

September 19, 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-2014-0208 – Union Gas Limited – October 1, 2014 QRAM Application**

Attached, please find Union's response to an additional Interrogatory from IGUA for the above-noted proceeding.

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  
Industrial Gas Users Association ("IGUA")

Preamble:

Further to our September 17<sup>th</sup> 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:

- a) 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.

- b) 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).

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**Response:**

- a) Correct.
- b) A proportionate allocation of integrity inventory between Union South sales service and bundled direct purchase customers is inappropriate because Union South bundled direct purchase customers' consumption was not met with system integrity inventory.

Union purchased spot gas for sales service and bundled direct purchase customers to meet demands above forecast due to colder than expected weather. The spot gas purchases were intended to ensure that Union could meet its March 31 storage target of 0 PJ (plus 6 PJ of system integrity inventory). At the time of the purchases, Union forecasted that 1.8 PJ of the spot gas was to manage Union South bundled direct purchase customers' consumption variances and 23 PJ for Union South sales service customers.

As discussed in EB-2014-0145, when the actual information became available, Union determined that bundled direct purchase customers only required 0.8 PJ of the 1.8 PJ purchased. Accordingly, the additional 1.0 PJ was allocated to sales service customers and the costs included in the South PGVA. Notwithstanding the total spot gas of 23 PJ purchased to meet Union South sales service customers' consumption variances, on an actual basis system integrity inventory was required to meet incremental sales service demands over the last days of March.

Union does not plan to use system integrity inventory on a planned basis to meet the consumption variances of sales service customers. As stated above, Union purchased spot gas for both sales service and bundled direct purchase customers. The allocation of system integrity inventory to sales service was made after Union received the actual data that indicated the sales service customers consumed more than expected.