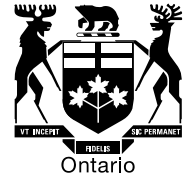


Ontario Energy Board
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27th Floor
2300 Yonge Street
Toronto ON M4P 1E4
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Facsimile: 416- 440-7656
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BY EMAIL

April 9, 2014

Richard Birmingham
Union Gas Limited
P.O. Box 2001
50 Keil Drive North
Chatham ON N7M 5M1

Dear Mr. Birmingham:

**Re: Union Gas Limited
Reduction of Certain Charges Applied to Direct Purchase Customers
Board File No. EB-2014-0154**

On April 3, 2014, Union Gas Limited ("Union") filed a letter with the Board advising that it is prepared to reduce certain charges applied to direct purchase customers who did not meet their contractual obligations during the months of February and March, 2014. Union's April 3, 2014 letter is attached to this letter.

Before the Board establishes a process for considering Union's letter, the Board requests that Union respond to the following questions:

- 1) Please confirm that the charges for Supplementary Inventory, Unauthorized Overrun Gas and Banked Gas Account imbalances contained in the terms of the contracts reflect the charges that are provided for in the relevant rate schedules approved by the Board.
- 2) Please indicate whether Union is asking that the Board consider its letter an application to approve, without a hearing (under Section 21(4)(b) of the *Ontario Energy Board Act, 1998*), a one-time exemption from the relevant rate schedules to allow the proposed reduction to certain charges that would apply to some direct purchase customers.
- 3) Please provide the total amount that Union will receive from the charges applied to the affected customers pursuant to the existing provisions (i.e. \$78.73/GJ for the month of February and March 2014).

- 4) Please provide the total amount that Union would receive from the charges applied to the customers set out in its letter at the proposed reduced charge of \$50.50/GJ for February 2014 and \$52.04/GJ for March 2014.
- 5) The Board understands that the amounts arising from the charges set out in Union's letter are to be included in Union's Purchased Gas Variance Account for disposition to ratepayers as part of its next QRAM proceeding. Please quantify the impact (in dollars and percentages) of this proposed foregone revenue at the rate class level.

The Board requests that responses to its questions be filed no later than **April 14, 2014**.

Yours truly,

Original signed by

John Pickernell
Applications Administration

cc: Crawford Smith, Torys

Attachment:



uniongas

A Spectra Energy Company

M. Richard Birmingham, CPA, CA
Vice President
Regulatory, Lands and Public Affairs

April 3, 2014

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