

March 17, 2016

EMAIL AND RESS

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

Dear Ms. Walli:

Re: EB-2015-0238 Gas Supply Planning Consultation

By letters dated January 8 and February 17, 2016, the Ontario Energy Board (“Board”) set out a process for the next steps in this consultation. Specifically, the Board set February 23 as the date by which Union and Enbridge would file a side by side comparison of their respective gas supply and transportation planning processes (the “document”), as informed by a Table of Contents agreed to by all participants. The Board also fixed March 8 as the date for comments on the document and March 22nd as the date for a half day forum to discuss the document.

Union and Enbridge received comments from just two participants: The Federation of Rental Property Owners (“FRPO”) and Energy Probe. Consistent with the Board’s letters, Union will be prepared to discuss these parties’ comments (and any others) at the forum. However, because of the nature of certain of FRPO’s “observations”, Union takes this opportunity to respond in writing.

FRPO’s letter is broken into two parts: 1. “observations”, including “contextual considerations” and, 2. comments on the document. Union’s focus here is on the first part of FRPO’s letter. It contains inaccuracies in relation to the gas supply planning process, overlooks significant Board decisions and requires correction.

Response to FRPO observations. Beginning at page 1 of its letter, FRPO observes that “by keeping the cost of commodity down, the utility can obtain more market share of the energy needs of the consumer thus increasing the opportunity to expand the system enhancing the shareholder opportunity while providing a good economic energy choice for the consumer”. FRPO further comments that the gas supply plan function has been “managed by the utility as somewhat of a ‘black box’.” These comments are inaccurate.

System expansion is not a goal of the gas supply plan. The goal of the gas supply plan is to ensure the customers that rely on Union for gas supply and upstream transportation service receive secure, diverse gas supply at a prudently incurred cost. Union has an obligation to ensure its sales service customers have access to secure and reliable gas sources and to ensure that it has contracted for sufficient firm transportation for North bundled DP customers. Union follows the Board-approved gas supply planning principles to derive a gas supply plan which satisfies these objectives. The plan itself is underpinned by Board-approved methodologies. The gas supply portfolio ensures that assets are available every day to meet the customer demands including on the coldest days without compromising Union's ability to get gas to the delivery areas and serve customers or exposing them to potentially significantly incremental cost and asset availability risk during periods of volatility.

While the gas supply planning process is a complex integrated process, Union has provided open and transparent information to the Board and the intervenors. This includes:

- The Gas Supply Memorandum and Stakeholder Meeting Presentations
- The gas supply plan as part of cost of service rebasing proceedings
- Detailed evidence and support if critical aspects of the gas supply planning process change during an IRM period
- Information regarding incremental contracting decisions for new transportation contracts as part of the annual deferral disposition proceeding
- Pre-approval, as necessary, of the cost consequences of long term contracts in accordance with the filing guidelines for Pre-Approval of Long-term Natural Gas Supply and/or Upstream Transportation Contracts issued by the Board in EB-2008-0280
- Contracting for gas supply in accordance with the System Gas, Gas Procurement Policy and Procedures
- Review of actual costs of the gas supply portfolio, relative to what is included in rates as part of the QRAM process.

FRPO also overlooks the fact that Union's gas supply planning processes were recently the subject of independent third party review. As the Board held in EB-2013-0109 in relation to that review:

"The Board finds that Union responded appropriately to the EB-2011-0210 directive to file an independent review of its gas supply plan. The evidence filed by Union in regard to its gas supply plan provides the context in which the Board made its findings regarding the treatment of the FT-RAM related revenues. The Board notes that no parties have provided any recommended changes to the plan. ...In regard to FRPO's request for enhancements to the Gas Supply Memorandum, the Board will not require any enhancements at this time. The Board will have an opportunity to review the first filing of that memorandum and determine at that time whether any enhancements are necessary going forward."

At page 2, FRPO refers to an older finding of the Board that Union's ability to manufacture optimization opportunities undermines the credibility of Union's gas supply planning processes. This statement preceded the independent review described above and the Board's subsequent approval of that review. It also overlooks the Board's review of Union's optimization activities in that subsequent proceeding. As the Board held:

"The Board finds that both the gas supply evidence and the optimization evidence, provided by Union in the current case, supports Union's position that the 2012 FT-RAM related transactions meet the criteria set out by the Board in its decision on

the 2011 FT-RAM issue. The Board, therefore, finds that, with the exception noted below, Union's proposed treatment of the 2012 FT-RAM related revenues as utility earnings is appropriate in the context of Union's IRM framework."

Finally, at p. 4 referring to Nexus, FRPO suggests that Union has been "systematically supplying its South territory from the west" rather than through Niagara or Iroquois. Unstated is the fact that this argument has been rejected by the Board including in the Nexus proceeding. There, the Board held:

"The OEB finds that securing transportation capacity on a new pipeline increases contract diversity. In addition to contract diversity for transportation, the OEB finds the Contracts will increase supply diversity. As a result, the proposed Contracts are appropriate additions to the applicants' gas supply portfolios. While the Contracts represent a significant portion of each applicant's overall gas supply portfolio, the OEB does not find that the Contracts represent an overreliance on a single contract. Another alternative to NEXUS raised was the transportation of Appalachian gas to Ontario through Niagara. Enbridge, beginning in 2016, will flow a significant quantity of gas (200,000 GJ/d) through Niagara. The OEB finds that Enbridge's NEXUS contract provides an appropriate balance to its capacity through Niagara and sufficiently diversifies its natural gas supply portfolio in terms of supply sources and transportation paths. Union has a contract for about 21,000 GJ/d of capacity through Niagara. Some intervenors suggested that Union should have participated in previous open seasons for additional capacity through Niagara. The OEB does not find flowing gas through Niagara to be a comparable alternative to the Contracts which provide direct access at the gas supply source through NEXUS. *In addition, the OEB does not find Niagara to be a viable alternative as the evidence indicates that capacity at Niagara is not available in sufficient quantities to meet Union's needs.* In summary, the OEB finds that the quantitative and qualitative benefits arising from the Contracts justify the cost consequences."

Union looks forward to discussing the document and its gas supply planning processes on March 22, 2016.

Yours truly,

[Original Signed by]

Chris Ripley
Manager, Regulatory Applications

c.c.: EB-2015-0238 Interested Parties
S. Andison, FRPO