

September 22, 2014

**VIA RESS AND COURIER**

Ms. Kirsten Walli  
**ONTARIO ENERGY BOARD**  
P.O. Box 2319, 27<sup>th</sup> Floor  
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Dear Ms. Walli:

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

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

Further to our September 17<sup>th</sup> and September 19<sup>th</sup> letters of comment on behalf of IGUA on the captioned application, we appreciate the further information that Union filed on September 19<sup>th</sup> in response to our queries.

We understand Union's September 19<sup>th</sup> response to indicate:

- Union does not plan to use system integrity inventory, and only uses this 0.6 PJ of gas on an unplanned (i.e. reactive) basis when necessary.
- Union bought spot gas to meet positive variances in Union South DP customer consumption relative to forecast. Union purchased 1.8 PJ to meet expected (vs. forecast) DP consumption, but in the end DP customers only used 0.8 PJ more than forecast. The balance (1.0 PJ) was thus allocated to sales service customers and included in the South PGVA.

What remains unclear is what spot gas Union purchased for Union South sales service customers during the relevant period.

- The further information that Union provided on September 19<sup>th</sup> indicates that Union purchased 23 PJ for this purpose, which was the expected variance (though the actual variance turned out to be 0.3 PJ more than expected).
- Table 1 on page 6 of Tab 1 of Union's prefiled evidence indicates that Union purchased 22.8 PJs for Union South sales service customers (line 1), and managed the difference between the 22.8 PJs purchased and the 23.3 PJs actually consumed with "Union Integrity" (line 8).

- As noted above, the information that Union provided on September 19<sup>th</sup> indicates that Union allocated an additional 1.0 PJ of spot gas initially purchased for expected DP customer consumption to Union South sales service customers (which if this 1.0 PJ is incremental to the 23 PJ that the same information response indicates Union bought for Union South sales service customers, would result in a total of 24 PJ of spot gas bought for this purpose, rather than the 22.8 PJ indicated in the prefiled evidence and more than the 23.3 PJ actually used, all as noted above).

In the end, we understand Union's evidence to be that system integrity inventory is used, on an unplanned (i.e. reactive) basis, to meet excess demand where spot gas purchases have proven to be insufficient to meet expectations. It remains unclear, however, given Union's reported spot gas purchases/allocations, why any system integrity inventory was used in support of Union south sales service customers during the relevant period.

We raise this issue on behalf of IGUA because we understand that the cost of spot gas purchases is recovered from customers (sales service and DP) on an actual cost basis, whereas the cost of any system integrity supply used is recovered at the winter/summer differential plus the cost of summer replacement gas. We expect that the latter cost is lower than the former cost in most instances. In the result, to the extent that system integrity supply is preferentially allocated to one or the other group of customers, the cost to the group not allocated system integrity supply is higher than it might otherwise be.

To the extent that the record herein confirms that the allocation of system integrity supply to Union South sales service customers did not displace what would otherwise have been spot gas purchases (which seems to be what Union is indicating), then IGUA does not, in the end, object to the PGVA clearance proposed by Union.

However, given that the evidence on point, as we have attempted to outline it above, remains unclear, we do suggest that it would assist interested parties and the Board to have a clearer understanding of how and when Union uses system integrity supply.

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)