June 20, 2018

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

Re: EB-2018-0174 – Union Gas Limited ("Union") – July 1, 2018 QRAM Application – Comments Response

Dear Ms. Walli:

On June 11, 2018, Union filed its July 1, 2018 QRAM application. Union received submissions from Canadian Manufacturers & Exporters ("CME") and the Industrial Gas Users Association ("IGUA").

IGUA stated it reviewed Union's application, found it is in accordance with the Board-approved QRAM mechanism and does not oppose the application. However, IGUA noted two areas where it sought further comment from Union: 1) Dawn supplies related to the delayed in-service of the NEXUS pipeline, and 2) spot gas purchases related to Unaccounted for Gas ("UFG"). CME also requested further information on spot gas purchases related to UFG. Union provides its responses below.

1) IGUA noted that Union is now expecting a delay in the availability of the NEXUS pipeline to October 1, 2018, and that Union continues to reflect Dawn supplies of 60,000 Dth/day until the anticipated NEXUS in-service date. IGUA requested that 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.

   Union confirms it continues to evaluate alternatives to Dawn supplies, including the option of contracting for Vector supply. Union is monitoring pricing at various upstream locations and evaluates alternatives consistent with Union's gas supply planning principles. From a landed cost basis, Dawn supply continues to be the best alternative in the short term.

In September, 2017 NEXUS first notified Union that the expected in-service date would be late third quarter 2018; all subsequent communications have been consistent with this messaging. The communication was received within one month of FERC granting NEXUS a certificate of public convenience and necessity. Based on the NEXUS precedent agreement, Union expects that the service will commence the first day of the first calendar month following the date at which the pipeline places the project facilities into service.

Union will continue to monitor requirements until NEXUS is in-service. Similar alternatives to the NEXUS contingency plan will be considered. NEXUS continues to indicate a late third quarter in-service date, and nominations/ scheduling training is expected in August and September. Given that training is late in the third quarter and NEXUS will not commence service until the first day of the calendar month following the date at which the pipeline places the project facilities into service, Union has reflected an October 1, 2018 in-service date in the July QRAM.

2) IGUA noted support for Union's proposal to address disposition of excess spot gas purchases related to UFG through the 2018 annual non-commodity deferral account disposition proceeding, while also requesting further information on the 1.3 PJ of excess spot gas relating to UFG. CME noted its desire to better understand the spot gas purchases attributable to UFG.

In the November, 2017 to January, 2018 timeframe Union experienced 2.6 PJ more UFG than forecast. Union made spot gas purchases in January 2018, in part to offset these losses as well as to cover incremental consumption due to colder than normal weather. Over the remainder of the winter (February and March 2018), primarily in March, Union's UFG was less than forecast reducing the actual UFG for the season from 2.6 PJ to 1.3 PJ. Unlike the use of weather forecasts for consumption variances there is no tool to predict variances to the forecast UFG quantities. Union's purchase decisions were made with the best information available to maintain planned inventory levels through February and March and to maintain system integrity.

As noted at Tab 1, page 4, the total incremental supply requirement for the 2017/18 winter was 11.6 PJ, including filling 6.3 PJ of planned UDC and 5.3 PJ of spot gas. Of the total incremental supply requirement, UFG was 1.3 PJ or approximately 11%. As noted at Tab 1, page 6, Table 1, column (b), line 4, UFG comprised 1.3 PJ of the total 5.3 PJ of spot gas required or approximately 24% of the total spot gas requirement.

Union requests the Board's Decision on the application by Monday, June 25, 2018. 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-2017-0087/EB-2008-0106 Intervenors
Crawford Smith (Torys)