

April 10, 2014

Ms. Kirsten Walli  
Ontario Energy Board  
2300 Yonge St., Suite 2700  
Toronto, Ontario  
M4P 1E4

Dear Ms. Walli:

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

This letter is in response to questions received on April 9, 2014 from the Board regarding Union's proposal to reduce the charges to Direct Purchase ("DP") customers who did not meet their contractual obligations during the month of February and March, 2014. Please see below for Union's response to these 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.*

Confirmed.

- 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.*

Yes, in recognition of the extraordinary weather conditions this past winter, Union is seeking, without a hearing, a one-time exemption from the relevant rate schedules.

- 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).*

Please see Attachment 1.

- 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.*

Please see Attachment 1.

- 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.*

Please see Attachment 2.

Yours truly,

*[Original signed by]*

Mark Kitchen  
Director, Regulatory Affairs

cc: Michael Millar  
Crawford Smith (Torys)

**Summary of February and March 2014 Balancing Penalty Provisions**

Table 1

February, 2014 Balancing Penalty Provisions

| Line No. | Rate Class<br>(a)                      | No. of Customers<br>(b) | GJ<br>(c)     | Penalty Provision at \$78.73<br>(d)=(c) x \$78.73 | Penalty Provision at \$50.50<br>(e)=(c) x \$50.50 | Reduction<br>(f)=(d)-(e) |
|----------|--|-------------------------|---------------|---|---|--------------------------|
| 1        | Southern BT February Checkpoint        | 11                      | 55,339        | \$4,356,727                                       | \$2,794,851                                       | \$1,561,876              |
| 2        | Southern BT February Contract Expiries | 2                       | 2,881         | \$226,816   | \$145,503   | \$81,313                 |
| 3        | Rate 25 Unauthorized Overrun           | 5                       | 2,217         | \$174,544   | \$111,971   | \$62,574                 |
| 4        | T1 Supplemental Inventory              | 1                       | 13            | \$1,023   | \$657   | \$367                    |
| 5        | <b>Total</b>                           | <b>19</b>               | <b>60,450</b> | <b>\$4,759,111</b>                                | <b>\$3,052,982</b>                                | <b>\$1,706,129</b>       |

Table 2

March, 2014 Balancing Penalty Provisions

| Line No. | Rate Class<br>(a)                   | No. of Customers<br>(b) | GJ<br>(c)     | Penalty Provision at \$78.73<br>(d)=(c) x \$78.73 | Penalty Provision at \$52.04<br>(e)=(c) x \$52.04 | Reduction<br>(f)=(d)-(e) |
|----------|-------------------------------------|-------------------------|---------------|---|---|--------------------------|
| 1        | Southern BT March Contract Expiries | 0                       | 0             | \$0   | \$0   | \$0                      |
| 2        | Rate 25 Unauthorized Overrun        | 1                       | 16            | \$1,225   | \$810   | \$415                    |
| 3        | T1 Supplemental Inventory           | 2                       | 54,937        | \$4,325,086                                       | \$2,858,938                                       | \$1,466,148              |
| 4        | <b>Total</b>                        | <b>3</b>                | <b>54,953</b> | <b>\$4,326,311</b>                                | <b>\$2,859,748</b>                                | <b>\$1,466,563</b>       |

Table 3

February and March 2014 Balancing Penalty Provisions

| Line No. | Rate Class<br>(a)               | No. of Customers<br>(b) | GJ<br>(c)      | Penalty Provision at \$78.73<br>(d)=(c) x \$78.73 | Penalty Provision at \$50.50 or \$52.04<br>(e)=(c) x \$50.50 or \$52.04 per above | Reduction<br>(f)=(d)-(e) |
|----------|---------------------------------|-------------------------|----------------|---|---|--------------------------|
| 1        | Southern BT February Checkpoint | 11                      | 55,339         | \$4,356,727                                       | \$2,794,851   | \$1,561,876              |
| 2        | Southern BT Contract Expiries   | 2                       | 2,881          | \$226,816   | \$145,503   | \$81,313                 |
| 3        | Rate 25 Unauthorized Overrun    | 5                       | 2,233          | \$175,770   | \$112,781   | \$62,989                 |
| 4        | T1 Supplemental Inventory       | 3                       | 54,950         | \$4,326,109                                       | \$2,859,595   | \$1,466,514              |
| 5        | <b>Total</b>                    | <b>21</b>               | <b>115,403</b> | <b>\$9,085,422</b>                                | <b>\$5,912,730</b>  | <b>\$3,172,692</b>       |

Union Gas Limited  
Impact of Proposed Foregone Revenue by Rate Class

| Line No.                | Particulars        | Account Balance (\$)<br>(a) | Annual Disposition Volume (10 <sup>3</sup> m <sup>3</sup> )<br>(b) | Unit Rate (cents/m <sup>3</sup> )<br>(c) = (a/b*10) |
|-------------------------|--------------------|-----------------------------|--|---|
| February 2014           |                    |                             |  |   |
| 1                       | Union North - PGVA | 62,574                      | 925,217  | 0.0068  |
| 2                       | Union South - PGVA | 1,643,556                   | 2,994,724  | 0.0549  |
| 3                       | Total              | <u>1,706,129.43</u>         | <u>3,919,940</u>   |   |
| March 2014              |                    |                             |  |   |
| 4                       | Union North - PGVA | 415                         | 925,217  | 0.0000  |
| 5                       | Union South - PGVA | 1,466,148                   | 2,994,724  | 0.0490  |
| 6                       | Total              | <u>1,466,563</u>            | <u>3,919,940</u>   |   |
| March and February 2014 |                    |                             |  |   |
| 7                       | Union North - PGVA | 62,989                      | 925,217  | 0.0068  |
| 8                       | Union South - PGVA | 3,109,703                   | 2,994,724  | 0.1038  |
| 9                       | Total              | <u>3,172,692</u>            | <u>3,919,940</u>   |   |

|    | Particulars (\$) (1) | February 2014 Change to PGVA<br>(d) | March 2014 Change to PGVA<br>(e) | Total Change to PGVA<br>(f) = (d+e) | Percent of Total Foregone Revenue<br>(g) |
|----|----------------------|-------------------------------------|----------------------------------|-------------------------------------|--|
| 10 | Rate 01              | 51,221                              | 340                              | 51,561                              | 1.6%                                     |
| 11 | Rate 10              | 10,906                              | 72                               | 10,978                              | 0.3%                                     |
| 12 | Rate 20              | 447                                 | 3                                | 450                                 | 0.0%                                     |
| 13 | Total Union North    | <u>62,574</u>                       | <u>415</u>                       | <u>62,989</u>                       |  |
| 14 | Rate M1              | 1,335,659                           | 1,191,486                        | 2,527,145                           | 79.7%                                    |
| 15 | Rate M2              | 277,621                             | 247,654                          | 525,275                             | 16.6%                                    |
| 16 | Rate M4              | 17,543                              | 15,650                           | 33,193                              | 1.0%                                     |
| 17 | Rate M5              | 12,602                              | 11,242                           | 23,844                              | 0.8%                                     |
| 18 | Rate M10             | 130                                 | 116                              | 247                                 | 0.0%                                     |
| 19 | Total Union South    | <u>1,643,556</u>                    | <u>1,466,148</u>                 | <u>3,109,703</u>                    |  |
| 20 | Total                | <u>1,706,129</u>                    | <u>1,466,563</u>                 | <u>3,172,692</u>                    |  |

Notes:

(1) Rate class impact based on EB-2014-0050 (April 2014 QRAM) sales service volumes.