



# **ONTARIO ENERGY BOARD**

## **BOARD STAFF SUBMISSION**

### **UNION GAS LIMITED**

**OCTOBER 1, 2014 QRAM**

**EB-2014-0208**

**October 21, 2014**

## Introduction

On September 11, 2014, Union Gas Limited (“Union”) applied to the Ontario Energy Board for an order effective October 1, 2014 to change its rates and other charges for the sale, distribution and storage of natural gas.

The application was made pursuant to section 36(1) of the *Ontario Energy Board Act, 1998* and in accordance with the Quarterly Rate Adjustment Mechanism available to Union for dealing with changes in gas costs, as established by the Board in a proceeding involving all rate regulated gas distributors (EB-2008-0106).

On September 25, 2014, the Board issued a Decision and Interim Order on the application. In its Decision and Interim Order, the Board stated that the record on the use and allocation of system integrity inventory was insufficient to support a Board finding. As such, the Board approved the application as filed, on an interim basis, and established a process for further discovery and argument on the system integrity inventory issue.

The following is Board staff’s submission on the system integrity issue.

## Background

Union noted that it purchased 29.8 PJs of incremental spot gas to meet actual demands above forecast for the period November 1, 2013 to January 31, 2014 and projected demand variances above forecast for February 1, 2014 to March 31, 2014 period. The projected demand variances were based on the best available information at the time of the April QRAM filing. As a result of continued colder than normal weather, Union purchased an incremental amount of spot gas in March (0.4 PJs) to manage projected variances to March 31, 2014. Therefore, the total spot gas purchased was 30.2 PJs.

Union noted that when actual measurement was available in April, incremental demand variances were recognized at the end of March 31, 2014 which resulted in a final March 31 inventory position that was 0.6 PJs below target. Union noted that the 0.6 PJs of incremental consumption was due to higher than forecast consumption by Union’s sales service customers. Union stated that it utilized 0.6 PJs of system integrity inventory to meet the unplanned higher demand requirements of its sales service customers. As such, Union proposed to allocate the costs of the utilization of system integrity inventory to its South and North sales service customers.<sup>1</sup>

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<sup>1</sup> Union Argument-in-Chief, EB-2014-0208, October 15, 2014 at pp. 2-3.

**Board Staff Submission**

Board staff supports Union's proposed allocation of the costs associated with the utilization of system integrity inventory to sales service customers.

Board staff notes that Union purchased sufficient spot gas to meet the consumption variances of its direct purchase customers. It was the unplanned incremental demand requirements of Union's South sales service and North sales service customers that required Union to use its system integrity inventory.

Board staff submits that, on the basis of the evidence in this case, it is appropriate to allocate the costs associated with the use of integrity inventory to sales service customers. The system integrity inventory was used exclusively to meet the unplanned incremental demand requirements of those customers.

In addition, Board staff notes that a proportional approach, as suggested by IGUA, results in a non-material reallocation of the costs associated with Union's use of integrity inventory and the spot gas purchases.<sup>2</sup>

All of which is respectfully submitted.

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<sup>2</sup> Union Interrogatory Responses, EB-2014-0208, October 10, 2014 at Exhibit B.Staff 3.