

February 24, 2017

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

Dear Ms. Walli:

RE: EB-2017-0089 – Union Gas Limited – February Estimate of April 2017 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, 2017 QRAM application. As described in more detail below, Union expects the gas commodity portion of the bill will increase by more than 25% for Union North West customers. This letter also describes Union’s proposed customer communication regarding the April 1, 2017 bill impact.

In its QRAM Review Decision (EB-2014-0199), 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 2017 estimate of the April 2017 QRAM impacts on the commodity portion of an average residential sales service customer’s bill. Based on its February 2017 estimate, Union forecasts that the annual commodity-related bill increase for an average residential customer in Union North West will exceed 25% at an increase of \$62 or 28%. Union forecasts that the annual commodity-related bill increase is not expected to exceed 25% for residential customers in Union South (an increase of \$36 or 10%) or Union North East (an increase of \$56 or 18%).

The forecasted bill increase is the result of an increase in the forecasted reference price and the impact of the disposition of commodity-related deferral accounts. These factors for Union North West are described in more detail below.

Forecasted Reference Price Change

The Alberta Border Reference Price is used to set commodity rates for Union North West. Based on the current 21-day strip ending March 31, 2018 the Alberta Border Reference Price is forecasted to be \$3.383/GJ. This represents an increase of \$0.399/GJ (or approximately 13%) from the EB-2016-0334 (January 2017 QRAM) Alberta Border Reference Price of \$2.984/GJ.

The change in the Alberta Border Reference Price results in an annual bill increase of approximately \$34 for the average residential sales service customer in Union North West.

Commodity-related Deferral Accounts

Current Deferral Account Balances

The current commodity-related deferral account balances are impacted by both cost variances related to the true-up of forecast to actual deferral balances and recovery variances related to the true-up of forecast to actual recovery amounts. The deferral account balances are disposed of prospectively through price adjustments.

Please see Attachment 1, columns a) to e) for the current estimate of commodity-related deferral account balances and the estimated price adjustment rate increase for Union North West effective April 1, 2017.

Expiring April 2016 Price Adjustment

The bill increase is also impacted by the expiration of large price adjustment credits from the April 2016 QRAM. Please see Attachment 1, column f) for a summary of the expiring price adjustments.

The commodity-related price adjustments result in an annual bill increase of approximately \$28 for the average residential sales service customer in Union North West.

Overall Estimated Commodity-related Bill Impacts

The overall estimated commodity-related bill impact associated with the factors described above is a net annual increase of approximately \$62 for the average residential sales service customer in Union North West consuming 2,200 m³. This impact represents a 28% increase to the current approved gas commodity portion of the bill and 7% increase to the total current approved sales service bill.

Please see Attachment 2 for a summary of the overall estimated gas commodity bill impacts.

Customer Communication

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

“is of the view that additional information and education for customers would be beneficial, as well as earlier notification of a pending large increase. If an increase greater than 25% is anticipated on the commodity portion of a typical residential system supply customer’s bill (which includes all commodity related rate riders), the distributor must use best efforts to ensure that its customers are made aware of the proposed price change through, for example, the issuance of a press release describing the anticipated increase, based on the preliminary estimate, and the cost drivers for it.”

Union communicated the forecasted commodity-related bill increase through a press release issued on February 24, 2017. Please see Attachment 3 for a copy of the press release.

Union will file its April 1, 2017 QRAM application on March 10, 2017.

Yours truly,

[original signed by]

Vanessa Innis
Manager, Regulatory Applications

c.c.: EB-2016-0245 Intervenors

UNION GAS LIMITED
 Union North West Gas Commodity Deferrals
Calculation of Estimated April 2017 QRAM Price Adjustments at February 2017

Line No.	Particulars	Account Balances (\$000's)			Disposition Volume (10 ³ m ³)	Price Adjustment (cents/m ³)		
		Cost Variances (a)	Recovery Variances (b)	Total (c) = (a + b)		Proposed April 2017 (e) = (d / c)	Expiring April 2016 (f)	Total Change (g) = (e - f)
<u>Gas Commodity</u>								
1	North Purchase Gas Variance Account	5,314	(575)	4,738	1,078,221	0.4394	(1.3064)	1.7458
2	Union North West Purchase Gas Variance Account	(424)	-	(424)	306,824	(0.1381)	-	(0.1381)
3	North Fuel	(59)	(8)	(68)	1,078,221	(0.0063)	0.0106	(0.0169)
4	Spot Gas	(1)	(7)	(8)	1,078,221	(0.0007)	(0.0141)	0.0134
5	Inventory Revaluation	(4,779)	124	(4,656)	4,488,613	(0.1037)	0.2424	(0.3461)
6	Total Gas Commodity	<u>51</u>	<u>(467)</u>	<u>(416)</u>		<u>0.1907</u>	<u>(1.0675)</u>	<u>1.2582</u>

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Union North West Rate 01 Bill Impacts for an Average Residential Customer with Annual Consumption of 2,200 m³
at April 1, 2017 based on the February 1, 2017 QRAM Projection

Line No.	Particulars	Unit Rate Change (cents/m ³)	Bill Impact (\$)
1	Reference Price (1)	1.5485	34.07
	Price Adjustment - Commodity-Related (2)		
2	North Purchase Gas Variance Account	1.7458	38.41
3	Union North West Purchase Gas Variance Account	(0.1381)	(3.04)
4	North Fuel	(0.0169)	(0.37)
5	Spot Gas	0.0134	0.29
6	Inventory Revaluation	(0.3461)	(7.61)
7	Total Price Adjustment - Commodity-Related	1.2582	27.68
8	Total Gas Commodity Changes	2.8067	61.75
9	Total Commodity Bill at January 2017 QRAM (3)		221.51
10	% Commodity Bill Change (line 8 / line 9)		28%
11	Total Bill at January 2017 QRAM (4)		943.02
12	% Bill Change (line 8 / line 11)		7%

Notes:

- (1) Reference price unit rate change of \$0.399/GJ converted to cents/m³ based on 38.81 GJ/10³m³.
- (2) Attachment 1, line 6, column (g).
- (3) EB-2016-0334, Tab 2, Schedule 5, p. 3, line 12.
- (4) EB-2016-0334, Tab 2, Schedule 5, p. 3, line 14.

**NEWS RELEASE**Union Gas Limited
50 Keil Drive North,
Chatham, ON N7M 5M1**UNION GAS TO SEEK REGULATORY APPROVAL FOR A CHANGE IN CUSTOMER RATES**
Predicting an increase in April due to rising North American gas prices

CHATHAM, ON, FEBRUARY 24, 2017 – Union Gas announced today that in March, it plans to apply to the Ontario Energy Board for approval to change the rates its customer will pay for natural gas beginning in April. Union Gas adjusts customer rates quarterly to reflect changes in the market price of natural gas supplies, which are passed through to customers without mark-up. For more information on natural gas rates, watch the following [videos](#).

The details will not be finalized until mid-March, but increases in North American market prices combined with planned adjustments for the difference between forecasted and actual gas costs from prior periods, could mean a bill increase of between \$3 and \$5 a month for a typical residential household, depending on location.

While there are seasonal fluctuations market prices, natural gas prices remain lower today than 10 years ago and costs significantly less that heating vs. electricity, oil or propane.

One of the best ways to manage energy costs is by improving the energy efficiency for homes or businesses and Union Gas is committed to help through energy-saving advice, incentives and rebates. For example the Union Gas [Home Reno Rebate](#) offers qualified residential customers up to \$5,000 in rebates for energy-efficiency assessments and renovations that can significantly lower their energy costs. More information is available at:

- Households: uniongas.com/savemoney
- Businesses: uniongas.com/savemoneyandenergy

Eligible Union Gas customers having trouble paying their natural gas bill may qualify for emergency financial assistance toward past-due bills. Assistance is available year-round as funding allows. Learn more about the Energy Assistance Program at uniongas.com/energy-assistance-program.

About Union Gas

Union Gas Limited is a major Canadian natural gas storage, transmission and distribution company based in Ontario with 100 years of experience and service to customers. The distribution business serves about 1.4 million residential, commercial and industrial customers in more than 400 communities across northern, southwestern and eastern Ontario. Union Gas, named one of Canada's Top 100 Employers from 2011- 2017, is a Spectra Energy (NYSE: SE) company with assets of \$7.2 billion and approximately 2,300 employees. For more information, visit uniongas.com or find us on Twitter: twitter.com/uniongas, Facebook: facebook.com/uniongas and YouTube: youtube.com/user/uniongas.

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