



Natural Resource Gas Limited

39 Beech St. E., PO Box 307, Aylmer On N5H 2S1

March 11, 2014

Ms. Kirsten Walli
Board Secretary
Ontario Energy Board
2300 Yonge Street, 27th Floor
Toronto, Ontario M4P 1E4

Dear Ms. Walli:

Re: EB-2014-0050 -- Union Gas Limited -- April 1, 2014 QRAM Application

Enclosed is a Request to Intervene and Evidence from Natural Resource Gas Limited ("NRG") in the above-captioned Union application seeking changes to Union's gas supply, transportation and delivery rates to reflect changes to Union's forecasted cost of purchasing and transporting natural gas.

The Intervention is made pursuant to the criteria established in the Ontario Energy Board ("Board") decision in EB-2008-0106. This Intervention and Request for Relief must be filed with you as Board Secretary and Union no later than 4:45 p.m. Tuesday, March 11, 2014. Please accept this Intervention accordingly.

NRG seeks relief from the Intervention of what it submits is a penalty provision in its Contract made as of October 1, 2013 between NRG and Union.

Yours very truly,

Natural Resource Gas Limited

Brian Lippold,
General Manager

cc. Union Gas

ONTARIO ENERGY BOARD

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

AND IN THE MATTER OF an Application by
Union Gas Limited, pursuant to section 36(1) of the
Ontario Energy Board Act, 1998, for an order or
orders approving or fixing just and reasonable rates
and other charges for the sale, distribution,
transmission and storage of gas as of January 1,
2013;

AND IN THE MATTER OF the Quarterly Rate
Adjustment Mechanism approved by the Ontario
Energy Board in EB-2008-0106.

**REQUEST TO INTERVENE AND FOR RELIEF
by Natural Resource Gas Limited**

1. Natural Resource Gas Limited (“NRG”) purchases Services from Union Gas Limited (“Union”), on a bundled basis, whereby Union receives daily quantities of natural gas (“Gas”) from NRG, and either stores or delivers Gas to NRG at End User locations under a Southern Bundled T Gas Contract (“Contract”) made as of October 1, 2004 and amended from time to time.
2. NRG hereby requests Intervenor status in this application and further requests relief hereinafter set out.
3. A copy of the Contract and the relevant amendment for the period October 1, 2013 to September 30, 2014 are attached as Schedule 1 to this Intervention. The Contract is governed by General Terms and Conditions attaching to all such contracts as of January 2009 and is attached as Schedule 2 to this Intervention.
4. Pursuant to the Contract as amended, NRG was required to purchase natural gas before February 28, 2014 in order to meet NRG’s Winter Checkpoint Quantity of 115,523 GJ as fixed by Union.
5. Attached as Schedule 3 to this Intervention is the copy of an NRG letter to Union dated February 21, 2014 asking Union to waive any rights it might have to require NRG to purchase natural gas before February 28, 2014. Although Union had purchased sufficient gas to cover NRG’s Winter Checkpoint Quantity at \$12.31 per GJ, Union refused to waive NRG’s contractual requirement to purchase natural gas for its Winter Checkpoint Quantity.

6. As at February 21, 2014 Southern Ontario was suffering the harshest winter weather in 60 years. This created unusual demands for natural gas for NRG's customers and impacted natural gas prices in the short term. As at February 21, 2014 natural gas prices had gone for approximately \$38 per GJ.
7. After Union refused to waive any rights to require NRG to purchase gas before February 28, 2014, NRG went in to the marketplace in an attempt to purchase gas sufficient to meet the Winter Checkpoint Quantity. It was able to purchase 90,027 GJ after February 21, 2014 at a cost of \$2,455,576.
8. NRG was unable to purchase the remaining shortfall of 25,496 GJ in February 2014. There was simply no gas available to be purchased and delivered at dawn or any other points on the Union system.
9. NRG informed Union of its intention to deliver the 25,496 GJ on March 2, 2014 but was informed by Union that it would not be permitted to deliver this gas to Union and that the 25,496 GJ would be the subject of the "Surplus Sale over Consumer Premium".
10. Under Union's R1 rate schedule, the charge for banked gas purchases are set at the higher of the daily spot gas at dawn in the month of or the month following the month in which gas is sold under the rate and shall not be less than Union's approved weighted average cost of gas.
11. NRG has received an invoice from Union charging its customers for the 25,496 GJ at a cost of \$78.728 per GJ. The resulting total cost of this gas is \$2,007,250.
12. NRG has served notice on Union in writing that the \$78.728 per GJ cost is a penalty provision and unenforceable under the Contract. Any disputes under the Contract are subject to arbitration under Article 8 of the Contract. NRG has served notice on Union fixing an arbitration to declare the Surplus Sale over Consumer Premium amount charged to it at \$78.728 per GJ to be unenforceable.
13. NRG states that the proper amount in these exceptional circumstances is \$12.31 per GJ, being the amount paid by Union for the gas used to balance its system.
14. NRG therefore asks that the Ontario Energy Board (the "Board") make an order that Union only charge \$12.31 per GJ to NRG for the 25,496 GJ purchased to balance its system and meet NRG's shortfall.
15. NRG recognizes that the Surplus Sale over Consumer Premium amount is charged as a result of the Board's order to that effect. The Board could not have foreseen the exceptional circumstances that occurred in late February 2014 and, in particular, the unavailability of gas so that NRG could meet its supply obligations. Rate making is about cost recovery and a reasonable return on capital. The penalty provision contained in the Contract in the present circumstances is not consistent with cost recovery. While the Board did not seek to abandon these two rate making principals in fixing the Surplus Sale Over Consumer Premium, it has the impact of changing a cost recovery to a windfall to Unions' customers and an undeserved detriment for NRGs' customers.

16. The extra \$66.728 per GJ is a penalty amount which, if enforced, goes solely to the benefit of Union's customers and to the detriment of NRG's customers in the amount of \$160/year. NRG seeks an order granting an exception to the Board's earlier order fixing the Surplus Sale Over Consumer Premium.
17. NRG has filed its own request to the Board seeking to adjust its gas supply charge, the GPRA rate and the PGCVA reference price effective April 1, 2014 to reflect an updated forecast of gas costs, the projected balance in the PGCVA and the projected balance in the GPRA. This request includes the \$78.728 per GJ cost for the 25,496 GJ purchased by Union for NRG.

ALL OF WHICH IS RESPECTFULLY SUBMITTED

Natural Resource Gas Limited



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