

September 22, 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

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

We understand Union's September 19th 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 19th 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 pre-filed 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 19th 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 pre-filed 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 (Le. 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/allocation, 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.

Response:

As indicated at Tab 1, page 6 of EB-2014-0208 (October 2014 QRAM), the actual consumption variances at March 31 were 30.8 PJ (column (b) in Table 1 below), or 1.0 PJ higher than what Union had originally forecast in the April QRAM (column (a) in Table 1 below). As noted in Table 1, column (c) below, Union South sales service consumption variances were 0.3 PJ higher, Union North sales service and bundled DP consumption variances were 0.6 PJ higher and the UFG variance was 0.6 PJ higher. All of these variances and the associated costs are captured in the Union North or Union South PGVA and paid for by sales service customers, with the exception of the summer winter differential recovered from North bundled DP customers for their portion of the north requirements.

Union forecasted Union South bundled DP customers to need 1.8 PJ of spot gas and Union purchased spot gas accordingly. On an actual basis, the variance attributable to Union South bundled DP customers was 0.8 PJ (1.0 PJ less than what was purchased based on forecast). In other words, Union allocated 0.8 PJ to Union South bundled DP customers because they had incremental demands of 0.8 PJ. Union had already purchased sufficient supply to meet the incremental demands of these customers and therefore did not require system integrity inventory to meet their incremental demands.

Per column c) below, there were incremental demands of 1.0 PJ relative to Union's forecast. However, Union South bundled DP customer demands were down by 1.0 PJ relative to forecast offset by other variances of 2.0 PJ. The incremental supply purchased but not required for Union South DP customers (1.0 PJ) was reallocated to other customer groups.

Union will reduce summer gas purchases for sales service customers to offset the incremental spot purchases made in the winter for bundled DP consumption variances. Union South bundled DP customers therefore pay for the summer winter differential so that sales service customers are not impacted by the higher cost of the supply purchased in the winter period to meet the needs of the bundled DP customers.

Table 1

Line No.	Spot Gas Purchase Breakdown by Customer Group	Forecast Variances as of April, 2014 QRAM (a)	Actual Demand or Consumption Variances (b)	Variance in Demand or Consumption Variances (c)	Allocated Spot Gas (d)	Use of System Integrity Molecule (e)
1	Union South Sales Service Customers	23	23.3	0.3	22.8	-0.5
2	Union North Sales Service and Bundled DP Customers (net of planned UDC filled)	2.9	3.5	0.6	3.4	-0.1
3	Union South Bundled DP Customers	1.8	0.8	-1.0	0.8	0.0
4	Unaccounted For Gas Variances	1.5	2.1	0.6	2.1	0.0
5	Union North Rate 25 Variance	0.6	1.1	0.5	1.1	0.0
6	TOTAL	29.8	30.8	1.0	30.2	-0.6

As Union indicated, Union purchased spot gas based on expected variances at March 31, 2014. When actual measurement was available in April, the final March 31 inventory position was 0.6 PJ below target. Accordingly, Union used 0.6 PJ of system integrity inventory to meet the incremental demands. To the extent that system integrity space is used, sales service customers replace that gas during the following summer period (April 1 to October 31) to ensure that system integrity is full by November 1, 2014.