



EB-2015-0179

Union Gas Limited

Application for approval to expand natural gas service, establish rates and surcharges, and leave to construct natural gas pipelines to serve the communities of Milverton, Prince Township and the Chippewas of Kettle and Stony Point and Lambton Shores

PROCEDURAL ORDER NO. 6 April 7, 2017

Union Gas Limited (Union) filed an application with the Ontario Energy Board (OEB) on July 23, 2015, seeking approval to provide natural gas service to certain rural and remote communities in Ontario. In its application, Union proposed certain changes to how it recovers revenues to meet the investments required, including a proposal to collect a surcharge from new customers and a contribution from existing customers.

In a letter dated January 20, 2016, the OEB informed all parties that it intended to proceed with a generic hearing on its own motion as the issues raised by all the parties in Union's application were common to all gas distributors and new entrants seeking to provide gas distribution services in communities that do not have access to natural gas. The OEB also noted in that letter that Union's application would be put on hold until the completion of the generic hearing. On November 17, 2016, the OEB issued its Decision on the Generic Community Expansion Proceeding (EB-2016-0004). The Decision among other things determined that existing customers should not subsidize new community expansions.

In Procedural Order No. 4 issued on November 17, 2016 (EB-2015-0179), the OEB determined that it would resume Union's application that had been put on hold and directed Union to advise the OEB on how it proposes to proceed with its application in light of the OEB's Decision on Community Expansion (EB-2016-0004). In a letter dated December 22, 2016, Union advised the OEB that it intended to file a revised application by the end of March 2017.

Union further filed a letter dated February 13, 2017 requesting the OEB to confirm Union's view that that a request for the interest of other parties to serve the four communities identified in Union's application and any process arising from that request was not required in respect of its application to serve the four communities. The OEB in response issued a letter dated March 3, 2017 noting that it would follow the decision of the Generic Community Expansion Proceeding and this included allowing other parties an opportunity to notify the OEB of their interest in serving an area that is the subject of a community expansion application.

In Procedural Order No. 5 issued on March 21, 2017, the OEB determined that it will consider interest from other parties that wish to serve the four communities identified by Union's application. The OEB further noted that any party expressing an interest in serving the areas identified by Union must demonstrate that it has already explored the opportunity to provide service in these communities and is in a position to file complete applications. The OEB required parties to advise the OEB and all parties to the proceeding of their interest in serving the stated communities by March 28, 2016. The OEB did not receive any indication of interest.

The OEB further instructed Union to address some of the threshold issues identified by the OEB in the EPCOR Southern Bruce proceeding (EB-2016-0137/38/39) in its updated evidence.

Union filed its updated evidence on March 31, 2017. Union's updated application has proposed four expansion projects to serve the following communities: (1) Kettle and Stony Point First Nation and Lambton Shores; (2) Milverton, Rostock and Warburg; (3) Prince Township; and (4) the Delaware Nation of Moraviantown First Nation.

The OEB's Generic Community Expansion Decision in EB-2016-0004 did not permit regulated entities to charge existing customers to fund community expansion projects. In accordance with this Decision, Union has not proposed contribution from existing customers to fund community expansion. Union has proposed a system expansion surcharge to be paid by new community expansion customers in addition to the existing rates in order to recover the cost of expansion. Union has proposed the surcharge to be set as \$0.23 per cubic meter which is the same as previously proposed. The surcharge would be fixed at this rate for a maximum term of 40 years or until the project meets a Profitability Index of 1.0. A Profitability Index of 1.0 implies that the present value of projected revenues over a 40 year period meet the costs of serving the customers.

The proposed expansion in the Delaware Nation of Moraviantown First Nation is contingent on receipt of Provincial grant funding or some other means of direct Aid-to-Construction as the proposed surcharge and existing rates do not meet a minimum Profitability Index of 1.0.

The OEB accepted a list of intervenors and determined cost eligibility in the initial phase of the proceeding prior to placing the application on hold until the completion of the Generic Community Expansion Proceeding. In its original evidence, Union had proposed contribution from existing customers to fund community expansion. Consequently, a number of special interest groups (intervenors) were directly impacted by the application due to the rate impact on their constituents. The updated application of Union does not propose any cross-subsidies and therefore there is no impact on existing customers of Union.

IT IS ORDERED THAT:

1. Parties that are interested in intervening in this application must reapply for intervenor status and cost eligibility. Cost eligibility will be granted to parties that are directly impacted by the application. Intervenors who intend to seek cost eligibility must describe how Union's application will impact their members. Interested parties must file their intervention request with the OEB and deliver it to Union by April 13, 2017.

All filings to the OEB must quote the file number, EB-2015-0179 and be made electronically in searchable / unrestricted PDF format through the OEB's web portal at <https://www.pes.ontarioenergyboard.ca/eservice/>. Two paper copies must also be filed. Filings must clearly state the sender's name, postal address and telephone number, fax number and e-mail address. Parties must use the document naming conventions and document submission standards outlined in the RESS Document Guideline found at <http://www.ontarioenergyboard.ca/OEB/Industry>. If the web portal is not available parties may email their documents to the address below. Those who do not have internet access are required to submit all filings on a CD in PDF format, along with two paper copies. Those who do not have computer access are required to file 7 paper copies.

All communications should be directed to the attention of the Board Secretary at the address below, and be received no later than 4:45 p.m. on the required date.

ADDRESS

Ontario Energy Board
P.O. Box 2319
2300 Yonge Street, 27th Floor
Toronto ON M4P 1E4
Attention: Board Secretary

E-mail: boardsec@oeb.ca
Tel: 1-888-632-6273 (Toll free)
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DATED at Toronto, April 7, 2017

ONTARIO ENERGY BOARD

Original signed by

Kirsten Walli
Board Secretary