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Our File # 339583-000193

By electronic filing

March 11, 2015

Kirsten Walli
Board Secretary
Ontario Energy Board
2300 Yonge Street, 27th floor
Toronto, ON M4P 1E4

Dear Ms. Walli

Re: Union Gas Limited ("Union")
Burlington Oakville Pipeline
Board File #: EB-2014-0182

Pursuant to Procedural Order No. 1 dated February 19, 2015, please find attached the Interrogatories of Canadian Manufacturers & Exporters ("CME") for Union in the above-noted proceeding.

Yours very truly

Borden Ladner Gervais LLP

Peter C.P. Thompson, Q.C.

PCT\slc
enclosure
c. Vanessa Innis (Union)
Charles Keizer (Torys LLP)
Intervenors EB-2014-0182
Paul Clipsham and Ian Shaw (CME)

OTT01: 6870409: v1

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 leave to construct a natural gas pipeline and ancillary facilities in the Town of Milton and the Town of Oakville and for approval to recover the cost consequences of the development of the proposed Burlington Oakville Project.

INTERROGATORIES OF CANADIAN MANUFACTURERS & EXPORTERS ("CME") TO UNION GAS LIMITED ("UNION")

Need and Alternatives

Reference: Exhibit A, Tab 3, pages 1 and 2
Exhibit A, Tab 4, pages 7 to 9
Exhibit A, Tab 5, pages 1 to 8

1. The evidence indicates that prior to the Settlement Agreement between TransCanada PipeLines Limited ("TCPL") and the Eastern Ontario distributors, including Union, the excess physical capacity on TCPL's Mainline available either from TCPL, the secondary market and/or other services was sufficient to enable Union to satisfy its requirements for Oakville and Burlington. We wish to better understand the extent to which the foregoing excess Mainline capacity and/or other services remain sufficient to meet the needs of Oakville and Burlington. In that connection please provide the following information:

   (a) Please list and provide the dates, quantities and prices of the transactions in which Union engaged in each of the years 2012, 2013 and 2014 whereby Union acquired excess Mainline capacity under the auspices of discretionary services from TCPL, secondary market capacity transactions and/or from other services in order to satisfy its requirements for Oakville and Burlington;

   (b) Please quantify the amount of excess capacity on the TCPL Mainline and/or other services capable of serving the needs of Oakville and Burlington which existed for each of the years 2012, 2013 and 2014;

   (c) Regardless of the identity of those responsible for currently paying for excess TCPL Mainline capacity[1], what are the amounts and approximate costs of such excess capacity in the secondary market and/or other services which are capable

[1] As a consequence of TCPL's unlimited pricing discretion for its discretion services, such as IT, which has been perpetuated by the Settlement Agreement between TCPL and eastern Ontario distributors, some and perhaps all of the Eastern Ontario distributors have acquired FT services from TCPL to replace some of their prior purchases of IT and other discretionary services. These actions have shifted cost responsibility for excess TCPL capacity from TCPL to such distributors. For example, Enbridge Gas Distribution Inc. ("EGD") is forecasting $160 M of TCPL FT Unabsorbed Demand Charges ("UDC") for 2015 up from about $105 M in 2014. This evidence indicates that excess Mainline capacity continues to exist, although the responsibility for paying for such excess capacity has shifted from TCPL to others.

of satisfying the requirements of Oakville and Burlington in 2015, 2016 and beyond compared to the amounts and costs of those services which Union incurred in years prior to 2015?

(d) Please list and describe each of the specific factors which operate to prevent Union from acquiring enough capacity in the secondary markets and/or other alternative services to maintain reliable services to Oakville and Burlington beyond 2016 without constructing the proposed Burlington to Oakville Pipeline.

Costs

Reference: Exhibit A, Tab 3, page 3
Exhibit A, Tab 9, page 1
Exhibit A, Tab 9, Schedule 1

2. Attached are the following documents related to changes in the estimated costs for the Project:

(i) A document taken from Union's 2013 capital plan and provided in Exhibit A, Tab 2, Volume I in the EB-2013-0202 proceedings entitled "Distribution Capital Expenditures". This document lists Union's Distribution Capital Expenditure forecasts for 2013 to 2015. It shows Capital Expenditures for the Burlington to Oakville Pipeline in a total amount of $37.1 M;

(ii) In Volume II of the same Exhibit referenced in item (i) above, Union's initial Burlington to Oakville revenue requirement calculation provided to stakeholders at the outset of the negotiations of the EB-2013-0202 Settlement Agreement which estimated capital expenses at $57.5 M and annual revenue requirement in the initial years of operation of the project between $3.8 M and $4.250 M;

(iii) From the same Exhibit referenced in item (ii) above, the revision to the foregoing calculation provided towards the end of the negotiations of the EB-2013-0202 Settlement Agreement which reflects estimated capital costs of $75 M and annual revenue requirement estimates in the initial years of operation ranging between $5.5 M and $5.8 M;

(iv) Exhibit A, Tab 9, Schedule 4 in this proceeding showing capital costs of $119.5 M and the annual revenue requirement in the initial years of the project's operation ranging between $8.2 M and $8.6 M. These amounts are more than double the amounts initially presented to stakeholders. The breakdown of the current capital costs of $119.5 M is shown at Exhibit A, Tab 9, Schedule 1.

In connection with the foregoing information, please provide the following:

(a) Please reconcile the $37.1 M Capital Expenditure Forecast amount shown in item (i) above with the $57.5 M capital expenses amount contained in item (ii) above;

(b) Using the format of Exhibit A, Tab 9, Schedule 1, please add columns to show the line items which produce the EB-2013-0202 initial and updated capital budgets of $57.5 M and $75 M respectively as shown in items (ii) and (iii) above;

(c) Thereafter, present the outcomes of each of the foregoing capital budget scenarios in the format of Exhibit A, Tab 9, Schedule 4 in this proceeding;

(d) Please list all of the factors which caused the capital budgets for this project to initially increase from $57.5 M to $75 M, and thereafter to increase further from $75 M to $119.5 M.

Distribution
Capital Expenditures
CDN$Millions

Particulars	In Service Date	2013 Forecast	2014 Forecast	2015 Forecast
Expansion				
Nanticoke Prespend	tbd	-	-	-
Jacob (Freedom) Storage Development	tbd	-	-	8.3
Eastern Power Lambton	Nov-14	0.9	9.7	0.1
Project Pre-spend		2.0	2.0	2.0
Overheads		1.0	0.5	1.0
Parkway West	Nov-15	30.9	52.9	131.8
Kirkwall Flow Reverseal	Nov-12	0.1	-	-
Dow-Moore Storage Enhancements	Aug-16	-	-	1.0
Storage Enhancements Phase I (PMOP)	Sep-13	11.4	-	-
Storage Enhancements Phase II (PMOP)	Jul-15	-	0.2	4.1
Parkway D Compressor	Nov-15	2.8	33.0	38.5
Parkway GTA Measurement & Control	Nov-15	0.1	0.4	16.0
Burlington - Oakville Pipeline	Nov-14	3.8	31.3	2.0
TFEP Brantford to Kirkwall	Nov-15	0.6	2.5	75.8
Total Expansion		**53.6**	**132.5**	**280.6**
Maintenance				
Distribution New Business		68.5	66.5	61.6
Distribution Other		96.4	71.1	69.1
Total Distribution		164.9	137.6	130.7
Transmission		36.9	33.7	38.5
Storage		14.0	11.2	12.1
General		12.4	18.8	23.7
Overheads		53.8	57.7	58.4
Total Maintenance		**282.0**	**259.0**	**263.4**
IT		28.3	32.5	32.5
Total Maintenance and IT		**310.3**	**291.5**	**295.9**
Total Union Gas Capex		**$ 363.9**	**$ 424.0**	**$ 576.5**

SCHEDULE 1

Burlington to Oakville Project Revenue Requirement ($000's)

Line No.	Particulars ($000's)	2015	2016	2017	2018
		(a)	(b)	(c)	(d)
	Operating Expenses:				
1	Operating and Maintenance Expenses (1)	4	25	26	26
2	Depreciation Expense (2)	628	1,257	1,257	1,257
3	Property Taxes	72	433	441	450
4	Total Operating Expenses	705	1,715	1,724	1,733
5	Required Return (3)	535	3,248	3,175	3,103
	Income Taxes:				
6	Income Taxes - Equity Return (4)	107	651	636	622
7	Income Taxes - Utility Timing Differences (5)	(1,389)	(1,806)	(1,479)	(1,208)
8	Total Income Taxes	(1,282)	(1,155)	(843)	(586)
9	Revenue Requirement	(42)	3,807	4,056	4,250

Notes:

Assumes capital expenditure of $57.5 million. Project costs under review.

(1) O&M expenses are projected for incremental pipeline-related operating and maintenance expenses.

(2) Depreciation expense at 2013 Board-approved depreciation rates.

(3) The required return for 2018 assumes total rate base of $53.731 million and a capital structure of 64% long-term debt at 4% and 36% common equity at the 2013 Board-approved return of 8.93%. The 2018 required return calculation is as follows:

$53.731 million * 64% * 4% = $1.38 million plus
$53.731 million * 36% * 8.93% = $1.73 million for a total of $3.103 million.

(4) Taxes related to the equity component of the return at a tax rate of 26.5%.

(5) Taxes related to utility timing differences are negative as the capital cost allowance deduction in arriving at taxable income exceeds the provision of book depreciation in the year.

Burlington to Oakville Project Revenue Requirement

Line No.	Particulars ($000's)	Revenue Requirement 2016	2017	2018
	Operating Expenses:			
1	Operating and Maintenance Expenses (1)	26	27	27
2	Depreciation Expense (2)	1,467	1,472	1,472
3	Property Taxes	564	576	587
4	Total Operating Expenses	2,057	2,075	2,086
5	Required Return (3)	4,227	4,158	4,077
	Income Taxes:			
6	Income Taxes - Equity Return (4)	848	834	817
7	Income Taxes - Utility Timing Differences (5)	(1,685)	(1,430)	(1,205)
8	Total Income Taxes	(837)	(596)	(388)
9	Burlington to Oakville Revenue Requirement	5,447	5,637	5,775

Notes:

Assumes capital expenditure of $75 million.

(1) O&M expenses are $0.027 million for pipeline related O&M.

(2) Depreciation expense at 2013 Board-approved depreciation rates.

(3) The required return for 2018 assumes total rate base of $70.596 million and a capital structure of 64% long-term debt at 4% and 36% common equity at the 2013 Board-approved return of 8.93%. The 2018 required return calculation is as follows:

$70.596 million * 64% * 4% = $1.807 million plus
$70.596 million * 36% * 8.93% = $2.270 million for a total of $4.077 million.

(4) Taxes related to the equity component of the return at a tax rate of 26.5%.

(5) Taxes related to utility timing differences are negative as the capital cost allowance deduction in arriving at taxable income exceeds the provision of book depreciation in the year.

UNION GAS LIMITED

Burlington to Oakville Project Revenue Requirement

Line No.	Particulars ($000's)	2016 (a)	2017 (b)	2018 (c)
	Rate Base Investment			
1	Capital Expenditures	117,710	1,767	0
2	Average Investment	13,584	116,312	114,697
	Revenue Requirement Calculation:			
	Operating Expenses:			
3	Operating and Maintenance Expenses (1)	3	16	16
4	Depreciation Expense (2)	1,186	2,390	2,408
5	Property Taxes (3)	20	117	120
6	Total Operating Expenses	1,208	2,523	2,544
7	Required Return (6.031% x line 2) (4)	819	7,015	6,917
	Income Taxes:			
8	Income Taxes - Equity Return (5)	149	1,280	1,262
9	Income Taxes - Utility Timing Differences (6)	(2,100)	(2,533)	(2,192)
10	Total Income Taxes	(1,951)	(1,254)	(930)
11	Total Revenue Requirement (line 6 + line 7 + line 10)	77	8,284	8,531
12	Incremental Project Revenue	-	-	-
13	Net Revenue Requirement (line 11 - line 12)	77	8,284	8,531

Notes:

(1) Expenses include labour, contractor services, materials and other operating expenses for the transmission lines of $0.005 million and stations of $0.011 million.

(2) Depreciation expense at 2013 Board-approved depreciation rates.

(3) Includes pipeline and station property taxes.

(4) The required return of 6.031% assumes a capital structure of 64% long-term debt at 4.4% and 36% common equity at the 2013 Board-approved return of 8.93% (0.64 * 0.044 + 0.36 * 0.0893)
The 2018 required return calculation is as follows:
$114.697 million * 64% * 4.4% = $3.230 million plus
$114.697 million * 36% * 8.93% = $3.687 million for a total of $6.917 million.

(5) Taxes related to the equity component of the return at a tax rate of 25.5%.

(6) Taxes related to utility timing differences are negative as the capital cost allowance deduction in arriving at taxable income exceeds the provision of book depreciation in the year.