EB-2016-0296
EB-2016-0300
EB-2016-0330

Union Gas Limited
Enbridge Gas Distribution Inc.
Natural Resource Gas Limited

Applications for approval of the cost consequences of cap and trade compliance plans

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INTERROGATORIES
OF
LONDON PROPERTY MANAGEMENT ASSOCIATION
TO
UNION GAS

February 24, 2017

Cost Consequences

Issue 1 - Are the requested cost consequences of the Gas Utilities' Compliance Plans reasonable and appropriate?

LPMA – 1

Ref: Exhibit 1, page 2

A number of uncertainties are noted at the top of page 2, including regulations that have not yet been defined, and the linkage to the Western Climate Initiative. Is there any additional information related to these uncertainties at this time, relative to when to the evidence was written? If yes, please provide details. If no, when does Union believe that additional information will be available?

LPMA – 2

Ref: Exhibit 1, page 2

Reference is made to a compliance plan that would minimize risk. Please explain the risk that is being referred to and how this risk is spready between ratepayers and the utility, assuming the utility is prudent in the creation and execution of its compliance plan.

Forecasts

Issue 1.1 - Are the volume forecasts used reasonable and appropriate?

LPMA – 3

Ref: Exhibit 2, page 2 & Exhibit 7, Appendix B

If Union has excluded the volume forecast for wholesale customers (Rates T3, M9 & M10) since these customers are not covered by Union's compliance obligation, please explain why these rate schedules need to reflect separate rates for the inclusion of the customer-related GHG obligations.

LPMA – 4

Ref: Exhibit 2, page 3

a) Please explain the difference in the industrial volume forecast noted in point (2) of the forecast of normalized average consumption for the industrial customer service class and the estimate of the total throughput volumes for the industrial customers noted in point (3).

b) Please explain why Union removed the volumes for large final emitters and voluntary participants after the calculation of the customers and normalized average consumption, rather than removing the historical data for these customers and estimating the customers and normalized average consumption on the data that already excludes these customers.

c) How has Union determined the volumes to be removed for each of the large final emitters and voluntary participants?

d) How has Union estimated the total number of billed customers for each rate class and service class? Were regression equations used, or trend analysis, or some other methodology? Please provide details and explain fully.

e) For each regression equation used in the customer, normalized average use and volume forecasts the regression equation coefficients, the regression statistics (t-stat, F-stat, R-squared, etc.) and the mean absolute percent error over the estimation period.

f) Please provide a live Excel spreadsheet for each of the regression equations used that contains all of the historical data used to estimate the equations (independent variable and all explanatory variables) and all of the forecast data for the explanatory variables used to generate the forecast.

g) Please explain how the volume abatement volumes (GIF) were determined.

h) Please explain and show how the weather normal explanatory variable was determined.

i) In calculating the customer and volume forecasts, what assumptions has Union used related to new community expansions?

<u>LPMA – 5</u>

Ref: Exhibit 2, page 4

a) Please provide the regression equation(s) used for the contract market, showing the estimated coefficients and regression statistics.

b) It is noted that about 65% of the total contract volumes shown in Exhibit 2, Schedule 1 are for large final emitters and voluntary participants. Did Union remove the volumes for large final emitters and voluntary participants after the calculation of the volume forecast using the regression analysis or did Union remove the historical data for these customers and estimate the volumes on the data that already excludes these customers. If the former, please explain why Union did not use the latter approach.

c) How did Union determine the individual amounts to be removed from the volume forecast for the large final emitters and voluntary participants?

d) Please provide a live Excel spreadsheet that contains all of the historical and forecast data used to calculate the contract regression equation(s) and the forecast of the volumes shown in Exhibit 2, Schedule 1.

LPMA – 6

Ref: Exhibit 2, Schedule 1

Please confirm that the reduction for wholesale customers reflects the volumes for all T3, M9 and M10 customers. If this cannot be confirmed, please explain which customers in each rate class has been excluded and which have been included.

LPMA – 7

Ref: Exhibit 2, page 5

a) Please provide the demand for the ex-franchise market used in the calculation of the unaccounted for gas volume and explain how this forecast for 2017 has been derived.

b) How was the Board approved UFG volume percentage of 0.219% calculated? For example, was it based on a formulaic approach, a regression analysis approach, a weighted average approach, or some other methodology?

c) Based on the response to part (b), if applicable, please update the UFG volume percentage based on the methodology used to reflect the most recent data available. Please also provide all data and assumptions used to calculate the UFG percentage.

LPMA – 8

Ref: Exhibit 2, pages 4 – 6

Please explain fully how Union has allocated facility related volumes/emissions between utility and non-utility costs and show, in detail, how these allocations are consistent with the last Board approved allocation of costs to non-utility functions.

LPMA – 9

Ref: Exhibit 2, page 5

a) If some of the compressor fuel and blowdown volumes are related to transmission fuel, storage fuel and dehydration fuel, please explain how Union has allocated the volumes/costs to the transmission, storage and distribution functions.

b) Similarly, it is assumed that the UFG volumes are comprised of losses for transmission, distribution and storage. How are the UFG volumes/costs allocated to each of these three functions?

LPMA – 10

Ref: Exhibit 2, pages 4 – 6

a) Are all of the costs associated with facility emissions captured in requested facility-related deferral account? If no, please explain fully.

b) Assuming prudence on the part of Union, what facility emissions related costs, if any, is Union at risk for? Please explain fully.

Issue 1.3 - Is the carbon price forecast reasonable and appropriate?

LPMA – 11

Ref: Exhibit 2, page 9 & Exhibit 2, Schedule 2

Please update the calculation of the CCA 21-day strip using the most recent information available.

Compliance Plan

Issue 1.4 - Is the gas utility's Compliance Plan overview reasonable and appropriate?

LPMA – 12

Ref: Exhibit 3, page 5

With respect to the working capital requirements associated with cap & trade related expenditures:

a) How often does Union expect to purchase emission credits in 2017?

b) When does Union expect to purchase emission credits in 2017?

c) Will Union be paying HST on emission credits it purchases in 2017?

Issue 1.6 - Are the proposed performance metrics and cost information reasonable and appropriate?

LPMA – 13

Ref: Exhibit 3, page 34

a) Please provide more detail on the recent changes to the Income Tax Act that could impact cash flows and short-term financing costs.

b) Has Union done any analysis on the impact on working capital on rate base of including cap & trade revenues and expenditures? If not, why not? If yes, please provide the results of that analysis.

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

LPMA – 14

Ref: Exhibit 3, pages 34 – 39

For each of the risks identified on these pages, please indicate which risks would reside with Union's ratepayers and with Union's shareholders assuming Union was determined to be prudent in managing each of the identified risks.

Monitoring and Reporting

Issue 2 **-** Are the proposed monitoring and reporting processes reasonable and appropriate?

LPMA – 15

Ref: Exhibit 4, Schedules 1 & 3

Based on the sample schedules provided, please indicate which line/columns would be confidential and which would be available on a public basis.

Customer Outreach

Issue 3 - Are the proposed customer outreach processes and methods reasonable and appropriate?

LPMA – 16

Ref: Exhibit 5, page 1

Please provide a copy of and a summary of the findings resulting from the December 2016 survey noted at line 13.

Cost Recovery

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

LPMA – 17

Ref: Exhibit 7, page 1

The evidence indicates that Union has not incorporated any administrative costs associated with the cap and trade program in its 2017 rates.

a) What is the estimated administrative costs associated with the cap and trade program that will be incurred in 2017?

b) Please explain why Union cannot include recovery of this amount in 2017 rates.

c) Please confirm that by including the costs in a deferral account for later recovery, the ultimate costs paid by ratepayers will be higher than the actual cost because of the addition of carrying costs.

LPMA – 18

Ref: Exhibit 7, page 5

Does the $1 per year impact of excluding the impacts of the customer-related obligation costs noted at lines 12 through 14 include the impact of the administrative costs associated with the cap and trade program? If not, what is the incremental impact of these costs for a residential customer consuming 2,200 m3 annually?

Issue 5.2 - Are the tariffs just and reasonable and have the customer-related and facility-related charges been presented separately in the tariffs?

LPMA – 19

Ref: Exhibit 5, page 5 & Appendix B & EB-2016-0300, Exhibit G, Tab 1, Schedule 1, Appendix B

The proposed Union rate schedules show two columns of rates, one titled "Including Customer-Related GHG Obligation" and one titled "Excluding Customer-Related GHG Obligation", with a footnote explaining the difference between the delivery charges.

The proposed EGD rate schedules (EB-2016-0300, Exhibit G, Tab 1, Schedule 1, Appendix B) shows one set of charges, including "Cap and Trade Customer Related Charge (If Applicable)" and a "Cap and Trade Facility Related Charge". The NRG rate schedules are similar in format to those of EGD with respect to the cap and trade charges.

Please explain why Union has not adopted the same format for the cap and trade charges as EGD and NRG.

Has Union done any customer engagement to determine if its proposal for the rate schedules is harder or easier for customers to understand than that of EGD or NRG?

Implementation

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

LPMA – 20

a) Given the proposed regulatory schedule for this proceeding, when does Union expect that final rates could be implemented?

b) How does Union propose to deal with any difference between interim and final rates for general service customers and contract customers?