



EB-2013-0365

IN THE MATTER OF the *Ontario Energy Board Act*, 1998, S.O. 1998, c. 15, (Schedule B);

AND IN THE MATTER OF an Application by Union Gas Limited, pursuant to section 36(1) of the *Ontario Energy Board Act*, 1998, for an order or orders approving or fixing just and reasonable rates and other charges for the sale, distribution, transmission and storage of gas as of January 1, 2014.

DECISION AND ORDER ON PARKWAY DELIVERY OBLIGATION

June 16, 2014

Union Gas Limited ("Union") filed an Incentive Rate Mechanism ("IRM") application along with a Settlement Agreement on July 31, 2013 with the Ontario Energy Board (the "Board") seeking approval of a multi-year IRM framework for the period 2014-18. The Board approved the Settlement Agreement filed by Union that established a framework to set rates for a five year term.

Based on the approved framework, Union filed this application on October 31, 2013 with the Board pursuant to section 36 of the *Ontario Energy Board Act*, 1998, S.O. c.15, Schedule B, for an order or orders approving rates for the distribution, transmission and storage of natural gas, effective January 1, 2014. The Board assigned the application, file number EB-2013-0365.

The Board issued a Notice of Application and Hearing on November 22, 2013. Union filed a Settlement Agreement and Draft Rate Order on April 24, 2014 for rates effective January 1, 2014. This Settlement covered all issues with the exception of three issues:

1. Parkway Delivery Obligation;

2. Allocation of Kirkwall Metering Costs; and
3. Leamington Line Project.

The Board accepted the Settlement Agreement by way of Decision, Rate Order and Procedural Order No. 3 issued on May 12, 2014.

On June 3, 2014 Union filed an update to the Settlement Agreement ("Updated Settlement Agreement") which included a settlement on the Parkway Delivery Obligation issue (entitled "Settlement Framework for Reduction of Parkway Delivery Obligation"). At an oral hearing on June 5, Union presented the Parkway Delivery Obligation settlement and responded to questions by the Board. Counsel for Union, Board staff and intervenors also participated in the hearing. The Updated Settlement Agreement dated June 3, 2014 is attached as Appendix A and includes the Settlement Framework for Reduction of Parkway Delivery Obligation in Appendix B to this Decision.

The Board accepts the Updated Settlement Agreement and the Settlement Framework for Reduction of Parkway Delivery Obligation, and commends Union and the participating stakeholders for their efforts in coming to an agreement that the Board considers to be in the public interest.

THE BOARD ORDERS THAT:

1. Union shall establish the Parkway Obligation Rate Variance Deferral Account (179-138) as noted in the Settlement Framework for Reduction of Parkway Delivery Obligation and as set forth in Appendix "C". Union shall record simple interest on the monthly opening balances, calculated at the Board-approved rate.

DATED at Toronto June 16, 2014

ONTARIO ENERGY BOARD

Original signed by

Kirsten Walli
Board Secretary

APPENDIX A

TO

DECISION AND ORDER

UNION GAS LIMITED

BOARD FILE NO. EB-2013-0365

DATED: JUNE 16, 2014

UPDATED SETTLEMENT AGREEMENT

EB-2013-0365

UNION GAS LIMITED

SETTLEMENT AGREEMENT

Updated

June 3, 2014

EB-2013-0365

SETTLEMENT AGREEMENT

This Settlement Agreement (“Agreement”) is for the consideration of the Ontario Energy Board (“the Board”) in its determination, under Docket No. EB-2013-0365, of Calendar 2014 rates for Union Gas Limited (“Union”). By Procedural Order No. 1 dated December 20, 2013, the Board scheduled a Settlement Conference to commence at 9:30 a.m. on March 17, 2014. The Settlement Conference was duly convened, and finished on March 19, 2014.

The following parties participated in the Settlement Conference:

Association of Power Producers of Ontario (“APPrO”)

BOMA Greater Toronto (“BOMA”)

Canadian Manufacturers & Exporters (“CME”)

Consumers Council of Canada (“CCC”)

City of Kitchener (“Kitchener”)

Energy Probe Research Foundation (“Energy Probe”)

Federation of Rental-housing Providers of Ontario (“FRPO”)

Industrial Gas Users Association (“IGUA”)

London Property Management Association (“LPMA”)

Nova Chemicals (Canada) Ltd. (“NOVA”)

Ontario Association of Physical Plant Administrators (“OAPPA”)

Ontario Power Authority (“OPA”)

Ontario Greenhouse Vegetable Growers (“OGVG”)

School Energy Coalition (“SEC”)

Six Nations Natural Gas (“Six Nations”)

TransCanada Pipelines Limited (“TransCanada ”)

TransCanada Energy Ltd. (“TCE”)

Vulnerable Energy Consumers Coalition (“VECC”)

Except as expressly noted below, the parties agree to the relief sought by Union in the Application and accept Union’s position that the claimed relief is supported by Union's prefiled evidence and its responses to interrogatories. References to the prefiled evidence and the interrogatories are provided in relation to each of the agreed items contained in the Agreement.

It is acknowledged and agreed that none of the provisions of this Agreement is severable except Issues 10.7 and 11. If the Board does not, prior to the commencement of the hearing of the evidence, accept the remainder of the Agreement in its entirety, there is no Agreement (unless the parties agree in writing that any portion of the Agreement the Board does accept may continue as a valid Agreement).

It is further acknowledged and agreed that parties will not withdraw from this Agreement absent a material change of circumstances except as provided under Rule 32.05 of the Ontario Energy Board’s Rules of Practice and Procedure.

It is also acknowledged and agreed that this Agreement is without prejudice to parties re-examining these issues in any other proceeding.

The parties agree that all positions, information, documents, negotiations and discussion of any kind whatsoever which took place or were exchanged during and as part of the Settlement

Conference are strictly confidential and without prejudice, and inadmissible unless relevant to the resolution of any ambiguity that subsequently arises with respect to the interpretation of any provision of this Agreement.

The role adopted by Board Staff in Settlement Conferences is set out on page 5 of the Board's Settlement Conference Guidelines. Although Board Staff is not a party to this Agreement, as noted in the Guidelines, "Board Staff who participate in the settlement conference are bound by the same confidentiality standards that apply to parties to the proceeding".

The form of the Agreement generally follows the major issues outlined in the prefiled evidence. Except as noted in this Agreement, there were no other issues raised requiring resolution in this proceeding. As described above, the evidence supporting the agreement on each issue is cited in each section of the Agreement. Abbreviations will be used when identifying exhibit references. For example, Exhibit A, Tab 4, Schedule 1, Page 1 will be referred to as A/T4/S1/p. 1. The structure and presentation of the settled issues is consistent with settlement agreements which have been accepted by the Board in prior cases. The parties agree that this Agreement forms part of the record in this proceeding.

1 ARE THE BASE RATE ADJUSTMENTS APPROPRIATE?

(Complete Settlement)

The parties agree there are two base rate adjustments. As approved in the Board’s EB-2013-0202 Decision (Union’s 2014-2018 Incentive Regulation Mechanism “IRM” proceeding), the 2014 rates will be adjusted by \$3.154 million to levelize the deferred tax drawdown over the IRM term and by an upfront productivity commitment of \$4.5 million.

The following parties agree with the settlement of this issue: APPrO, BOMA, CME, CCC, Kitchener, Energy Probe, FRPO, IGUA, LPMA, NOVA, OAPPA, OGVG, SEC, Union, VECC

The following parties take no position: OPA, Six Nations, TransCanada, TCE

Evidence References:

1. A/T1/p.3; A/T1/WP/S9

2 HAS UNION APPROPRIATELY APPLIED THE INFLATION FACTOR AND APPROPRIATELY CALCULATED THE PRODUCTIVITY FACTOR FOR CALCULATING 2014 RATES?

(Complete Settlement)

Consistent with the Board’s EB-2013-0202 Decision, the parties agree that the inflation factor to be used in Union’s PCI (Price Cap Index) mechanism is the actual year-over-year percentage change in the annualized average of four quarters (using Q2 to Q2) of Statistics Canada’s Gross Domestic Product Implicit Price Index Final Domestic Demand (“GDP IPI FDD”). For 2014 rates, the inflation factor is 1.27%, based on the actual change in GDP IPI FDD from 2012 Q2 to 2013 Q2. The parties agree that the annual productivity (“X”) factor for the IRM term is 60% of inflation, which equals 0.76% and the PCI is 0.51% (EB-2013-0365 Rate Order Working Papers, Schedule 1).

The following parties agree with the settlement of this issue: APPrO, BOMA, CME, CCC, Kitchener, Energy Probe, FRPO, IGUA, LPMA, NOVA, OAPPA, OGVG, SEC, Union, VECC

The following parties take no position: OPA, Six Nations, TransCanada, TCE

Evidence Reference:

1. A/T1/pp. 3-4; A/T1/WP/S1

3 IS THE Z FACTOR ADJUSTMENT APPROPRIATE?

(Complete Settlement)

The parties agree that 50% of tax changes will be treated as a Z factor, as approved by the Board in its EB-2013-0202 Decision. For 2014, the calculation of the tax rate variance between Board-approved and the forecast income tax rate is \$1.695 million. The ratepayer portion of the income tax rate increase is \$0.848 million (50% of \$1.695 million).

The following parties agree with the settlement of this issue: APPrO, BOMA, CME, CCC, Kitchener, Energy Probe, FRPO, IGUA, LPMA, NOVA, OAPPA, OGVG, SEC, Union, VECC

The following parties take no position: OPA, Six Nations, TransCanada, TCE

Evidence References:

1. A/T1/pp. 4-5; A/T1/WP/S17; B4.1

4 ARE THE Y FACTOR ADJUSTMENTS APPROPRIATE?

4.1 IS THE TREATMENT PROPOSED FOR Y FACTOR COST OF GAS AND UPSTREAM TRANSPORTATION COSTS APPROPRIATE?

(Complete Settlement)

The parties agree to include cost of gas and upstream transportation costs as a Y Factor, as approved by the Board in its EB-2013-0202 Decision. Changes in upstream gas costs will continue to be determined using the Board-approved QRAM methodology. The upstream transportation costs include the 2013 Board-approved treatment of upstream transportation

optimization revenues. All upstream transportation optimization revenue will continue to be treated in accordance with the Board's EB-2011-0210 Decision and be classified as upstream transportation cost reductions with 90% of the net revenues from such transactions being recorded in the Upstream Transportation Optimization Deferral Account (179-131).

The following parties agree with the settlement of this issue: BOMA, CME, CCC, Kitchener, Energy Probe, FRPO, IGUA, LPMA, NOVA, OAPPA, OGVG, SEC, Union, VECC

The following parties take no position: APPrO, OPA, Six Nations, TransCanada, TCE

Evidence References:

1. A/T1/p.6

4.2 IS THE TREATMENT PROPOSED FOR Y FACTOR DSM BUDGET CHANGES APPROPRIATE?

(Complete Settlement)

The parties agree to include DSM budget changes as a Y Factor, as approved by the Board in its EB-2013-0202 Decision. Parties agree to include a DSM budget of \$32.049 million in 2014 rates. This represents an increase of \$0.408 million based on an inflation of 1.29% multiplied by the DSM budget of \$31.641 million included in 2013 rates.

The following parties agree with the settlement of this issue: BOMA, CME, CCC, Kitchener, Energy Probe, FRPO, IGUA, LPMA, NOVA, OAPPA, OGVG, SEC, Union, VECC

The following parties take no position: APPrO, OPA, Six Nations, TransCanada, TCE

Evidence References:

1. A/T1/p.6; A/T1/WP/S11; B2.1; B12.1

4.3 IS THE TREATMENT PROPOSED FOR Y FACTOR LRAM FOR THE CONTRACT RATE CLASSES APPROPRIATE?

(Complete Settlement)

The parties agree to include LRAM for the contract rate classes as a Y Factor, as approved by the Board in its EB-2013-0202 Decision. The parties agree to adjust volumes and calculate rates to capture the LRAM volume impacts for contract rate classes.

The following parties agree with the settlement of this issue: APPrO, BOMA, CME, CCC, Kitchener, Energy Probe, FRPO, IGUA, LPMA, NOVA, OAPPA, OGVG, SEC, Union, VECC

The following parties take no position: OPA, Six Nations, TransCanada, TCE

Evidence References:

1. A/T1/pp. 6-7; A/T1/WP/S18

4.4 IS THE TREATMENT PROPOSED FOR Y FACTOR UNACCOUNTED FOR GAS VOLUME VARIANCES APPROPRIATE?

(Complete Settlement)

The parties agree to record in the UFG volume deferral account the difference between the UFG volume included in rates and the actual UFG volume, as approved by the Board in its EB-2013-0202 Decision. The amount to be recorded in the UFG volume deferral account will be calculated using the most recent Board-approved Weighted Average Cost of Gas (“WACOG”).

The following parties agree with the settlement of this issue: APPrO, BOMA, CME, CCC, Kitchener, Energy Probe, FRPO, IGUA, LPMA, NOVA, OAPPA, OGVG, SEC, Union, VECC

The following parties take no position: OPA, Six Nations, TransCanada, TCE

Evidence References:

1. A/T1/p.7

4.5 IS THE TREATMENT AND AMOUNT PROPOSED FOR Y FACTOR MAJOR CAPITAL ADDITIONS APPROPRIATE?

(Complete Settlement)

The parties agree to include the 2014 Parkway West project revenue requirement credit of \$0.276 million in 2014 rates. The Board approved the capital pass-through mechanism as a Y Factor in its EB-2013-0202 Decision and approved the Parkway West project in its EB-2012-0433 Decision.

The following parties agree with the settlement of this issue: APPrO, BOMA, CME, CCC, Kitchener, Energy Probe, FRPO, IGUA, LPMA, NOVA, OAPPA, OGVG, SEC, Union, VECC

The following parties take no position: OPA, Six Nations, TransCanada, TCE

Evidence References:

1. A/T1/pp. 7-9, A/T1/App. G; B1.1

5 IS THE NORMALIZED AVERAGE CONSUMPTION ADJUSTMENT APPROPRIATE?

(Complete Settlement)

The parties agree to adjust General Service rates annually for the changes in NAC, as approved by the Board in its EB-2013-0202 Decision. For 2014, Union will adjust rates for the 2012 actual NAC, using the Board-approved weather normal methodology blend of 50:50 (30-year average and 20-year declining trend).

The following parties agree with the settlement of this issue: BOMA, CME, CCC, Kitchener, Energy Probe, FRPO, IGUA, LPMA, NOVA, OAPPA, OGVG, SEC, Union, VECC

The following parties take no position: APPrO, OPA, Six Nations, TransCanada, TCE

Evidence references:

1. A/T1/p. 10; A/T1/WP/S12

6 ARE THE CUSTOMER BILL IMPACTS APPROPRIATE?

(Partial Settlement)

The parties agree that Union's proposed customer bill impacts as attached in the draft Rate Order at Appendix A, as a result of the application of the incentive regulation mechanism approved in EB-2013-0202, are appropriate.

The following parties agree with the settlement of this issue: BOMA, CME, CCC, Energy Probe, FRPO, IGUA, LPMA, NOVA, OAPPA, OGVG, SEC, Union, VECC

The following parties take no position: APPrO, Kitchener, OPA, Six Nations, TransCanada, TCE

Evidence References:

1. A/T1/p.11; A/T1/WP/S7

7 ARE THE RATE SCHEDULE CHANGES APPROPRIATE?

(Complete Settlement)

The parties agree that all rate schedule changes as proposed in the pre-filed evidence at Exhibit A, Tab 1, are appropriate. This includes the approved EB-2011-0210 changes, proposed 2014 changes to site specific measuring equipment and proposed changes to Union's general terms and conditions ("GT&C").

The following parties agree with the settlement of this issue: BOMA, CME, CCC, Energy Probe, FRPO, IGUA, LPMA, NOVA, OAPPA, OGVG, SEC, Union, VECC

The following parties take no position: APPrO, Kitchener, OPA, Six Nations, TransCanada, TCE

Evidence References:

1. A/T1/pp. 11-15; A/T1/App. B; A/T1/App. H; A/T1/App. I

8 ARE THE NEW DEFERRAL ACCOUNTS APPROPRIATE?

(Complete Settlement)

The parties agree on the establishment of the following three deferral accounts, as approved by the Board in its EB-2013-0202 Decision.

8.1 NORMALIZED AVERAGE CONSUMPTION DEFERRAL ACCOUNT (179-133)

The parties agree that the Normalized Average Consumption deferral account is appropriate and will capture the variance between the forecast NAC in rates and what is observed on an actual basis for the same year.

The following parties agree with the settlement of this issue: BOMA, CME, CCC, Kitchener, Energy Probe, FRPO, IGUA, LPMA, NOVA, OAPPA, OGVG, SEC, Union, VECC

The following parties take no position: APPrO, OPA, Six Nations, TransCanada, TCE

Evidence References:

1. A/T1/p.16; A/T1/App. F

8.2 TAX DEFERRAL ACCOUNT (179-134)

The parties agree that the tax deferral account will capture the variance between taxes using the actual rates and calculation method/rules and the approved rates and calculation method/rules in Union's rates.

The following parties agree with the settlement of this issue: APPrO, BOMA, CME, CCC, Kitchener, Energy Probe, FRPO, IGUA, LPMA, NOVA, OAPPA, OGVG, SEC, Union, VECC

The following parties take no position: OPA, Six Nations, TransCanada, TCE

Evidence References:

1. A/T1/p. 16; A/T1/App. F

8.3 UNACCOUNTED FOR GAS (UFG) DEFERRAL ACCOUNT (179-135)

The parties agree that the UFG volume deferral account will capture the difference between the UFG volume included in rates and the actual UFG volume. The amount to be recorded in the UFG volume deferral account will be calculated using the most recent Board-approved WACOG.

The following parties agree with the settlement of this issue: APPrO, BOMA, CME, CCC, Kitchener, Energy Probe, FRPO, IGUA, LPMA, NOVA, OAPPA, OGVG, SEC, Union, VECC

The following parties take no position: OPA, Six Nations, TransCanada, TCE

Evidence References:

1. A/T1/p.16; A/T1/App. F

9 IS IT APPROPRIATE TO MAINTAIN ALL OTHER EXISTING DEFERRAL ACCOUNTS WHICH UNION HAS NOT REQUESTED TO DISCONTINUE?

(Complete Settlement)

The parties agree that it is appropriate to continue all other deferral accounts.

The following parties agree with the settlement of this issue: APPrO, BOMA, CME, CCC, Kitchener, Energy Probe, FRPO, IGUA, LPMA, NOVA, OAPPA, OGVG, SEC, Union, VECC

The following parties take no position: OPA, Six Nations, TransCanada, TCE

Evidence References:

1. A/T1/p.17; A/T1/App. F

10 COST OF SERVICE DIRECTIVES

10.1 FILE AN UPDATED REPORT FROM EB-2011-0038 (BLACK & VEATCH REPORT)

(Complete Settlement)

In its EB-2011-0210 Decision, the Board directed Union to hire an independent consultant to update the report that was filed in the EB-2011-0038 proceeding and file that report as part of its

2014 rates proceeding. The Board noted that, as part of Union's 2014 rates filing, it will revisit the allocation of all storage related costs between Union's utility and non-utility operations and may also order further updates to the allocation factors. The parties agree to update the general plant allocator for 2013 base rates. This update results in a revenue requirement decrease of \$0.381 million. The revenue requirement decrease is allocated in proportion to the allocation of general plant in Union's 2013 Board-approved cost allocation study. General plant costs are allocated to rate classes in proportion to the allocation of rate base and O&M expenses.

The 2013 Board-approved cost study updated for the general plant allocator change will be filed with the Board by April 30, 2014.

The following parties agree with the settlement of this issue: APPrO, BOMA, CME, CCC, Kitchener, Energy Probe, FRPO, IGUA, LPMA, NOVA, OAPPA, OGVG, SEC, Union, VECC

The following parties take no position: OPA, Six Nations, TransCanada, TCE

Evidence References:

1. A/T2; B1.4

10.2 FILE AN ANALYSIS OF THE ALLOCATION OF COSTS FOR DISTRIBUTION MAINTENANCE – METER AND REGULATOR REPAIRS

(Complete Settlement)

In its EB-2011-0210 Decision, the Board directed Union to file a comprehensive cost allocation study to support Union's annual volume breakpoint reduction and rate block harmonization proposals for the Rate 01/Rate 10 and Rate M1/Rate M2 general service rate classes. In conjunction with this directive, the Board also directed Union to include an analysis of the allocation of distribution maintenance meter and regulator repairs costs for the Rate 01 and Rate M1 customers that would transition to Rate 10 and Rate M2 in 2014. The parties agree that this

issue is related to the Volume Breakpoint reduction proposal in EB-2011-0210. Please see issue 10.8 below.

The following parties agree with the settlement of this issue: APPrO, BOMA, CME, CCC, Kitchener, Energy Probe, FRPO, IGUA, LPMA, NOVA, OAPPA, OGVG, SEC, Union, VECC

The following parties take no position: OPA, Six Nations, TransCanada, TCE

Evidence References:

1. A/T1/p.18

10.3 FILE EVIDENCE TO SUPPORT THE ALLOCATION OF UNION NORTH AND UNION SOUTH DISTRIBUTION MAINTENANCE – EQUIPMENT ON CUSTOMER PREMISES

(Complete Settlement)

In its EB-2011-0210 Decision, the Board directed Union to file sufficient evidence to support its proposed change to the allocation of distribution maintenance costs for equipment on customer premises. Specifically, the Board directed Union to include “a definition for this maintenance category and a delineation of what has changed since EB-2005-0520 that would result in a change to the allocation methodology.” No parties objected to Union’s response to this directive. Union will file sufficient evidence to support its proposed change to the allocation of distribution maintenance costs for equipment on customer premises as part of its 2019 rebasing proceeding.

The following parties agree with the settlement of this issue: APPrO, BOMA, CME, CCC, Kitchener, Energy Probe, FRPO, IGUA, LPMA, NOVA, OAPPA, OGVG, SEC, Union, VECC

The following parties take no position: OPA, Six Nations, TransCanada, TCE

Evidence References:

1. A/T1/p.19

10.4 COMMUNICATE M4, M5A, AND M7 CHANGES TO CUSTOMERS

(Complete Settlement)

In its EB-2011-0210 Decision, the Board directed Union to communicate M4, M5A and M7 rate class eligibility changes to relevant customers. No party objected to Union's response to the directive.

The following parties agree with the settlement of this issue: BOMA, CME, CCC, Kitchener, Energy Probe, FRPO, IGUA, LPMA, NOVA, OAPPA, OGVG, SEC, Union, VECC

The following parties take no position: APPrO, OPA, Six Nations, TransCanada, TCE

Evidence References:

1. A/T3; B2.2; B2.3; B4.7; B4.8; B4.9; B7.1

10.5 UNDERTAKE A REVIEW OF THE ALLOCATION OF KIRKWALL METERING COSTS

In its EB-2011-0210 Decision, the Board directed Union to review the allocation of Kirkwall metering costs. The parties agree that this issue will proceed to hearing before the Board for determination. In order to implement rates on June 1, 2014, the parties agree that any cost allocation changes to the Kirkwall metering costs as a result of the Board's Decision will be implemented January 1, 2015 as part of Union's 2015 rates proceeding.

The following parties agree with the settlement of this issue: APPrO, BOMA, CME, CCC, Kitchener, Energy Probe, FRPO, IGUA, LPMA, NOVA, OAPPA, OGVG, SEC, TransCanada, Union, VECC

The following parties take no position: OPA, Six Nations, TCE

Evidence References:

1. A/T1/pp. 19-21; B1.3; B9.1; B9.2; B9.3; B9.4; B9.5; B9.6; B9.7; B9.8; B9.9

10.6 PREPARE SEPARATE AUDITED FINANCIAL STATEMENTS FOR THE PORTION OF THE BUSINESS THAT IS SUBJECT TO RATE REGULATION

(Complete Settlement)

In its EB-2011-0210 Decision, the Board directed Union to prepare and file separate audited financial statements for that portion of its business that is subject to rate regulation. In EB-2013-0109 (Union's 2012 Deferral Disposition and Earnings Sharing), Union filed evidence to provide an updated estimate of the cost required to prepare these financial statements and respond to the directive. The Board on its own motion, "determined that it would initiate a motion to review the Board's direction in its EB-2011-0210 Decision and Order requiring Union to annually prepare and file separate audited financial statements for that portion of its business that is subject to rate regulation" (Notion of Motion and Procedural Order 3, EB-2013-0109). In its EB-2013-0109 Decision, the Board found the potential value received from the separate audited financial statements does not justify the expected costs, and therefore the Board relieved Union of the requirement to prepare separate audited financial statements for its regulated business.

The following parties agree with the settlement of this issue: APPrO, BOMA, CME, CCC, Kitchener, Energy Probe, FRPO, IGUA, LPMA, NOVA, OAPPA, OGVG, SEC, Union, VECC

The following parties take no position: OPA, Six Nations, TransCanada, TCE

Evidence References:

1. A/T1/p.22

10.7 REPORT ON THE OUTCOME OF THE PARKWAY OBLIGATION WORKING GROUP

(Complete Settlement)

In its EB-2011-0210 Decision, the Board directed Union to report to the Board during its 2014 rates proceeding, on the proposal, if any, in respect to the Parkway delivery obligation as established by the Parkway Obligation Working Group process. The Settlement Agreement for the Parkway delivery obligation can be found at Appendix B.

The following parties agree with the settlement of this issue: APPrO, BOMA, CME, Kitchener, FRPO, IGUA, NOVA, OAPPA, OGVG, SEC, TCE, Union

The following parties take no position: CCC, Energy Probe, LPMA, Six Nations, TCPL, VECC

Evidence References:

1. A/T4

10.8 UNDERTAKE A COST ALLOCATION STUDY WHICH INCLUDES THE VOLUME BREAKPOINT REDUCTION PROPOSAL

(Complete Settlement)

In its EB-2011-0210 Decision, the Board directed Union to file a comprehensive cost allocation study to support Union's annual volume breakpoint reduction and rate block harmonization proposals for the Rate 01/Rate 10 and Rate M1/Rate M2 general service rate classes. The parties agree that they will jointly retain an independent consultant to conduct a study of the cost allocation and rate design associated with the Rate 01/Rate 10 and Rate M1/Rate M2 general service rate classes. The cost of the study will be borne by Union, but the independent consultant will be instructed and supervised by a joint committee of Union and representatives of the other parties. The study will be filed not later than Union's 2016 rate application. The parties reserve the right to take any position in relation to any of the recommendations made by the independent

consultant. The parties further agree that any recommendation by the consultant to decrease the monthly customer charge attributable to any of the above rate classes would, in any event, not be implemented by Union prior to 2019.

The following parties agree with the settlement of this issue: BOMA, CME, CCC, Kitchener, Energy Probe, FRPO, IGUA, LPMA, NOVA, OAPPA, OGVG, SEC, Union, VECC

The following parties take no position: APPrO, OPA, Six Nations, TransCanada, TCE

Evidence References:

1. A/T5; B5.1; B5.2; B5.3

11 LEAMINGTON LINE PROJECT

(No Settlement)

Are Union's contracting practices with respect to the provision of distribution service that utilizes the Leamington Line Project appropriate (e.g. the practice of requiring customers to commit to a contractual aid to construct or minimum annual volume in connection with the Project)?

12 HOW SHOULD THE NEW RATES BE IMPLEMENTED?

(Complete Settlement)

Attached at Appendix A is a draft Rate Order. The parties agree that following Board approval of the Rate Order, Union, on a best efforts basis, will implement the Rate Order on June 1, 2014.

The following parties agree with the settlement of this issue: APPrO, BOMA, CME, CCC, Kitchener, Energy Probe, FRPO, IGUA, LPMA, NOVA, OAPPA, OGVG, SEC, Union, VECC

The following parties take no position: OPA, Six Nations, TransCanada, TCE

APPENDIX B

TO

DECISION AND ORDER

UNION GAS LIMITED

BOARD FILE NO. EB-2013-0365

DATED: JUNE 16, 2014

**SETTLEMENT FRAMEWORK FOR REDUCTION OF PARKWAY DELIVERY
OBLIGATION**

SETTLEMENT FRAMEWORK FOR REDUCTION OF PARKWAY DELIVERY OBLIGATION

A. CONTEXT AND GUIDING PRINCIPLES

1. There is currently an inequity in the manner in which the delivery of gas volumes required by Union at Parkway is achieved. A number of Direct Purchase (“DP”) customers are contractually required by Union to deliver their Daily Contract Quantity (“DCQ”) of gas to Parkway, at their own expense, in order for Union to operate its system. As a consequence, DP customers with a Parkway Delivery Obligation (“PDO”) are conferring a benefit on all users of the Dawn-Parkway transmission system because its size and capacity are less than would otherwise be required.
2. To rectify this inequity, the Parties agree that the PDO should be permanently reduced primarily in the manner Union has proposed and as reflected in its evidence, but with certain modifications and an end-state as outlined below. Conceptually, the modified proposal is for Union to use excess Dawn-Parkway transmission capacity and other resources to provide the PDO relief it proposes, but with a defined end-state which includes the payment of a Parkway Delivery Commitment Incentive (“PDCI”) for any continuing obligated DCQ deliveries at Parkway.
3. The ultimate objective of the modified proposal is to remedy an inequity. The guiding principle is to keep Union whole rather than to enhance or reduce its earnings during the operation of the Incentive Regulation Mechanism (“IRM”) to December 31, 2018.
4. Union identifies TransCanada Power, a Division of TransCanada Energy Ltd. (“TCE”), as a M12 DP customer having a PDO eligible for reduction by turnback of M12 capacity. (See Exhibit B1.5) TCE holds M12 service for 132,000 GJ/day pursuant to an arrangement made with Union under the auspices of sub-paragraph (b) in the “Delivery Obligations” portion of section 1.3 of the EB-2005-0551 Settlement Agreement dated June 13, 2006 (the “NGEIR Settlement”). Under the provisions of subparagraph (b)(ii) of the NGEIR Settlement, this M12 service arrangement allows TCE’s Halton Hills Generating Station (“HHGS”) to purchase and deliver all of its DP gas supply to Union at Dawn on a non-obligated basis. Union then transports and delivers those non-obligated volumes from Dawn to HHGS, located near Parkway.
5. These delivery services are provided by Union to TCE for HHGS under the auspices of a M12 Dawn to Parkway contract for 132,000 GJ/day which TCE has assigned to Union and a Rate T2 contract for distribution services at a Billing Contract Demand (“BCD”) of approximately 52,000 GJ/day. This is the minimum quantity that causes the Rate T2 demand charges paid by HHGS to fully recover the capital costs of the HHGS lateral under the economic test that is used for leave to construct applications.
6. This PDO Reduction proposal includes within its ambit the 132,000 GJ/day of capacity which TCE holds pursuant to its M12 contract which it has assigned to Union. TCE’s M12 contract expires on October 31, 2018.

7. Ratepayer representatives and Union acknowledge that M12 turnback opportunities should be made available to TCE in the same proportions as those opportunities are made available to DP customers with PDOs in excess of 100 GJ/day so that TCE can transition to full Rate T2 service by increasing its BCD above its current level of 52,000 GJ/day. The parties acknowledge that TCE should increase the level of its BCD to the extent necessary to produce an amount of incremental T2 demand revenue which equates to the loss of M12 demand revenue related to TCE's M12 turn back provided that TCE's obligation to increase its Rate T2 BCD ends when it reaches 132,000 GJ/day.
8. The equitable end-state which Union's ratepayers seek is one which either eliminates in its entirety the PDO or, where it is more cost-effective to do so, calls for all ratepayers to compensate DP customers upon whom a PDO is imposed and who deliver PDO volumes at Parkway and sales service customers on whose behalf Union delivers volumes at Parkway for the benefit conferred on Union's integrated system.
9. The PDO Reduction Proposal which follows is based on the foregoing concepts and principles.

B. TERMS OF PDO REDUCTION PROPOSAL (EXCLUDING TCE)

(i) Phase 1 (April 1, 2014)

1. Effective April 1, 2014, the PDO will be permanently reduced by 146 TJ/day using temporarily available M12 Dawn to Parkway capacity. Upon Board approval of the PDO Reduction proposal, Union will facilitate a 36.1% reduction of the M12 capacity held by the DP customers identified by Union in Exhibit B1.5, excluding TCE, who elect to change their obligated delivery point from Parkway to Dawn effective April 1, 2014. A proportionate share of the aggregate PDO reduction available will be allocated to all Parkway delivery obligated direct purchase ("PDO DP") customers as follows:
 - (a) PDO DP customers with PDOs of 100 GJ/day or less, who elect to change their obligated delivery point from Parkway to Dawn, will have their entire PDO transferred to Dawn;
 - (b) PDO DP customers with PDOs above 100 GJ/day, excluding TCE, who elect to change their obligated delivery point from Parkway to Dawn, will have 36.1% of their PDO transferred to Dawn;
 - (c) PDO DP customers, excluding TCE, holding M12 Dawn to Parkway capacity to satisfy their PDO may elect to turn back up to 36.1% of that capacity. The total potential M12 turn back by such PDO customers is about 18 TJ/day;
 - (d) The annual demand costs of the currently unutilized capacity between Dawn and Parkway to be used to provide 146 TJ/day of PDO relief and the additional 18 TJ/day of capacity to be realized by the turn back of M12 capacity held by PDO DP customers, excluding TCE, will be determined by applying the 2014 proposed M12 rate for Dawn to Parkway transportation at 100% load factor excluding fuel, being a unit rate of \$0.080/GJ, for total annual demand costs of about \$4.763

million, of which \$4.240 million is for the 146 TJ/day and \$0.523 million is for the 18 TJ/day, for a total of \$4.763 million;

- (e) Consistent with Union's evidence, the annual demand costs of \$4.763 million will be recovered through a deferral account (see Attachment 1 for the accounting order) for the period April 1, 2014 – December 31, 2014 and thereafter in the delivery rates of in-franchise customers served under the auspices of Rates M1, M2, M4, M5 Firm, M7 Firm, M9, M10, T1, T2 Firm and T3, and will be allocated to those rate classes using the 2013 Board approved Dawn-Parkway Design Day Demands reflected in the In-franchise Peak Day Demand allocation factor updated for the EB-2011-0210 Decision, all as shown in Schedule 1;
- (f) Union will include in rates the incremental fuel, per Schedule 2, to transmit, to points east of Dawn, for new obligated deliveries at Dawn described in paragraphs B.1(a), (b) and (c) above and Section C below which fuel volumes are incremental to the fuel volumes already embedded in the rates of Union's in-franchise customers. Union will manage any volume variances associated with actual fuel used to transport in-franchise gas east of Dawn;
- (g) Incremental delivery volumes, will continue to be allocated a PDO per Union's existing DCQ policies, if Union, acting reasonably and in a non-discriminatory manner, determines a PDO to be necessary, and will be eligible for the PDCI described in paragraph B.4.

(ii) Phase 2 (April 1, 2014 through October 31, 2018)

2. Between April 1, 2014 and October 31, 2018, there will be a temporary shortfall in the Dawn to Parkway capacity needed to support the PDO reduction proposed by Union in its pre-filed evidence. Based on Union's forecast, the portion of Dawn to Parkway capacity needed to support PDO reduction which will be temporarily unavailable will be as follows:

- Between April 1, 2014 and October 31, 2015 – no Parkway delivery shortfall;
- Between November 1, 2015 and October 31, 2016 – Parkway delivery shortfall of 146 TJ/day;
- Between November 1, 2016 and October 31, 2017 – Parkway delivery shortfall of 118 TJ/day; and
- Between November 1, 2017 and October 31, 2018 – no Parkway delivery shortfall.

The actual Dawn to Parkway capacity which will be temporarily unavailable will vary.

Union intends to manage its Parkway delivery requirement as proposed in its pre-filed evidence and interrogatory responses as follows:

- i. 146 TJ/day of temporarily available M12 Dawn to Parkway capacity will be used to reduce the PDO from April 1, 2014 to October 31, 2015.
 - ii. Effective November 1, 2015, the temporarily available Dawn to Parkway capacity will be used for other purposes leaving Parkway in a delivery shortfall position. The demand costs associated with the temporarily unavailable capacity as described above will nevertheless remain in delivery rates to be used by Union to manage the Parkway delivery shortfall through the acquisition of incremental resources, the costs of which are not already covered by base rates, Y factors and/or deferral and variance accounts and subject to the reporting and risk allocation measures described in paragraph B.10 (c) below.
 - iii. Any Dawn to Kirkwall M12 capacity turned back to Union by ex-franchise shippers will be used to first, reduce the Parkway shortfall and secondly, to further reduce the PDO. All incremental costs associated with the incremental PDO reduction, including demand charges and fuel, will be recovered by Union either through the deferral account due to timing differences or included in rates per paragraphs B.1 (d), B.1 (e), B.1(f) and B.3.
 - iv. The 98 TJ/day currently being delivered to Parkway by Union on behalf of sales service gas customers will transition to Dawn by November 1, 2016, as described at Exhibit B1.9.
3. The demand costs associated with the Dawn to Parkway capacity, the Parkway shortfall and M12 turn back used to support the PDO reduction will be calculated using the Board-approved M12 Dawn to Parkway toll at 100% load factor excluding fuel.
4. From and after November 1, 2016, all PDO volumes (DP and sales service gas) will attract a PDCI. The PDCI will be set at the Board approved M12 Dawn to Parkway toll at 100% load factor including fuel based on the fuel cost included in Union's October 1 QRAM each year.
5. The PDCI will be paid on the Parkway deliveries Union requires from DP customers, for which they commit to deliver their DCQ volumes at Parkway, and requires from its sales service customers. For greater clarity, volumes voluntarily delivered to Parkway, rather than delivered pursuant to a PDO required by Union, will not attract the PDCI.
6. The payment of the PDCI to sales service customers will be made by way of a credit to the Union South gas supply transportation rate. The payment of the PDCI to DP customers will be by way of a credit on the bill to the Bundled Transportation contract holder.
7. The costs of the PDCI will be allocated to rate classes and recovered in rates in the same manner as the PDO reduction costs are allocated to rate classes and recovered in rates as described in paragraphs B.1(e) and B.1(g) above. Schedule 1 includes illustrations of the manner in which the PDCI will be allocated and recovered from in-franchise rate classes, the manner in which the credit for sales service customers will be

applied and the manner in which the PDCI will be credited on the bills to Bundled transportation contract holders for ratepayers who acquire their gas under the auspices of DP arrangements.

(iii) Phase 3 (November 1, 2016 and beyond)

8. Effective November 1, 2016, or such earlier date upon which, as described in Exhibit B1.9, Union transitions to Dawn delivery volumes currently being delivered to Parkway by Union on behalf of sales service customers, any remaining PDO for all DP customers and sales service customers will be eliminated provided that it can be eliminated in a manner which is more cost-effective for all of Union's ratepayers than the terms and conditions described in paragraphs B.4 through B.7.
9. Should DP customers renew their M12 Dawn to Parkway contract and Union subsequently offers a reduction to the direct purchase PDO, then notwithstanding these renewals, such customers will be allowed to reduce their M12 contracts by an amount equivalent to that PDO reduction.

(iv) Annual Reporting

10. Union will include in its annual rate case filings a report on:
 - (a) Capacity that could become available, or could be made available, in the 2 years commencing with the test year, and could be used to further reduce the PDO in place at the time of the rate case filing on a more cost effective (i.e. lower revenue requirement) basis than the cost of the PDCI. Parties in the rate review process may explore any such options and advocate for further physical displacement of remaining PDOs to Dawn or other delivery points less costly to deliver to than Parkway.
 - (b) Forecast PDO volumes for the two years commencing with the test year. This information will facilitate consideration, at the time of rebasing, of the status of the PDO and associated PDCI provided for in this agreement.
 - (c) The measures that Union used and the costs incurred to manage the Parkway delivery shortfall (described in paragraph B.2) to acquire incremental resources, the costs of which are not already recovered in base rates, Y factors and/or existing deferral and variance accounts.

If the costs incurred to manage the Parkway delivery shortfall component of the PDO reduction in any year are less than the annual demand costs related to the shortfall in that year and actual fuel costs in that year for capacity equal to the shortfall capacity, then the entire amount of such cost savings will accrue to Union. Conversely, if the actual costs in any year to manage the Parkway Delivery shortfall in that year exceed annual demand costs and actual fuel costs in that year for capacity equal to the shortfall amount, then Union will be entirely responsible for

those excess costs.¹ Parties further agree that ratepayers will be entitled to recover from Union that portion of the costs incurred by Union to manage the Parkway Delivery shortfall to the extent that the cost of the measures used by Union to manage the shortfall are already covered in base rates, Y factors and/or existing deferral or variance accounts.

- (d) The total actual transmission compressor fuel used on the Dawn to Parkway system in the prior year.

C. TCE PDO Reduction Proposal

1. Immediately following the Board's approval of the PDO Reduction settlement, Halton Hills Generating Station ("HHGS"), through TCE, will be entitled to elect to turn back up to 36.1% of its 132,000 GJ/day of M12 capacity effective April 1, 2014, being a turn back amount of up to 47,652 GJ/day, provided that there is a one-time increase in the HHGS Rate T2 Billing Contract Demand ("BCD") to the extent necessary to make the increase in Rate T2 demand payments, taking into account the demand rate adjustments resulting from B.1(e), equal to the reduction in M12 demand payments associated with the turn back volumes, and HHGS will continue to have non-obligated delivery at Dawn for its full Contract Demand.

Example

If HHGS elects the full M12 reduction of 47,652 GJ/day, the M12 demand costs would be reduced by \$115,318 per month at current rates [47,652 x \$2.420 = \$115,318]. To keep the total demand payments the same, HHGS would need to increase its BCD by 1,071,600 m³/day (approximately 40,250 GJ/day) [1,071,600 x \$0.107608 = \$115,318] from 1,374,000 m³/day (approximately 52,000 GJ/day) to 2,445,600 m³/day (approximately 92,550 GJ/day).

2. The increase in Rate T2 demand payments will accrue entirely to the benefit of ratepayers exposed to the PDO Reduction costs associated with the HHGS M12 turn back so that their exposure to such costs will be eliminated.

Example

The incremental T2 revenue of \$115,318/month described above would accrue entirely to the benefit of ratepayers exposed to PDO Reduction costs associated with the M12 turn back and effectively eliminate ratepayer responsibility for PDO Reduction costs associated with TCE's M12 turn back of 47,652 GJ/day.

¹

Based on Union's forecasts, of the total of \$4.763 million per annum of demand costs plus actual fuel costs to be paid by ratepayers to Union for PDO Reduction, the amount of \$4.240 million plus actual fuel costs related to the shortfall amount of 146 TJ/day will be available for use by Union to manage Parkway shortfall between October 1, 2015 and October 31, 2016. Between November 1, 2016 and October 31, 2017, the portion of the total of \$4.763 million of demand costs plus actual fuel costs which will be available for use to manage Parkway shortfall will be \$3.446M of demand costs plus actual fuel costs related to the shortfall amount of 118 TJ/day.

3. HHGS will have the right to turn back additional M12 capacity as and when that turn back option is made available to DP customers with a PDO obligation greater than 100 GJ/day, as described in B.8 above, provided that HHGS, through TCE, further increases its BCD in the manner described in C.1 above, up to but not exceeding its Rate T2 Contract Demand ("CD") of 132,000 GJ/day.
4. T2 demand revenues associated with increases in BCD from 92,250 GJ/day to 132,000 GJ/day will be applied as described in C.2 above.
5. The application of the demand revenues in the manner described in C.2 and C.4 above will prevail until the end of Union's Incentive Regulation Mechanism ("IRM") term on December 31, 2018 or when the BCD of HHGS, through TCE, has reached 132,000 GJ/day and TCE has turned back all of its M12 capacity, whichever last occurs.
6. On or after November 1, 2018, HHGS will have the option to turn back all or any portion of its remaining M12 capacity and convert an equal amount of the PDO to non-obligated deliveries at Dawn, subject to the BCD modification described in C.1 and C.3 above, or HHGS may convert to standard Rate T2 service, with non-obligated deliveries at Dawn for 100% of the Rate T2 Contract Demand. Under the full conversion option, HHGS will turn back, or allow the term to expire, any remaining Rate M12 capacity and pay Rate T2 demand charges on 100% of the Rate T2 Contract Demand.
7. This proposal is in no way intended to degrade or lessen the quality of the firm services HHGS contracted with Union under the terms and conditions of the existing tariff structure.
8. Once the HHGS Rate T2 BCD equals the Contract Demand of 3,480,000 m³/d (about 132,000 GJ/day), HHGS will have the option to shorten the T2 contract term to end one year from the date of full Contract Demand conversion as per 3 or 6 above, with one year renewal, provided, however that HHGS will contract for at least 1,374,000 m³/d (about 52,000 GJ/day) of firm Rate T2 service through July 31, 2029.
9. HHGS, through TCE, will not become entitled to the PDCI with respect to any of its M12 capacity which it refrains from turning back.

UNION GAS LIMITED

Estimated Delivery Impacts to Union South In-Franchise customers of M12 Demand Costs

Based on 212 TJ per day of M12 Dawn to Parkway capacity and 48 TJ per day of T2 Billing Contract Demand Revenue Credit

Line No.	Rate Class (\$000's)	2013 Approved Dawn-Parkway Design Day Demands (1) (10 ³ m ³ /d) (a)	Dawn-Parkway Demand Costs of 146 TJ/d (2) (\$000's) (b)	Dawn-Parkway Demand Costs of 66 TJ/d (2) (\$000's) (c)	Dawn-Parkway Demand Costs of 212 TJ/d (\$000's) (d) = (b + c)	T2 BCD Revenue Credit of 48 TJ/d (\$000's) (5) (e)	Total Demand Costs (\$000's) (f) = (d + e)
1	Rate M1	22,132	2,151	972	3,123	(707)	2,416
2	Rate M2	7,435	723	327	1,049	(238)	812
3	Rate M4	2,162	210	95	305	(69)	236
4	Rate M5 Firm	20	2	1	3	(1)	2
5	Rate M5 Interruptible	-	-	-	-	-	-
6	Rate M7 Firm	997	97	44	141	(32)	109
7	Rate M7 Interruptible	-	-	-	-	-	-
8	Rate M9	356	35	16	50	(11)	39
9	Rate M10	11	1	0	2	(0)	1
10	Rate T1 Firm	1,068	104	47	151	(34)	117
11	Rate T1 Interruptible	-	-	-	-	-	-
12	Rate T2 Firm	6,931	674	304	978	(221)	757
13	Rate T2 Interruptible	-	-	-	-	-	-
14	Rate T3	2,511	244	110	354	(80)	274
15	Total	43,624	4,240 (3)	1,917 (4)	6,156	(1,394)	4,763

Notes:

- (1) In-franchise Design Day Demand Allocation Factor per EB-2011-0210, Exhibit G3, Tab 5, Schedule 23, Page 7, line 2, Updated for Board Decision.
- (2) Allocated using column (a).
- (3) Calculated as 146 TJ x 2.420 x 12 = \$4.240 million. Rate represents the M12 Dawn to Parkway demand rate per EB-2013-0365.
- (4) Calculated as 66 TJ x 2.420 x 12 = \$1.917 million. Rate represents the M12 Dawn to Parkway demand rate per EB-2013-0365.
- (5) Calculated as 48 TJ x 2.420 x 12 = \$1.394 million. Rate represents the M12 Dawn to Parkway demand rate per EB-2013-0365.

UNION GAS LIMITED
 Estimated Delivery Impacts to Union South In-Franchise customers of M12 Demand and Commodity Costs
Based on 98 TJ per day for the Sales Service PDCI

Line No.	Rate Class (\$000's)	2013 Approved Dawn-Parkway Design Day Demands (1) (10 ³ m ³ /d)	Allocation of Demand Costs (2) (\$000's)	2013 Approved Delivery Volumes East of Dawn (4) (10 ³ m ³)	Allocation of Fuel & UFG Costs (5) (\$000's)	Total Costs (\$000's) (e) = (b + d)
		(a)	(b)	(c)	(d)	(e) = (b + d)
1	Rate M1	22,132	1,444	1,823,853	559	2,003
2	Rate M2	7,435	485	645,259	198	683
3	Rate M4	2,162	141	294,126	90	231
4	Rate M5 Firm	20	1	7,501	2	4
5	Rate M5 Interruptible	-	-	203,891	62	62
6	Rate M7 Firm	997	65	118,324	36	101
7	Rate M7 Interruptible	-	-	-	-	-
8	Rate M9	356	23	60,750	19	42
9	Rate M10	11	1	189	0	1
10	Rate T1 Firm	1,068	70	267,950	82	152
11	Rate T1 Interruptible	-	-	28,552	9	9
12	Rate T2 Firm	6,931	452	1,380,265	423	875
13	Rate T2 Interruptible	-	-	32,431	10	10
14	Rate T3	2,511	164	272,712	84	247
15	Total	<u>43,624</u>	<u>2,846</u>	(3) <u>5,135,803</u>	<u>1,574</u>	(6) <u>4,420</u>

Notes:

- (1) In-franchise Design Day Demand Allocation Factor per EB-2011-0210, Exhibit G3, Tab 5, Schedule 23, Page 7, line 2, Updated for Board Decision.
- (2) Allocated using column (a).
- (3) Calculated as 98 TJ x 2.420 x 12 = \$2.846 million. Rate represents the M12 Dawn to Parkway demand rate per EB-2013-0365.
- (4) S_E_INFRFUELVOL Allocation Factor per EB-2011-0210, Exhibit G3, Tab 5, Schedule 21, Page 13 & 14, Updated for Board Decision.
- (5) Allocated using column (c).
- (6) Calculated as 98 TJ x 365 x 0.044/GJ = \$1.574 million. Rate represents the average VT1 Easterly Dawn to Parkway fuel rate per M12 Schedule 'C' per EB-2013-0365.

UNION GAS LIMITED
Estimated Delivery Impacts to Union South In-Franchise customers of M12 Demand and Commodity Costs
Based on 268 TJ per day for Direct Purchase PDCI

Line No.	Rate Class (\$000's)	2013 Approved Dawn-Parkway Design Day Demands (1) (10 ³ m ³ /d) (a)	Allocation of Demand Costs (2) (\$000's) (b)	2013 Approved Delivery Volumes East of Dawn (4) (10 ³ m ³) (c)	Allocation of Fuel & UFG Costs (5) (\$000's) (d)	Total Costs (\$000's) (e) = (b + d) (6)
1	Rate M1	22,132	3,948	1,823,853	1,528	5,477
2	Rate M2	7,435	1,327	645,259	541	1,867
3	Rate M4	2,162	386	294,126	246	632
4	Rate M5 Firm	20	4	7,501	6	10
5	Rate M5 Interruptible	-	-	203,891	171	171
6	Rate M7 Firm	997	178	118,324	99	277
7	Rate M7 Interruptible	-	-	-	-	-
8	Rate M9	356	64	60,750	51	115
9	Rate M10	11	2	189	0	2
10	Rate T1 Firm	1,068	191	267,950	225	415
11	Rate T1 Interruptible	-	-	28,552	24	24
12	Rate T2 Firm	6,931	1,236	1,380,265	1,157	2,393
13	Rate T2 Interruptible	-	-	32,431	27	27
14	Rate T3	2,511	448	272,712	229	676
15	Total	43,624	7,783	(3) 5,135,803	4,304	(6) 12,087

Notes:

- (1) In-franchise Design Day Demand Allocation Factor per EB-2011-0210, Exhibit G3, Tab 5, Schedule 23, Page 7, line 2, Updated for Board Decision.
- (2) Allocated using column (a).
- (3) Calculated as 268 TJ x 2.420 x 12 = \$7.783 million. Rate represents the M12 Dawn to Parkway demand rate per EB-2013-0365.
- (4) S_E_INFRFUEL VOL Allocation Factor per EB-2011-0210, Exhibit G3, Tab 5, Schedule 21, Page 13 & 14, Updated for Board Decision.
- (5) Allocated using column (c).
- (6) Calculated as 268 TJ x 365 x 0.044/GJ = \$4.304 million. Rate represents the average VT1 Easterly Dawn to Parkway fuel rate per M12 Schedule 'C' in EB-2013-0365.

Gas Cost Savings for Sales Service Customers
Associated with the 98 TJ/day Reduction for Sales Service PDCI

Line No.	Rate Class	2013 Board Approved Volume (10 ³ m ³) (a)	Gas Cost Savings (\$000's) (b)	Unit Rate (\$/m ³) (c) = (b/a)
1	Rate M1	2,271,443	3,745	0.001649
2	Rate M2	378,137	623	0.001649
3	Rate M4	16,855	28	0.001649
4	Rate M5	14,132	23	0.001649
5	Rate M10	48	0	0.001649
6	Total	<u>2,680,616</u>	<u>4,420</u> (1)	<u>0.001649</u>

Notes:

- (1) Page 2, Line 15, Column (e)
- (2) The payment of the PDCI to sales service customers will be made by way of a credit to the Union South gas supply transportation rate.

Gas Cost Savings for Direct Purchase Customers
Associated with the 268 TJ per Day for the Direct Purchase PDCI

Line No.	Rate Class	Direct Purchase Allocation (GJ) (a)	Gas Cost Savings for DP (\$000's) (b)
1	Rate M1	19,532	883
2	Rate M2	17,466	789
3	Rate M4	22,309	1,008
4	Rate M5A	26,300	1,189
5	Rate M7	8,299	375
6	Rate M9	3,845	174
7	Rate T1	27,978	1,264
8	Rate T2	121,230	5,479
9	Rate T3	20,498	926
10	Total	<u>267,457</u>	<u>12,087</u> (1)

Notes:

(1) Page 3, Line 15, Column (e)

UNION GAS LIMITED
Summary of Estimated Delivery Impacts and PDCI to Union South In-Franchise Customers

Line No.	Rate Class (\$000's)	Delivery			Sales PDCI (3) (d)	DP PDCI (4) (e)	Net Amount (f) = (c + d + e)
		Allocation of Demand Costs (1) (a)	Allocation of Fuel & UFG Costs (2) (b)	Total Costs (c) = (a + b)			
1	Rate M1	7,808	2,087	9,896	(3,745)	(883)	5,268
2	Rate M2	2,623	739	3,362	(623)	(789)	1,949
3	Rate M4	763	337	1,099	(28)	(1,008)	63
4	Rate M5 Firm	7	9	16	-	-	16
5	Rate M5 Interruptible	-	233	233	(23)	(1,189)	(978)
6	Rate M7 Firm	352	135	487	-	(375)	112
7	Rate M7 Interruptible	-	-	-	-	-	-
8	Rate M9	126	70	195	-	(174)	22
9	Rate M10	4	0	4	(0)	-	4
10	Rate T1 Firm	377	307	684	-	(1,264)	(581)
11	Rate T1 Interruptible	-	33	33	-	-	33
12	Rate T2 Firm	2,445	1,580	4,025	-	(5,479)	(1,454)
13	Rate T2 Interruptible	-	37	37	-	-	37
14	Rate T3	886	312	1,198	-	(926)	272
15	Total	15,391	5,878	21,269	(4,420)	(12,087)	4,763

Notes:

- (1) Calculated as the sum of Page 1, Column (f), Page 2, Column (b) and Page 3, Column (b).
- (2) Calculated as the sum of Page 2, Column (d) and Page 3, Column (d).
- (3) Page 4, Line 6, Column (b).
- (4) Page 5, Line 10, Column (b).

UNION GAS LIMITED
Estimated Incremental Fuel Impact of Elimination of Obligated Deliveries at Parkway
(Based on 66,000 GJ in M12 Turnback)

Filed: 2014-06-03
Settlement
Schedule 2

Line no.	Particulars (GJ)	Allocation of Fuel (66 TJ reduction to M12)					Allocation of Fuel (as filed)					Impact @ \$4.50/GJ	
		Dawn	Lobo	Bright	Parkway	Total	Dawn	Lobo	Bright	Parkway	Total	Fuel	\$
		(a)	(b)	(c)	(d)	(e)= a+b+c+d	(f)	(g)	(h)	(i)	(j)= f+g+h+i	(k)=e-j	(l)=k x4.50
1	M12 Easterly	1,110,155	647,229	775,457	1,160,449	3,693,291	1,135,933	644,630	772,860	1,062,411	3,615,834	77,457	348,556
2	M12 Westerly	-	-	-	1,215	1,215	-	-	-	1,009	1,009	206	929
3	C1 LT Easterly	3,380	2,072	2,479	6,493	14,424	3,356	2,017	2,413	5,593	13,379	1,045	4,701
4	C1 ST Easterly	226,893	120,991	147,436	303,247	798,567	226,118	116,353	141,989	262,500	746,960	51,607	232,232
5	C1 LT Westerly	-	-	-	5,666	5,666	-	-	-	4,718	4,718	948	4,266
6	C1 ST Westerly	-	-	-	-	-	-	-	-	-	-	-	-
7	M16 to Pool	146	293	317	-	756	-	-	-	-	-	756	3,403
8	Infranchise - North	41,245	16,931	24,601	-	82,777	41,084	15,975	23,457	-	80,516	2,261	10,174
9	Infranchise - South	208,497	98,325	124,879	-	431,700	106,631	46,265	59,245	-	212,141	219,559	988,018
10	Total	1,590,316	885,843	1,075,168	1,477,070	5,028,397	1,513,121	825,240	999,964	1,336,232	4,674,557	353,840	1,592,278

- Note:
- (1) Sales of Dawn to Parkway M12 transportation services were reduced by 66,000 GJ/d.
 - (2) Compressor throughput was adjusted to account for a shift of 164,000 GJ of delivered supply from Parkway to Dawn and 66,000 GJ/d of M12 turnback.
 - (3) Compressor fuel costs were increased to reflect the change in flows outlined in note (2).
 - (4) Based on contract quantities from 2013 Rates filing.
 - (5) Allocation of fuel is consistent with YCR formula in the current M12 Rate Schedule.

APPENDIX C

TO

DECISION AND ORDER

UNION GAS LIMITED

BOARD FILE NO. EB-2013-0365

DATED: JUNE 16, 2014

**ACCOUNTING ORDER
PARKWAY OBLIGATION RATE VARIANCE DEFERRAL ACCOUNT**

UNION GAS LIMITED

**Accounting Entries for
Parkway Obligation Rate Variance
Deferral Account No. 179-138**

Account numbers are from the Uniform System of Accounts for Gas Utilities, Class A prescribed under the Ontario Energy Board Act.

Debit	-	Account No.179-138 Other Deferred Charges – Parkway Obligation Rate Variance
Credit	-	Account No. 300 Operating Revenue

To record, as a debit (credit) in Deferral Account No. 179-138, the rate variances associated with the timing differences between the effective date of the Parkway delivery obligation changes and the temporary capacity and the inclusion of the cost impacts in approved rates (January 1 of the following year).

Debit	-	Account No.179-138 Other Deferred Charges – Parkway Obligation Rate Variance
Credit	-	Account No. 323 Other Interest Expense

To record, as a debit (credit) in Deferral Account No. 179-138, interest on the balance in Deferral Account No. 179-138. Simple interest will be computed monthly on the opening balance in the said account in accordance with the methodology approved by the Board in EB-2006-0117.