact to other rate classes during the period of the current IRM.
- The PDO reductions are maintained as per the EB-2013-0365 Settlement Agreement.

Question(s):

(a) Please further explain a DCQ suspension (e.g. how is it initiated, does Union need to approve the suspension, length of time that a suspension can occur for, etc.).

(b) Please provide: (i) the number of DCQ suspension requests received in 2015 and 2016 (to date); (ii) the number of approved DCQ suspension requests in

2015 and 2016 (to date); and (iii) the number of DCQ suspensions that were granted and later interrupted by Union in 2015 and 2016 (to date).

(c) Please provide an estimate of the number of customers that will likely take the proposed CMS.

(d) Please discuss whether this new service will likely result in additional Excess Utility Storage Space and provide rationale.

(e) Please further explain how Union stays financially neutral and how there is no financial impact on other rate classes during the IRM term regardless of which customers elect the proposed CMS.

(f) Please advise whether, at rebasing, the availability of the CMS for Rate T2 customers will likely impact the costs allocated to rate T2 and Union's other rate classes. Please explain.