



uniongas

A Spectra Energy Company

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

Dear Ms. Walli:

This letter is to advise you of some changes that Union is prepared to make respecting certain charges to direct purchase customers who did not meet their contractual obligations during the month of February, 2014.

Consistent with the contractual terms and conditions, Union invoices Rate T1/T2 Supplementary Inventory, and Rate 25 Unauthorized Overrun Gas Supply Commodity, using the highest spot cost at Dawn in the month it was used. Should a higher spot cost occur in the following month, Union will re-bill the Rate T1/T2 Supplementary Inventory, and the Rate 25 Unauthorized Overrun Gas Supply Commodity, on the next monthly invoice using that higher spot cost. Specifically, the terms of the contracts provide that the cost of gas shall be the higher of the daily spot cost at Dawn in the month of or the month following the month in which gas is sold and shall not be less than Union's approved weighted average cost of gas.

To date, those customers who have been subject to either a February Supplementary Inventory charge or a Rate 25 Unauthorized Overrun Gas Supply Commodity charge have been billed at a spot cost of \$78.73/GJ. This spot cost is the highest spot cost at Dawn during February.

Union is prepared to make two changes in recognition of the exceptional weather conditions in 2014, and despite the fact that over 95% of Union's customers met their contractual obligations.

The first change is to limit the billing of the above charges to the highest spot cost in the month in which gas was sold. That is, the highest spot cost in the month following the month in which gas was sold will not be considered.

The second change is to reduce the above charges from \$78.73/GJ to \$50.50/GJ subject to the conditions described below. This reduced spot cost represents the second-highest spot cost at Dawn during the month of February. The reduced spot cost of \$50.50/GJ continues to meet all of Union's objectives, including an appropriate financial incentive to customers to adhere to the contract terms and the protection of Union's system, and is made without prejudice to all rights and privileges as provided in the contract terms and conditions.

The above changes would also be applied to Bundled T-service customers who did not meet their contractual balancing obligations.

Union also notes that it is willing to apply a similar approach to T1/T2, Rate 25, and Bundled T-service customers who did not meet their March contractual balancing obligations. That is, Union would limit the billing of the charges to the highest spot cost in the month of March, and would use the second-highest spot cost at Dawn during the month of March. This latter change would reduce the charges from \$78.73/GJ to \$52.04/GJ, and would be subject to the above conditions.

Should the Board have no objection to the above changes, Union anticipates being able to re-bill all affected customers within a week after a response from the Board.

I would appreciate it if you would bring this letter to the attention of the Board. Please don't hesitate to contact the undersigned should you have any questions.

Yours truly,

(Original signed by)

M. Richard Birmingham

cc: Michael Millar