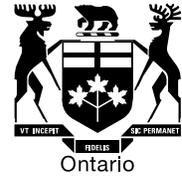


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BY EMAIL

March 15, 2016

Kirsten Walli
Board Secretary
Ontario Energy Board
P.O. Box 2319
27th Floor
2300 Yonge Street
Toronto ON M4P 1E4

Dear Ms. Walli:

**Re: Union Gas Limited (Union)
April 1, 2016 QRAM Application
Board File No. EB-2016-0040**

I am writing on behalf of OEB staff in regard to the above noted QRAM matter.

OEB staff has the following questions:

1. Ref: Tab 1 / pp. 1-3
Tab 2 / p. 4
Tab 2 / Schedule 2
Tab 2 / Schedule 3 / p. 1-3

Union proposes to exclude the projected variance in the North PGVA and the North Tolls and Fuel deferral account for the period beginning January 1, 2017 from the amount for prospective recovery in this QRAM. Union stated that this variance is not expected to materialize when Union North transportation and storage rates are updated and the new reference price is implemented as of January 1, 2017.

- (i) Please confirm that the variance amounts that Union proposes to exclude from the prospective recovery adjustment in this QRAM are approximately as follows:
 - a. North PGVA - \$13,277,000
 - b. North Tolls - (\$8,407,000)

- c. North Fuel - \$158,000
- d. Total - \$5,027,000

- (ii) Please provide a high-level estimate of the total variance that would result from the OEB requiring Union to include the projected variance in the North PGVA and North Tolls & Fuel deferral account for the period beginning January 1, 2017 in the prospective recovery adjustment in all of the remaining 2016 QRAMs (April, July, October).
- (iii) What would be the procedural implications for this QRAM if the OEB were to direct Union to file a separate application to deal with this matter? Would Union be able to remove this proposal and re-file its application in time to implement rates for April 1, 2016?

2. Ref: Tab 1 / p. 3

Union intends to continue capturing the Union South related forecast variance for the April 2016 to March 2017 period in the prospective recovery adjustment.

- (i) Please explain why Union is proposing to apply a different treatment to Union South (compared to Union North) with regard to the inclusion of projected variances beginning January 1, 2017 in the prospective recovery adjustment.

3. Ref: Tab 1 / pp. 6-7
Tab 1 / Schedule 2
Tab 2 / Schedule 5 / p. 1

A typical southern sales service customer in Rate M1 and Rate M2 will experience an annualized bill increase of \$16.12 and \$536.71 respectively. The bill impact is largely driven by an increase in transportation rates and the gas cost adjustment which is offset by a decrease in gas commodity costs.

OEB staff notes that the transportation rate increase attributable to the change in the TransCanada Union CDA Toll accounts for a relatively small portion of the transportation rate increase.

- (i) Please provide further reasons why Union South transportation rates are increasing in the current QRAM.
- (ii) Please explain why the gas cost adjustment applicable to southern sales service customers is increasing in the current QRAM.

4. Ref: Tab 2 / pp.1-2
Working Papers / Schedule 4 / p. 1

The National Energy Board (NEB) approved final transportation tolls for firm transportation services on the TransCanada Mainline effective January 1, 2016. Union noted that other approved upstream toll changes include Centra Transmission Holdings Inc. (CTHI) and Centra Pipelines Minnesota Inc. (CPMI).

- (i) Please provide the approved toll schedules which confirm the tolls listed in column "L" of Working Papers / Schedule 4 / Page 1. Where necessary, please provide the supporting calculations.

5. Ref: Tab 2 / pp. 4-5
Working Papers / Schedule 5

Union is proposing to make two corrections to the prospective recovery amount to address errors from previous periods.

Union is proposing to increase the prospective recovery amount related to its gas cost deferral accounts in the current QRAM by \$2.022 million to correct for an over-recovery that occurred from July 1, 2014 to September 30, 2014. The over-recovery occurred because the July 2013 QRAM rate riders, which were set to expire in July 2014, continued for an additional 3 months.

Union is also proposing to increase the prospective recovery amount related to the Inventory Revaluation Deferral Account by \$1.047 million to correct for a misstatement of the previous quarter true-up variance that occurred in the October 2014 QRAM.

- (i) Union stated the following in its evidence at Tab 2 / p. 5: "Union overstated the previous quarter forecast prospective recovery amount for the additional three months of the rate riders in the January 2015 QRAM (EB-2014-0356), which resulted in an over recovery of \$2.022 million."
- a. Please clarify the above noted statement and provide specific references to the EB-2014-0356 pre-filed evidence where this error occurred.
- b. Please explain why the overstatement of the "previous quarter forecast prospective recovery amount" occurred in the January 2015 QRAM (as opposed to the October 2014 QRAM which was when the July 2013 QRAM rate riders were dropped).

- c. Please explain why Union's billing system did not automatically exclude the July 2013 QRAM rate riders from rates beginning in July 2014 (at the end of the 12-month duration for those rate riders).
 - d. Please discuss whether Union has taken any steps to adjust its billing system to ensure an error of this nature will not occur in the future.
- (ii) Please provide further details regarding the "misstatement of the previous quarter true-up variance in the Inventory Revaluation Deferral Account." Please advise whether this refers to a mechanical error which resulted in the inclusion of \$29,821,000 as the total amount of prospective recovery as opposed to the correct amount of \$28,774,000. If so, please provide the specifics of how the mechanical error occurred. Please also discuss whether Union has taken any steps to ensure that similar errors do not occur in the future.
- (iii) Union is requesting that the OEB authorize a correction to previous final rate orders. Please provide Union's views regarding whether this proposal raises any concerns with respect to rate retroactivity.
- (iv) What would be the procedural implications for this QRAM if the OEB were to direct Union to file a separate application to deal with this matter? Would Union be able to remove this proposal and re-file its application in time to implement rates for April 1, 2016?

Original signed by

Lawrie Gluck
Case Manager

cc: Chris Ripley, Union Gas Limited
Crawford Smith, Torys
Vincent DeRose, BLG
Ian Mondrow, Gowlings