June 16, 2017

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

Re: EB-2017-0185 – Union Gas Limited ("Union") – July 1, 2017 QRAM Application – Interrogatory Responses and Comments Response

Dear Ms. Walli:

On June 9, 2017, Union filed its July 1, 2017 QRAM application. Union received submissions from Canadian Manufacturers & Exporters ("CME"), the Federation of Rental-housing Providers of Ontario ("FRPO") and the Industrial Gas Users Association ("IGUA").

IGUA reviewed Union's July 1, 2017 QRAM application, found it is in accordance with the Board-approved QRAM mechanism and does not oppose Union's application.

CME and FRPO asked interrogatories and Union's responses to the interrogatories are enclosed.

Union requests the Board's Decision on the application by Friday, June 23, 2017. If you have any questions on this matter, please contact me at (519) 436-5334.

Yours truly,

[*Original Signed by*]

Vanessa Innis
Manager, Regulatory Applications

cc: EB-2016-0245/EB-2008-0106 Intervenors
Crawford Smith (Torys)

UNION GAS LIMITED

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

Reference: Tab 2, p. 5 of 8

Preamble: As the Board is aware, it is CME's practice to conduct a due diligence review of Union's QRAM Applications. CME wishes to better understand the rationale for transferring the current balance from the existing Union North PGVA and Union North Tolls and Fuel accounts to the new Union North deferral accounts.

a) At Tab 2, page 5 of 8, Union states that "Union continues to track and record the recovery variance associated with these deferral accounts (for activity up to and including December 31, 2016) to account for the difference between what was actually recovered in previous rate riders and what Union forecast to recover." CME would like to know what Union is still tracking. Is Union still tracking transactions that occurred in December, or are their still variances occurring today that impact the 2016 time periods?

b) Could Union please provide a more fulsome explanation as to why these amounts are not being cleared from the original accounts in accordance with the previous Board approved cost allocation for those accounts?

c) Could Union please provide a summary which shows the customer classes that the balance would be allocated to in the Union North PGVA, the Union North Tolls and Fuel Account, as well as the customer classes that it would be allocated to in the new Union North deferral accounts?

Response:

a) Union is no longer tracking and proposing disposition of transactions that occurred in 2016, but is tracking variances of the prospective recovery amounts associated with the deferral account balances up to December 31, 2016. As described at Tab 2, page 5, Union recorded the last actual variance for the Union North PGVA and Union North Tolls and Fuel deferral account as part of April 2017 QRAM. The unit rate riders for the deferral account balances that were calculated with the April 2017 QRAM are being disposed of over the period of April 1, 2017 to March 31, 2018. The remaining variances for these accounts are recovery variances, associated with the difference between the forecast and actual volumes for the time period up to March 31, 2018.

   Table 1 provides the forecast prospective recovery amounts in the Union North PGVA and Union North Tolls and Fuel deferral accounts for the current and future QRAM periods. For each QRAM, Union calculates the actual recovery amount by multiplying the previously approved rate riders to the actual volumes based on the last three months of actual volumes. Union proposes to transfer the difference between the prospective recovery amount and the actual recovery amount to the new deferral accounts in the current and following four QRAM applications, at which point, the recovery variance will be zero. The July 2017 QRAM application noted it would take three QRAM proceedings (Tab 2, p.5). The correct number of QRAM proceedings is four, as mentioned in the analysis above.

Table 1
Quarterly Prospective Recovery Amounts

Line No.	Particulars	QRAM Periods	Union North PGVA (1)	Union North Tolls (1)	Union North Fuel (1)
			(a)	(b)	(c)
	Current Quarterly Recovery Variance:				
1	Prospective Recovery Amounts (Jan-Mar 2017)	July 2017	(11,007)	1,157	(244)
2	Actual Recovery Amounts (Jan-Mar 2017)	July 2017	(10,174)	1,203	(229)
3	Proposed Variance Transfer (Jan-Mar 2017)	July 2017	(834)	(45)	(15)
	Remaining Variances:				
4	Prospective Recovery Amounts (Apr-Jun 2017)	Oct 2017	(743)	153	(107)
5	Prospective Recovery Amounts (Jul-Sep 2017)	Jan 2018	285	32	(11)
6	Prospective Recovery Amounts (Oct-Dec 2017)	Apr 2018	391	(773)	(139)
7	Prospective Recovery Amounts (Jan-Mar 2018)	Jul 2018	2,194	(740)	(31)

Note:
(1) Prospective and actual recovery amounts based on the applicable unit rate rider for each quarter.

b) In order to close the Union North PGVA and Union North Tolls and Fuel deferral accounts, the balance in each account needs to be zero. Union can only reach a zero account balance in these deferral accounts by eliminating the calculation of new unit rate riders that are disposed of over another twelve-month period. Union has begun the process of closing each account by transferring the recovery variance to the new deferral accounts which are disposed of to the same customers, as described in response to part a) above. Without this method of dealing with the recovery variance, there will continue to be a balance in each account indefinitely because there will always be a variance between the forecast and actual volumes for disposition.

As shown in Table 2, Union's proposal to transfer the recovery variance to the new deferral accounts in proportion to the forecast billing units by zone maintains a common unit rate for disposition and ensures no customers are impacted by the transfer. As illustrated below, the unit rate rider for recovery from sales service and bundled direct purchase customers is the same under the current disposition and the proposed disposition with the deferral balance transfer. In both cases, sales service customers will be credited a rate of (0.0788) cents/m^3 for the North PGVA and North Fuel deferral account balance and sales service and bundled direct purchase customers will be credited (0.0032) cents/m^3 for the North Tolls deferral account at July 2017 QRAM.

Table 2
Current vs. Proposed Deferral Disposition by Service Type at July 2017 QRAM

Line No.	Particulars	Deferral Transfer ($000)	Forecast Billing Units (10^3m^3)	Unit Rate (cents/m^3)
		(a)	(b)	(c) = (a / b*100)
	Current Disposition			
	Sales Service			
1	North PGVA (179-105)	(834)	1,076,827	(0.0774)
2	North Fuel (179-100)	(15)	1,076,827	(0.0014)
3	Total	(849)	1,076,827	(0.0788)
	Sales Service & Bundled Direct Purchase			
4	North Tolls (179-100)	(45)	1,434,538	(0.0032)
5	Total	(45)	1,434,538	(0.0032)
	Proposed Transfer Disposition			
	Sales Service			
6	North West PGVA (179-147)	(242)	306,588	(0.0788)
7	North East PGVA (179-148)	(607)	770,239	(0.0788)
8	Total	(849)	1,076,827	(0.0788)
	Sales Service & Bundled Direct Purchase			
9	North West Tolls & Fuel (179-145)	(12)	395,281	(0.0032)
10	North East Tolls & Fuel (179-146)	(33)	1,039,257	(0.0032)
11	Total	(45)	1,434,538	(0.0032)

c) The Union North PGVA and Union North Fuel deferral accounts are disposed of to all Union North sales service customers in both the Union North West and Union North East zones. The new Union North West and North East PGVA are disposed of to sales service customers in each zone, respectively. The transfer of the recovery variance from the Union North PGVA and Union North Fuel deferral accounts to the new Union North West and North East PGVA deferral accounts allows for disposition of the recovery variance from the same class of customers.

The North Tolls deferral account is disposed of to all Union North sales service and bundled direct purchase customers in both the Union North West and Union North East zones. The new Union North West and North East Transportation Tolls and Fuel deferral accounts are disposed of to sales service and bundled direct purchase customers in each zone, respectively. The transfer of the recovery variance from the Union North Tolls deferral account to the new Union North West and North East Transportation Tolls and Fuel deferral accounts allows for disposition of the recovery variance from the same class of customers.

Union proposes to transfer the recovery variance to the new deferral accounts in proportion to the forecast volumes by zone to maintain a common unit rate for disposition in each zone. Table 2 above shows the transfer of the deferral balance does not impact the recovery of the deferral balance for sales service and bundled direct purchase customers.

UNION GAS LIMITED

Answer to Interrogatory from
Federation of Rental-housing Providers of Ontario ("FRPO")

Reference: Tab 2, Schedule 4
EB-2016-0245 Exhibit A, Tab 3, pp 31-32
EB-2017-0091 Exhibit A, Tab 4, Schedules 1 and 2

Preamble: We would like to understand better the process undertaken in making purchasing decisions on behalf of ratepayers and the underlying the quantum of costs that are being applied for prospective recovery including the source of those costs.

In the Gas Supply Memorandum filed with EB-2016-0245, Union states:

"To facilitate and take advantage of Union North having access to Dawn, Union recognized the importance of supporting the NEXUS Pipeline to introduce growing Appalachian supplies into Dawn and ultimately into the northern portfolio. Approximately 50,000 Dth/d of supply transported on NEXUS Pipeline will be used to serve a portion of the Union North East sales service customers' requirements from Dawn.

The balance of the supply transported on the NEXUS Pipeline (100,000 Dth/d) will allow the Union South portfolio to further diversify and introduce additional security and exposure to more stable pricing in the Appalachian shale region. In addition to 100,000 Dth/d of transportation on the NEXUS Pipeline for Union South, Union anticipates in excess of 100,000 GJ/d of uncommitted pipe in 2017. Union will evaluate and analyze potential pipeline paths and supply sources in the context of its Gas Supply Planning Principles. These principles ensure customers consistently receive secure, diverse natural gas supply at a prudently incurred cost and minimal risk……

Starting November 1, 2015, Union entered into a contract for firm transportation capacity of 20,000 Dth/d (21,101 GJ/d) from Dominion South Point to Dawn for a one-year term. By contracting for this transportation service originating at Dominion South Point, Union was able to purchase gas supply at Dominion South Point, a very liquid and active location for most Appalachian producers and marketers. This allowed Union to gain experience purchasing from a variety of suppliers in the Appalachian region in order to gain additional experience and form relationships prior to the in-service date of the NEXUS Pipeline.

Union will purchase supply to fill the NEXUS Pipeline on annual and multi-year terms, as well as on a seasonal and monthly basis".

Please update the Transportation Analysis Contracting Analysis Tables in Schedules 1 and 2 of EB-2017-0091 Ex. A, Tab 4 to add:

a) The forecasted cost for the path from supply source to Dawn of the Nexus path.

b) The forecasted cost for the path from supply source to Dawn of the TCPL Dawn Long-Term Fixed Price ("LTFP") offering.

c) If not already shown, the current cost of 20,000 Dth/d from Dominion South to Dawn.

i) If already shown, please specify which line and confirm that the transportation cost reflects the actual cost Union is paying.
ii) If not already shown, please describe the path the gas takes to get to Dawn and the cost of respective segments of the path.

Response:

The Transportation Contracting Analysis is performed at the point in time that Union is making transportation contracting decisions. For the 2016/2017 period covered by the Gas Supply Memorandum, filed with EB-2016-0245, the point of transportation contracting decisions was in the summer of 2016. The costs underpinning the EB-2017-0185 July QRAM proceeding, including costs on the Dawn to NEXUS path, are provided in the response at Exhibit B.FRPO.4. There are no costs associated with TCPL LTFP or Dominion South to Dawn included in this July QRAM proceeding as they are not paths currently forecasted to be contracted for between July 1, 2017 and June 30, 2018.

UNION GAS LIMITED

Answer to Interrogatory from
Federation of Rental-housing Providers of Ontario ("FRPO")

Please produce a copy of the Open Season held by TCPL for Dawn LTFP.

a) Please provide the analysis that Union Gas undertook to determine the economics of the Dawn LTFP path in comparison with other sources of gas to Dawn.

b) Please confirm that while the project was targeted at Western Canadian Producers, there was no condition in the Open Season that Union Gas precluded from submitting a bid.

c) Please provide the Union Gas rationale in choosing not to bid any volumes from this service as part of its Gas Supply portfolio.

Response:

The requested information is unrelated to Union's requested relief in this proceeding and as such, Union declines to provide it.

The purpose of the QRAM is to set gas supply reference prices, which are essentially rolling 12-month prices that are updated quarterly. The quarterly updates reflect any true-up related to the variance between the projected average cost included in rates and the actual cost as well as any adjustments as a result of changes in tolls. Analysis of alternative supply or transportation options is not part of the QRAM process.

UNION GAS LIMITED

Answer to Interrogatory from
Federation of Rental-housing Providers of Ontario ("FRPO")

In the Gas Supply Memorandum, Union identified that in addition to additional gas arriving via Nexus, "Union anticipates in excess of 100,000 GJ/d of uncommitted pipe in 2017".

a) Please provide the chosen approaches to acquiring the additional 100,000 GJ/day.

i) Please provide the supporting analysis which Union preformed to choose the means of meeting that supply requirement.

b) Please confirm that Nexus does not have FERC approval to proceed with construction.

c) Are the anticipated costs for Nexus included in Union's request for prospective recovery of landed costs in the QRAM application?

i) If so, please provide Union's approach to acquiring gas for this winter if Nexus cannot deliver until spring of 2018?
ii) Are ratepayers at risk for any additional costs if Nexus cannot deliver for this winter? Please provide the basis for this response.
(1) If ratepayers are at risk for additional costs, please describe Union's mitigation efforts.

Response:

a) When evaluating acquisition of additional transportation capacity to meet the requirements identified by the Gas Supply Plan, Union follows the approach outlined in the Gas Supply Memorandum. The costs included in the July QRAM application assume the uncommitted quantity is at Dawn, as shown in the response at Exhibit B.FRPO.4.

i) Section 4 of the Gas Supply Memorandum outlines the Gas Supply Planning Process that identifies the upstream transportation, supply purchases, and storage assets required to serve sales service and bundled direct purchase customers' annual, seasonal and design day gas delivery requirements. A new Gas Supply Plan is currently being developed. The results of this plan will be included in the Gas Supply Memorandum, which will be filed as part of the 2018 Rates proceeding.

Section 3 of the Gas Supply Memorandum outlines the Gas Supply Planning Objectives and Principles that guide Union's approach to acquiring assets required by the Gas Supply Plan. Union's evaluation is based on a set of principles that are designed to ensure customers receive secure, diverse gas supply at a prudently incurred cost. The principles are as follows:

- Ensure secure and reliable gas supply to Union's service territory;
- Minimize risk by diversifying contract terms, supply basins and upstream pipelines;
- Encourage new sources of supply as well as new infrastructure to Union's service territory;
- Meet planned peak day and seasonal gas delivery requirements; and,
- Deliver gas to various receipt points on Union's system to maintain system integrity.

b) Union's understanding is that NEXUS does not yet have FERC approval to proceed with construction.

c) The anticipated cost of NEXUS transportation capacity and supply are included starting November 1, 2017 in the July QRAM application, and are included in Exhibit B.FRPO.4.

   i) If NEXUS is not in-service November 1, 2017, Union will:

   - Continue to hold 60,000 dth/day of DTE Michcon capacity until NEXUS capacity is in-service. This contract expiry is tied to the earlier of the NEXUS in-service date or October 31, 2018.
   - Assess all other available options to replace the remaining 90,000 dth/day of supply to bridge until NEXUS capacity is in service.

   ii) Union will not incur any NEXUS costs until NEXUS capacity is in-service as the pipeline facilities must be in service prior to the start of the firm service agreements.

UNION GAS LIMITED

Answer to Interrogatory from
Federation of Rental-housing Providers of Ontario ("FRPO")

Reference: Tab 2, Schedule 4 and EB-2017-0181 Ex. Q3-3 Tab 1, Schedule 1

Preamble: We would like to understand better Union's derivation of the prospective rate riders and the underlying supply and transportation costs that contribute to the prospective recovery.

For the year ending June 30, 2018, please present the forecasted costs for the Union South portfolio in the same format as displayed by Enbridge in the above referenced evidence submitted for its third quarter QRAM.

Response:

Please see Attachment 1.

Summary of Gas Cost to Operations
For the 12 Month Period Ending June 30, 2018

Line No.	Union Zone	Volume (GJ)	Purchase Cost ($000's)	Weighted Average price ($/GJ) (2)	% Change from Previous QRAM
		(a)	(b)	(c)	
	Union South				
	Supply Costs				
1	Empress Supplies	2,079,000	6,312	$ 3.036	
2	Niagara Supplies	7,701,865	26,759	$ 3.474	
3	Chicago Supplies	30,158,761	123,292	$ 4.088	
4	Panhandle Supplies	13,737,884	51,427	$ 3.743	
5	Trunkline Supplies	2,595,438	10,851	$ 4.181	
6	Michcon Supplies	7,786,313	31,974	$ 4.106	
7	Appalachian Supplies	25,532,355	99,140	$ 3.883	
8	Ojibway Supplies	7,701,865	35,687	$ 4.634	
9	Ontario Local Production	467,200	1,917	$ 4.102	
10	Dawn / Uncommitted Supplies	39,178,678	165,279	$ 4.219	
11	Total Supply Costs	136,939,359	552,639	$ 4.036	
	Transportation Costs				
12	TransCanada Mainline		4,114		
13	TransCanada Dawn to Union ECDA		1,001		
14	TransCanada Kirkwall to Union CDA		7,995		
15	TransCanada Niagara Pipeline		1,771		
16	Vector Pipeline		8,129		
17	Panhandle Pipeline		8,706		
18	Trunkline/Panhandle Pipeline		448		
19	Michcon Pipeline		772		
20	NEXUS Pipeline		25,003		
21	Total Transportation Costs		57,939		
22	Transportation Fuel Costs				
23	TransCanada Mainline		270		
24	TransCanada Niagara Pipeline		23		
25	Vector Pipeline		1,497		
26	Panhandle Pipeline		3,190		
27	Trunkline/Panhandle Pipeline		496		
28	Michcon Pipeline		521		
29	NEXUS Pipeline		3,956		
30			9,953		
31	Total Union South Costs (Tab 1, Schedule 2, p. 7)	136,939,359	620,531	$ 4.531	6%
	Union North East (1)				
	Supply Costs				
32	Appalachian Supplies and Transport to Dawn	12,766,226	64,050	$ 5.017	
33	Chicago Supplies and Transport to Dawn	6,488,619	28,409	$ 4.378	
34	Empress Supplies	5,394,688	16,273	$ 3.016	
35	Dawn Supplies	10,529,147	44,270	$ 4.204	
36	Total Union North East Costs (Tab 1, Schedule 2, p. 4)	35,178,680	153,001	$ 4.349	6%
	Union North West (1)				
	Supply Costs				
37	Empress Supplies (Tab 1, Schedule 2, p. 3)	16,657,886	49,955	$ 2.999	-5%

Notes:
(1) Union North Transportation and Storage Costs are filed at Tab 2, Schedule 2, p. 2.
(2) The forecast price is based on the 21-day strip methodology.