



March 24, 2018

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

Dear Ms. Walli:

Re: EB-2017-0306/EB-2017-0307 – Enbridge Gas Distribution Inc. and Union Gas Limited – Interrogatory Response Update

In accordance with the Ontario Energy Board's Procedural Order No. 3, Enbridge Gas Distribution Inc. and Union Gas Limited filed interrogatory responses on March 23, 2018. Exhibit C.EP.7 was inadvertently not filed. Also, for Exhibit C.SEC.17 and Exhibit C.SEC.19, the Attachment 2 is a duplicate of Attachment 1. Exhibit C.EP.7, the correct Exhibit C.SEC.17 Attachment 2 and the correct Exhibit C.SEC.19 Attachment 2 is provided.

If you have any questions on this matter, please contact me at 519-436-5334.

Sincerely,

[original signed by]

Vanessa Innis
Manager, Regulatory Applications

cc: Andrew Mandyam, EGD
Mark Kitchen, Union
Fred Cass, Aird & Berlis
EB-2017-0306/EB-2017-0307 Intervenors

ENBRIDGE GAS DISTRIBUTION INC. AND UNION GAS LIMITED

Answer to Interrogatory from
Energy Probe Research Foundation (“EP”)

MAADs Application

Reference: Exhibit B, Tab 1, Attachment 12 Storage and Transmission

Preamble: The OEB Objectives for Natural Gas include Rational Development of Storage and Transmission. Energy Probe would like to understand how the amalgamation will achieve this objective starting in 2019.

Question:

- a). Confirm that through whatever transition may be ordered by the Board as a result of the amalgamation, EGD shifts from an ex-franchise customer of M12 transmission services to an in-franchise area to be served by the merged company’s assets.
- b). What is the plan to rationalize the transmission services of the amalgamated company? Please provide a detailed response including the potential impacts on the customers of each utility
- c). How will expansion of the transmission system capital projects be addressed starting in 2019?
- d). Specifically, assuming need is justified, how will incremental capital and operating costs be allocated to customers in the current three rate zones? This may be dependent on the type of project, so please provide some illustrative examples such as compression Dawn-Parkway, increased capacity Dawn-Parkway etc.

Response

- a-b) Amalco will continue to provide the same transmission services that they are providing pre-amalgamation and maintain separate rate zones (for EGD, Union North and Union South). The EGD rate zone will receive the same required transmission services upon amalgamation as they do pre-amalgamation.

Confirmed. EGD shifts from an ex-franchise customer of M12 transmission services to an in-franchise customer serviced using the same transmission facilities as prior to amalgamation. The EGD rate zone will be treated similar to the treatment that occurred when Centra Gas and Union joined together (similar to Union North and Union South).

As per the Board's policy and handbook for consolidations, a consolidated entity is expected to propose rate structures and rate harmonization (rate rationalization) plans following consolidation at the time it files its rebasing application. The Board will review and address rate harmonization plans at the time of rate rebasing of the consolidated entity.

- c) Please see the response to TCPL Interrogatory#3(a) found Exhibit C.TCPL.3 for the capacity allocation process. Please see the response to Board Staff Interrogatory#5 found at Exhibit C.STAFF.5 for how the Applicant will determine ICM eligible projects for 2019.
- d) Please see the response to VECC Interrogatory#30 found at Exhibit C.VECC.30.

2016-2017 UTILITY O&M

Line No.	Particulars (in millions)	Actuals 2016	Actuals 2017 (Draft)
1	Total Compensation	251.7	224.7
2	Employee Training and Development	5.5	4.2
3	Materials and Supplies	5.0	5.3
4	Outside Services	83.3	82.7
5	Consulting	2.1	2.6
6	Repairs and Maintenance	1.4	1.7
7	Fleet	7.1	3.1
8	Rents and Leases	5.8	4.9
9	Telecommunications	-	0.0
10	Travel and Other Business Expenses	1.9	1.8
11	Memberships	4.8	4.3
12	Claims, Damages and Legal Fees	(0.1)	0.4
13	Interest on Security Deposits	0.6	0.6
14	Provision for Uncollectibles	7.1	5.4
15	Natural Gas Vehicles (NGV)	0.7	0.8
16	Legal Fees	1.5	2.8
17	Audit Fees	1.9	0.8
18	Other	0.1	3.8
19	Internal Allocations and Recoveries	(20.4)	(14.0)
20	Capitalization (A&G)	(44.0)	(36.8)
21	Capitalization	(89.1)	(85.2)
22	Regulatory Eliminations	(2.7)	(2.2)
23	<u>Other O&M Subtotal</u>	<u>224.0</u>	<u>211.8</u>
24	Customer Care/CIS Service Charges	85.6	82.7
25	Pensions and OPEB	34.6	25.2
26	RCAM	49.1	49.8
27	Demand Side Management Programs (DSM)	56.4	62.9
28	Conservation Services	-	-
29	<u>Total Net Utility O&M Expense before Eliminations</u>	<u>449.7</u>	<u>432.3</u>

2014-2015 UTILITY O&M

Line No.	Particulars (in millions)	Actuals 2014	Actuals 2015
1	Operations (including Pipeline Integrity and Engineering)	102.5	105.7
2	Human Resources and Facilities	24.7	32.8
3	Employee Benefits	26.5	28.1
4	Short Term Incentive Program	23.0	28.2
5	Information Technology	27.9	18.0
6	Regulatory, Public and Government Affairs	20.9	16.4
7	Finance	8.7	12.5
8	Provision for Uncollectibles (Bad Debts)	12.1	10.0
9	Customer Care (Exclude CC/CIS and Bad Debts)	2.0	3.2
10	Business Development & Customer Strategy (excluding DSM)	3.8	3.7
11	Legal and Corporate Security	4.8	4.3
12	Energy Supply and Policy	4.2	4.7
13	Non Departmental Expenses	1.0	3.1
14	Capitalization (A&G)	(37.0)	(41.4)
15	Interest on Security Deposit	0.9	0.7
16	Regulatory Eliminations	(3.7)	(3.3)
17	<u>Other O&M Subtotal</u>	<u>222.5</u>	<u>226.7</u>
18	Customer Care/CIS Service Charges	82.6	84.8
19	Pensions and OPEB	37.2	37.4
20	RCAM	33.6	47.0
21	Demand Side Management Programs (DSM)	32.2	35.0
22	Conservation Services	-	-
23	<u>Total Net Utility O&M Expense before Eliminations</u>	<u>408.1</u>	<u>430.9</u>

Notes:

- 1) 2017 and 2014 actuals in Conservation Services removed as they are shareholder portion (ratepayer portion transferred to deferral account).
- 2) The 2014 Utility Schedule filed in EB-2015-0122 adjusted manually to net "Additional Regulatory Eliminations" and move the rate smoothing adjustment to the 'Non Department Expenses' line.

UNION GAS LIMITED
Statement of Utility Income
Year Ended December 31

Filed: 2018-03-24
EB-2017-0306/EB-2017-0307
Exhibit C.SEC.19
Attachment 2

Line No.	Particulars (\$000s)	Actual 2014 (1)	Actual 2015 (2)	Actual 2016 (3)	Actual 2017 (4)	Budget 2018
	Operating Revenues:					
1	Gas sales and distribution	1,761,499	1,659,203	1,514,537	1,856,952	1,992,219
2	Transportation	151,373	156,244	182,683	236,937	250,569
3	Storage	7,783	7,368	8,503	7,796	8,351
4	Other	14,874	19,902	16,530	17,304	17,197
5		<u>1,935,529</u>	<u>1,842,717</u>	<u>1,722,253</u>	<u>2,118,989</u>	<u>2,268,336</u>
	Operating Expenses:					
6	Cost of gas	958,517	856,842	700,444	1,030,965	1,102,902
7	Operating and maintenance expenses	379,760	382,984	397,858	413,607	433,756
8	Depreciation	200,368	212,219	228,401	254,881	282,627
9	Other financing	689	820	985	1,013	1,856
10	Property and capital taxes	64,324	65,848	69,564	72,321	76,710
11		<u>1,603,658</u>	<u>1,518,713</u>	<u>1,397,252</u>	<u>1,772,786</u>	<u>1,897,851</u>
	Other Income (Expense)					
12	Gain/(Loss) on sale of assets	133	-	-	(3)	-
13	Gain/(Loss) on foreign exchange	(1,185)	(442)	1,159	(1,438)	-
14		<u>(1,052)</u>	<u>(442)</u>	<u>1,159</u>	<u>(1,441)</u>	<u>-</u>
15	Utility income before income taxes	330,819	323,562	326,160	344,762	370,485
16	Income taxes	24,006	15,684	4,398	(5,090)	(10,795)
17	Total utility income	<u>306,813</u>	<u>307,878</u>	<u>321,762</u>	<u>349,852</u>	<u>381,280</u>

Notes:

- (1) EB-2015-0010
- (2) EB-2016-0118
- (3) EB-2017-0091
- (4) Expected to be included in the Application and Evidence for EB-2018-0105, but draft at this time and may change.