

September 17, 2014

Ms. Kirsten Walli  
Board Secretary  
Ontario Energy Board  
2300 Yonge Street, 27<sup>th</sup> Floor  
Toronto, ON M4P 1E4

Dear Ms. Walli:

**RE: EB-2014-0145 - Union Gas Limited –Undertaking Response**

Please find attached Union's response to Undertaking J2.1 in the above captioned proceeding.

Yours truly,

*[original signed by]*

Karen Hockin  
Manager, Regulatory Initiatives

Cc: EB-2014-0145 Intervenors  
Crawford Smith, Torys  
Mark Kitchen, Union

UNION GAS LIMITED

Undertaking of Ms. Elliott  
To Mr. Quinn

To provide an estimate of additional costs for 2013 if storage rates were included in the average use account.

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The purpose of the average use deferral account is to capture margin variances associated with changes in average use in Union's general service rate classes. The effect of the deferral account is to adjust rates/revenues as if the actual average use had been included in the forecast for ratemaking.

Consistent with the approach used from 2008 to 2012, the 2013 AU deferral account captures the revenue from delivery rates only. The allocation of delivery-related costs to the general service rate classes would not change significantly as a result of changes in average use. The majority of costs recovered in delivery rates are customer and capacity-related costs. The commodity-related costs attributable to delivery volumes are less than 1% of the rate and for simplicity have not been recognized in the calculation of the average use deferral account. Commodity-related costs driven by volumetric activity include the cost of compressor fuel and unaccounted for gas.

Including the revenue from storage rates in the 2013 AU deferral account requires Union to identify the storage costs allocated to the general service rate class that would change as a result of changes in average use. Using the excess over average methodology, the increase in average use in the general service rate classes would have shifted 0.3 PJ of storage space costs from excess utility to general service. The increased storage activity would also increase storage deliverability costs, the commodity-related costs at Dawn, the variable delivery/redelivery costs for Union North on the Dawn Parkway system, and 3<sup>rd</sup> party storage costs. Filling the additional storage would increase the inventory carrying costs.

Union estimates an increase in total storage related costs of \$2.5 million for 2013. Approximately \$1.0 million is attributable to the increase in average use in the general service rate classes.