

September 19, 2014

VIA RESS AND COURIER

Ms. Kirsten Walli
ONTARIO ENERGY BOARD
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Dear Ms. Walli:

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

Industrial Gas Users Association (IGUA) Further Comments.

Further to our September 17th letter of comment on behalf of IGUA on the captioned application, we write to provide further comment on Union's application in light of the response provided by Union yesterday to the inquiries included in our earlier filing.

In our earlier filing, in connection with Union's request for clearance of the spot gas purchase variances, we inquired as to the basis on which Union allocated its entire 0.6 PJ of "Integrity Supply" to system supply customers. Union responded as follows:

On an actual basis, 0.6 PJ of integrity inventory was used to meet the consumption requirements for sales service customers to March 31, thereby requiring sales service customers to replace that supply in the summer period.

Union indicates that (Union, on behalf of) system supply customers will replace the Integrity Inventory used during this past period to balance system customer gas supply requirements by purchasing replacement supply over the coming summer storage refill period. Gas prices over the coming summer storage refill period will no doubt be lower than the cost of the gas purchased by Union in March to cover consumption variances not satisfied by application of the Integrity Inventory. In the result, it appears that allocation of Integrity Inventory, effectively costed at summer prices, to system supply customers results in a reduction of the spot gas costs to be cleared to system customers in the instant application.

What Union has not explained is why the entire 0.6 PJ of Integrity Inventory has been “used” to meet system gas customer consumption variances, rather than applying Integrity Inventory proportionately to meet the consumption variances of both system supply and DP customers. It appears to IGUA that proportionate allocation of Integrity Inventory between system supply and DP customers would result in an increase in the spot gas purchase variances allocated to system supply customers and a reduction in the spot gas purchase variances allocated to DP customers.

IGUA thus requests that, in its responding submissions, Union indicate:

1. Whether our assumption (that proportionate allocation of Integrity Inventory between system supply and DP customers would result in an increase in the spot gas purchase variances allocated to system supply customers and a reduction in the spot gas purchase variances allocated to DP customers) is correct, and if not, why not.
2. If our assumption is correct, a reasonable basis for such a proportionate allocation (i.e. in proportion to forecast demand, demand variances, or in some other proportion).

IGUA submits that the Board should consider Union’s response to the first of these questions. If the Board is not persuaded that allocation of the Integrity Inventory entirely to system customers is appropriate, then it should only approve clearance of the spot gas purchase variances in accord with a reasonable proportionate allocation of Integrity Inventory (i.e. increasing the allocation of cost to system supply customers and decreasing the allocation of cost to DP customers).

Yours truly,



Ian A. Mondrow

cc. Dr. Shahrzad Rahbar (IGUA)
Valerie Young (Aegent)
Chris Ripley (Union)
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Intervenors of Record (EB-2013-0365)