

March 15, 2017

VIA RESS AND COURIER

Ms. Kirsten Walli
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Dear Ms. Walli:

Re: EB-2017-0089: Union Gas Limited (Union) April 1, 2017 QRAM Application.

Industrial Gas Users Association (IGUA) Comments.

We write as legal counsel to IGUA.

IGUA's Position on Proposed Rate Adjustments

IGUA's advisors, Aegent Energy Advisors Inc. (Aegent), have reviewed Union's Application for quarterly adjustment of rates (QRAM) to be effective April 1, 2017. Based upon Aegent's advice, IGUA is satisfied that Union has properly followed the QRAM methodology for quarterly rate adjustments approved by the OEB's EB-2008-0106 Decision.

IGUA has no objection to approval of Union's application as filed.

Board Staff Rate Mitigation Proposal

We have considered the suggestion advanced by Board Staff in their letter herein of even date regarding potential deferral of variance account balances in order to mitigate the impact of successive material Union quarterly price adjustment rate increases.

IGUA's members who generally are not on sales service (i.e. don't buy gas from Union) are not as impacted by QRAM adjustments as many of Union's lower volume customers are. Nonetheless, in general, it is IGUA's view that QRAM changes should be mechanical, to maintain price transparency in the market. This is the basis for the design of the QRAM process in the first place, which was carefully constructed to appropriately balance price transparency with price volatility. IGUA's view is that this balance should generally not be interfered with.

In respect of Staff's proposal in this case, in our review we have considered the following, which considerations may also assist the Board in its deliberations on Staff's mitigation proposal:

1. The increase in the forecast unit cost of gas at the Alberta border (the reference price for Union North West) is just under 6%. For other Union customers (Union North East and Union South), the reference price for the cost of gas (at Dawn) has actually slightly decreased. That is, current gas cost changes are not the main drivers of the rate increases reflected in the instant QRAM.
2. Significant drivers of the current proposed rate increases are:
 - (a) Expiry of "*large price adjustment credits from the April 2016 QRAM*" (see Union's February 24, 2017 letter to the Board regarding anticipated price increases, page 2).
 - (b) Inclusion in the instant proposed rate adjustments of TCPL abandonment charges as well as a toll increase for upstream transportation service from Centra Pipelines.
3. An additional price adjustment credit from the July 2016 QRAM will be expiring at the time of Union's July 2017 QRAM. A similar concern at that time could prompt a proposal for yet further recovery deferrals.

For sales service customers, the overall bill impact arising from the current QRAM is well under 10%. In this context, deferring recovery of deferral account balances which do not arise from any particular extraordinary event (for example, the "polar vortex" winter of a few years ago) might not be an advisable practice.

Costs

Pursuant to the Board's *Practice Direction on Cost Awards*, IGUA is eligible to apply for a cost award as a party primarily representing the direct interests of ratepayers in relation to regulated gas services. IGUA requests that the Board award it costs reasonably incurred in review of Union's QRAM.

IGUA has, in the past, been consistently awarded modest costs for review of QRAM applications. IGUA respectfully submits that the Board, in making such awards, has recognized some value (commensurate with modest costs) in the independent and informed review of such applications.

IGUA continues to be mindful of the need for efficiency in its regulatory interventions, in particular in respect of relatively non-contentious matters such as is normally the case with QRAM applications. For QRAM reviews, IGUA has retained Aegent, whose professionals are expert in Ontario gas commercial and regulatory matters, including rate matters in particular. Aegent conducts a review of the QRAM application as filed, and provides a report to IGUA. Provided that Aegent's report does not indicate any concerns with either the application of the QRAM protocols or the rate outcome, IGUA is in a position to advise the Board that it has no cause for objection, as is the case in this instance.

IGUA submits that it has acted responsibly with a view to informing the Board's review and decision on this Application, while maintaining due attention to cost efficiency. On this basis, IGUA is requesting recovery of its costs for participation in this process.

Yours truly,



Ian A. Mondrow

cc. Dr. Shahrzad Rahbar (IGUA)
Valerie Young (Aegent)
Vanessa Innis (Union)
Crawford Smith (Torys)
Intervenors of Record (EB-2016-0245)

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