

February 24, 2015

Ms. Kirsten Walli
Board Secretary
Ontario Energy Board
2300 Yonge Street, 27th Floor
Toronto, ON M4P 1E4

Dear Ms. Walli:

RE: EB-2015-0035 – Union Gas Limited – February Estimate of April 2015 QRAM

The purpose of this letter is to inform the Ontario Energy Board (“Board”) of the estimated change in the commodity portion of an average residential sales service customer’s bill that is expected when Union Gas Limited (“Union”) files its April 1, 2015 QRAM application. As described in more detail below, Union expects that the gas commodity portion of the bill will decrease by more than 25%.

In its EB-2014-0199 Decision, dated August 14, 2014, the Board determined that it:

“will require Enbridge, NRG and Union, one month in advance of the normal QRAM filing date, to complete a preliminary estimate of the change in the commodity portion of a typical residential system supply customer’s bill that arises from the forecasted reference price (based on the most current 21-day strip available at the time) for the next quarter and the forecasted PGVA balances to be cleared.”

A gas distributor that anticipates an increase or decrease of 25% or more on the commodity portion of a typical residential system supply customer’s bill (which includes all commodity related rate riders) must file a letter with the Board describing the anticipated increase or decrease and the cost drivers underpinning the anticipated change. The letter must include information regarding the 21-day strip used and the forecasted PGVA balances that the distributor expects to clear.”

In accordance with the Decision, Union prepared a February 2015 estimate of the April 2015 QRAM impacts on the commodity portion of an average residential sales service customer’s bill. Based on its February 2015 estimate, Union forecasts that the commodity-related bill decrease for an average residential customer in Union North will be approximately 37% and the commodity-related bill decrease for an average residential customer in Union South will be approximately 40%.

The forecasted bill decreases are the result of an estimated decrease in the forecasted reference price, forecasted deferral balance credits in gas commodity-related deferral accounts, and the expiration of price adjustments from April 2014 QRAM. Each of these factors is described in more detail below.

Forecasted Reference Price

The estimated Alberta Border Reference Price based on the current 21-day strip ending January 30, 2015 is \$2.962/GJ. This is a decrease of \$0.779/GJ (or approximately 21%) from the EB-2014-0356 (January 2015 QRAM) Alberta Border Reference Price of \$3.741/GJ. The change in the Alberta Border Reference Price results in an annual bill decrease of approximately \$69 for the average residential sales service customer in Union North and Union South.

Gas Commodity-related Deferral Accounts

The gas commodity-related deferral accounts are impacted by both cost variances related to the true-up of forecast to actual deferral balances and recovery variances representing the true-up of forecast recoveries to actual recoveries. The deferral account balances are disposed of prospectively through price adjustments. Please see Attachment 1 for the estimated gas commodity-related deferral account balances and the estimated price adjustments effective April 2015.

Expiring April 2014 Price Adjustments

The estimated April 2015 price adjustments are also impacted by the expiration of large April 2014 price adjustments associated with the winter of 2014. Please see Attachment 2 for a summary of the bill impacts arising from the expiry of April 2014 price adjustments and the estimated April 2015 price adjustments shown at Attachment 1.

For the average residential sales service customer in Union North, the change in the Union North PGVA price adjustment results in an estimated bill decrease of \$81. The change in the Union North Fuel price adjustment results in an estimated bill decrease of \$4. Offsetting the bill decreases related to the PGVA and Fuel deferral accounts is an inventory revaluation price adjustment charge of \$14. Accordingly, the estimated bill decrease related to gas commodity deferral accounts in Union North is approximately \$71.

For the average residential sales service customer in Union South, the change in the Union South PGVA price adjustment results in an estimated bill decrease of \$113. Offsetting the bill decrease related to the PGVA is an inventory revaluation price adjustment charge of \$14. Accordingly, the estimated bill decrease related to gas commodity deferral accounts in Union South is approximately \$99.

Overall Estimated Gas Commodity-related Bill Impacts

The overall estimated gas commodity-related bill impact associated with the factors described above is a net annual decrease for the average residential sales service customer in Union North of approximately \$139. This represents a 37% decrease in the current approved gas commodity portion of the bill.

For the average residential sales service customer in Union South the overall estimated gas commodity-related bill impact is a net annual decrease of approximately \$168. This represents a 40% decrease in the current approved gas commodity portion of the bill.

Please see Attachment 3 for a summary of the overall estimated gas commodity bill impacts.

Union will file its April 1, 2015 QRAM application on March 11, 2015.

Yours truly,

[original signed by]

Chris Ripley
Manager, Regulatory Applications

c.c.: EB-2014-0356 Intervenors

Union Gas Limited
 Gas Commodity-Related Deferrals
Calculation of Estimated April 2015 Price Adjustments

Line No.	Particulars	Account Balance (\$000's)			Disposition Volume (10 ³ m ³)	Price Adjustment (cents/m ³)
		Cost Variances	Recovery Variances	Total Change		
		(a)	(b)	(c)=(a+b)	(d)	(e)=(c/d)
1	Union North - PGVA	(16,571)	(779)	(17,350)	1,003,708	(1.7286)
2	Union North - Fuel	(308)	(83)	(390)	1,003,708	(0.0389)
3	Union South - PGVA	(31,881)	(5,464)	(37,345)	3,310,101	(1.1282)
4	Inventory Revaluation	12,549	821	13,370	4,313,809	0.3099

Union Gas Limited
 Gas Price Adjustment Continuity
April 2015 QRAM - February 2015 Estimate

Line No.	Particulars	Price Adjustment Continuity (cents/m ³)			Bill Impact (\$)
		Proposed April 2015 (a)	Expiring April 2014 (b)	Total Change (c)=(a-b)	Residential @ 2,200 m ³ (d)
1	Union North - PGVA	(1.7286)	1.9627	(3.6913)	(81.21)
2	Union North - Fuel	(0.0389)	0.1380	(0.1769)	(3.89)
3	Union South - PGVA	(1.1282)	4.0378	(5.1660)	(113.65)
4	Inventory Revaluation	0.3099	(0.3515)	0.6614	14.55

Union Gas Limited
 April 2015 QRAM - February 2015 Estimate
Annual Commodity Bill Impact for a Residential Customer

Line No.	Particulars (\$)	Union South Rate M1 (a)	Union North Rate 01 (b)
1	Forecast Price Change	(68.79)	(68.79)
	Gas Cost Deferral Changes		
2	Deferral - PGVA	(113.65)	(81.21)
3	Inventory Revaluation	14.55	14.55
4	Deferral - Fuel		(3.89)
5	Total Gas Cost Deferral Changes	<u>(99.10)</u>	<u>(70.55)</u>
6	Total Gas Commodity Changes (line 1 + line 5)	<u><u>(167.89)</u></u>	<u><u>(139.34)</u></u>
	Gas Commodity Portion of a typical residential sales service customer's bill at January 2015		
7	Commodity & Fuel	332.33	332.63
8	Prospective Recovery - Commodity & Fuel	<u>86.79</u>	<u>45.60</u>
9	Total (line 7 + line 8)	419.12	378.23
10	Impact on Current Commodity Bill (line 6/line 9)	(40%)	(37%)