

December 16, 2016

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

Re: EB-2016-0334 – Union Gas Limited (“Union”) – January 1, 2017 QRAM Application – Interrogatory Responses and Comments Response

Dear Ms. Walli:

On December 9, 2016, Union filed its January 1, 2017 QRAM application. Union received letters from Canadian Manufacturers & Exporters (“CME”) and the Industrial Gas Users Association (“IGUA”). Both CME and IGUA reviewed Union’s January 1, 2017 QRAM application and found it is in accordance with the Board-approved QRAM mechanism and do not oppose Union’s application.

On December 14, 2016, Board staff asked interrogatories related to Union’s application. Please find attached Union’s responses to the interrogatories received by Board staff.

Union further requests the Board’s Decision on the application by Thursday, December 22, 2016. 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

UNION GAS LIMITED

Answer to Interrogatory from
Board Staff

Reference: Tab 1, p. 10, Tab 2, p. 11, Table 3

Union provided the average Dawn Price for the last four QRAM periods as follows.

<u>QRAM Period</u>	<u>Price (\$/GJ)</u>
January, 2016	\$ 3.430
April, 2016	\$ 3.146
July, 2016	\$ 3.511
October, 2016	\$ 3.935

Union noted that the January 1, 2017 Dawn Reference Price is \$4.151 / GJ

- a) Please provide the average Dawn Price in the same format as provided at Tab 1 / p.10 for an additional 4 quarters (beginning January 2015).
- b) Please provide any long-term forecasting that Union has obtained, or developed, for the Dawn Price.
- c) Please provide the average Empress price in the same format as provided at Tab 1 / p. 10 for the period January 2015 to January 2017.
- d) Please compare the average Dawn price to the average Empress price over the same period as requested in the questions above (i.e. January 2015 to January 2017).
- e) Please provide Union's understanding of the reasons for any material changes in the spread between the Dawn and Empress prices over the above noted period.
- f) Please provide an explanation of the differences in the bill impacts related to the implementation of the Dawn Reference Price Settlement as between originally filed (in EB-2015-0181) and Updated (in the current proceeding) for the North East Zone (set out at Tab 2 / p. 11 / Table 3 / Lines 14-15). If applicable, please specifically illustrate the effects of the change in the spread between Dawn and Empress.

Response:

- a) The average Dawn Prices for the period January 2015 to January 2017 are provided below.

Average Dawn Price

QRAM Period	\$Cdn/GJ
January, 2015	\$4.517
April, 2015	\$3.735
July, 2015	\$3.798
October, 2015	\$3.914
January, 2016	\$3.430
April, 2016	\$3.146
July, 2016	\$3.511
October, 2016	\$3.935
January, 2017	\$4.148 *

*per EB-2016-0334, Tab 1, Schedule 1, line 9.

- b) The forecast Dawn Price provided in the January 1, 2017 QRAM is based on the 21-day strip forecast Dawn Basis for the QRAM period, January 1, 2017 to December 31, 2017. Similar to the Empress Basis, the forecast Dawn Basis Prices are obtained through a data subscription to the Kiorex price reporting agency.
- c) The average Empress Price in the January 1, 2017 QRAM is \$2.879 as provided at Tab 1, Schedule 1, line 4. The average Empress Prices reflected in Union's QRAM filings for the periods January 2015 to January 2017 are provided below.

Average Empress Price

QRAM Period	\$Cdn/GJ
January, 2015	\$3.704 *
April, 2015	\$2.946 *
July, 2015	\$3.034 *
October, 2015	\$3.039 *
January, 2016	\$2.608 *
April, 2016	\$2.252 *
July, 2016	\$2.393 *
October, 2016	\$2.781 *
January, 2017	\$2.879 **

*per respective QRAM filing, Tab 1, Schedule 1, line 5.

**per EB-2016-0334, Tab 1, Schedule 1, line 4.

- d) A comparison of the average Dawn Price to average Empress Price over the January 2015 to January 2017 period is provided below.

Average Price (\$Cdn/GJ)

QRAM Period	Dawn	Empress	Spread	%
January, 2015	\$4.517	\$3.704	\$0.813	18%
April, 2015	\$3.735	\$2.946	\$0.788	21%
July, 2015	\$3.798	\$3.034	\$0.764	20%
October, 2015	\$3.914	\$3.039	\$0.875	22%
January, 2016	\$3.430	\$2.608	\$0.822	24%
April, 2016	\$3.146	\$2.252	\$0.894	28%
July, 2016	\$3.511	\$2.393	\$1.118	32%
October, 2016	\$3.935	\$2.781	\$1.154	29%
January, 2017	\$4.148	\$2.879	\$1.269	30%

- e) The spreads between Dawn and Empress have ranged from 18% to 30% over the January 2015 to January 2017 period. Market dynamics, changes in production, as well as transportation capacity and price affect the spreads between Dawn and Empress.
- f) The differences between the bill impacts filed in Union’s January 1, 2017 QRAM application (EB-2016-0334) compared to the amounts filed in the Dawn Reference Price application (EB-2015-0181) are due to changes to the reference price used to set gas commodity rates and upstream compressor fuel requirements and upstream transportation tolls. EB-2015-0181 was based on the reference prices and upstream transportation tolls from Union’s April 1, 2015 QRAM (EB-2015-0035).

The gas commodity bill impact difference for the Union North East zone is associated with changing the reference price used to set the gas commodity rates from Alberta Border to Dawn. Of the gas commodity bill impact difference of \$32.37 and \$32.42, provided at EB-2016-0334, Exhibit A, Tab 2, Table 3, lines 14-15, \$32.56 is related to the change in the reference prices between April 1, 2015 and January 1, 2017. A summary of the change to the reference prices is provided at Table 1.

Table 1
Reference Prices at April 1, 2015 and January 1, 2017

Line No.	Particulars	EB-2016-0334		EB-2015-0035		Difference	
		January 2017 QRAM (cents/m ³) (a)	(\$/GJ) (b)	April 2015 QRAM (cents/m ³) (c)	(\$/GJ) (d)	(cents/m ³) (e) = (a-c)	(\$/GJ) (f)=(b-d)
	<u>Reference Price</u>						
1	Alberta Border	11.5809	2.984	11.3761	2.951	0.2048	0.033
2	Dawn	16.1100	4.151	14.4254	3.742	1.6846	0.409
3	Difference (line 2 - line 1)	4.5291	1.1670	3.0493	0.7910	1.4798	0.376
4	Bill Impact (\$) (1) (line 3 x 2200 / 100)	99.64		67.08		32.56	

Note:

(1) Based on annual consumption of 2,200 m³.

The other gas commodity, storage and transportation bill impact differences for the Union North East zone are not significant and relate to changes to the reference price used to set compressor fuel requirements and transportation tolls since the April 1, 2015 QRAM.

UNION GAS LIMITED

Answer to Interrogatory from
Board Staff

Reference: Tab 1, Schedule 1

- a) For the record, please explain why there are no volumes forecast to be purchased for the Union North West Zone for the period April 2017 to October 2017 (inclusive).
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Response:

- a) The Gas Supply Plan identifies planned Unabsorbed Demand Cost (“UDC”) for Union North. Union expects to manage UDC in the summer of 2017 in the North West Zone subject to actual activity for the 2016/17 gas year. Although the QRAM assumes no purchases during the summer for the North West Zone, direct purchase (“DP”) customers will continue to supply their volumes at Empress based on their contracted obligated Delivery Contract Quantity (“DCQ”) and this supply will flow to the market area to meet demands. Union will adjust its gas purchase plans and UDC management as necessary to ensure market demands are met in each delivery area.

UNION GAS LIMITED

Answer to Interrogatory from
Board Staff

Reference: Tab 1

- a) Please confirm that: (i) the Alberta Border Reference Price will only be used as the reference price for the NPGVA until December 31, 2016; (ii) as of January 1, 2017, there will be no further balances recorded in the NPGVA; and (iii) the NPGVA will remain open until December 31, 2017 in order to conclude the disposition of the existing balances in the account.
- b) Please confirm that: (i) the Alberta Border Reference Price will only be used as the reference price for the North Transportation Tolls and Fuel – Northern and Eastern Operations Area deferral account until December 31, 2016; (ii) as of January 1, 2017, there will be no further balances recorded in the account; and (iii) the North Transportation Tolls and Fuel – Northern and Eastern Operations Area deferral account will remain open until December 31, 2017 in order to conclude the disposition of the existing balances in the account.
- c) Please confirm that beginning January 1, 2017, the Alberta Border Reference will be used as the reference price for the following accounts: (i) Union North West PGVA; (ii) Spot Gas Variance Account for spot purchases at Empress.
- d) Please advise whether the Alberta Border Reference Price will be used as the reference price for: (i) North West Transportation and Fuel Account; and (ii) any other accounts or purposes that should be referenced in the OEB's order.
- e) Please confirm that beginning January 1, 2017, the Dawn Reference Price will be used as the reference price for the following accounts: (i) SPGVA; (ii) Union North East PGVA; and (iii) Spot Gas Variance Account for spot purchases at Dawn.
- f) Please advise whether the Dawn Reference Price will be used as the reference price for: (i) North East Transportation and Fuel Account; and (ii) any other accounts or purposes that should be referenced in the OEB's order.

Response:

- a)
- i. Confirmed.
 - ii. Confirmed.
 - iii. Not confirmed. Actual balances in the Union North Purchase Gas Variance Account (“PGVA”) for the period October 1, 2016 to December 31, 2016 will be filed with the

April 1, 2017 QRAM and prospective recovery unit rates will be calculated for disposition over the following 12 months. Accordingly, disposition of balances from the Union North PGVA will continue until March 31, 2018.

b)

- i. Confirmed. The Alberta Border Reference Price will only be used as the reference price for the Transportation Tolls and Fuel Northern and Eastern Operations Area deferral account (Deferral Account No. 179-100) reference price with respect to fuel gas until December 31, 2016.
- ii. Confirmed.
- iii. Not confirmed. Actual balances in the North Transportation Tolls and Fuel – Northern and Eastern Operations Area deferral account for the period October 1, 2016 to December 31, 2016 will be filed with the April 1, 2017 QRAM and prospective recovery unit rates will be calculated for disposition over the following 12 months. Accordingly, disposition of balances from the North Transportation Tolls and Fuel – Northern and Eastern Operations Area deferral account will continue until March 31, 2018.

c)

- i. Confirmed.
- ii. Confirmed.

d)

- i. The Alberta Border Reference Price will not be used as the reference price for the North West Transportation and Fuel Account. Union will record the difference between the actual cost of the transportation portfolio and associated fuel costs to serve Union North West delivery areas and the forecast cost included in rates in the North West Operations Area deferral account.
- ii. There are no other accounts that should be referenced in the OEB's order as it relates to the Alberta Border Reference Price.

As indicated at Exhibit A, Tab 2, p. 3, upstream compressor fuel requirements will be updated for changes in the reference price each quarter. This should be referenced in the OEB's order as noted at page 3, Section (e) of the application.

*“Union North transportation and storage rates are updated each quarter for changes in upstream transportation tolls and, **per the Settlement, changes in the reference prices used to calculate the upstream compressor fuel requirements.**”
[emphasis added].*

- e)
 - i. Confirmed.
 - ii. Confirmed.
 - iii. Confirmed.

- f)
 - i. The Dawn Reference Price will not be used as the reference price for the North East Transportation and Fuel Account. Union will record the difference between the actual cost of the transportation portfolio and associated fuel costs to serve Union North East delivery areas and the forecast cost included in rates in the North East Operations Area deferral account.

 - ii. There are no other accounts that should be referenced in the OEB's order as it relates to the Dawn Reference Price.

As indicated at Exhibit A, Tab 2, p. 3, upstream compressor fuel requirements will be updated for changes in the reference price each quarter. This should be referenced in the OEB's order as noted at page 3, Section (e) of the application.

*“Union North transportation and storage rates are updated each quarter for changes in upstream transportation tolls and, **per the Settlement, changes in the reference prices used to calculate the upstream compressor fuel requirements.**”*
[emphasis added].