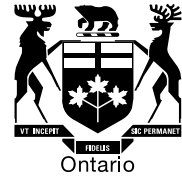


**Ontario Energy  
Board**  
P.O. Box 2319  
27th. Floor  
2300 Yonge Street  
Toronto ON M4P 1E4  
Telephone: 416- 481-1967  
Facsimile: 416- 440-7656  
Toll free: 1-888-632-6273

**Commission de l'énergie  
de l'Ontario**  
C.P. 2319  
27e étage  
2300, rue Yonge  
Toronto ON M4P 1E4  
Téléphone: 416- 481-1967  
Télécopieur: 416- 440-7656  
Numéro sans frais: 1-888-632-6273



**BY E-MAIL**

February 17, 2017

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

Dear Ms. Walli:

**Re: Union Gas Limited  
Cap and Trade Compliance Plan  
Ontario Energy Board File Number: EB-2016-0296**

In accordance with Procedural Order No. 2, please find attached OEB staff's public interrogatories related to the above noted proceeding.

In addition to the enclosed Interrogatories that OEB Staff is filing on the public record of this proceeding, OEB staff has also submitted interrogatories to Union with respect to strictly confidential information (Strictly Confidential IRs) seeking further details on information and evidence filed by Union that has been designated as strictly confidential. Accordingly, the Strictly Confidential IRs cannot be filed on the public record of this proceeding. Similarly, the interrogatory responses that Union will file in response to the Strictly Confidential IRs will not be placed on the public record unless Union indicates that it is providing non-confidential information in response to a Strictly Confidential IR.

The Strictly Confidential IRs address the strictly confidential evidence and consist of the following topics on the Issues List:

**Issue 1.3 – Is the carbon price forecast reasonable and appropriate?**

OEB staff submitted one interrogatory consisting of 2 questions on sections of the evidence that have been designated as strictly confidential in Exhibit 3, Appendix D.

**Issue 1.4 – Is the gas utility’s Compliance Plan overview reasonable and appropriate?**

**Issue 1.5 – Has the gas utility reasonably and appropriately conducted its Compliance Plan option analysis and optimization of decision making?**

OEB staff has submitted 6 Interrogatories consisting of 31 questions on components of Union’s Compliance Plan and compliance options discussed in the sections of the evidence that have been designated as strictly confidential in Exhibit 3 and Appendices to Exhibit 3.

**Issue 1.7 - Has the gas utility reasonably and appropriately presented and conducted its Compliance Plan risk management processes and analysis?**

OEB staff submitted 4 interrogatories consisting of 40 questions on risk mitigation and scenario analysis related to portions of the evidence designated as strictly confidential in Exhibit 3.

Yours truly,

*Original signed by*

Josh Wasylyk  
Project Advisor, Application Policy & Climate Change

# **OEB STAFF PUBLIC INTERROGATORIES**

## **Union Gas Limited Cap and Trade Compliance Plan EB-2016-0296**

**February 17, 2017**

### **Issue 1 – Cost Consequences**

#### **Staff IR-1**

Topic: Administrative Costs

Ref: Exhibit 3, Pages 29-32

Preamble:

Union provided its projected 2017 Compliance Plan administrative costs.

Questions:

- a) For comparative purposes, please provide a breakdown of Union's 2016 administrative costs which include the costs of IT billing system updates, staff resources, call centre, consulting, and any other amounts Union incurred or forecast to be incurred.
- b) Please provide variance analysis which compares, by cost element, the costs incurred in 2016 versus the projected administrative costs for 2017.
- c) Please discuss the rationale and appropriateness of the difference in staffing levels proposed by Union (13.5 FTEs in 2017) and Enbridge (7 FTEs in 2017).
- d) Please discuss the process that Union uses or intends to use to ensure that administrative costs are incremental to the Company's current business and are required for the purpose of the Company meeting its Cap and Trade obligations.

#### **Staff IR-2**

Topic: Administrative Costs

Ref: Exhibit 3, Pages 29-32

Preamble

Union indicates that it will incur \$275,000 in customer care centre costs in 2017.

Questions:

- a) Are the proposed additional call centre costs strictly incremental to the customer care centre costs currently embedded in rates?
- b) Please discuss the process Union will employ in determining the value of these additional call centre staff and how and when decisions will be made to extend the temporary assignment of some or all of the staff.

**Staff IR-3**

Topic: Administrative Costs

Ref: Exhibit 3, Pages 29-32

Preamble:

Union has included a proposed bad debt amount of \$600,000 for 2017.

Questions:

- a) Please confirm that Union intends to include increased bad debt related to the Cap and Trade program for the general service market.
- b) How will Union ensure that the incremental bad debt is solely in relation to the Cap and Trade program?
- c) Please provide a summary of actual bad debt expenses from 2013 to 2015 (and 2016 if available).

**Issue 1.1 – Are the volume forecasts used reasonable and appropriate?**

**Issue 1.2 – Are the GHG emissions forecasts reasonable and appropriate?**

**Staff IR-4**

Topic: Volume Forecast

Ref: Exhibit 2, p. 2

Preamble:

Union states that the forecast methodology employed is consistent with that approved by the OEB in Union's 2013 Cost of Service proceeding.

Questions:

- a) Please provide a comparison of Union's proposed volume forecast to the actual weather normalized throughput from 2013 to the most recent year where actual weather normalized throughput is available.

**Staff IR-5**

Topic: Forecasts – Volume and Emissions

Ref: Exhibit 2, p. 2

Preamble:

Union indicates that it has excluded the volume forecast for wholesale customers (volume of 344,825,589 m<sup>3</sup> include customers within Rate T3, Rate M9 and Rate M10 rate classes that distribute natural gas) since these customers are not covered by Union's compliance obligation.

Questions:

- a) Please clarify that wholesale customers are still responsible for a portion of Union's proposed administrative costs and facility-related costs.

**Staff IR-6**

Topic: Forecasts – Volume and Emissions

Ref: Exhibit 2, pp. 1- 2

Preamble:

Union has provided information related to its 2017 volume forecast of 8,310,348,868 m<sup>3</sup>.

Questions:

- a) Please provide Union's 2017 volume forecast and associated GHGs attributed to gas-fired generators.
- b) Please provide Union's most recent 2017 volume forecast and associated GHGs attributed to mandatory participants.
- c) Please provide Union's most recent 2017 volume forecast and associated GHGs attributed to voluntary participants.

d) Please provide the following summary tables:

- i. 2017 customer-related emissions showing CO<sub>2</sub>, CH<sub>4</sub>, N<sub>2</sub>O and CO<sub>2</sub>e by rate class (similar to Enbridge's Exhibit B, Tab 3, Sch 1, p 3, Table 1)
- ii. Conversion factors table for customer-related volume (similar to Enbridge's Exhibit B, Tab 3, Sch 1, p 3, Table 2)
- iii. 2017 facility-related emissions showing CO<sub>2</sub>, CH<sub>4</sub>, N<sub>2</sub>O and CO<sub>2</sub>e by facility type (similar to Enbridge's Exhibit B, Tab 3, Sch 1, p 4, Table 3)
- iv. Conversion factors table for facility-related volume (similar to Enbridge's Exhibit B, Tab 3, Sch 1, p 4, Table 4)

### Staff IR-7

Topic: Forecasts – Volume and Emissions

Ref: Exhibit 2, pp. 1- 2

Preamble:

Union has provided information related to its 2017 volume forecast.

Questions:

- a) Please discuss whether Union's 2018 abatement activities (customer- and facility-related) should be classified as: a) public information, b) confidential information as per OEB's Rules of Practice and Procedure and Practice Direction on Confidential Filings, and/or c) strictly confidential information as per the *Climate Change Act* and *Cap and Trade Regulation*.
  - i. If in 2018, Ontario is linked with the WCI market, would Union's answer above change?
- b) Please discuss whether Union's 2018 offset activities should be classified as: a) public information, b) confidential information as per OEB's Rules of Practice and Procedure and Practice Direction on Confidential Filings, and/or c) strictly confidential information as per the *Climate Change Act* and *Cap and Trade Regulation*.
  - i. If in 2018, Ontario is linked with the WCI market, would Union's answer above change?
- c) If details on abatement programs and offsets are marked as strictly confidential, how does Union intend to present the volume and GHG forecasts as part of future Compliance Plans when it has abatement activities and offsets to propose?

**Staff IR-8**

Topic: Forecasts – Volume and Emissions

Ref: Exhibit 2, Schedule 1  
Exhibit 2, p. 7

Preamble:

Union, in its table, shows line 15 (ON.400) is 0.001875 tonnes CO<sub>2</sub>e/m<sup>3</sup> and on line 16 (ON.20) is 0.001959 tonnes CO<sub>2</sub>e/m<sup>3</sup>.

Union states that it used a higher heating value of 0.03881 GJ/m<sup>3</sup>.

Questions:

- a) Please provide the inputs, assumptions and calculations used to compute 0.001875 CO<sub>2</sub>e/m<sup>3</sup> for Natural Gas Distribution Activities, and rationale for applying this emission factor to unaccounted for gas (UFG) and blowdown volumes.
- b) Please provide the inputs, assumptions and calculations used to compute 0.001959 CO<sub>2</sub>e/m<sup>3</sup> for General Stationary Combustion, in accordance with ON. 23 and ON.24 (c), and rationale for applying this emission factor to Compressor Fuel Volume, and Buildings and Line Heater volumes.
  - i. Please explain why a higher heating value of 0.03881 GJ/m<sup>3</sup> was chosen, and whether this was based on measurements taken from gas entering compressors, and building and line heaters.
  - ii. Please indicate which row of Table 20-4 (Ontario Ministry of Environment and Climate Change's "Guidelines for Quantification, Reporting and Verification of GHG Emissions"), was used to calculate the CH<sub>4</sub> and N<sub>2</sub>O emission factors, and why.

**Staff IR-9**

Topic: Forecasts, 2017 Volume Forecast – Customer Emissions

Ref: Ex. 2, p. 1-4

Preamble:

In Section I - General Service Market, Union has provided a 2017 DSM volume impacts of 93,832,137 m<sup>3</sup> related to the 2015-2020 DSM plan approved by the OEB (EB-2015-

0029). In Section II - Contract Market, Union has indicated 2017 DSM volume impacts corresponding to the 2016-2020 DSM plan of 227,573,753 m<sup>3</sup>.

The OEB's DSM Decision specified formulas to set 2017 targets based on 2016 achievement.

Questions:

- a) Please provide the detailed calculations used to derive all 2017 DSM volume impacts. Within your response, please provide the DSM volume impacts for each gas savings metric approved in the OEB's DSM Decision to arrive at the two DSM volume impacts specified above. Further, indicate whether 2016 targets or unverified actual volume impacts were used to derive 2017 achievement levels.
- b) Please indicate if and how gas savings from DSM programs to LFE and voluntary participants have been removed from these totals, taking into account changes to voluntary participants that may have occurred after the OEB's Decision.

#### **Staff IR-10**

Topic: Forecasts: C) 2017 GHG Emissions Forecast

Ref: Ex. 2, pp. 6-7 and Sch. 1

Preamble:

Union indicates that Green Investment Fund (GIF) programming will produce 3,685,000 m<sup>3</sup> of savings for General Service Market customers in 2017. Union shows how these natural gas savings are expected to result in close to 7,000 t CO<sub>2</sub><sup>e</sup> of emissions reductions in 2017.

In Union's July 28, 2016 letter (EB-2015-0029 – Union Gas Limited – 2015-2020 Demand Side Management ("DSM") Plan – Green Investment Fund Attribution), Union explains that GIF funding will be used to expand Union's Home Reno Rebate program in the following ways:

- i. Offering the program to homes that use oil, propane, wood as a primary heating fuel, or homes that use natural gas as their primary heating fuel but are not serviced by Union or Enbridge
- ii. New rebates on oil, propane, wood, and electricity-based heating equipment
- iii. Higher incentive levels for measures already included in the program

Questions:

- a) Please provide the detailed calculations used to derive the 3,685,000 m<sup>3</sup> of savings from GIF programming in 2017, and indicate whether this includes or excludes savings from homes that use natural gas as their primary heating fuel but are not serviced by Union or Enbridge.
- b) Please provide estimates of carbon reductions resulting from the installation of efficient oil, propane, and wood-using equipment resulting from the GIF program.

**Staff IR-11**

Topic: Cap & Trade Compliance Instrument Procurement Procedures (CIPP)

Ref: Ex. 3, p. 3  
Ex. 3, App B

Preamble:

Union's CIPP was developed jointly between Union's Cap and Trade and Gas Supply department functional areas to outline the governance of the procurement of compliance instruments.

Questions:

- a) Are the procedures outlined in Ex 3, App B similar to Union's gas supply plan development and review process? Please explain and identify any differences.

**Issue 1.8 – Are the gas utility's proposed longer term investments reasonable and appropriate?**

**Staff IR-12**

Topic: Compliance Plan - Long-Term Investments

Ref: Ex. 3, p. 46

Preamble:

Union states that an interim solution for recovering costs of capital investments between 2017 and next rebasing application would be required since current mechanisms (including Z Factor) may not be sufficient to recover the costs of these initiatives.

Questions:

- a) Please provide an order of magnitude of the anticipated costs of capital investments related to Union's compliance obligations during the first compliance period.
- b) Is Union requesting that the OEB establish such a cost recovery mechanism in this proceeding? If so, what is Union specifically asking the OEB to consider? For example, is Union suggesting that an interim solution for recovering cost of capital investment between 2017 and the next rebasing application is required regardless of the level of capital investment?

**Issue 1.9 - Are the gas utility's proposed new business activities reasonable and appropriate?**

**Staff IR-13**

Topic: New Business Activities – Climate Change Action Plan (CCAP) Funding

Ref: Ex. 3, p. 46

Preamble:

Union notes that it has brought forward two specific proposals to government for CCAP funding that will reduce GHG emissions in Ontario. The two proposals are Renewable Natural Gas (RNG) and Compressed Natural Gas (CNG).

Questions:

- a) Please provide a status update of the two proposals brought to government. In your response, please discuss if Union has been approved for CCAP funding.
- b) If the answer to (a) is yes, please indicate if this funding will be used strictly on RNG and CNG, in what way, the timing of the funding, and if Union will have the ability to use the CCAP funding for other activities (and any rules or requirements that govern the use of the funding).

**Issue 1.10 - Are the gas utility's proposed greenhouse gas abatement activities reasonable and appropriate?**

**Staff IR-14**

Topic: Compliance Option Analysis and Optimization of Decision Making – Abatement Programs

Ref: Ex. 3, pp. 24 - 28

Preamble:

Union describes its historic DSM efforts and generally discusses customer abatement options that may be explored as an activity included in a future Compliance Plan. However, Union has not proposed any new customer-related or facility-related abatement activities incremental to its OEB-approved DSM programs outside of the Green Investment Fund activities funded by the Government of Ontario.

Questions:

- a) Other than the GIF activities, please discuss the rationale for not including any customer and facility-related abatement activities as part of the 2017 Compliance Plan.
- b) How will Union's Cap and Trade strategy be integrated into the company's business plan? For example, how will GHG emissions reduction (facility-related abatement) decisions be incorporated into its business planning process for capital investments?

**Issue 2 – Monitoring and Reporting – Are the proposed monitoring and reporting processes reasonable and appropriate?**

**Exhibit 4 – Monitoring and Reporting**

**Staff IR-15**

Topic: Monitoring and Reporting

Ref: Ex. 4, p. 1-3 and Schedules 1 and 2

Preamble:

Union states that it has examined monitoring forms that are included in other jurisdictions, in particular California.

Also, Union provides sample monitoring forms.

Questions:

- a) Please provide all monitoring forms from Union's jurisdictional review.
- b) Does Union have any concerns with the proposed reporting templates outlined in Enbridge Gas Distribution's Compliance Plan application – EB-2016-0300, Exhibit D, Tab 1, Schedule 5, page 3 – 5? Please explain.

**Issue 3 – Customer Outreach – Are the proposed customer outreach processes and methods reasonable and appropriate?**

**Exhibit 5 – Customer Outreach**

**Staff IR-16**

Topic: Customer Outreach – Ex 5

Ref: Exhibit 5, pages 1-6

Preamble:

Union describes its customer outreach activities and has indicated that it has undertaken a number of activities to ensure customers are informed about the Cap and Trade program and its impacts.

Questions:

- a) Please discuss Union's experience to-date related to the communication material distributed to its customers. In your response, please discuss how the information has generally been received by customers and the volume of inquiries/comments submitted to Union's call centre.
- b) Is Union planning on revising its communication strategy based on feedback and customer response received to date in regarding the Cap and Trade program?

- c) What tools has Union developed to help customers quantify cap and trade costs? Is Union developing any additional tools (i.e., calculators, etc.)?

**Issue 4 – Deferral and Variance Accounts - Are the proposed deferral and variance accounts reasonable and appropriate? Is the disposition methodology appropriate?**

**Exhibit 6 – Deferral and Variance Accounts**

**Staff IR-17**

Topic: Deferral and Variance Accounts

Ref: Ex. 6, pp. 1-2

**Preamble:**

Union proposes to bring forward its 2016 balance in Account No. 179-152 for disposition with its 2016 non-commodity deferral account disposition proceeding in 2017.

**Questions:**

- a) Please explain Union's proposal with respect to the disposition of the new deferral and variance accounts that deal with customer and facility related obligations (i.e., Account No. 179-154 and 179-155). For example, is Union proposing that they would be dealt with as part of the Cap and Trade Compliance applications or non-commodity deferral account disposition proceeding?
- b) How does Union propose to dispose of any balances? For example, would this be as a one-time adjustment or would the balances be spread over time? If so, over what period of time? Would the recovery of these balances be included in the Delivery Charge or presented as a separate line item?
- c) What is the expected timing of disposition for Accounts No. 179-152, 179-154 and 179-155?

## **Issue 5 - Cost Recovery**

**5.1 Is the proposed manner to recover costs reasonable and appropriate?**

**5.2 Have the customer-related and facility-related charges been presented separately in the tariffs?**

### **Staff IR-18**

#### **Exhibit 7 – Cost Recovery**

Topic: Unit Rates – Ex 7

Ref: Ex. 7, p. 3  
Ex. 7, Sch 1, pp. 2-3  
Ex. 7, App B

#### **Preamble:**

In Ex 7, Sch 1, p2, Union provides a table that outlines the proposed charges for the facility-related costs. Then in the tariffs (Ex 7 / App B), certain rates have multiple facility-related charges including:

- Rate M4 has multiple facility-related charges (it looks like it has the M4 charge plus two additional charges that look like the facility-related charges for M1 and M5)
- Rate M5 has multiple facility-related charges
- Rate M10 has multiple facility-related charges
- Rate T1 has facility-related charges for transportation and unauthorized overrun
- Rate T2 has facility-related charges for transportation and unauthorized overrun

#### **Questions:**

- a) Please explain in detail why Rate M4, M5, M10, T1 and T2 have multiple facility-related charges.

**Staff IR-19**

**Exhibit 7 – Cost Recovery**

Topic: Unit Rates – Ex 7

Ref: Ex. 7, Sch. 1, p. 1, line 7

Preamble:

Union has provided its derivation of 2017 Cap and Trade Forecast Compliance Cost Unit Rates at the reference above. The customer-related GHG-emission obligation and facility-related GHG-emission obligation are different.

Questions:

- a) Please provide the detailed calculations that were used to derive the customer-related and facility-related forecasted emissions. In your response, please provide the rationale for using different conversion factors and any supporting documentation for why this approach is appropriate.

**Issue 6 - Implementation – What is the implementation date of the final rates and how will the final rates be implemented?**

**Staff IR-20**

Topic: Unit Rates – Ex 7

Ref: Ex. 7, pp. 2-3  
Ex. 7, Sch. 1, pp.1-3  
Ex. 7, p. 1, App B

Preamble:

Union has proposed to incorporate customer-related and facility-related obligation costs in rates effective January 1, 2017.

Questions:

- a) Please discuss how Union proposes to recover any variance between the OEB's Interim Decision issued on November 25, 2016 and the Decision and Final Rate Order for this proceeding. In your response, please also discuss if Union proposes to clearly indicate any difference between the Interim Rates and Final Rates on a customer's bill.

- b) Please indicate how Union proposes to reconcile the HST related to any differences between Interim Rates and Final Rates.