ENBRIDGE GAS DISTRIBUTION INC. AND UNION GAS LIMITED

Answer to Interrogatory from
TransCanada Pipelines Limited ("TCPL")

MAADs Issues List – Issue No. 5

Reference: EB-2017-0306/EB-2017-0307, Issues List (Procedural Order 3)
EB-2017-0087, Decision and Rate Order, Page 8
EB-2010-0207, Decision and Order, Page 7
EB-2011-0210, Decision and Order, October 24, 2012, Pages 59,63

Preamble:

In Reference 1, MAADs Application Issue #5 reads:

> "*What commitments to future action have the utilities made during their respective 2013-2018 rate plan terms, what other rate setting issues merit attention now (including cost allocation issues), and when and how are these commitments and issues to be addressed?*"

In Reference 2, the Ontario Energy Board states that:

> *"The issue of the allocation of these costs on a going-forward basis to Union rate classes will be dealt with in Union's 2019 rates proceeding as provided by the OEB decision in the Panhandle leave to construct decision. […]*
>
> *The OEB is of the view that any change to the existing cost allocation model should be done with the assistance of a comprehensive system-wide full cost allocation study. Cost allocation is a zero sum exercise. […] The OEB will not vary the Panhandle leave to construct decision that declined to change the cost allocation methodology for Panhandle Project costs and directed that any change should be considered in the next Union rates proceeding."*

In Reference 3, the Ontario Energy Board states that:

> *"The Board finds that the proposed rate design for the Dawn to Dawn-TCPL transportation service is appropriate. Given the uncertainty regarding the demand beyond the initial 5-year term, the Board agrees with Union that the capital costs of $3.3 million should be recovered entirely over the 5-year term of the contract and therefore approves the depreciation methodology proposed by the Applicant."*

In Reference 4, the Ontario Energy Board approved Union's proposal to:

> *"[…] directly assign the measuring and regulating gross plant, accumulated depreciation, and depreciation expense [of Dawn to Dawn-TCPL facilities] to the Dawn Station Demand classification and then to the C1 rate class."*

TransCanada requests additional information on the cost allocation / rate design applied to the Dawn to Dawn-TCPL Rate C1 service.

Question:

a) Please confirm Union intends to file a comprehensive system-wide full cost allocation study as part of its 2019 rates proceeding. If not confirmed, please explain why not and when a study would be filed.

b) Please provide the annual depreciation amounts collected through Dawn to Dawn-TCPL rates from its inception to date.

c) Please provide the date by which Union expects the Dawn to Dawn-TCPL facilities to be fully depreciated.

d) Please provide the unit rate for Dawn to Dawn-TCPL service for each of the years from its inception to date.

e) Please provide the annual revenue requirement for Dawn to Dawn-TCPL Rate C1 service and list the component amounts of its annual revenue requirement including return, depreciation, income taxes and O&M.

f) Please provide the expected unit rate for Dawn to Dawn-TCPL service assuming depreciation, return and income tax expenses of zero and given current billing determinant assumptions.

Response:

a) Not confirmed. Please see the response to CCC Interrogatory #31 found at Exhibit C.CCC.31.

b) The annual depreciation expense related to Dawn to Dawn-TCPL assets included in Union's 2013 Board-approved revenue requirement was $0.460 million.

c) The Dawn to Dawn-TCPL facilities were fully depreciated in 2015 which was five years following the start of the firm transportation contract, consistent with the Board's Decision and Order in Union's Dawn to Dawn-TCPL Firm Rate proceeding (EB-2010-0207).

d) Please see Table 1 for the Rate C1 Dawn to Dawn-TCPL Firm Transportation Monthly Demand Charge for the period 2010 to 2018.

Table 1
Rate C1 Dawn to Dawn-TCPL Firm Transportation Monthly Demand Charge

Line No.	Proceeding	Year	Monthly Demand Charge ($/GJ/mo)
1	EB-2010-0207 - Dawn to Dawn-TCPL Firm Rate	2010	0.222
2	EB-2010-0148 - 2011 Rates	2011	0.220
3	EB-2011-0025 - 2012 Rates	2012	0.220
4	EB-2011-0210 - 2013 Cost of Service	2013	0.134
5	EB-2013-0365 - 2014 Rates	2014	0.135
6	EB-2014-0271 - 2015 Rates	2015	0.136
7	EB-2015-0116 - 2016 Rates	2016	0.137
8	EB-2016-0245 - 2017 Rates	2017	0.138
9	EB-2017-0087 - 2018 Rates	2018	0.139

e) Please see Table 2 for the 2013 Board-approved demand-related annual revenue requirement for Rate C1 Dawn to Dawn-TCPL service.

Table 2
2013 Rate C1 Dawn to Dawn-TCPL
Demand-Related Annual Revenue Requirement

Line No.	Particulars ($000s)	
1	Return on Rate Base	87
2	Depreciation Expense	460
3	Operating Expenses	-
4	Income Tax	-
5	Total Revenue Requirement (1)	548

Notes:
(1) Per EB-2011-0210, Rate Order, Working Papers, Schedule 14, p.11, line 10, column (e).

f) Please see Attachment 1 for the calculation of the 2013 Board-approved Rate C1 Dawn to Dawn-TCPL monthly demand charge updated to remove the revenue requirement associated with the Dawn to Dawn-TCPL facilities constructed in 2010. The calculated Rate C1 Dawn-Dawn TCPL monthly demand charge as requested does not represent the rate Union would propose for the service under a rebasing application.

UNION GAS LIMITED
Derivation of Rate C1 Dawn to Dawn-TCPL Firm Transportation Monthly Demand Rate
Updated for the Fully Depreciated Dawn to Dawn-TCPL Facilities

Line No.	Particulars	Board-Approved (1) (a)	Updated (b)	
	Dawn to Dawn (TCPL) - Monthly Firm Demand Rate			
1	Dawn Compression Revenue Requirement ($000's) (2)	1,198	1,198	
2	Maximum Day Demand (GJ)	573,357	573,357	
3	Monthly Demand per Unit ($/GJ/d/month) ((line 1 * 1000) / (line 2 * 12))	0.174	0.174	
4	Adjusted Monthly Demand per Unit ($/GJ/d/month) (line 3 * (90/365))	0.043	0.043	
5	Dawn Station Demand Revenue Requirement ($000's)	548	-	(3)
6	Maximum Day Demand (GJ)	500,000	500,000	
7	Monthly Demand per Unit ($/GJ/d/month) ((line 5 * 1000) / (line 6 * 12))	0.091	-	
8	2013 Monthly Firm Demand Rate - 90 day service ($/GJ/d/month) (line 4 + line 7)	0.134	0.043	
9	2014-2018 PCI Adjustments ($/GJ/d/month) (4)	0.005	0.001	
10	2018 Monthly Firm Demand Rate - 90 day service ($/GJ/d/month) (line 8 + line 9)	0.139	0.044	

Notes:
(1) Rate design calculation consistent with EB-2011-0210, Rate Order, Working Papers, Schedule 37, updated per EB-2017-0087, Rate Order, Working papers, Schedule 4, p. 24, line 11.
(2) Dawn transmission compression-related costs related to the Ojibway/St.Clair transmission system.
(3) Dawn Station Demand revenue requirement updated to reflect the fully depreciated Dawn to Dawn-TCPL facilities.
(4) Applied 2014 to 2018 PCI adjustments of 0.510%, 0.820%, 0.800%, 0.660% and 0.510%, respectively.

ENBRIDGE GAS DISTRIBUTION INC. AND UNION GAS LIMITED

Answer to Interrogatory from
TransCanada Pipelines Limited ("TCPL")

MAADs Issues List – Issue No. 6

Reference: EB-2017-0306, Exhibit B, Tab 1, pp. 40-41

Preamble:

In Reference 1 the Applicants state:

> *"One consequence of the proposed amalgamation is that the existing contracts between EGD and Union will cease to have effect as they will be contracts between the same party. […]*
>
> *The amalgamation will not change the price, quality or reliability of these services for customers. […]. Despite the fact that the contracts will cease to have effect upon amalgamation, Amalco will treat current contractual arrangements as continuing services for the existing term of the pre-amalgamation contracts. After this time, Amalco will evaluate service options. […] Transportation services provided with legacy Union assets for the purpose of legacy EGD customers will be priced consistent with the approved regulated rate-setting mechanism.*
>
> *The cost consequences of these contracts will continue to be passed through to customers in rates in the same way these are costs treated currently. Treating storage and transportation services in this way will result in no harm to ratepayers"*.

TransCanada is a major transmission customer of Union and EGD, and requests additional clarification.

Question:

a) The Applicants state that *"Amalco will treat current contractual arrangements as continuing services for the existing term of the pre-amalgamation contracts."*

   i) Please provide a listing of EGD's contracts on Union's system as of March 9, 2018. Please include term, expiry, quantity and type of service.

   ii) What percentage of Dawn Parkway system capacity is currently contracted by EGD?

b) Please provide the current M12 and C1 Tariffs and the standard pro-forma contracts for the M12 and C1 rate classes.

   i) Please describe how service attributes for in-franchise customers utilizing the Dawn Parkway system vary from the service attributes provided to M12 or C1 customers utilizing the Dawn Parkway system.

ii) Does Union have written procedures as to how in-franchise transmission volumes are treated, including specifics such as nomination procedures, curtailments, and imbalance tolerances? If so, please provide the procedures. If not, please explain how in-franchise service may vary from ex-franchise service for the specific items listed and how the Applicants intend to ensure that ex-franchise customers will be treated the same as in-franchise customers.

c) Please reconcile the following statements:

"The amalgamation will not change the price, quality or reliability of these services for customers."

"After this time [the end of term of EGD's pre-amalgamation contracts], Amalco will evaluate service options."

i) Please confirm that as part Amalco's evaluation of service options, transportation services equivalent to M12/C1 provided to former EGD customers as in-franchise service will not be of a lower price or higher quality than the equivalent ex-franchise service provided. If not confirmed, please state and fully explain any potential exceptions to this statement.

d) Please confirm that *ceteris paribus*, EGD's transition from an ex-franchise customer to an in-franchise customer will not affect M12 or C1 unit rates. If not confirmed, please provide the rate impact and fully explain why this occurs.

Response:

a)

i. Please refer to SEC Interrogatory #2 found at Exhibit C.SEC.2.
ii. Please refer to VECC Interrogatory #20b) found at Exhibit C.VECC.20.

b) Union's standard pro-forma M12/C1 contracts and Tariffs can be found on Union's website.

Standard Contracts
https://www.uniongas.com/storage-and-transportation/resources/standard-contracts

Tariffs
https://www.uniongas.com/storage-and-transportation/informational-postings/tariffs

i. Fundamentally, the in-franchise usage of the Dawn Parkway System and M12/C1 contracts operate similarly and are subject to Union's Priority of Service. Union's in-franchise needs are forecast daily and included in the Dawn/Parkway System capacity planning along with nominations from M12 and C1 shippers. Union's in-franchise requirements for Dawn/Parkway System capacity are updated annually as part of the Gas Supply Planning Process whereas M12/C1 shippers are contracted for specific capacity for a specific term (which may or may not come with renewal rights).

ii. Both in-franchise and ex-franchise use of transmission assets are subject to Union's Priority of Service. https://www.uniongas.com/storage-and-transportation/informational-postings/priority-of-service-guidelines
As noted in part b) i), Union manages flow for in-franchise needs as part of its daily capacity planning of the integrated storage, transmission and distribution system.

c) *"The amalgamation will not change the price, quality or reliability of these services for customers."* This statement refers to the fact that Amalco will reserve existing storage and transportation capacity to serve the EGD zone post-amalgamation at current contract levels. Market-based storage capacity will continue to be charged to EGD zone at current contracted rates to the end of the contract term. Transportation service costs will continue to be charged to EGD zone similar to M12 and C1 rates. The quality and reliability of the storage and transportation services (i.e. the service parameters) for EGD zone will not be reduced post-amalgamation. Transportation to the EGD zone will continue to be subject to the Priority of Service.

"After this time [the end of term of EGD's pre-amalgamation contracts], Amalco will evaluate service options." This statement refers to the fact that Amalco will evaluate service options for storage and transportation currently under contract at the end of the terms of these contracts and as part of the annual Gas Supply planning process.

i. As noted above, Amalco will evaluate storage and transportation service options to meet the needs of its in-franchise customers as part of the annual Gas Supply planning process. As noted in part b) i), fundamentally the usage of the Dawn/Parkway System operates similarly for in-franchise and M12/C1 shippers. The treatment of EGD Zone as a in-franchise customer (similar to Union North and Union South) is similar to the treatment when Centra Gas and Union joined together.

d) Confirmed. Please see the response to FRPO Interrogatory #25b and c) found at Exhibit C.FRPO.25.

ENBRIDGE GAS DISTRIBUTION INC. AND UNION GAS LIMITED

Answer to Interrogatory from
TransCanada Pipelines Limited ("TCPL")

MAADs Issues List – Issue No. 6

Reference: EB-2017-0306, Exhibit B, Tab 1, Page 40-41 of 44
Attachment 1: Union Transportation Report (Accessed March 8, 2018)

Preamble:

In Reference 1 the Applicants state that

> *"One consequence of the proposed amalgamation is that the existing contracts between EGD and Union will cease to have effect as they will be contracts between the same party. […]*
>
> *The amalgamation will not change the price, quality or reliability of these services for customers."*

Attachment 1 noted in Reference 2 is Union's Transportation Report table, which lists ex-franchise contracts on the Dawn-Parkway system and notes customer, receipt and delivery points, contract quantity, and contract term. EGD is listed as a party on this table.

Question:
Please consider the following scenarios while assuming the Dawn-Parkway system is fully contracted with no expiries for the next ten years:

a) Under the status quo, if EGD as an ex-franchise customer requires an incremental 200,000 GJ/d of M12 Dawn-Parkway capacity and an expansion is required, please describe the steps that EGD would have to take to acquire that service. What procedures does Union follow to sell the service to EGD? Is an open season held? Please explain your response.

    i) Assuming an open season is held and other ex-franchise customers bid for an incremental 100,000 GJ/d of M12 Dawn-Parkway capacity: In the event the system expansion is insufficient to meet the total needs bid for by EGD and the other ex-franchise customers, how is the capacity allocated? Please fully explain your response.

b) Should the Board approve the Amalgamation and Amalco requires an incremental 200,000 GJ/d of Dawn-Parkway capacity to serve what was formerly the EGD requirement, and an expansion of the Dawn-Parkway system is required, how will Amalco allocate itself the service as an in-franchise customer, and what procedures will be followed to do so? Would an open season be held for Amalco's requirement? Please explain how this process differs from that in a).

i) In addition to Amalco's incremental requirements, assume ex-franchise customers also request an incremental 100,000 GJ/d of M12 Dawn-Parkway capacity and an open season is held for this expansion. In the event the system expansion is insufficient to meet the total needs identified by Amalco and the ex-franchise customers, how is the capacity allocated? How are Amalco's service requirements considered vis-à-vis the ex-franchise customers'? Please fully explain your response. Please explain how this process differs from that in a) i).

c) Further to b), does the former EGD, now no longer an ex-franchise customer, receive any benefits or preference over ex-franchise customers in the allocation of capacity for an expansion or timing of receipt of service? If not, are there scenarios where Amalco does? If so, please explain.

d) Do in-franchise customers have preferential access to capacity made available via turnback or other uncommitted capacity? Please explain your response.

e) What percentage of Dawn Parkway system capacity is currently contracted or reserved for both Union and EGD demands?

f) To preserve transparency of capacity allocation to its customers, will the Applicants commit to posting on their website within the Transportation Report (as shown in Attachment 1), or in another form, the Dawn Parkway system capacity allocated for in-franchise use, including information on path, quantity, and effective date? If not, please explain why not.

Response:

a) Under the Status Quo should EGD (or any ex-franchise shipper) require transportation capacity from Union, that shipper would make a formal request to Union for the required capacity. If the capacity is available (existing) and has been offered to the market previously, then Union would contract that capacity with the shipper on a first-come, first-served basis. Should the requested capacity not be available, Union would hold a transportation Open Season, and if required a Reverse Open Season, to determine whether facilities need to be built to provide the requested capacity.

   i. This scenario assumes that Union would not build to accommodate all of the capacity requested by ex-franchise shippers which may not be the case (and was not the case for the 2015 to 2017 Dawn Parkway System expansions). Under the Status Quo, should an Open Season be held to satisfy a capacity request and the proposed build (including capacity turned back through a Reverse Open Season) not be sufficient to satisfy all ex-franchise requests, then Union would pro-rate ex-franchise all requests based on the methodology outlined in Union's M12 Tariff, Schedule A 2010, section XVI. See TCPL Interrogatory #2(b) found at Exhibit C.TCPL.2 for a link to Union's Tariff.

b) Should the Board approve the amalgamation and sufficient Dawn Parkway System capacity does not exist to serve an incremental Amalco capacity requirement, (i.e., a facility build is required), then an Open Season would be held to determine market requirements for incremental Dawn Parkway System capacity. Amalco would provide its capacity requirements at the same time as the Open Season. Following the Open Season, Amalco would hold a Reverse Open Season and propose the necessary facilities based on those results.

ii. This scenario assumes that Amalco would not build to accommodate the capacity requested by all shippers which may not be the case (and was not the case for the 2015-2017 Dawn Parkway System expansions). Should the Board approve the amalgamation, and should new facilities not be sufficient to satisfy all shipper requests, including Amalco's needs, Amalco's needs would not be subject to proration as outlined in Union's M12 Tariff. The remainder of the bids would be prorated in accordance with the remaining capacity available.

c) See part b)i).

d) In-franchise customers do not have preferential access to capacity that becomes available through turnback at the end of a contract term. Capacity turned back at or before October 31 is reflected in the Index of Transportation Customers on November 1. Existing capacity is available to all potential shippers on a first come first served basis.

e)

Dawn to Parkway Capacity	GJ/d
Union's In-Franchise Demands for 2017/18 [1]	2,208,703
EGD's M12/M12X Contracts on Dawn Parkway [2]	2,985,000
Total Amalco Dawn to Parkway Capacity	**5,193,703**
Dawn Parkway System Capacity for 2017/18 [3]	**7,904,420**
Percentage of Dawn Parkway System Capacity Held by Amalco	**65.7%**

f) If the amalgamation is completed, Amalco would post the Design Day Dawn Parkway System capacity required for Union North, Union South and EGD zones on an aggregated basis on the website as part of the Index of Transportation Customers. This posting would be updated annually to align with the Design Day requirements identified in the annual Gas Supply planning process.

[1] EB-2015-0200 Exhibit A, Tab 8, Schedule 2
[2] EB-2017-0306/EB-2017-0307, Exhibit C.APPrO.7 (d)
[3] EB-2015-0200 Exhibit A, Tab 8, Schedule 2

ENBRIDGE GAS DISTRIBUTION INC. AND UNION GAS LIMITED

Answer to Interrogatory from
TransCanada Pipelines Limited ("TCPL")

MAADs Issues List – Issue No. 3

Reference: EB-2017-0307, Exhibit B, Tab 1, p. 29

Preamble:

In Reference 1 the Applicants state that:

> *"For purposes of applying the rate setting mechanism in an annual rate application, Amalco will use approved regulated service offerings, cost allocation methodologies and rate design during the deferred rebasing period. Amalco may propose changes to regulated service offerings, cost allocation and rate design during the deferred rebasing period to address identified issues, make improvements and respond to changing business needs."*

In February 2017, Union undertook a Customer Survey in which Union discussed a potential change to the Parkway Station cost allocation.

Question:

a) Are Union/the Applicants still considering changes to the Parkway Station cost allocation and rate design methodology? If so, please fully describe any potential changes and the timing of a potential application for approval of proposed changes.

b) Please discuss any other potential changes to Rate 332, M12, or C1 rate classes currently contemplated.

Response:

a) The Applicants are considering a proposal for Amalco's 2019 Rates application to change the current approved rate design for Union's Rate M12/C1 transportation demand charges on the Dawn-Parkway system to recover the demand costs associated with Dawn Station, Kirkwall Station and Parkway Station from the Rate M12/C1 Dawn-Parkway transportation service that utilize each station. The Applicants are considering this rate design proposal in the context of approved Rate M12/C1 costs and pricing of each Rate M12/C1 Dawn-Parkway transportation demand charge by path (i.e., Dawn-Parkway, Dawn-Kirkwall and Kirkwall-Parkway) and to support cost causation principles.

b) The Applicants have not contemplated other potential changes to Rate 332, Rate M12 or Rate C1, subject to the consideration described in part a) and other administrative rate setting changes. Should the Applicants propose other changes during the deferred rebasing period, a proposal will be brought forward for Board approval as part of the annual rate adjustment application process or as part of a separate application.

ENBRIDGE GAS DISTRIBUTION INC. AND UNION GAS LIMITED

Answer to Interrogatory from
TransCanada Pipelines Limited ("TCPL")

MAADs Issues List – Issue No. 3

Reference: EB-2017-0307, Exhibit B, Tab 1, p. 4

Preamble:

In Reference 1, it is stated that *"The Applicants will maintain the existing rate zones (EGD, Union North, and Union South) during the deferred rebasing period."*

Question:

a) Please list the component zones and delivery areas for each of the rate zones noted in Reference 1. If any changes are proposed or contemplated, please explain them.

Response:

a) Please see a description for each existing rate zones (EGD, Union North and Union South) listed below. Amalco is not proposing a change to the existing rate zones.

- EGD refers to the existing Enbridge Gas Distribution operating area.
- Union North refers to the existing Union North operating area, which is separated into the following two rate zones for setting gas commodity, storage and transportation rates:
  - Union North West Zone (comprised of the Central MDA, Union WDA and the Union NDA);
  - and Union North East Zone (comprised of the Union NDA, Union NCDA and Union EDA).

- Union South refers to the existing Union South operating area.

ENBRIDGE GAS DISTRIBUTION INC. AND UNION GAS LIMITED

Answer to Interrogatory from
TransCanada Pipelines Limited ("TCPL")

MAADs Issues List – Issue No. 15

Reference: EB-2017-0307, Exhibit B, Tab 1, p. 27

Preamble:

In Reference 1, the Applicants state that:

> *"[…] the Applicants propose to jointly host a funded stakeholder meeting every other year starting in 2019 to: […] 6. Present and review the gas supply plan (subject to the outcomes of the Board's Framework for the Assessment of Distributor Gas Supply Plans, which may specify different timing)."*

TransCanada requests further information on this proposal. Please note that all questions are deferential to the outcome of the Board's Framework for the Assessment of Distributor Gas Supply Plans.

Question:

a) Please confirm that currently both EGD and Union post their respective Gas Supply Plans in at least one public OEB proceeding annually. If not confirmed, please explain how EGD and Union publicly share their respective Gas Supply Plans.

b) Please confirm that the Applicants' proposal is to provide a Gas Supply Plan every two years, rather than annually.

c) Please confirm that the current Gas Supply Plans are primarily focused on the upcoming winter (e.g. Union's 2017/2018 Gas Supply Memorandum). What time horizon is contemplated for post-amalgamation Gas Supply Plans?

d) Please confirm that when a Gas Supply Plan is provided as part of a regulatory proceeding, intervenors are able to publicly submit interrogatories regarding the content of these plans.

e) Please confirm that there is no public written interrogatory or discovery process available to stakeholders as part of a "funded stakeholder meeting".

f) Subject to the outcomes of the Board's Framework for the Assessment of Distributor Gas Supply Plans, will the Applicants commit to maintaining, at a minimum, the current process of providing gas supply plans on an annual basis as part of a regulatory filing? If not, please explain why not.

Response:

a) The Applicants each provide a Gas Supply Memorandum as part of their annual rate setting applications.

b) Under the Applicants' proposal, Amalco would provide a Gas Supply Plan update as part of the biennial stakeholder session. Once the Board releases its final Framework for the Assessment of Distributor Gas Supply Plans from the Board, EGD and Union (or Amalco, as applicable) will follow the Board's direction with respect to Gas Supply Plans.

c) Confirmed. The time horizon will remain the same, subject to the final Framework for the Assessment of Distributor Gas Supply Plans.

d) Confirmed.

e) Confirmed.

f) Please see the response to part b).