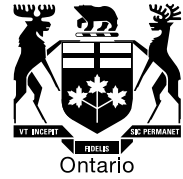


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BY EMAIL

March 11, 2014

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
April 1, 2014 QRAM Application
Board File No. EB-2014-0050**

I am writing on behalf of Board staff in the above noted QRAM matter.

Board staff has the following questions:

1. Ref: Tab 1 / Page 13 & 14: Union noted that it plans to bring forward a proposal for the disposition of load balancing costs associated with spot gas purchases made for its South Bundled DP customers and for the disposition of incremental supply costs associated with the management of UFG variances in its 2013 annual deferral account disposition proceeding.
 - (i) Please explain why Union is proposing to dispose of the above noted amounts in the annual deferral account disposition proceeding as opposed to the current QRAM application.
2. Ref: Tab 1 / Page 14: Union noted that it manages the costs of serving Rate 25 customers within the rate class and is not seeking recovery of costs to purchase spot gas to manage Rate 25 consumption variances.
 - (i) Please clarify how Union manages the costs of serving Rate 25 customers and why Union would not be seeking recovery of costs related to the purchase of spot gas for these customers.

3. Ref: Tab 1 / Page 15 & Tab 1 / Table 1 / Line 7: Union noted that it diversified its spot gas purchases by contracting for TCPL STFT capacity from Empress to Dawn to bring additional volumes (3.2PJs) to Dawn for the period January 28 to March 31, 2014.
 - (i) Please discuss why the large majority of spot gas purchases occurred at Dawn.
 - (ii) Please discuss whether Union considered additional Empress (or other non-Dawn) spot gas purchases.
 - (iii) Please discuss whether further diversification of spot gas purchases could have reduced Union's cost of procuring gas supplies for its customers and / or enhanced security of supply.
4. Ref: Tab 1 / Table 1 & Tab 1 / Appendix A: The majority of Union's spot gas purchases for the 2013 / 2014 winter were for volumes ranging between 1.8PJs to 3.2PJs. However, Union made two spot purchases for significantly larger volumes. Union purchased 5.6PJs on January 6, 2014 for delivery in January and purchased 7PJs on January 24, 2014 for delivery in February.
 - (i) Please discuss what prompted Union to make the above noted larger volume purchases in single transactions.
 - (ii) Specifically in regards to the 7PJ purchase made on January 24, 2014, the bids received by Union ranged from \$7.00 to \$7.73 USD/MMBtu. Union noted that it purchased all the volumes that were offered. Please explain why Union was willing to purchase spot gas at the top end of the bid spread.
5. Please provide details on curtailment orders (e.g. number of days, duration, estimated volume curtailed) issued over the 2013 / 2014 winter. Please provide a breakdown of this information by the month in which the curtailment occurred. Please also provide the same information for the past 3 winters for comparative purposes.
6. Please identify which deferral accounts include amounts related to incremental gas purchases made over the 2013 / 2014 winter period.
7. Given the timelines for issuing a decision in this proceeding and the "non-mechanistic" nature of the application, please provide Union's view were the Board to consider the following:
 - (i) Approve the establishment of the Alberta Border Reference Price, Ontario Landed Reference Price, and South Portfolio Cost Differential effective April 1, 2014 and the disposition of the deferral account balances as of April 1, 2014 that do not include amounts related to incremental gas

purchases made over the 2013 / 2014 winter period on a final basis.
Approve the disposition of the deferral account balances as of April 1, 2014 that do include amounts related to incremental gas purchases made over the 2013 / 2014 winter period on an interim basis pending a more comprehensive review.

- (ii) Approve the establishment of the Alberta Border Reference Price, Ontario Landed Reference Price, and South Portfolio Cost Differential effective April 1, 2014 and the disposition of the deferral account balances as of April 1, 2014 that do not include amounts related to incremental gas purchases made over the 2013 / 2014 winter period on a final basis. Defer the disposition of the deferral account balances as of April 1, 2014 that do include amounts related to incremental gas purchases made over the 2013 / 2014 winter period until a more comprehensive review takes place.

Thank you,

Original signed by

Lawrie Gluck
Case Manager

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