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July 9, 2013

BY EMAIL & COURIER

Ms. Kirsten Walli
Board Secretary
Ontario Energy Board
2300 Yonge St, Suite 2701
Toronto ON M4P 1E4

Dear Ms. Walli:

Board File No. EB-2013-0109
Union Gas Limited – 2012 Deferral Accounts and ESM
Energy Probe – Interrogatories to Applicant

Pursuant to Procedural Order No. 1, issued on June 25, 2013, please find attached the Interrogatories of Energy Probe Research Foundation (Energy Probe) to Union Gas Limited in the EB-2013-0109 proceeding.

Should you require additional information, please do not hesitate to contact me.

Yours truly,

David S. MacIntosh
Case Manager

cc: Karen Hockin, Union Gas Limited (By email)
Crawford Smith, Torys LLP (By email)
Roger Higgin, Consultant to Energy Probe (By email)
Shelley Grice, Consultant to Energy Probe (By email)

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EB 2013-0109

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ONTARIO ENERGY BOARD

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File No: 5V	Sub File: 9
Panel	M.H.K.G.E.F.
Licensing	m.m.
Other	K.S.
	SV
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EB-2013-0109

IN THE MATTER OF the *Ontario Energy Board Act*, 1998,
S.O. 1998, c.15 (Schedule B);

AND IN THE MATTER OF an Application by Union Gas
Limited for an order or orders clearing certain non-commodity
related deferral accounts and sharing utility earnings pursuant to
a Board approved earnings sharing mechanism.

**INTERROGATORIES OF
ENERGY PROBE RESEARCH FOUNDATION
("ENERGY PROBE")**

July 9, 2013

**UNION GAS LIMITED
2012 DEFERRAL ACCOUNT CLEARANCE AND EARNINGS SHARING
EB-2013-0109**

**ENERGY PROBE RESEARCH FOUNDATION
INTERROGATORIES**

Energy Probe IR #1

Ref: Exhibit A, Tab 1, Appendix A, Schedule 4, Page 1 Acct 179-75

- a) Please provide support and explanations for the reduction in M1 and Rate 01 LRAM amounts in 2012 relative to 2011.**
- b) Provide the forecast LRAM amounts for 2011, 2012 and 2013 for these classes as well as the overall totals. Please provide comment/explanations of material differences.**

Energy Probe IR #2

Ref: Exhibit A, Tab 1 page 24, Appendix A, Schedule 1, Page 1 and Schedule 8. Acct 179-118

Please provide the explanation(s) for the large variance in Rate 10 forecast vs. actual volume decline in both 2011 and 2012.

Energy Probe IR #3

Ref: Exhibit A, Tab 1, Page 27 and Table 7 Acct 179-123 CDM

Please provide more information on the nature of the costs in Table 3-for example are they O&M and do they include a mark-up or fee.

Energy Probe IR #4

Ref: Exhibit A, Tab 1 Appendix A, Schedule 1, Page 1 and Pages 38-40 Acct 179-127

- a) Please provide details regarding the Board approved recovery of the total amount in 2012.**
- b) Please explain why the \$7.8 million could not be recovered over two years given the materiality of the amount?**

Energy Probe IR #5

Ref: Exhibit A, Tab 2, Appendix A, Schedule 13 and Board Staff IR#2

In addition to the variance explanations requested in BSIR#2, please provide details of the changes in O&M expenses for the following lines from 2011 (actual) to 2012 (actual):

- ii. Line 2 – Benefits- breakout pension costs;**
- v. Line 6 – Consulting; and,**
- vii. Line 17– Lease**

Energy Probe IR #6

Ref: Exhibit A, Tab 3 Page 7 and Appendix A Schedules1-3

- a) Please provide a Schedule that shows for each class the total impact (credit or charge) of including FTRAM revenue in Earnings as an offset to deferral and variance account balances.**

- b) Provide a discussion of the bill impacts (credit and Charge) for each class.**

Energy Probe IR #7

Ref: Exhibit A, Tab 3 Pages 8&9 and Appendix B Schedules 1-3

- a) Please provide a Schedule that shows for each class the total impact (credit or charge) of NOT including FT-RAM revenue in Earnings, but including it in deferral and variance account balances.**

- b) Provide a discussion of the bill impacts (credit and Charge) for each class.**

Energy Probe IR #8

Ref: Exhibit B Tab1 Page 5 Table1 and pages 39-40

- a) Confirm that the Board has not approved including FT-RAM revenue as utility earnings for sharing between Union and ratepayers.**

- b) Please indicate how much revenue will accrue to Union’s shareholder and ratepayers in each case- if FT-RAM revenue is, or is not included as revenue for earnings sharing or treated as a gas cost reduction.**

- c) **Of the grounds 1-6 that Union has set out to support the request for changing the treatment of FT-RAM revenue, please indicate which were in place at the time of the EB-2012-087 Decision.**
- d) **Please explain why Union has determined that the approved method for treating FT-RAM is not the primary option and has decided to revert to prior treatment. List and discuss the reasons.**

Energy Probe IR #9

Ref: Exhibit B, Tab 4, Page 3 and Schedule 1 and Appendix A

Preamble

“Specifically, Union South bundled direct purchase customers, Union North transportation service customers and ex-franchise customers realize a benefit under Union’s proposal. That is, the rate impacts are either higher credits, or lower debits than under the alternative gas cost deferral treatment.

In the alternative gas cost deferral treatment, only Union South sales service and Union North sales service and bundled direct purchase customers realize a benefit. That is, the rate impacts are either higher credits, or lower debits than under Union’s proposal.”

- a) **Confirm in March 2013, Union has presented its proposal to representatives of larger use and direct purchase customers (APPrO, CME and IGUA).**
- b) **Please explain why representatives of small volume customers were not provided with a similar presentation based on slides 10-14 in the Appendix.**
- c) **Please provide Union’s similar conclusion to that on Slides 6 and 7 for larger use/direct purchase customers for the impact on small volume customers on Slides 10 and 13.**
- d) **Please provide a version of Schedule 1 and Schedule 2 that shows the Base Deferral Account balances to be cleared to each class along with the offsets of Earnings Sharing and FT-RAM revenue.**
- e) **Please provide details regarding which customers pay for the transportation assets used for 2012 base exchanges, including FT-RAM. Be specific as to the baseline capacity used to generate the each type of exchange revenue and also who would pay for these assets in rates if there were no exchanges.**

Energy Probe IR #10

Ref: Exhibit B, Tab 5, Pages 6 and 7 & Exhibit C Tab2 Sussex Report

- a) Please provide details of Unions plans to provide the Transparency and Stakeholder involvement on gas supply plans as recommended by Sussex and accepted by Union.**
- b) Please indicate what output(s) will be provided from the review the cost of service, rate level, and rate design for St. Clair Pipeline and Bluewater Pipeline, What will be the time frame?**
- c) Please confirm the specific Design Day HDDs that Union will use for each of the South and the North.**
- d) Please confirm/list which weather stations are used to determine the DD HDDs. Union North has 13 stations. London Airport data is used for Union South.**
- e) Also please provide details regarding whether these are the same stations and weighted in the same way as the small volume HDD and volume forecasts for each type of customer (residential, commercial etc.). If they are not the same, please provide the rationale.**
- f) Please provide a Summary Comparison of Unions DD methodology (North and South) with that of Enbridge Gas Distribution. Include critical inputs such as weather station data.**

Energy Probe IR #11

Ref: Exhibit C, Tab 1 Acker Report

Preamble

By its very definition, optimization creates risk - an asset is being used for a purpose other than its original intention, and there needs to be an incentive to do so. While the value of incentives may vary amongst market participants, their complete absence would result in less optimization due to inadequate return potential for the level of risk accepted when undertaking optimization.

- a) Please provide your assessment of who bears the risk of base exchanges with/without FT-RAM. In your answer include any examples of LDCs that have been denied recovery from customers of the costs of the underlying transportation tolls.**

- b) **In your view, what is a reasonable incentive (cost plus) for an LDC to undertake optimization transactions. Please compare to fees/profit realized by marketers and brokers.**
- c) **How will the removal FT-RAM and the Toll Decision of the NEB affect the liquidity and depth of the Ontario secondary gas market? Please discuss as how this relates to exchanges in 2014 onward.**

Energy Probe IR #12

Ref: Exhibit C Tab 3 Appendix B Concentric Report Account 179-131

Preamble

The Board directs Union to establish a symmetrical variance account to capture the variance in actual net revenues related to gas supply optimization activities and the amount built into rates.

- a) **Please provide the Accounting Order(s) for Account 179-131.**
- b) **Please advise whether Union Gas is or is not liable for any loss relative to the cost/tolls paid by ratepayers for the utility transportation used to facilitate optimization activity.**
- c) **If not, please explain what is meant by “symmetrical variance account”. For example, does this relate to the net gain/loss of each transaction?**