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June 19, 2017

Delivered by Email, RESS & Courier

Ms. Kirsten Walli
Board Secretary
Ontario Energy Board
2300 Yonge Street
27th Floor, Box 2319
Toronto, ON M4P 1E4

Dear Ms. Walli:

Re: Written Interrogatories of the Association of Power Producers of Ontario ("APPrO") Board File No. EB-2017-0091

Pursuant to Procedural Order No. 1 in the above referenced proceeding, please find enclosed the written Interrogatories of APPrO to Union Gas Limited.

Should you have any questions or require further information in this regard, please do not hesitate to contact me.

Yours very truly,

BORDEN LADNER GERVAIS LLP

Per:

Original signed by John A.D. Vellone

John A.D. Vellone

cc: David Butters, APPrO
John Wolnik, Elenchus
Karen Hockin, Union Gas Limited
Crawford Smith, Torys LLP
All Intervenors to EB-2017-0091

ONTARIO ENERGY BOARD

IN THE MATTER OF the *Ontario Energy Board Act, 1998*, S.O. 1998, c. 15, Sched. B, as amended;

AND IN THE MATTER OF an Application by Union Gas Limited pursuant to section 36(1) of the *Ontario Energy Board Act, 1998*, for an order or orders clearing certain non-commodity related deferral accounts and sharing utility earning pursuant to a Board-approved earnings sharing mechanism.

EB-2017-0091

Interrogatories from

The Association of Power Producers of Ontario (APPrO)

June 19, 2017

Interrogatories to Union Gas Limited ("Union")

APPrO-1

Account No. 179-135 Unaccounted for Gas ("UFG") Volume Deferral

Reference: Exhibit A, Tab 1, Page 27; Exhibit A, Tab 3, Page 3.

Preamble: Union's UFG increased from 0.219% in 2015, to 0.427% in 2016.

Union is seeking to recover a portion of the costs over the threshold amount, associated with an increase in UFG volumes. Union also proposes to allocate the deferral balances in proportion to the 2013 Board approved allocation methodology.

Questions:

(a) Please explain the 2013 Board approved allocation methodology.

(b) Given the current operating conditions, does Union believe that there is a more equitable allocation methodology to allocate these variances? Please explain in full and if Union believes that there is a more equitable allocation of UFG, please explain the methodology and the impact to all rate classes.

(c) Please provide UFG volumes and throughput volumes by rate class for each of the last 5 years.

(d) Please provide a description of the various changes in metering that occurred in and around Parkway and Kirkwall over the last several years, including whether any of the meters are bi-directional and provide custody transfer measurement in each direction.

(e) Please provide Union's view if any of these metering changes could have contributed to the increase in UFG volumes. Please roughly quantify the impact of these metering changes on UFG volumes (estimates would be sufficient).

(f) Have any meter witness tests or other internal metering checks resulted in unusual accuracy results?

(g) Does Union have any explanation of the reasons for the significant increase in UFG percentage in 2016?

(h) In light of the doubling of UFG since 2015, what increased measures has Union implemented to reduce the amount of UFG in the future.

(i) Does Union plan any further measures to manage and reduce UFG?

APPrO-2

Account No. 179-136 Parkway West Project Costs

Reference: Exhibit A, Tab 1, Pages 28-36.

Preamble: Project-to-date capital costs for the Parkway West Project are shown in Table 13 to be more than $8.571m over forecast. Specifically, Table 13 shows that $228.0 million in capital costs have been incurred to-date, while only $219 million was approved in EB-2012-0433.

In approving the Parkway West project in EB-2012-0433, the Board said (**emphasis added**):

> *The Board's approval of cost recovery is subject to two important limitations. First, the Board is only pre-approving recovery of costs up to the current estimate of $219 million. None of the parties took issue with Union's cost projection of $219 million for the Parkway West Project and the Board considers the cost projection to be a reasonable estimate in the circumstances. Second, the costs will only be incorporated into rates when the project is completed and in-service. This provides reasonable assurance that ratepayers are not exposed to costs prematurely.*
>
> *No party took specific issue with Union's request for a deferral and variance account, and the Board finds that it is appropriate to use an account to track any difference between the estimated cost and actual cost. The request for a deferral and variance account is granted.*
>
> ***The Board wishes to emphasize that any excess costs over and above the pre-approved amount will be examined at Union's next rates application after the completion of the project. As evidence tendered in the proceeding showed, Union has experienced cost overruns on several of its past compressor projects and therefore the Board will be looking to the utility to rigorously control its expenditures on this project.***

Questions:

(a) Please confirm that the Parkway West Project "is completed and in-service" within the meaning of EB-2012-0433.

(b) Union included Table 13 "for additional reference only."

i. Please confirm that Union is not seeking recovery of any capital costs in this Application in excess of the $219 million approved in EB-2012-0433.

ii. Please confirm when Union believes it would be appropriate for the Board to assess the prudence associated with the $8.571 million over-expenditure in accordance with the principles established in EB-2012-0433.

iii. Please provide a full and complete description of any and all "rigorous" cost control measures that Union used to manage the Parkway West Project capital costs as directed by the Board in EB-2012-0433.

a. Did Union undertake competitive procurements for each aspect of the Parkway West Project? If no, please explain why ratepayers should be expected to pay a premium above competitively tendered pricing?

iv. For each cost control measures referred to in the response above, please explain in detail the specific measures that were implemented.

v. Please explain what other steps, if any, Union took to manage and minimize capital costs associated with the Parkway West Project in a manner that maximizes value for ratepayers.

APPrO-3

Account No. 179-152 Greenhouse Gas Emissions Impact Deferral Account

Reference: Exhibit A, Tab 1, Pages 66-78.

Preamble: Union is seeking recovery of $2.232 million from ratepayers for cost impacts of government regulations related to greenhouse gas emissions. Those costs include 13.5 FTEs that were allocated to incremental work associated with cap-and-trade compliance obligations.

In EB-2016-0300, Enbridge Gas Distribution Inc. ("Enbridge") forecasted its GHG compliance obligation of 21.1 million tonnes of CO2e (Exhibit B, Tab 3, Schedule 1 at page 5). Enbridge proposed meeting this obligation by more efficiently utilizing existing staff. Enbridge proposes to hire a total of 7 incremental FTEs.

Questions:

(a) What is Union's forecasted compliance obligation (in tonnes of CO2e) for 2017?

(b) Please indicate whether Union has taken any steps to more efficiently utilize existing resources prior to hiring any incremental FTEs associated with cap-and-trade? If yes, please explain what steps were taken?

(c) Please explain how the options available to Union to meet its cap-and-trade compliance obligations are different from, or similar to, the options available to Enbridge.

APPrO-4

Account No. 179-152 Greenhouse Gas Emissions Impact Deferral Account ("GGEIDA")

Reference: Exhibit A, Tab 1, Pages 66-78.

Preamble: On June 21, 2016, APPrO made the following submissions in the Board's Consultation to Develop a Regulatory Framework for Natural Gas Distributors' Cap and Trade Compliance Plans (EB-2015-0363) (emphasis added):

> "**At any rate, adjustments that occur must only occur prospectively, i.e., variances must be rolled forward to be included in future periods. There cannot be any "one-time" adjustments or true ups representing past variances and customer activity.** Generators make the commercial decision to operate based on their marginal operating costs. If a cost is restated after the fact, it is no longer a marginal operating cost but a "one-time" fixed cost. Ontario's current electricity market structure makes it difficult to recover this type of cost and therefore goes against the intent of the C&T program as it does not provide the appropriate price signal to the consumer. Any variances must be included in, or rolled forward, for computing and establishing the new rates for future periods. **This is especially important for settlement of contracts between the IESO and generators which underpinned the significant investments in the electricity sector in order to reduce its carbon footprint.**"

The Board incorporated APPrO's feedback directly into the Report of the Board, *Regulatory Framework for the Assessment of Costs of Natural Gas Utilities' Cap and Trade Activities*, EB-2015-0363 dated September 26, 2016 (the "**Framework**") at Section 6.2.1 (emphasis added):

> "The OEB also believes that deferral account balances should be apportioned between customer-related and facility-related obligations and, **to avoid any market distortions, the balances should be administered on a prospective basis, not a retroactive basis**."

Questions:

(a) Please describe Union's proposed disposition methodology for the GGEIDA.

(b) For the GGEIDA and referencing the Framework, is Union proposing a "one-time" retroactive adjustment or a forward looking prospective adjustment?

(c) Did Union consider the market distortions that would be created for natural gas fired generators by a one-time retroactive disposition, as identified by the Independent Electricity System Operator in its May 19, 2017 submissions in EB-2016-0296/EB-2016-0300?

(d) Please explain to the Board panel what market distortions Union is aware of that might arise under Union's proposed disposition methodology?

(e) Please explain what alternative disposition approaches are available to Union to mitigate those market distortions?

(f) Please explain whether, for each of these alternative approaches, they could be implemented in a way to ensure that Union is held whole under such a disposition approach?

(g) Please identify any other factors which the Board should be aware of when considering any alternative approaches? Please provide evidence to quantify each such factor based on actual data, to the extent available.