June 18, 2018

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VIA RESS AND COURIER

Ms. Kirsten Walli
ONTARIO ENERGY BOARD
P.O. Box 2319, 27th Floor
2300 Yonge Street
Toronto, Ontario
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Dear Ms. Walli:

Re: EB-2018-0174: Union Gas Limited (Union) July 1, 2018 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 July 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 January – March 2018) for its previous North PGVA and North Tolls & Fuel variance accounts to its more recently established deferral accounts aligned with its current North West and North East zones. Union has noted that this is the last such transfer required for this transition between previous and current rate zones. Union is thus concluding its previously considered plan for preparing to close these old accounts as part of its 2019 rates proceeding. IGUA has supported this transition process as reasonable and continues to do so.

We also note that Union is now expecting a further delay in the availability of the NEXUS pipeline, from September, 2018 (as indicated in the January, 2018 QRAM and confirmed in the April, 2018

QRAM) to October 1st. To provide for alternative supply during the Nexus in service delay, 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 31st. In the current filing Union indicates that it continues to reflect Dawn supplies of 60,000 Dth/day until the Nexus in service date.[1] IGUA suggests that, in its response herein, Union; i) confirm that it has continued to evaluate alternatives to these Dawn supplies; ii) confirm its conclusion that continuation of these planned Dawn supplies is the best alternative and explain the basis for such determination; iii) provide any additional information that it has on the reasons for the continued delay in Nexus in service expectations; and iv) discuss its plans should Nexus in-service be delayed beyond the October 31st expiry of the temporary DTE/MichCon capacity.

Finally, in review of Union's evidence herein regarding spot purchases for the winter period just ending, we note Union's determination that later winter warmer than forecast weather rendered 3.0 PJ of its 8.3 PJ winter spot gas purchases excess. (In Union's previous QRAM, as then noted by IGUA, Union indicated that it had adjusted its spot purchases down to 8.3 PJ from an earlier (as of January 20th) planned purchase of 10.3 PJs.[2]) Union intends to address disposition of the cost of 1.3 PJ of this excess spot gas as unaccounted for gas (UFG), and dispose of these UFG costs through its UFG Price Variance Account (Deferral Account No. 179-141), consistent with previous Board direction[3] and as part of its 2018 annual non-commodity deferral account disposition application. As we have noted in the past, IGUA continues to support this approach, which provides a clear picture through the relevant deferral account of unaccounted for gas costs. In the interim, we note that the 1.3 PJ of excess spot gas characterized as UFG in this application represents 40% of the total excess spot gas purchased, which seems a very high proportion. We would appreciate any further information which Union can provide to explain this seemingly very high proportion.

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

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1 Tab 1, page 1, lines 18-19.

2 EB-2018-0104, Union Gas April 1, 2018 QRAM, Union's March 16, 2018 Comments Response letter, item 2.

3 Tab 1, page 8, lines 14-22.

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.

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 (Aegent)
Intervenors of Record (EB-2017-0087)

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