ONTARIO ENERGY BOARD STAFF INTERROGATORIES

Union Gas Limited Disposition of 2016 Deferral Account Balances and Earnings Sharing

EB-2017-0091

June 16, 2017

Interrogatory # 1

Ref: Exhibit A / Tab 1 / Pages 2 and 3

Union Gas Limited (Union) in its application has noted that the amount of transportation capacity needed to meet average annual demand requirements is less than the capacity to meet design day requirements and therefore a portion of Union's contract capacity is planned to be unutilized.

a) One of the objectives of Union's gas supply plan is to meet design day requirements. Please explain how the amount of transportation capacity is less than the capacity to meet design day requirements considering the objectives of Union's gas supply plan.
b) If the amount of transportation capacity needed to meet average annual demand requirements is less than the capacity to meet design day requirements, how does it lead to a portion of Union's contract capacity to be unutilized?

Interrogatory # 2

Ref: Exhibit A / Tab 1

Union has requested disposition of gas supply, storage and other deferral accounts. The net balance in the deferral accounts requested for disposition is a $45.771 million debit from ratepayers as at December 31, 2016.

a) Please provide a statement confirming whether the balances proposed for disposition are consistent with the account balances reported in the applicant's 2016 RRR filing (2.7.1) and its 2016 audited financial statements.

b) For each account requested for disposition, please provide a continuity schedule for the period commencing from the establishment of the account or from the last approved disposition of the account, whichever is more recent, to the date of the most recent audited actuals. This continuity should show separate itemization of opening balances, new amounts recorded during the period, approved dispositions, other adjustments, interest, and closing balances.

c) Are there any deferral and variance accounts with balances that are not being brought forward for disposition as part of this application and which are not cleared through the Quarterly Rate Adjustment Mechanism or that are not disposed of in the OEB's Demand Side Management proceeding? If so, please provide details including the account name, balances and reasons for not seeking disposition.

d) Were there any adjustments made to deferral and variance account balances that were previously approved by the OEB on a final basis? If so, please provide an explanation of the nature and amount of any adjustment and include any supporting documentation.

Interrogatory # 3

Ref: Exhibit A / Tab 1 / Pages 4-5

The 2016 OEB-approved rates include $5.609 million of Unabsorbed Demand Costs (UDC) associated with 6.3 PJ of planned unutilized pipeline capacity in Union North and no planned unutilized capacity in Union South. The actual unutilized capacity in 2016 was 31.5 PJ. The level of unutilized capacity experienced in 2016 was largely due to planned unutilized capacity and significantly warmer than normal weather that resulted in lower transportation throughput.

a) Please provide reasons for the significant difference between actual unutilized capacity in 2016 and planned unutilized capacity included in rates. Why did Union assign additional planned unutilized capacity for 2016?
b) Please provide actual unutilized capacity for 2013, 2014 and 2015.

Interrogatory # 4

Ref: Exhibit A / Tab 1 / Pages 6-8

With respect to upstream transportation optimization, Union has indicated that revenues were lower due to the elimination of the TransCanada FT-RAM program and warmer weather in 2016.

a) Please provide detailed reasons for the significant decline in revenues from optimization activities apart from the termination of TransCanada's FT-RAM program.
b) Does Union consider this decline to be solely weather related or is there a change in market behaviour due to other reasons?

Interrogatory # 5

Ref: Exhibit A / Tab 1 / Page 13

The Gas Distribution Access Rule (GDAR) deferral account records the difference between the actual costs required to implement process and system changes to achieve compliance with GDAR and the costs included in rates approved by the OEB. The balance in the GDAR deferral account is a debit from ratepayers of $0.443 million.

a) Are there any GDAR related costs approved by the OEB in rates? If yes, please provide details.
b) Does Union intend to include the revenue requirement related to GDAR costs in proposed rates at the next rebasing? If no, why not?

Interrogatory # 6

Ref: Exhibit A / Tab 1 / Pages 15 and 16 and Exhibit A / Tab 2 / Page 6

In its application, Union has noted that it did not deliver any Conservation Demand Management (CDM) programs on behalf of electric local distribution companies and was not successful in the Request for Proposal (RFP) process to continue contract services with Hydro One networks.

a) Has Union provided CDM programs to electric utilities other than Hydro One networks in the past?
b) Was the RFP for providing services for a single year or multiple years?

Interrogatory # 7

Ref: Exhibit A / Tab 1 / Page 18

In its evidence, Union has described the process of setting the 2016 target NAC and capturing the difference between the target and actual Normalized Average Consumption (NAC) in the deferral account.

a) Please explain how Union accounts for the Loss Revenue Adjustment Mechanism established within DSM programs for calculating NAC.
b) Please confirm that there is no double counting for lost consumption that is compensated to the utility through the Loss Revenue Adjustment Mechanism for implementing Demand Side Management programs, and consumption declines captured in the NAC deferral account. Please provide details of the adjustments to demonstrate that there is no double counting.

Interrogatory # 8

Ref: Exhibit A / Tab 1 / Pages 23 and 24

For 2016, the actual Normalized Average Consumption (NAC) is less than the target NAC by 185 m^3 for a Rate M1 customer and 227m^3 for a Rate 01 customer.

Please provide the main drivers for the change in the actual NAC for 2016.

Interrogatory # 9

Ref: Exhibit A / Tab 1 / Page 27 / Lines 10-13

Union's actual Unaccounted for Gas (UFG) percentage for 2016 was 0.427% as compared to the 2013 OEB approved UFG percentage of 0.219%.

a) Please provide the actual UFG for the years 2013, 2014 and 2015.
b) What were the reasons for the higher UFG percentage as compared to the 2013 OEB approved percentage?
c) What measures does Union intend to implement to lower the UFG percentage in the future?
d) Will Union be filing a UFG study in its next rebasing proceeding?

Interrogatory # 10

Ref: Exhibit A / Tab 1 / Page 28

Union has established the Parkway West Project Costs Deferral Account to track the differences between the actual revenue requirement related to costs for the Parkway West Project and the revenue requirement included in rates.

Is the Parkway West Project complete and in-service? If yes, please provide the in-service date.

Interrogatory # 11

Ref: Exhibit A / Tab 1 / Page 32 / Line 15

In its evidence, Union has indicated that Loss of Critical Unit compressor costs were $4.934 million higher than the costs included in 2016 OEB approved rates.

Please provide the total cost of the compressor and confirm whether the compressor costs including installation were higher than forecast. If yes, please provide detailed reasons for the increase in costs.

Interrogatory # 12

Ref: Exhibit A / Tab 1 / Pages 36 – 39 and Union Evidence EB-2013-0074

Union's evidence in the Brantford-Kirkwall/Parkway D Project indicated that the estimated in-service date of the project was Fall 2015.

Please confirm if both the components of the project (pipeline and compressor) have been completed and in-service. If the project is in-service, please provide the in-service dates of the two components.

Interrogatory # 13

Union Evidence EB-2013-0074 / Section 1 / Page 5 / Lines 10-12

In EB-2013-0074, Union indicated that the Brantford-Kirkwall / Parkway D Project would result in economic benefits of $18 million to $28 million annually to ratepayers in Union North.

Please confirm whether Union ratepayers in the North have derived any benefits as a result of the Brantford-Kirkwall / Parkway D Project. If the ratepayers have not received the stated benefits, please provide detailed reasons.

Interrogatory # 14

Ref: Exhibit A / Tab 1 / Page 40 / Lines 4-5

Union has indicated that compressor costs were $5.586 million higher than the costs included in 2016 Ontario Energy Board (OEB) approved rates.

Please provide the total cost of the compressor and confirm whether the compressor costs including installation were higher than forecast. If yes, please provide detailed reasons for the increase in costs.

Interrogatory # 15

Ref: Exhibit A / Tab 1 / Pages 43-44

In its evidence, Union has noted that the actual cost for the prime contractor for the Brantford-Kirkwall pipeline was significantly higher than the original estimate. In addition, the actual cost for easements was higher than the original estimate.

a) Please explain why the contingency costs for the project were not sufficient to meet the higher contractor and land easements costs.
b) Please provide the estimated and actual prime contractor costs.

Interrogatory # 16

Ref: Exhibit A / Tab 1 / Page 44 / Lines 4-5

Union has indicated that steel costs were lower at the time of purchase than estimated for the Brantford-Kirkwall pipeline project.

Please list all capital projects that have associated deferral accounts in the application where pipeline costs were lower as a result of lower steel costs and provide the difference from the original estimated costs.

Interrogatory # 17

Ref: Exhibit A / Tab 1 / Page 45 / Lines 16-17

With respect to the Parkway Obligation Rate Variance Account, Union notes that on December 22, 2016, TransCanada’s Maple facilities were placed in-service reducing Parkway deliveries for the sales service supply portfolio from 58 TJ/day to 28 TJ/day.

How will this change impact the amount to be recovered from ratepayers in 2017 and 2018?

Interrogatory # 18

Ref: Exhibit A / Tab 1 / Page 56 / Table 20

In its 2017 Dawn Parkway Project (EB-2015-0116) Decision, the OEB approved the establishment of the Dawn H/Lobo D/ Bright C Compressor Project Costs Deferral Account to track the differences between the actual revenue requirement related to costs for the project and the revenue requirement included in rates.

Union has provided a table showing the total revenue requirement for 2016. In the calculation, Union has used a long-term debt rate of 4.0%. However, in all other projects (Parkway West, Brantford-Kirkwall/Parkway D, Lobo C Compressor/Hamilton-Milton Pipeline and Burlington-Oakville), the long-term debt rate ranges from 3.36% to 3.82%. Why has Union used a long-term debt rate of 4.0% for the Dawn H/Lobo D/Bright C Compressor project?

Interrogatory # 19

Ref: Exhibit A / Tab 2 / Page 4

Union has provided the utility earnings calculations and identified the items that have been excluded for arriving at utility earnings subject to sharing with ratepayers if the return on equity exceeds a certain threshold.

a) Did Union incur any costs related to the merger of Enbridge Inc. and Spectra Energy? If yes, please provide the costs for 2016.
b) If merger costs are included in the calculation to determine utility earnings subject to sharing with ratepayers, please provide a revised calculation excluding merger costs.

Interrogatory # 20

Ref: Exhibit A / Tab 2 / Appendix A / Schedules 5 and 10

Union has provided weather normalized throughput volume by service type and rate class for 2015 and 2016. The system sales volume for Rate 25 shows a significant decline in 2016 as compared to 2015 (2015 – 93,474, 2016 – 45,558 10^3m^3)

Please provide reasons for the significant decline in Rate 25 throughput volume for 2016 considering that the number of Rate 25 customers has increased in 2016 over 2015, from 31 to 39.

Interrogatory # 21

Ref: Exhibit A / Tab 2 / Appendix A / Schedule 13 / Line Item 15

Schedule 13 provides the actual Operations and Maintenance expenses by cost type for the years 2015 and 2016.

For the line item “Donations”, please confirm that there are no political donations included in this cost type for 2016. If yes, please provide the amount representing political donations.

Interrogatory # 22

Ref: Exhibit A / Tab 2 / Appendix D / Page 8

The OEB approved minimum standard for reconnecting customers is 85% of customers reconnected within two business days of bringing their accounts into good standing. The performance of Union for the month of February 2016 was 71%.

Please provide reasons as to why Union was unable to meet the minimum standard.

Interrogatory # 23

Ref: Exhibit A / Tab 3

Union has proposed the allocation of 2016 deferral account balances between the different rate classes.

Does the change to the Dawn Reference Price and creation of new delivery areas impact the logical allocation of account balances in any of the deferral accounts that Union is seeking to dispose of in this application? If yes, please provide details.

Interrogatory # 24

Ref: Exhibit A / Tab 3 / Pages 10-11 and Tab 3 / Appendix A / Schedule 3

Union provided general service bill impacts on page 10 of Tab 3 and in a table in Appendix A / Schedule 3. The bill impacts for Rate M1 and Rate 01 stated on pages 10 and 11 of Tab 3 are different from that stated in Appendix A, Schedule 3 (M1 – $13.34 and $13.61 and Rate 01 – $35.06 and $35.56). Union has proposed to dispose of the net 2016 deferral account balances prospectively over a six-month period beginning October 1, 2017.

a) Please reconcile the two rate impacts (Tab 3 pages 10-11 and Appendix A, Schedule 3) and provide reasons for the difference.
b) Please provide the estimated monthly bill impact for a typical residential customer (North and South) assuming the deferral account balances are disposed of over a one year period.

Interrogatory # 25

Ref: Exhibit A / Tab 4 / Page 14 / Lines 13-21

The evidence states that in late April 2016, Vector was able to offer capacity for June 2017 through October 2017 due to a delay in the start date of contracts underpinning their Rover/NEXUS projects.

a) Please provide an update on the NEXUS project and explain how a delay may impact Union's gas supply plan.
b) Has Union developed any contingency plans to address the probable delay of the completion of the NEXUS project?
c) Please provide the list of open seasons providing competing supplies that Union did not participate in under the expectation of receiving supplies from NEXUS.