uniongas
A Spectra Energy Company

November 29, 2016

BY COURIER & RESS

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

RE: EB-2016-0186 – Union Gas Limited ("Union") – Panhandle Reinforcement Project Responses to Undertakings

Dear Ms. Walli,

Please find attached Union's responses to Undertakings J2.2, J2.3, J2.6 (A) (B), J2.7 and J2.8 received in the hearing on November 23, 2016. Union is in the process of finalizing responses to the remaining Undertakings. All responses will be filed in RESS and copies will be sent to the Board.

If you have any questions with respect to this submission please contact me at 519-436-5473.

Yours truly,

[original signed by]

Karen Hockin
Manager, Regulatory Initiatives

Encl.

cc: Zora Crnojacki, Board staff
Mark Kitchen, Union Gas
Charles Keizer, Torys
All Intervenors (EB-2016-0186)

UNION GAS LIMITED

Undertaking Response
To Mr. Janigan

TO REDO THE SCHEDULE IN LPMA 17 USING A DISCOUNT RATE OF 3 PERCENT

The discount rate used in Exhibit B.LPMA.17, was Union's pre-tax WACC of 6.93% which is an appropriate rate from the perspective of Union as the utility.

Please see Attachment 1 for the requested information using a 3% social discount rate (a customer perspective). The attachment, which shows the cumulative NPV of the revenue requirement for the 20-year depreciation rate and the Board-approved depreciation rates at the end of 10, 20, 30, 40 and 50 years, has been re-done using a discount rate of 3 percent. Attachment 1 also shows the added detail of breaking down the NPV into each of Depreciation, Return and Taxes as this was an area of interest by LPMA as noted at pages 118-119 of Day 1 transcript.

Revenue requirement for this response is isolated to only the following items per Exhibit B.LPMA.17 IR Request
-Return on Rate Base
-Depreciation Expense
-Income Taxes

Discount Rate 3.00% Social Discount Rate

Line	($ millions)	At End of 10 Years	20 Years	30 Years	40 Years	50 Years
	Cumulative Net Present Value of Revenue Requirement Items:					
1	20 Year Depreciation Rate	203	339	342	341	341
2	OEB Approved Depreciation Rates	139	256	331	375	396
	Undepreciated Rate Base as of end of:					
3	20 Year Depreciation Rate	148	17	1	1	1
4	OEB Approved Depreciation Rates	216	162	108	55	11
5	Sum Line 1 + Line 3	351	356	343	342	342
6	Sum Line 2 + Line 4	355	418	439	430	408

	Detailed 20 Yr Depreciation	10 Years	20 Years	30 Years	40 Years	50 Years
1(a)	Depreciation Expense	106	190	194	194	194
1(b)	Return	91	120	121	122	123
1(c)	Income Taxes	7	29	26	25	25
Total Line 1	Total	203	339	342	341	341
	Add Undepreciated Plant (Line 4)	148	17	1	1	1
	Total	351	356	343	342	342
	OEB Approved Depreciation					
2(a)	Depreciation Expense	44	78	104	123	135
2(b)	Return	107	177	214	230	235
2(c)	Income Taxes	(12)	0	13	21	26
Total Line 2	Total	139	256	331	375	396
	Add Undepreciated Plant (Line 4)	216	162	108	55	11
	Total	355	418	439	430	408

Lines 1 and 2 are not comparable without consideration of the recovery of undepreciated rate base as represented in lines 3 and 4

The slight rise in NPV for line 1 from 20 years to 50 years is the NPV of the return on the land costs which are not subject to depreciation

The IR request was to use 50 year depreciation rates. The response is based on OEB approved rates

Depreciation Rates	20 Years	OEB Approved Depreciation Rate
Land Rights (75% deductible)	5.0%	1.76%
Transmission - Structures and Improv	5.0%	2.03%
Transmission - Mains	5.0%	1.98%
Transmission - Measuring & Reg	5.0%	2.60%

UNION GAS LIMITED

Undertaking Response
To Mr. Janigan

TO EXPLAIN WHY THE DEFERRAL ACCOUNT CAN'T BE USED TO CAPTURE THE COST ALLOCATION ADJUSTMENT CHANGES

Union is seeking Board approval of the proposed interim cost allocation methodology to ensure the allocation of Project costs and rate impacts reflect the principles of cost causality. It is also intended to avoid rate volatility for certain Union South in-franchise and ex-franchise customers between the implementation of the Project costs in rates and Union's rates upon rebasing in 2019. Consistent with the capital-pass through project deferral accounts previously approved by the Board, Union's proposed deferral account is intended to record the variance between the forecast net delivery revenue requirement included in rates and the actual net delivery revenue requirement, not differences in cost allocation methodologies.

Should Union use a deferral account to capture the cost allocation changes during the IRM term, the Project costs included in rates would include an allocation to rate classes that does not reflect the use of the Panhandle System on Design Day. Upon Union's 2019 rebasing, the costs allocated to certain rate classes could change significantly when Union proposes a cost allocation methodology that represents cost causality for all Panhandle System and St. Clair System costs.

Using the deferral account would result in significant differences between the costs included in rates during the interim period and the allocation of the deferral account balance. These differences would create additional rate volatility for certain Union South in-franchise and ex-franchise customers at the time of disposition of the deferral account balance.

UNION GAS LIMITED

Undertaking Response
To Mr. Wolnik

TO ADVISE ON THE TOLL FROM DEFIANCE TO OJIBWAY

At page 127, lines 13 and 14 of the Day 2 Transcript Mr Shorts states:

"*And here we have 42 cents U.S. dekatherm. That's where I got the 60 cents Canadian per gJ*."

The Panhandle Eastern field Zone to Ojibway U.S. toll is correct, however the Canadian equivalent should have stated 52 cents Canadian per gJ, not 60 cents as noted.

The toll from the receipt point of ANR Defiance to Union Ojibway as indicated on Panhandle Eastern Pipelines website is:

$U.S./mmbtu	
Monthly demand = $3.4 monthly rate	
Unitized ($3.4 x 12 / 365) =	$0.1118
$Canadian/gJ =	$0.1381

Please note the Defiance receipt point is not a liquid hub or supply basin but rather a trans-shipment point between various pipeline operators at Defiance Ohio. This is not an active gas trading location and the price at this point is not reported on any indices.

UNION GAS LIMITED

Undertaking Response
To Mr. Quinn

TO PROVIDE AN INIDCATION OF THE COST OF THE FACLIITIES THAT WOULD BE ASSOCIATED WITH THAT, WHICH ARE NOT COMPRESSION FACILITIES AT SANDWICH. ALSO, TO ADVISE WHERE THE LATERAL DELIVERIES WOULD BE LOCATED

Please see the response to Exhibit J2.5.

UNION GAS LIMITED

Undertaking Response
To Mr. Mondrow

TO PROVIDE THE MINIMUM WINTER DEMAND IN WINDSOR

The maximum guaranteed winter market in Windsor is currently 60 TJ/d, which is established by the minimum demand profile of the market as explained in Undertaking response Exhibit JT1.5. This, combined with the ability of the Sandwich compressor to move 80 TJ/d towards Dawn, makes the winter Ojibway import limitation equal to 140 TJ/d.

UNION GAS LIMITED

Undertaking Response
To Mr. Mondrow

TO COMPLETE AND SHOW THE CORRELATION BETWEEN FRPO 3 AND WHAT IS SHOWN IN EXHIBIT K2.2 OR 2.1

Union has completed the table requested by IGUA (Exhibit 2.4) including references to Exhibit B.FRPO.3 and Exhibits K2.1 and K2.2. Please see Attachment 1.

Please note that the transportation capacity that supports the firm deliveries Union relies on at Ojibway has varied through the hearing process. The initial base capacity assumption on all of Union's proposed project and alternatives was based on 60 TJ/d of capacity Union has held from Panhandle Eastern (PEPL). This was adjusted down to 37 TJ/d when it became evident Union was unable to retain renewal rights on 23 TJ/d of PEPL capacity starting Nov 1, 2017. The amount Union could rely on decreased to 58 TJ/d for the period Nov 1, 2017 to Oct 31, 2019 when Union acquired a short-term delivered service at Ojibway for 21 TJ/d and returned to the original base capacity assumption of 60 TJ/d when Union negotiated the 23 TJ/d contract with PEPL starting Nov 1, 2019. The final agreement and the resulting contract changes have no impact on the proposed facilities.[1]

[1] EB-2016-0186 Hearing Transcript Volume 2, page 11, lines 18-26

Summary of Contracted Ojibway Deliveries

#	Evidentiary Reference	Capacity (TJ/day)	Description/Parties	Start	Expiry	Union/ Obligated Delivery	Renewable
1	Exhibit B.FRPO.3, part b)	26	PEPL FZ Contract (19605): Union capacity on PEPL	Existing	October 2017	Yes	Yes[1]
2	Exhibit B.FRPO.3, part b)	11	PEPL FZ Contract (43059): Union capacity on PEPL	Existing	October 2017	Yes	Yes
3	Exhibit B.FRPO.3, part b)	2	PEPL FZ Contract (36203): Union capacity on PEPL	Existing	October 2017	Yes	No
4	Exhibit B.FRPO.3, part b)	21	PEPL/Trunkline Contract; Union capacity on PEPL	Existing	October 2017	Yes	No
5	Exhibit B.LPMA.11, part a) Exhibit K1.4, page 3	21	Existing 3rd party delivered service	Existing (November 2016)	October 2019	Yes	No[2]
6	Exhibit K1.4, page 3 Exhibit K2.1, Attachment 1, Page 25, Bullet 3	23	PEPL FZ Contract: Union capacity on PEPL	November 2019	October 2027	Yes	Yes[3]
7	Exhibit K1.4, page 3 Exhibit K2.1, Attachment 1, Page 25, Bullet 1	26	PEPL FZ Contract: Union capacity on PEPL	November 2017	October 2025	Yes	Yes
8	Exhibit K1.4, page 3 Exhibit K2.1, Attachment 1, Page 25, Bullet 2	11	PEPL FZ Contract: Union capacity on PEPL	November 2017	October 2025	Yes	Yes
9	Exhibit K1.4, page 3 Exhibit K2.1, Attachment 1, Page 25, Bullet 4	35	Rover C1 Ojibway to Dawn Contract: Rover capacity on Union	November 2017	October 2025	No	Yes

[1] Renewed through new agreements on Lines 7 and 8
[2] The delivered service on line 5 will replace the expiring contracts on Lines 3 and 4 for the period November 2017 to October 2019
[3] Replaces delivered service on Line 5