

March 17, 2017

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

**Re: EB-2017-0089 – Union Gas Limited (“Union”) – April 1, 2017 QRAM
Application – Interrogatory Responses and Comments Response**

Dear Ms. Walli:

On March 10, 2017, Union filed its April 1, 2017 QRAM application. Union received submissions from Ontario Energy Board (“Board”) staff, Canadian Manufacturers & Exporters (“CME”) and the Industrial Gas Users Association (“IGUA”) on March 15, 2017.

Board staff asked interrogatories related to Union’s application. Union’s responses to the interrogatories from Board staff are enclosed.

Both CME and IGUA reviewed Union’s April 1, 2017 QRAM application, found it is in accordance with the Board-approved QRAM mechanism and do not oppose Union’s application. Union agrees with IGUA that QRAM changes should be mechanical to maintain price transparency in the market and that it is important to keep the balance between price transparency and price volatility.

Union further requests the Board’s Decision on the application by Friday, March 24, 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
Board Staff

Reference: Tab 2, Schedule 4, p.1
Tab 2, Schedule 5, p.2
EB-2016-0334, Tab 2, Schedule 5, pp.2-4

The annual rate impact for northern customers (North East and North West) in Union's franchise area ranged from approximately \$66 to \$162 in the previous QRAM (EB-2016-0034) for rates effective January 1, 2017. In the current QRAM, the annual rate impact is between \$40 and \$50 for northern customers. In other words, Union North customers will experience successive rate increases with a cumulative annual impact ranging from approximately \$100 to \$200.

- a) Has Union considered any rate mitigation measures for its northern customers considering the successive rate increases?
- b) If the OEB required some kind of rate mitigation measure, are there any measures that Union can propose to achieve this objective?
- c) If Union were to delay recovering the balances in the North PGVA (\$4.7 million), North West PGVA (\$188,000) and North East PGVA (\$4.6 million) to a subsequent QRAM, what would be the rate impact for northern customers? Please provide updated rate impacts and work sheets including variance account balances.
- d) Does Union agree with the above approach as a rate mitigation measure for northern customers? If no, why not?

Response:

- a) No, Union has not considered rate mitigation measures; the increase to the commodity portion of the bill is less than 25% in this application. The purpose of the QRAM process is to have a transparent benchmark that reflects market prices, while also providing price stability. Deferring the collection of the balances in any of the gas supply deferral accounts will reduce future price transparency and will take away from the mechanical nature of the QRAM. Any deferred balances will continue to accrue interest at the Board-prescribed rate, which will increase the total cost to customers.

In its preamble Board staff notes the range of rate impacts that occurred with the January QRAM. However, the preamble does not note that these rate impacts included the implementation of cap-and-trade costs into rates, which represents over \$70 of the total increase at January 1. In addition, a large part of the increase in the April 2017 QRAM is

attributable to expiring price adjustment credits related to the April 2016 QRAM.

Union communicated the forecasted commodity-related bill increase through a press release issued on February 24, 2017.

- b) As described in the response at part a), Union does not believe rate mitigation measures are appropriate.
- c) Attachment 1 calculates the Union North PGVA price adjustments. Attachment 2 calculates the estimated bill impacts for an average Rate 01 customer and Attachment 3 calculates the estimated bill impacts for an average Rate 10 customer. As described in the response at part a), Union does not believe this is an appropriate approach.
- d) Please see the response at part a).

UNION GAS LIMITED
 Union North Gas Commodity Deferrals
Calculation of April 2017 QRAM Union North PGVA Price Adjustments

Line No.	Particulars	Account Balances (\$000's)			Disposition Volume (10 ³ m ³) (d)	Price Adjustment (cents/m ³) (e) = (d / c)
		Cost Variances (a)	Recovery Variances (b)	Total (c) = (a + b)		
	<u>Gas Commodity</u>					
1	North Purchase Gas Variance Account	5,314	(575)	4,738	1,078,221	0.4394
2	Union North West Purchase Gas Variance Account	188	-	188	306,824	0.0611
3	Union North East Purchase Gas Variance Account	4,623	-	4,623	771,397	0.5993
4	Total Gas Commodity	<u>10,124</u>	<u>(575)</u>	<u>9,549</u>		

UNION GAS LIMITED

Estimated Rate 01 Bill Impacts for an Average Residential Customer with Annual Consumption of 2,200 m³
Excluding Union North PGVA Price Adjustments at April 1, 2017

Line No.	Particulars	Unit Rate Change (cents/m ³) (1)	Union North West Bill Impact (\$ (2))	Union North East Bill Impact (\$ (2))
		(a)	(b)	(c)
	Price Adjustments			
1	North Purchase Gas Variance Account	0.4394	9.67	9.67
2	Union North West Purchase Gas Variance Account	0.0611	1.34	-
3	Union North East Purchase Gas Variance Account	0.5993	-	13.18
4	Total		11.01	22.85
5	Removal of Price Adjustments (line 4 x -1)		(11.01)	(22.85)
6	Total Commodity Bill at April 2017 QRAM (3)		269.71	352.19
7	% Commodity Bill Change (line 5 / line 6)		-4%	-6%
8	Total Bill at April 2017 QRAM (4)		993.32	1,090.45
9	% Bill Change (line 5 / line 8)		-1%	-2%

Notes:

- (1) Attachment 1, column (e).
- (2) Column (a) x 2,200 / 100.
- (3) EB-2017-0089, Tab 2, Schedule 5, p. 2, line 12.
- (4) Total Bill Including Customer-Related GHG Obligation per EB-2017-0089, Tab 2, Schedule 5, p. 2, line 14.

UNION GAS LIMITED

Estimated Rate 10 Bill Impacts for an Average Customer with Annual Consumption of 93,000 m³
Excluding Union North PGVA Price Adjustments at April 1, 2017

Line No.	Particulars	Unit Rate Change (cents/m ³) (1)	Union North West Bill Impact (\$ (2))	Union North East Bill Impact (\$ (2))
		(a)	(b)	(c)
	Price Adjustments			
1	North Purchase Gas Variance Account	0.4394	408.64	408.64
2	Union North West Purchase Gas Variance Account	0.0611	56.82	-
3	Union North East Purchase Gas Variance Account	0.5993	-	557.35
4	Total		465.47	965.99
5	Removal of Price Adjustments (line 4 x -1)		(465.47)	(965.99)
6	Total Commodity Bill at April 2017 QRAM (3)		11,401.90	14,888.06
7	% Commodity Bill Change (line 5 / line 6)		-4%	-6%
8	Total Bill at April 2017 QRAM (4)		28,420.40	31,750.36
9	% Bill Change (line 5 / line 8)		-2%	-3%

Notes:

- (1) Attachment 1, column (e).
- (2) Column (a) x 93,000 / 100.
- (3) EB-2017-0089, Tab 2, Schedule 5, p. 3, line 12.
- (4) Total Bill Including Customer-Related GHG Obligation per EB-2017-0089, Tab 2, Schedule 5, p. 3, line 14.