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June 14, 2017

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Our File No. 173101

VIA RESS, EMAIL AND COURIER

Ontario Energy Board
2300 Yonge Street
27th Floor
Toronto, Ontario
M4P 1E4

Attention: Kirsten Walli
Board Secretary

Dear Ms. Walli:

**Re: EB-2017-0091: Union Gas Limited, 2016 Disposition of Deferral Account Balances
and 2016 Utility Earnings – BOMA's Interrogatories**

Further to Procedural Order No. 1, please find enclosed BOMA's Interrogatories.

Yours truly,

FOGLER, RUBINOFF LLP

A handwritten signature in black ink, appearing to read "Thomas Brett". The signature is fluid and cursive, with a large, stylized "T" and "B".

Thomas Brett

TB/dd

Encls.

cc: All Parties (*by email*)

ONTARIO ENERGY BOARD

**IN THE MATTER OF the Ontario Energy Board Act, 1998,
S.O. 1998, c.15 (Schedule. B);**

**AND IN THE MATTER OF an Application by Union Gas
Limited for an order or orders clearing certain noncommodity
related deferral accounts and sharing utility earnings pursuant
to a Board-approved earnings sharing mechanism**

**Interrogatories of Building Owners and Managers Association,
Greater Toronto ("BOMA")**

June 14, 2017

Tom Brett

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Counsel for BOMA

Interrogatories of BOMA

1. ***Ref: Exhibit A, Tab 1, p3; Account 179-108, Unabsorbed Demand Costs ("UDC")***

Please explain why UDC was experienced in Union South. How often has this occurred over the last ten years?

2. ***Ref: Exhibit A, Tab 1, Appendix A, Schedule 2; Account 179-131, Upstream Transportation Optimization***

Please account for the substantial difference between the \$14.918 million Board approved optimization revenue in rates, and the relatively small recovery of only \$3.358 million in net revenue from such optimization, aside from the elimination of TCPL's FT-RAM (\$5.800 million). Please provide a calculation including numbers of exchanges and gas prices realized in the exchanges.

3. ***Ref: Ibid, p8; Account 179-70; Tab 1, Appendix A, Schedule 3***

- (a) What are the definitions of short-term storage and short-term firm peak storage, respectively?
- (b) Can short-term storage be either firm or interruptible? Please explain.
- (c) Please provide an explanation of, and the breakdown of, revenues and costs for each of the components of the account, other than storage, including Gas Loans, Enbridge LBA, Supplemental Balancing Services, shown on p8.
- (d) Please explain the shape of the storage curve shown at p11.

- (e) Please provide a copy of the Union/EGD LBA.
- (f) What US/CDN exchange value has been used in the graph; over what periods of time?

4. **Ref: *Ibid, p14; Account 179-112***

Why are the Resources (Salary & Expenses) classified as capital costs?

5. **Ref: *Ibid, p16; Account 179-132***

Why recover a 2015 deferral account balance in 2017, rather than 2016 ESM?

6. **Ref: *Ibid, p27, Table 9***

Please provide the actual calculation used to determine the account balance of \$0.197 in Table 9.

7. **Ref: *Ibid, p27***

- (a) Why did the UFG percentage almost double over the period 2013-2016, to 0.427% from Board-approved 0.219%?
- (b) Why should ratepayers be required to pay for such a large increase in UFG? Did not the 0.219% represent the parties' agreement as to what was a reasonable percentage level?

8. **Ref: *Ibid, p40, line 6***

Please explain what is meant by, and show the impact on 2016 compressor capital, of "timing of finalizing the contractor costs".

9. **Ref: *Ibid, p41, line 5***

Please explain the "remediation of commissioning legacy issues" referred to in that line. Please show the costs of the remediation, the nature of the problem, including the reason the compressor was out of service for two months, and the calculation of the anticipated reduction of maintenance costs. What was the offsetting loss of throughput due to the compressor failure?

10. **Ref: *Ibid, p41, line 19***

What was the original debt rate used? How did the reduction to 3.82% come about?

11. **Ref: *Ibid, p43***

"The actual cost for the prime contractor for the Brantford-Kirkwall pipeline was significantly higher than the original estimate."

What was the original estimate and the actual cost? Why was the actual cost so much higher? Please provide details.

12. **Ref: *Ibid, p45, line 16; Parkway Delivery Obligation Rate Variance Account 179-138***

(a) Please explain why the Union South service portfolio was reduced in two steps, on December 22, 2016, and January 1, 2017.

(b) Please explain the link between the completion of TCPL's Maple Facilities and the reduction of Union's sales service portfolio from 58 to 19 TJ/day.

13. ***Ref: Ibid, p51, line 3; Account 179-142, Lobo C Compressor/Hamilton-Milton Pipeline Project***

What is the link between the Pipelines being put into service in 2015, and "contingencies not being required"?

14. ***Ref: Ibid, p51, line 20***

"Pipelines costs for Hamilton-Milton Pipeline were \$46.271 million lower than the costs included in 2016 Board-approved rates."

Please provide a breakdown of the cost differential of \$46.271 million into each of the components listed in the first paragraph of p52.

15. ***Ref: Ibid, p60; 179-149***

In these capital projects, and others discussed in the filing, actual costs are often less than Board-approved. In most of the cases, one factor in the difference is that contingencies contained in the forecasts were not fully utilized.

Please discuss any impacts on cash flow, debt levels, earnings, or other financial data, of the fact that contingency amounts remained all or in part unused. For example, are you making decisions based on forecast costs which include forecast contingencies which are not used? Are you overcapitalized as a result? What is the amount of utilized contingency for each of the major pipeline and compressor projects in the last several years, relative to the forecast contingency in the relevant leave to construct application or rates case?

16. **Ref: *Ibid, p62; 179-149 – Burlington Oakville Project Costs***

Please explain the sentence "2016 Board-approved rates reflected that Infrastructure Ontario and Hydro One land rights can be charged up to 150% of the appraised value for land rights while actual costs were less". Please explain the significance of that option.

17. **Ref: *Ibid, p63***

- (a) Please itemize the elements of cost reduction of \$31.147 million of the NPS 20 pipeline costs, set out in the first paragraph of p63.
- (b) Is the "change order allowance" part of contingency, or a separate forecast item? How is it calculated? What change order allowance was used in this case? What change order allowance is typically used in capital projects for each of pipelines, compressors, valve headers, other capital projects?

18. **Ref: *Ibid, p64, line 16***

Is the "utility required return" the return on the project or an overall utility return? Please explain.

19. **Ref: *Ibid, p69, p71, Table 25 - 179-152 – GGEIDA***

"The FTE count ramped up through the calendar year of 2016 as the Cap-and-Trade related responsibilities increased at Union and the requirements evolved."

Please advise when each of the 13.5 roles started to work on cap and trade month by month in 2016, and show over what period the costs allocated to each employee were incurred and aggregated to equal the \$1.682 million salary and wages amount.

20. **Ref:** *Ibid, p72*

When did Union begin to report GHG results to the Ontario government? How many FTEs were employed during the previous registry work prior to the passage of the Act and the revised reporting regulation (O.R. 143/16)? How do the new requirements, as a result of the new legislation/regulation, differ from the previous ongoing GHG reporting requirements? Why are three additional roles required over and above existing personnel? What functions will each of the three roles perform?

21. **Ref:** *Exhibit A, Tab 2, p1, Table 1*

Please show the calculation supporting the Distribution Margin for each of 2016 and 2015, which shows the increase of \$12 million in 2016 over 2015. Please show the contribution of each of rate increases, warmer weather, and gas costs.

22. **Ref:** *Ibid, p7*

- (a) Please explain why the compressor fuel in 2016 compared to 2013 Board-approved, while the 2014 or 2015 actuals lower, and show in each case, the number of degree days above and below normal for the actual 2014 and 2015. Please advise what is the impact (in basis points) of each 1% change in heating degree days increase on the achieved ROE.
- (b) Please confirm that in 2016, for a 1% increase or decrease in ROE requires a change in utility income of \$25 million (approximately).

- (c) Please provide the actual depreciation in 2016, 2015, 2014, 2013, 2012 Board-approved.

23. **Ref:** *Exhibit A, Tab 2, Appendix A, Schedule 2*

Please explain the financial impact of the tax shield (2016 Income Tax is \$4.398 million, on a pre-tax income of \$326.1 million, due to timing difference) on utility cash flow, debt levels, earnings, dividends, and any other relevant financial indices.

24. **Ref:** *Ibid, Schedule 6*

Please confirm that the total throughput volumes shown in the tables are not weather normalized, as compared to the volumes shown on Schedule 5, which are weather normalized.

25. **Ref:** *Ibid, Schedule 13*

"Operating and Maintenance Expenditures by Cost Type".

Please explain fully the reasons for the doubling of inbound affiliate services in 2016 actuals over 2013 Board-approved (\$22,008,000 vs. \$11,888,000).

26. **Ref:** *Ibid, Schedule 14*

Please provide full explanation for the lines Other (66,185), Gas Cost Deferrals (66,185), Deferred Tax on Gas Cost Deferrals (20,766), and Deferred Tax Drawdown (12,819).

27. **Ref: *Ibid, Schedule 18***

Please explain fully the Accumulated deferred income taxes (29,493) (line 14) on Schedule 18. Please show the relationship of these numbers to the tax items noted in paragraph 26 above.

28. **Ref: *Exhibit A, Tab 3, Schedule 2, p4***

(a) Please provide the one-time adjustment amount for each of:

- (i) average M4 customer
- (ii) small M4 customer
- (iii) large M4 customer
- (iv) average T1 customer
- (v) average rate 20 customer.

(b) Please provide the two dates in which the surcharge will be collected.

29. **Ref: *Exhibit A, Tab 6, p1***

Please provide information on Cyrus One, which demonstrates its financial condition, size, reputation in the industry, etc. Please provide a copy of the RFP.

30. **Ref: Ibid, p11**

The evidence states that addition to computer hardware will be required in 2017. What does the 20% Union growth factor refer to, and over what period of time is growth forecast to be 20%?

31. **Ref: Ibid, p15**

The evidence (ix) states that:

"The modest cost increase disappears after the costs to implement have been amortized (in 5 years)."

Please provide the calculation which supports this statement.

32. **Ref: Ibid, p13**

Given Union's estimated 32% share of the technology use, in selecting the site for the two data centres, was consideration given to putting one of the sites in Ontario to take advantage of currency difference? If not, why not?

33. **Ref: Ibid, p16**

What Union's share (32%) of costs, the largest of any of Spectra's other units' shares. What were the other units and their shares? Will the share remain the same over the life of the current arrangement? Will there be further "rationalization" as a result of EGD acquiring Spectra?

34. **Ref: Ibid, p16**

Do either of the Lebanon or Carrolton sites have flood risk or hurricane risk? How are these managed?

35. **Ref: Ibid, p17**

What is the duration of the 100% power and cooling guarantees? What exceptions are there to the guarantee? What is the extent of the force majeure clause? Please provide a copy of the Agreement.