



November 21, 2017

BY COURIER & RESS

Ms. Kirsten Walli  
Board Secretary  
Ontario Energy Board  
2300 Yonge Street, 27<sup>th</sup> Floor  
Toronto, ON M4P 1E4

**RE: EB-2017-0087 – Union Gas Limited (“Union”) – 2018 Rates – Interrogatory Responses**

Dear Ms. Walli:

In addition to Union’s responses to interrogatories submitted to the Ontario Energy Board (“OEB”) on November 20, 2017 please find attached Union’s responses to interrogatories submitted on behalf of Industrial Gas Users Association (“IGUA”) for the above proceeding.

If you have any questions with respect to this submission please contact me at 519-436-4558.

Yours truly,

*[original signed by]*

Adam Stiers  
Manager, Regulatory Initiatives

cc: Crawford Smith (Torys)  
EB-2017-0087 Intervenors

UNION GAS LIMITED

Answer to Interrogatory from  
Industrial Gas Users Association ("IGUA")

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.

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).

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**Response:**

Please see Attachment 1.

UNION GAS LIMITED  
Panhandle Reinforcement Project 2018 Revenue Requirement Allocation to Rate Classes

Line No.	Particulars	As Filed			Updated for Exhibit B.IGUA.1		
		Total Revenue Requirement (\$000's) (1)	Incremental Project Revenue (\$000's) (2)	Net Revenue Requirement (\$000's) (c) = (a - b)	Total Revenue Requirement (\$000's) (3)	Incremental Project Revenue (\$000's) (4)	Net Revenue Requirement (\$000's) (f) = (d - e)
		(a)	(b)	(c) = (a - b)	(d)	(e)	(f) = (d - e)
1	Rate M1	2,563	648	1,915	6,794	1,248	5,546
2	Rate M2	1,314	221	1,092	2,751	425	2,326
3	Rate M4	1,585	237	1,348	3,021	437	2,585
4	Rate M5	(40)	3	(43)	(14)	7	(21)
5	Rate M7	489	73	415	876	126	750
6	Rate M9	(2)	-	(2)	(2)	-	(2)
7	Rate M10	(0)	-	(0)	(0)	-	(0)
8	Rate T1	1,209	180	1,029	1,002	150	851
9	Rate T2	8,837	1,295	7,542	4,695	711	3,984
10	Rate T3	(7)	-	(7)	(7)	-	(7)
11	Subtotal - Union South	15,948	2,658	13,290	19,116	3,104	16,012
12	Excess Utility Space	(35)	-	(35)	(35)	-	(35)
13	Rate C1	2,706	368	2,338	82	-	82
14	Rate M12	(191)	-	(191)	(191)	-	(191)
15	Rate M13	0	-	0	0	-	0
16	Rate M16	528	77	451	(16)	-	(16)
17	Subtotal - Ex-franchise	3,009	445	2,564	(159)	-	(159)
18	Rate 01	(941)	-	(941)	(941)	-	(941)
19	Rate 10	(131)	-	(131)	(131)	-	(131)
20	Rate 20	(99)	-	(99)	(99)	-	(99)
21	Rate 100	(77)	-	(77)	(77)	-	(77)
22	Rate 25	(29)	-	(29)	(29)	-	(29)
23	Subtotal - Union North	(1,277)	-	(1,277)	(1,277)	-	(1,276)
24	Gas Supply Admin	(3)	-	(3)	(3)	-	(3)
25	In-franchise (line 11 + line 23 + line 24)	14,668	2,658	12,010	17,836	3,104	14,733
26	Ex-franchise (line 17)	3,009	445	2,564	(159)	-	(159)
27	Total	17,677	3,104	14,574	17,677	3,104	14,574

Notes:

- (1) Rate Order, Appendix G, p. 7, column (a).
- (2) Rate Order, Appendix G, p. 7, column (b).
- (3) EB-2016-0186, Exhibit A, Appendix B, Schedule 4, column (a).
- (4) Allocation of Incremental Project Revenue to rate classes based on 2013 Panhandle System design day demands updated to include the 2018 demands of the Panhandle Reinforcement Project.

UNION GAS LIMITED

Answer to Interrogatory from  
Industrial Gas Users Association ("IGUA")

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.

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.

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**Response:**

Please see Attachment 1.

UNION GAS LIMITED  
Summary of 2018 Proposed Rates

Line No.	Particulars	Current Approved Rates (1)	As Filed (2)			Updated for Exhibit B.IGUA.2		
		(cents / m <sup>3</sup> )	2018 Capital Pass-Throughs (\$000's)	Proposed Rates (cents / m <sup>3</sup> )	Rate Change (%)	2018 Capital Pass-Throughs (\$000's)	Updated Rates (cents / m <sup>3</sup> )	Updated Rate Change (%)
		(a)	(b)	(c)	(d) = (c-a)/a	(e)	(f)	(g) =(f-a)/a
<u>North Delivery</u>								
1	Rate 01	17.5559	(8,971)	18.0596	2.9%	(8,971)	18.0596	2.9%
2	Rate 10	6.1303	(1,090)	6.3664	3.9%	(1,090)	6.3664	3.9%
3	Rate 20	2.2403	(911)	2.2421	0.1%	(911)	2.2421	0.1%
4	Rate 25	2.7201	(285)	2.7076	-0.5%	(285)	2.7076	-0.5%
5	Rate 100	0.8392	(778)	0.8380	-0.1%	(778)	0.8380	-0.1%
6	Total North Delivery		<u>(12,034)</u>			<u>(12,034)</u>		
<u>South Delivery &amp; Storage</u>								
7	Rate M1	14.1538	(5,197)	14.8650	5.0%	(1,566)	14.9943	5.9%
8	Rate M2	5.4475	2,787	5.9089	8.5%	4,021	6.0232	10.6%
9	Rate M4	4.2933	1,970	4.8857	13.8%	3,207	5.2502	22.3%
10	Rate M5A	2.9291	(671)	3.0125	2.8%	(649)	3.0174	3.0%
11	Rate M7	3.9255	739	4.5554	16.0%	1,073	4.8359	23.2%
12	Rate M9	1.6844	149	1.7259	2.5%	149	1.7259	2.5%
13	Rate M10	6.7289	3	7.1737	6.6%	3	7.1737	6.6%
14	Rate T1	2.2725	1,378	2.5070	10.3%	1,201	2.4720	8.8%
15	Rate T2	1.1308	11,379	1.3139	16.2%	7,821	1.2360	9.3%
16	Rate T3	2.4820	1,091	2.5708	3.6%	1,091	2.5708	3.6%
17	Total South Delivery & Storage		<u>13,628</u>			<u>16,351</u>		
18	Total In-Franchise Delivery		<u>1,594</u>			<u>4,317</u>		

Notes:

- (1) EB-2017-0278, Appendix A, rates effective October 1, 2017 (excluding Price Adjustments and Cap-and-Trade unit rates).  
(2) Rate Order, Working Papers, Schedule 3, columns (k), (o), and (p), respectively.

UNION GAS LIMITED  
Summary of 2018 Proposed Rates

Line No.	Particulars	Current Approved Rates (1)	As Filed (2)			Updated for Exhibit B.IGUA.2		
		(cents / m <sup>3</sup> )	2018 Capital Pass-Throughs (\$000's)	Proposed Rates (cents / m <sup>3</sup> )	Rate Change (%)	2018 Capital Pass-Throughs (\$000's)	Proposed Rates (cents / m <sup>3</sup> )	Rate Change (%)
		(a)	(b)	(c)	(d) = (c-a)/a	(e)	(f)	(g) =(f-a)/a
<u>North Transportation &amp; Storage</u>								
1	Rate 01	9.5289	6,081	9.9568	4.5%	6,081	9.9568	4.5%
2	Rate 10	7.5561	1,562	7.9375	5.0%	1,562	7.9375	5.0%
3	Rate 20	6.5571	405	6.6286	1.1%	405	6.6286	1.1%
4	Rate 25	1.6229	(6)	1.5784	-2.7%	(6)	1.5784	-2.7%
5	Rate 100	-	25	-		25	-	0.0%
6	Total North Transportation & Storage		<u>8,066</u>			<u>8,066</u>		
7	Gas Supply Admin Charge		<u>(100)</u>			<u>(100)</u>		
8	Total In-Franchise		<u>9,560</u>			<u>12,283</u>		
<u>Ex-Franchise</u>								
9	Rate M12		114,965		14.0%	114,965		14.0%
10	Rate M13		(2)		1.1%	(2)		1.1%
11	Rate M16		441		63.7%	(26)		-2.0%
12	Rate C1		4,670		5.9%	2,415		1.1%
13	Total Ex-Franchise		<u>120,074</u>			<u>117,351</u>		
14	Total In-Franchise & Ex-Franchise		<u>129,633</u>			<u>129,633</u>		

Notes:

- (1) EB-2017-0278, Appendix A, rates effective October 1, 2017 (excluding Price Adjustments and Cap-and-Trade unit rates).  
(2) Rate Order, Working Papers, Schedule 3, columns (k), (o), and (p), respectively.

UNION GAS LIMITED

Answer to Interrogatory from  
Industrial Gas Users Association ("IGUA")

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.

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)

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**Response:**

Please see Attachment 1.



UNION GAS LIMITED  
Summary of 2018 Capital Pass-Through Adjustments  
Related to Parkway Projects, Burlington - Oakville Pipeline, 2016 Dawn Parkway, 2017 Dawn Parkway, and Panhandle Reinforcement

Line No.	Particulars (\$000s)	As Filed (1)				Updated for Exhibit B.IGUA.3				Difference (i) = (h - d)
		Delivery	Transportation	Storage	Total	Delivery	Transportation	Storage	Total	
		(a)	(b)	(c)	(d) = (a + b + c)	(e)	(f)	(g)	(h) = (e + f + g)	
<u>Union North In-franchise</u>										
1	Rate 01	(8,971)	104	5,977	(2,890)	(8,971)	104	5,977	(2,890)	-
2	Rate 10	(1,090)	(3)	1,564	472	(1,090)	(3)	1,564	472	-
3	Rate 20	(911)	(13)	418	(506)	(911)	(13)	418	(506)	-
4	Rate 25	(285)	(6)	-	(291)	(285)	(6)	-	(291)	-
5	Rate 100	(778)	(4)	29	(752)	(778)	(4)	29	(752)	-
6	Total Union North In-Franchise	(12,034)	77	7,989	(3,968)	(12,034)	77	7,989	(3,968)	-
<u>Union South In-franchise</u>										
7	Rate M1	(3,290)	-	(1,907)	(5,197)	341	-	(1,907)	(1,566)	3,631
8	Rate M2	3,437	-	(650)	2,787	4,671	-	(650)	4,021	1,234
9	Rate M4	2,086	-	(116)	1,970	3,323	-	(116)	3,207	1,237
10	Rate M5A	(569)	-	(102)	(671)	(547)	-	(102)	(649)	22
11	Rate M7	782	-	(43)	739	1,116	-	(43)	1,073	334
12	Rate M9	165	-	(15)	149	165	-	(15)	149	-
13	Rate M10	3	-	(0)	3	3	-	(0)	3	-
14	Rate T1	1,446	-	(68)	1,378	1,269	-	(68)	1,201	(178)
15	Rate T2	11,679	-	(300)	11,379	8,121	-	(300)	7,821	(3,558)
16	Rate T3	1,174	-	(83)	1,091	1,174	-	(83)	1,091	-
17	Total Union South In-franchise	16,915	-	(3,286)	13,628	19,637	-	(3,286)	16,351	2,723
<u>Ex-franchise</u>										
18	Excess Utility Space	-	(44)	(249)	(293)	-	(44)	(249)	(293)	-
19	Rate M12	-	116,666	-	116,666	-	116,666	-	116,666	-
20	Rate M13	-	(2)	-	(2)	-	(2)	-	(2)	-
21	Rate M16	-	441	-	441	-	(26)	-	(26)	(468)
22	Rate C1	-	3,261	-	3,261	-	1,006	-	1,006	(2,255)
23	Total Ex-franchise	-	120,322	(249)	120,074	-	117,599	(249)	117,351	(2,723)
24	Total (line 6 + line 17 + line 23)	4,880	120,400	4,454	129,734	7,603	117,677	4,454	129,734	-
25	Gas Supply Admin				(100)				(100)	-
26	Total In-franchise and Ex-franchise (2)				129,633				129,633	

Notes:

- (1) Rate Order, Working Papers, Schedule 10, p. 1.
- (2) Sum of projects from EB-2012-0433/EB-2013-0074 Parkway Projects, EB-2014-0182 Burlington Oakville, EB-2014-0261 Dawn Parkway 2016 Expansion, EB-2015-0200 2017 Dawn Parkway Project, and EB-2016-0186 Panhandle Reinforcement.

UNION GAS LIMITED

Answer to Interrogatory from  
Industrial Gas Users Association (“IGUA”)

Reference: EB-2016-0186 Decision and Order, pp.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.*

- 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.

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**Response:**

- a) The MAADs application in EB-2017-0306 includes a 10 year deferred rebasing period.
- b) Confirmed.
- c) As proposed in EB-2016-0186, Union believes the allocation of the Panhandle Reinforcement Project (“Project”) costs in proportion to Panhandle System design day demands is an appropriate interim allocation for the remainder of the 2014-2018 IRM term. Union proposed this allocation to more appropriately reflect cost causation principles by allocating the Project costs to rate classes that use the Panhandle System and drove the need for the Project.

The OEB-approved cost allocation methodology of Ojibway/St. Clair demand costs is based on the combined Panhandle System and St. Clair System. Union maintains the OEB-approved cost allocation methodology is no longer appropriate for the Panhandle System and St. Clair System costs because the addition of the Project costs creates a large difference in the cost per unit of demand between the Panhandle System and St. Clair Systems and no longer reflects the costs to serve the St. Clair System or ex-franchise Rate C1 and Rate M16 customers.

In the EB-2016-0186 Decision, the OEB did not approve Union’s proposed interim cost allocation for the Project and deferred the review of a change in cost allocation until Union’s next cost of service or custom IR application. Subsequent to the OEB Decision, Union and Enbridge Gas Distribution filed a MAADs application including a 10 year deferred rebasing period (EB-2017-0306). Union intends to address concerns with the cost allocation of all Panhandle System and St. Clair System costs in its 2019 Rates application.

- d) Please see Exhibit B.IGUA.2, Attachment 1 for the unit rate impact and Exhibit B.IGUA.3, Attachment 1 for the total cost allocation impact of allocating the Project costs based on the current approved cost allocation of the combined Panhandle System and St. Clair System design day demands as included in 2018 Rates compared to the Panhandle System design day demands only.

The Panhandle System and St. Clair System have significantly different proportions of design day demands by rate class as compared below:

Table 1  
Comparison of the St. Clair and Panhandle System Design Day Demands

Line No.	Rate Class	Design Day Demands		OEB-Approved Cost Allocation	Difference
		St. Clair	Panhandle	As-Filed (3)	
		System (1)	System (2)		
		(%)	(%)	(%)	(%)
		(a)	(b)	(c)	(d) = (c-b)
1	Rate M1	7%	40%	21%	-19%
2	Rate M2	2%	14%	7%	-7%
3	Rate M4	0%	14%	7%	-7%
4	Rate M5	-	0%	0%	0%
5	Rate M7	-	4%	2%	-2%
6	Rate T1	9%	5%	6%	1%
7	Rate T2	82%	23%	42%	19%
8	Total In-franchise	100%	100%	85%	-15%
9	Rate C1	-	-	13%	13%
10	Rate M16	-	-	3%	3%
11	Total Ex-franchise	-	-	15%	15%
12	Total	100%	100%	100%	-

Notes:

- (1) Percentages by rate class derived from Exhibit B.CME.1, Attachment 1, line 15.
- (2) Percentages by rate class derived from Exhibit B.CME.1, Attachment 1, line 14 + line 16.
- (3) Percentages by rate class derived from Exhibit B.CME.1, Attachment 1, line 18.

The use of the OEB-approved cost allocation methodology, as compared to the Panhandle System design day demands results in a greater allocation of Project costs to Rate T2 because of the higher Rate T2 demands on the St. Clair System (Table 1, line 7). Using the approved cost allocation based on the combined system design day demands results in an allocation to Rate T2 that is not representative of the use of the Panhandle System by Rate T2 customers, as the design day demands of the St. Clair System do not drive the Project costs. The greater allocation of Project costs to Rate T2 is offset by a lower allocation to Rate M1 (Table 1, line 1).

The use of the OEB-approved cost allocation methodology also allocates significant costs to ex-franchise Rate C1 and Rate M16, which results in a rate increase of over 200% for Rate C1 transportation services between Dawn and Ojibway, St. Clair and Bluewater as well as Rate M16 transportation to/from storage pools located west of Dawn. These transportation

services had no impact on the need for the Project, as the ex-franchise demands flow easterly to Dawn and are counter flow to the westerly peaking Panhandle design day demands.

- e) Allocating the Project costs using only the Panhandle System design day demands better reflects the principle of cost causality by rate class than the current approved cost allocation methodology which uses the combined Panhandle System and St. Clair System design day demands as explained in part c) and part d).

UNION GAS LIMITED

Answer to Interrogatory from  
Industrial Gas Users Association ("IGUA")

Reference: Exhibit A, Tab 1, p.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.

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

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**Response:**

Please refer to Exhibit B.Staff.5 part b).