

March 14, 2018

**VIA RESS AND COURIER**

Ms. Kirsten Walli  
**ONTARIO ENERGY BOARD**  
P.O. Box 2319, 27<sup>th</sup> Floor  
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Dear Ms. Walli:

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**Re: EB-2018-0104: Union Gas Limited (Union) April 1, 2018 QRAM Application.**  
**Industrial Gas Users Association (IGUA) Comments.**

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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, 2018. 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.

**Additional Comments**

We note that, consistent with other recent QRAMs, Union has transferred the latest QRAM recovery variances (covering the period October – December, 2017) for its previous North PGVA and North Tolls & Fuel variance accounts to the new deferral accounts aligned with the new North West and North East zones. Union proposes to continue this transfer for one more QRAM (July 1, 2018) and will then be able to close the old accounts. IGUA has previously commented that Union's proposal for addressing these recovery variances was reasonable, and continues to so observe.

We also note that Union has again confirmed, and planned for, delay in the availability of the NEXUS pipeline from April 1, 2018 (as indicated in the October QRAM) to September, 2018 (as indicated in the January, 2018 QRAM and confirmed in the instant QRAM). To provide for alternative supply,

Union previously increased its DTE/MichCon capacity to hold 90,000 Dth/day until October 31, 2018 (if required until then), and secured an additional 60,000 Dth/day of capacity on Vector through March 31, 2018. In its last (January, 2018) QRAM Union indicated that it had assumed Dawn supplies in its plans upon expiry of this Vector capacity on March 31<sup>st</sup>, and in response to questions from IGUA<sup>1</sup> indicated that it would evaluate alternatives to these Dawn supplies in the lead-up to the instant QRAM. In its current filing Union continues to reflect Dawn supplies of 60,000 Dth/day, at this time from April 1, 2018 until the anticipated NEXUS in-service date of September 1, 2018.<sup>2</sup> IGUA suggests that, in its response herein, Union; i) confirm that it has evaluated alternatives to these Dawn supplies; ii) concluded that continuation of these planned Dawn supplies is the best alternative; and iii) explain the basis for such determination.

Finally, in review of Union's evidence herein regarding spot purchases for the winter period just ending, we note Union's continued practice of proactively layering in spot gas purchases as the winter progressed so as to avoid significant in market positions on the day, an approach which IGUA supports. We further note:

- (a) reference to a "net total of 8.3 PJ of spot gas" purchased<sup>3</sup>;
- (b) total spot purchases (as of January 30, 2018) of 10.3 PJ<sup>4</sup>; and
- (c) a determination (at some point) that it did not require 2.0 PJ of planned March Dawn supply.

We have been unable to reconcile the referenced 2.0 PJ of planned March Dawn supply foregone with the Table 1 referenced at point (b), above (which indicates March delivery of 1.0 PJ), and would appreciate in Union's response reconciliation of the narrative with the table.

We would also note on this topic of spot purchases that Union intends to address disposition of \$2.72 million of spot gas costs for Union South related to managing unaccounted for gas through its *Unaccounted for Gas Price Variance Account* as part of its annual non-commodity deferral account disposition proceeding for 2018 account balances, rather than as part of this QRAM. IGUA supports this approach, which provides a clear picture through the relevant deferral account of unaccounted for gas costs.

## **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.

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<sup>1</sup> EB-2017-0351, Exhibit B.IGUA.1

<sup>2</sup> Current filing, Tab 1, p.2, lines 1-8.

<sup>3</sup> Current filing, Tab 1, p.4, line 15.

<sup>4</sup> Current filing, Tab 1, p.5, Table 1.

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 Aagent, whose professionals are expert in Ontario gas commercial and regulatory matters, including rate matters in particular. Aagent conducts a review of the QRAM application as filed, and provides a report to IGUA. Provided that Aagent'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.

In this instance, IGUA has also asked some questions to inform and complete the record herein.

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

- c. Dr. Shahrzad Rahbar (IGUA)  
Vanessa Innis (Union)  
Crawford Smith (Torys)  
Valerie Young (Aagent)  
Intervenors of Record (EB-2017-0087)

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