

K2.1

The amounts below show the actual and forecast percent full and corresponding volumes (excluding system integrity space) .

Percent full	13-Oct	13-Nov	13-Dec	14-Jan	14-Feb	14-Mar	14-Apr
Forecast Inventory Position	100%	95%	75%	46%	20%	0%	2%
Actual Inventory Position	95%	80%	51%	23%	15%	-1%	1%
Gas in Inventory - PJ							
Forecast Inventory Position	64.9	61.5	49.0	29.7	13.2	-	1.0
Actual Inventory Position	61.6	52.1	32.8	14.8	9.7	(0.5)	1.0



1 the colder than normal winter, yet were still subject to additional load balancing costs as a  
2 result of rate class disposition of costs.

3

4 In response to this customer feedback and to the Board directive issued in E.B.R.O. 499,  
5 Union, in consultation with customers, developed the current checkpoint balancing  
6 mechanism for BT customers in the South. Union sought and received Board approval for  
7 this mechanism as part of the RP-2003-0063 proceeding.

8

9 In developing the checkpoint mechanism approved in RP-2003-0063, Union was guided  
10 by a number of business principles. These principles (filed in RP-2003-0063 at Exhibit  
11 H1, Tab 4, pgs. 7 and 8) are as follows:

- 12 • The solution should be based on fair and equitable treatment of all customers.
- 13 • The solution should not prevent or cause undue switching between service
- 14 options.
- 15 • Union should not make gas purchase decisions that impact direct purchase
- 16 customers' supply costs.
- 17 • Union has a responsibility to provide a base level of load balancing to all bundled
- 18 direct purchase customers as part of its delivery service (i.e. for normal weather).
- 19 • The solution needs to limit the need for retroactive adjustments.
- 20 • The solution needs to recognize that supply imbalances outside of the forecast
- 21 should be attributable to a specific contract, not a rate class.
- 22 • The solution needs to be administratively simple for both Union and the customer.



1 These principles remain valid today and are consistent with the Board's findings issued in  
2 its RP-2003-0063 Decision with Reasons (dated March 18, 2004):

3 *"... The notable virtue of the Applicant's proposal is that it places the*  
4 *responsibility for balancing costs with the direct purchase customers. The*  
5 *proposal is also consistent with the Direct Purchase customers acting as*  
6 *managers of their respective gas supply requirements. It is appropriate and*  
7 *equitable for them to have an enhanced and better informed opportunity to track*  
8 *and manage their position at the two critical periods in the year. To date they*  
9 *have been dependent on the Utility for the management of divergences from*  
10 *forecast. Having chosen Direct Purchase gas supply, it is predictable that direct*  
11 *purchasers would prefer an informed opportunity to manage any divergences*  
12 *from forecast that have arisen at February and September. Finally the Board*  
13 *considers the proposal to be an enhancement of security of supply for the system*  
14 *as a whole ... "* (pages 119 and 120)  
15

16 Physical Operations underpinning Checkpoint Balancing Mechanism in Union's South

17 The South features an integrated system anchored with Dawn storage and Dawn to  
18 Parkway transmission that enables customers to manage their own supply/demand  
19 imbalances using storage and other transactional upstream services. The South is supplied  
20 externally by multiple pipeline interconnections enabling customers to source gas from  
21 varied North American supply basins.

22  
23 BT Service

24 The BT contracting process is driven by customers' annual consumption forecast. The  
25 forecast is used to define the obligated Daily Contract Quantity ("DCQ") and the Banked  
26 Gas Account ("BGA") curve (accumulating the difference between gas deliveries to  
27 Union and forecast consumption throughout the year). This produces end of September  
28 (Fall) and end of February (Winter) checkpoints.



K2.4

Ontario Energy  
Board

Commission de l'énergie  
de l'Ontario



**EB-2013-0109**

**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 and sharing  
utility earnings pursuant to a Board approved  
earnings sharing mechanism;

**AND IN THE MATTER OF** an Application by Union  
Gas Limited for an order approving a deferral account  
to capture variances between earnings sharing,  
deferral account and other balances approved for  
disposition and amounts actually refunded/recovered;

**AND IN THE MATTER OF** a motion commenced by  
the Ontario Energy Board pursuant to section 19(4) of  
the *Ontario Energy Board Act, 1998* and Rule 43.01 of  
the Board's Rules of Practice and Procedure 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.

**BEFORE:** Ken Quesnelle  
Presiding Member

Marika Hare  
Member

Ellen Fry  
Member

**FINAL DECISION AND RATE ORDER**  
**June 19, 2014**





## Introduction

Union Gas Limited ("Union") filed an application dated May 9, 2013 with the Ontario Energy Board (the "Board") under section 36 of the *Ontario Energy Board Act, 1998*, S.O. c.15, Schedule B, (the "Application"). It addressed the sharing of 2012 earnings under the incentive rate mechanism approved by the Board as well as the final disposition of 2012 year-end deferral account and other balances.

## The Proceeding

The Board issued its Decision and Order on March 27, 2014 (the "Decision"). In its Decision, the Board directed Union to file a Draft Rate Order reflecting the Board's findings. The Board also set out a process for intervenors and Board staff to file comments on the Draft Rate Order and for Union to respond to those comments.

Union filed the Draft Rate Order on April 10, 2014. Board staff and LPMA submitted that the Draft Rate Order accurately reflects the Board's findings as set out in the Decision. Union filed a letter on April 29, 2014 noting that no parties raised any concerns with the Draft Rate Order and requested that the Draft Rate Order be approved as filed.

The Board accepted the Draft Rate Order as filed in its Decision and Rate Order issued on May 8, 2014. The rate changes were effective July 1, 2014.

Subsequent to the Board's May 8, 2014 Decision and Rate Order, the Board granted Union approval, in another proceeding, to implement rate changes arising from its 2014 rate application (EB-2013-0365) effective June 1, 2014.

The Board issued a letter on June 6, 2014, requiring Union to file an updated Draft Rate Order that reflects the rates arising from both the 2012 Earnings Sharing and Deferral Account proceeding (EB-2013-0109) and the 2014 rates proceeding (EB-2013-0365). In accordance with the Board letter, Union filed its updated Draft Rate Order on June 9, 2014.

A record of all procedural matters in this proceeding is available on the Board's website.

## Board Findings on the Updated Draft Rate Order



The Board accepts the updated Draft Rate Order as filed. The Board orders, as set out below, that the rates resulting from the Decision and Order in this proceeding shall be implemented effective July 1, 2014.

**THE BOARD ORDERS THAT:**

1. The rate changes set out in Appendix "A" and the rate schedules set out in Appendix "B" are approved effective July 1, 2014. Union shall implement these rates on the first billing cycle on or after July 1, 2014.
2. The rates pursuant to all contracts for interruptible service under Rates 25, M5A, M7, and T1 be adjusted effective July 1, 2014 by the amounts set out in Appendix "C". The rates pursuant to the contracts for interruptible service under Rate 25 shall be negotiated within the range as adjusted in Appendix "C".
3. The 2012 deferral account balances totalling \$13.326 million to be received from ratepayers are set out in Appendix "D".
4. The 2012 earnings sharing amount totalling \$15.462 million to be refunded to ratepayers are set out in Appendix "D".
5. Union shall combine the 2012 deferral account balances and the 2012 earnings sharing amount for disposition. For General Service rate classes M1, M2, Rate 01 and Rate 10, Union shall dispose of the total balance prospectively for each of these rate classes through a temporary rate adjustment between July 1, 2014 and December 31, 2014 as set out in Appendix "E". For all other rate classes, Union shall apply the unit rates as a one-time adjustment as set out in Appendix "E".
6. The respective forms of the customer notices set out in Appendix "F" shall accompany each of Union's customers' first bill or invoice following the implementation of this Order.

All filings to the Board must quote file number **EB-2013-0109**, be made through the Board's web portal at <https://www.pes.ontarioenergyboard.ca/eservice>, and consist of two paper copies and one electronic copy in searchable / unrestricted PDF format. Filings must clearly state the sender's name, postal address and telephone number, fax



UNION GAS LIMITED

Deferral Account Balances, Federal & Provincial Tax Changes and Earnings Sharing  
Year Ending December 31, 2012 with interest accrued to June 30, 2014

Line No.	Account Number	Account Name	Balance (\$000's)
<u>Gas Supply Accounts:</u>			
1	179-108	Unabsorbed Demand Costs (UDC) Variance Account	(1,418)
2	179-130	Upstream Transportation FT-RAM Optimization	(614)
3	Total Gas Supply Accounts (Lines 1 + 2)		(2,032)
<u>Storage Accounts:</u>			
4	179-70	Short-Term Storage and Other Balancing Services	1,920
<u>Other:</u>			
5	179-75	Lost Revenue Adjustment Mechanism	2,573
6	179-103	Unbundled Services Unauthorized Storage Overrun	-
7	179-111	Demand Side Management Variance Account	376
8	179-112	Gas Distribution Access Rule (GDAR) Costs	194
9	179-113	Late Payment Penalty Litigation	-
10	179-115	Shared Savings Mechanism	(1,639)
11	179-117	Carbon Dioxide Offset Credits	-
12	179-118	Average Use Per Customer	(3,745)
13	179-120	IFRS Conversion Cost	538
14	179-123	Conservation Demand Management	-
15	179-124	Harmonized Sales Tax	(1,192)
16	179-126	Demand Side Management Incentive	8,390
17	179-127	Pension Charge on Transition to US GAAP	7,811
18	Total Other Accounts (Lines 5 through 17)		13,306
19	Total Deferral Account Balances (Lines 3 + 4 + 18)		13,194
20	Federal & Provincial Tax Changes		132
21	Total Deferral Account Balances (Lines 3 + 4 + 18 + 20)		13,326
22	Earnings Sharing		(15,462)

Notes:

(1) Account balances include interest to June 30, 2014

(2) With the exception of UDC (No. 179-108) and Upstream Transportation FT-RAM Optimization (No. 179-130), all gas supply-related deferral account balances are disposed of through the QRAM process.



**APPENDIX E**

**RATE ORDER**

**UNION GAS LIMITED**

**EB-2013-0109**

**June 19, 2014**

**UNIT RATES FOR PROSPECTIVE RECOVERY / (REFUND) & ONE-TIME  
ADJUSTMENT, AND STORAGE AND TRANSPORTATION SERVICE (EX-  
FRANCHISE) AMOUNTS FOR DISPOSITION**





UNION GAS LIMITED  
General Service Unit Rates for Prospective Recovery/(Refund) - Delivery  
2012 Deferral Account Disposition, Federal and Provincial Tax Changes and 2012 Earnings Sharing Mechanism

Line No.	Particulars	Rate Class	2012 Deferral Balances (\$000's) (a)	2012 Federal & Provincial Tax Changes (\$000's) (b)	2012 Earnings Sharing Mechanism (\$000's) (c)	Balance for Disposition (\$000's) (d) = (a+b+c)	Forecast Volume (10 <sup>3</sup> m <sup>3</sup> ) (1) (e)	Unit Rate for Prospective Recovery/(Refund) (cents/m <sup>3</sup> ) (f) = (d/e)*100
1	Small Volume General Service	01	180	22	(2,655)	(2,453)	338,217	(0.7254)
2	Large Volume General Service	10	(1,177)	4	(491)	(1,664)	134,103	(1.2409)
3	Small Volume General Service	M1	8,592	51	(6,206)	2,438	1,071,056	0.2276
4	Large Volume General Service	M2	2,198	8	(943)	1,262	444,559	0.2839

Notes:

(1) Forecast volume for the period July 1, 2014 to December 31, 2014.



UNION GAS LIMITED  
General Service Unit Rates for Prospective Recovery/(Refund) - Gas Supply Transportation  
2012 Deferral Account Disposition, Federal and Provincial Tax Changes and 2012 Earnings Sharing Mechanism

Line No.	Particulars	Rate Class	2012 Deferral Balances (\$000's) (a)	2012 Federal & Provincial Tax Changes (\$000's) (b)	2012 Earnings Sharing Mechanism (\$000's) (c)	Balance for Disposition (\$000's) (d) = (a+b+c)	Forecast Volume (10 <sup>3</sup> m <sup>3</sup> ) (1) (e)	Unit Rate for Prospective Recovery/(Refund) (cents/m <sup>3</sup> ) (f) = (d/e)*100
1	Small Volume General Service	01	(3,140)	-	-	(3,140)	338,217	(0.9285)
2	Large Volume General Service	10	(1,038)	-	-	(1,038)	132,357	(0.7844)

Notes:

(1) Forecast volume for the period July 1, 2014 to December 31, 2014.



UNION GAS LIMITED  
Unit Rates for Prospective Recovery/(Refund) - Gas Supply Commodity  
2012 Deferral Account Disposition, Federal and Provincial Tax Changes and 2012 Earnings Sharing Mechanism

Line No.	Particulars	Rate Class	2012 Deferral Balances (\$000's) (a)	2012 Federal & Provincial Tax Changes (\$000's) (b)	2012 Earnings Sharing Mechanism (\$000's) (c)	Balance for Disposition (\$000's) (d) = (a+b+c)	Forecast Volume (10 <sup>3</sup> m <sup>3</sup> ) (1) (e)	Unit Rate for Prospective Recovery/(Refund) (cents/m <sup>3</sup> ) (f) = (d/e)*100
1	Small Volume General Service	M1	1,878	-	-	1,878	937,829	0.2003
2	Large Volume General Service	M2	425	-	-	425	212,177	0.2003
3	Firm Com/Ind Contract	M4	14	-	-	14	7,030	0.2003
4	Interruptible Com/Ind Contract	M5	13	-	-	13	6,265	0.2003
5	Small Wholesale	M10	0	-	-	0	16	0.2003

Notes:

(1) Forecast sales service volumes for the period July 1, 2014 to December 31, 2014.



UNION GAS LIMITED  
Contract Unit Rates for One-Time Adjustment - Delivery  
2012 Deferral Account Disposition, Federal and Provincial Tax Changes and 2012 Earnings Sharing Mechanism

Line No.	Particulars	Rate Class	2012 Deferral Balances (\$000's) (a)	2012 Federal & Provincial Tax Changes (\$000's) (b)	2012 Earnings Sharing (\$000's) (c)	Balance for Disposition (\$000's) (d) = (a+b+c)	2012 Actual Volume (10 <sup>3</sup> m <sup>3</sup> ) (e)	Unit Rate (cents/m <sup>3</sup> ) (f) = (d/e)*100
<u>Union North</u>								
1	Medium Volume Firm Service (1)	20	107	2	(40)	69	102,497	0.0672
2	Medium Volume Firm Service (2)	20T	633	-	(214)	419	552,219	0.0758
3	Large Volume High Load Factor (2)	100T	510	3	(336)	177	1,912,232	0.0092
4	Wholesale Service	77	0	0	(0)	(0)	-	
5	Large Volume Interruptible	25	29	1	(114)	(85)	207,636	(0.0407)
<u>Union South</u>								
6	Firm Com/Ind Contract	M4	2,048	2	(251)	1,799	428,641	0.4197
7	Interruptible Com/Ind Contract	M5	358	1	(154)	205	470,339	0.0436
8	Special Large Volume Contract	M7	(245)	1	(156)	(399)	141,165	(0.2830)
9	Large Wholesale	M9	9	0	(13)	(4)	57,878	(0.0063)
10	Small Wholesale	M10	1	0	(1)	(0)	197	(0.0252)
11	Contract Carriage Service	T1	1,470	6	(765)	711	5,023,637	0.0142
12	Contract Carriage- Wholesale	T3	98	1	(92)	7	239,361	0.0028

Notes:

- (1) Sales and Bundled-T customers only.  
(2) T-service customers only.





UNION GAS LIMITED  
Contract Unit Rates for One-Time Adjustment - Gas Supply Transportation and Bundled Storage  
2012 Deferral Account Disposition, Federal and Provincial Tax Changes and 2012 Earnings Sharing Mechanism

Line No.	Particulars	Rate Class	Billing Units	2012 Deferral Balances (\$000's) (a)	2012 Federal & Provincial Tax Changes (\$000's) (b)	2012 Earnings Sharing (\$000's) (c)	Balance for Disposition (\$000's) (d) = (a+b+c)	2012 Actual Volume/Demand (e)	Unit Volumetric/Demand Rate (f) = (d/e)*100
<u>Gas Supply Transportation (cents/m<sup>3</sup>)</u>									
1	Medium Volume Firm Service	20	10 <sup>3</sup> m <sup>3</sup> /d	(172)	-	-	(172)	5,295	(3.2447)
2	Large Volume Interruptible	25	10 <sup>3</sup> m <sup>3</sup>	(12)	-	-	(12)	44,659	(0.0259)
<u>Storage (\$/GJ)</u>									
3	Bundled-T Storage Service	20T/100T	GJ/d	23	-	-	23	155,904	0.146



UNION GAS LIMITED  
Storage and Transportation Service Amounts for Disposition  
2012 Deferral Account Disposition, Federal and Provincial Tax Changes and 2012 Earnings Sharing Mechanism

Line No.	Particulars (\$000's) (1)	Rate Class	2012 Deferral Balances (\$000's) (a)	2012 Federal & Provincial Tax Changes (\$000's) (b)	2012 Earnings Sharing (\$000's) (c)	Balance for Disposition (\$000's) (d) = (a+b+c)
1	Storage and Transportation	M12	409	25	(3,013)	(2,579)
2	Local Production	M13	(0)	0	(2)	(3)
3	Short-Term Cross Franchise	C1	(16)	4	(11)	(22)
4	Storage Transportation Service	M16	1	0	(3)	(2)

Notes:

(1) Exfranchise M12, M13, M16 and C1 customer specific amounts determined using approved deferral account allocation methodologies.

