

EB-2017-0306
EB-2017-0307

Enbridge Gas Distribution Inc.
and
Union Gas Limited

**Application for approval to amalgamate Enbridge
Gas Distribution Inc. and Union Gas Limited
and
for approval of a rate-setting mechanism
and associated parameters from January 1, 2019 to
December 31, 2028**

FRPO COMPENDIUM

MAY 3, 2018

ENBRIDGE GAS DISTRIBUTION INC. AND UNION GAS LIMITED

Undertaking of Mr. Culbert
To Mr. Quinn

REF: Tr.1, p.110.

Please populate the WAMS table with Enbridge data.

Response:

The table below provides the requested information.

Undertaking No. JT1.13
EGD Work & Asset Management (WAMS) Implementation
Cost Detail - April 4th, 2018

| Capital | Planning | Design | Build / Test | Implement/ Warranty / Close | |
|---|-----------------|-----------------|-----------------|-----------------------------------|-------------------------------|
| <u>Systems Consultants</u> | | | | | |
| Systems Integrator (Deloitte/Interloc/Diabsolut) | \$1.7 M | \$6.6 M | \$13.7 M | \$3.5 M | |
| Other | 2.4 M | 3.0 M | 21.5 M | 1.4 M | |
| <u>EGD Resources</u> | | | | | |
| EGD Internal Resources | 3.2 M | 4.2 M | 14.9 M | 1.0 M | |
| PMO (included in Systems Consultants & EGD Resources) | - | - | - | - | |
| <u>Other</u> | | | | | |
| Software | 3.7 M | 1.7 M | 0.3 M | 0.0 M | |
| Hardware | 0.2 M | 2.1 M | 0.6 M | 0.0 M | |
| Other (includes Facilities, IDC) | 1.2 M | 1.9 M | 3.2 M | 0.0 M | |
| Phase Total | \$12.4 M | \$19.5 M | \$54.2 M | \$5.9 M | \$92.0 M Project Total |

APPENDIX B

TO

DECISION AND ORDER

UNION GAS LIMITED

BOARD FILE NO. EB-2013-0365

DATED: JUNE 16, 2014

**SETTLEMENT FRAMEWORK FOR REDUCTION OF PARKWAY DELIVERY
OBLIGATION**

SETTLEMENT FRAMEWORK FOR REDUCTION OF PARKWAY DELIVERY OBLIGATION

A. CONTEXT AND GUIDING PRINCIPLES

1. There is currently an inequity in the manner in which the delivery of gas volumes required by Union at Parkway is achieved. A number of Direct Purchase (“DP”) customers are contractually required by Union to deliver their Daily Contract Quantity (“DCQ”) of gas to Parkway, at their own expense, in order for Union to operate its system. As a consequence, DP customers with a Parkway Delivery Obligation (“PDO”) are conferring a benefit on all users of the Dawn-Parkway transmission system because its size and capacity are less than would otherwise be required.
2. To rectify this inequity, the Parties agree that the PDO should be permanently reduced primarily in the manner Union has proposed and as reflected in its evidence, but with certain modifications and an end-state as outlined below. Conceptually, the modified proposal is for Union to use excess Dawn-Parkway transmission capacity and other resources to provide the PDO relief it proposes, but with a defined end-state which includes the payment of a Parkway Delivery Commitment Incentive (“PDCI”) for any continuing obligated DCQ deliveries at Parkway.
3. The ultimate objective of the modified proposal is to remedy an inequity. The guiding principle is to keep Union whole rather than to enhance or reduce its earnings during the operation of the Incentive Regulation Mechanism (“IRM”) to December 31, 2018.
4. Union identifies TransCanada Power, a Division of TransCanada Energy Ltd. (“TCE”), as a M12 DP customer having a PDO eligible for reduction by turnback of M12 capacity. (See Exhibit B1.5) TCE holds M12 service for 132,000 GJ/day pursuant to an arrangement made with Union under the auspices of sub-paragraph (b) in the “Delivery Obligations” portion of section 1.3 of the EB-2005-0551 Settlement Agreement dated June 13, 2006 (the “NGEIR Settlement”). Under the provisions of subparagraph (b)(ii) of the NGEIR Settlement, this M12 service arrangement allows TCE’s Halton Hills Generating Station (“HHGS”) to purchase and deliver all of its DP gas supply to Union at Dawn on a non-obligated basis. Union then transports and delivers those non-obligated volumes from Dawn to HHGS, located near Parkway.
5. These delivery services are provided by Union to TCE for HHGS under the auspices of a M12 Dawn to Parkway contract for 132,000 GJ/day which TCE has assigned to Union and a Rate T2 contract for distribution services at a Billing Contract Demand (“BCD”) of approximately 52,000 GJ/day. This is the minimum quantity that causes the Rate T2 demand charges paid by HHGS to fully recover the capital costs of the HHGS lateral under the economic test that is used for leave to construct applications.
6. This PDO Reduction proposal includes within its ambit the 132,000 GJ/day of capacity which TCE holds pursuant to its M12 contract which it has assigned to Union. TCE’s M12 contract expires on October 31, 2018.

UNION GAS LIMITED

Answer to Interrogatory from
Federation of Rental-housing Providers of Ontario (“FRPO”)

Reference: Exhibit A, Tab 1, Pages 44-46 and EB-2013-0365 Settlement Agreement and EB-2016-0245 Settlement Agreement pages 17-20

Preamble: We are interested in understanding better the application of principles from the EB-2013-0365 Settlement Agreement to the current situation and the deferral account 179-138.

Excerpt from the EB-2013-0365 read:

The ultimate objective of the modified proposal is to remedy an inequity. The guiding principle is to keep Union whole rather than to enhance or reduce its earnings during the operation of the Incentive Regulation Mechanism (“IRM”) to December 31, 2018. (emphasis added).

....

10. Union will include in its annual rate case filings a report on:

(a) Capacity that could become available, or could be made available, in the 2 years commencing with the test year, and could be used to further reduce the PDO in place at the time of the rate case filing on a more cost effective (i.e. lower revenue requirement) basis than the cost of the PDCI. Parties in the rate review process may explore any such options and advocate for further physical displacement of remaining PDOs to Dawn or other delivery points less costly to deliver to than Parkway.

(c) The measures that Union used and the costs incurred to manage the Parkway delivery shortfall (described in paragraph B.2) to acquire incremental resources, the costs of which are not already recovered in base rates, Y factors and/or existing deferral and variance accounts.

If the costs incurred to manage the Parkway delivery shortfall component of the PDO reduction in any year are less than the annual demand costs related to the shortfall in that year and actual fuel costs in that year for capacity equal to the shortfall capacity, then the entire amount of such cost savings will accrue to Union.

Conversely, if the actual costs in any year to manage the Parkway Delivery shortfall in that year exceed annual demand costs and actual fuel costs in that year for capacity equal to the shortfall amount, then Union will be entirely responsible for those excess costs. Parties further agree that ratepayers will be entitled to recover from Union that portion of the costs incurred by Union to manage the Parkway Delivery shortfall to the

extent that the cost of the measures used by Union to manage the shortfall are already covered in base rates, Y factors and/or existing deferral or variance accounts.

For each of 2014/15, 2015/16, 2016/17 and 2017/18, please provide:

- a) The forecasted amount of Dawn-Parkway capacity
- b) The forecasted peak-day requirements
- c) The amount of capacity recovered in base rates, Y factors and/or existing deferral or variance accounts (broken out by each category of recovery).
- d) The measures that Union used and the costs incurred to manage the Parkway delivery shortfall to acquire incremental resources, the costs of which are not already recovered in base rates Y factors and/or existing deferral and variance accounts.
- e) For each of the requested winters, please provide the dates of interruptions of customers on the Dawn-Parkway system and the Heating Degree Days associated with each day of interruption.

Response:

a-b)

| TJ/d | Winter 2014/2015 | Winter 2015/2016 | Winter 2016/2017 | Winter 2017/2018 |
|----------|---------------------|---------------------|---------------------|---------------------|
| Capacity | 6801 | 7014 | 7508 | 7923 |
| Demand | 6643 | 7049 | 7443 | 7783 |

- c) Please see Attachment 1.
- d) Union did not acquire incremental resources in any of the years listed to manage the Parkway delivery shortfall.
- e) Union has not interrupted customers on the Dawn Parkway System in any of the winters requested.

Dawn-Parkway Capacity in 2017 Rates
Updated for W17/18 Dawn to Parkway Capacity of 7,923 TJ/d

| Line No. | Particulars | Dawn-Parkway Capacity (TJ/d) |
|----------|---|------------------------------|
| | Base Rates | |
| 1 | 2013 Cost of Service | 6,803 |
| | 2014-2018 IRM Y Factor Adjustments | |
| | Capital Pass-through Projects | |
| 2 | Brantford-Kirkwall / Parkway D Project | 433 |
| 3 | Dawn Parkway 2016 System Expansion Project | 443 |
| 4 | 2017 Dawn Parkway Project (1) | 457 |
| 5 | Total Dawn-Parkway Capacity in Rates as Filed | 8,135 |
| 6 | Other Dawn-Parkway Capacity Changes (2) | (212) |
| 7 | Total Dawn-Parkway Capacity at W17/18 | 7,923 |

Notes:

- (1) The in-service date of the 2017 Dawn Parkway Project is forecast for November 2017. 2017 Rates includes the 2017 revenue requirement and two months of demands added to the Rate M12 billing units associated with the project.
- (2) Total Dawn-Parkway capacity has been reduced due to year to year modelling changes and ex-franchise and in-franchise demand changes along the Dawn-Parkway system. These changes in the Dawn-Parkway capacity do not impact filed rates.

Dawn-Parkway Capacity in 2016 Rates

| Line No. | Particulars | Dawn-Parkway Capacity (TJ/d) |
|-------------|--|------------------------------------|
| | Base Rates | |
| 1 | 2013 Cost of Service | 6,803 |
| | 2014-2018 IRM Y Factor Adjustments | |
| | Capital Pass-through Projects | |
| 2 | Brantford-Kirkwall / Parkway D Project | 433 |
| 3 | Dawn Parkway 2016 System Expansion Project (1) | 443 |
| 4 | Total Dawn-Parkway Capacity in Rates as Filed | <u>7,678</u> |
| 5 | Other Dawn-Parkway Capacity Changes (2) | <u>(170)</u> |
| 6 | Total Dawn-Parkway Capacity at W16/17 | 7,508 |

Notes:

- (1) The in-service date of the Dawn Parkway 2016 System Expansion Project was forecast for November 2016. 2016 Rates included the 2016 revenue requirement and two months of demands added to the Rate M12 billing units associated with the project.
- (2) Total Dawn-Parkway capacity has been reduced due to year to year modelling changes and ex-franchise and in-franchise demand changes along the Dawn-Parkway system. These changes in the Dawn-Parkway capacity do not impact filed rates.

UNION GAS LIMITED

Answer to Interrogatory from
Federation of Rental-housing Providers of Ontario (“FRPO”)

Reference: Exhibit A, Tab 2
EB-2013-0365 Settlement Agreement
EB-2016-0245 Settlement Agreement pp.17-20

Preamble: We are interested in understanding better the application of principles from the EB-2013-0365 Settlement Agreement to the current situation and the inclusion of PDO costs in 2018 applied for in rates.

Excerpts from the EB-2013-0365 read:

The ultimate objective of the modified proposal is to remedy an inequity. The guiding principle is to keep Union whole rather than to enhance or reduce its earnings during the operation of the Incentive Regulation Mechanism (“IRM”) to December 31, 2018. (Emphasis added)...

10. Union will include in its annual rate case filings a report on:

(a) Capacity that could become available, or could be made available, in the 2 years commencing with the test year, and could be used to further reduce the PDO in place at the time of the rate case filing on a more cost effective (i.e. lower revenue requirement) basis than the cost of the PDCI. Parties in the rate review process may explore any such options and advocate for further physical displacement of remaining PDOs to Dawn or other delivery points less costly to deliver to than Parkway.

(c) The measures that Union used and the costs incurred to manage the Parkway delivery shortfall (described in paragraph B.2) to acquire incremental resources, the costs of which are not already recovered in base rates, Y factors and/or existing deferral and variance accounts.

If the costs incurred to manage the Parkway delivery shortfall component of the PDO reduction in any year are less than the annual demand costs related to the shortfall in that year and actual fuel costs in that year for capacity equal to the shortfall capacity, then the entire amount of such cost savings will accrue to Union.

*Conversely, if the actual costs in any year to manage the Parkway Delivery shortfall in that year exceed annual demand costs and actual fuel costs in that year for capacity equal to the shortfall amount, then Union will be entirely responsible for those excess costs. **Parties further agree that ratepayers will be entitled to recover from Union that portion of the costs incurred by Union to manage the Parkway Delivery shortfall to the extent that the cost of the measures used by Union to manage the shortfall are already covered in base rates, Y factors and/or existing deferral or variance accounts.***

Please update the Nov. 1, 2019 turnback with up-to-date information

- a) Please double-check the Nov. 1, 2018 turnback information.
 - b) Please include this information in the table below in question 8.
-

Response:

- a) Union did not receive any Dawn to Kirkwall turnback effective November 1, 2018 or November 1, 2019.
- b) The information included in Exhibit B.FRPO.8 part b) does not include any Dawn to Kirkwall turnback for either November 1, 2018 or November 1, 2019 (see part a) above).

UNION GAS LIMITED

Answer to Interrogatory from
Federation of Rental-housing Providers of Ontario (“FRPO”)

For each of 2014/15, 2015/16, 2016/17, 2017/18 and 2018/19, please provide:

- a) The amount of capacity recovered in base rates, Y factors and/or existing deferral or variance accounts (broken out by each category of recovery).
- b) In one table, the forecasted amount of Dawn-Parkway capacity as determined in a) and the forecasted peak-day requirements (including updates from turnback identified in the above question 7).
- c) The measures that Union used and the costs incurred to manage the Parkway delivery shortfall to acquire incremental resources, the costs of which are not already recovered in base rates Y factors and/or existing deferral and variance accounts.
- d) For each of the requested winters, please provide the dates of interruptions of customers on the Dawn-Parkway system and the Heating Degree Days associated with each day of interruption.
- e) In a separate table, for each year, please provide the amount of PDO collected and the additional costs to manage the Parkway delivery shortfall that are not already recovered in base rates Y factors and/or existing deferral and variance accounts.

Response:

- a) Please see Attachment 1, line 6.
- b) Please see Attachment 1, lines 8 and 9.
- c) For 2014/2015 through to date in 2017/2018, Union did not experience Design Day conditions and therefore did not need to acquire incremental resources or employ additional measures to manage the Parkway delivery shortfall.
- d) The Dawn Parkway System was not interrupted from 2014/2015 through to date.

e) Please see Table 1 for the PDO costs included in rates. Union did not incur any additional costs to manage the Parkway delivery shortfall.

Table 1
PDO Costs in Rates

| <u>Line No.</u> | <u>Particulars</u> | <u>Total Cost (\$000s)</u> |
|-----------------|------------------------------|----------------------------|
| 1 | EB-2014-0271 2015 Rates | 7,043 |
| 2 | EB-2015-0116 2016 Rates | 7,491 |
| 3 | EB-2016-0296 2017 Rates | 8,426 |
| 4 | EB-2017-0087 2018 Rates | 11,431 |

UNION GAS LIMITED
Dawn to Parkway Capacity in Rates

| Line No. | Particulars (TJ/d) | 2014 Rates W14/15 (a) | 2015 Rates W15/16 (b) | 2016 Rates W16/17 (c) | 2017 Rates W17/18 (d) |
|----------|--|--------------------------------|--------------------------------|--------------------------------|--------------------------------|
| | <u>Base Rates</u> | | | | |
| 1 | 2013 Cost of Service | 6,803 | 6,803 | 6,803 | 6,803 |
| | <u>2014-2018 IRM Y Factor Rate Adjustments</u> | | | | |
| 2 | Capital Pass-through Projects | | | | |
| 3 | Brantford-Kirkwall / Parkway D Project (1) | - | 433 | 433 | 433 |
| 4 | Dawn Parkway 2016 System Expansion Project (2) | - | - | 443 | 443 |
| 5 | 2017 Dawn Parkway Project (3) | - | - | - | 457 |
| 6 | Total Dawn-Parkway Capacity in Rates as Filed | <u>6,803</u> | <u>7,236</u> | <u>7,678</u> | <u>8,135</u> |
| | <u>Other Changes (not included in Rates)</u> | | | | |
| 7 | Other Dawn-Parkway Capacity Changes (4) | <u>(2)</u> | <u>(222)</u> | <u>(170)</u> | <u>(246)</u> |
| 8 | Total Forecasted Dawn-Parkway Capacity (Line 6 + Line 7) | 6,801 | 7,014 | 7,508 | 7,889 |
| 9 | Total Forecasted Dawn-Parkway Demands | 6,643 | 7,049 | 7,443 | 7,783 |

Notes:

- (1) The in-service date of the Brantford-Kirkwall / Parkway D Project was forecast for November 2015. 2015 Rates includes the 2015 revenue requirement and two months of demands added to the Rate M12 billing units associated with the project.
- (2) The in-service date of the Dawn Parkway 2016 System Expansion Project was forecast for November 2016. 2016 Rates included the 2016 revenue requirement and two months of demands added to the Rate M12 billing units associated with the project.
- (3) The in-service date of the 2017 Dawn Parkway Project is forecast for November 2017. 2017 Rates includes the 2017 revenue requirement and two months of demands added to the Rate M12 billing units associated with the project.
- (4) Total Dawn-Parkway capacity has been reduced due to year to year modelling changes and ex-franchise and in-franchise demand changes along the Dawn-Parkway system. These changes in the Dawn-Parkway capacity do not impact filed rates.

UNION GAS LIMITED

Answer to Interrogatory from
Federation of Rental-housing Providers of Ontario (“FRPO”)

Please confirm that the costs original capacity that was temporarily available to allow for the original shift of customers from Parkway to Dawn were included in the 2013 Base Rates for the Dawn-Parkway system.

Response:

Confirmed.

UNION GAS LIMITED

Answer to Interrogatory from
Federation of Rental-housing Providers of Ontario (“FRPO”)

If there is no shortfall as a result of D-P builds that have been put in place and whose recovery are included in rates, please explain why Union is seeking PDO recovery in 2018.

Response:

Union has included the PDO costs in 2018 Rates in accordance with the Parkway Delivery Obligation Settlement Agreement, approved as part of Union’s 2014 Rates proceeding (EB-2013-0365). The guiding principle of the PDO Settlement Agreement is to keep Union whole rather than enhance or reduce its earnings during the operation of the IRM. Including the PDO costs in 2018 Rates ensures Union is kept whole because the Dawn to Parkway capacity used to facilitate the PDO reduction is capacity that could otherwise be sold in the S&T markets as short-term transportation revenue.

ENBRIDGE GAS DISTRIBUTION INC. AND UNION GAS LIMITED

Undertaking of Mr. Kitchen
To Mr. Quinn

REF: Tr.3 p.42.

To advise whether dehydration facilities were used to serve EGD in 2007

Response:

Dehydration facilities were in service and being used by EGD in 2007 at the time of the NGEIR decision. EGD has been charged a market based rate for dehydration services since the implementation of the NGEIR decision in 2008. The costs associated with providing dehydration service are charged to Union's non-utility storage business.

ENBRIDGE GAS DISTRIBUTION INC. AND UNION GAS LIMITED

Undertaking of Mr. Kitchen
To Mr. Quinn

REF: Tr.3 p.37.

To make best efforts to look at continuity schedules provided in 2014 and to consider updating for year end 2017

Response:

Please see Attachments 1, 2, and 3 for the continuity schedules provided in the 2014, 2015, and 2016 Deferral and Earning Sharing proceedings. Please see Attachment 4 for the 2017 continuity schedules, which have not yet been filed and are subject to finalization.

UNION GAS LIMITED
 Continuity of Property, Plant and Equipment
 Calendar Year Ending December 31, 2015

| Line No. | Particulars (\$000's) | Balance Dec. 31/14 (a) | Capital Additions (b) | Transfers (c) | Retirements (d) | Balance Dec. 31/15 (e) |
|--|--|------------------------|-----------------------|---------------|-----------------|------------------------|
| <u>Unregulated Gas Plant in Service:</u> | | | | | | |
| Underground storage plant: | | | | | | |
| 1 | Land | \$ 2,096 | | 33 | | \$ 2,129 |
| 2 | Land rights | 21,667 | | 8,263 | | 29,930 |
| 3 | Structures and improvements | 21,596 | 192 | 3,888 | (1) | 25,675 |
| 4 | Wells and lines | 92,181 | 8,627 | 17,583 | (1) | 118,390 |
| 5 | Compressor equipment | 153,811 | 187 | 8,828 | | 162,826 |
| 6 | Measuring & regulating equipment | 22,440 | 29 | 1,899 | | 24,368 |
| 7 | Base pressure gas | 22,928 | 339 | 4,435 | | 27,702 |
| 8 | Other equipment | - | | | | - |
| 9 | | \$ 336,719 | 9,374 | 44,930 | (2) | \$ 391,021 |
| General plant: | | | | | | |
| 10 | Land | \$ 17 | | | | \$ 17 |
| 11 | Structures & improvements | 1,566 | 655 | | (181) | 2,041 |
| 12 | Office furniture & equipment | 394 | 72 | | (55) | 411 |
| 13 | Office equipment - computers | 6,717 | 940 | | (637) | 7,020 |
| 14 | Transportation equipment | 2,351 | 123 | (1) | (119) | 2,355 |
| 15 | Heavy work equipment | 674 | 27 | 0 | (32) | 669 |
| 16 | Tools & work equipment | 1,108 | 124 | 0 | (93) | 1,139 |
| 17 | Communication equipment | 467 | 96 | | (16) | 547 |
| 18 | Other general equipment | - | | | | - |
| 19 | | \$ 13,294 | 2,038 | - | (1,133) | \$ 14,199 |
| 20 | Total gas plant in service | \$ 350,013 | 11,412 | 44,930 | (1,135) | \$ 405,220 |
| 21 | Gas plant under construction | 11,875 | (3,167) | | | 8,708 |
| 22 | Total unregulated property plant and equipment | \$ 361,888 | 8,245 | 44,930 | (1,135) | \$ 413,928 |

ENBRIDGE GAS DISTRIBUTION INC. AND UNION GAS LIMITED

Undertaking of Mr. Kitchen
To Mr. Quinn

REF: Tr.3 p.62.

Using Rate 10 and Rate 6, to distinguish and do a calculation of how costs are currently going to rates with respect of utilities.

Response:

Dawn-Parkway demand costs are allocated between Union North, Union South and ex-franchise (Rate M12/C1) based on distance weighted Dawn-Parkway design day demands.

Union North - Rate 10 Allocation

The allocation of Union North Dawn-Parkway demand costs to Rate 10 ranges between 17% to 24% as provided in Table 1, line 2.

In the 2013 Board-approved Cost Allocation Study, Union allocated the Union North Dawn-Parkway demand costs to Union North rate classes in proportion to the excess of peak day demands over the average day demands. This allocation methodology recognizes that Union used the Dawn-Parkway System to transport gas to and from storage to serve Union North sales service and bundled direct purchase customers.

Subsequent to 2013 as part of the Dawn Reference Price proceeding (EB-2015-0181), Union updated the allocation of Union North Dawn-Parkway demand costs to recognize that the Dawn-Parkway system was being used for Union North storage and transportation requirements. The allocation of storage-related Dawn-Parkway demand costs was split, using the 2013 Board-approved methodology, to recognize the Union North West and Union North East Zones. The percent allocation by rate class of the storage-related Dawn-Parkway demand costs by Zone is provided in Table 1, column (a) and column (b). The transportation-related Dawn-Parkway demand costs were allocated to Union North East Zone rate classes in proportion to a combination of average day demands and excess of peak day demands over average day demands, which is consistent with Board-approved cost allocation methodology for Union North firm upstream transportation costs. The percent allocation by rate class of the transportation-related Dawn-Parkway demand costs to serve the Union North East Zone is provided in Table 1, column (c).

Dawn-Parkway demand costs are recovered in storage and transportation rates from Union North sales service, bundled direct purchase and bundled storage customers.

Table 1
Union North Dawn-Parkway Demand Cost Allocation

| Line No. | Rate Class | Union North West Zone | Union North East Zone | |
|----------|------------|-----------------------|-----------------------|----------------|
| | | Storage | Storage | Transportation |
| | | (a) | (b) | (c) |
| 1 | Rate 01 | 77% | 74% | 67% |
| 2 | Rate 10 | 17% | 20% | 24% |
| 3 | Rate 20 | 6% | 5% | 7% |
| 4 | Rate 100 | - | 1% | - |
| 5 | Rate 25 | - | - | 2% |
| 6 | Total | 100% | 100% | 100% |

EGD - Rate 6 Allocation

Approximately 96% of M12 costs that EGD incurs under its M12 contracts are load balancing and storage related (i.e. storage withdrawals and injections) and are allocated between deliverability and space on a 60/40 basis.

The deliverability portion of load balancing and storage related M12 costs is allocated to each rate class based on the deliverability allocation factor, which represents peak day demand over average winter day demand for each customer class (EB-2017-0086, Exhibit G2, Tab 6, Schedule 3, Page 2 of 2, Item 3.1).

The space portion of load balancing and storage related M12 costs is allocated to each rate class based on the space allocation factor, which represents average winter day demand over the average day demand (EB-2017-0086, Exhibit G2, Tab 6, Schedule 3, Page 2 of 2, Item 3.2).

Enbridge provides load balancing and storage service to all of its customers, except to its unbundled customers. Accordingly, these costs are recovered from all Enbridge's customers, except Rate 125, Rate 300 and Rate 332 (i.e. unbundled) customers.

Approximately 4% of M12 costs that EGD incurs under its M12 contracts are transportation related and are allocated to EGD bundled transportation customers based on bundled transportation volumes (EB-2017-0086, Exhibit G2, Tab 6, Schedule 3, Page 2 or 2, Item 1.6). Note that these costs are recovered only from customers who receive transportation service from EGD.

Specific allocation to Rate 6 customers can be seen at the above referenced exhibits.

ENBRIDGE GAS DISTRIBUTION INC. AND UNION GAS LIMITED

Undertaking of Mr. Redford
To Mr. Quinn

REF: Tr.3 p.96.

To take a look and "see whether we've actually ever had that case before, even with Union's capacity", and if not, what would be Union's response to that, with two requests, one from Enbridge for 100 units, one from an ex-franchise customer for 100 units, and you only have 150 operation available units at that the inter-day window.

Response:

As discussed with Mr. Redford at Tr. 3, pp. 89 to 96, forecast in-franchise requirements are identified and included in the calculation of Operationally Available Transport Capacity shown on the Union web-site (Informational Postings) at each standard NAESB nomination window. In-franchise requirements are considered firm all-day.

M12 and C1 transportation customers are entitled to nominate their firm transportation quantities under their firm transportation contracts at the Timely window. Adjustments to those quantities can be made on an interruptible basis at intraday nomination windows as provided in the contracts. All scheduled quantities are recorded in the CARE nomination system. This will not change for other existing M12 and C1 shippers with EGD zone operating as an in-franchise customer.

In-franchise requirements are entered directly into the CARE system and are considered a proxy for nominations. Adjustments are made within the CARE system throughout the gas day based on in-franchise demand. The Operationally Available Transport Capacity is calculated within the CARE system at each standard NAESB nomination window based on scheduled in-franchise requirements, firm quantities and interruptible quantities.

In the past Union has not had to allocate intraday capacity on the Dawn Parkway System between in-franchise and ex-franchise customers and sees this as an improbable scenario. In the event sufficient capacity was not available to meet all firm and interruptible demands on an intraday window, any firm incremental in-franchise demands would be scheduled first. Any remaining capacity would be allocated to interruptible nominations.

In the simple example discussed at Tr. 3, p. 96, if 150 units of capacity was available on the Dawn Parkway System on an intraday window¹ and in-franchise customers and ex-franchise customers each required an additional 100 units of capacity (above the previous window), in-

¹ In practice, the example does not fully describe the allocation process at an intraday window. The amount of available capacity for interruptible customers is calculated based on all firm demands, which would already include any revised in-franchise demands.

franchise customers would be allocated 100 units of capacity and ex-franchise customers would be allocated 50 units of capacity.

ENBRIDGE GAS DISTRIBUTION INC. AND UNION GAS LIMITED

Undertaking of Mr. Redford
To Mr. Quinn

REF: Tr.3 p.18.

To advise what percentage of direct purchase deliveries that Union is counting on for their peak day are obligated.

Response:

Based on the 2017/18 Gas Supply Plan, 64% of direct purchase deliveries at Dawn are obligated. Union counts on 100% of these deliveries on a design day.

The remaining 36% of direct purchase deliveries at Dawn are non-obligated and delivered by the non-obligated customer to match that customer's consumption each gas day. On a design day Union assumes that non-obligated customers consume and that the corresponding deliveries are made at Dawn.

ENBRIDGE GAS DISTRIBUTION INC. AND UNION GAS LIMITED

Answer to Interrogatory from
Federation of Rental-housing Providers of Ontario (“FRPO”)

MAADs Issues List – Issue No. 7

Preamble: We would like to understand better the implications of the merger on the storage market at Dawn. To be clear, we are interested in space that ties directly and not through other Michigan or Ontario pipelines such as Vector.

Question:

Please provide a contrast between current STAR rules and existing FERC rules for disclosure of contracts, parties, parameters and prices for storage services. Please describe fully.

Response:

FERC rules were considered in the development of STAR. The amalgamation has no impact on the STAR reporting requirements.

1 with your answer, so I am going to move to the last
2 section, Mr. Millar. Hopefully, others have similar
3 questions in with this.

4 But I wanted to turn to the average use -- NAC,
5 normalized average use. If you could turn up FRPO 20,
6 please -- and again, I thought this was a rates question,
7 but I think your list of which panel answers which
8 interrogatories led me to this panel. So stop me if this
9 is getting into the rates area, and we can talk about it
10 later.

11 If you could scroll down, please, we asked about the
12 monthly -- sorry, I'm -- I was trying to read the question
13 and the answer at the same time.

14 But we asked about incremental base load during the
15 heating season, and the response we got was:

16 "Incremental base load that is inherent in winter
17 and spring months is due to lower ground
18 temperatures reducing customers' inlet water
19 temperatures. More energy is required in the
20 winter months to achieve and maintain a constant
21 water temperature compared to other times of the
22 year."

23 That answer is helpful, but how -- let me ask the
24 question well, if I can. In a colder winter, you are going
25 to get deeper frost; would you agree with me on that?

26 MR. KACICNIK: Yes, we would.

27 MR. QUINN: So as base load -- and I don't have a pure
28 definition. Mr. Kacicnik, you may have a more pure

1 definition of base load. But base load is, generally
2 speaking, considered to be non-heat-sensitive load.
3 Therefore, if this is the reasoning behind base load
4 factors increasing in the winter, is that not heat-
5 sensitive load? I respect, Mr. Kacicnik, that this is --
6 that it takes some thinking to get through this. You're on
7 panel 2 also?

8 MR. KACICNIK: No, I'm not.

9 MR. QUINN: Oh, I'm sorry. Then I'd love to hear your
10 answer, please.

11 MR. KACICNIK: I believe that I need to go back to my
12 forecasting folks back at the office to get the
13 clarification on this one.

14 MR. QUINN: I can accept that if you just want to do
15 it as an undertaking.

16 MR. MILLAR: JT3.9.

17 **UNDERTAKING NO. JT3.9: TO CLARIFY BASE LOAD FACTORS**
18 **AND HEAT-SENSITIVE LOAD**

19 MR. MILLAR: The last question in this area, in Staff
20 22, they were asking about average use factors also. And
21 we went through a fair amount of this as we obviously had
22 some concerns around average use and that's why we were
23 looking for the studies.

24 Would it be fair to say that how Enbridge treats
25 average use not only adjusts for changes associated with
26 normalizing the weather, but also adjusts for other factors
27 such as the economy?

28 MR. KACICNIK: Yes, we would agree. The average use

ENBRIDGE GAS DISTRIBUTION INC. AND UNION GAS LIMITED

Answer to Interrogatory from
Federation of Rental-housing Providers of Ontario (“FRPO”)

Rate Setting Issues List – Issue No. 1

Reference: EB-2017-0307, Exhibit B, Tab 1, Page 9 and EB-2017-0102

Preamble: *“Normalized Average Consumption/Average Use Adjustment The Applicants are proposing to continue to adjust rates annually to reflect the declining trend in use.”*

We would like to understand better the differences in the respective average adjustment methodologies and Amalco’s proposed approach upon merger.

Question:

For EGD’s establishment of rates and AUTVA true-up, please provide:

- a) The revenue classifications used to establish baseload for general rate
- b) The monthly budget baseload use per unlocked meter for each classifications
- c) How does Enbridge explain the incremental baseload for these classes in the heating season? Please provide a comprehensive explanation including tests run to ensure that the budgeted baseload is in fact baseload for these revenue classifications.

Response

- a) Baseload is established for each General Service heating revenue class on the basis of the average of each class’ July and August consumption. Monthly seasonality factors derived from the associated non-heating classes are applied on the average summer load to develop the seasonal baseload for the heating class.

| <u>Heating Revenue Class</u> | <u>Heating Revenue Class Description</u> | <u>Associated Non-Heating Revenue Class</u> | <u>Non-Heating Revenue Class Description</u> |
|------------------------------|--|---|--|
| 10 (Rate 1) | Residential Space Heating | 60 (Rate 1) | Residential General Use |
| 20 (Rate 1) | Residential Space Heating, Water Heating, Other Uses | 61 (Rate 1) | Residential Water Heating |
| 12 (Rate 6) | Apartment Space Heating | 86 (Rate 6) | Apartment Water Heating & General Uses |
| 48 (Rate 6) | Commercial Space Heating | 79 (Rate 6) | Commercial Water Heating & General Uses |
| 73 (Rate 6) | Industrial Space Heating | 83 (Rate 6) | Industrial Water Heating & |

General Uses

- b) Please see attachment.
- c) Incremental baseload that is inherent in winter and spring months is due to lower ground temperatures reducing customers' inlet water temperatures. More energy is required in the winter months to achieve and maintain a constant water temperature compared to other times of the year.

The Company's weather normalization methodology was established in EBRO 465 and refined in EBRO 473 where baseload is defined as the average of July and August consumption. Seasonality factors as described in part a) are then applied to derive the annual baseload consumption for associated heating classes. This methodology has been applied consistently since its approval in 1992.

Average Baseload per Customer (m³) - Central Region

| Rate Class | Revenue Class | Revenue Class Description | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec | Total |
|------------|---------------|--|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|----------|
| 1 | 10 | Residential Space Heating | 35.6 | 35.6 | 35.4 | 34.4 | 31.8 | 30.4 | 28.0 | 27.8 | 29.8 | 31.3 | 33.6 | 33.8 | 387.6 |
| 1 | 20 | Residential Space Heating, Water Heating, Other Uses | 76.2 | 79.8 | 76.2 | 74.3 | 68.0 | 60.5 | 52.0 | 49.2 | 50.9 | 58.0 | 64.3 | 70.9 | 780.3 |
| 6 | 12 | Apartment Space Heating | 5,954.3 | 6,321.1 | 6,096.2 | 5,607.9 | 5,226.3 | 4,502.6 | 3,917.3 | 3,518.0 | 3,937.0 | 4,343.8 | 5,070.0 | 5,410.9 | 59,905.4 |
| 6 | 48 | Commercial Space Heating | 498.5 | 498.6 | 488.3 | 478.9 | 451.4 | 433.5 | 415.1 | 414.6 | 419.6 | 445.5 | 465.0 | 483.3 | 5,492.2 |
| 6 | 73 | Industrial Space Heating | 3,528.7 | 2,843.8 | 3,066.4 | 2,495.4 | 2,334.6 | 1,957.9 | 2,496.9 | 2,590.8 | 2,648.9 | 2,421.7 | 3,170.7 | 3,340.6 | 32,896.3 |

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 /u has used the methodology consistently since 1992.

The Applicants observe that changes to the profiles and/or normalization methodologies would require Board approval.