EP COMPENDIUM

PANEL 2 and PANEL 3

EB-2017-0306/307 EGD and Union MADDS and Rate Setting Applications

Energy Probe Compendium May 14, 2018

Panel 2

Storage and Transmission

LIST OF REFERENCES

Exhibit C.EP.3

Question:

The Applicants have expanded their proposed Issues list to include the other objectives for natural gas

3. To facilitate rational expansion of transmission and distribution systems.
4. To facilitate rational development and safe operation of gas storage.

Please file the evidence related to these objects including and how this relates to the applicants proposed "no harm test"

Referred to C.CCC.2(a)

The utility will continue to rationally expand transmission and distribution systems: Customers will benefit from the company continuing to adhere to Board policies that ensure the rational expansion of transmission and distribution including OEB's EBO 188, EBO 134 and Community Expansion policies. Over the ten year deferred rebasing period, the current number of 3.7 million customers is expected to increase to approximately 4 million customers and this increase to the customer base is expected through the rational expansion of the distribution system.

Technical Conference
EB-2017-0306/EB-2017-0307, Exhibit JT1.8, Attachment 1, Page 3

No Harm Test

• The No Harm Test considers whether or not the transaction has an adverse effect on meeting the Ontario Energy Board's statutory objectives, set out in section 2 of the OEB Act, 1998.

• The two primary areas of focus to protect the interests of consumers are price and the reliability and quality of gas service.

Price: the proposed amalgamation of the utilities into a single entity provides an opportunity to increase the cost efficiency of the distribution, transmission and natural gas storage services provided to consumers that could not be achieved as separate entities. Ratepayers are expected to experience lower rates through the deferred rebasing period than they otherwise would have.

Reliability and quality of gas service: The utilities are committed to providing safe and reliable service to both in-franchise and ex-franchise customers. The amalgamated utility will continue to be subject to and report on all existing Service Quality Requirements ("SQR"). The Applicants have provided a proposed scorecard for review and approval as part of the Rate Setting Mechanism Application.

• The transaction also supports continued utility investments in energy infrastructure that will benefit customers and Ontarians in general and the continued provision of cost-effective energy conservation programs to all customer classes.

Exhibit JT1.8, Attachment 1, Page 4
Unregulated Storage:

• Customers will continue to receive the same storage services they currently receive.

• Storage will continue to be provided to in-franchise customers of the integrated utility at **market prices**

EB-2017-0306/EB-2017-0307
Exhibit C.STAFF.10
Response
a) The contracts will cease upon amalgamation. The EGD zone customer requirement for the capacity of its storage and transportation services currently underpinned by its contracts with Union will continue beyond amalgamation. As discussed in the response to Energy Probe Interrogatory #6 (c) found at Exhibit C.EP.6, Union provides 19.5 PJ of EGD's 26.4 PJ third party storage services and approximately 3 PJ/d of transportation on the Dawn/Parkway System. From a practical perspective, the EGD transportation and storage contracts could not cease at the time of the amalgamation as this capacity is required to service EGD customers. Gas Supply planning requires long lead and planning times to procure adequate storage and transportation services for EGD's needs.
b) Please see response to Energy Probe Interrogatory #7 (a) found at Exhibit.C.EP.7 which confirms that post-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. EGD still required the transport and storage capacity that existed pre-amalgamation and that was appropriately contracted pre-amalgamation. Costs for these storage and transportation services will continue to be paid by the EGD rate zone during the deferred re-basing period.
Further rationale regarding post-amalgamation treatment of storage services is provided below in part d) and transportation services are addressed in part f).
c) For 2018, EGD has contracted 26.4 PJ of third party storage services. For those services EGD will pay approximately $18.0M which equates to an average cost of $0.68/GJ.
An equivalent cost-based rate EGD rate is Rate 325 – Transmission, Compression and Pool Storage. As of January 1 2018, the comparable rate for this service is $0.3484/GJ.
The current rate differential between EGD's contracted third party storage services and equivalent cost-based Rate 325 is $0.3316/GJ.
d) As of April 1, 2018 EGD contracts for 19.5 PJ of storage from Union at market rates. Amalco is not proposing to convert any of this storage space from non-rate regulated storage to rate regulated storage.
In the NGEIR decision (EB-2005-0551) Union's in-franchise customers (Union North and Union South) were allocated access to a maximum of 100 PJ of cost-based storage and EGD's customers' were allocated access to a maximum of 91.3 BCF (99.4 PJ) of costbased storage. For both Union and EGD, if in-franchise requirements for storage exceeded this capacity, storage or alternatives to storage would need to be purchased or developed in the competitive market to meet in-franchise demand. Therefore, conversion of non-rate regulated storage space to rate regulated storage space would not be consistent with the NGEIR decision, nor would it be consistent with the costs and risks incurred to develop new non-rate regulated storage.
Union and EGD have both invested in non-rate regulated storage development since the NGEIR decision, and in the case of Union, storage was developed prior to the NGEIR decision under market based rate structures. Union and EGD have developed incremental storage capacity at shareholder risk on the basis of market-based rates. A conversion to cost-of-service rates would retroactively undermine the economic construct for these investments and is inconsistent with the NGEIR decision. It would therefore be

inappropriate to convert Union's non-rate regulated storage space to rate regulated storage space.

Confirmed. The revenue and the risk on the capital invested to provide the storage service will not form part of the regulated company. Costs to provide the storage service will continue to be allocated to the non-rate regulated business.

f) The regulated transportation service demand costs paid by EGD's customers to Union under its pre-amalgamation contracts as an ex-franchise customer are the same as the costs would be if EGD's legacy customers were treated as in-franchise customers by Amalco, assuming that the transportation service requirements by EGD do not change postamalgamation. Please see the response to FRPO Interrogatory #25 (b) found at Exhibit C.FRPO.25.

The demand revenues received by Union related to the provision of ex-franchise transportation services are treated as revenue in the same manner as the Dawn-Parkway transportation services that are required for Union's in-franchise customers and are set to recover the cost of service.

g- h) Amalco will maintain the existing rate zones (EGD, Union North, and Union South) during the deferred rebasing period and as a result, there will be no EGD or Union ratepayer impacts with respect to the provision of storage and transportation services. Customers will continue to be charged for the services they receive both prior to and post amalgamation. The amalgamation will not change the existing price, quality or reliability of these services for customers.

The treatment of EGD zone customers is similar to the treatment of Union North customers when Centra Gas and Union joined together.[1] Following the expiration of the current 2014-2018 rate setting frameworks for Union and EGD, regulated distribution, transmission and storage rates will be set annually using the proposed Price Cap IR mechanism over the deferred rebasing period beginning in 2019.

i Please see the response to SEC Interrogatory #2 found at Exhibit C.SEC.2.

ii. See part d) above. Converting a portion of Union's non-rate regulated storage capacity to rate regulated storage capacity to serve the needs of EGD zone customers is not being proposed, and is not consistent with the NGEIR Decision and framework for non rate-regulated storage.

EB-2017-0306/EB-2017-0307
Exhibit JT2.12 Page 1 of 3 Plus Attachment
ENBRIDGE GAS DISTRIBUTION INC. AND UNION GAS LIMITED
Undertaking of Mr. Charleson
To Mr. Gluck
REF: Tr.2 p.160
To determine the value of Union Gas marketed regulated storage versus EGD'S contracted regulated storage and its financial impact

Response:

Please see Table 1 on the following page for the requested hypothetical analysis of the benefit to EGD customers if market-based storage capacity was replaced with Union's cost-based excess utility storage space from 2013 to 2017. Line 5 shows an estimate of the potential benefit that could have accrued to EGD rate zone customers and Line 9 shows the foregone benefit to Union rate zone customers.

In any year, the analysis shows that EGD rate zone customers are better off in this scenario and Union rate zone customers are worse off. The Applicants' position, which maintains the current storage arrangements, is consistent with the no harm test.

Table 1
Comparison of Union's Excess Utility Storage Space Benefit
to EGD Customers and Union Customers

Line No.	Particulars (000's)	2013	2014	2015	2016	2017
		(a)	(b)	(c)	(d)	(e)
	EGD Customer Benefit					
1	Union Excess Utility Storage Space (PJ)	8.6	6.4	5.0	6.4	6.8
	Average EGD Market-Based					
2	Storage Rate ($CAN/GJ) (1)	0.810	0.727	0.665	0.699	0.726
3	EGD's Estimated Market-Based Storage Cost	6,966	4,653	3,325	4,474	4,937
4	Union's Excess Utility Storage Space Cost (2)	3,218	2,331	1,779	2,402	2,489
5	Potential Net Benefit to EGD Customers	3,748	2,322	1,546	2,072	2,448
	Union Customer Benefit					
	Union Short-Term Firm Peak					
6	Storage Revenue (3)	4,747	3,235	4,935	5,627	4,618
7	Union's Excess Utility Storage Space Cost (2)	3,218	2,331	1,779	2,402	2,489
8	Less: Shareholder Incentive	153	90	316	322	213
9	Foregone Net Benefit to Union Customers	1,377	814	2,840	2,902	1,915

Notes:
(1) The average EGD market-based storage rate is calculated as the average rate paid for all market-based storage capacity contracted in each year. The average rate for EGD market-based storage is likely not reflective of what EGD's storage portfolio would have been if Union's excess utility storage space had been made available to EGD in those years.
(2) Attachment 1, line 11, columns (b) - (f).
(3) Attachment 1, line 6, columns (b) - (f).

Customers in Union North and Union South currently receive a net benefit in rates of $4.5 million from the sale of short-term storage and other balancing services. Of this amount, $2.3 million is related to the sale of Union's excess utility storage space as short-term firm peak storage ($7.9 million revenue less $5.6 million of cost and shareholder incentive) and $2.2 million related to the sale of other short-term storage and balancing services ($2.5 million revenue less $0.3 million of shareholder incentive). The difference between the actual net benefit obtained in any year and the net benefit in rates is recorded in the Short-Term Storage Deferral Account (No. 179-70) and is trued up annually as part of the deferral account clearing process. Please see Attachment 1 for the details of Deferral Account 179-70 split out by short-term firm peak storage and other short-term storage and balancing services for the years 2013 to 2017.

For purposes of the requested analysis above, it was assumed only the revenue associated with the short-term firm peak storage service would be replaced by EGD's use of the excess utility storage space and that the net revenue from other short-term storage and balancing services would continue to accrue to Union's ratepayers (less cost and shareholder incentive).

If the Board ordered Amalco to utilize Union's excess utility storage space for EGD in-franchise requirements, consideration would need to be given to the $2.3 million net benefit in Union's rates and the charge to EGD customers for the use of the storage space.

In its NGEIR Decision (EB-2005-0551), the Board determined that Union should be required to reserve 100 PJ (approximately 95 Bcf) of space at cost-based rates for in-franchise customers (p. 83). This capacity met the needs of Union South and Union North customers at the time of NGEIR plus allowed for further capacity (capped at 100 PJ total) to serve the needs of Union North and Union South customers at cost-based rates. The Board also determined that Union will have the flexibility to market the excess utility storage (difference between 100 PJ and the capacity required to meet in-franchise demands in any year) (p. 83) with the entire margin on storage transactions that are underpinned by utility storage space accruing to Union's ratepayers, less an appropriate incentive payment to the utilities (p. 101).

In the Applicant's view, the amalgamation does not impact the NGEIR decision.

UNION GAS LIMITED
Details of Revenue and Costs and Calculation of Balance
in Short-Term Storage Deferral Account (No.179-70)

Line No.	Particulars ($000's)	Short-Term Firm Peak Storage: Board-Approved 2013	Actual 2013	Actual 2014	Actual 2015	Actual 2016	Draft Actual 2017	Other Short-term Storage and Balancing Services: Board-Approved 2013	Actual 2013	Actual 2014	Actual 2015	Actual 2016	Draft Actual 2017	Total: Board-Approved 2013 (5)	Actual 2013 (6)	Actual 2014 (7)	Actual 2015 (8)
		(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)	(l)	(m)	(n)	(o)	(p)
	Revenue																
1	C1 Off-Peak Storage	-	-	-	-	-	-	500	389	241	603	2,749	709	500	389	241	603
2	Supplemental Balancing Services	-	-	-	-	-	-	2,000	1,481	752	1,001	1,367	890	2,000	1,481	752	1,001
3	Gas Loans	-	-	-	-	-	-	-	56	54	38	19	15	-	56	54	38
4	Enbridge LBA	-	-	-	-	-	-	-	360	237	282	968	381	-	360	237	282
5		-	-	-	-	-	-	2,500	2,286	1,283	1,925	5,102	1,995	2,500	2,286	1,283	1,925
6	C1 ST Firm Peak Storage	7,883	4,747	3,235	4,935	5,627	4,618	-	-	-	-	-	-	7,883	4,747	3,235	4,935
7	Total Revenue (1)	7,883	4,747	3,235	4,935	5,627	4,618	2,500	2,286	1,283	1,925	5,102	1,995	10,383	7,033	4,518	6,860
	Costs																
8	O&M (2)	3,810	2,910	2,161	1,684	2,156	2,289	-	-	-	-	-	-	3,810	2,910	2,161	1,684
9	UFG (3)	316	229	92	39	121	90	-	486	409	239	392	172	316	715	500	278
10	Compressor Fuel (4)	1,201	79	78	56	125	110	-	167	350	349	405	210	1,201	246	428	405
11	Total Costs	5,327	3,218	2,331	1,779	2,402	2,489	-	653	758	588	797	381	5,327	3,871	3,089	2,367
12	Net Revenue (line 7 - 11)	2,556	1,529	904	3,156	3,225	2,129	2,500	1,633	525	1,337	4,305	1,614	5,056	3,162	1,429	4,493
13	Less Shareholder Portion (10%)	255	153	90	316	322	213	250	163	53	134	431	161	505	316	143	449
14	Ratepayer Portion	2,301	1,377	814	2,840	2,902	1,915	2,250	1,469	473	1,203	3,875	1,452	4,551	2,846	1,286	4,043
15	Approved in Rates	2,301	2,301	2,301	2,301	2,301	2,301	2,250	2,250	2,250	2,250	2,250	2,250	4,551	4,551	4,551	4,551
16	Deferral balance payable to/ (collectable from) ratepayers	-	(924)	(1,487)	539	601	(386)	-	(781)	(1,777)	(1,047)	1,625	(798)	-	(1,705)	(3,265)	(508

Notes:
(1) Based on short-term storage services provided.
(2) 2013 O&M revenue requirement based on 11.3 PJ's of Board-approved excess in-franchise storage capacity.
(3) Total based on short-term storage volumes in proportion to total volumes. Short-Term Firm Peak Storage based on short-term peak storage activity compared to overall short-term storage activity.
(4) Total based on short-term storage activity in proportion to total actual storage activity. Short-Term Firm Peak Storage based on short-term peak storage activity compared to overall short-term storage activity.
(5) EB-2013-0210, Rate Order, Working Papers, Schedule 40, lines 14 - 17.
(6) EB-2014-0145, Exhibit A, Tab 1, Appendix A, Schedule 6.
(7) EB-2015-0010, Exhibit A, Tab 1, Appendix A, Schedule 3.
(8) EB-2016-0118, Exhibit A, Tab 1, Appendix A, Schedule 3.
(9) EB-2017-0091, Exhibit A, Tab 1, Appendix A, Schedule 3.
(10) Actual 2017 deferral balance is expected to be included in the Application and Evidence for EB-2018-0105, but is draft at this time and may change.

EB-2017-0306/EB-2017-0307
Exhibit JT3.6
Page 1 of 1
ENBRIDGE GAS DISTRIBUTION INC. AND UNION GAS LIMITED
Undertaking of Mr. Redford
To Mr. Quinn
REF: Tr.3 p.35.
To advise what percentage of Union's non-utility storage was in place at the time of the NGEIR decision.

Response:

At the time of NGEIR, Union had 162.5 PJ (152.2 Bcf) of working gas capacity of which 62.5 PJ was non-utility.

Union currently has 80.9 PJ of non-utility storage; an increase of 18.4 PJ from the time of the NGEIR proceeding.

EGD has increased non-utility storage capacity by 19.4 PJ since the time of the NGEIR proceeding.

The total non-utility storage capacity addition since the time of the NGEIR proceeding is 37.8 PJ (approximately 34 Bcf).

Response

a - b) Please see the response to BOMA Interrogatory #16 (d) (i) found at C.BOMA.16.

c) There are currently no specific plans or known costs/savings regarding the integration of utility storage operations. Plans to integrate utility storage operations will follow the Board’s decisions in EB-2017-0306 and EB-2017-0307 and be completed during the deferred rebasing period. Effective September 1, 2017, Union started to manage the EGD non-rate regulated (non-utility) storage capacity.

d) The total storage requirement of Amalco in-franchise customers will change over time based on the Gas Supply Plan prepared for a particular year. The current Gas Supply Plan for Union has forecast the in franchise need forecast for winter 2017/18 storage is 93.2 PJ. For EGD, the 2018 Gas Supply plan has forecast the need for winter 2017/18 storage is 125.8 PJ.

ENBRIDGE GAS DISTRIBUTION INC. AND UNION GAS LIMITED

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

Exhibit C.EP.6 ENERGY PROBE 6

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). Please indicate the basis of the capital investment of $8 million.

b). Please indicate why only $3 million in O&M savings are projected 2019-2021.

c). Confirm the approved 2018 Peak Day Storage In-franchise requirements and the total storage capacity contracted for each utility. Provide References.

d). How much of this is contracted with Union in 2019?

Please confirm the following:

e). Union has ~3Pj of cost based storage not required in-franchise in 2019

f). How much more storage Enbridge needs to meet 2019 in-franchise peak day requirements. g).

What is the plan to rationalize the total storage of the two utilities starting in 2019? How will this affect Load Balancing costs/rates for customers for example residential customers in each franchise?

Response

a) Please see the response to BOMA Interrogatory #16(d) part (i) found at Exhibit C.BOMA.16.

SEE ABOVE FOR RESPONSE

b) Please see the response to Board Staff Interrogatory #6 (a -b) found at Exhibit C.STAFF.6.

Response

a - b) Please see the response to BOMA Interrogatory #16 (d) (i) found at C.BOMA.16.
c) There are currently no specific plans or known costs/savings regarding the integration of utility storage operations. Plans to integrate utility storage operations will follow the Board's decisions in EB-2017-0306 and EB-2017-0307 and be completed during the deferred rebasing period. Effective September 1, 2017, Union started to manage the EGD non-rate regulated (non-utility) storage capacity.
d) The total storage requirement of Amalco in-franchise customers will change over time based on the Gas Supply Plan prepared for a particular year. The current Gas Supply Plan for Union has forecast the in franchise need forecast for winter 2017/18 storage is 93.2 PJ. For EGD, the 2018 Gas Supply plan has forecast the need for winter 2017/18 storage is 125.8 PJ.

c) As of April 1, 2018, EGD will have contracted 26.4 PJ of storage capacity from third parties. See Table 1[1] for a summary of maximum withdrawal and injection deliverability from both the EGD regulated storage and third party contracts.

For the winter of 2017/2018, Union's in-franchise storage requirement was 93.2 PJ[2] and the maximum Design Day withdrawal requirement was 1.975 PJ/d[3]. In-franchise requirements for injections are managed within Union's injection capability of approximately 1.45 PJ/d. As the in-franchise storage requirement is below the 100 PJ capacity set aside for in- franchise use as per the NGEIR Decision, Union does not need to contract for any additional storage to meet the requirements of in-franchise customers.

d) Of the total storage capacity EGD contracted from third parties, 19.5 PJ of capacity is contracted from Union.

e) Union has not completed its Gas Supply Plan for the winter of 2018/2019 and is therefore unable to confirm the quantity of ~3PJ of excess utility storage. As noted in the response to Energy Probe Interrogatory #6(c) found at Exhibit C.EP.6, the winter 2017/2018 excess utility storage space is 6.8 PJ.

f) EGD has not completed its 2019 Gas Supply Plan and, therefore, is not able to comment on whether incremental storage capacity will be required to meet 2019 EGD zone peak day requirements.

g) Please see the response to Board Staff Interrogatory #6(c) found at Exhibit C.STAFF.6. Load balancing costs (i.e. storage service costs) for customers in Union South, Union North and EGD Zones are expected to continue at similar levels to pre-amalgamation rates during the deferred re-basing period, subject to annual rate adjustments.

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[1] EB-2017-0086 Exhibit D1 Schedule 2 Tab 9 Page 2 has been updated to remove Contracts A and B which are expiring and to add Contracts J,K and L.
[2] EB-2017-0087, Exhibit A, Tab 3, Section 5.8, page 25
[3] EB-2017-0087, Exhibit A, Tab 3, Section 5.1.1 (Figure 5, page 16) and 5.1.2 (Figure 6, page 17)

Table 1
Status of EGD's Transportation & Storage Contracts Storage Contract summary

Contract	Annual Quantity (GJ)	Effective Date	Expiry Date
C	4,000,000	Apr. 1, 2014	Mar. 31, 2019
D (1)	1,582,584	May 1, 2016	Apr. 30, 2019
E	3,000,000	Apr. 1, 2015	Mar. 31, 2020
F	3,000,000	Apr. 1, 2015	Mar. 31, 2020
G (1)	1,055,056	May 1, 2017	Apr. 30, 2020
H	1,500,000	Apr. 1, 2016	Mar. 31, 2021
I	5,000,000	Apr. 1, 2017	Mar. 31, 2022
J (1)	2,110,112	May 1, 2018	Apr. 30, 2019
K (1)	2,110,112	May 1, 2018	Apr. 30, 2020
L	3,000,000	Apr. 1, 2018	Mar. 31, 2023
	26,357,864		

	Total Quantity (PJ's)	Maximum Withdrawal (PJ's)	Deliverability	Maximum Injection (PJ/day)	Injectability (PJ/day)
Total Contracted Capacity	26.4	0.4	1.4%	0.2	0.8%
EGD Regulated Storage	99.4	1.9	1.9%	0.7	0.7%

Note 1 - Synthetic Storage

TRANSMISSION

Answer to Exhibit C.EP.7 Interrogatory from
Energy Probe Research Foundation ("EP")

Exhibit C.EP.7 ENERGY PROBE 7

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).
Page 2 of 2
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**

Exhibit C.TCPL.3

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.

ii.

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%**

PANEL 3

References

Average Use (NAC) and AUTVA

EB-2016-0118 Settlement Page 12 Paragraph 12
12. Normalized Average Consumption (No. 179-133)
(Complete Settlement)
The parties accept Union's evidence that the amount to be disposed of in the Normalized Average
Consumption ("NAC") deferral account (No. 179-133). The balance in the NAC deferral is a debit from ratepayers of $10.499 million plus interest of $0.047 million.
In considering this account, the parties considered the evidence that at the end of 2014, the NAC deferral account (No.179-133) had a credit balance of $1.554 million, whereas as at the end of 2015 the account has a debit balance of $10.546 million. (Please see Exhibit B.VECC.3) The parties discussed the extent to which Union's current methodology for forecasting NAC, which relies on historical consumption data, can be expected to reflect; i) the future impact of ongoing structural changes in customer gas consumption; and ii) the future impact of DSM savings.
The parties agree that, as part of its application for rebasing rates for the 2019 test year, Union will file a study assessing the continued appropriateness of its methodology for determining the NAC, including in particular the extent to which its current methodology properly reflects; i) the forecast impact of ongoing structural changes in general service customer gas consumption; and ii) the forecast impact of DSM savings. This study will facilitate consideration of appropriate changes to Union's NAC forecast methodology, if any, as part of Union's application to establish 2019 rates.
Evidence References:
1. A/T1/pp.22-29, A/T1/S6
2. Exhibit B.Staff.4, Exhibit B.BOMA.5, Exhibit B.CCC.4, Exhibit B.Energy Probe.2, Exhibit B.FRPO.3, Exhibit B.FRPO.4, Exhibit B.FRPO.5, Exhibit B.OGVG.1, Exhibit B.VECC.3

EB-2017-102 Settlement Exhibit N1 Tab 1Schedule 1 Page 8

(f) 2016 Average Use True-Up V/A (2016 AUTUVA) All parties agree that the principal balance in the 2016 AUTUVA, which is shown in Appendix A, along with applicable interest, will be cleared as set out under Issue 2, below. The AUTVA was first established in EB-2007-0615 and continued in Enbridge's current approved 5 year IR Plan. The purpose of the AUTUVA (as set out in the Accounting Order establishing the account) is to record ("true-up") the revenue impact, exclusive of gas costs, of the difference between the forecast of average use per customer, for general service rate classes (Rate 1 and Rate 6), embedded in the volume forecast that underpins Rates 1 and 6 and the actual weather normalized average use experienced during the year. The calculation of the volume variance between forecast average use and actual normalized average use will exclude the volumetric impact of Demand Side Management programs in that year. The revenue impact will be calculated using a unit rate determined in the same manner as for the derivation of the Lost Revenue Adjustment Mechanism (LRAM), extended by the average use volume variance per customer and the number of customers. While there are no unsettled issues with respect to the disposition of the 2016 AUTUVA balance, parties sought clarity on the derivation of the AUTUVA balance and on the average use forecast determined through the Board-approved average use models. Enbridge confirmed that the average use models are used to set the volume forecasts that are "trued-up" through the AUTUVA. The average use models are not used in the AUTUVA calculations. In light of the foregoing, parties have asked Enbridge to provide more clarity about the elements of the AUTUVA calculation. In response, Enbridge has agreed that it will provide the following evidence in its 2018 Rate Adjustment proceeding: Filed: August 11, 2017 EB-2017-0102 Exhibit N1 Tab 1 Schedule 1 Page 9 a. Evidence, regarding how Enbridge undertakes: i. Establishment of baseload; ii. Establishment of heatload per customer; and iii. Customer count b. If applicable, evidence outlining any changes made since rebasing, to the methodology, parameters and assumptions of related to the determination of the items above. c. If there were any changes made to its calculation of the AUTUVA balances since rebasing, an analysis of the impact of the change by showing the difference between the actual normalized average use for each year, and what the amount would have been if no changes had been made. c. Forecast volumes and customer meters on a monthly basis including the forecast monthly figures for baseload and heatload per customer. In the 2018 Earnings Sharing Mechanism proceeding, Enbridge will provide these figures on an actual basis.

Enbridge also agrees that if it requests an average use true-up mechanism in its next rebasing case, then Enbridge will file a study reviewing what other practices regarding average use true-up are approved for other utilities and how they compare to what Enbridge proposes. As part of this study, Enbridge would indicate the impacts of using the different practices and what is industry best practice, if this differs from Enbridge's proposed average use true-up approach.

Evidence: The evidence in relation to this issue includes the following: C-1-1 Balances Requested for Clearance at October 1, 2017 C-1-5 2016 Actual Average Use True-Up Variance Account Explanation C-2-1 C-2-2 Clearance of Deferral and Variance Account Balances Derivation of Proposed Unit Rates I.C.EGDI.STAFF.8 OEB Staff Interrogatory #8 I.C.EGDI.BOMA.22 BOMA Interrogatory #22 I.C.EGDI.EP.7 Energy Probe Interrogatory #7 I.C.EGDI.FRPO.11 to 13 FRPO Interrogatories #11 to 13 I.C.EGDI.SEC.4 SEC Interrogatory #4

Answer to Interrogatory from
Energy Probe Research Foundation ("EP")

EB-2017-0306/307 Exhibit C.EP.22 ENERGY PROBE 22

Rate Setting Application

Reference: Exhibit B, Tab 1, Page 23

Preamble: As part of the Settlement Agreement approved by the OEB in the 2015 Disposition of Deferral Account Balances proceeding (EB-2016-0118), Union agreed to file a study assessing the continued appropriateness of its methodology for determining the NAC.

Question:

a) Please confirm that Amalco is requesting a Normalized Average Use adjustment and Deferral Account.

b) Please provide details on the NAC adjustment proposal and compare to the current NAC treatment for EGD and Union.

c) Please provide status/timing of the NAC review and any additional information.

d) Since EGD is also experiencing declining average use, please comment why the study/review should not be extended for the EGD service areas post amalgamation.

Response

a) Confirmed. Amalco is requesting the continuation of the normalized average use adjustment and the associated deferral accounts.

b) The proposal is a continuation of the current approaches currently in place and previously approved by the Board within the respective IRMs. As such, there is no difference between the current treatment and the proposed.

c-d) Please see the response to Board Staff Interrogatory #59 found at Exhibit C.STAFF.59.

CSTAFF 59

Response:

a) Amalco intends to address the directives and/or commitments shown as parts i) & iii) as part of its 2029 rebasing proceeding as they are best considered and dependent on a comprehensive review within the eventual amalgamated entity and structure. For the commitment shown as part ii), Amalco will provide justification for any required incremental storage to serve EGD Rate Zone that will be purchased in the market within any future Gas Supply Plan.

b) **While EGD has no such directive, assessing the appropriate NAC and AU methodologies**

are better to be performed and likely to have greater insights once any amalgamated entity and structure are known and can be properly considered.

Exhibit JT3.9
Page 1 of 1
ENBRIDGE GAS DISTRIBUTION INC. AND UNION GAS LIMITED
Undertaking of Mr. Kacicnik
To Mr. Quinn
REF: Tr.3 p.44.
To clarify base load factors and heat-sensitive load.
Response:
The method of setting baseload profiles for EGD's general service customers discussed in response to FRPO Interrogatory #20 (Exhibit C.FRPO.20) was approved by the Board in EBRO 473 (1992). The Board approved method establishes how the baseload is profiled. EGD has used the methodology consistently since 1992.
The Applicants observe that changes to the profiles and/or normalization methodologies would require Board approval.
/u

EB-2017-0306/EB-2017-0307
Exhibit C.STAFF.18 Page 1 of 1
ENBRIDGE GAS DISTRIBUTION INC. AND UNION GAS LIMITED
Answer to Interrogatory from Ontario Energy Board Staff ("Staff")
Rate Setting Issues List – Issue No. 1
Reference: Exhibit B, Tab 1, p. 10
Preamble: In the Y factor section of the proposed plan, the applicants state that:
The LRAM will continue to exist for the contract rate classes.
Normalized Average Consumption/Average Use Adjustment
The Applicants are proposing to continue to adjust rates annually to reflect the declining trend in use.
Question:
Please provide a detailed discussion of how the normalized average consumption/average use adjustment(s) would work under the proposed plan.
Response
Please see the response to CCC Interrogatory #26 found at Exhibit C.CCC.26.
Exhibit C.CCC.26
Page 1 of 1
ENBRIDGE GAS DISTRIBUTION INC. AND UNION GAS LIMITED
Answer to Interrogatory from
Consumers Council of Canada ("CCC")
Rate-Setting Mechanism Application
Reference: (Ex. B/T1/p. 10)
Question:
Please explain, in detail, how the annual adjustments to normalized average consumption will be calculated and applied to rates.
Response
As per the Applicants' proposal, the forecasted NAC/average use will be updated annually for each general service rate class as part of the rate adjustment applications during the rebasing period. The Applicants expect to continue forecasting NAC/AU using the existing Boardapproved
methodologies in place under their current IRMs.
The general service rate classes are M1, M2, R01, R10 for Union Gas, and R1, R6 for EGD.
The volume for each general service rate class is a function of the forecasted NAC/AU. Each rate class has its own forecasted NAC/AU.
The example below provides an illustration of this volumetric adjustment.
Example for volumetric adjustment in year: Yr (t+1):

$$Volume\ Units\ Yr(t+1) = Volume\ Units\ Yr(t) \times \frac{NAC\ Forecast\ Yr(t+1)}{NAC\ Forecast\ Yr(t)}$$

At year end, the variance between the actual NAC and the forecast NAC for each rate class will be recorded in the NAC Deferral/Average Use True-Up Variance Accounts.
If the actual NAC is lower than the forecasted NAC, then the variance amount (debit) will be

collected from customers. If the actual NAC is higher than the forecasted NAC, then the variance amount (credit) will be refunded to customers.

Z-Factor Threshold

EB-2017-0306/EB-2017-0307
Exhibit C.STAFF.23
Page 1 of 1
ENBRIDGE GAS DISTRIBUTION INC. AND UNION GAS LIMITED
Answer to Interrogatory from
Ontario Energy Board Staff ("Staff")
Rate Setting Issues List – Issue No. 1
Reference: Exhibit B, Tab 1, p. 11
Preamble: The applicants propose to use a materiality threshold of $1.0 million for Z-factors during the deferred rebasing period.
Questions:
a) Please provide Union Gas and Enbridge Gas' existing materiality thresholds for Z-factor claims.
b) Please provide rationale supporting the change to the Z-factor materiality threshold.
c) **Please confirm that the proposed Z-factor materiality threshold is on a revenue requirement basis.**

Response

a) Union's and EGD's current materiality thresholds for Z-factor claims are $ 4.0 million and $1.5 million respectively.
b) The Board's Utility Rate Handbook (Oct. 2016) outlines that the Boards Renewed Regulatory Framework for Electrics (2012) and its principles and goals are now applicable to **all regulated utilities** not only electric utilities. The materiality threshold for Electric Distributors is set at $1 million for distributors with distribution revenue requirements of more than $200 million. With the evolving and continuing views and policies of the Board more closely aligning a variety of treatments of the electric and gas industries, it seems appropriate to align Z factor materiality thresholds.
c) Confirmed.

Deferral Accounts

See Exhibit C.EP.25
RESPONSE TOO LARGE TO INCLUDE IN COMPENDIUM

(Exhibit C.EP.25 provides a 10 page review of DAs --54 Deferral Accounts are proposed for Amalco.)

4.4. Capital Related

EGD and UNION defer variances on capital investment approved by the OEB for rate recovery beyond what can be funded by existing rates. The investment subject to deferral depends on the circumstances of the utility. No changes are proposed as a result of the amalgamation.

EGD's accounts will not continue at the expiry of the term of the custom incentive regulation period. Union's accounts will continue during the deferred rebasing period to capture the impact of changes in income tax timing differences.

Constant Dollar Salvage account

EGD has recorded amounts for refund to ratepayers during the period 2014 through 2018 incentive period related to the reduction in the reserve for net salvage approved by the OEB. This account is cleared at the end of 2018 and will no longer be required.

Regulatory Commitments.

Exhibit C.EP. 26
Referred to LPMA 13

2015-2016 ESM Proceeding Commitments — Appendix B

2016 ESM Proceeding Commitments EB-2017-0102

Line	Item	Reporting Information	Timing	Status
1	Company Information	Additional evidence related to Average Use True Up Variance Account ("AUTUVA"): - Baseload, Heatload, Customer Counts - Outline changes to Rebasing: methodology, parameters and/or assumptions, if applicable - Explanations to the AUTUVA balances since rebasing, if any changes made to calculation - Monthly forecast volumes and customer meters, including baseload and heatload	Annual	N/A
2	Gas Supply	Unaccounted for Gas ("UAF") Report: - Continue to review and report on certain investigations as to its unaccounted-for-gas - Evidence outlining steps taken to address any reduction in UAF	Annual	Ongoing

2015 ESM Proceeding Commitments EB-2016-0142

Line	Item	Reporting Information	Timing	Status
3	Direct Purchase / Gas Supply	Interruptible Distibution Services: - Consider and advise if any potential cost effective changes that would make service more attractable to customer and thereby potentially avoid incremental firm transportation capacity or other costs	2017 Rate Adjustment Application	Complete
4	Gas Supply	Storage Optimization Transactional Services: - Advise of any trends that are apparent in respect of these revenues and evidence detailing the separation of storage optimization responsibilities and activities as between utility and non-utility optimization storage accounts	2016 ESM Application	Complete
5	Gas Supply	Incremental Gas Storage: - Prior to developing or aquire incremental storage capacity provide analysis and justification for the need	Annual	Done in 2018 Rate Proceeding

2014 ESM Proceeding Commitments EB-2015-0122

Line	Item	Reporting Information	Timing	Status
6	Gas Supply	Incremental Gas Storage: - Study incremental storage for future years with the support of an external consultant to determine needs	Annual	Ongoing

Exhibit C.LPMA.14
Page 1 of 1
ENBRIDGE GAS DISTRIBUTION INC. AND UNION GAS LIMITED
Answer to Interrogatory from
London Property Management ("LPMA")
MAADs Issues List – Issue No. 5
Reference: EB-2017-0306 & EB-2017-0307
Question:
Please provide a complete list of other rate setting issues that the utilities believe merit attention now and indicate how and when these issues will be addressed.
Response:
The Applicants intend to propose changes to the cost allocation of Union's Panhandle System and St. Clair System (as described in the response to LPMA Interogatory #43(b) found at Exhibit C.LPMA.43) and to the rate design for Union's Rate M12/C1 transportation demand charges (as described in the response to TCPL Interrogatory #4 found at Exhibit C.TCPL.4) in the 2019 Rates application. The Applicants also intend to propose other administrative rate setting changes in the 2019 Rates application, such as combining Union's Rate M4 and Rate M5 onto one rate schedule and eliminating the Rate U2 rate schedule. Should any other rate setting issues be identified by the Applicants or stakeholders during the deferred rebasing period, they may be proposed as part of the annual rate adjustment application process or as part of a separate application