

VINCENT J. DEROSE  
T 613.787.3589  
vderose@blg.com

Borden Ladner Gervais LLP  
World Exchange Plaza  
100 Queen St. Suite 1100  
Ottawa, ON, Canada K1P 1J9  
T 613.237.5160  
F 613.230.8842



**By Electronic Filing**

June 11, 2012

Kirsten Walli  
Board Secretary  
Ontario Energy Board  
27<sup>th</sup> floor – 2300 Yonge Street  
Toronto, ON M4P 1E4

Dear Ms Walli,

**Union Gas Limited (“Union”)**  
**July 1, 2012 QRAM Application**  
**Board File No.: EB-2012-0249**  
**Our File No.: 339583-000019**

I am writing on behalf of Canadian Manufacturers & Exporters (“CME”). Please consider this correspondence as CME’s written comments on Union’s QRAM Application, which seeks changes to Union’s gas supply and transportation rates to reflect changes to the forecasted cost of purchasing and transporting natural gas.

As the Board is aware, it is CME’s practice to conduct a due diligence review of Union’s QRAM applications. CME has done so in this case. Subject to the comments below, CME is satisfied that the Application is consistent with the Board-approved QRAM mechanism.

Information emerging in Union’s 2013 Rebasing proceeding indicates that, during the operation of its IRM Plan, Union generated large amounts of revenue from the “Risk Alleviation Mechanism” (“RAM”) and other attributes of its contracts with TransCanada PipeLines Limited (“TCPL”). See, for example, Exhibits J.C-4-7-9 and J.T1-56 in the EB-2011-0210 proceeding indicating that it realized exchange revenues over the four (4) years 2008 to 2011 inclusive in the order of \$95.2M of which some \$52.7M is attributable to net RAM revenue.

Our current understanding is that all of the costs of the TCPL contracts that provide the attributes that enable Union to earn these revenues are charged to ratepayers as a flow-through item. However, these large revenue amounts, linked to the incurrence of TCPL costs, are apparently flowing to Union’s shareholder rather than to its ratepayers.

It is our understanding that these costs are not cleared, or in any way approved, through the QRAM process. Nevertheless, we are drawing this matter to the Board’s attention, at this time, in order to make it clear that our support for the QRAM adjustments Union is proposing effective July 1, 2012, is without prejudice to the continuing investigation of this issue in Union’s 2013 Rebasing case and its 2011 Deferral Account Clearance proceeding.

CME requests an award of its reasonably incurred costs in connection with conducting its examination of Union's QRAM Application.

Yours very truly,

A handwritten signature in dark ink, appearing to read 'VJ DeRose', with a long horizontal flourish extending to the right.

Vincent J. DeRose

c.      Marian Redford (Union)  
         Crawford Smith (Torys)  
         Lawrie Gluck (OEB)  
         All Interested Parties EB-2010-0025  
         Paul Clipsham (CME)

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