June 17, 2015

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

Dear Ms. Walli:

RE: EB-2015-0187 – Union Gas Limited – July 1, 2015 QRAM Application

On June 10, 2015 Union Gas Limited ("Union") filed its July 1, 2015 QRAM application. Union received questions from Board Staff and CME. The responses to the questions are attached. IGUA filed a letter stating that they received Union's application and had no objection to approval of Union's application as filed.

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-2014-0271 Intervenors
Crawford Smith (Torys)

UNION GAS LIMITED

Answer to Interrogatory from
Board Staff

a) Please confirm that Union is proposing to pass on the PGVA credit of $11.965 million to ratepayers in this QRAM application while the 7.026 PJ of excess spot gas has not yet been sold to customers. Please explain why Union is proposing to dispose of this future credit as part of this QRAM application and how this approach ensures a proper matching of revenues and costs.

b) Please discuss the Ontario Landed Reference Price of $5.716 that was used in the calculation. Please confirm that there are no errors in the calculation.

Response:

a) Confirmed. As part of the gas cost deferral accounts approved by the Board, the difference between the unit cost of gas purchased each month and the unit cost of gas included in the gas sales rates as approved by the Board is captured in deferral accounts for future disposition. The spot gas purchased in January to March (average cost of $4.013/GJ) is compared to the Ontario Landed Reference Price in place at the time ($5.716/GJ as approved by the Board in the January QRAM - EB-2014-0356 for the January to March period). This process ensures a proper matching of revenues and costs. The variance is recorded in the deferral account at the time of purchase and will be disposed of to customers at the time of consumption. Gas that has not yet been sold to customers goes into gas in inventory and is revalued each quarter as part of the Inventory Revaluation Deferral Account.

b) Confirmed. There are no errors in the calculation. The reference price of $5.716/GJ was approved by the Board in the January QRAM (EB-2014-0356) for the January to March period. This is the applicable reference price to calculate deferral impacts related to spot gas purchases as this was the time period that the spot gas purchases were made.

UNION GAS LIMITED

Answer to Interrogatory from
Canadian Manufacturers & Exporters ("CME")

At Tab 1, Page 7 of 10, Union states that the 7.026 PJ of spot gas purchased, but not required to cover the winter needs, will reduce what would have otherwise been purchased for sales service customers in the summer. Does Union agree that the cost of gas in the summer is generally lower than the cost of gas in the winter? If not, why not?

Response:

Yes, generally, the cost of gas in the summer is lower than the cost of gas in the winter. As indicated in the April QRAM (EB-2015-0035, Tab 1, Table 5, line 5), Union indicated that the summer winter differential was estimated to be $0.49/GJ (summer supply was $0.49/GJ less than winter supply based on forecast exchange rate).

UNION GAS LIMITED

Answer to Interrogatory from
Canadian Manufacturers & Exporters ("CME")

At Tab 1, page 7 of 10, Union states that PGVA credits of $11.965 million (calculated as actual average spot costs $4.013 less the Ontario Landed Reference Price $5.716 = ($1.703) x 7.026 PJ) have been allocated to Union South sales service customers and Union North sales service customers based on actual annual consumption for April, 2014 to March, 2015. Does the calculation of the average spot cost of $4.013 include all of the equivalent costs included in the Ontario Landed Reference Price (i.e. the TransCanada Empress to Union CDA toll and fuel to the Alberta Border Reference Price)? If not, please either recalculate the $4.013 including these additional costs or remove the additional costs from the Ontario Landed Reference Price so that the prices are comparable.

Response:

Yes, the average spot cost of $4.013/GJ at Dawn includes transportation costs. Spot gas purchased at Dawn is the landed cost of supply in Ontario.

UNION GAS LIMITED

Answer to Interrogatory from
Canadian Manufacturers & Exporters ("CME")

Please provide an explanation for why Union's forecast demand of 20.2 PJ was so much greater than the actual demand of 13.2 PJ.

Response:

The primary drivers of the variance between forecast spot gas requirements relative to actual spot gas requirements are provided at EB-2015-0187, Tab 1, Page 6 of 10, Table 2. The primary variance driver is related to forecast weather not materializing as expected for Union South sales service customers and Union North sales service and bundled DP customers. In addition, Union South bundled DP customers did not require as much load balancing gas as anticipated, and unaccounted for gas variances were lower than anticipated on an actual basis. As noted at Tab 1, page 8, lines 1 and 2, when Union was determining the expected requirement of incremental gas needed to cover needs to March 31, the weather forecast for the month of March was calling for 25% colder than normal weather, but the actual weather was only 15% colder than normal.