uniongas
A Spectra Energy Company

June 19, 2014

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

Dear Ms. Walli:

Re: EB-2014-0154 Checkpoint Balancing 2014

On June 17, 2014, Union filed interrogatory responses for the above noted proceeding with the exception of the interrogatories from Natural Resource Gas ("NRG"). Please find attached the interrogatory responses including the responses to NRG.

Yours truly,

[Original signed by]

Chris Ripley
Manager, Regulatory Applications

Encl.

c.c.:   C. Smith, Torys
         EB-2014-0154 Intervenors

Board Staff

UNION GAS LIMITED

Answer to Interrogatory from
Board Staff

Preamble: In the RP-2001-0029 Decision with Reasons, dated September 20, 2002, the Board stated the following, on page 31, in regard to the penalty provision that is at issue in this proceeding:

"The Board accepts the premise that it is important to encourage compliance with contractual obligations to balance in a system such as Union's, where a wide variety of users are dependent on such balancing to ensure the integrity, security and efficient operation of the system. The failure to balance can place compliant system participants at risk, and may result in additional costs."

The Board further stated:

"In the Board's view, the penalty must be sufficiently costly to defaulters to strongly discourage strategic non-compliance with balance obligations, and the careless or incompetent acceptance of contractual obligations which are not reasonably achievable. The Board is concerned that parties wishing to engage in the market, either directly or through agents, must be appropriately encouraged to manage their obligations responsibly. The system as a whole requires that."

a) Please discuss whether any changes have occurred on Union's system that would diminish the importance of direct purchase customers meeting their balancing obligations to ensure the integrity, security and efficient operation of the system.

b) Please provide the 5 highest spot prices at Dawn during the months of February and March 2014.

c) Please provide Union's view as to whether a penalty charge which reflects a spot price at Dawn that is less than the proposed February penalty charge of $50.50/GJ and March penalty charge of $52.04/GJ would achieve the Board's objective in regard to the balancing penalty, as set out by the Board in its RP-2001-0029 Decision, given the exceptional weather conditions experienced during the winter of 2014. For example, please provide the rationale or analysis undertaken which would reject using the 3rd, 4th or 5th highest spot price as the reduced one-time penalty charge for the months of February and March 2014.

d) NRG claims that the Union's actual unit cost of gas to make up the non-delivered 25,496 GJ of gas was $12.31/GJ. Please indicate whether Union agrees or disagrees with this claim. If

Union disagrees with NRG's claim, please provide the actual unit cost paid for the supply shortfall.

Response:

a) There have been no changes on Union's system that would reduce the need for direct purchase customers to meet their balancing obligations.

b) The five highest spot prices at Dawn during the months of February and March 2014 were as follows:

February

- \$78.73 – February 28*
- \$50.50 – February 5
- \$36.39 – February 21-23*
- \$34.33 – February 24
- \$31.41 – February 27

March

- \$78.73 – March 1-2*
- \$52.04 – March 3
- \$27.39 – March 4
- \$24.17 – March 7-9*
- \$17.81 – March 5

Source: Canadian Gas Price Reporter (CGPR).
*Note: Per the CGPR, the price recorded on a Friday is carried through the weekend

c) Any price below the proposed February \$50.50/GJ and March \$52.04/GJ does not meet the intent of the penalty charge as contemplated in RP-2001-0029. The 3rd, 4th and 5th lowest prices noted in b) are near to, if not below, prices that compliant customers were paying in the market place to meet their balancing obligation. It would be inappropriate and inequitable for a non-compliant customer to pay a price less than a customer that met their contractual obligation.

Union applied for the one-time exemption from the Board-approved rate schedule based on feedback from customers most impacted by the penalty charge. Specifically, the impact is significant for the four customers that were facing a charge in excess of \$800,000, as indicated in B.CME.2, Attachment 1. For these four customers, the impacts include the potential of financial impairment or even bankruptcy. The proposed reduction is consistent with the intent of the penalty mechanism, while providing some financial relief for those customers most impacted for failure to meet their contractual obligations.

d) Union does not agree with this claim. As indicated in Union's April QRAM filing (EB-2014-0050), p.6 of 21, Table 1, Union purchased 29.8 PJ of spot gas between December 12, 2013 and February 21, 2014 in order to ensure adequate supplies were available to meet demands through to March 31, 2014 and ensure adequate storage balances at March 31, 2014 for design day requirements. Union's planning assumption was that all direct purchase customers would meet contractual obligations at expiry and checkpoint. Of the 29.8 PJ of incremental supply, Union did not plan for, nor proactively purchase any gas supply to make up the default for any direct purchase customers not meeting their contractual obligation, including NRG. The prices of the spot gas that Union purchased ranged from $4.94/GJ to $12.31/GJ, with an average price of $7.12/GJ. Union was able to avoid the highest price periods due to its frequent monitoring and layering in approach to spot gas purchases as Union was predominantly buying the gas required proactively in the forward market rather than in the intra month cash market.

When a customer fails to meet its contractual checkpoint obligation, gas is transferred from the utility to the customer's banked gas account. When a customer incurs unauthorized overrun of its Rate 25 sales service or overdraws its T1/T2/T3 storage space, it is consuming utility gas. These situations create a shortage for the distribution system as a whole, which must be managed by Union within all of the other commodity purchases Union is making for its system. Union did not make specific gas purchases to replace gas sold to specific customers who failed to meet their contractual obligations. Accordingly, it is not possible to identify a specific gas cost associated with a specific customer's failure to meet their contractual obligations. Nor is it necessary to do so.

As indicated in Board Staff's Letter dated March 24, 2014 (EB-2014-0053):

> *Board staff notes that every month, NRG receives a Direct Purchase Status Report ("DPSR") from Union, which sets out the expected balance in its banked gas account with Union at the time of next balancing point (in this case, the Winter Checkpoint). Each month throughout the winter period, the DPSR was indicating that NRG was going to be short gas come the time of the Winter Checkpoint. In fact, the DPSRs indicate, that each month throughout the winter period, NRG's expected shortfall, at the time of the Winter Checkpoint, was growing larger. Board staff notes that at no point during the 2013 – 2014 winter period did NRG take any preemptive action to mitigate its balancing shortfall.*

The bundled transportation contract is in place to ensure that customers balance to their contractual commitments. Further, the purpose of the cost consequence of the "highest price", which is defined as a penalty, is not intended as a cost recovery. Other customers paid the prevailing market prices to meet their obligation. There is no reason why NRG could not have done the same. The price each customer paid will be different depending on their gas supply strategy. Customers who utilized a proactive strategy similar to Union may have paid comparable prices, however, customers that were buying in the day market were paying the high spot prices experienced at Dawn. As the Board indicated in the RP-2001-0029 Decision:

> "*the failure to balance can place compliant system participants at risk, and may result in additional costs….In the Board's view, the penalty must be sufficiently costly to defaulters to strongly discourage strategic non-compliance with balance obligations, and the careless or incompetent acceptance of contractual obligations which are not reasonably achievable. The Board is concerned that parties wishing to engage in the market, either directly or through agents, must be appropriately encouraged to manage their obligations responsibly. The system as a whole requires that.*" (p. 31).

BOMA

UNION GAS LIMITED

Answer to Interrogatory from
Building Owners and Managers Association ("BOMA")

Reference: Letter of OEB to Union dated April 9, 2014

Union states that over 95% of its customers met their contractual obligations.

a) Please provide a copy of Union's reply to the Board's letter.

b) How many T1/T2/Rate 25 customers did not meet their contractual obligations in February and/or March 2014? What were volumes not provided by each of those customers?

Response:

a) and b) Please see Attachment 1. Due to re-billings, Union has updated the previously filed Attachments to Union's letter dated April 10, 2014. Please see Attachments 2 and 3.

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 (a)	No. of Customers (b)	GJ (c)	Penalty Provision at $78.73 (d)=(c) x $78.73	Penalty Provision at $50.50 (e)=(c) x $50.50	Reduction (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	**Total**	**19**	**60,450**	**$4,759,111**	**$3,052,982**	**$1,706,129**

Table 2
March, 2014 Balancing Penalty Provisions

Line No.	Rate Class (a)	No. of Customers (b)	GJ (c)	Penalty Provision at $78.73 (d)=(c) x $78.73	Penalty Provision at $52.04 (e)=(c) x $52.04	Reduction (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	**Total**	**3**	**54,953**	**$4,326,311**	**$2,859,748**	**$1,466,563**

Table 3
February and March 2014 Balancing Penalty Provisions

Line No.	Rate Class (a)	No. of Customers (b)	GJ (c)	Penalty Provision at $78.73 (d)=(c) x $78.73	Penalty Provision at $50.50 or $52.04 (e)=(c) x $50.50 or $52.04 per above	Reduction (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	**Total**	**21**	**115,403**	**$9,085,422**	**$5,912,730**	**$3,172,692**

Union Gas Limited
Impact of Proposed Foregone Revenue by Rate Class

Line No.	Particulars	Account Balance ($) (a)	Annual Disposition Volume (10^3m^3) (b)	Unit Rate (cents/m^3) (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	1,706,129.43	3,919,940	
	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	1,466,563	3,919,940	
	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	3,172,692	3,919,940	

Line No.	Particulars ($) (1)	February 2014 Change to PGVA (d)	March 2014 Change to PGVA (e)	Total Change to PGVA (f) = (d+e)	Percent of Total Foregone Revenue (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	62,574	415	62,989	
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	1,643,556	1,466,148	3,109,703	
20	Total	1,706,129	1,466,563	3,172,692	

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

Summary of February and March 2014 Balancing Penalty Provisions- Updated

Table 1
February, 2014 Balancing Penalty Provisions

Line No.	Rate Class (a)	No. of Customers (b)	GJ (c)	Penalty Provision at $78.73 (d)=(c) x $78.73	Penalty Provision at $50.50 (e)=(c) x $50.50	Reduction (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 Expiri	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					
5	**Total**	**18**	**60,437**	**$4,758,087**	**$3,052,325**	**$1,705,763**

Table 2
March, 2014 Balancing Penalty Provisions

Line No.	Rate Class (a)	No. of Customers (b)	GJ (c)	Penalty Provision at $78.73 (d)=(c) x $78.73	Penalty Provision at $52.04 (e)=(c) x $52.04	Reduction (f)=(d)-(e)
1	Southern BT March Contract Expiries	0	0	$0	$0	$0
2	Rate 25 Unauthorized Overrun	3	1,015	$79,869	$52,794	$27,075
3	T1 Supplemental Inventory	2	54,937	$4,325,086	$2,858,922	$1,466,164
4	**Total**	**5**	**55,952**	**$4,404,955**	**$2,911,716**	**$1,493,239**

Table 3
February and March 2014 Balancing Penalty Provisions

Line No.	Rate Class (a)	No. of Customers (b)	GJ (c)	Penalty Provision at $78.73 (d)=(c) x $78.73	Penalty Provision at $50.50 or $52.04 (e)=(c) x $50.50 or $52.04 per above	Reduction (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	3,232	$254,413	$164,765	$89,649
4	T1 Supplemental Inventory	2	54,937	$4,325,086	$2,858,922	$1,466,164
5	**Total**	**20**	**116,389**	**$9,163,042**	**$5,964,041**	**$3,199,001**

Union Gas Limited
Impact of Proposed Foregone Revenue by Rate Class- Updated

Line No.	Particulars	Account Balance ($)	Annual Disposition Volume (10^3m^3)	Unit Rate (cents/m^3)
		(a)	(b)	(c) = (a/b*10)
	February 2014			
1	Union North - PGVA	62,574	925,217	0.0068
2	Union South - PGVA	1,643,189	2,994,724	0.0549
3	Total	1,705,763	3,919,940	
	March 2014			
4	Union North - PGVA	27,075	925,217	0.0029
5	Union South - PGVA	1,466,164	2,994,724	0.0490
6	Total	1,493,239	3,919,940	
	March and February 2014			
7	Union North - PGVA	89,649	925,217	0.0097
8	Union South - PGVA	3,109,352	2,994,724	0.1038
9	Total	3,199,001	3,919,940	

	Particulars ($) (1)	February 2014 Change to PGVA	March 2014 Change to PGVA	Total Change to PGVA	Percent of Total Foregone Revenue
		(d)	(e)	(f) = (d+e)	(g)
10	Rate 01	51,221	22,163	73,384	2.3%
11	Rate 10	10,906	4,719	15,625	0.5%
12	Rate 20	447	193	640	0.0%
13	Total Union North	62,574	27,075	89,649	
14	Rate M1	1,335,361	1,191,499	2,526,860	79.0%
15	Rate M2	277,559	247,657	525,215	16.4%
16	Rate M4	17,539	15,650	33,189	1.0%
17	Rate M5	12,599	11,242	23,841	0.7%
18	Rate M10	130	116	247	0.0%
19	Total Union South	1,643,189	1,466,164	3,109,352	
20	Total	1,705,763	1,493,239	3,199,001	

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

UNION GAS LIMITED

Answer to Interrogatory from
Building Owners and Managers Association ("BOMA")

Reference: Letter of OEB to Union dated April 9, 2014

a) Please provide the information requested in paragraphs 3 and 4 of the Board's letter in respect of Bundled-T service customers who did not meet their 2013-2014 winter contractual balancing obligations.

b) How many Bundled-T customers did not meet these obligations in February and/or March 2014?

c) What was the volumetric breakdown of these customers by rate class?

d) What price did Union charge those customers (pay for) the gas necessary to balance their obligations?

Response:

a) and b) Please see the response at Exhibit B.BOMA.1.

c) Please see the response at Exhibit B.CME.2, Attachment 1, for the number of accounts by rate class attached to the associated Union South bundled transportation contracts. Note that a volumetric breakdown by rate class within a Union South bundled transportation contract is not available.

d) Please see the response at Exhibit B.Staff.1 part d).

UNION GAS LIMITED

Answer to Interrogatory from
Building Owners and Managers Association ("BOMA")

Reference: Letter of OEB to Union dated April 9, 2014

a) Please confirm that the net revenues from the penalty charges, that is, penalty revenues less incremental Union cost to purchase and transport are credited to ratepayers, and how that is done, and allocated.

b) Please show how the foregone revenue from the proposed reduction in penalty charges will impact ratepayers by rate class.

Response:

a) Please see the response at Exhibit B.OGVG.3 a).

b) Please see the response at Exhibit B.LPMA.3, Attachment 2.

UNION GAS LIMITED

Answer to Interrogatory from
Building Owners and Managers Association ("BOMA")

Reference: Letter of OEB to Union dated April 9, 2014

a) BOMA understands that the penalties assessed to T1/T2/Rate 25 customers who did not meet their contractual commitments in February and/or March 2014 reflected a combination of storage "overrun charges" and Union's incremental commodity purchases.

b) Please show separately how each component of those two is calculated, based on the T1, T2, and Rate 25 rate schedules in effect in February/March 2014 and the current version of the Bundled-T contract, respectively. If the penalty exceeds Union's unit cost for its remedial action, please explain the difference.

c) Please explain the last sentence of the Unauthorized Storage Space part of Rate T1 (page 5 of 7):
   i. "If the customer has contracted to provide its own deliverability inventory, the zero inventory level shall be deemed to be twenty percent (20%) of the Annual Firm Storage Space."

Response:

a) - b) Union South T-service customers (served under the T1, T2, T3 rate classes) that overrun their storage by withdrawing more gas than available in their storage balance are subject to charges per the Overrun Service section of the applicable rate schedules. The clause states:

> *If on any Day the gas storage balance for the account of the customer is less than zero, the Unauthorized Overrun charge will apply for each GJ of gas below a zero inventory level and this gas will be deemed not to have been withdrawn from storage. The gas is also deemed to have been sold to the customer at the highest spot price in the month of occurrence and the month following occurrence as identified in the Canadian Gas Price Reporter and shall not be less than Union's approved weighted average cost of gas. If the customer contracted to provide its own deliverability inventory, the zero inventory level shall be deemed to mean twenty percent (20%) of the Annual Firm Storage Space.*

As this overrun was unauthorized, these customers were billed the Unauthorized Overrun rate (defined as $6/GJ) in the preceding paragraph and the highest spot price ($78.73/GJ).

North T-service customers that consume more gas than Union was obligated to distribute are subject to the Overrun section of their contract. This clause states:

> *If, on any day, Customer consumes Gas in excess of the quantities Union is obligated to distribute, such excess shall be deemed overrun and shall be deemed to be purchased from Union by Customer as either Authorized or Unauthorized Overrun. If Union specifically provides prior written authorization to Customer to exceed the quantities identified in Section 3 of Schedule 1, such excess shall be Authorized Overrun and Customer shall incur charges as identified below. Unless Union specifically provides prior written authorization to exceed the quantities identified in Section 3 of Schedule 1, any excess shall be Unauthorized Overrun and, in addition to any other remedies Union may pursue, Customer shall incur charges as identified below.*
>
> *Authorized Overrun*
> *If Customer contracts for Firm Service only and has consumed in excess of the Firm Daily Contract Demand then Customer shall be charged the 100% load factor rate for distribution service plus the gas supply charge.*
>
> *If Customer contracts for Interruptible Service or for a combined Firm and Interruptible Service and has consumed gas in excess of total Daily Contract Demand in Schedule 1, then Customer shall be charged a rate equivalent to 100% of the maximum delivery charge identified in the Rate 25 Rate Schedule plus the highest spot cost at Dawn on the day the overrun was authorized, as published in the Canadian Gas Price Reporter ("CGPR") plus all costs associated with transporting such overrun to the appropriate Delivery Area.*
>
> *In addition, if Customer contracts for T-service and consumes in excess of the sum of their deliveries to Union and their Rate 25 Sales Service Contract Demand, then such excess shall be deemed overrun and Customer shall be charged a rate equivalent to 100% of the maximum delivery charge identified in the Rate 25 Rate Schedule plus the highest spot cost at Dawn on the day the overrun was authorized, as published in the Canadian Gas Price Reporter ("CGPR") plus all costs associated with transporting such overrun to the appropriate Delivery Area.*
>
> *Unauthorized Overrun*
> *If Customer contracts for Firm Service or a combined Firm and Interruptible Service and has consumed in excess of the Daily Contract Demand in Schedule 1, then Customer shall be charged a rate equivalent to 150% of the maximum delivery charge identified in the Rate 25 Rate Schedule plus the higher of the spot cost at Dawn in the month that the overrun occurs or the month following, as published in the Canadian Gas Price Reporter ("CGPR") plus all costs associated with transporting such overrun to the appropriate Delivery Area.*

In addition, if Customer contracts for T-service and consumes in excess of the sum of their deliveries to Union and their Rate 25 Sales Service Contract Demand, then such excess shall be deemed overrun and Customer shall be charged a rate equivalent to 150% of the maximum delivery charge identified in the Rate 25 Rate Schedule plus the highest of the spot cost at Dawn in the month the overrun occurs or the month following, as published in the Canadian Gas Price Reporter ("CGPR") plus all costs associated with transporting such overrun to the appropriate Delivery Area.

These customers incurred unauthorized overrun and were billed the rate equivalent to 150% of the maximum delivery charge identified in the Rate 25 Rate Schedule (5.0293 cents/m^3 x 150% = 7.5440 cents/m^3) and the highest spot cost at Dawn in the month the overrun occurred or the month following.

With respect to the price for the gas, Union South T-service, Union North T-service, and Union South Bundled T Service direct purchase customers are treated consistently. The Union South and Union North T-service customers are also treated consistently in that both types of customers are also subject to related unauthorized overrun charges. The charge is set at the highest spot price to incent customers to take the actions required to meet their contract obligations and is intended to ensure that a customer does not benefit from failing to meet their obligations. In all cases, direct purchase customers can avoid the highest spot price by supplying gas to meet their contractual obligations.

The charges are not linked to the cost of any remedial action taken by Union to address the customer exceeding their contractual parameters.

The service and commodity rate associated unauthorized overrun charges are summarized in Attachment 1.

c) Union South T-service customers contract for and pay a demand charge for storage injection/withdrawal rights. As identified in Note 6 on p. 3 of the T1, T2, or T3 rate schedule, deliverability inventory is equal to 20% of the storage space.

There are two different rates depending on who provides the deliverability inventory. If Union provides the deliverability inventory, the demand charge includes Union's costs of maintaining the deliverability inventory. Customers that opt to provide the deliverability inventory pay a lower demand charge but must maintain gas in storage equivalent to 20% of their contracted storage space to maintain their maximum contracted withdrawal rights. As a result, a zero inventory level for a customer providing their own deliverability inventory is the 20% level.

Unauthorized Overrun

Rate Class	Service Activity	Service Rate	Commodity Rate
Rate R1 - Bundled Direct Purchase Rate	Banked Gas Purchase	Not applicable: there are no delivery, transportation, or storage parameters in the Bundled Transportation contract	The higher of the daily spot cost at Dawn in the month of or the month following the month in which gas is sold under this rate and shall not be less than Union's approved weighted average cost of gas.
Rate 25 - Large Volume Interruptible	Delivery and Utility Sales	A rate equivalent to 150% of the maximum delivery charge identified in the Rate 25 Rate Schedule	The highest of the spot cost at Dawn in the month the overrun occurs or the month following, as published in the Canadian Gas Price Reporter ("CGPR") plus all costs associated with transporting such overrun to the appropriate Delivery Area.
Rates T1 and T2 - Storage and Transportation Rates for Large Volume Contract Carriage Customers	Storage Space	$6.000 per GJ applied to the greatest excess for each occurrence.	The highest spot price at Dawn in the month of occurrence and the month following occurrence as identified in the Canadian Gas Price Reporter and shall not be less than Union's approved weighted average cost of gas
	Storage Injection and Withdrawal	For all quantities on any Day in excess of 103% of the customer's contractual rights, the customer will be charged $1.175 per GJ.	Not applicable as no gas is deemed sold by Union Gas to the customer.
Rates T3 - Storage and Transportation Rates for Large Volume Contract Carriage Customers	Storage Space	$6.000 per GJ applied to the greatest excess for each occurrence.	The highest spot price at Dawn in the month of occurrence and the month following occurrence as identified in the Canadian Gas Price Reporter and shall not be less than Union's approved weighted average cost of gas
	Storage Injection and Withdrawal	For all quantities on any Day in excess of 103% of the customer's contractual rights, the customer will be charged $9.456 per GJ.	Not applicable as no gas is deemed sold by Union Gas to the customer.

CESI

UNION GAS LIMITED

Answer to Interrogatory from
Canadian Energy Strategies Inc. ("CESI")

To more fully understand and analyze various comments made by Union on the Exhibit A Tab 1, Account No. 179-107 Spot Gas Variance Account, we would like Union to please provide a breakdown of the inventory position for the direct purchase accounts (in total) and the system gas accounts as of:

a) September 30th 2013, September 30th 2012, September 30th 2011,

b) December 31st 2013, December 31st 2012, December 31st 2011,

c) And January 31st 2013, January 31st 2012 and January 31st 2011.

Response:

The evidence referenced in this question is Union's 2013 Annual Deferral Disposition (EB-2013-0145). The question is not relevant to Union's request to lower the penalty charges. Accordingly, Union has not provided a response.

CME

UNION GAS LIMITED

Answer to Interrogatory from
Canadian Manufacturers & Exporters ("CME")

Reference: Union letter dated April 3, 2014

In its April 3, 2014 letter to the Board, Union states that over 95% of Union's direct purchase customers met their contractual obligations during the course of the unprecedented cold snap this past winter. With respect to this statement, please provide the following additional information:

a) What are the total volumes served under the auspices of direct purchase arrangements and what percentage of these volumes were in compliance with the contractual obligations of direct purchasers?

b) What measures were the compliant direct purchasers required to take to satisfy their contractual obligations; and what is the range of costs/Gj that they would likely have incurred to comply with those obligations?

Response:

a) The referenced 95% was the approximate percentage of Union South Bundled Transportation direct purchase customers that took action and met their February 28, 2014 Winter Check Point Obligation or February 28, 2014 Contract Expiry Obligation. Specifically, to meet their balancing obligation, this group of customers delivered an incremental 5.6 PJ of gas into their Banked Gas Account ("BGA") by the end of February 2014. The shortfall associated with 11 of 602 contracts (98% customer compliance rate) that did not balance was 0.06 PJ of the 5.6 PJ (99% volume compliance rate).

b) To comply with their checkpoint and contract expiry obligations, Union South Bundled Transportation customers need to deliver incremental gas to balance their contract. For the small group of customers that have elected to be "Customer Determined", under their contract, their balancing obligation can be met by both providing incremental supply and reducing their consumption. Union is not privy to the price (or range of prices) paid by the customers as it would be dependent on when they chose to purchase and deliver the incremental gas to meet their balancing obligation. If a customer waited for Union's monthly Direct Purchase Status Report to be issued in early February and line up their supply arrangements prior to the last week of February, they would have paid prices in the daily market between $10/GJ and $29/GJ. If a customer waited until the last week of February, they would have seen prices between $21/GJ and $78.73/GJ. If a customer proactively balanced prior to February, using month ahead pricing, they would have paid for those purchases similar to Union between $4.94/GJ and $7.73/GJ as indicated at EB-2014-0050, Tab 1, p. 6, Table 1.

UNION GAS LIMITED

Answer to Interrogatory from
Canadian Manufacturers & Exporters ("CME")

Reference: Union letter dated April 10, 2014

To help us better understand the circumstances pertaining to the direct purchasers who did not comply with their contractual obligations, please provide the following information in addition to that shown in Tables 1, 2 and 3 of Attachment 1 of Union's letter to the Board dated April 10, 2014:

a) A breakdown of the customers in Tables 1 and 2 of Attachment 1 between marketers which hold bundled T-contracts with Union and contract customers which hold such contracts in their own names, including a breakdown of penalty amounts charged to such customer sub-sets.

b) Segregate the information to be provided in response to sub-paragraph (a) above between the rate classes on which the direct purchase customers take service from Union.

c) List separately the penalty amounts charged to each of the 21 defaulting customers shown in Tables 1, 2 and 3, and show the extent to which such charges to each of those customers have not yet been paid.

d) The major defaults were by 11 BT February Checkpoint customers and 3 T1 customers. Please identify the nature of each of these defaulting customers. For example, were they a distributor, a power generator, a manufacturer, etc.?

e) Please provide a breakdown by customer class in each of Union's Northern and Southern Operation Areas of the total number of customers in each class, as well as the number of customers in each class who are served under the auspices of direct purchase arrangements.

Response:

a) – d)

Please see Attachment 1.

Due to re-billings that occurred in May 2014 which adjusted four March 2014 invoices, Union has updated the previously filed Attachments 1 and 2 (presented at Exhibit B.BOMA.1, Attachments 2 and 3), and carried this forward into the response to Exhibit B.CME.2. One invoice was adjusted to remove 13 GJ of T1 Supplementary Inventory charges, which upon further review was found not to be an overrun situation. Three invoices were adjusted to add Rate 25 Unauthorized Overrun as these customers had exceeded their contracted demand in early March 2014 and the billing system did not properly allocate the volume as overrun. Union has reviewed the other invoices and no further other adjustments were required.

e) Please see Attachment 2.

						# of Accounts by Rate Class										
Line No.	Contract	Quantity (GJ)	Billed Charge ($)	Proposed Charge ($)	Difference ($)	M1	M2	M4	M5	M7	M9	Total	Contract Holder Type	Customer Type	Payment Status
		(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)	(l)	(m)	(n)
	February:														
1	CP-A	10,619	836,013	536,304	299,709	137	51	2	6			196	customer	education	paid
2	CP-B	105	8,266	5,303	2,964		1	1				2	customer	chemical	paid
3	CP-C	25,496	2,007,250	1,287,655	719,595						1	1	customer	utility	outstanding
4	CP-D	17,002	1,338,534	858,672	479,862	5	4		2			11	customer	greenhouse	payment plan
5	CP-E	258	20,312	13,030	7,282	9		1				10	customer	greenhouse	paid
6	CP-F	311	24,484	15,707	8,778					1		1	customer	greenhouse	paid
7	CP-G	97	7,637	4,899	2,738	1			1			2	customer	greenhouse	paid
8	CP-H	434	34,168	21,919	12,249			1				1	customer	fabricating	paid
9	CP-I	535	42,120	27,020	15,100				1			1	customer	greenhouse	payment plan
10	CP-J	108	8,503	5,454	3,048	1			1			2	customer	greenhouse	paid
11	CP-K	374	29,444	18,889	10,556	91	95					186	customer	education	paid
12		55,339	4,356,732	2,794,852	1,561,880										
	February:														
13	EX-A	1,899	149,505	95,907	53,597	9,989	25					10,014	marketer		paid
14	EX-B	982	77,311	49,595	27,716	41	8					49	marketer		paid
15		2,881	226,816	145,503	81,313										
	March:														
16	T-A	163	12,833	8,483	4,350								customer	smelter	paid
17	T-B	54,774	4,312,253	2,850,439	1,461,814								customer	power	paid
18		54,937	4,325,086	2,858,922	1,466,164										
	February:														
19	R25-A	114	8,991	5,768	3,223										paid
20	R25-B	493	38,807	24,895	13,912										paid
21	R25-C	456	35,938	23,054	12,884										paid
22	R25-D	1,149	90,432	58,013	32,419										paid
23	R25-E	5	375	241	134										paid
		2,217	174,543	111,971	62,572										
	March:														
24	R25-B	27	2,148	1,420	728										due June
26	R25-C	216	16,969	11,216	5,753										due June
25	R25-E	772	60,752	40,158	20,594										due June
27		1,015	79,869	52,794	27,075										
28		3,232	254,412	164,765	89,647										

Legend	
CP	Checkpoint
EX	Contract Expiry
T	T1/T2 Customer
R25	Rate 25

2014 Actual Customer Count - February 2014				
Line No.	Rate Class	System	Direct Purchase	Total
1	Rate 01	283,952	41,771	325,723
2	Rate 10	1,204	790	1,994
3	Rate 20	2	46	48
4	Rate 25	33	51	84
5	Rate 100	0	14	14
6	Rate M1	948,169	116,592	1,064,761
7	Rate M2	4,442	2,780	7,222
8	Rate M4	17	129	146
9	Rate M5	12	88	100
10	Rate M7	3	20	23
11	Rate M9	0	2	2
12	Rate M10	3	0	3
13	Rate T1	0	38	38
14	Rate T2	0	22	22
15	Rate T3	0	1	1
13	Grand Total	1,237,837	162,344	1,400,181

UNION GAS LIMITED

Answer to Interrogatory from
Canadian Manufacturers & Exporters ("CME")

Reference: Board letter dated May 10, 2014

In the Board's letter dated May 10, 2014, to counsel for Natural Resource Gas Limited ("NRG"), it is stated that the Board intends to hear NRG's Application to limit Union's recovery for NRG's failure to comply with its contractual obligations as a direct purchaser to $12.31/Gj together with this Application. NRG's Application is premised on the notion that Union's penalty charges are unenforceable. In connection with NRG's claims, please provide the following information:

a) If the Board finds that the penalty charges are unenforceable, as NRG alleges, then do the customers who paid more than $12.31/Gj, so as to avoid the penalty charges in their direct purchase contractual arrangements with Union, have a claim against Union for the difference between the $12.31/Gj and the amount they actually paid?

Response:

Please see the response at Exhibit B.E2.2 b).

UNION GAS LIMITED

Answer to Interrogatory from
Canadian Manufacturers & Exporters ("CME")

Reference: Union letter dated April 10, 2014

Please provide the following additional information with respect to matters pertaining to the penalty amounts which Union actually recovers from non-compliant direct purchasers being either the $9M or $6M shown in Table 3 of Attachment 1 to Union's April 10, 2014 letter to the Board or some other amount determined by the Board to be appropriate:

a) Are penalty amounts related to a direct purchaser's failure to comply with its delivery obligations classified by Union as gas costs? If not, then how does Union classify such costs?

b) What penalty amounts, if any, are embedded in 2013 Base Rates?

c) Does the entire amount by which the actual penalty charges Union recovers exceed the amount of such charges embedded in rates flow to the exclusive benefit of ratepayers through the operation of one or more of the gas cost deferral accounts?

d) If not, then does the entire amount of such excess accrue to the benefit of Union's shareholder subject to the Earnings Sharing Mechanism ("ESM") under the Incentive Regulation Mechanism ("IRM") Plan?

Response:

a) Please see the responses at Exhibit B.OGVG.3 a) and c).

b) There are no supplementary inventory, or unauthorized overrun penalty amounts included in 2013 base rates.

c) – d) Please see the response at Exhibit B.OGVG.3 a).

UNION GAS LIMITED

Answer to Interrogatory from
Canadian Manufacturers & Exporters ("CME")

Reference: NRG letter dated April 23, 2014

On the Board's website for this case, there is a letter from counsel for NRG to counsel for Union dated April 23, 2014, which refers to counsel for Union's letter of April 21, 2014. Please produce a copy of that April 21, 2014 letter.

Response:

Please see Attachment 1.

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April 21, 2014

EMAIL

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Dear Mr. Campion:

Re: Natural Resources Gas Limited ("NRG") and Union Gas Limited ("Union") Banked Gas Purchase Commodity Charge

We refer to your letter of April 11, 2014 in which you appoint Mr. William G. Horton as arbitrator in an arbitration to determine whether the Banked Gas Purchase Commodity Charge to Bundled T customers is payable by NRG to Union.

In our view, the claim that NRG purports to advance before an arbitral tribunal is, in substance, an attempt to circumvent the exclusive jurisdiction of the Ontario Energy Board in fixing rates. The Board has exclusive jurisdiction to approve or fix just and reasonable rates.[1] The *Ontario Energy Board Act, 1998* defines a rate as "a rate, charge or other consideration and includes a penalty for late payment."[2] As the Board recently noted, this definition is extremely broad. It covers "virtually any payment from a customer to a utility for the provision of distribution service."[3]

The amount of the Banked Gas Purchase Commodity Charge to Bundled T customers, of which NRG complains, is a "rate" reflecting a payment from Bundled T customers to Union where the customers fail to meet their Winter Checkpoint requirement. Indeed, the Banked Gas Purchase Commodity Charge is part of Union's Board-approved R1 Rate Schedule. Therefore, the determination of that amount falls within the exclusive jurisdiction of the Board.

Further, the Winter Checkpoint requirement which gives rise to the Banked Gas Purchase Commodity Charge was approved by the Board in EB-2008-0106, with NRG's support. In its Amended Decision with Reasons, the Board stated:

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[1] *Ontario Energy Board Act, 1998*, ss. 19 and 36

[2] *Ontario Energy Board Act, 1998*, s. 3

[3] Decision with Reasons in EB-2012-0396 dated February 7, 2013, p. 14

> [T]o the extent that a BT customer fails to meet the Winter checkpoint, the quantity below the checkpoint is billed the higher of the daily spot gas at Dawn in the month or the month following the occurrence.[4] [...]
>
> The Board finds that the current load balancing mechanisms of Union and EGD are appropriate.[5]

The Board explained the system-wide benefits of Union's (then-proposed) load balancing mechanism in its decision in RP-2003-0063, in which it noted that:

> Under the current practice, Union accounts for and provides for shortfalls and surpluses in the gas accounts of direct purchase customers. All of the costs associated with procuring spot gas for direct purchase customers overusing in the winter period and the costs associated with the shedding of surplus gas in the Fall, have previously been allocated to the rate class to which the imbalanced direct purchase customers belong. This has the effect of burdening all members of the class with increased costs, whether or not they had operated within their contractual obligations and forecasts. ***This violates the principle that those who cause costs ought to bear them.*** The notable virtue of [Union's] proposal is that it places the responsibility for balancing costs with the direct purchase customers.[6]

The determination of the Banked Gas Purchase Commodity Charge, and the appropriateness of the broader load balancing mechanism of which the charge is an integral part, is therefore squarely within the Board's exclusive jurisdiction to fix just and reasonable rates.

Matters that fall within the exclusive jurisdiction of the Board are outside the jurisdiction of the courts and, by extension, are not arbitrable. NRG cannot avoid the Board's exclusive jurisdiction in fixing rates by characterizing its claim as a declaration that the Banked Gas Purchase Commodity Charge is not payable because it is unconscionable at common law.[7] In substance, NRG seeks a determination that Union is not entitled to charge the Board-approved Banked Gas Purchase Commodity Charge. This goes to the core of the Board's jurisdiction to fix just and reasonable rates. Therefore, NRG's complaints are within the exclusive jurisdiction of the Board and are not arbitrable.

Union has today communicated its position set out above to the Board in a letter copied to you. In that letter, Union requests that NRG's complaint concerning the Banked Gas Commodity Charge be dealt with as part of the second phase of NRG's current QRAM application.

---

[4] Amending Decision and Order in EB-2008-0106 dated September 21, 2009, p. 24

[5] Amending Decision and Order in EB-2008-0106 dated September 21, 2009, p. 28

[6] Decision with Reasons in RP 2003-0063 dated March 18, 2004, p. 119 (emphasis added)

[7] *Snopko v. Union Gas Ltd.*, 2010 ONCA 248 at para. 24

In light of the above, we trust that NRG will take no further steps to advance its complaint before an arbitral tribunal and will rescind its appointment of Mr. Horton as arbitrator.

Yours truly,

Crawford G. Smith

MS

cc. Kirsten Walli, Ontario Energy Board Secretary
Myriam M. Seers, Torys LLP
All Parties in EB-2014-0053

UNION GAS LIMITED

Answer to Interrogatory from
E2 Energy Inc. ("E2")

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).*

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?

Response:

a) Please see the response at Exhibit B.Staff.1 part d).

b) No. Please see the response at Exhibit B.Staff.1 a).

c) No. The penalty provisions are no different than those described above and Union has not considered a separate fee for these customers. Please see the response at Exhibit B.BOMA.4.

d) Please see the response at Exhibit B.CME.1 and Exhibit B.CME2, Attachment 1 for the breakdown of rate class for direct purchase checkpoint requirements. As indicated at EB-2014-0050, Tab 1, p. 7, Table 2, lines 1 and 2, Union purchased 25.9 PJ of incremental spot supply for Union South sales service and Union North sales service and bundled direct purchase projected variances.

e) The penalty charges do not include any administrative, personnel, operational, or other charges. Please see the response to Exhibit B.OGVG.3 a).

f) No. Please see the response at Exhibit B.Staff.1 part c).

UNION GAS LIMITED

Answer to Interrogatory from
E2 Energy Inc. ("E2")

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 10th; 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 28th.

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 28th 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?

Response:

The preamble contains some comments that require clarification. Please note the following:

- Cycle billing may have led to a slight lag between the customer's consumption of gas and when it was billed and recorded in the customer's BT contract but for most customers, consumption was tracking higher than forecast in each month during the winter. There were clear signals to customers that consumption, driven by the colder than normal winter, was tracking higher than expected.

- Further, if the customer's contract initially had a positive balance carried over from the previous contract year, it may have provided some offset but the trend was apparent in the monthly consumption details.

- The reporting provided in early February includes actual billed consumption (including weather) to the end of January. The Weather Adjustment is not a '"Weather Adjustment Penalty" but a forecast of the impact of colder than normal weather from third party forecasts applied to the customer's normal consumption forecast to the checkpoint. This forecast has been calculated this way for cycle billed accounts since the checkpoint was implemented.

a) Please see the response at Exhibit B.Staff.1 part d). As indicated in EB-2014-0050, spot gas was purchased in order to ensure adequate supplies are available to meet demands through to March 31, 2014 and ensure adequate storage balances at March 31 for design day requirements. This gas was purchased:

   1. To meet incremental winter requirements for actual and projected demand variances for Union South sales service customers and Union North sales service and bundled DP customers;

   2. For incremental Rate 25 sales service activity;

   3. For forecast weather variances relative to the February 28 inventory checkpoint and forecast March weather and consumption variances for Union South bundled DP customers; and,

   4. To manage unaccounted for gas variances.

b) Union is not requesting nor does it endorse a penalty rate below its proposed February $50.50/GJ and March $52.04/GJ (see response to Exhibit B.Staff.1 c) for further details). Should the Board ascribe a lower penalty rate, Union has no mechanism and would not contemplate a credit to any customers that may have paid a higher price for their gas commodity in Winter 2014. Further, per Union's letter dated April 24, 2014, Union does not receive any funds when direct purchase customers purchase the gas commodity. There is, accordingly, no amount for Union to refund.

UNION GAS LIMITED

Answer to Interrogatory from
E2 Energy Inc. ("E2")

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 10th, 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.

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?

Response:

The preamble is not correct.

Union North customers are able to contract for an interruptible distribution service to supplement their other contracted services. The interruptible service is contracted under Rate 25 and has two possible components: Rate 25 T-service which allows customers to nominate and supply their own additional gas to meet their interruptible consumption; and, Rate 25 sales service which allows them to consume gas supplied by Union. Each component of the service has a contract demand ("CD") as agreed to in the contract. Rate 25 sales service has a range rate approved by the Board. The minimum and maximum gas supply charge is 14.3135 cents/m^3 and 140.5622 cents/m^3, respectively. Union periodically reviews and sets the price within this range based on market prices. The key contact for each customer receives an email informing them of price when it changes. This has been the approach and process for several years. The price of Union supplied gas for the Eastern Delivery Area was set at \$1,348/10^3m^3 or 134.8 cents/m^3 effective January 31, 2014.

a) If a customer consumes gas from Union in excess of the Rate 25 sales service CD, the excess is deemed to be unauthorized overrun. On days when the service is interrupted, any consumption of gas from Union is deemed to be unauthorized overrun (the Rate 25 sales service CD is effectively zero). For the five customers in question, the overrun occurred because the customer consumed gas in excess of their Rate 25 supply service CD. Please see the response at Exhibit B.BOMA.4 for an excerpt from contract that shows the relevant contract language.

b) There is no "maximum overage penalty". The Rate 25 gas supply charge for the EDA was set at \$1,348/$103m^3$ or 134.8 cents/m^3 effective January 31, 2014 based on market prices in effect at the time.

c) The charge for unauthorized overrun of Rate 25 sales service is developed from the highest spot price at Dawn in the month the overrun occurred or the month following, which is consistent with the charges used for Union South customers. Rate 25 sales service customers will also pay all costs associated with transporting such overrun to the appropriate Delivery Area.

d) Please see the response at Exhibit B.Staff.1 part d).

e) Please see the response at Exhibit B.E2.1 part e).

Kitchener

UNION GAS LIMITED

Answer to Interrogatory from
Corporation of the City of Kitchener ("Kitchener")

Preamble:

As noted in its request for intervention in this proceeding, Kitchener was invoiced by Union Gas Limited ("Union") for unauthorized overrun withdrawal charges of $206,379.30 related to T3 storage activity in late February 2014 / early March 2014. These penalty charges are disputed by Kitchener, as set out in the attached correspondence from Kitchener to Union dated May 2, 2014. Kitchener has paid these penalty charges in good faith, pending an adjustment by Union to waive or significantly reduce them, or a Board decision of similar effect. To date, Union has denied Kitchener any relief from the penalty charges, as set out in the attached correspondence from Union to Kitchener dated May 15, 2014.

a) Please confirm whether Union's position as set out in its May 15, 2014 correspondence to Kitchener remains its current position (i.e., Union is not prepared to waive or adjust the $206,379.30 in penalty charges to Kitchener)?

b) What is the rationale for Union providing relief for some customers that incurred penalties (i.e., those who have been subject to a February Supplementary Inventory charge or a Rate 25 Unauthorized Overrun Gas Supply Commodity charge) but not for other customers (including Kitchener) given that that circumstances underlying the penalty charges were the same (i.e., exceptional winter weather conditions)?

c) Are there any other Union customers similarly situated to Kitchener? Specifically, are there any other Union customers that incurred penalty charges, overrun charges, etc. that Union is not willing to reduce or mitigate on the basis of exceptional winter weather conditions?

Response:

a) Confirmed.

b) Union is proposing to reduce the highest spot charges from $78.73/GJ to $50.50/GJ for customers who incurred commodity related penalties due to the exceptional weather conditions in 2014 which caused high gas prices. Union is not proposing to provide relief to customers who overran their contractual rights as these charges are not related to high gas prices but rather related to the customers' management of their contracts.

The charge to Kitchener was not for gas commodity, but for unauthorized overrun of its contracted daily storage withdrawal rights. Kitchener has opted to provide its own storage deliverability inventory. As a result, it pays a lower demand charge for storage withdrawal but is required to maintain gas in storage at 20% of their contracted space to maintain their maximum contracted withdrawal rights. In the absence of the contract provision to reduce Kitchener's storage withdrawal rights when the quantity of gas in their storage account falls below 20%, Kitchener would have been subject to the highest spot price at Dawn.

Further, had Kitchener delivered incremental supply in February, the unauthorized storage withdrawal overrun could have been avoided. As noted at point 3 in Union's May 15, 2014 letter to Kitchener (attached to Kitchener's interrogatories), Kitchener delivered incremental supply of 36,560 GJ in January, 8,577 GJ in February, and 731,778 GJ in March. The vast majority of this gas was delivered by Kitchener after its gas in storage had decreased below 20% and resulted in unauthorized overrun.

Kitchener's overrun charges in 2014 are identical in nature to the overrun charges Kitchener incurred in 2003. Please see Attachment 1, parts c) and e), for Union's interrogatory response in EB-2005-0520.

c) During February and March 2014, there were 261 distribution customers that exceeded their contracted delivery or storage injection/withdrawal parameters. They incurred approximately $1.7 million in overrun charges and Union has not proposed any reduction to any charges related to these customers exceeding their contractual parameters.

UNION GAS LIMITED

Answer to Interrogatory from
City Of Kitchener ("CCK")

Reference: Unauthorized Storage Overrun (H1 Tab 1 page 21)

Issue 6.9 - Is Union's proposal for changes to T1, T3, U2, U5, U7, U9, S1, Rate 20 and Rate 100 unauthorized storage overrun rates appropriate?

Question:

a) *For services to the T1 and T3 classes, please describe the roles for and the relationships between:*

   i) *unauthorized storage overruns and charges;*
   ii) *load balancing services and charges;*
   iii) *charges and services from system integrity storage space (if any).*

b) *Please provide the level of storage available to Kitchener on April 7/8, 2003 and the amount of its storage overrun on those dates. Has there been any other storage overrun by the City of Kitchener in the last 5 years?*

c) *Please confirm that the storage overrun by Kitchener on April 7/8, 2003 was incurred to meet demand within the City caused by unusually cold weather. Please quantify the unauthorized overrun by Kitchener on April 7/8, 2003 and confirm that it purchased spot supplies to mitigate the overrun.*

d) *Was Union required to purchase unplanned spot supply to meet the weather requirements of April 7/8, 2003 to serve its heat sensitive load?*

e) *Please outline the actual harm to Union resulting from customers in unauthorized overrun positions during the two last winter seasons.*

f) *Please provide examples where Union has authorized storage overruns in the past two winter seasons.*

g) *For a typical unauthorized storage overrun, please provide a calculation illustrating the incentive action of the proposed rates:*

   i. *for an occurrence limited to one month*

   ii. *for an occurrence spanning three months.*

h) *Please provide Union's policy governing the authorization of overrun storage accounts.*

Witness: Bruce Rogers / Steve Poredos / Mark Kitchen / Libby Passmore
Question: March 15, 2006
Answer: April 4, 2006
Docket: EB-2005-0520

Response:

a) Relationships:

i) Unauthorized Storage Overrun is defined in the rate schedules for both T1 and T3 as the situation which occurs when a customer has gas in storage in excess of the contracted Maximum Storage balance, which has not been authorized by Union or provided for under a short term supplemental storage service.

The "role" of Unauthorized Storage Overrun, is to recognize that in some circumstances where a customer does not proactively manage their gas deliveries and/or their consumption, the customer's storage account can exceed the level that has been contracted or authorized. The rate for unauthorized storage overrun is set to recognize both the costs incurred and the risk to the overall system that results from a customer exceeding their contractual maximum storage balance.

The unauthorized storage overrun rate, as proposed, is intended to deter customers from exceeding their contract parameters based on an economic decision and to encourage customers to contract appropriately.

ii) Union offers balancing services to direct purchase customers as a means to proactively balance their supply and demand.

Union offers cost-based transactional services such as DCQ suspensions, diversions and assignments; incremental supply and In-franchise / Ex-franchise Transfers. These services are described in detail in Exhibit J7.01 and on the Union Gas web site at:
http://www.uniongas.com/business/unionline/balancingtypes.asp .

Union offers T1 and T3 customers the opportunity to contract for an additional Balancing Service / Short Term Storage, at market based rates, using their existing T1 or T3 rate schedule. This service allows customers to manage temporary supply demand imbalances by contracting for incremental short term storage space and/or interruptible deliverability and/or short term firm deliverability.

iii) Union does not provide services to T1, T3 or any other rate class using system integrity space. System integrity space is not available to individual customers or rate classes in the event contractual storage parameters are exceeded or for the purposes of load balancing. System integrity space is required by Union to operate and maintain overall system integrity on behalf of all customers.

Witness: Bruce Rogers / Steve Poredos / Mark Kitchen / Libby Passmore
Question: March 15, 2006
Answer: April 4, 2006
Docket: EB-2005-0520

b) Kitchener's storage space allocation is 3,370,182 GJs.
Kitchener's storage balances on April 7 and 8, 2003 were as follows:

April 7, 2003	256,604 GJ
April 8, 2003	232,722 GJ

Kitchener did not overrun its storage space on these days. There have been no instances of storage space overrun for the City of Kitchener in the last five years.

As noted below in part (c), Kitchener did overrun its contracted withdrawal rights in 2003. This also occurred previously in 2001.

c) On April 7, 2003 Kitchener's inventory level was lower than 20% of its contracted storage space triggering a reduction in Kitchener's withdrawal rights as specified in the T3 Carriage Service Contract. Per the T3 Contract, Kitchener incurred withdrawal overrun on April 7, 2003. Kitchener's withdrawal overrun was not caused by cold weather but because Kitchener did not keep sufficient inventory to meet late season withdrawal demand.

On April 8, 2003, Kitchener delivered incremental gas of 12,356 GJ above their obligated Daily Contracted Quantity of 33,966 GJ for total deliveries of 46,322 GJ. Kitchener did not incur withdrawal overrun on April 8, 2003.

d) No.

e) Union was not harmed as a result of Kitchener's unauthorized overrun of storage withdrawal rights on April 7, 2003 because Union had sufficient inventory in its integrity space. Union holds inventory in its integrity space for late season weather variations. However, Union's integrity space is not held to support unauthorized overrun withdrawals from storage. T-service contract parameters have ratchets which limit the withdrawal rate on the basis of the remaining inventory in the customer's account. No customers, including T-service customers, have access to the integrity space inventory. Most customers manage any incremental supply needs through purchases of spot or loans. Union would be unable to manage the system as a whole if there were no discipline in how customers are allowed to use the system. Authorized overrun requires approval and as such allows Union to evaluate the impacts of the request on the system.

Unauthorized withdrawal overrun is unexpected no notice service that Union would not be prepared for, which could put Union's ability to serve other firm customers in jeopardy. Contract discipline is necessary to preserve system reliability and integrity for all customers using Union's system.

Witness: Bruce Rogers / Steve Poredos / Mark Kitchen / Libby Passmore
Question: March 15, 2006
Answer: April 4, 2006
Docket: EB-2005-0520

f) In the past two winter seasons, Union has had one instance of authorized storage space overrun.

g) The sample calculations use the T1/T3 proposed unauthorized storage overrun rates.

i) For a single occurrence limited to one month.

Occurrence	Unauthorized Volume (GJs)	Rate ($/GJ)	Total Billed ($)
Month 1	1,000	$ 6.00	$ 6,000
Month 2	0	$ 6.00	0
Month 3	0	$ 6.00	0
Total	1,000		$ 6,000

ii) For a single occurrence spanning 3 months.

Occurrence	Unauthorized Volume (GJ's)	Rate ($/GJ)	Total Billed ($)
Month 1	1,000	$ 6.00	$ 6,000
Month 2	1,000	$ 6.00	$ 6,000
Month 3	1,000	$ 6.00	$ 6,000
Total	1,000		$18,000

h) Overrun of storage is addressed in the contract language for in-franchise direct purchase customers; Bundled-T, T1 and T3.

The Southern Bundled-T Terms and Conditions, Schedule 2, addresses occurrences of Storage Space Overrun. These references, specific to unauthorized overrun, appear in Sections 3.01 "Fall Checkpoint", 3.02 "Fall Checkpoint", 3.04 "Positive BGA Implications", 3.07 "Disposition of Gas at Contract Termination" and 3.08 "BGA Carryover Limitation During Late Season Injection."

Within the Union South T1 Contract, and the Northern Gas Distribution Contract, Schedule 2, Terms and Conditions, Sections 2.06 and 4.03 respectively, contract language defines overrun:
"Unless Union specifically provides written authorization to exceed contract parameters, any excess shall be unauthorized overrun and, in addition to any other remedies Union may pursue, Customer shall incur charges as referenced in the Rate Schedule."

Witness: Bruce Rogers / Steve Poredos / Mark Kitchen / Libby Passmore
Question: March 15, 2006
Answer: April 4, 2006
Docket: EB-2005-0520

Within the Carriage Service General Terms and Conditions (T3), Schedule 1, Sections 6.1 and 6.2 address maximum storage injection, withdrawal and overrun. *"Union in its sole discretion may from time to time authorize injection overrun in excess of the maximum Daily Storage Injection/Withdrawal Quantity. Any overrun in excess of 103% of the Maximum Daily Storage Injection/Withdrawal Quantity which has not been authorized by Union shall be deemed to be unauthorized injection/withdrawal overrun."*

Unauthorized Storage Overrun is also defined in both the T1 and T3 rate schedules as the situation whereby a customer has gas in storage in excess of the contracted Maximum Storage balance, and which has not been authorized by Union or provided for under a short term supplemental storage service.

UNION GAS LIMITED

Answer to Interrogatory from
Corporation of the City of Kitchener ("Kitchener")

Preamble:

As noted in its request for intervention in this proceeding, Kitchener was invoiced by Union Gas Limited ("Union") for unauthorized overrun withdrawal charges of $206,379.30 related to T3 storage activity in late February 2014 / early March 2014. These penalty charges are disputed by Kitchener, as set out in the attached correspondence from Kitchener to Union dated May 2, 2014. Kitchener has paid these penalty charges in good faith, pending an adjustment by Union to waive or significantly reduce them, or a Board decision of similar effect. To date, Union has denied Kitchener any relief from the penalty charges, as set out in the attached correspondence from Union to Kitchener dated May 15, 2014.

What is the penalty charge for unauthorized overrun withdrawal for Rate T1 and T1 customers? If identical and/or lower than for Rate T3, please provide the rationale.

Response:

The question is not relevant to Union's proposal to reduce the commodity-related penalty charges.

Notwithstanding the above, the current approved rate for unauthorized overrun withdrawals for Rate T1 and T2 customers is $1.208/GJ. For Rate T3, the current approved rate for unauthorized overrun withdrawals is $9.402/GJ.

The Rate T3 unauthorized overrun withdrawal charge of $9.402/GJ was approved by the OEB in RP-1999-0017 and has remained at that level since the Board's decision. As shown at Attachment 1, Exhibit C19.45 from the RP-1999-0017 proceeding, the rationale for the rate is to incent appropriate behaviour by customers in establishing contract parameters and in operating within those parameters. This rate was set equivalent to the unauthorized rate for services to other customers under Union's M12 rate class.

UNION GAS LIMITED

Answer to Interrogatory
from the Wholesale Gas Service Purchasers Group

Question

Reference: Exhibit B, Tab 4, Page 23

a) Why is the U9 and T3 unauthorized delivery overrun rate set at 36.0 cents per m3 when the corresponding U5, U7 and T1 rate is only 9.0051 cents per m3?
b) Doesn't this violate the concept that the same service should cost the same for all in-franchise customers, regardless of rate class?
c) Given Union's position that M9, and hence U9, customers are in-franchise customers, why has Union tied the U9 unauthorized delivery overrun rate to the ex-franchise M12 rate?
d) What is the relationship between the unauthorized delivery overrun rate of 36.0 cents per m3 for U9 and T3 customers, the 9.0051 cents per m3 unauthorized overrun rate for U5, U7 and T1 customers and the 9.0051 cents per m3 overrun charge identified in section (F) of the M9 rate schedule?

Answer

a) Union is proposing the unauthorized delivery overrun rate for U9 and T3 services be set at a level that discourages customers from relying on it and "optimising" their contract demand (CD) level. Union views unauthorized charges as penalties that should be set high enough to discourage inappropriate customer behaviour.

   If a customer were to intentionally under-contract for service by requesting that their CD be set artificially low a couple of outcomes are possible. Firstly, Union may make the capacity available to others to use. When the customer then wants to access the capacity that would have otherwise been used to serve them (via unauthorized overrun) it won't be available and Union would have to curtail the customer. It may not be possible or politically acceptable to curtail another LDC who has contracted for T3 or U9 service under these circumstances. Alternatively, even though the customer doesn't contract for the capacity required, Union reserves the capacity for the customer in anticipation of their need. In this circumstance, the customer gets access to the service but only pays for a fraction of the cost to provide it. In

Witness: M.W. Packer
Question: January 31, 2000
Answer: March 1, 2000
Docket: RP-1999-0017

Union's view both outcomes are not appropriate.

In Union's experience, the industrial customers eligible for U5, U7 and T1 service have not relied on unauthorized overrun to meet their firm demands. They are typically higher load factor than the customers eligible for U9 and T3 service and as a result they would be incurring unauthorized overrun more frequently.

b) Union views unauthorized charges, penalties, rather than rates for service. Union has not experienced difficulty negotiating the appropriate contract demand level with customers in other rate classes. As a result, in Union's view there is no current need to change the unauthorized overrun charges in other rate classes.

c) Union is proposing that the unauthorized overrun for M12 services also be used for T3 and U9 services for the following reasons:
   i) Union believes that it may be sufficiently high enough to curb inappropriate behaviour.
   ii) It corresponds to the T3 transportation rate at approximately a 1% load factor. In the event that a T3 customer felt they would only require service at a specified level for 4 days of the year (Union would have to have facilities in place for the entire year) there would not be an incentive for the customer to rely on unauthorized overrun and request that their contract demand (CD) be set artificially low.
   iii) It is an established rate.

d) Please see above.

UNION GAS LIMITED

Answer to Interrogatory from
Corporation of the City of Kitchener ("Kitchener")

Preamble:

As noted in its request for intervention in this proceeding, Kitchener was invoiced by Union Gas Limited ("Union") for unauthorized overrun withdrawal charges of $206,379.30 related to T3 storage activity in late February 2014 / early March 2014. These penalty charges are disputed by Kitchener, as set out in the attached correspondence from Kitchener to Union dated May 2, 2014. Kitchener has paid these penalty charges in good faith, pending an adjustment by Union to waive or significantly reduce them, or a Board decision of similar effect. To date, Union has denied Kitchener any relief from the penalty charges, as set out in the attached correspondence from Union to Kitchener dated May 15, 2014.

a) Did Union curtail any in-franchise interruptible distribution customers during February/March 2014 as per Union's Priority of Service (POS) Guidelines (attached)? If not, why not?

b) On the POS Guidelines, please confirm that Kitchener Utilities falls within tier 1 (Firm In-franchise Storage and Distribution services and firm Ex-franchise services).

c) How do the rates for in-franchise interruptible distribution storage service (tier 2 in the POS Guidelines) compare with the rates paid by firm storage service (tier 1 in the POS Guidelines)?

Response:

a) No, Union did not curtail in-franchise interruptible distribution services (tier2) during February and March, of 2014. During that time, Union did interrupt storage withdrawals in accordance with the priority of service policy up to and including tier 3. Union was able to meet all other demands for storage services without having to interrupt tier 1 or tier 2 levels over that time period.

b) Confirmed. The T3 contract held by Kitchener Utilities falls within tier 1 Firm In-franchise Storage and Distribution services and firm Ex-franchise services. All Firm storage withdrawal services are considered to be in tier 1 with respect to the priority of service when scheduling reductions are required. However, if the contracted parameters are exceeded overrun charges will be incurred.

c) The rates for in-franchise interruptible distribution storage service and firm storage service are not relevant to Union's request to reduce the penalty charges to DP customers who did not meet their contractual obligations. Accordingly, Union has not provided a response.

LPMA

UNION GAS LIMITED

Answer to Interrogatory from
London Property Management Association ("LPMA")

Reference: Union Letter dated April 3, 2014

Union is proposing to reduce the charges to direct purchase customers who did not meet their contractual obligations during the month of February, 2014 from $78.73/GJ to $50.50/GJ. This latter figure represents the second-highest spot cost at Dawn during the month of February. Is Union proposing to change the penalty to the second highest cost for future years or is this only a one-time proposed change?

Response:

Please see the response at Exhibit B.Staff.1 c).

UNION GAS LIMITED

Answer to Interrogatory from
London Property Management Association ("LPMA")

Reference: Union Letter dated April 10, 2014

a) Table 3 in Attachment 1 shows a total of 21 customers that experienced balancing penalty provisions in February and March, 2014. Please break down the information in lines 1 and 2 (Southern BT) in Table 3 to show the customers, GJ's and penalty provisions (at both sets of rates) and the reduction by rate class.

b) Are the customer numbers based on the number of Union Gas customers, or are some of the 21 customers shown actually marketers that serve a large number of Union Gas customers?

c) If there are any marketers in the 21 customers shown in Table 3, please indicate the number of Union Gas customers served by these marketers and the rate classes that those customers are in.

d) If there are any marketers in the 21 customers shown in Table 3, please confirm that the reduction in the penalty proposed by Union would result in lower costs to those marketers, which may or not may not be passed on to ratepayers.

e) Does Union have information on whether or not the increased costs of the exceptional weather conditions have been passed on by marketers to their customers?

Response:

a) Please see the response at Exhibit B.CME.2, Attachment 1.

b) The number of customers was in relation to the number of bundled transportation contracts for direct purchase. This includes contracts held by marketers with many general service accounts attached.

c) Please see the response at Exhibit B.CME.2, Attachment 1. Two of the twenty-one contracts are held by marketers on behalf of general service customers (lines 13 and 14 in Attachment 1).

d) – e) The reduction in the penalty charge would reduce the cost charged to the contract holder. Union is not privy to the arrangements for the treatment of such costs between the marketers and their customers.

UNION GAS LIMITED

Answer to Interrogatory from
London Property Management Association ("LPMA")

Reference: Union Letter dated April 10, 2014

Attachment 2 to the letter shows the unit rate impacts for system gas customers as a result of the reduction in revenue used to offset the PGVA balances. For each rate class, please show the annual impact for a typical system gas customer. In addition, please show the annual impact for a small and large system gas customer in each of the M1, M2 and M4 rate classes.

Response:

Please see Attachment 1 and Attachment 2.

UNION GAS LIMITED
Annual Bill Impact for Sales Service Customers

Line No.	Particulars	Unit Rate Change (1) (cents/m³)	Bill Impact ($)	Total Bill (2) ($)	Bill Impact (%)
		(a)	(b)	(c)	(d) = (b / c)
1	Rate 01 (Small)	0.0097	0.21	1,090	0.0%
2	Rate 01 (Large)	0.0097	2.33	8,792	0.0%
3	Rate 10 (Small)	0.0097	5.81	21,159	0.0%
4	Rate 10 (Large)	0.0097	24.22	84,696	0.0%
5	Rate 20 (Small)	0.0097	290.68	903,263	0.0%
6	Rate 20 (Large)	0.0097	1,453.42	4,260,483	0.0%
7	Rate M1 (Small)	0.1038	2.28	920	0.2%
8	Rate M1 (Large)	0.1038	24.92	6,441	0.4%
9	Rate M2 (Small)	0.1038	62.30	18,467	0.3%
10	Rate M2 (Large)	0.1038	259.57	73,811	0.4%
11	Rate M4 (Small)	0.1038	908.49	262,076	0.3%
12	Rate M4 (Large)	0.1038	12,459.32	3,380,973	0.4%
13	Rate M5 (Average)	0.1038	3,802.69	1,050,578	0.4%
14	Rate M10 (Average)	0.1038	98.12	29,132	0.3%

Notes:
(1) Unit Rate change for Union North per EB-2014-0154 Attachment 2, Line 7, Column (c).
Unit Rate change for Union South per EB-2014-0154 Attachment 2, Line 8, Column (c).
(2) Total bill is calculated as per EB-2013-0365, Appendix A.

Union Gas Limited
Impact of Proposed Foregone Revenue by Rate Class

Line No.	Particulars	Account Balance ($)	Annual Disposition Volume (10^3m^3)	Unit Rate (cents/m^3)
		(a)	(b)	(c) = (a/b*10)
	February 2014			
1	Union North - PGVA	62,574	925,217	0.0068
2	Union South - PGVA	1,643,189	2,994,724	0.0549
3	Total	1,705,763	3,919,940	
	March 2014			
4	Union North - PGVA	27,075	925,217	0.0029
5	Union South - PGVA	1,466,164	2,994,724	0.0490
6	Total	1,493,239	3,919,940	
	March and February 2014			
7	Union North - PGVA	89,649	925,217	0.0097
8	Union South - PGVA	3,109,352	2,994,724	0.1038
9	Total	3,199,001	3,919,940	

	Particulars ($) (1)	February 2014 Change to PGVA	March 2014 Change to PGVA	Total Change to PGVA	Percent of Total Foregone Revenue
		(d)	(e)	(f) = (d+e)	(g)
10	Rate 01	51,221	22,163	73,384	2.3%
11	Rate 10	10,906	4,719	15,625	0.5%
12	Rate 20	447	193	640	0.0%
13	Total Union North	62,574	27,075	89,649	
14	Rate M1	1,335,361	1,191,499	2,526,860	79.0%
15	Rate M2	277,559	247,657	525,215	16.4%
16	Rate M4	17,539	15,650	33,189	1.0%
17	Rate M5	12,599	11,242	23,841	0.7%
18	Rate M10	130	116	247	0.0%
19	Total Union South	1,643,189	1,466,164	3,109,352	
20	Total	1,705,763	1,493,239	3,199,001	

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

UNION GAS LIMITED

Answer to Interrogatory from
London Property Management Association ("LPMA")

Reference: Union Letter dated April 3, 2014

What was the approximate impact on system gas customers ($ and $/m3) of the exceptional weather conditions in 2014?

Response:

The question is not relevant to Union's request to lower the penalty charges. Accordingly, Union has not provided a response.

UNION GAS LIMITED

Answer to Interrogatory from
London Property Management Association ("LPMA")

Reference: Union Letter dated April 10, 2014

What was the actual weighted average cost of gas of the gas purchased by Union Gas in order to balance the 115,403 GJ shortfall in February and March deliveries from direct purchase customers?

Response:

Please see the response at Exhibit B.Staff.1 part d).

UNION GAS LIMITED

Answer to Interrogatory from
London Property Management Association ("LPMA")

Reference: All Material

Is Union aware of how, or if, the penalty provisions incurred by marketers is passed onto ratepayers? For example, under a fixed price contract, are the penalty costs incurred by the marketers passed onto the ratepayers?

Response:

Please see the response at Exhibit B.LPMA.2 part d).

NRG

Filed: 2014-06-19
EB-2014-0154
Exhibit B.NRG.1

UNION GAS LIMITED

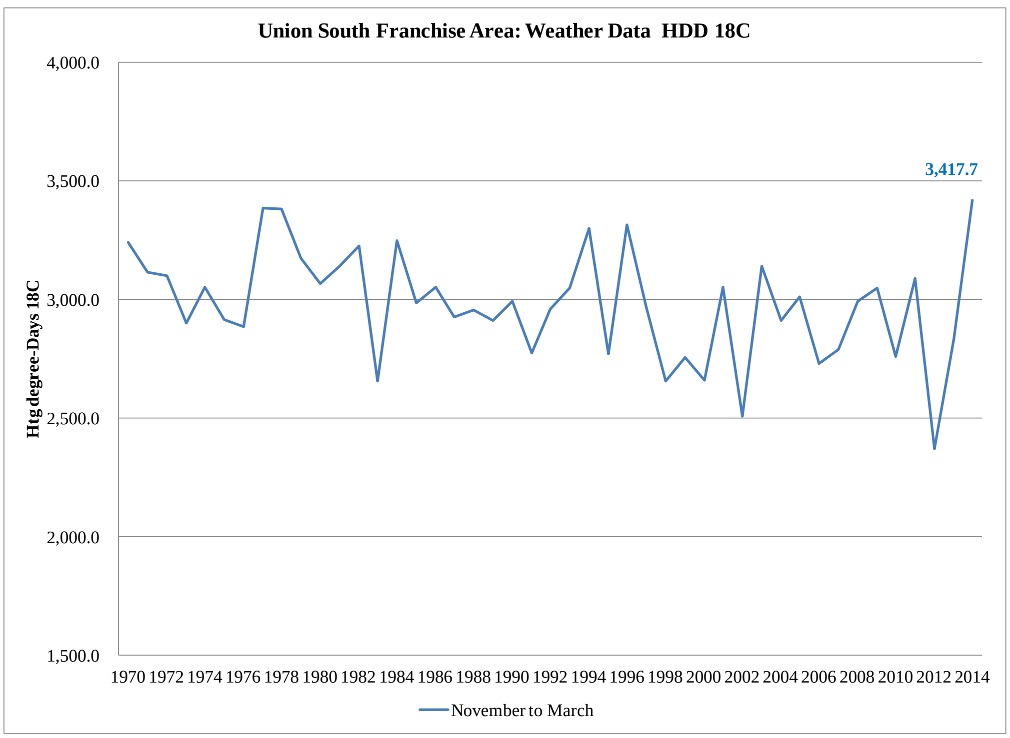
Answer to Interrogatory from
Natural Resource Gas Limited

Reference: Union letter dated April 3, 2014

On April 3, 2014, Union wrote to the Board stating that the changes in the penalty provision were "… in recognition of the exceptional weather conditions in 2014 …".What precisely were the details of the exceptional weather conditions referred to? Against what other time periods are the weather conditions referred to compared against? Does Union have any expert or other reports by internal or external persons describing the impact of the weather conditions? Does Union have any other comparison against other utilities in Canada or the United States?

Response:

The winter is from November to March of each year. The five month winter period of November 2013 to March 2014 was the coldest in Union's records for Union South, which date back to the winter of 1969/1970. Please refer to the chart below that shows the actual weather (heating degree-days below 18C) data for the five month period for Union South.



Data source: DTN Meteorology.

UNION GAS LIMITED

Answer to Interrogatory from
Natural Resource Gas Limited

Reference: Union letter dated April 3, 2014

In its letter of April 3, 2014, Union also took the position that "… despite the fact that over 95% of Union's customers met their contractual obligations." Please explain the detailed calculation of 95%. Is the 95% calculated by number of customers or by volume of gas delivered? What volume of gas was needed to be supplied by Union for the 5% of customers who did not meet their contractual obligations?

Response:

Please see the response at Exhibit B.CME.1.

UNION GAS LIMITED

Answer to Interrogatory from
Natural Resource Gas Limited

Reference: Union letter dated April 3, 2014

When was the last time Union saw four consecutive months of consistently low temperatures in the same manner in which the cold weather impacted Ontario during the months of December 2013 and January and February, 2014?

Response:

The last time Union witnessed four consecutive months (November through February) of very cold weather was the 1975/1976 winter. The past 2013/2014 winter had the second coldest four consecutive months on record.

UNION GAS LIMITED

Answer to Interrogatory from
Natural Resource Gas Limited

Reference: Union letter dated April 3, 2014

Please produce all internal memoranda, reports and substantive e-mails regarding the exceptional weather conditions.

Response:

The question is not relevant to Union's request to lower the charges. Accordingly, Union has not provided a response.

UNION GAS LIMITED

Answer to Interrogatory from
Natural Resource Gas Limited

Reference: **The requirement of NRG to meet its balancing requirements and/or pay a penalty is premised upon the integrity, security and efficient operation of the Union system. The penalty is meant to avoid placing other customers at risk and avoid additional costs. See: RP-2001-0029 – Decision with Reasons dated September 20, 2002.**

Was the Union system ever in a position in January, February or March 2014 that its integrity, security and efficient operation was actually compromised? If so, how was it compromised? What correction actions was Union forced to take to correct any problems that actually arose? Was there ever a natural gas shortage that could not be met through Union's own supplies? What was the actual cost of any natural gas purchases that were made to meet any system difficulties in January, February or March 2014?

Response:

As described in Exhibit B.Staff.1 part d), Union purchased 29.8 PJ of additional spot gas to ensure adequate supplies were available to meet demands through to March 31, 2014 and ensure adequate storage balances at March 31, 2014 for design day requirements.

UNION GAS LIMITED

Answer to Interrogatory from
Natural Resource Gas Limited

Reference: **The requirement of NRG to meet its balancing requirements and/or pay a penalty is premised upon the integrity, security and efficient operation of the Union system. The penalty is meant to avoid placing other customers at risk and avoid additional costs. See: RP-2001-0029 – Decision with Reasons dated September 20, 2002.**

Did Union physically need the gas in its system from customers who could not supply the gas in February or March, 2014 under their contracts to rebalance the system. If so, how did Union actually supply the gas needed? Was the gas supplied from Union's own storage? At what price was the gas in storage actually purchased? Is this an average price, or is this the highest price or is it the lowest price?

Response:

Please see Exhibit B.Staff.1 part d).

UNION GAS LIMITED

Answer to Interrogatory from
Natural Resource Gas Limited

Reference: Union letters dated April 3, and April 10, 2014

Union is proposing to the Board to reduce the penalty charges from $78.78 per GJ to $50.50 per GJ in February and $52.04 per GJ in March. The change appears to result from Union choosing to move from the highest spot cost at the Dawn Hub during the month of either February or March (whichever was relevant to a particular customer) to the second highest spot cost at the Dawn Hub during those months. On what thesis or for what reasons did Union choose the second highest spot cost at Dawn Hub? Why did Union not use some other price, such as the average price during the month of February or March or the price they actually purchased the gas for? Please explain any answers given.

Response:

Please see the response at Exhibit B.Staff.1 part c).

UNION GAS LIMITED

Answer to Interrogatory from
Natural Resource Gas Limited

Reference: Union letters dated April 3, and April 10, 2014

On April 10, 2014 Union answered certain questions from the Board. Do the answers contained in the letter of April 10, 2014 remain accurate and true? Attachment #1 to the April 10, 2014 letter summarized the February and March 2014 balancing penalty provisions. Attachment #2 showed the impact of the imposed foregone revenue by rate class. Do the contents of those attachments remain accurate and true?

Response:

Please see the response at Exhibit B.BOMA.1.

UNION GAS LIMITED

Answer to Interrogatory from
Natural Resource Gas Limited

Reference: Union letters dated April 3, and April 10, 2014

Provide a detailed breakdown of the 11 customers and the shortfall of each. What were the balancing requirements for each customer, and how much did each customer purchase of their balancing requirement? (If any of the information is customer confidential and specific, then Union can identify the customers by number and maintain confidentiality).

Response:

Please see the response at Exhibit B.CME.2.

UNION GAS LIMITED

Answer to Interrogatory from
Natural Resource Gas Limited

Reference: Union Letters dated April 23, and April 24, 2014

In its various letters to the Board and, in particular, in its letter of April 23, 2014, NRG expressed its understanding, from its review of Union's QRAM submission, that Union's actual average cost of gas purchased for DP balancing was $12.31 per GJ. Is this accurate? If not, explain the answer and what was the actual average cost of gas.

Response:

No. NRG's understanding is not accurate. Please see the response at Exhibit B.Staff.1 part d).

UNION GAS LIMITED

Answer to Interrogatory from
Natural Resource Gas Limited

Reference: Union Letters dated April 23, and April 24, 2014

On April 24, 2014, Union replied to the Board and answered certain questions. Are the answers accurate at the time given, and do they remain accurate? If they are not accurate, please state the present information.

Response:

Yes, the responses to the referenced questions remain accurate.

UNION GAS LIMITED

Answer to Interrogatory from
Natural Resource Gas Limited

Reference: History of the Application of the Penalty Rate at $78.73 per GJ

Has Union previously imposed a penalty charge as high as $78.73 per GJ on T1/T2, Rate 25 or Bundled T customers and, if so, on what circumstances and what was the total amount of each imposition of penalty charge? Has Union ever granted any relief or exception to the imposition of a penalty charge which was otherwise consistent with its rate schedules or contracts? If so, on what grounds? Can Union provide the last 10 years for check point months, the amount of the penalty/GJ as opposed to the commodity price/GJ per the QRAM in place at that time? The amount of GJ's during those years for which a penalty was applied for DP customers on checkpoint? What percentage of total DP customers and volumes were charged this penalty? Penalty related to checkpoint only.

Response:

Union has not previously imposed a charge as high as $78.73 per GJ.

Union has previously granted relief or exception to a charge. The penalty most typically waived is the late payment penalty, such as when a customer established payment arrangements with Union. Exception has also been provided when a metering or reporting issue caused the customer to have incomplete usage information and inadvertently exceeded their contract parameters. Union has also provided exception for high credit risk customers in order to avoid a bad debt situation. Further to this last example, and as noted in Exhibit B.Staff.1 part c), Union is requesting this one-time exemption based on feedback from customers most impacted by the penalty charge, including potential financial impairment or bankruptcy.

Using best available information back to 2006, Table 1 shows pricing, volumes, charges and compliance rates (volumetric and customer).

Table 1
Analysis of February Checkpoint Activity 2006 - 2014

Year	Ontario Landed Reference Price	February Penalty Rate $/GJ	Volume Shortfall GJ	Volumetric Compliance Rate	Total Billed Charges	No of Customers	Customer Compliance Rate
2006	$12.45	$12.45	6,266	98%	$78,024	7	99%
2007	$9.33	$9.33	16,872	99%	$157,399	5	99%
2008	$8.18	$9.87	52,006	96%	$513,299	16	98%
2009	$9.32	$9.32	95,160	96%	$886,796	25	96%
2010	$6.81	$6.81	17,087	99%	$116,277	9	99%
2011	$5.37	$5.37	15,939	99%	$85,592	7	99%
2012	$5.39	$5.39	10,811	98%	$58,228	8	99%
2013	$5.57	$5.57	23,155	99%	$128,881	8	99%
2014	$4.87	$78.73	55,339	99%	$4,356,727	11	98%

- Ontario Landed Reference Price per QRAM in effect for the month of February of each year.
- February Penalty Rate is the higher of the daily spot cost at Dawn in the month of or the month following the month in which gas is sold, but not be less than Union's approved weighted average cost of gas.
- Volume Shortfall is the amount of gas sold to customers.
- Volumetric Compliance Rate is the Volume Shortfall divided by the total volume of gas to be delivered by customers to meet their checkpoint obligations.
- Total Billed Charges is February Penalty Rate multiplied by the Volume Shortfall.
- Number of Customers is the count of customers that incurred a Volume Shortfall.
- Customer Compliance Rate is the Number of Customers divided by the total number of active contracts in February of each year.

UNION GAS LIMITED

Answer to Interrogatory from
Natural Resource Gas Limited

Reference: Board Letter of May 8, 2014 – NRG Prudence

In its letter of May 8, 2014, the Board has indicated that it will "… review the prudence of NRG's incremental gas purchases made over the past winter …". Is Union intending to take a position on the prudence of NRG in its gas purchases? If so, what is that position and what are the grounds for taking it?

Response:

The question is not relevant to Union's request to lower the charges. Accordingly, Union has not provided a response.

UNION GAS LIMITED

Answer to Interrogatory from
Natural Resource Gas Limited

Reference: Board Letter of May 8, 2014 – NRG Prudence

What other customers of Union have been asked to pay any penalty charge for February or March for rebalancing? Have they approached Union for relief from these charges? Has Union granted any such relief? State the customers' names (or number assigned for confidentiality reasons), volumes and cost at which these customers purchased gas in the marketplace in order to fulfil any balancing obligations in contracts with Union. Was Union asked to grant relief of any kind, including late purchases and delivery of gas, by any customer.

Response:

Please see the response at Exhibit B.CME.2. Union is not privy to the prices paid by direct purchase customers in the market.

UNION GAS LIMITED

Answer to Interrogatory from
Natural Resource Gas Limited

Reference: NRG Evidence Filed May 21, 2014

By letter dated May 21, 2014 NRG sought intervenor status in EB-2014-0154. NRG filed evidence in support of its request to intervene and for relief. Does Union object to the contents of any of the evidence filed by NRG? Does Union accept all of the evidence filed by NRG? Please explain your answer in detail.

Response:

Union does not accept the evidence filed by NRG in its Request to Intervene submitted to the Board on May 21, 2014.

In paragraph 3, NRG submits that it has attached its contract with Union at Schedule 3 to its Intervention Request. This is incorrect. NRG's submission is missing Schedule 2 to the contract, the Southern Bundled T Terms and Conditions, which defines the Banked Gas Account ("BGA"), checkpoint obligations and linkage to the R1 rate schedule. Please see Attachment 1 for the omitted Schedule 2 to the Southern Bundled T contract.

In paragraph 5, NRG submits that Union had purchased sufficient gas supply to cover NRG's winter checkpoint quantity. This is incorrect. Union did not purchase gas to cover NRG's contractual obligations at a price of $12.31/ GJ. Union did not plan for, nor proactively purchase any gas supply to make up the default for any direct purchase customers not meeting their contractual obligation, including NRG. Union's planning assumptions when purchasing spot gas was that all direct purchase customers would meet contractual obligations at expiry and checkpoint. Union also attempted to assist NRG during January and February in providing options to meet their checkpoint obligations. These are described in Exhibit B.NRG.17.

In paragraph 8, NRG submits that it was unable to purchase the remainder of its shortfall as there was simply no gas available to be delivered at Dawn or any other points on Union's system. This is incorrect. As per the Enerdata CGPR Daily Report, there were over 170 trades at Dawn each day between February 25 and 28 with volumes recorded at approximately 1 PJ/d. Other customers paid the prevailing market prices to meet their obligation. Further, there were 16 Balancing Transactions that occurred on Union's system with a start date of February 28, 2014.

In paragraph 9 of NRG's submission, it states that it informed Union on March 2, 2014 of its intention to deliver the outstanding balance (25,496 GJ) in March but Union would not permit NRG to deliver this gas. This is incorrect. NRG's failure to meet its February 28 checkpoint resulted in a sale of gas to NRG per the R1 rate schedule which was invoiced to NRG on March

7, 2014. Union enforced the parties' contract given the extensive communication and to be consistent with the treatment of other direct purchase customers.

In paragraph 12, NRG submits that the penalty charge is unenforceable under the Contract and should be subject to arbitration. Union disagrees. As indicated in Union Counsel's letter to NRG Counsel dated April 21, 2014 (as filed in EB-2014-0053), Union's position is that the Board has the exclusive jurisdiction of the Board to fix rates as defined in the Ontario Energy Board Act ss. 19 and 36. The rate at which the Banked Gas Purchase Commodity Charge is set is part of Union's Board-approved R1 rate schedule and the determination of that amount falls within the exclusive jurisdiction of the Board.

In paragraph 13, NRG submits that the proper amount of the penalty should be $12.31/GJ. Union disagrees. As provided in Union's April QRAM filing (EB-2014-0050), Tab 1, p.6, Table 1, Union's actual spot gas purchases costs ranged from $4.94 to $12.31. As described in Exhibit B.NRG.24, these purchases were made under the assumption that all contractual obligations for both checkpoint and contract expiry would be met by those customers. The bundled transportation contract is in place to ensure that customers balance to their contractual commitments. The purpose of the cost consequence of the "highest price" is intended to discourage customers from making economic decisions on whether or not to comply with their contractual obligations.

Further, in paragraph 15, NRG submits that this penalty will be a windfall to Union's customers and is an undeserved detriment for NRG's customers. For clarification, the charge to DP customers is credited to Union North and Union South sales service customers to ensure that the cost consequences of DP customers failing to balance are not borne by these customers. As the Board indicated in the RP-2001-0029 Decision:

> *"the failure to balance can place compliant system participants at risk, and may result in additional costs….In the Board's view, the penalty must be sufficiently costly to defaulters to strongly discourage strategic non-compliance with balance obligations, and the careless or incompetent acceptance of contractual obligations which are not reasonably achievable. The Board is concerned that parties wishing to engage in the market, either directly or through agents, must be appropriately encouraged to manage their obligations responsibly. The system as a whole requires that."* (p. 31).

SCHEDULE "2"

Southern Bundled T Terms And Conditions

1 UPSTREAM TRANSPORTATION COSTS

Where Union is receiving Gas from Customer at a Point of Receipt upstream of Union's system, Customer shall be responsible to Union for all direct and indirect upstream transportation costs including Compressor Fuel from the Point of Receipt to Union's system, whether Gas is received by Union or not, for any reason including Force Majeure. Where actual quantities and costs are not available by the date when Union performs its billing, Union's reasonable estimate will be used and the appropriate reconciliation will be done in the following Month.

2 OBLIGATIONS TO DELIVER AND RECEIVE

Subject to the provisions of this Contract, Union agrees to receive the Obligated DCQ parameters in Schedule 1 each Day. Customer accepts the obligation to deliver the Obligated DCQ parameters in Schedule 1 to Union on a Firm basis. On days when an Authorization Notice is given, the DCQ parameters are as defined in the Authorization Notice.

For all Gas to be received by Union at the Upstream Point of Receipt, Customer shall, in addition to the DCQ, supply on each Day sufficient Compressor Fuel as determined by the Transporter.

3 BANKED GAS ACCOUNT

The Banked Gas Account ("BGA") will be used to accumulate the daily differences between the total quantities of Gas received by Union (excluding fuel) from the Customer, and the total quantities of Gas distributed by Union to the End Use locations listed in Schedule 3, plus any BGA transactions permitted by Authorization Notice. Where the cumulative quantities received by Union exceed the cumulative quantities distributed by Union, the resulting BGA balance shall be positive. Where the cumulative quantities distributed by Union exceed the cumulative quantities received by Union, the resulting BGA balance shall be negative.

Customer shall plan and operate in a manner that will achieve a BGA balance of zero at the end of each Contract Year. In addition, Customer is expected to take balancing actions early in the summer to ensure that the BGA balance does not exceed the Fall Checkpoint Quantity as of the Fall Checkpoint Date. Customer is also expected to take balancing actions early in the winter to ensure that the BGA balance is not less than the Winter Checkpoint Quantity as of the Winter Checkpoint Date. The checkpoint quantities and dates are identified in Section 4 of Schedule 1.

Customer's ability to manage the BGA balance through changes in its supply arrangements shall require authorization from Union. Customer's request for a change does not require or obligate Union to accept a request which Union, acting reasonably, determines it cannot accommodate. If Union cannot accommodate such request, Customer shall not be relieved from its obligations for the Fall Checkpoint Date or the Winter Checkpoint Date, or any BGA Balancing Period Date.

Provided this Contract is in place for a subsequent Contract Year, that portion, if any, of the BGA balance not outside of the Maximum Positive Variance or the Maximum Negative Variance identified in Schedule 1 shall be carried forward into the BGA of the subsequent Contract Year.

3.01 Service under the Union Determined Balancing Option

Where Schedule 1 identifies the balancing option as “Union Determined Balancing Option”, Section 3.01 of this Schedule 2 shall apply and Section 3.02 shall not apply.

Under the Union Determined Balancing Option, Union will determine and advise Customer of the incremental quantity of Gas that must be supplied by Customer for the BGA balance to be greater than or equal to the Winter Checkpoint Quantity as of the Winter Checkpoint Date, and the quantity of Gas that must be disposed of for the BGA balance to be less than or equal to the Fall Checkpoint Quantity as of the Fall Checkpoint Date. Customer is obligated to supply and to dispose of the quantities of Gas as determined by Union.

Winter Checkpoint

Periodically during the winter, Union will estimate what the BGA balance will be as of the Winter Checkpoint Date (“Winter BGA Balance”) using recent third party weather forecasts and Customer’s monthly consumption forecast. The BGA estimate will include estimated consumption, whether billed or unbilled, to and including the Winter Checkpoint Date. This information will be provided to Customer for information purposes only, and in no way limits or qualifies Customer’s obligation to ensure that the actual BGA balance is greater than or equal to the Winter Checkpoint Quantity on the Winter Checkpoint Date. As the Winter BGA Balance is comprised of third party weather forecasts and Customer’s consumption forecast, Union cannot make any representation or warranty as to the accuracy of the Winter BGA Balance.

During February, if Union determines that the estimated BGA will be less than the Winter Checkpoint Quantity then Union will advise Customer on or about the 10th Business Day of February of the additional quantity of Gas that must be delivered. Customer must, by the 15th Business Day of February, request approval for a balancing transaction to deliver the additional Gas. If Customer does not make a request by the 15th Business Day, or if Union has approved a balancing transaction and the Gas is not delivered in accordance with the approved balancing transaction, then Union will sell to Customer, and Customer will accept, that quantity of Gas at the Banked Gas Purchase commodity charge from the R1 Rate Schedule.

Fall Checkpoint

During September, Union will determine and advise Customer on or about the 10th Business Day of September of the quantity of Gas that must be disposed of in advance of the Fall Checkpoint Date (“Checkpoint Variance”). Once Union has advised Customer of the Checkpoint Variance, then Union, at any time prior to the Fall Checkpoint Date, upon three business days notification, shall have the right to refuse receipt of Gas until the BGA has been reduced by an amount equal to the Checkpoint Variance. Union shall not be liable for any damages, losses, costs or expenses incurred by Customer as a consequence of refusing receipt of Gas.

If, by the Fall Checkpoint Date, a quantity of Gas greater than or equal to the Checkpoint Variance has not been disposed of, then Customer shall incur a charge equivalent to the difference between the Checkpoint Variance and the actual quantity disposed of by Customer after being notified of the Checkpoint Variance (“Union Determined Excess Quantity”) multiplied by the Unauthorized Storage Space Overrun rate in Union's T1 Rate Schedule. The Unauthorized Storage Space Overrun rate will be applied to the remaining Union Determined Excess Quantity each month until the Union Determined Excess Quantity is reduced to zero.

In addition, Customer shall take immediate steps to dispose of the Union Determined Excess Quantity. On the first business day of October, or at any time afterwards, upon three business days notification, Union may refuse receipt of Gas until the BGA has been reduced by an amount equal to the Union Determined Excess Quantity. Union shall not be liable for any damages, losses, costs or expenses incurred by Customer as a consequence of refusing receipt of Gas.

3.02 Service under the Customer Determined Balancing Option

Where Schedule 1 identifies the balancing option as "Customer Determined Balancing Option", Section 3.02 of this Schedule 2 shall apply and Section 3.01 shall not apply.

Under the Customer Determined Balancing Option, Customer is responsible for determining the quantity of Gas that must be supplied and executing the actions required to ensure that the actual BGA balance is greater than or equal to the Winter Checkpoint Quantity as of the Winter Checkpoint Date, and determining the quantity of Gas that must be disposed of and executing the actions required to ensure that the actual BGA balance is less than or equal to the Fall Checkpoint Quantity as of the Fall Checkpoint Date.

Winter Checkpoint

Periodically during the winter, Union will estimate what the BGA balance will be as of the Winter Checkpoint Date ("Winter BGA Balance") using recent third party weather forecasts, if applicable, and Customer's monthly consumption forecast. The BGA estimate will include estimated consumption, whether billed or unbilled, to and including the Winter Checkpoint Date. This information will be provided to Customer for information purposes only, and in no way limits or qualifies Customer's obligation to ensure that the actual BGA balance is greater than or equal to the Winter Checkpoint Quantity on the Winter Checkpoint Date. As the Winter BGA Balance is comprised of third party weather forecasts and Customer's consumption forecast, Union cannot make any representation or warranty as to the accuracy of the Winter BGA Balance.

If Customer determines that it requires a change in its supply arrangements to meet its Winter Checkpoint Quantity as of the Winter Checkpoint Date, Customer must, by the 15th Business Day of February, request approval for a balancing transaction to deliver the additional Gas. If Customer does not make a request by the 15th Business Day of February then Union is not obligated to accept the request if it cannot be reasonably accommodated or exposes Union to incremental costs.

If the actual BGA balance is less than the Winter Checkpoint Quantity on the Winter Checkpoint Date then Union will sell to Customer, and Customer will accept, a quantity of Gas equal to the difference between the actual BGA balance and the Winter Checkpoint Quantity, at the Banked Gas Purchase commodity charge in the R1 Rate Schedule.

Fall Checkpoint

During September, Union will determine and advise Customer on or about the 10th Business Day of September of the quantity of Gas projected to be in excess of the Fall Checkpoint in advance of the Fall Checkpoint Date ("Checkpoint Variance"). Once Union has advised Customer of the Checkpoint Variance, then Union, at any time prior to the Fall Checkpoint Date, upon three business days notification, shall have the right to refuse receipt of Gas until the BGA has been reduced by an amount equal to the Checkpoint Variance. Union shall not be liable for any damages, losses, costs or expenses incurred by Customer as a consequence of refusing receipt of Gas.

If the actual BGA balance is greater than the Fall Checkpoint Quantity on the Fall Checkpoint Date, Customer shall incur a charge equivalent to the difference between the actual BGA balance and the Fall Checkpoint Quantity ("Customer Determined Excess Quantity") multiplied by the Unauthorized Storage Space Overrun rate in Union's T1 Rate Schedule. The Unauthorized Storage Space Overrun rate will be applied to the remaining Customer Determined Excess Quantity each month until the Customer Determined Excess Quantity is reduced to zero.

In addition, Customer shall take immediate steps to dispose of the Customer Determined Excess Quantity. On the first business day of October, or at any time afterwards, upon three business days notification, Union may refuse receipt of Gas until the BGA has been reduced by an amount equal to the Customer Determined Excess Quantity. Union shall not be liable for any damages, losses, costs or expenses incurred by Customer as a consequence of refusing receipt of Gas.

3.03 Additional BGA Monitoring and Maintenance Obligations

In addition to meeting the Fall Checkpoint Quantity on the Fall Checkpoint Date and the Winter Checkpoint Quantity on the Winter Checkpoint Date above, Customer agrees to monitor its BGA balance on an ongoing basis, and shall maintain a BGA balance such that it does not exceed the Maximum Positive Variance or Maximum Negative Variance on the BGA Balancing Period Date(s) specified in Section 3 of Schedule 1. If Customer anticipates a BGA balance outside of any of these parameters then Customer shall promptly notify Union.

If Union forms the opinion that the BGA balance will exceed the Maximum Positive Variance at the end of a BGA Balancing Period Date as referenced in Section 3 of Schedule 1 then Union, in its discretion, shall have the right to refuse receipt of Gas.

Union's refusal to receive Gas under any circumstances described in this section does not relieve Customer of its obligation on any subsequent Day to deliver its Obligated DCQ to Union should Union require it. Union agrees to act in a reasonable and responsible manner when interpreting the relevant data for determining the forecasted BGA balances. Union shall not be liable for any damages, losses, costs or expenses incurred by Customer as a consequence of refusing receipt of Gas.

3.04 Positive BGA Implications

In addition to planning and operating to balance to zero at the end of the Contract Year, Customer must take all actions required to ensure that the Maximum Positive Variance is not exceeded. On any BGA Balancing Period Date identified in Section 3 of Schedule 1, if the actual BGA balance is in excess of the Maximum Positive Variance ("Positive Variance Excess") then such excess shall incur a charge equivalent to the Unauthorized Storage Space Overrun rate in Union's T1 Rate Schedule. The Unauthorized Storage Space Overrun rate will be applied to the remaining Positive Variance Excess each month until the Positive Variance Excess is reduced to zero.

In addition, Customer shall take immediate steps to dispose of the Positive Variance Excess. On the first business day of the month following the BGA Balancing Period Date identified in Section 3 of Schedule 1, or at any time afterwards, upon three business days notification, Union may refuse receipt of Gas until the BGA has been reduced by an amount equal to the Positive Variance Excess. Union shall not be liable for any damages, losses, costs or expenses incurred by Customer as a consequence of refusing receipt of Gas.

3.05 Negative BGA Implications

In addition to planning and operating to balance to zero at the end of the Contract Year, Customer must take all actions required to ensure that the Maximum Negative Variance is not exceeded. On any BGA Balancing Period Date identified in Section 3 of Schedule 1, if the actual BGA balance is in excess of the Maximum Negative Variance then the excess shall be sold by Union and purchased by Customer at the Banked Gas Purchase charge in the R1 Rate Schedule.

3.06 Energy Conversion

Balancing of receipt by Union with distribution to Customer is calculated in energy. The distribution to Customer is converted from volume to energy using Union's standard practices.

3.07 Disposition of Gas at Contract Termination

If this Contract terminates or expires and Customer does not have a contract for Storage Services with Union then, except as authorized by Union, no positive BGA balance shall be allowed. Unless otherwise agreed to by Union, any positive BGA balance remaining in Customer's BGA as of such date of termination or expiry shall incur a charge equivalent to the Unauthorized Storage Space Overrun rate in Union's T1 Rate Schedule. Customer shall incur such charge until the balance has been reduced to zero.

Unless otherwise agreed to by Union, any negative BGA balance as of the date of termination shall be sold by Union, and purchased by Customer, at the Banked Gas Purchase commodity charge in the R1 Rate Schedule.

3.08 BGA Carryover Limitation During Late Season Injection

If the current Contract Year ends during the period September 15 to November 15, Union will provide Storage Services for a positive BGA balance on a reasonable efforts basis only. If in Union's opinion such Service is not available, Customer, when requested by Union, shall reduce deliveries to Union to ensure that the positive balance is reduced to zero or to an amount specified by Union. Such request by Union shall release Customer from its Obligation to deliver during the period specified. Any Gas in excess of the amount specified by Union shall incur a charge equivalent to the Unauthorized Storage Space Overrun rate in Union's T1 Rate Schedule.

4 CHANGES TO CONTRACT PARAMETERS (SCHEDULE 1)

4.01 General Service Class

This Section 4.01 shall only apply to Contracts that do not have any end use locations served under rates M4, M5, M6, M7 or M9. Any changes to the list of End Use locations, consumption patterns, or upstream supply may have a corresponding change to the parameters in Schedule 1 as determined by Union. If there is a change, Customer will receive a revised Schedule 1 from Union prior to the effective date of the change. If Customer does not acknowledge and agree to the revised Schedule 1 in writing at least 25 days prior to the effective date of the change then the Contract will be terminated.

4.02 Contract Rate Classes

This Section 4.02 shall only apply to Contracts with one or more end use locations served under rates M4, M5, M6, M7 or M9. The monthly consumption estimates and the monthly Gas supply are used to determine the Fall and Winter Checkpoints. If Customer has not provided Notice for termination in accordance with the Notice provisions of the Contract, then the parameters in Schedule 1 shall apply to the next Contract Year. However, during the period prior to 25 days before the beginning of the next Contract Year, Union and Customer agree to negotiate in good faith new Schedule 1 parameters reflecting Customer's expected consumption profile for the next Contract Year. If the parties cannot reach agreement, then the existing parameters shall apply.

5 CUSTOMER'S FAILURE TO DELIVER GAS

5.01 Customer's Failure To Deliver Obligated DCQ to Union

If on any Day, for any reason, including an instance of Force Majeure, Customer fails to deliver the Obligated DCQ to Union then such event shall constitute a "Failure to Deliver" and the Failure to Deliver rate in the R1 Rate Schedule shall apply to the quantity Customer fails to deliver. The upstream transportation costs (if any) (Section 1) shall also apply and be payable by Customer.

For Gas that should have been received, Union may make reasonable attempts, but is not obligated to acquire an alternate supply of Gas. For greater certainty, payment of the Failure to Deliver charge is independent of and shall not in any way influence the calculation of Union's costs and expenses associated with acquiring the said alternate supply of Gas.

In addition to any rights of interruption in the Gas Distribution Contract(s), Union may immediately suspend distribution of Gas to the Consumption Points or Union may direct Customer to immediately curtail or cease consumption of Gas at the Consumption Points.

Customer shall immediately comply with such direction. Such suspension or curtailment shall not constitute an Interruption under the Gas Distribution Contract(s).

Union shall not be liable for any damages, losses, costs or expenses incurred by Customer as a consequence of Union exercising its rights under this Section.

5.02 Notice Of Failure

Each Party shall advise the other by the most expeditious means available as soon as it becomes aware that such failure has occurred or is likely to occur. Such notice may be oral, provided it is followed by written Notice.

5.03 Customer Failure To Deliver Compressor Fuel

For Gas to be delivered by Customer to Union at an Upstream Point of Receipt, if Customer fails to deliver sufficient Compressor Fuel then, in addition to any other remedy, Union shall deem the first Gas received to be Compressor Fuel and Section 5.01 will apply.

UNION GAS LIMITED

Answer to Interrogatory from
Natural Resource Gas Limited

Reference: NRG / Union Contract and Requests of Union for Assistance

NRG filed its Southern Bundled T Gas Contract made as of October 1, 2004 between itself and Union, as amended, together with General Terms and Conditions dated January 2009. Does Union accept this to be the contract between Union and NRG? If a different contract or General Terms and Conditions are binding between the parties, produce them.

Response:

As stated at Exhibit B.NRG.15, NRG's submission in its Intervention Request, is missing Schedule 2 to the contract, the Southern Bundled T Terms and Conditions, which defines the banked gas account, checkpoint obligations and linkage to the R1 rate schedule. Please see Exhibit B.NRG.15, Attachment 1 for the omitted Schedule 2 to the Southern Bundled T contract.

NRG's Union South Bundled T Gas Contract is comprised of five documents:

1. Contract Cover: October 1, 2004
2. Schedule "1" Contract Parameters and Notices Lists: October 1, 2013
3. Schedule "2"Southern Bundled T Terms And Conditions: September 2008 version
4. Schedule "3" End Use List: October 1, 2013
5. General Terms and Conditions (applies to all contracts): January 2009 version

UNION GAS LIMITED

Answer to Interrogatory from
Natural Resource Gas Limited

Reference: NRG / Union Contract and Requests of Union for Assistance

In February, 2014 NRG sought assistance from Union regarding its obligations to provide natural gas for balancing purposes. In its rate and services conditions, Union speaks of an In-Franchise Transfer contract. An In-Franchise Transfer contract moves gas from an in-franchise contract that is "long" (over delivered) to an in-franchise contract that is "short" (over consumed). Union permits IFTs between customers in any delivery area according to its rates and services conditions. Union suggested a customer to speak with that might be long or have gas for purchase, but that contact did not return NRG's call. Union otherwise said it had no assistance to offer NRG. Are the above facts as stated correct? Was any other assistance available, but refused by Union? Was Union able to supply the natural gas itself from the amount it had already purchased or contracted to purchase? If so, why did Union refuse to assist NRG? In this regard, is there a difference between assistance rendered to a utility as opposed to any assistance rendered to a strictly commercial customer? Please explain.

Response:

Union did not refuse to assist NRG. During January and February 2014 Union frequently communicated with NRG to notify it of its balancing obligations, responded to NRG's emails and telephone calls, provided a written response on February 24th to their NRG's letter dated February 21st (Please see Attachment 1 and Attachment 2) and participated in a conference call with NRG representatives on February 26th. This was done to assist NRG in understanding and meeting its contractual obligations and included the discussion of gas supply options. Union provided options to NRG to meet its checkpoint obligations, including:

(i) purchase the gas in the market itself per its normal practice;
(ii) purchase from an in-franchise contract that is "long" (In-Franchise Transfer - IFT); or,
(iii) purchase gas through Union via its Discretionary Gas Supply Service.

As communicated to NRG, Union could supply the natural gas as part of the Discretionary Gas Supply Service ("DGSS"), which is a supplementary gas supply service of last resort for Union South Direct Purchase customers. Union South Direct Purchase contract customers, who are unable to access market supplies from other sources, can purchase supplementary gas directly from Union through the DGSS to meet their unplanned, excess consumption. Gas purchased through this service will reflect market pricing, as well as an administration fee. The administration fee that Union charges for this service is the same as that approved for sales service gas sales. NRG did not request this service from Union.

The advice provided by Union is the same offered to other customers and is the extent of the assistance from Union that is available with regard to acquiring gas to meet their balancing obligations. Further, it is the same assistance that is provided to direct purchase customers, regardless of whether they are a utility, retail energy marketer or commercial customer.

Natural Resource Gas Limited
39 Beech St. E., PO Box 307, Aylmer On N5H 2S1

Via Email

February 21, 2014

Mr. Patrick Boyer
Union Gas Limited

Bundled-T Gas Contract between NRG and Union

We are writing to request that Union waive any rights it may have to require NRG to purchase natural gas before February 28, 2014 in order to meet NRG's Winter Checkpoint Quantity of -115,000 GJ. In the absence of any such waiver, NRG will have to consider bringing an emergency application to the Board to obtain such relief. We would be pleased to discuss an alternative future point for balancing this contract year.

The reasons for this request are straightforward:

- Natural gas prices at Dawn today are in the neighbourhood of $38 per GJ, which is an anomaly.
- You have notified us that although the Winter Checkpoint Quantity date is February 28, Union needs the transaction completed by Monday, February 24, 2014.
- The relief being requested by us provides no benefit to NRG or its shareholder, since natural gas commodity is a pure pass through at the market price. However, the contractual relief being requested would be of significant financial benefit to residential and small business customers in NRG's service area. We estimate buying gas today would cost a typical residential customer of NRG about $300 extra over the next 12 months (as compared to purchasing at a more typical price).
- As a utility, NRG understands the need for balancing its physical system. But NRG does not believe that the balancing gas to be provided by NRG is needed for any system security or reliability reasons of Union. So there is no real benefit to Union to enforce the Winter Checkpoint requirement. And there is, as noted above, an exorbitant cost to NRG's customers. Indeed, the cost borne by NRG's customers would be of no benefit to anyone, other than the selling gas producer.

Yours truly,

B Lippold

Brian Lippold,
General Manager

Copy: D. Simpson (Union Gas)
M. Aldred (OEB)
R. King (Osler)

uniongas
A Spectra Energy Company

February 24, 2014

Natural Resource Gas Limited
39 Beech St. E.
P.O. Box 307
Aylmer, ON
N5H 2S1

Attn: Brian Lippold, General Manager

Re: Request to waive NRG's Winter Checkpoint Obligation

Dear Mr. Lippold;

Union Gas Limited ("Union") has received your letter dated February 21, 2014, requesting that Union waive Natural Resource Gas Limited's ("NRG") Winter Checkpoint Obligation.

For the reasons below, Union cannot waive NRG's Winter Checkpoint Obligation. As per the terms of the Southern Bundled Transportation Contract, **NRG is required to submit a balancing transaction for 115,523GJ by 4:30 p.m. ET on Monday, February 24, 2014, with delivery of gas to its Banked Gas Account ("BGA") by Friday February 28, 2014.** This balancing transaction reflects the amount of gas that NRG has consumed above the forecasted level of consumption anticipated in your contract. If not immediately corrected, this imbalance will result in a shortfall on Union's distribution system that cannot be tolerated.

The reasons Union cannot waive NRG's Winter Checkpoint Obligation are:

- NRG has elected to provide its own gas supply to meet consumption needs and entered into a Southern Bundled Transportation Contract with Union. The contract sets the terms and conditions of this service, including the Winter Checkpoint Obligation. The Winter Checkpoint Obligation is to ensure that Bundled Direct Purchase customers are fully accountable for any consumption in excess of the forecasted consumption contained in their contract, up to and including February 28, 2014. While Union provides services to enable the direct purchase market, it remains NRG's responsibility to ensure its BGA balance is not in excess of the contracted Winter Checkpoint. If the weather is different than expected for February of any year, and/or the consumption in the contract is higher than forecasted in March, Union will purchase gas to eliminate those variances and bill that cost to customers as well.

- The Winter Checkpoint Obligation, which has been in place since 2004 (OEB RP-2003-0063), is integral to the security of supply and reliability of Union's system. Ensuring that sufficient gas supply is available at the end of February is a critical control point for Union's system. Contrary to NRG's position, any customer's failure to meet their obligation impairs Union's system and exposes the utility and its customers to a supply shortfall. This creates an operational risk and generates incremental costs to address the customer's failure to deliver the required gas.

- The Winter Checkpoint Obligation is well defined in the Southern Bundled Transportation Contract. Another requirement is for the customer to pro-actively manage their BGA during the

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Union Gas Limited

contract year. NRG's failure to manage its BGA when increased consumption began occurring in November 2013 is not a justifiable reason to waive the Winter Checkpoint Obligation in the last week of February 2014. NRG has had the flexibility all winter to purchase and deliver incremental gas to reflect the colder than normal weather this winter. Union, for example, has been purchasing incremental gas to reflect the increased consumption for system customers starting in December and continuing each month since. As well, other direct purchase customers with the same contract as NRG have been delivering gas to meet their Winter Checkpoint Obligation.

- NRG's reference to the spot gas prices at Dawn and assertion of a negative impact on its customers is not relevant to the Winter Checkpoint Obligation. Certainly a colder than normal winter has impacted gas prices and consumers across Ontario, including Union's own customers. However, as Union's other Southern Bundled Transportation contract holders are meeting their obligations, providing an exception to NRG would be neither equitable nor appropriate. Furthermore, providing an exception for NRG would support the very behaviour that the Winter Checkpoint Obligation is designed to dissuade.

Please note that if this obligation is not met, NRG is contractually required to purchase the balancing gas from Union at the highest daily spot gas price recorded at Dawn in either February or March 2014. With the highest spot price to date in February at $50.50/GJ, should NRG default on its Winter Checkpoint Obligation, Union would be required to supply the balancing gas and invoice NRG $5,833,911 for same. Given the $50.50/GJ already recorded, and the possibility for higher prices to occur during the rest of February or in March, NRG is strongly encouraged to make its own supply arrangements as soon as possible.

Should you have any further questions, please contact your account manager, Patrick Boyer.

Sincerely,

Jim Laforet, Manager Contract Billing & Operational Support

Copy:
Dave Simpson, Union Gas
Patrick Boyer, Union Gas
Mark Kitchen, Union Gas
Mary Anne Aldred, Ontario Energy Board
Richard King, Osler, Hoskin & Harcourt LLP

Via Email

UNION GAS LIMITED

Answer to Interrogatory from
Natural Resource Gas Limited

Reference: NRG / Union Contract and Requests of Union for Assistance

NRG asked Union for assistance in February 2014 as the price of gas had spiked, and again asked for assistance from Union later in February when gas was not available for purchase and delivery at all for NRG. Union's rates and services terms describes a loan which is a transaction that allows a direct purchase customer to obtain gas from Union for a period of time, subject to availability and with price and terms to be negotiated. Union did not offer this service to NRG. Why not?

Response:

As described on Union's website (http://www.uniongas.com/storage-and-transportation/services/storage/loan), a loan provides Shippers with the ability to withdraw (borrow) gas from Union for a defined period and inject (repay) that same quantity over a period in the future. A loan is available, subject to system restrictions and a credit review, for customers who have an executed HUB contract. NRG does not have a HUB Contract.

Further, in February 2014, loans were not available due to storage withdrawal interruptions in accordance with the priority of service.

UNION GAS LIMITED

Answer to Interrogatory from
Natural Resource Gas Limited

Reference: NRG / Union Contract and Requests of Union for Assistance

What markers are given to Union customers when pipeline capacity is in jeopardy of being maxed out? How does "zeroing out" of inventories affect the availability of natural gas? Did the zeroing out of inventories for new February or March contracts reduce storage and large volume trades being offered on the trading floor at the end of each month? Please explain.

Response:

Union does not understand the question. Union sought clarification from NRG's Counsel but did not receive a response.

UNION GAS LIMITED

Answer to Interrogatory from
Natural Resource Gas Limited

Reference: System Information Relevant to Cold Weather Event

Power consumption in Ontario this past winter was unusually high. Is it Union's understanding that this resulted in more natural gas power generation during the cold weather period in December 2013 and January, February and March 2014. To what extent did the need for natural gas to produce electric power either drive up the price of natural gas or make it unavailable at the end of February 2014?

Response:

The question is not relevant to Union's request to lower the charges. Accordingly, Union has not provided a response.

UNION GAS LIMITED

Answer to Interrogatory from
Natural Resource Gas Limited

Reference: System Information Relevant to Cold Weather Event

Union has described in its literature "Dawn Storage Hub". It is described as one of the top three hubs in North America. Union has publicly stated that natural gas was less available in February 2014 for points in the United States and that this drove up prices in Ontario. Is this accurate?

Response:

The question is not relevant to Union's request to lower the charges. Accordingly, Union has not provided a response.

UNION GAS LIMITED

Answer to Interrogatory from
Natural Resource Gas Limited

Reference: System Information Relevant to Cold Weather Event

Did Union's delivery of 6.2 PJ natural gas on February 14, 19 and February 21 reduce capacity of its pipeline or the capacity of Trans Canada's pipeline and cause market price for natural gas to increase?

Response:

As per EB-2014-0050, Tab 1, Table 1, on February 14, 19, and 21 for variances that arose after checkpoint volumes were established. Union purchased gas supply on the forward month market, for delivery in March. Union did not purchase gas in the day market. Accordingly, Union has no reason to believe that these purchases would impact the price of gas in the intra-month cash or day market.

Union does not understand the reference to "capacity of its pipeline or the capacity of Trans Canada's pipeline". The volumes in question were purchased at Dawn.

UNION GAS LIMITED

Answer to Interrogatory from
Natural Resource Gas Limited

Reference: System Information Relevant to Cold Weather Event

Did Union offer any other customers any flexibility on pricing or availability of gas in February and March 2014? Is the Union evidence outlined in lines 12 to 22 of page 5, Tab 1 filed in EB-2014-0050 on March 6, 2014 accurate? If not, explain. Did the delivery of the gas mentioned in that evidence add to the pipeline capacity issue? Did the delivery of that gas drive up prices for natural gas? Did Union's action increase price volatility and diminish supply that affected its other customers by these actions?

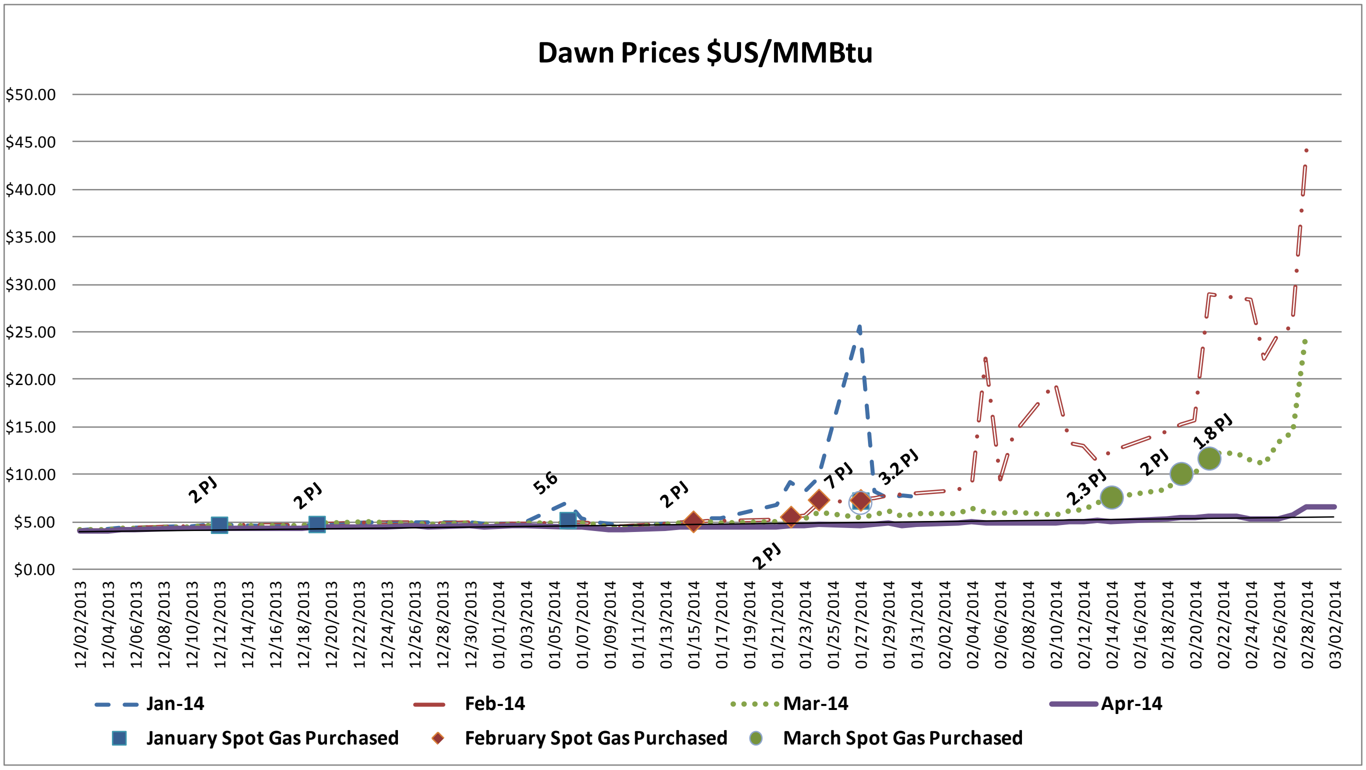
Response:

Union does not understand the question regarding flexibility on pricing or availability of gas in February and March.

As indicated in EB-2014-0050, Tab 1, p. 5, lines 12-22, as of March 1 2014, Union purchased 29.8 PJ of incremental spot gas landing at Dawn based on projected variances at that time:

1) to meet incremental winter requirements for actual and projected demand variances for Union South sales service customers and Union North sales service and bundled DP customers;
2) for incremental Rate 25 sales service activity;
3) for forecast weather variances relative to the February 28 inventory checkpoint and forecast March weather and consumption variances for Union South bundled DP customers; and,
4) to manage unaccounted for gas variances.

Union purchased supply in the forward market for balance of month or future months. Union's purchases for future periods would not have affected daily prices. There was approximately 5200 transactions and in excess of 28 PJ (Source: Enerdata CGPR Daily) of gas traded at Dawn in the daily (cash) markets during February and March. Union did not transact in these daily markets. As indicated at EB-2014-0050, Tab 1, Table 7 (provided below), pricing volatility was primarily evident in the daily market, not in the forward market when Union was purchasing supply.


Dawn Prices $US/MMBtu
$50.00
$45.00
$40.00
$35.00
$30.00
$25.00
$20.00
$15.00
$10.00
$5.00
$0.00
2 PJ
2 PJ
5.6
2 PJ
2 PJ
7 PJ
3.2 PJ
2.3 PJ
2 PJ
1.8 PJ
Jan-14
Feb-14
Mar-14
Apr-14
January Spot Gas Purchased
February Spot Gas Purchased
March Spot Gas Purchased

UNION GAS LIMITED

Answer to Interrogatory from
Natural Resource Gas Limited

Reference: System Information Relevant to Cold Weather Event

On February 21, 2014 Union purchased 1.8 PJ for direct purchase forecast variances. Was this normal practice for Union to purchase load balancing requirements for their South Bundled DP customers? If not, why did Union choose to buy it this year? If the answer is 'yes', at what percentage of the forecasted variance does Union normally purchase (compared to average over the last five years) and what was the percentage in 2014.

Response:

As stated in Union's EB-2014-0145 evidence, Exhibit A, Tab 1, for Union South, Union retains load balancing obligations for weather variances relative to the February 28 inventory checkpoint (for variances after the checkpoint volumes were established) and March weather and consumption variances for bundled DP customers. Due to this obligation, Union purchased 1.8 PJ of spot gas for delivery in March based on projected weather and consumption variances for Union South bundled DP customers. This load balancing obligation is a normal requirement and is there to ensure there is sufficient gas in storage at March 31 to maintain system integrity.

Union made this purchase to load balance Union South Bundled DP customers under the assumption that all contractual obligations for both checkpoint and contract expiry would be met by those customers. Union manages the March 31 inventory requirement in aggregate and does not have percentage thresholds.

UNION GAS LIMITED

Answer to Interrogatory from
Natural Resource Gas Limited

Reference: System Information Relevant to Cold Weather Event

Was NRG's volume requirement to deliver natural gas for load balancing purposes at the end of February 2014 included in the 1.8 PJ purchase of natural gas by Union?

Response:

Please see the response at Exhibit B.NRG.24.

UNION GAS LIMITED

Answer to Interrogatory from
Natural Resource Gas Limited

Reference: System Information Relevant to Cold Weather Event

Is there a difference between the operation of Union's system dealing with north DPs as opposed to south DPs? Explain. Refer to pages 7-20, Tab 1 of evidence filed on March 6, 2014 in EB-2014-0050.

Response:

Yes, there are differences between the operations of Union South and Union North.

As indicated in Union's evidence in EB-2008-0106 (Methodologies for Commodity Pricing, Load Balancing and Cost Allocation for Natural Gas Distributors proceeding) Union South and Union North are underpinned by different physical assets. Union South features an integrated system anchored with Dawn storage and a Dawn to Parkway transmission system that enables customers to manage their own supply/demand imbalances using storage and other transactional services. Union North customers are served through various service laterals that connect to the TransCanada mainline. With the exception of Union's LNG peaking facility located at Hagar, physical storage does not exist within Union North. Accordingly, Union's approach to load balancing in Union North must be different than Union South.

In Union South, direct purchase customers are responsible for maintaining a Banked Gas Account ("BGA") curve based upon the customer's forecast. The customer is responsible for maintaining the BGA balance at or below a Fall checkpoint (September 30) and at or above a Winter checkpoint (February 28). Further, the customer is required to balance the BGA at the end of the contract year to a tolerance of +/-4%.

In Union North, direct purchase customers balance annually. Union monitors the customers' BGA balances to determine if balancing activity is required. If Union determines that the contract is under-consuming and supply needs to be reduced to bring the BGA back to zero by contract end, Union will consult with the customer. If no proactive action is taken, Union will reduce the daily contract quantity ("DCQ") for the remainder of the contract year. If the customer is over-consuming, the customer must deliver incremental gas to bring the BGA back to zero by contract end.

In it EB-2008-0106 Decision, the Board found that Union's load balancing mechanisms were appropriate.

As per the contract terms and conditions available onuniongas.com, Table 1 provides a summary of differences and similarities between the Union North and Union South Bundled Transportation Direct Purchase contracts.

Table 1

Activity	**South**	**North**
Ratcheting	n/a	4 months in
Tolerance at expiry	+/- 4%	n/a
Checkpoints	Feb, Sept	n/a
Charges - not balancing	Highest Dawn Spot	Settle at WACOG
Failure to deliver	Charge	No Charge
In-franchise transfer	Allow	Allow
Ex-franchise transfer	Allow	Allow
Incremental	Allow	Allow
Suspension	Allow	Allow
Diversion	Allow	Not Allow
DCQ assignment	Allow	Not Allow

UNION GAS LIMITED

Answer to Interrogatory from
Natural Resource Gas Limited

Reference: Penalty Provision – Generally

The penalty provision contained in the Bundled T contract provides that a customer who does not supply gas at the appropriate time must pay a penalty based on the highest spot rate in the month in which volumes of gas were not delivered. What is Union's understanding of the intent of the penalty provision? Is the choice of a penalty rate based on a floating "highest spot rate in the month" an arbitrary and unpredictable amount upon which to base a penalty provision? Can an arbitrary and unpredictable amount ever be a fair and reasonable basis for a penalty provision?

Response:

Please see the response at Exhibit B.Staff.1

UNION GAS LIMITED

Answer to Interrogatory from
Natural Resource Gas Limited

Reference: Penalty Provision – Generally

On the facts of the NRG contractual obligation to supply volumes of gas during the month of February 2014, $78.73 per GJ was the amount of the penalty assessed against NRG. Was the amount of $78.73 per GJ predicted by Union as the likely penalty rate and, if so, when was that prediction made for the first time? Is this $78.73 per GJ penalty rate in any way connected to Union's actual costs? If not connected to Union's actual costs, should any new penalty rate fixed by the Board for the purposes of this case and based on the exceptional winter conditions which did occur be based upon Union's costs plus some mark-up as a true assessment of the penalty rate and Union's costs for providing the service?

Response:

Union does not predict gas prices. As communicated to NRG by letter on February 24, 2014 Union had already recorded a high spot rate of $50.50/GJ in February and could not guarantee that it would not end up higher based on the colder than normal weather being experienced in Ontario. Please see Exhibit B.NRG.19, Attachment 2 for Union's February 24, 2014 letter to NRG.

Union is not requesting a change to the provision and does not support the concept of a fixed rate penalty.

Please see the response at Exhibit B.Staff.1.

UNION GAS LIMITED

Answer to Interrogatory from
Natural Resource Gas Limited

Reference: Penalty Provision – Generally

What other criteria and objectives does Union seek to accomplish by the penalty rate? What is meant by "appropriate financial incentive to customers"? Has there been any actual empirical testing to determine if the size of the penalty rate was an appropriate incentive to Union's customers? Is there a difference between commercial customers and NRG (a downstream utility) in this regard?

Response:

Please see the response at Exhibit B.Staff.1.

"Appropriate financial incentive to customers" means that a customer should not be in a position of making an economic decision to pay the penalty rather than paying a higher market-based price, thus putting the integrity of the utility system at risk.

Based on evidence filed by Union in RP-2003-0063, the Board approved the existing penalty rate. The penalty rate applies to all direct purchase customers.

UNION GAS LIMITED

Answer to Interrogatory from
Natural Resource Gas Limited

Reference: Penalty Provision – Generally

Is it correct that Enbridge applies a very different mechanism for a shortfall of supply penalty from that supplied by Union? Does Enbridge merely add a modest mark-up on the twelve-month average of gas pricing? Was that mark-up 20% of the cost of the market average? If Enbridge applies a penalty in this matter, does that system eliminate market anomalies and minimize risk for its customers? If this is Enbridge's method of proceeding, why is it different from Union, and has Union considered adopting that system versus the highest price mechanism presently in use?

Response:

The question is not relevant to Union's request to lower the charges. Accordingly, Union has not provided a response.

OGVG

UNION GAS LIMITED

Answer to Interrogatory from
Ontario Greenhouse Vegetable Growers ("OGVG")

Reference: EB-2014-0154 Response to Board Staff Questions filed 20140410

Please extend Table 1 in Attachment 1 to include cost of gas at the landed cost of gas approved in the January 1st, 2014 QRAM and provide the resulting margin generated between the penalty provision rates and the landed cost of gas.

Response:

Please see Attachment 1, extended to include cost of gas at the landed cost of gas approved in the January 1, 2014 QRAM (columns (f)) and the variance between the penalty provision and the landed cost of gas(columns (g)). Note that the tables have been updated to reflect re-billings that occurred in May 2014 as described in Exhibit B.CME.2. There is no margin generated in this instance. The contract language is in place to ensure that customers balance to their contractual commitments. The Board indicated in its RP-2001-0029 Decision:

> *"the failure to balance can place compliant system participants at risk, and may result in additional costs….In the Board's view, the penalty must be sufficiently costly to defaulters to strongly discourage strategic non-compliance with balance obligations, and the careless or incompetent acceptance of contractual obligations which are not reasonably achievable. The Board is concerned that parties wishing to engage in the market, either directly or through agents, must be appropriately encouraged to manage their obligations responsibly. The system as a whole requires that."(p. 31).*

Summary of February and March 2014 Balancing Penalty Provisions

Table 1
February, 2014 Balancing Penalty Provisions

Line No.	Rate Class	No. of Customers	GJ	Penalty Provision at $78.73	Penalty Provision at $50.50	Reduction	Cost of supply at January QRAM Ontario Landed Reference Price ($4.868)	Variance (c)-(f)	Cost of Supply priced at Average Spot Gas Purchase Price (per EB-2014-0050 - $7.12)	Variance (c)-(h)
	(a)	(b)	(c)	(d)=(c) x $78.73	(e)=(c) x $50.50	(f)=(d)-(e)	(f)	(g)	(h)	(i)
1	Southern BT February Checkpoint	11	55,339	$4,356,727	$2,794,851	$1,561,876	$269,390	$4,087,337	$394,013	$3,962,714
2	Southern BT February Contract Expiries	2	2,881	$226,816	$145,503	$81,313	$14,025	$212,791	$20,513	$206,303
3	Rate 25 Unauthorized Overrun	5	2,217	$174,544	$111,971	$62,574	$10,793	$163,752	$15,785	$158,759
4	T1 Supplemental Inventory						$0	$0	$0	$0
5	**Total**	**18**	**60,437**	**$4,758,087**	**$3,052,325**	**$1,705,763**	$294,207	$4,463,880	$430,311	$4,327,776

Table 2
March, 2014 Balancing Penalty Provisions

Line No.	Rate Class	No. of Customers	GJ	Penalty Provision at $78.73	Penalty Provision at $52.04	Reduction	Cost of supply Priced at January QRAM Ontario Landed Reference Price ($4.866)	Variance (c)-(f)	Cost of Supply priced at Average Spot Gas Purchase Price (per EB-2014-0050 - $7.12)	Variance (c)-(h)
	(a)	(b)	(c)	(d)=(c) x $78.73	(e)=(c) x $52.04	(f)=(d)-(e)	(f)	(g)	(h)	(i)
1	Southern BT March Contract Expiries	0	0	$0	$0	$0	$0	$0	$0	$0
2	Rate 25 Unauthorized Overrun	3	1,015	$79,869	$52,794	$27,075	$4,941	$74,928	$7,227	$72,642
3	T1 Supplemental Inventory	2	54,937	$4,325,086	$2,858,922	$1,466,164	$267,433	$4,057,652	$391,152	$3,933,934
4	**Total**	**5**	**55,952**	**$4,404,955**	**$2,911,716**	**$1,493,239**	$272,375	$4,132,580	$398,378	$4,006,576

Table 3
February and March 2014 Balancing Penalty Provisions

Line No.	Rate Class	No. of Customers	GJ	Penalty Provision at $78.73	Penalty Provision at $50.50 or $52.04	Reduction	Cost of supply Priced at January QRAM Ontario Landed Reference Price ($4.866)	Variance (c)-(f)	Cost of Supply priced at Average Spot Gas Purchase Price (per EB-2014-0050 - $7.12)	Variance (c)-(h)
	(a)	(b)	(c)	(d)=(c) x $78.73	(e)=(c) x $50.50 or $52.04 per above	(f)=(d)-(e)	(f)	(g)	(h)	(i)
1	Southern BT February Checkpoint	11	55,339	$4,356,727	$2,794,851	$1,561,876	$269,390	$4,087,337	$394,013	$3,962,714
2	Southern BT Contract Expiries	2	2,881	$226,816	$145,503	$81,313	$14,025	$212,791	$20,513	$206,303
3	Rate 25 Unauthorized Overrun	5	3,232	$254,413	$164,765	$89,649	$15,734	$238,680	$23,012	$231,401
4	T1 Supplemental Inventory	2	54,937	$4,325,086	$2,858,922	$1,466,164	$267,433	$4,057,652	$391,152	$3,933,934
5	**Total**	**20**	**116,389**	**$9,163,042**	**$5,964,041**	**$3,199,001**	$566,582	**$8,596,460**	**$828,690**	**$8,334,352**

UNION GAS LIMITED

Answer to Interrogatory from
Ontario Greenhouse Vegetable Growers ("OGVG")

Reference: EB-2014-0154 Response to Board Staff Questions filed 20140410

Using the same approach as above, please substitute the landed cost of gas from the January 1st QRAM with actual cost of incremental landed gas in February drawn from Spot Gas supplies identified in EB-2014-0050 Tab 1 page 5 and 6.

Response:

Please see the response at Exhibit B.OGVG.1, Attachment 1, columns (h) and (i).

UNION GAS LIMITED

Answer to Interrogatory from
Ontario Greenhouse Vegetable Growers ("OGVG")

Reference: EB-2014-0154 Response to Board Staff Questions filed 20140410

Under Union's proposed approach, where would the resulting margins accrue?

a) Who would be the beneficiaries of the resulting margins?

b) Would direct purchase customers benefit?

c) In reviewing answers to a) and b) and the company's policies around load balancing, please comment on the issue of cost causality in terms the allocation of the resulting margin.

Response:

a) Union South bundled direct purchase and Rate T1/T2 Supplementary Inventory penalty charges above the approved reference price are recorded in the South Purchased Gas Variance Account ("SPGVA") and disposed of to Union South sales service customers. Union North penalty charges above the approved reference price are recorded in North deferral accounts (North Purchased Gas Variance Account or Spot Deferral Account) and disposed of to Union North sales service customers.

b) No.

c) The penalty charges are not based on cost causality but as a deterrent to discourage customers from making economic decisions on whether or not to comply with their contractual obligations. The charge to DP customers is credited to Union North and Union South sales service customers to ensure that the cost consequences of DP customers failing to balance are not borne by these customers. This is consistent with past practice. Please see the response at Exhibit B.OGVG.1.

UNION GAS LIMITED

Answer to Interrogatory from
Ontario Greenhouse Vegetable Growers ("OGVG")

Reference: EB-2014-0154 Response to Board Staff Questions filed 20140410

Preamble: In EB-2011-0354, Enbridge agreed with intervenors to change its methodology for the allocation of benefits from premiums obtained from its balancing requirements.

"Within the Purchased Gas Variance Account (PGVA), all parties have agreed to one methodology change. With respect to dispositions of long Banked Gas Account (BGA) balances, all parties agree that when a long BGA balance is purchased by Enbridge from a customer, Enbridge will credit the difference between the purchase price and the Empress price embedded in the PGVA to a load balancing component of the PGVA (rather than to the commodity component of the PGVA, which is the current methodology)."[1]

a) Please comment on the cost causality of this approach relative to Union's current approach.

b) How could Union ensure that premiums from load balancing offset load balancing costs?

Response:

a) The charges are a deterrent to discourage customers from making economic decisions on whether or not to comply with their contractual parameters. Enbridge's approach with respect to the disposition of any price variance associated with long Banked Gas Account ("BGA") balances purchased by Enbridge is not relevant to Union's charges levied upon its own customers for failing to meet their contractual obligations.

For Union, Union South load balancing costs are recovered from sales service and bundled direct purchase customers in delivery rates, not through a load balancing component of the PGVA. In Union North, load balancing costs are recovered from sales service and bundled direct purchase customers in gas supply transportation rates.

[1] EB-2011-0354 Decision dated Oct. 15, 2012 Appendix A, Settlement Agreement, Exhibit N1, Tab1, Schedule 1, page 32

Notwithstanding the above, Union is unclear how the methodologies described above relate, if at all, to penalty charges. Union's penalty charges do not relate to the recovery of load balancing costs in base rates, but rather to the failure of certain direct purchase customers to meet their contractual obligations to load balance.

b) As described above, Union does not accept that the charges should offset load balancing costs in base rates.

UNION GAS LIMITED

Answer to Interrogatory from
Ontario Greenhouse Vegetable Growers ("OGVG")

Reference: EB-2014-0154 Response to Board Staff Questions filed 20140410

Please provide the amount of time the invoiced party will have to reimburse Union Gas for the penalty and if interest will be applied during the term of re-payment.

Response:

The charge is payable when the invoice is due and late payment charges will apply for unpaid amounts. Customers are able to propose alternative payment arrangements depending on their circumstances on a case by case basis. As noted in Exhibit B.CME.2. Attachment 1, Lines 4 and 9, two customers requested and were provided payment arrangements to settle the amount due, one for a period of six months and the other for twelve months. Provided the customer continues to meet their agreed to payment arrangement, interest is not applied to the balance owing.

UNION GAS LIMITED

Answer to Interrogatory from
TransAlta Corporation, TransAlta Generation Partnership and TransAlta Cogeneration L.P
("TransAlta")

Preamble:

TransAlta Corporation, TransAlta Generation Partnership and TransAlta Cogeneration L.P. ("TransAlta") intervened in this proceeding to address issues arising from Union Gas Limited's ("Union") discretionary decision-making related to obligations under its approved tariffs and related customer contracts, which has negatively impacted a significant number of customers involved in this proceeding.

For many days during the January-April 2014 period, TransAlta was required by Union to deliver gas up to an alleged obligated DCQ of 17,904 GJ per day. TransAlta consequently purchased quantities of gas far in excess of its operational requirements, and as a result incurred losses amounting to an effective penalty. TransAlta is concerned that its treatment may be different as compared to similarly situated customers during the same period.

Please provide the total number of customers that obtain service from Union Gas Limited ("Union") under T1/T2 contracts with (i) an obligated DCQ and (ii) a non-obligated DCQ, and confirm that each of these customers is governed by (a) a tariff, and (b) a contract that is posted and disclosed.

Response:

The question is not relevant to Union's request to lower the penalty charges. Accordingly, Union has not provided a response.

UNION GAS LIMITED

Answer to Interrogatory from
TransAlta Corporation, TransAlta Generation Partnership and TransAlta Cogeneration L.P
("TransAlta")

Preamble:

TransAlta Corporation, TransAlta Generation Partnership and TransAlta Cogeneration L.P. ("TransAlta") intervened in this proceeding to address issues arising from Union Gas Limited's ("Union") discretionary decision-making related to obligations under its approved tariffs and related customer contracts, which has negatively impacted a significant number of customers involved in this proceeding.

For many days during the January-April 2014 period, TransAlta was required by Union to deliver gas up to an alleged obligated DCQ of 17,904 GJ per day. TransAlta consequently purchased quantities of gas far in excess of its operational requirements, and as a result incurred losses amounting to an effective penalty. TransAlta is concerned that its treatment may be different as compared to similarly situated customers during the same period.

Please list all current Union T1 and T2 contracts (excluding customer names) and identify for each contract:

a) the firm CD level;

b) the obligated DCQ level;

c) the location for delivery and whether it is West of Dawn;

d) the start date;

e) whether they are considered "new" or "existing" customers/contracts as per Union's Policies & Guidelines O5-DP-DCQS-009 and 10-DP-DCQS-009; and

f) the average daily gas deliveries for the prior three contract years.

Response:

The question is not relevant to Union's request to lower the penalty charges. Accordingly, Union has not provided a response.

UNION GAS LIMITED

Answer to Interrogatory from
TransAlta Corporation, TransAlta Generation Partnership and TransAlta Cogeneration L.P
("TransAlta")

The "General Terms and Conditions" in Union's posted T2 contract contains the following provision:

> "**Daily Contract Quantity**" ("DCQ") means that portion of the daily parameters as set out in Schedule 1, being a quantity of Gas which Customer must deliver to Union on a Firm basis. The DCQ (GJ/day) is equal to 12 months of consumption of end-use locations underlying the direct purchase contract/365 days * heat value (GJ/m3). If this Contract has a term greater than 12 months, the DCQ is calculated by dividing the historical consumption for the term of this Contract by the number of Days in this Contract term. The consumption of general service end-use locations is weather normalized.

In respect of this provision:

a) please confirm the method for calculation of DCQ for a contract that has a term of greater than 12 months;

b) what, if any, discretion does Union have in the calculation of DCQ under T1/T2 contracts?;

c) how has Union exercised any discretion referred to in (b) above in relation to each and all T1/T2 customers?

Response:

The question is not relevant to Union's request to lower the penalty charges. Accordingly, Union has not provided a response.

UNION GAS LIMITED

Answer to Interrogatory from
TransAlta Corporation, TransAlta Generation Partnership and TransAlta Cogeneration L.P
("TransAlta")

Preamble:

TransAlta Corporation, TransAlta Generation Partnership and TransAlta Cogeneration L.P. ("TransAlta") intervened in this proceeding to address issues arising from Union Gas Limited's ("Union") discretionary decision-making related to obligations under its approved tariffs and related customer contracts, which has negatively impacted a significant number of customers involved in this proceeding.

For many days during the January-April 2014 period, TransAlta was required by Union to deliver gas up to an alleged obligated DCQ of 17,904 GJ per day. TransAlta consequently purchased quantities of gas far in excess of its operational requirements, and as a result incurred losses amounting to an effective penalty. TransAlta is concerned that its treatment may be different as compared to similarly situated customers during the same period.

Please provide any and all processes that Union uses to: (1) set obligated DCQs, and (2) determine the frequency with which obligated DCQs are updated.

Response:

The question is not relevant to Union's request to lower the penalty charges. Accordingly, Union has not provided a response.

UNION GAS LIMITED

Answer to Interrogatory from
TransAlta Corporation, TransAlta Generation Partnership and TransAlta Cogeneration L.P
("TransAlta")

Preamble:

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Has Union ever exercised discretion in the establishment of an obligated DCQ for a customer or in allowing a customer a non-obligated DCQ? If yes, please provide the circumstances and details (redacted to exclude customer names if required).

Response:

The question is not relevant to Union's request to lower the penalty charges. Accordingly, Union has not provided a response.

UNION GAS LIMITED

Answer to Interrogatory from
TransAlta Corporation, TransAlta Generation Partnership and TransAlta Cogeneration L.P
("TransAlta")

Preamble:

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Please provide any and all policies/guidelines/decisions that Union applies in the exercise of discretion and decision making with respect to:

a) requiring a customer to take on an obligated DCQ;

b) waiving an obligated DCQ requirement on any given day;

c) changing from an obligated DCQ to a non-obligated DCQ requirement;

d) exercising any and all flexibility in relation to meeting or waiving an obligated DCQ, including without limitation the source of such gas deliveries (eg., gas in storage, gas otherwise in-franchise or delivery at other points)

Response:

The question is not relevant to Union's request to lower the penalty charges. Accordingly, Union has not provided a response.

UNION GAS LIMITED

Answer to Interrogatory from
TransAlta Corporation, TransAlta Generation Partnership and TransAlta Cogeneration L.P
("TransAlta")

In its Leave to Construct Application in respect of the Greenfield South Generating Station Project, EB-2014-0147 (the Greenfield Application), Union made the following submissions regarding Union's Rate T2 Service:

> Union offers the Rate T2 service to its largest contract rate customers, including the electricity generators in the Southern delivery area of Union's franchised service area. The Rate T2 service provides customers with the flexibility required to operate their plants economically. Approximately 22 large industrial customers contract for this service. These customers collectively consume approximately 150 Bcf of gas annually. This total includes all 7 gas-fuelled electricity generation plants in Union's franchised service area in Southern Ontario which generate over 2,700 MW of electricity and consume approximately 36 Bcf of gas annually.
>
> Rate T2 consists of a monthly customer charge, a two block monthly demand charge and a single block commodity charge. Rate T2 service is available to customers with a minimum firm daily contracted demand of 140, 870 m3.
>
> Rate T2 also includes all the Board-approved storage space and storage injection/withdrawal rights per the previously approved Rate T1 service.
>
> Union's Rate T2 service provides the following benefits to customers;
>
> …..
>
> <u>Iv. Having a non-obligated Daily Contract Quantity (DCQ) gives these new electricity generators significant delivery flexibility. If the plant is not operating for any reason, there is no obligation to deliver gas to Union.</u>
>
> [emphasis added]

In respect of Union's submission in the Greenfield Application:

a) These submissions suggest that any and all customers that have (i) a T2 contract, and (ii) a firm daily contract demand that is far in excess of 140, 870 m3, qualify for a non-obligated DCQ. Please confirm that this is the case.

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b) Please provide all policies/guidelines/decisions that Union applies in the exercise of discretion and decision making regarding customers meeting these criteria who wish to (i) have a non-obligated DCQ, and/or (ii) move from an obligated DCQ to a non-obligated DCQ.

c) Please confirm that Union requires TransAlta to have an obligated DCQ, despite the fact that TransAlta meets these criteria.

d) Please provide a list of all electricity generators with a T2 contract that have a non-obligated DCQ requirement as referenced in the Union's submissions in the Greenfield Application. Please provide the standard terms and conditions and all related provisions of such contracts (excluding customer names). Please outline any and all policies/guidelines/decisions or other matters that Union has relied on and/or relies on in the exercise of discretion and decision making in providing such customers with a non-obligated DCQ.

Response:

a) – d) The question is not relevant to Union's request to lower the penalty charges. Accordingly, Union has not provided a response.

UNION GAS LIMITED

Answer to Interrogatory from
TransAlta Corporation, TransAlta Generation Partnership and TransAlta Cogeneration L.P
("TransAlta")

During the months of January to April, 2014, Union alleged that TransAlta, under its T2 contract with Union, had an obligated DCQ of 17, 904 GJ per day and required TransAlta to deliver that amount. Union took this position notwithstanding the fact that TransAlta did not always require such quantity of gas for its operations given that the high price of gas made it uneconomic for TransAlta to produce power under the terms of its governmental power purchase agreement.

In light of the above:

a) Please confirm that Union refused to allow TransAlta to use any of its gas in storage to satisfy the alleged obligated DCQ of 17, 904 GJ per day, and instead required TransAlta to deliver new (ex-franchise) gas to the system.

b) Please provide the average price of gas at Dawn for each day from January 1, 2014 to April 30, 2014.

c) Please confirm that Union refused to lower the alleged obligated DCQ amount for TransAlta, even after TransAlta offered to guarantee that it would not burn more than a specified amount each day.

d) Please confirm the amount of gas that Union demanded that TransAlta deliver on each day pursuant to the alleged DCQ, and confirm the amount of gas that TransAlta consumed at its Sarnia facility (i) on each respective day, and (ii) on average over the 3 month period starting from January 18, 2014 and ending on April 25, 2014. Please provide all supporting figures.

e) Please provide any and all policies, guidelines and decisions regarding whether or not stored gas can be used to meet DCQ or whether new delivery must be used to meet any DCQ.

Response:

a) – e) The question is not relevant to Union's request to lower the penalty charges. Accordingly, Union has not provided a response.

UNION GAS LIMITED

Answer to Interrogatory from
TransAlta Corporation, TransAlta Generation Partnership and TransAlta Cogeneration L.P
("TransAlta")

Preamble:

TransAlta Corporation, TransAlta Generation Partnership and TransAlta Cogeneration L.P. ("TransAlta") intervened in this proceeding to address issues arising from Union Gas Limited's ("Union") discretionary decision-making related to obligations under its approved tariffs and related customer contracts, which has negatively impacted a significant number of customers involved in this proceeding.

For many days during the January-April 2014 period, TransAlta was required by Union to deliver gas up to an alleged obligated DCQ of 17,904 GJ per day. TransAlta consequently purchased quantities of gas far in excess of its operational requirements, and as a result incurred losses amounting to an effective penalty. TransAlta is concerned that its treatment may be different as compared to similarly situated customers during the same period.

Please provide all dates in the 2011-2013 period that Union did not waive delivery of the obligated DCQ volumes for (a) TransAlta, and (b) other Union customers with obligated DCQ amounts.

Response:

The question is not relevant to Union's request to lower the penalty charges. Accordingly, Union has not provided a response.

UNION GAS LIMITED

Answer to Interrogatory from
TransAlta Corporation, TransAlta Generation Partnership and TransAlta Cogeneration L.P
("TransAlta")

Preamble:

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Please identify any and all dates between January 18, 2014 and April 25, 2014 when Union allowed a customer or customers with an obligated DCQ to deliver less than the obligated DCQ or otherwise waived a customer's DCQ. If yes, please provide:

a) a detailed outline of the process and procedures Union used to exercise that decision making and flexibility;

b) the reason why DCQ was waived for each day in each circumstance (excluding customer names); and

c) the dates and quantities of each DCQ waived or otherwise reduced.

Response:

a) – c) The question is not relevant to Union's request to lower the penalty charges. Accordingly, Union has not provided a response.

UNION GAS LIMITED

Answer to Interrogatory from
TransAlta Corporation, TransAlta Generation Partnership and TransAlta Cogeneration L.P
("TransAlta")

Preamble:

TransAlta Corporation, TransAlta Generation Partnership and TransAlta Cogeneration L.P. ("TransAlta") intervened in this proceeding to address issues arising from Union Gas Limited's ("Union") discretionary decision-making related to obligations under its approved tariffs and related customer contracts, which has negatively impacted a significant number of customers involved in this proceeding.

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Please confirm that Union partially allocates storage capacity on the basis of imprecise customer estimates of gas consumption. Please confirm that in order for a customer to receive allocated storage capacity at utility rates and not market priced rates, the customer is not required to have an obligated DCQ.

Response:

The question is not relevant to Union's request to lower the penalty charges. Accordingly, Union has not provided a response.

UNION GAS LIMITED

Answer to Interrogatory from
TransAlta Corporation, TransAlta Generation Partnership and TransAlta Cogeneration L.P
("TransAlta")

Preamble:

TransAlta Corporation, TransAlta Generation Partnership and TransAlta Cogeneration L.P. ("TransAlta") intervened in this proceeding to address issues arising from Union Gas Limited's ("Union") discretionary decision-making related to obligations under its approved tariffs and related customer contracts, which has negatively impacted a significant number of customers involved in this proceeding.

For many days during the January-April 2014 period, TransAlta was required by Union to deliver gas up to an alleged obligated DCQ of 17,904 GJ per day. TransAlta consequently purchased quantities of gas far in excess of its operational requirements, and as a result incurred losses amounting to an effective penalty. TransAlta is concerned that its treatment may be different as compared to similarly situated customers during the same period.

Please confirm the dates in January – April, 2014 period that Union restricted

a) TransAlta; and/or

b) other customers,

from selling their gas in storage to certain customers and trading partners that were not in-franchise.

Please provide any and all policies/guidelines/decisions that Union followed when exercising its discretion and decision-making to restrict TransAlta from selling excess gas it purchased – as a consequence of Union requiring TransAlta to deliver up to the alleged obligated DCQ amount – to certain parties during the January 18, 2014 to April 25, 2014 period.

Please provide the price differential for gas stored on November 1, 2013 and sold on (a) March 1, 2014 and (b) April 30, 2014.

Please confirm the date after the period with restrictions noted above that Union Gas first allowed TransAlta to sell gas from its Sarnia Dawn storage account to a non-restricted customer list, including ex-franchise customers. Please confirm the price of gas at Dawn for that day, and the following 30 days.

Response:

The question is not relevant to Union's request to lower the penalty charges. Accordingly, Union has not provided a response.

UNION GAS LIMITED

Answer to Interrogatory from
TransCanada Energy Ltd ("TCE")

Reference: Union letter to the Ontario Energy Board dated April 03, 2014.

a) Please identify the OEB proceeding in which Union's current Supplementary Inventory and Unauthorized Overrun Gas Supply Commodity charges were established.

b) Please identify what Union's penalty was prior to the current charge and why Union applied to change its methodology in the proceeding referenced in (a) above?

c) Please provide the rationale for using the highest spot cost at Dawn in the month it was used (or the following month) as the appropriate charge for (a) above?

Response:

a) The current Supplemental Inventory (or Unauthorized Overrun – Annual Storage Space) charge on the Rate T1 and Rate T2 rate schedules was approved by the Board in Union's 2002 rates proceeding (RP-2001-0029).

The current Rate 25 minimum and maximum gas supply charges for interruptible gas supply service were approved by the Board in Union's 2007 cost of service proceeding (EB-2005-0520). The Rate 25 Unauthorized Overrun Gas Supply Commodity provision is as per the Union North gas distribution contract.

b) – c) Prior to the current penalty, the penalty for Union South T-service and Union South bundled transportation was the Reasonable Efforts Backstop Gas charge per the R1 rate schedule. This charge was comprised of Union's total gas supply commodity charge plus the first block of the M2 delivery charge. This was updated in RP-2001-0029 as per the Board's Decision:

> *"the failure to balance can place compliant system participants at risk, and may result in additional costs….In the Board's view, the penalty must be sufficiently costly to defaulters to strongly discourage strategic non-compliance with balance obligations, and the careless or incompetent acceptance of contractual obligations which are not reasonably achievable. The Board is concerned that parties wishing to engage in the market, either directly or through agents, must be appropriately encouraged to manage their obligationsresponsibly. The system as a whole requires that."(p. 31).*

The rationale for the change to the current pricing mechanism was to incent direct purchase customers to supply their own gas to balance their contracts. Without a penalty charge in place, customers could make economic decisions on whether or not to comply with their contractual obligations.

UNION GAS LIMITED

Answer to Interrogatory from
TransCanada Energy Ltd ("TCE")

Reference: Union letter to the Ontario Energy Board dated April 03, 2014.

a) Please provide Union's daily incremental volumes purchased and the weighted average and highest daily purchase price for each day in February 2014 and March 2014

Response:

As provided in Union's April QRAM filing (EB-2014-0050), Tab 1, p.6, Table 1, Union's actual gas purchases costs ranged from $4.94 to $12.31. Table 1 is provided below for ease of reference. Additional detail was provided in EB-2014-0050, Tab 1, Appendix A where detail regarding the volume purchase, timing, driver, range of bids, delivery period and location, availability of supply and market expectations for each specific purchase.

As a result of continued colder than normal weather, Union had to acquire incremental spot gas in March. On March 18, 2014, Union purchased an additional 0.4 PJ of spot gas at a cost of $6.29/GJ to manage projected variances to the March 31 target. The total spot gas purchased was therefore 30.2 PJ.

Table 1

Winter 2013/14 Spot Purchases (as of March 1, 2014)

Line No.	Date Purchased	Total Landed Volume (PJ)	Estimated Cdn $/GJ *	Total Cost ($ million)	Delivery Date
1	December 12, 2013	2.0	$ 4.94	$ 9.9	December / January
2	December 19, 2013	2.0	$ 5.03	$ 10.1	January
3	January 6, 2014	5.6	$ 5.46	$ 30.5	January
4	January 15, 2014	2.0	$ 5.32	$ 10.6	January
5	January 22, 2014	2.0	$ 5.84	$ 11.7	February
6	January 24, 2014	7.0	$ 7.73	$ 53.7	February
7	January 27, 2014	3.2	$ 7.55	$ 23.8	January 28 to March 31
8	February 14, 2014	2.3	$ 8.01	$ 18.4	March
9	February 19, 2014	2.0	$ 10.61	$ 21.2	March
10	February 21, 2014	1.8	$ 12.31	$ 22.2	March
11	**Total**	**29.8**	**$ 7.12**	**$ 212.1**	

* estimated assuming exchange rate of 1.1073

UNION GAS LIMITED

Answer to Interrogatory from
TransCanada Energy Ltd ("TCE")

Reference: Union letter to the Ontario Energy Board dated April 03, 2014.

a) Please provide what the Supplementary Inventory/Unauthorized Overrun Gas Supply Commodity Charge would have been in each February and March in the years 2003 through 2014 (inclusive).

Response:

The Union South Supplemental Inventory / Unauthorized Gas Supply Commodity charge for February and March 2003-2014 is provided in Table 1. The Union North Rate 25 Unauthorized Gas Supply Commodity charge for February and March 2003-2014 is provided in Table 2.

Table 1
T1/T2 Supplemental Inventory
($/GJ)

Year	February	March
2003	$35.37	$22.55
2004	$7.61	$8.05
2005	$9.34*	$9.34*
2006	$12.45*	$12.45*
2007	$9.33*	$9.33*
2008	$9.87	$11.23
2009	$9.32*	$9.32*
2010	$6.81*	$6.81*
2011	$5.37*	$5.37*
2012	$5.39*	$5.39*
2013	$5.57*	$5.57*
2014	$78.73	$78.73

*Indicates that Union's WACOG was the charge levied as it was higher than the spot price at Dawn.

Table 2
Rate 25 Unauthorized Overrun Commodity[1]
($/GJ)

Year	February	March
2003	$35.37	$22.55
2004	$7.61	$8.05
2005	$8.99	$9.35
2006	$9.92	$8.77
2007	$9.10	$9.02
2008	$9.87	$11.23
2009	$6.41	$5.79
2010	$6.07	$5.08
2011	$4.78	$4.51
2012	$2.96	$2.70
2013	$4.28	$4.74
2014	$78.73	$78.73

[1] The Rate 25 Unauthorized Overrun Commodity charge may also have been subject to transportation charges to deliver the gas to the applicable Union North delivery area, which is not included above.

UNION GAS LIMITED

Answer to Interrogatory from
TransCanada Energy Ltd ("TCE")

Reference: Union letter to the Ontario Energy Board dated April 03, 2014.

a) Attached please find Enbridge's current Rate Schedule for Rate 125.

   On a best efforts basis, please calculate the charge Enbridge would have used for any Unauthorized Supply Overrun under Rate 125 on each day for both February 2014 and March 2014.

Response:

The question is not relevant to Union's request to lower the penalty charges. Accordingly, Union has not provided a response.