ONTARIO ENERGY BOARD

Union Gas Limited (Union)

Application for disposition and recovery of certain 2017 deferral account balances and approval of the earnings sharing amount

INTERROGATORIES TO UNION

FROM

INDUSTRIAL GAS USERS ASSOCIATION (IGUA)

1. **References:** Exhibit A, Tab 2, p.3 (lines 17-19) and p.6 (lines 1-4).

Preamble:

In respect of an increase of $15.6 million in utility O&M costs in 2017, Union identifies the main drivers as *"salaries and integration-related costs related to the merger between Enbridge Inc. and Spectra Energy"*.

In respect of legal costs relating to the application for approval of the merger of Union and EGD (EB-2017-0306/0307) of $0.180 million Union has removed these costs from operating and maintenance expenses on the basis that *"they are outside the scope of the current IR term and will be borne by the shareholder"*.

Question:

Please explain the distinction between the former category of costs ($15.6 million of Enbridge Inc. and Spectra merger related costs) and the latter category of costs ($0.180 million in legal costs related to the Union and Enbridge Gas Distribution merger application) which supports inclusion of the former in, but exclusion of the latter from, utility expenses in 2017.

2. **References:** Exhibit A, Tab 3, pages 6-10.

Preamble:

Union's proposals for allocation of variances associated with the following capital project cost accounts are all formulated in the evidence in the same way. In each case Union proposes to allocate account balances to rate classes *"in proportion to the difference between the actual project costs and the forecasted project costs included in 2017 rates"*.

Account No.	**Account Name**
179-135	Parkway West Project Costs
179-137	Brantford-Kirkwall/Parkway D Project Costs
179-142	Lobo C Compressor/Hamilton-Milton Pipeline Project Costs
179-144	Lobo D/Bright C/Dawn H Compressor Project Costs
179-149	Burlington-Oakville Project Costs

Question:

(a) Please confirm that Union's proposal is to:

(i) derive the percentage by which the actual aggregate project costs exceeds the forecasted Project costs included in 2017 rates; and

(ii) increase the allocation for the subject project costs in each applicable 2017 rate by the percentage described in (i).

(b) If not confirmed, please provide an additional explanation of Union's proposed allocation of the subject variances, with a numerical example to illustrate Union's proposal.

3. **Reference:** Exhibit A, Tab 3, p.10.

Preamble:

In respect of Account No. 179-156 Panhandle Reinforcement Project Costs Union proposes to allocate the account balance to rate classes *"in proportion to the difference between the actual Project net delivery revenue and the forecasted Project net delivery revenue included in 2017 Rates*.

Union goes on to note that *"the 2017 net delivery revenue requirement of the Panhandle Project was <u>not</u> included in Union's 2017 rates"* [emphasis added].

It appears, then, that Union has derived net 2017 delivery revenues associated with the Project, allocated those net 2017 delivery revenues to rate classes by applying the 2013 cost allocation study methodology applicable to the Panhandle/St. Clair system, and compared those allocated net delivery revenues to forecasted delivery project related revenues similarly allocated to determine Project related variances by rate class.

Question:

(a) Please confirm, correct, or supplement (as appropriate) the foregoing description of Union's proposed approach to allocating the balance in this account.

(b) Please provide the calculations supporting Union's proposed allocation of the balance in this account to rate classes. Please include notes to these calculations sufficient to clarify Union's proposed approach to allocation of the account balance.

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