

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**

**VECC COMPENDIUM
PANEL 2
MAY 14, 2018**

TAB 1

ENBRIDGE GAS DISTRIBUTION INC. AND UNION GAS LIMITED

Answer to Interrogatory from
Ontario Greenhouse Vegetable Growers (“OGVG”)

MAADs Issues List – Issue No. 1

Reference: Exhibit B, Tab 1, p. 40

Preamble:

Internal processes will be developed to maintain the fairness and confidentiality of the bidding process used for Amalco procurement of storage services either from third parties or from the unregulated assets of Amalco.

Question:

Please confirm that the noted passages describes a process wherein Amalco will, possibly, bid for storage services from itself? If confirmed please explain under what circumstances this could arise and how it would work.

Response:

Just as EGD receives storage services from Union today, which contracts are listed, described and provided in response to SEC Interrogatory#2 found at Exhibit C.SEC.2, Amalco will continue to require purchased market based storage services post-amalgamation in addition to the 91.3 BCF (99.4 PJ) of EGD cost based utility storage. Amalco will look at storage and storage alternatives available in the competitive market to secure this additional capacity. Amalco is one of the parties that can provide storage services in the competitive market. To ensure an unbiased storage procurement process, Gas Supply personnel will conduct a blind request for proposal (“RFP”) through an independent third party for storage capacity. EGD has recently utilized this process to secure storage services with Deloitte and Touche acting as the independent third party.

The independent third party communicates with RFP participants and completes an objective matrix of criteria for evaluating RFP responses. The results will be presented to Gas Supply without bidder identification and in a manner consistent with the evaluation matrix. This will allow for evaluation and selection of the most appropriate storage services on the basis of the object criteria.

ENBRIDGE GAS DISTRIBUTION INC. AND UNION GAS LIMITED

Answer to Interrogatory from
Ontario Greenhouse Vegetable Growers (“OGVG”)

MAADs Issues List – Issue No. 1

Reference: Exhibit B, Tab 1, p. 41

Preamble:

EGD and Union also have existing contracts in place that address operating requirements where existing systems interconnect, and contracts to address shared storage assets. Amalco will develop operating procedures as required to replace operating agreements and ensure a consistent level of reliable service. Any costs related to operating services or shared storage assets will be managed as part of Amalco’s overall operating expenses consistent with the current treatment of those costs, resulting in no harm to ratepayers.

Question:

Are there profits embedded in any of the contracts referred to in the cited passage? If so, would Amalco strip the profit from those contracts upon amalgamation, since it would be providing services to itself, or is Amalco proposing to continue to build in a profit for such services and recover that profit from customers? If Amalco proposes to continue to build in a profit for such services, please explain the basis for the profit calculation.

Response:

All of the operating contracts referenced in the cited passage are listed, described and provided in the response to SEC Interrogatory #2 found at Exhibit C.SEC.2. The values associated with these operating contracts are set out and where values are “N/A”, the contracts do not involve any fees or charges.

Contracts that are for regulated services are cost based and will continue to be charged at cost to EGD customers. The regulated service contracts include a regulated return on investment.

The joint storage development contracts listed in the response to SEC Interrogatory #2 found at Exhibit C.SEC.2 are services provided to Union by EGD pursuant to EGD’s Rate 325 and such services will continue to be provided for Union South and Union North zone customers post-amalgamation under similar cost based parameters. Costs will be allocated pursuant to Rate 325, with legacy EGD’s regulated return calculated pursuant to the approved rate-setting mechanism.

Contracts that are market based will continue to be charged at market to EGD customers. The market based services are priced at rates determined in the competitive market.

The storage-related compression and dehydration service contracts listed in the response to SEC Interrogatory#2 found at Exhibit C.SEC.2 are estimated to cost EGD \$1.8 million annually and those costs will continue to be allocated to EGD zone customers post-amalgamation. Both the compression service and the dehydration services are categorized as unregulated storage services, and as such the revenue would continue to flow to the shareholder as it currently does.

ENBRIDGE GAS DISTRIBUTION INC. AND UNION GAS LIMITED

Answer to Interrogatory from
Ontario Energy Board Staff ("Staff")

MAADs Issues List – Issue No. 6

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

Preamble: The applicants note that Enbridge Gas relies on long-term contracts with Union Gas for transportation and storage services to meet the gas supply requirements of customers in Enbridge Gas' franchise areas. Transportation services are provided at regulated rates and storage services are provided at market rates. The cost consequences of these contracts are passed through to customers in rates.

Despite the fact that the contracts will cease to have effect upon amalgamation, the applicants have stated that they will treat current contractual arrangements as continuing services for the existing term of the pre-amalgamation contracts. After this time, Amalco will evaluate options.

Questions:

- a) Please advise whether there are any legal or practical reasons why the pre-amalgamation transportation and storage contracts cannot cease at the time of amalgamation (as opposed to waiting until contract expiry).
- b) Please provide rationale supporting the notional treatment by Amalco of Enbridge Gas' legacy in-franchise customers as ex-franchise from a transportation and storage services perspective (at least with respect to the access of Union Gas' assets) after amalgamation.
- c) Please provide an estimate (avoiding confidential filing if possible) of the current unit rate differential between pricing the Enbridge Gas storage contracts at market rates and regulated cost of service based rates.
- d) Please provide the quantity of Union Gas' storage capacity that would be converted from non-rate regulated to rate regulated to meet the requirements of Enbridge Gas' existing storage contracts with Union Gas (assuming the pre-amalgamation contracts cease to exist and Enbridge Gas' legacy in-franchise customers are treated as in-franchise by Amalco). Please discuss the applicants' position on this type of conversion and advise whether the applicants believes this would be allowable in the context of the Natural Gas Electricity Interface Review (NGEIR) decision.
- e) Please confirm that the amounts paid by Enbridge Gas' legacy in-franchise customers to Amalco after amalgamation for unregulated storage services will entirely be to the benefit of Amalco's shareholder (and will not form part of the revenues earned by the regulated company).
- f) Please discuss whether the regulated transportation service costs paid by Enbridge Gas' customers to Union Gas under its pre-amalgamation contracts are higher or lower than

they otherwise would be if Enbridge Gas' legacy customers are treated as in-franchise customers by Amalco. Please explain how the revenues received by Union related to the provision of ex-franchise transportation services are treated. Do these revenues operate to offset the costs paid by Union Gas' in-franchise customers? Would an increase to the amount paid by Enbridge Gas' legacy customers for transportation services to Union Gas decrease the rates paid by Union Gas' in-franchise customers?

- g) Please advise whether total ratepayer savings (across all of Amalco's in-franchise customers) would be generated if Enbridge Gas' legacy in-franchise customers are treated as in-franchise customers of Amalco with respect to the provision of transportation and storage services. Please provide a high-level estimate of those savings for each year of the proposed deferred rebasing period (broken down as between transportation and storage related savings). Please also show the savings separated as between Union Gas' and Enbridge Gas' legacy in-franchise customers.
- h) Please discuss whether, as an adjustment to regulated rate base, revenue requirement, cost allocation and rate design for 2019, Amalco could recalculate its transportation and storage rates for both Union Gas' and Enbridge Gas' legacy customers as necessary to reflect the treatment of all customers as in-franchise (with the conversion of any market-based services currently provided to Enbridge Gas' legacy customers to regulated services).
- i) The applicants note that after the pre-amalgamation contracts expire, it will consider its options to replace Enbridge Gas' pre-amalgamation contracts.
 - i. Please provide the timing of the expiry for each of Enbridge Gas' existing transportation and storage contracts. Please provide the date on which the final pre-amalgamation contract expires.
 - ii. Please advise whether Amalco will consider, after contract expiry, the conversion of a portion of Union Gas' unregulated storage capacity to regulated storage capacity set aside to serve the needs of Enbridge Gas' legacy customers.

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. The rationale supporting the rational treatment by Amalco of Enbridge Gas' legacy in-franchise customers as ex-franchise is that in effect, metering has changed. EGD still require 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 cost-based 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.

- e) 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 post-amalgamation. 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)
 - 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.

¹ E.B.R.O. 499, Union Gas Settlement Agreement, November 16, 1998, Section G.1.4., pg. 68.

TAB 2

ENBRIDGE GAS DISTRIBUTION INC. AND UNION GAS LIMITED

Answer to Interrogatory from
School Energy Coalition (“SEC”)

MAADs Issues List – Issue No. 1 and 2

Question:

Please provide copies of all material provided to the Competition Bureau for its assessment of the transaction between Enbridge Inc. and Spectra Energy, dealing in whole or in part with the impact of the transaction on the Ontario distribution, transmission, and/or storage market.

Response

Under the *Competition Act*, the Commissioner of Competition and his staff at the Competition Bureau (collectively, the “Bureau”) has jurisdiction to review all mergers. For large mergers, such as the merger between Enbridge Inc. and Spectra Energy, the merging companies are required to file a pre-merger notification with the Competition Bureau and obtain clearance before being allowed to close. If the Bureau determines that a merger is likely to adversely affect competition, it may apply to the Competition Tribunal (the “Tribunal”) for an order to prevent, dissolve or alter the merger. Where the Tribunal finds that a merger or a proposed merger “prevents or lessens, or is likely to prevent or lessen, competition substantially” then the Tribunal may prohibit the merger or, in the case of a completed merger, dissolve the merger or order divestiture of shares or assets. If the Bureau concludes that a proposed merger is not anti-competitive, the merger will be cleared by the Bureau and permitted to be completed.

In reviewing a merger, the Bureau’s focus is on the creation or enhancement of market power in any relevant market – notably whether as a result of the transaction, the merged entity is likely to be able to raise prices above competitive levels for a substantial period of time in respect of the relevant product within the relevant geographic market. The scope of the Bureau’s review for the Enbridge-Spectra merger was related to the impact of the parent company merger on the competitive landscape in the distribution, transmission and storage businesses from the perspective of third party customers, competitors and suppliers. This review would have assumed that the parent company merger would result in common control of the underlying regulated and unregulated businesses (including EGD and Union’s unregulated storage capacity of 19.4 PJ and 80.9 PJ, respectively).

The fact that the Bureau issued a no action letter and did not review its decision within the following year represents a clear conclusion that the parent company merger and resulting common control of the underlying distribution, transmission and storage businesses (including the unregulated storage business) did not have a substantial detrimental competitive impact on

market participants. As is its usual practice, the Bureau did not provide any reasons or analysis for its no action letter. Similarly, we responded to the US Federal Trade Commission (“FTC”) competition review process and this included provision of competitively sensitive materials relating to the natural gas transmission and storage businesses (including unregulated storage). While the FTC did negotiate certain remedies applicable to unrelated businesses in the United States, it did not take issue with and cleared the Enbridge-Spectra merger from the perspective of the natural gas transmission and storage businesses (including unregulated storage).

The merging companies provided a massive amount of material to the Bureau (over 600,000 documents), much of which, given the nature of the Competition Bureau’s review, contains detailed customer information and other commercially and competitively sensitive information that the merging parties are not otherwise permitted to share. The Bureau’s examination process is not public and nor is the manner in which the Bureau may or may not have considered the information it received from the merging parties.

For these reasons, the Applicants decline to provide the requested information. It would be unduly onerous and of minimal or no probative value for this proceeding.

ENBRIDGE GAS DISTRIBUTION INC. AND UNION GAS LIMITED

Undertaking of Mr. Redford
To Ms. Girvan

REF: Tr.3 p.68.

To provide the Competition Bureau no-action letter.

Response:

A copy of the Competition Bureau's February 22, 2017 no action letter is provided as Attachment 1. In the letter, the Competition Bureau explains that it does not intend to make an application under section 92 of the Competition Act in respect of the Enbridge-Spectra merger ("Merger") transaction and that, pursuant to section 97 of the Competition Act, it has a one year period following completion of the Merger to bring an application to the Competition Tribunal. In reliance upon this clearance from the Competition Bureau, the Merger closed five days later on February 27, 2017.

As noted in Exhibit C.SEC.3, the Competition Bureau's mandate is to determine whether a proposed merger "prevents or lessens, or is likely to prevent or lessen, competition substantially". The fact that the Competition Bureau issued a no action letter and did not review its decision within the following year represents a clear conclusion that the Merger and resulting common control of the underlying distribution, transmission and storage businesses (including the unregulated storage business) did not have a substantial detrimental competitive impact on market participants.



Bureau de la concurrence
Canada

Competition Bureau
Canada

Direction des fusions

Mergers Directorate

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Projet-Project: 3111455

FEB 22 2017

Mr. Oliver Borgers
McCarthy Tétrault LLP
Box 48, Suite 5300
Toronto Dominion Bank Tower
Toronto, ON M5K 1E6

Dear Mr. Borgers:

Re: Proposed acquisition by Enbridge Inc. and/or its affiliates of Spectra Energy Corp and/or its affiliates pursuant to the Agreement and Plan of Merger dated September 5, 2016

I am writing in regard to your letter of October 3, 2016, in which you requested on behalf of Enbridge Inc. and/or its affiliates and Spectra Energy Corp and/or its affiliates the issuance of an Advance Ruling Certificate ("ARC") pursuant to section 102 of the *Competition Act* (the "Act") or in the alternative a No-Action Letter, and the merger notifications of the parties received on October 3, 2016 in accordance with section 16 of the *Notifiable Transaction Regulations* with respect to the above-noted transaction (the "Transaction").

Based on the information provided by the parties, and information obtained from other sources, it would not be appropriate to issue an ARC as requested by the parties. However, the Commissioner of Competition (the "Commissioner") does not, at this time, intend to make an application under section 92 of the Act in respect of the Transaction. Please note that section 97 of the Act provides a one year period following completion of the Transaction during which the Commissioner may bring an application to the Competition Tribunal.

.../2

-2-

I would appreciate it if you would advise the Merger Notification Unit at ic.avisdefusionmergernotification.ic@canada.ca of the actual closing date of the Transaction. I would like to thank you for your cooperation in the examination of this matter. Should you wish to discuss or have any questions concerning this matter, please contact the reviewing officer, Alex Sarabura at 819-997-5879.

Sincerely yours,



Denis Corriveau
Acting Associate Deputy
Commissioner of Competition
Mergers Directorate

cc: Calvin Goldman, Goodmans LLP
Richard Annan, Goodmans LLP

TAB 3

ENBRIDGE GAS DISTRIBUTION INC. AND UNION GAS LIMITED

Undertaking of Mr. Redford
To Mr. Gluck

REF: Tr.2 p.143

To provide the total amount of storage capacity that is located in Ontario and provide the percentage of that amount that is owned by Union and Enbridge.

Response:

In total, there is 306.8 PJ of storage capacity in Ontario¹. Union, Enbridge and affiliate Market Hub Partners Canada L.P. own 99.1% of the total storage capacity in Ontario (this includes the 50% interest in the Sarnia Airport Storage Pool owned by Market Hub Partners Canada L.P.). AltaGas owns the other 50% interest in the Sarnia Airport Storage, which represents the remainder of the total storage capacity in Ontario (0.9%).

However, Union and EGD storage competes in a larger geographic market that, at a minimum, includes Ontario, Michigan, northern Illinois, northern Indiana and the National Fuel Gas territory in western New York and Pennsylvania² (as defined in NGEIR). There is almost 1.2 Tcf (approx. 1,300 PJ) of working gas capacity in the geographic market defined in NGEIR. With the development of incremental pipeline infrastructure leading from the Marcellus/Utica shale gas production area (which was not developed at the time of NGEIR), in the Applicants' view the geographic market is growing to include other states and more New York and Pennsylvania storage assets.

¹ EB-2017-0306/EB-2017-0307, Exhibit C.SEC.23, Page 2

² EB-2005-0551, Decision with Reasons, section 3.5, page 38

TAB 4

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 (a)	2014 (b)	2015 (c)	2016 (d)	2017 (e)
<u>EGD Customer Benefit</u>						
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
<u>Union Customer Benefit</u>						
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						Other Short-term Storage and Balancing Services						Total					
		Board- Approved	Actual	Actual	Actual	Actual	Draft Actual	Board- Approved	Actual	Actual	Actual	Actual	Draft Actual	Board- Approved	Actual	Actual	Actual	Actual	Draft Actual
		2013	2013	2014	2015	2016	2017	2013	2013	2014	2015	2016	2017	2013 (5)	2013 (6)	2014 (7)	2015 (8)	2016 (9)	2017 (10)
		(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)	(l)	(m)	(n)	(o)	(p)	(q)	(r)
Revenue																			
1	C1 Off-Peak Storage	-	-	-	-	-	-	500	389	241	603	2,749	709	500	389	241	603	2,749	709
2	Supplemental Balancing Services	-	-	-	-	-	-	2,000	1,481	752	1,001	1,367	890	2,000	1,481	752	1,001	1,367	890
3	Gas Loans	-	-	-	-	-	-	-	56	54	38	19	15	-	56	54	38	19	15
4	Enbridge LBA	-	-	-	-	-	-	-	360	237	282	968	381	-	360	237	282	968	381
5		-	-	-	-	-	-	2,500	2,286	1,283	1,925	5,102	1,995	2,500	2,286	1,283	1,925	5,102	1,995
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	5,627	4,618
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	10,729	6,613
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	2,156	2,289
9	UFG (3)	316	229	92	39	121	90	-	486	409	239	392	172	316	715	500	278	514	262
10	Compressor Fuel (4)	1,201	79	78	56	125	110	-	167	350	349	405	210	1,201	246	428	405	530	320
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	3,199	2,870
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	7,530	3,743
13	Less Shareholder Portion (10%)	255	153	90	316	322	213	250	163	53	134	431	161	505	316	143	449	753	374
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	6,777	3,368
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	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)	2,226	(1,183)

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.

ENBRIDGE GAS DISTRIBUTION INC. AND UNION GAS LIMITED

Undertaking of Ms. Mikhaila
To Mr. Aiken

REF: Tr.3 p.97.

To provide a breakdown of the \$4.5 million by rate class.

Response:

Please see table below:

<u>Table 1</u>		
Allocation of the Storage-Related S&T Transactional Margin		
<u>Included in 2013 - 2018 Board-Approved Rates</u>		
Line No.	Particulars (\$000's)	Total (1) (a)
	Union North	
1	Rate 01	(682)
2	Rate 10	(178)
3	Rate 20	(48)
4	Rate 100	(3)
5	Rate 25	-
6	Total Union North	(911)
	Union South	
7	Rate M1	(1,543)
8	Rate M2	(518)
9	Rate M4	(167)
10	Rate M5	(3)
11	Rate M7	(61)
12	Rate M9	(19)
13	Rate M10	(1)
14	Rate T1	(143)
15	Rate T2	(1,050)
16	Rate T3	(135)
17	Total Union South	(3,640)
18	Total	(4,551)

Notes:

- (1) EB-2011-0210, Rate Order, Working Papers, Schedule 41, Column (f), updated for Board Decision.

TAB 5

ENBRIDGE GAS DISTRIBUTION INC. AND UNION GAS LIMITED

Undertaking of Mr. Charleson
To Mr. Gluck

REF: Tr.2 p146

To make best efforts to provide the amount of storage capacity, including synthetic storage, used to meet in-franchise customer demand located outside of Ontario.

Response:

At this time, none of the physical storage capacity used to meet in-franchise storage demand is located outside of Ontario. EGD currently holds 6.9 PJ of synthetic storage capacity, which represents 26% of its contracted storage capacity. EGD is not aware if this synthetic storage is underpinned by physical storage, or if it is, the location of the physical storage.

TAB 6