

ENBRIDGE GAS DISTRIBUTION INC. AND UNION GAS LIMITED

Undertaking of Mr. Kitchen
To Mr. Gluck

REF: Tr.2 p.150

To provide the cost-based storage rate that appears basically on the T1 and T3 rate schedules, and to advise the full cycle cost of storage for the respective utilities

Response:

Please see Table 1 for the calculation of the Union South cost-based storage rate updated for 2018 Rates (EB-2017-0087) based on 1.2% deliverability and one full cycle of storage. The calculation of the cost-based storage rate of \$0.318/GJ is consistent with the cost-based storage rate calculated as part of the NGEIR proceeding, per EB-2005-0551, Exhibit B, Tab 1, UGL Undertaking 15.

As Union's storage costs are derived from a fully allocated cost study, the cost-based storage rates recover a portion of Union's indirect costs, such as general plant and administrative and general O&M costs. The storage costs are also based on Union's regulated storage costs and do not represent the costs of Union's unregulated storage assets, which include new storage capacity developed or acquired outside of regulation.

Table 1
2018 Union South Cost of Storage

Line No.	Particulars	2018 Rates (1) (\$/GJ) (a)	Conversion to Rate per GJ of Space (2) (b)	Annual Rate per unit of Storage Space (\$/GJ) (c)
1	Storage Space	0.011	x 12 =	0.132
2	Storage Deliverability @ 1.2%	1.184	x 1.2% x 12 =	0.170
3	Injection & Withdrawal	0.008	x 2 =	0.016
4	Total			<u>0.318</u>

Note:

- (1) EB-2017-0087, Rate Order, Appendix A. Assumes customer provides fuel and deliverability inventory.
- (2) Assumes 1.2% deliverability and one full cycle of storage.