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March 12, 2018

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Montréal

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**SENT BY EMAIL AND COURIER**

Vancouver

Ontario Energy Board  
2300 Yonge Street, 27th Floor  
P.O. Box 2319  
Toronto, ON M4P 1E4  
Attention: Ms. K. Walli, Board Secretary

New York

Dear Ms. Walli:

**RE: EB-2017-0306 and EB-2017-0307  
Amalgamation of Enbridge Gas Distribution Inc. and Union Gas Limited  
Kitchener Utilities Interrogatories**

Please find enclosed the interrogatories of Kitchener Utilities for EB-2017-0306 and EB-2017-07, submitted in accordance with Procedural Order No. 3, dated March 1, 2018.

This document replaces the interrogatories filed by Kitchener Utilities on March 9, 2018. This version corrects an error in two of the cross-references between interrogatories.

Yours very truly,



Jeff St. Aubin

Copy: All Intervenors in EB-2017-0306 and EB-2017-0307

**EB-2017-0306 and EB-2017-0307**

**UNION GAS LIMITED/ENBRIDGE GAS DISTRIBUTION INC.  
MAAD APPLICATION AND RATE-SETTING APPLICATION  
INTERROGATORIES OF KITCHENER UTILITIES**

**March 9, 2018**

## **Exhibit 1 – MAAD Application**

### **1-Kitch-1**

Preamble:

Kitchener Utilities is the only customer in the T3 rate class. Since April 2011, Kitchener Utilities' T3 contract demand (Design Day Demand) has been 2,350,000 m<sup>3</sup>. However, as per Union's 2013 OEB-approved cost of service, the T3 Design Day Demand has been 2,511,000 m<sup>3</sup>. Since then, Union's capital project costs and PDO and PDCI costs have been allocated based on the higher Design Day Demand. Kitchener Utilities has incurred higher inappropriate charges as a result of being assigned the higher Design Day Demand, and if left uncorrected for a further ten years (the Applicants' deferred rebasing period), it will continue to incur inappropriate higher charges.

Questions:

- a) If the OEB grants the Applicants' request for approval of the amalgamation and a deferral of rebasing (for any period), would the Applicants correct the Design Day Demand parameter for 2019 rates, or at any point in the rebasing deferral period?
- b) If the answer to (a) above is "Yes" (i.e., the Applicants would correct the T3 Design Day Demand parameter), please explain when and how.
- c) If the answer to (a) above is "No" (i.e., the Applicants would not correct the T3 Design Day Demand parameter), please explain whether a deferral of rebasing would be appropriate in the context of this application, given the Board's requirement to ensure rates are just and reasonable.
- d) Given that Kitchener Utilities' contractual Design Day Demand is lower than the factor used in Union's 2013 cost of service:
  - i. Why didn't Union use the contractual Design Day Demand in its cost allocation?
  - ii. If the lower Design Day Demand had originally been used in Union's 2013 cost of service, please provide by year for each year since the 2013 cost of service:
    - A. the 'adjusted' Transportation by component cost impact for T3; and
    - B. Actual Transportation by component costs incurred by T3.

**1-Kitch-2**

Preamble:

The Applicants' Applications assumed that the Applicants were entitled to elect a 10-year rebasing deferral period. In its decision of March 1, 2018, the OEB disagreed, and the appropriateness of a deferral period (and if so, the length of the deferral period) is now an issue in this proceeding.

Questions:

- a) What is the Applicants' rationale for a ten-year rebasing deferral period?
- b) Will the Applicants still amalgamate if the OEB denies the Applicants' request to defer rebasing?

**Exhibit 2 – Rate-Setting Mechanism****2-Kitch-1**

Preamble:

Kitchener Utilities is the only customer in the T3 rate class. Since 2009, Kitchener Utilities' annual consumption has averaged 261.7 million m3, as follows:

<b>Year</b>	<b>Kitchener Annual Consumption (million m3)</b>
2009	264,173,992
2010	253,595,306
2011	264,031,939
2012	239,361,187
2013	273,597,001
2014	288,979,190
2015	263,235,038
2016	250,166,643
2017	258,356,034

However, per Union's 2013 OEB-approved cost of service, the T3 annual consumption used for cost allocation is 272,712,000 m3.

Questions:

- a) With the loss of significant demand due to recessions (closure of plants), the increase in heat-sensitive demand, etc, how and when will the reduced annual consumption be incorporated into the cost allocation factors?
- b) What method was used to calculate the annual volume consumption in the 2013 cost of service? Is that method still appropriate considering the fluctuating demand?
- c) If the OEB grants the Applicants' request for approval of the amalgamation and a deferral of rebasing (for any period), would the Applicants correct the T3 annual consumption parameter for 2019 rates, or at any point in the rebasing deferral period?
- d) If the answer to (c) above is "Yes" (i.e., the Applicants would correct the T3 annual consumption parameter), please explain when and how.
- e) If the answer to (c) above is "No" (i.e., the Applicants would not correct the T3 annual consumption parameter), please explain whether a deferral of rebasing would be appropriate in the context of this application, given the Board's requirement to ensure rates are just and reasonable.
- f) If the annual volume consumption has decreased and the lower annual volume consumption was used in the 2013 cost of service, please provide by year for each year since the 2013 cost of service:
  - i. the 'adjusted' Transportation by component cost impact for T3; and
  - ii. Actual Transportation by component costs incurred by T3.

**2-Kitch-2**

Preamble:

The Application indicates (EB-2017-0307, Exhibit B, Tab 1, p.31) that the Applicants intend to address the cost allocation of the Panhandle System and St. Clair System in its 2019 Rates Application. Union had proposed to do the same in the Panhandle leave to construction application (EB-2016-0186) but the OEB did not approve Union's proposals for a revised cost allocation methodology. The OEB found that the issue:

should be deferred to Union's next cost of service or custom IR application. It would be inconsistent to change the ... cost recovery for one project, while Union's other assets are ... recovered on different bases. 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 custom IR application.

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

Question:

- a) In light of the Board's decision in EB-2016-0186, will Union's proposal to address cost allocation for Panhandle include a full cost allocation study for 2019 rates? If not, why not?

## **2-Kitch-3**

Preamble:

The Application indicates (EB-2017-0307, Exhibit B, Tab 1, p.31) that the Applicants intend to address the cost allocation of the Panhandle System and St. Clair System in its 2019 Rates Application. Kitchener has previously raised the issue of cost allocation of certain projects to the T3 rate class, and was advised by the Board that the issue could be raised at Union's next cost-of-service proceeding (EB-2012-0451/EB-2012-0433/EB-2013-0074, p.12).

Questions:

- a) Please provide a breakdown of project costs allocated to T3 rate by year by project for:
  - i. Parkway West
  - ii. Brantford Kirkwall & Parkway D
  - iii. Burlington to Oakville
  - iv. Hamilton Milton pipeline / Lobo C
  - v. Lobo D, Bright C, Dawn H Compressor
- b) Please confirm the benefit to T3 rate class due to each project.
- c) Ref EB-2011-0210, IRR J.H-1-8-1, Attachment 1. Please identify and quantify for rate T3, each major component of the demand related costs which the monthly demand charge is intended to recover by year for each year from 2013 to 2018 comparable to Attachment 1. Please include percentage increase/decrease by year and a cumulative variance over the same time frame.
- d) Has there been any significant increase in Transportation Monthly Demand Charge since 2013?
  - i. If yes, please provide the reason(s) why the monthly demand charge for transportation service increased since the 2013 cost of service

- e) Please confirm that the allocation of costs from the above projects is the primary reason for Kitchener Utilities' annual transportation monthly demand charges having increased from approximately \$2.6 million in 2011 to over \$5 million in 2018.
  
- f) Please confirm that if the Applicants' rebasing proposal is accepted by the Board, Kitchener Utilities would be precluded from raising their cost allocation concerns with respect to these projects until 2029.
  - i. If not confirmed, please indicate when and how Kitchener Utilities could bring these concerns to the Board for adjudication.
  - ii. If confirmed, please explain how a deferral of rebasing would be appropriate in the context of this application, given the Board's requirement to ensure rates are just and reasonable.
  - iii. If confirmed, please explain how it is acceptable for cross subsidization to continue for an additional 10 years causing price harm to T3.