

September 17, 2014

**VIA RESS AND COURIER**

Ms. Kirsten Walli  
**ONTARIO ENERGY BOARD**  
P.O. Box 2319, 27<sup>th</sup> Floor  
2300 Yonge Street  
Toronto, Ontario  
M4P 1E4

**Ian A. Mondrow**  
Direct: 416-369-4670  
ian.mondrow@gowlings.com

Assistant: Cathy Galler  
Direct: 416-369-4570  
cathy.galler@gowlings.com

Dear Ms. Walli:

**Re: EB-2014-0208: Union Gas Limited (Union) October 1, 2014 QRAM Application.**

**Industrial Gas Users Association (IGUA) Comments.**

---

We write as legal counsel to IGUA.

**IGUA's Position on Proposed Rate Adjustments**

IGUA's advisors, Aegent Energy Advisors Inc. (Aegent), have reviewed Union's Application for quarterly adjustment of rates (QRAM) to be effective October 1, 2014. Based upon Aegent's advice, IGUA is satisfied that Union has properly followed the QRAM methodology approved by the OEB's EB-2008-0106 Decision.

IGUA has no objection to approval of Union's application as filed, subject to further clarification of one topic; the allocation of system integrity resources to system supply customer consumption variances (as further commented on below). On this topic, IGUA requests that Union address in its responding submissions the questions posed below.

**Additional Comments**

At Tab 1/page 6 of its evidence herein, Union indicates the allocation of spot gas purchases among various system and direct purchase (DP) customer groups. Table 1 in this evidence suggests allocation of Union's "Integrity Inventory" (i.e. 0.6 PJ of gas in storage reserved for system integrity purposes) to cover, in part, consumption variances by system gas customers relative to the April, 2014 QRAM demand forecast. That is,

Lines 1 and 2 of Table 1 in Union's evidence in this application appear to indicate that spot gas purchases for Union's system supply customers fell short of actual consumption variances by these customers by 0.6 Pj, which is the amount of overall consumption variance that Union managed with "Integrity Inventory" (line 8 on table 1).

While the disposition of the costs associated with the spot gas purchased for Union South Bundled DP customers is an issue in Union's 2013 Variance Account proceeding (EB-2014-0145), rather than in this proceeding, that issue may be impacted by the apparent allocation of the entire 0.6 Pj of "Integrity Inventory" to system supply customers (resulting in a higher proportion of spot gas being allocated to consumption variances by DP customers).

In order to finalize IGUA's position on the relief claimed in this application, including in particular the amount of spot gas purchase costs to be recovered from system customers, we would appreciate Union's clarification of:

1. Whether we are reading Table 1 correctly (as we have attempted to describe above).
2. If so, the basis for allocation of the entire 0.6 Pj of "Integrity Inventory" for use to manage the winter 2014 consumption variances by system supply customers.

In formulating these questions, we have considered the responses which Union filed earlier today to related questions posed by Board Staff and CME. In those responses, Union indicated that the gas required to replenish the "Integrity Inventory" allocated to cover consumption variances by system customers over the winter of 2014 would be acquired in future months, and that the costs for such replenishment gas could not be determined at this time. This response indicates that Union has not priced this replenishment gas at the high winter 2014 gas cost for purposes of this QRAM. It would be helpful if Union could clarify how the future costs of this replenishment gas are captured in the current application.

## **Costs**

Pursuant to the Board's *Practice Direction on Cost Awards*, IGUA is eligible to apply for a cost award as a party primarily representing the direct interests of ratepayers in relation to regulated gas services. IGUA requests that the Board award it costs reasonably incurred in review of Union's QRAM.

IGUA has, in the past, been consistently awarded modest costs for review of QRAM applications. IGUA respectfully submits that the Board, in making such awards, has recognized some value (commensurate with modest costs) in the independent and informed review of such applications.

IGUA continues to be mindful of the need for efficiency in its regulatory interventions, in particular in respect of relatively non-contentious matters such as is normally the case with QRAM applications. For QRAM reviews, IGUA has retained Aegent, whose professionals are expert in Ontario gas commercial and regulatory matters, including rate matters in particular. Aegent conducts a review of the QRAM application as filed, and provides a report to IGUA. Provided that Aegent's report does not indicate any concerns with either the application of the QRAM protocols or the rate outcome, IGUA is in a position to advise the Board that it has no cause for objection, as is the case with the instant Application (subject to the allocation and cost recovery associated with "Integrity Inventory", as discussed above).

IGUA submits that it has acted responsibly with a view to informing the Board's review and decision on this Application, while maintaining due attention to cost efficiency. On this basis, IGUA is requesting recovery of its costs for participation in this process.

Yours truly,



Ian A. Mondrow

cc. Dr. Shahrzad Rahbar (IGUA)  
Valerie Young (Aegent)  
Chris Ripley (Union)  
Crawford Smith (Torys)  
Lawrie Gluck (OEB)  
Intervenors of Record (EB-2013-0365)

TOR\_LAW\8520186\1