



September 17, 2014

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

Dear Ms. Walli:

RE: EB-2014-0208 – Union Gas Limited – October 1, 2014 QRAM Application

On September 11, 2014 Union Gas Limited (“Union”) filed its October 1, 2014 QRAM application. Union received questions from Board Staff and CME. The responses to the questions are attached.

If you have any questions on this matter, please contact me at (519) 436-5476.

Yours truly,

[Original signed by]

Chris Ripley
Manager, Regulatory Applications

cc: EB-2013-0365/EB-2008-0106 Intervenors
Crawford Smith (Torys)

UNION GAS LIMITED

Answer to Interrogatory from
Board Staff

Ref: Tab 1, Page 5

Union noted that it utilized 0.6 PJs of integrity space to meet demand requirements through the end of March. Union noted that its South and North sales service customers will replace the integrity inventory during the summer to meet the November 1, 2014 inventory target. Therefore, the shortfall managed with Union's integrity inventory is allocated to Union South and North sales service customers in proportion to the total consumption variance.

- a) Please advise whether the costs associated with the use of integrity space have been allocated to sales service customers as part of the current QRAM application.
- b) If so, please provide the total cost allocated to sales service customers related to the utilization of integrity inventory. Please explain how the cost was calculated. Please also provide the amount allocated to South sales service customers and North sales service customers.
- c) If not, please discuss when these costs are expected to be allocated to sales service customers.

Response:

- a)-c) Union holds 9.5 PJ of system integrity space. This storage space is used to maintain the operational integrity of Union's integrated storage, transmission and distribution systems. The gas supply plan has 6.0 PJ of this space filled with system integrity supply while the remaining 3.5 PJ is left empty as contingency space.

Union always plans to maintain the full 6.0 PJ of integrity supply year round. At March 31 of each year, Union's targeted inventory position is zero, plus 6.0 PJ of integrity space (supply). For March 31, 2014, Union purchased supply based on actual and forecast activity to meet the targeted inventory position of zero, plus 6.0 PJ of integrity supply. In the winter 2013/14 Union purchased 30.2 PJ of incremental spot supplies to manage March 31 requirements. When actual measurement data was available in April 2014, the final March 31 inventory position was 0.6 PJ below target. Union utilized 0.6 PJ of integrity inventory to meet demand requirements that were unexpected and above the volume forecast when the last purchase was made on March 18, 2014 for all sales service customers in Union South and sales service and bundled customers in Union North to the end of March.

Union does not purchase supply specifically to fill integrity space utilized. The 6.0 PJ of integrity supply was full going into the winter 2013/14. To the extent that integrity supply is used on an actual basis, this supply is replaced as part of Union's overall gas supply purchases.

The costs of supply to replace the use of integrity inventory in late March are included in the NPGVA and the SPGVA (allocated to sales service) in the current QRAM application. The supply replacing the use of integrity inventory (supply) has been purchased or is forecast to be purchased during the April to October 31 period for Union North and Union South as part of the plan to meet the November 1, 2014 inventory target and have integrity space filled. Union cannot specifically identify the actual or forecast cost of the gas used to replace the utilized integrity space.

UNION GAS LIMITED

Answer to Interrogatory from
Canadian Manufacturers & Exporters (“CME”)

- a) Board Staff has asked Union to advise whether the costs associated with the use of integrity space have been allocated to sales service customers. If they have not been allocated entirely to sales service customers, then please provide details of the direct purchaser customers to whom these costs have been allocated, as well as the basis for such an allocation.
 - b) Please advise whether Union's utilization of 0.6 PJs of integrity space through the end of March 2014 is directly or indirectly related to the spot gas purchases which are currently being reviewed by the Board in Union's 2013 Deferral Accounts proceeding, being EB-2014-0145.
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Response:

- a) Please see the response at Board Staff 1.
- b) There is no relationship between Union's utilization of 0.6 PJ of integrity supply through the end of March 2014 and the spot gas purchases which are currently being reviewed by the Board in Union's 2013 Deferral Accounts proceeding (EB-2014-0145). Please see the response to Board Staff 1.