

November 16, 2017

VIA RESS AND COURIER

Ms. Kirsten Walli
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Dear Ms. Walli:

Re: EB-2017-0087 – Union Gas Limited (Union) 2018 Rates Application.

Industrial Gas Users Association (IGUA) Interrogatories for Union.

On behalf of IGUA we enclose a short list of interrogatories on Union's pre-filed evidence in this matter.

We appreciate that these interrogatories are being filed late. We would ask that Union make reasonable efforts to provide responses, and certainly understand if those responses are provided subsequent to the responses to the interrogatories received from the other parties which were filed on time.

Yours truly,



Ian A. Mondrow

c: A. Stiers (Union)
C. Smith (Torys)
S. Rahbar (IGUA)
K. Viraney (Board Staff)
Intervenors of Record

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ONTARIO ENERGY BOARD

UNION GAS LIMITED

**Application for natural gas distribution, transmission
and storage rates commencing January 1, 2018.**

INTERROGATORIES TO UNION GAS LIMITED (Union)

from

INDUSTRIAL GAS USERS ASSOCIATION (IGUA)

1. **Reference:** EB-2016-0186, Exhibit A, Tab 8.

In its Leave to Construct application for the Panhandle Reinforcement Project Union proposed to allocate Panhandle reinforcement costs to rate classes based on Panhandle System Design Day demands.

Reference: Rate Order Appendix G, page 7.

Union provides proposed 2018 Revenue Requirement Allocation to Rate Classes of the Panhandle Reinforcement Project, allocated by combined Panhandle/St. Clair design day demands.

Question:

IGUA wishes to compare the 2018 revenue requirement allocation impact of the currently proposed allocation of Panhandle Reinforcement Project costs as compared to the allocation proposed by Union in the Panhandle Reinforcement Leave to Construct proceeding.

Please reproduce the Rate Order Appendix G, page 7 table, adding the following columns:

- (i) Column (d): Total Revenue Requirement, EB-2016-0186 Proposed Allocation.
- (ii) Column (e): Incremental Project Revenue allocation to rate classes based on Panhandle System Design Day demands.
- (iii) Column (f): Net Revenue Requirement (d) – (e).

2. **Reference:** EB-2016-0186, Exhibit A, Tab 8.

In its Leave to Construct application for the Panhandle Reinforcement project Union proposed to allocate Panhandle reinforcement costs to rate classes based on Panhandle System Design Day demands.

Reference: Rate Order Working Papers, Schedule 3.

Union provides a Summary of 2018 Proposed Rates table.

Question:

IGUA wishes to compare the 2018 rate impact of the currently proposed allocation of Panhandle Reinforcement Project costs as compared to the allocation proposed by Union in the Panhandle Reinforcement Leave to Construct proceeding.

Please provide a table that reproduces the following columns from the Summary of 2018 Proposed Rates table;

- (i) Line No.
- (ii) Particulars
- (iii) Column (k)
- (iv) Column (o)
- (v) Column (p)

and adds the following columns;

- (vi) Column (q) 2018 Capital Pass-Throughs calculated using the Panhandle Reinforcement Project allocation methodology proposed by Union in the Panhandle Reinforcement Leave to Construct proceeding.
- (vii) Column (r) "Proposed Rates" using the allocation in Column (q) above.
- (viii) Column (s) "Rate Change (%)" using the allocation in Column (q) above.

3. **Reference:** EB-2016-0186, Exhibit A, Tab 8.

In its Leave to Construct application for the Panhandle Reinforcement Project Union proposed to allocate Panhandle reinforcement costs to rate classes based on Panhandle System Design Day demands.

Reference: Rate Order Working Papers, Schedule 10, page 1.

Union provides a Summary of 2018 Capital Pass-Through Adjustments.

Question:

IGUA wishes to compare the 2018 capital pass-through adjustments resulting from the currently proposed allocation of Panhandle Reinforcement Project costs as compared to the adjustments that would result from the allocation of Panhandle Reinforcement Project costs proposed by Union in the Panhandle Reinforcement Leave to Construct proceeding.

Please provide a table that includes the information provided in the Summary of 2018 Capital Pass-Through Adjustments table (page 1 of 2), plus the following additional columns grouped under the heading “Panhandle Reinforcement Cost Panhandle Design Day Demand Allocation”;

- (i) Column (e): Delivery (allocating Panhandle Reinforcement Project costs by Panhandle design day demand).
- (ii) Column (f): Transportation (allocating Panhandle Reinforcement Project costs by Panhandle design day demand).
- (iii) Column (g): Storage (allocating Panhandle Reinforcement Project costs by Panhandle design day demand).
- (iv) Column (h) = (e) + (f) + (g)

and the following additional column;

- (v) Column (i): “Difference” = (h) – (d)

4. **Reference:** EB-2016-0186 Decision and Order, pages 8-11.

In the Panhandle Reinforcement Project Leave to Construct application the Board determined that it would not approve Union’s proposal for a revised (Panhandle System design day demand) cost allocation methodology for Panhandle Reinforcement Project cost recovery. In addressing this cost allocation proposal, and a proposal to depreciate the project over a 20 year period in lieu of a more conventional useful life period, the Board stated:

A comprehensive review is required for parties to test, and the OEB to assess, the merits and implications of these two proposals, and this should be at Union’s next cost of service or customer IR Application.

While these proposals may have merit, they cannot be adequately considered during the IRM term, for one project in isolation. ...

A proper review of these issues will need to include the full range of possible amortization periods, and the impacts on all customer classes of a change to the cost allocation methodology.

Question:

- (a) Please confirm that Union is proposing to defer a cost of service review for a period of at least 10 years, as part of its now filed MAADs application (EB-2017—0306).
- (b) Please confirm that Union has no current plan to undertake a full cost allocation study.
- (c) Please indicate whether Union still believes it to be appropriate to allocate Panhandle Reinforcement costs on the basis of Panhandle System design day demands.
- (d) Please discuss the impacts on all customer classes of allocation of Panhandle Reinforcement costs on the basis of Panhandle System design day demands, compared to the currently proposed combined Panhandle/St. Clair design day demands allocation approach.
- (e) Which approach to allocation of Panhandle Reinforcement costs – Panhandle System design day demands or combined Panhandle/St. Clair systems design day demands - does Union believe better reflects “user pay”, “cost causality” and equity/fairness principles of ratemaking. Please explain Union’s views provided in response.

5. **Reference:** Exhibit A, Tab 1, page 14.

Union is proposing to update the Rate M12 Schedule “C” to include the fuel ratio and fuel rate for westerly transportation from Kirkwall to Dawn available under the M12-X service.

Question:

How are fuel costs currently recovered from customers transporting gas from Kirkwall to Dawn under the M12-X service?

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