

VIA E-MAIL & COURIER TO THE BOARD

September 1, 2014

Ontario Energy Board  
P.O. Box 2319  
27<sup>th</sup> Floor, 2300 Yonge Street  
Toronto ON M4P 1E4

Attn: Kirsten Walli, Board Secretary

**RE: EB-2014-0145 UNION GAS DEFERRAL ACCOUNT DISPOSITION**

To assist the Board with the oral hearing commencing on Sept. 3rd, we are advancing questions for which we did not receive complete responses to our interrogatories, a request for data that is familiar to Union and its counsel and a brief compendium of evidence from outside of the current proceeding.

In our interrogatory FRPO\_OGVG.11, we requested that Union provide both the "end of month targeted and actual storage fill percentage for in-franchise customers". While Union provided the actual percentage fill for each month end, the target percentage was not provided. Please provide the targeted month end percentage. Further, in that same response Union indicates that the Oct. 31st fill was 74.6PJ including 6.0PJ of system integrity space then provides the percentage full excluding system integrity space. Please complete the table as requested above using percentages excluding system integrity space for consistency and for greater clarity the amount that was targeted for a 100% fill as of October 31st excluding system integrity space.

In that same interrogatory, Union references its evidence in EB-2014-0050. Specifically, Union identifies Table 1 on page 6 as describing spot purchases made as of March 1st. Please complete that table for purchase made between March 1st and April 1st and add an additional column indicating whether the gas was designated for system supply requirements or direct purchase make-up.

Attached is a compendium of evidence from related Union Gas proceedings.

Respectfully Submitted on Behalf of FRPO & OGVG,



Dwayne R. Quinn  
Principal  
DR QUINN & ASSOCIATES LTD.

Attach.

c. C. Smith - Torys, K. Hockin - Union, Interested Parties - EB-2014-0145

**EB-2014-0145**

**Ontario Energy Board**

**Union Gas Limited**

**2013 Disposition of  
Deferral Accounts and Other Balances**

Federation of Rental-housing Providers of Ontario  
&  
Ontario Greenhouse Vegetable Growers

Reference Documents for Oral Hearing

1 the colder than normal winter, yet were still subject to additional load balancing costs as a  
2 result of rate class disposition of costs.

3  
4 In response to this customer feedback and to the Board directive issued in E.B.R.O. 499,  
5 Union, in consultation with customers, developed the current checkpoint balancing  
6 mechanism for BT customers in the South. Union sought and received Board approval for  
7 this mechanism as part of the RP-2003-0063 proceeding.

8  
9 In developing the checkpoint mechanism approved in RP-2003-0063, Union was guided  
10 by a number of business principles. These principles (filed in RP-2003-0063 at Exhibit  
11 H1, Tab 4, pgs. 7 and 8) are as follows:

- 12 • The solution should be based on fair and equitable treatment of all customers.
- 13 • The solution should not prevent or cause undue switching between service  
14 options.
- 15 • Union should not make gas purchase decisions that impact direct purchase  
16 customers' supply costs.
- 17 • Union has a responsibility to provide a base level of load balancing to all bundled  
18 direct purchase customers as part of its delivery service (i.e. for normal weather).
- 19 • The solution needs to limit the need for retroactive adjustments.
- 20 • The solution needs to recognize that supply imbalances outside of the forecast  
21 should be attributable to a specific contract, not a rate class.
- 22 • The solution needs to be administratively simple for both Union and the customer.

1 These principles remain valid today and are consistent with the Board's findings issued in  
2 its RP-2003-0063 Decision with Reasons (dated March 18, 2004):

3 *"... The notable virtue of the Applicant's proposal is that it places the*  
4 *responsibility for balancing costs with the direct purchase customers. The*  
5 *proposal is also consistent with the Direct Purchase customers acting as*  
6 *managers of their respective gas supply requirements. It is appropriate and*  
7 *equitable for them to have an enhanced and better informed opportunity to track*  
8 *and manage their position at the two critical periods in the year. To date they*  
9 *have been dependent on the Utility for the management of divergences from*  
10 *forecast. Having chosen Direct Purchase gas supply, it is predictable that direct*  
11 *purchasers would prefer an informed opportunity to manage any divergences*  
12 *from forecast that have arisen at February and September. Finally the Board*  
13 *considers the proposal to be an enhancement of security of supply for the system*  
14 *as a whole ..."* (pages 119 and 120)  
15

16 Physical Operations underpinning Checkpoint Balancing Mechanism in Union's South

17 The South features an integrated system anchored with Dawn storage and Dawn to  
18 Parkway transmission that enables customers to manage their own supply/demand  
19 imbalances using storage and other transactional upstream services. The South is supplied  
20 externally by multiple pipeline interconnections enabling customers to source gas from  
21 varied North American supply basins.

22  
23 BT Service

24 The BT contracting process is driven by customers' annual consumption forecast. The  
25 forecast is used to define the obligated Daily Contract Quantity ("DCQ") and the Banked  
26 Gas Account ("BGA") curve (accumulating the difference between gas deliveries to  
27 Union and forecast consumption throughout the year). This produces end of September  
28 (Fall) and end of February (Winter) checkpoints.

The timing of Union's spot purchases and the average cost is summarized in the Table 1.

**Table 1**

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

| <b>Line No.</b> | <b>Date Purchased</b> | <b>Total Landed Volume (PJ)</b> | <b>Estimated Cdn \$/GJ *</b> | <b>Total Cost (\$ million)</b> | <b>Delivery Date</b>   |
|-----------------|-----------------------|---------------------------------|------------------------------|--------------------------------|------------------------|
| 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              | <b>Total</b>          | <b>29.8</b>                     | <b>\$ 7.12</b>               | <b>\$ 212.1</b>                |                        |

\* estimated assuming exchange rate of 1.1073

An overview of Union's spot gas purchases and the various factors impacting Union's decisions are described in more detail below. Specific discussion around each purchase is found in Appendix A.

Spot Gas Purchases – Overview

As detailed in Table 1 above, Union purchased a total of 29.8 PJ of incremental spot gas landing at Dawn, purchased as of March 1, 2014 for delivery through the end of March 2014. Table 2 provides a breakdown of the quantities purchased for each group of customers.

**Table 2**

| <b>Line No.</b> | <b>Spot Gas Purchase Breakdown by Customer Group</b>                           | <b>PJ</b>          |
|-----------------|--|--------------------|
| 1               | Union South Sales Service Customers  | 23.0               |
| 2               | Union North Sales Service and Bundled DP Customers (net of planned UDC filled) | 2.9                |
| 3               | Union South Bundled DP Customers   | 1.8                |
| 4               | Unaccounted For Gas Variances  | 1.5                |
| 5               | Union North Rate 25 Variance   | 0.6                |
| 6               | <b>TOTAL</b>   | <b><u>29.8</u></b> |

**Union South and Union North Sales Service and North Bundled DP**

As shown in Table 2, lines 1 and 2, of the incremental supply purchased, 25.9 PJ was required to meet actual demands above forecast for the period November 1, 2013 to January 31, 2014 and projected demand variances above forecast for the February 1 to March 31, 2014 period for Union South sales service customers and Union North sales service and bundled DP customers.

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. Union's approach to purchasing incremental gas supplies over the winter period is further described starting on page 13. The total deferral impact of the spot purchases (as compared to the Ontario Landed Reference Price of \$4.868) is \$58.3 million. Of the \$58.3 million, \$51.8 million is attributable to Union South and \$6.5 million to Union North.

**Union South Sales Service Customers**

Union purchased 23.0 PJ (Table 2, line 1) of incremental spot gas to meet actual demands above forecast for the period November 1, 2013 to January 31, 2014 and projected variances above forecast for the February 1, 2014 to March 31, 2014 period for Union South sales service customers. The primary drivers for the incremental spot gas requirement for Union South sales service customers are provided in Table 3.

**Table 3**

**Union South Sales Service Customer Variances**

| <b>Line No.</b> | <b>Variance Driver (PJ)</b>          | <b>Actual Variances<br/>- (November,<br/>2013 to January,<br/>2014)</b> | <b>Projected<br/>Variances<br/>(February<br/>and March,<br/>2014)</b> | <b>Total<br/>Variances</b> |
|-----------------|--------------------------------------|---|---|----------------------------|
| 1               | Weather                              | 8.0   | 8.3   | 16.3                       |
| 2               | General Service Use Variances        | 2.4   | 0.6   | 3.0                        |
| 3               | Contract Market Use Variances        | 0.7   | 0.3   | 1.0                        |
| 4               | Return to System                     | 1.1   | 0.7   | 1.8                        |
| 5               | Variance in Opening Storage Position | 0.9   | -   | 0.9                        |
| 6               | Other                                | 0.1   | -   | 0.1                        |
| 7               |                                      | <b>13.1</b>   | <b>9.9</b>  | <b>23.0</b>                |

In addition to the 16.3 PJ required due to colder than normal weather, Union experienced other variances that influenced the amount of gas purchased. These included higher general service use of 3.0 PJ; incremental demand in the sales service contract customers of 1.0 PJ; and the need to buy an additional 1.8 PJ of gas to manage the impact of approximately 25,000 DP customers returning to sales service.

The variance in the opening storage position of 0.9 PJ was a result of actual variances realized in

1 spot price paid and the forecast summer price (winter/summer differential) is based on the  
2 forecast summer price at the time each spot gas purchase was made. The average winter/summer  
3 differential for all spot purchases was \$2.83/GJ.

4  
5 Consistent with past practices, load balancing costs are calculated by applying the  
6 winter/summer price differential at the time load balancing purchases are made and allocating  
7 these costs to rate classes. This is consistent with the calculations in EB-2003-0056 and EB-  
8 2009-0054.

9  
10 Union is proposing to prospectively recover \$8.2 million (summer/winter differential of  
11 \$2.83/GJ multiplied by 2.9 PJ), as identified in Schedule 3, page 6 (column d) from Union North  
12 sales service and bundled DP customers for load balancing costs.

#### 13 14 **Union South Bundled DP Customers**

15 For Union South, Union retains load balancing obligations for weather variances relative to the  
16 February 28 inventory checkpoint (for variances after the checkpoint volumes were established)  
17 and March weather and consumption variances for bundled DP customers. Union has  
18 proactively purchased 1.8 PJ of spot gas for delivery in March based on current forecasted  
19 weather and consumption variances for Union South bundled DP customers. Union is not  
20 requesting recovery of the load balancing costs associated with this purchase in this QRAM  
21 application. Union will bring forward a proposal for disposition of these costs as part of its 2013  
22 annual non-commodity deferral account disposition application to be filed in April 2014.