

September 20, 2017

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

**Re: EB-2017-0278 – Union Gas Limited – October 1, 2017 QRAM Application –  
Interrogatory Responses and Comments Response**

Dear Ms. Walli:

On September 12, 2017, Union filed its October 1, 2017 QRAM application. Union received submissions from Ontario Energy Board staff (“Board staff”), Canadian Manufacturers & Exporters (“CME”) and the Industrial Gas Users Association (“IGUA”).

Board staff and CME asked interrogatories and Union’s responses to the interrogatories are enclosed.

IGUA has reviewed Union’s October 1, 2017 QRAM application and is satisfied that it has properly followed the Board-approved QRAM methodology. IGUA notes that an error was made on Union’s part, though with very minimal impact which is limited to sales service customers.

Union requests the Board’s Decision on the application by Monday, September 25, 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 1, Schedule 1, Line 5

- a) Please explain why there are negative volumes forecasted to be purchased for the Union North West Zone for the period April 2018 to September 2018 (inclusive).
  - b) If this negative volumetric forecast is an error, please quantify the impact of the error on the net annual bill for residential customers in the Union North West Zone.
  - c) If this negative volumetric forecast is an error, does Union intend to refile their QRAM application? If not, provide an explanation of the rationale.
  - d) If this negative volumetric forecast is an error, please explain the actions Union will take to ensure that a similar error does not reoccur on future QRAM applications.
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**Response:**

- a) As discussed in the Gas Supply Memorandum in Union's 2017 rates proceeding, in Union North the upstream transportation capacity is first sized to meet the design day demand requirements. The capacity required to meet design day demand is greater than average annual demand requirements. Therefore, a portion of Union's contracted capacity is planned to be unutilized during the year, meaning that Union will reduce system gas supply purchases and leave pipeline capacity empty. For the QRAM period, Union expects to leave pipeline capacity empty based on planned unabsorbed demand charges ("UDC") by reducing system supply purchases for the summer of 2018 which results in UDC. Actual unutilized capacity and resulting UDC will be impacted by changes in consumption through the gas year. UDC costs are recovered through the UDC deferral account as part of the annual deferral disposition proceeding.

The negative volumes are an error. Union can reduce purchases to zero but cannot go negative. The North West PGVA deferral impact of this error and resulting impact to customers is very small, as shown in part (b). The error will be corrected in Union's January 2018 QRAM filing.

- b) The negative volumetric forecast impacts the Alberta Border Reference Price, which is used to calculate the rates underlying the proposed bills. The Alberta Border Reference Price in Union's application is overstated by \$0.005/GJ (0.0195 cents/m<sup>3</sup>) when compared to the corrected Alberta Border Reference Price of \$2.611/GJ.

The impact of the error, as shown in Table 1 below, is that the proposed bill for a typical residential customer in the Union North West Zone consuming 2,200 m<sup>3</sup> annually is higher by \$0.43. The proposed bill for a commercial/industrial customer in the Union North West Zone consuming 93,000 m<sup>3</sup> annually is higher by \$18.31. The impact represents less than one tenth of one percent on the annual bill for each of the residential and commercial/industrial customers.

The Alberta Border Reference Price is used to calculate the Union North West Zone gas supply commodity rate and the upstream transportation fuel costs in transportation and storage rates. Variances between the Alberta Border Reference Price used to set rates and actual costs will be recorded as gas cost deferrals for disposition in a future QRAM application. Accordingly, the impact of the overstated rates will be trued-up when actual gas costs are recorded for this period.

Table 1  
Overstatement of the Total Bill in the Union North West Zone

Line No.	Particulars (\$)	As Filed 01-Oct-17 Total Bill (4) (a)	Corrected 01-Oct-17 Total Bill (b)	Difference (c) = (a-b)
<u>Rate 01 – Residential (1)</u>				
1	Delivery Charges (3) Gas Supply Charges	523.05	523.05	-
2	Transportation & Storage	196.08	196.08	-
3	Prospective Recovery - Transportation & Storage	(2.45)	(2.45)	-
4	Commodity	228.36	227.93	0.43
5	Prospective Recovery - Commodity	25.58	25.58	-
6	Total Bill	970.62	970.19	0.43
<u>Rate 10 - Commercial / Industrial (2)</u>				
7	Delivery Charges (3) Gas Supply Charges	9,818.68	9,818.68	-
8	Transportation & Storage	7,020.64	7,020.38	0.26
9	Prospective Recovery - Transportation & Storage	(103.14)	(102.85)	(0.29)
10	Commodity	9 652.93	9,634.80	18.13
11	Prospective Recovery - Commodity	1,080.49	1,080.28	0.21
12	Total Bill	27,469.60	27,451.29	18.31

Notes:

- (1) Based on annual consumption of 2,200 m<sup>3</sup>.
- (2) Based on annual consumption of 93,000 m<sup>3</sup>.
- (3) Delivery charges include customer-related Cap-and-Trade costs.
- (4) Tab 2, Schedule 5, p. 2 and 3, line 14.

c) No, Union does not intend to re-file its October QRAM application since the deferral impact of this error and resulting impact to customers is very small, as shown in part (b). If Union were to re-file the October QRAM, implementation of the rates effective October 1, 2017 would be at risk.

d) Union is adding an additional check in the QRAM process to ensure that similar errors do not occur in future QRAM applications.

UNION GAS LIMITED

Answer to Interrogatory from  
Canadian Manufacturers & Exporters ("CME")

Reference: Tab 1 Schedule 1 line 5

Preamble: Union forecasts negative purchase volumes for the Union North West service territory between April of 2018 and September of 2018.

- a) If the negative forecasts were done in error, please provide an update to the bill impacts for commercial and industrial customers in the Union North West service territory.
- b) If the negative forecasts were not erroneous, please provide an explanation for why Union forecasts negative purchase volumes.
- c) If the negative forecasts were not erroneous, please confirm whether or not Union would be reselling excess gas as a result of negative forecasts.

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**Response:**

Please see the response at Exhibit B.Staff.1.