EB-2014-0154

IN THE MATTER OF the Ontario Energy Board Act 1998, S.O.1998, c.15, (Schedule B);

AND IN THE MATTER OF an Application by Union Gas Limited for an order or orders approving a one-time exemption from Union Gas Limited's approved rate schedules to reduce certain penalty charges applied to direct purchase customers who did not meet their contractual obligations.

INTERROGATORIES OF

E2 Energy Inc. ("E2")

June 4, 2014

UNION GAS LIMITED
EB-2014-0154

E2 ENERGY INC.'s
INTERROGATORIES

Interrogatory #1

Preamble:

E2 Energy Inc. (E2) agrees with the general guidelines of RP-2001-0029 and the need to ensure compliance with contractual obligations to balance Union's system. Additionally, we respect the need to ascribe penalties for those who might default on their obligations, provided that such penalties are FAIR and REASONABLE. We submit that the use of the first, second or third to fifth highest intra-day trading spot prices are neither fair nor do they reasonably approximate the average weighted value of any given day's market trades, let alone the value of the market trades made during the balancing month(s). More fundamentally, the ascription of the penalty seemingly has little to no basis to the actual cost incurred by Union for the balancing gas provided in lieu.

As a point of public record and reference, on March 6th, 2014 Union Gas filed its Quarterly Rate Adjustment Mechanism ("QRAM") application via EB-2014-0050. In this filing, Union provided evidence that landed (delivered) gas was acquired, per Table 1 (of Tab 1 – page 6 of 21) at rates that ranged from \$5.84/GJ to \$7.55/GJ (or \$220.63 to \$285.24 /10^3m^3). In its March 21st, Decision and Order, the Board reiterated its declaration that Union Gas was not to profit from the sale of the natural gas commodity *("Board Findings", Paragraphs 2 and 3, Pages 2-3).*

Questions:

a) Can you please confirm if the average unit cost of gas, as you would have purchased and provided to meet the February 28th contractual balancing obligations of those 11 Southern Bundled T customers, as identified in your April 10th Letter to the Board, is equivalent to those costs reflected in your EB-2014-0050 filings? If different, can you provide the actual unit cost of gas for the 60,450 GJ of gas you provided for the 19 (including T1 and Rate 25) customers that were assessed penalties in February 2014?
b) Were you ever in a position where you had to purchase gas at the daily market rate in either January or February? If so, what daily volume was purchased in this manner for each month?

c) You identified a further 54,953 GJ of additional gas that was provided as a balancing penalty in March 2014 to two (2) T1 and one (1) Rate 25 customer: if different than above, can you please provide the actual unit cost of gas for these three customers? Would you consider a distinct and separate penalty fee for these three?
d) Can you please confirm the total volume of Balancing Gas that Direct Purchase Customers were required to deliver in order to meet their February 28th Checkpoint Balances, exclusive of the penalty volumes considered in this Board File and can you provide a breakdown by customer class? How does this compare to the volumes required by Union's system gas customers?
e) Can you please confirm if [assumed] net revenues, after gas acquisition costs from the ascribed penalty charges include any Union administrative, personnel, operational or other charges? Additionally, can you please confirm specifically how these net revenue funds are used, or not, by Union?
f) Based on the outcome of the Board's findings, Decision and Order to this File, would Union be willing to permanently amend its penalty application and correspondingly file the appropriate regulatory amendments to be hereafter consistent with the Board's Decision on this matter?

Interrogatory #2

Preamble:

The Board observed in its March 21st, 2014 Decision and Order for EB-2014-0050 that "*Union began to purchase incremental gas supply for its customers early in the winter in response to known and expected future demand variances caused by the colder than normal weather. The Board notes that Union was able to avoid buying gas during the highest price periods due to its frequent monitoring of commodity prices and adoption of a layering approach to its spot gas purchases. The Board also notes that Union proactively purchased the gas necessary to meet its customers' requirements in the forward market, to the extent possible, as opposed to the more expensive intra-month cash market".*

On the issue of fairness, E2 submits that none of its Union-based clientele, who in the majority are general service commercial meters, with accounts that cannot be read-daily, had any indication of their imbalance requirements, or "Weather Adjustment" penalty requirements until Union released its January 2014 BGA reports on, or about February 10th. The impact was most profoundly felt by those clients who were balanced within tolerance as of the January 13th

BGA Report, but who were then accessed a further "Weather Adjustment" penalty on February 10^{th}; in one instance the Weather Adjustment penalty was equivalent to 22 days' worth of the client's Daily Contract Quantity, which had to be purchased and delivered before February 28^{th}.

Question(s):

a) When you proactively purchase gas for system stability and storage related purposes, is it just for system gas customers only or for the customer base as a whole?
b) If the Board ascribes a penalty rate that is lower than the actual cost for those other Direct Purchase Southern Bundled T customers, who compliantly provided gas before the February 28^{th} Checkpoint, is Union able to provide a credit against the difference if adequate proof of the actual acquisition cost is provided? If so, would you base It on the average acquisition cost in total, or on the individual daily invoices that exceeded the average per unit penalty rate?

Interrogatory #3

Preamble:

Rate 25 customers are provided with daily price notices for the cost of their daily overages above their daily Contracted Demand amounts, but this price is also capped by its rate order constraints. Most customers using the overage option paid the maximum rate in February of \$1,348 / 10^3m^3, or ~ \$35.68 / GJ (+/-). As previously noted, Union applied for its Quarterly Rate Adjustment Mechanism ("QRAM") via EB-2014-0050 and identified that it had acquired gas, per Table 1 (of Tab 1 – page 6 or 21) at rates that ranged from \$5.84/GJ to \$7.55/GJ (or \$220.63 to \$285.24 /10^3m^3); the filing also acknowledged that this gas included Rate 25 sales. Union's April 10^{th}, 2014 response to the Board identified five (5) Rate 25 customers that required 2,217 GJ in February and only one (1) customer in March requiring 16 GJ.

Questions:

a) Please confirm if we are correct in our assumption that the penalty, as identified for the purposes of this Board matter, applies to Rate 25 customers who were either officially suspended or interrupted from consuming, but continued to do so despite the official request to the contrary? Can you please confirm if all the affected Rate 25 customers were properly notified, understood the request, its implications and acknowledged the notification?

b) Can you please advise specifically how Union devised the maximum overage penalty rate of $1,348/ 10^3m^3, or ~ $35.68 / GJ?
c) If you had previously established the maximum penalty for a Union North Rate 25 as being ~ C$35.68/GJ, why do you believe that a higher penalty should be assessed to Union South customers?
d) Can you please confirm that the cost of gas as identified in EB-2014-0050 included Rate 25 customers? Did any additional gas have to be acquired to accommodate the overages for either (1) interruptible/suspension purposes, or (2) simple overages above their daily Contracted Demand volumes? If so, can you please advise as to the unit cost of gas specific to Rate 25 usages?
e) Can you please confirm if [assumed] net revenues, after gas acquisition costs from the ascribed (1) overage charges and (2) suspension/interruption penalty charges include any Union administrative, personnel, operational or other charges? Additionally, can you please confirm specifically how these net revenue funds from Rate 25 consumers are used, or not, by Union?