GOWLING WLG

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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
M4P 1E4

Dear Ms. Walli:

Re: EB-2018-0253: Union Gas Limited (Union) October 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 October 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. However, as commented on below, we do have some questions in respect of Union's proposed disposition of spot gas costs related to unaccounted for gas (UFG).

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.

IGUA has, in past QRAMs, asked questions in respect of Union's plans to manage any further delay in the in-service date of the Nexus pipeline. We understand Union's evidence in the current QRAM to be that Nexus is now essentially confirmed to be in service as of October 1, 2018, and thus there are no further concerns about transportation capacity shortfalls or related contingency plans beyond this date.

We do, however, have some concerns in respect of Union's proposal to dispose of the costs of spot gas purchased on account of expected UFG. IGUA raised some questions regarding spot gas purchases on account of UFG in its June 18, 2018 letter filed in respect of Union's July 2018 QRAM application [EB-2018-0174]. Union addressed those questions (and the similar UFG question that had been posed by CME) in its June 20th letter in response. That June 20th letter explains that Union experienced 2.6 Pj of excess UFG (relative to forecast) from November 2017 to January 2018 and so added this 2.6 Pj to its January 2018 spot gas purchases to offset these un-forecast losses from earlier in the winter. In the second half of the winter, however, UFG was less than forecast (primarily in March 2018) and reduced actual UFG for the season from 2.6 Pj to 1.3 Pj. It is the net cost of this 1.3 Pj that Union has proposed in the instant QRAM to dispose of through the UFG variance account.

It is our understanding that the UFG variance account is subject to a $5 million symmetrical dead band within which account balances are to Union's account.

It would be helpful if Union could address the following questions in its reply submissions herein:

1. Why would the costs of the entire 2.6 Pj purchased on account of UFG not be disposed of through the UFG variance account?

2. If a portion of the costs of this 2.6 Pj purchased on account of UFG is disposed of through the PGVA as proposed rather than the UFG variance account, does Union recover more than if the entire cost of these volumes is disposed of through the UFG variance account?

3. Could Union please confirm what we understand to be Union's evidence in the July 2018 QRAM filing that what ends up in the South PGVA is the $2.346 million (Tab 1, p.7 of the July 2018 QRAM) less the $1.338 million for the cost variance on the 1.3 Pj going to the UFG Price Variance Account (Tab 1, p. 8 of the July 2018 QRAM).

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. Following receipt and review of Aegent's report, IGUA is either in a position to advise the Board that it has no cause for objection or, as is the case in this instance, is able to raise any specific and duly informed concerns with the application.

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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