

March 13, 2014

**VIA RESS AND COURIER**

Ms. Kirsten Walli  
**ONTARIO ENERGY BOARD**  
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Dear Ms. Walli:

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

**Industrial Gas Users Association (IGUA) Comments**

We write as legal counsel to IGUA.

Given the quantum of gas costs proposed for clearance in this application, and the detail provided in Union's application, IGUA submitted a number of questions directly to Union seeking clarification of various aspects of the application. Union was able to provide responses yesterday, which IGUA appreciates. As a result of previous commitments of the writer yesterday, we were unable to complete review and consideration of those responses and confirm IGUA's position on Union's application until earlier today. These comments are thus provided late.

We had advised both Union and Board Staff informally on Tuesday of this week of our intention to file these comments late. Neither party indicated objection to such filing. Accordingly, we respectfully request that the Board accept and consider these comments in its deliberations on the application.

**IGUA's Position on Proposed Rate Adjustments**

IGUA's advisors, Aegent Energy Advisors Inc. (Aegent), have reviewed Union's Application for quarterly adjustment of rates (QRAM) to be effective April 1, 2014. Based upon Aegent's advice, and responses provided by Union to a number of clarifications sought directly (as further commented on below), IGUA is satisfied that Union has properly followed the QRAM methodology approved by the OEB's EB-2008-0106 Decision.

IGUA has no objection to approval of Union's application as filed.

### **Additional Comments**

The instant application is unusual in respect of the quantum proposed for disposition to ratepayers. This arises from an obviously unusual winter season, and the impact of weather and the resulting supply/demand balance on gas prices.

IGUA appreciates the detail provided by Union in its prefiled materials regarding the supply and demand, and the gas market, dynamics which Union faced as the winter season progressed, and explaining the rationale and timing of Union's gas purchase responses to those dynamics. IGUA found this explanation very helpful in its review of the application.

In particular, IGUA has considered the anticipatory "layering" approach to incremental gas purchases which Union's evidence describes. The approach described strikes IGUA as a prudent one in the circumstances which obtained.

With Union's assistance, IGUA has been able to clarify which items related to this past winter's unusual weather have been brought forward for recovery in this application. They are:

1. \$51.8 million going into the South PGVA attributable to the incremental gas purchased for South system sales;
2. A net amount of \$6.5 million going into the Spot Gas Variance Account for spot gas purchases for North system supply customers and load balancing costs for North system supply and North bundled DP customers; and
3. An amount going into the North PGVA related to the gas purchased to fill 4.2 PJ of planned unabsorbed transportation capacity and mitigate unabsorbed demand charges for the North.

IGUA has also been able to clarify which cost items addressed in Union's evidence herein are to be dealt with outside of this QRAM. They are:

1. The costs associated with the gas purchased for South bundled DP customers for March weather and consumption variances as well as an updated forecast for February weather and consumption;
2. The price variance related to the incremental gas purchased to manage UFG; and



### 3. Costs for rate 25 consumption variances.

IGUA understands that the first two of these items are to be addressed as part of Union's 2013 deferral account disposition proceeding, and that with respect to the third item, that costs for Rate 25 are charged to Rate 25 customers in accord with previously accepted practice.

In light of the foregoing clarifications, IGUA is satisfied with the information provided by Union, and does not believe that a further process is required in respect of the approvals sought by Union in the instant application.

IGUA has had the benefit of reviewing the questions submitted to Union by Board Staff, and is interested in Union's response in respect of its customer curtailment activities co-incident with its incremental gas purchasing initiatives during this past winter gas season.

Subject to review of Union's response on curtailment activities, IGUA is satisfied that Union's proposed treatment of cost items to be addressed in this QRAM application is appropriate and consistent with the Board's approved QRAM methodology.

### **Costs**

Pursuant to the Board's *Practice Direction on Cost Awards*, IGUA is eligible to apply for a cost award as a party primarily representing the direct interests of ratepayers in relation to regulated gas services. IGUA requests that the Board award it costs reasonably incurred in review of Union's QRAM.

IGUA has, in the past, been consistently awarded modest costs for review of QRAM applications. IGUA respectfully submits that the Board, in making such awards, has recognized some value (commensurate with modest costs) in the independent and informed review of such applications.

IGUA continues to be mindful of the need for efficiency in its regulatory interventions, in particular in respect of relatively non-contentious matters such as is normally the case with QRAM applications. For QRAM reviews, IGUA has retained Aegent, whose professionals are expert in Ontario gas commercial and regulatory matters, including rate matters in particular. Aegent conducts a review of the QRAM application as filed, and provides a report to IGUA. Provided that Aegent's report does not indicate any concerns with either the application of the QRAM protocols or the rate outcome, IGUA is in a position to advise the Board that it has no cause for objection, as is the case with the instant Application.

IGUA submits that it has acted responsibly with a view to informing the Board's review and decision on this Application, while maintaining due attention to cost efficiency. On this basis, IGUA is requesting recovery of its costs for participation in this process.

Yours truly,



Ian A. Mondrow

cc. Dr. Shahrzad Rahbar (IGUA)  
Valerie Young (Aegent)  
Chris Ripley (Union)  
Crawford Smith (Torys)  
Lawrie Gluck (OEB)  
Intervenors of Record (EB-2013-0365)

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