

September 5, 2014

Ontario Energy Board
2300 Yonge Street
Suite 2700
Toronto, Ontario
M4P 1E4

Attention: Ms. Kirsten Walli, Board Secretary

**RE: EB-2014-0145– Union Gas Limited
2013 Disposition of Deferral Account Balances – Revised Settlement
Agreement**

Dear Ms. Walli,

Please find attached the Revised Settlement Agreement for the above noted proceeding, reflecting the wording change as indicated by the Panel Chair, Ms. Hare at the hearing on September 4, 2014. Specifically, on page 2 of the agreement, the words “absent a material change of circumstances” were removed from the third paragraph.

If you have any questions with respect to this submission please contact me at (519) 436-5473.

Yours truly,

[original signed by]

Karen Hockin
Manager, Regulatory Initiatives

cc: Crawford Smith, Torys
Mark Kitchen, Union
All Intervenors

ONTARIO ENERGY BOARD

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 for an Order or Orders clearing certain non-commodity related deferral accounts.

SETTLEMENT AGREEMENT

August 22, 2014
(Revised September 5, 2014)

This Settlement Agreement (“Agreement”) is for the consideration of the Ontario Energy Board (“the Board”) in its determination, under Docket No. EB-2014-0145, for an Order of the Board amending or varying the rate or rates charged to customers as of October 1, 2014 in connection with the final disposition of 2013 year-end deferral accounts and other balances (the “Application”). By Procedural Order No.1 dated June 13, 2014, the Board scheduled a Settlement Conference to commence August 7, 2014. The Settlement Conference was duly convened, in accordance with Procedural Order No. 1, with Mr. Chris Haussmann as facilitator. The Settlement Conference proceeded on August 7.

The following parties participated in the Settlement Conference:

Building Owners and Managers Association Toronto (“BOMA”)

Canadian Manufacturers & Exporters (“CME”)

City of Kitchener (“Kitchener”)

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

Industrial Gas Users Association (“IGUA”)

London Property Management Association (“LPMA”)

Ontario Greenhouse Vegetable Growers (“OGVG”)

TransCanada Pipelines Ltd. (“TransCanada”)

Vulnerable Energy Consumers Coalition (“VECC”)

The purpose of this proceeding was for:

- (a) approval of final balances for all 2013 deferral accounts and an order for final disposition of those balances;
- (b) approval of the establishment of the Deferral Clearing Variance Deferral Account No. 179-132 effective October 1, 2014.
- (c) approval of the \$4.729 million of spot gas purchases related to Unaccounted for Gas price variances to be recovered in the next QRAM proceeding, after the Board's Decision in this proceeding.

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 parties will not withdraw from this Agreement except as provided under Rule 30.05 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 April 24, 2014 Practice Direction on Settlement Conferences. Although Board Staff are not a party to this Agreement, as noted in the Guidelines, "Board Staff who participate in the settlement conference in any way are bound by the same confidentiality standards that apply to the 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. Spot Gas Variance Account (No. 179-107)

Union South Bundled Direct Purchase Load Balancing Costs

(No Settlement)

The parties agree that this issue will proceed to hearing. The specific issues to proceed to hearing are:

- i. Whether Union is permitted to recover the \$1.801 million debit (\$1.954 million debit to be recovered from Union South direct purchase customers and \$0.153 million credit to Union South sales service customers) in the Spot Gas Variance Account;
- ii. If recovery is permitted, the appropriateness of the allocation of the balance in the account. Union's proposal is to recover \$1.954 million from Union South bundled direct purchase customers who were below the planned Banked Gas Account ("BGA") balance and to refund \$0.153 million to Union South sales service customers; and,
- iii. Whether the deferral account should be disposed of in this proceeding or in Union's 2014 non-commodity deferral account proceeding.

Evidence References:

1. A/T1/pp.2-11
2. Exhibit B.Staff.1, Exhibit B.BOMA.1, Exhibit B.BOMA.2, Exhibit B.BOMA.3, Exhibit B.CME.1, Exhibit B.CME.7, Exhibit B.FRPO_OGVG.1, Exhibit B.FRPO_OGVG.4, Exhibit B.FRPO_OGVG.5

Unaccounted for Gas (UFG) Price Variance

(Partial Settlement)

The parties agree that the allocation methodology of this balance to rate classes will proceed to hearing. Union has included \$4.729 million associated with price variances related to UFG in the Spot Gas Variance account. Union's proposal is to allocate the balance to Union South sales

service customers only and to dispose of this amount in a future QRAM proceeding after the Board's Decision in this proceeding. At issue is the appropriateness of this allocation and the timing for disposition. Parties agree with the calculation of the UFG price variance.

Evidence References:

1. A/T1/pp.7-11
2. Exhibit B.BOMA.6, Exhibit B.CME.2, Exhibit B.FRPO_OGVG.4, Exhibit B.FRPO_OGVG.6, Exhibit B.FRPO_OGVG.8, Exhibit B.VECC.1

2. Unabsorbed Demand Cost Variance Account (No. 179-108)

(Complete Settlement)

The parties accept that the balance to be disposed of in the Unabsorbed Demand Cost Variance Account (179-108) is a credit of \$9.947 million which represents the difference between the actual UDC incurred by Union and the amount of UDC collected in rates.

Evidence References:

1. A/T1/pp.11-17

3. Gas Supply Review Consultant Cost (No. 179-128)

(Complete Settlement)

The parties accept that the balance to be disposed of in the Gas Supply Review Consultant Cost Deferral Account (179-128) is a debit of \$0.254 million. This represents the costs of Sussex Economic Advisors LLC and Concentric Energy Advisors Inc to perform the review, the results of which were presented to the Board in the 2012 Deferrals proceeding.

Evidence References:

1. A/T1/pp.17-18

4. Upstream Transportation FT-RAM Optimization (No. 179-130)

(Complete Settlement)

The parties accept that there is no balance in the Upstream Transportation FT-RAM Optimization Deferral Account (179-130). Union will request closure of this account once the disposition of the 2012 deferral balances is complete.

Evidence References:

1. A/T1/p.18

5. Upstream Transportation Optimization (No. 179-131)

(Complete Settlement)

The parties accept that the balance to be disposed of in the Upstream Transportation Optimization Deferral Account is \$5.675 million, which represents the difference between the amount credited to ratepayers in rates effective January 1, 2013 and the actual net revenues from optimization activities.

Evidence References:

1. A/T1/pp.18-23, A/T1/App.A/S5
2. Exhibit B.Staff.2, Exhibit B.BOMA.8, Exhibit B.CME.3

6. Short-Term Storage and Other Balancing Services (No. 179-70)

(Complete Settlement)

The parties accept that the balance to be disposed of in the Short-Term Storage and Other Balancing Services account (179-70) is a debit balance of \$1.705 million. The balance is calculated by comparing \$2.846 million (90% of the actual 2013 Short Term Storage and Other Balancing Services net revenue of \$3.162 million) to the net revenue included in rates of \$4.551

million in the EB-2011-0210 Rate Order. The parties also accept Union's methodology to allocate the short-term peak storage margins between utility and non-utility.

Evidence References:

1. A/T1/pp.24-29, A/T1/App.A/S6, A/T1/App.A/S7, A/T1/App.A/S8
2. Exhibit B.Staff.3

7. Unbundled Services Unauthorized Storage Overrun (No. 179-103)

(Complete Settlement)

The parties accept that there is no balance in the Unbundled Services Unauthorized Storage Overrun account (179-103). No unauthorized storage overrun charges were incurred by customers electing unbundled service in 2013.

Evidence References:

1. A/T1/p.31

8. Gas Distribution Access Rule ("GDAR") Costs (No. 179-112)

(Complete Settlement)

The parties accept the debit balance of \$0.493 million in the Gas Distribution Access Rule ("GDAR") Costs account (179-112). The costs will be collected from ratepayers based on the annual revenue requirement related to the capital costs incurred in 2011, 2012 and 2013.

Evidence References:

1. A/T1/pp.31-35, A/T1/App.B
2. Exhibit B.FRPO_OGVG.9

9. Carbon Dioxide Offset Credits (No. 179-117)

(Complete Settlement)

The parties accept that the Carbon Dioxide Offset Credits account (179-117) has no balance.

Evidence References:

1. A/T1/p.36

10. Average Use Per Customer (No. 179-118)

(No Settlement)

The parties agree that this issue will proceed to hearing. The specific issue is whether storage costs and revenues should be included when calculating the balance in the Average Use Per Customer Deferral Account (179-118).

Evidence References:

1. A/T1/pp.36-37, A/T1/App.A/S9
2. Exhibit B.FRPO_OGVG.10, Exhibit B.FRPO_OGVG.11

11. International Financial Reporting Standards (“IFRS”) Conversion Costs (No. 179-120)

(Complete Settlement)

The parties accept that the balance in the International Financial Reporting Standards (“IFRS”) Conversion Costs account (179-120) is a debit of \$0.505 million. In accordance with the EB-2010-0039 Settlement Agreement, Union agreed to replace the capital costs with the annual revenue requirement related to those capital costs.

Evidence References:

1. A/T1/p.38

12. Conservation Demand Management (No. 179-123)

(Complete Settlement)

The parties accept that the amount to be disposed of in the Conservation Demand Management account (179-123) is a debit of \$0.068 million which represents 50% of total net revenues of \$0.136 million.

Evidence References:

1. A/T1/pp.39-41

13. Pension Charge on Transition to U.S. GAAP (No. 179-127)

(Complete Settlement)

The parties accept that there is no balance in the Pension Charge on Transition to U.S. GAAP deferral account. Union will request closure of this account once the disposition of 2012 deferral balances is complete.

Evidence References:

1. A/T1/p.41

14. Preparation of Audited Utility Financial Statements (No. 179-129)

(Complete Settlement)

The parties accept the amount of \$0.541 million recorded in the Preparation of Audited Utility Financial Statements Deferral Account and do not oppose the disposition of that amount by Union.

Evidence References:

1. A/T1/pp.41-43
2. Exhibit B.FRPO_OGVG.12

15. Federal and Provincial Tax Changes

(Complete Settlement)

The parties accept that this account has no balance. This account was created in accordance with the Board's Decision in EB-2007-0606 to record 50% of the tax increase/decrease subject to sharing under the previous incentive regulation framework.

Evidence References:

1. A/T1/p.43

16. Deferral Clearing Variance Account (No. 179-132)

(Complete Settlement)

The parties accept the proposal to establish a new Deferral Clearing Variance Account (179-132). This deferral account will capture the variance between forecast and actual volumes on the disposition of deferral accounts.

Evidence References:

1. A/T1/pp.43-49
2. Exhibit B.LPMA.1, Exhibit B.LPMA.2, Exhibit B.VECC.4

17. Scope of Gas Supply Plan Memorandum

(Complete Settlement)

The parties agree that Union will file with its annual rates application (in about September of each year), for information, its anticipated gas supply plan for the gas year commencing in November of that year and that this filing will take the form of Union's gas supply plan memorandum. Union will continue to present a review of the prior winter at the Spring stakeholder meeting as contemplated by the EB-2013-0202 Settlement Agreement approved by the Board.

Evidence References:

1. A/T4/App.C

2. Exhibit B.BOMA.16

18. Allocation of Checkpoint Balancing Penalties

(No Settlement)

Parties agree that the appropriate allocation method to apply in respect of checkpoint balancing penalties to rate classes should proceed to hearing. The quantum of those penalties is currently the subject of the EB-2014-0154 proceeding.

Evidence References:

1. Exhibit B.CME.1, Exhibit B.CME.6, Exhibit B.FRPO_OGVG.4

19. Allocation of 2013 Deferral Account Balances

(Complete Settlement)

The parties accept Union's proposal for allocation of 2013 Deferral Account Balances with the exception of issues 1 and 18 above.

Evidence References:

1. A/T3
2. Exhibit B.FRPO_OGVG.14, Exhibit B.VECC.2

20. Disposition of 2013 Deferral Account Balances

(Complete Settlement)

The parties accept Union's proposal to dispose of balances prospectively over six months for the general service rate classes. For in-franchise contract and ex-franchise rate classes, parties agree to dispose of the net 2013 delivery-related deferral account balances as a one-time adjustment.

Evidence References:

1. A/T3