DR QUINN & ASSOCIATES LTD.

VIA E-MAIL

March 27, 2018

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

RE: EB-2017-0306/0307 Enbridge-Union Proposed Merger – Technical Conference FRPO Documents

Given the extremely tight time frames for the discovery through the Technical Conference, we are advancing a couple of references to assist in questions that we have for Union Gas relative to responses provided to FRPO.25.

Respectfully Submitted on Behalf of FRPO,

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Demand side management costs are classified as demand-related.

A summary of the classification of costs by function is provided at Tab 4, Schedules 1 through 9. A classification factor table is provided at Tab 4, Schedule 10. Tab 1, Appendix B provides a description of the classification factors.

3/ **Allocation** (Exhibit G3, Tab 5)

The third step in the cost allocation process is to allocate the functionalized - classified asset and operating costs to service classifications (i.e., rate classes). A summary of the methods used to allocate functionalized - classified costs is provided below.

Purchase Production

a) Sales Service Commodity Supply

Costs related to the supply of gas are allocated to Union's sales service customers on a volumetric basis consistent with how these costs are incurred.

b) Other Supply Commodity

Costs related to the delivery of commodity to customers are allocated to all delivery and contract customers receiving transportation and storage services (T-service) based on annual volume delivered. Costs of this nature include delivery-related UFG, administrative and engineering costs. Gas supply and direct purchase administration costs are directly assigned to rate classes.

c) Demand

Firm transportation demand costs are allocated to the North rate classes using a blended allocator developed using a two-step approach. The firm transportation demand base load costs are allocated to rate classes using average day demand. The remaining firm transportation demand costs are allocated to rate classes using excess peak over annual average demand (i.e., the difference between what a rate class takes on an average day and what it requires on its peak day).

Storage Dehydrator

a) Demand

Dehydration demand costs are allocated between in-franchise and the excess utility storage space category in proportion to the design day demand of the dehydrator.

b) Commodity

Dehydration commodity costs are allocated between in-franchise and the excess utility storage space category in proportion to the volume forecast to be dehydrated. In-franchise costs are allocated to rate classes on the basis of delivery volume.

Storage Excluding Dehydrator

a) Deliverability

Deliverability costs are compression and compression-related costs incurred to provide delivery from storage on design day to meet customers' firm requirements.

Transmission - Dawn Station

a) Demand

Dawn Station compression costs are allocated based on design day demand. Ex-franchise contractual levels and in-franchise transmission lateral demand is used. Union South in-franchise rate classes receive a credit for firm deliveries at Parkway. In-franchise costs are allocated to rate classes on the basis of firm Dawn Trafalgar design day demand.

b) Commodity

The allocation of costs between in-franchise and ex-franchise customers is based on fuel usage. In-franchise costs are allocated to rate classes on the basis of delivery volumes east of Dawn.

Transmission - Dawn Trafalgar Easterly

a) Demand

Dawn Trafalgar transmission demand costs are allocated between in-franchise and ex-franchise (M12) customers on the basis of "commodity-kilometres". For ex-franchise (M12) customers, contractual levels are used. For in-franchise customers, transmission lateral demand is used. The demand (at each of Union's transmission laterals, Kirkwall and Parkway) is weighted by the distance from Dawn. The only exception to this is for firm east end deliveries made by TCPL on behalf of Union's in-franchise customers. The distance this load travels is calculated from Parkway or Kirkwall. In-franchise costs are allocated to rate classes in proportion to the firm design day demand on the Dawn-

Trafalgar laterals. Costs are allocated to customers in the North using excess peak over annual average demand (i.e., the difference between what a rate class takes on an average day and what it requires on its peak day).

b) Commodity

The allocation of costs between in-franchise and ex-franchise customers is based on fuel usage. In-franchise costs are allocated to rate classes on the basis of delivery volumes east of Dawn.

Transmission – Dawn Trafalgar Westerly

a) Commodity

The allocation of costs between in-franchise and ex-franchise customers is based on fuel usage. In-franchise costs are allocated to rate classes on the basis of delivery volumes west of Dawn.

Other Transmission

a) Demand

In-franchise system design day demand is used to allocate other transmission system costs to firm service customer classes. Costs related to local production metering stations are directly assigned to the M13 and M16 rate classes.