

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 IN THE MATTER OF an Application by Union Gas
Limited for an order approving a deferral account to capture
variances between balances approved for disposition and amounts
actually refunded/recovered.

WRITTEN SUBMISSIONS OF
BUILDING OWNERS AND MANAGERS ASSOCIATION, GREATER TORONTO
("BOMA")

September 25, 2014

**UNION GAS LIMITED
EB-2014-0145**

**BOMA
WRITTEN SUBMISSIONS**

1. Introduction

Four unresolved issues were taken to hearing. These issues related to the allocations and in some cases, the amounts, related to:

- checkpoint balancing penalty revenues.
- Union's incremental load balancing costs to March 2014.
- Incremental Unaccounted for Gas ("UFG") costs.
- Whether storage related costs and revenue should be included in calculating the appropriate balance for 2013 year-end for the Average Use per Customer Deferral Account.

BOMA's submission on each of those issues follows.

2. Checkpoint Balancing Penalty Revenues

Union proposes to reduce the penalty charges collected from direct purchase customers that did not meet the February 2014 balancing obligations under their bundled-T contracts from \$9,163,046.00 to \$5,964,041.00. The full penalty amount is stipulated in these agreements and rate orders. The cost of spot gas which Union purchased to cover the shortfalls caused by the non-compliant direct purchase customers was \$828,690.00.

BOMA is of the view that, for the purposes of allocation to ratepayers, the penalty revenue should be divided into two parts. An amount representing the additional gas costs Union incurred should be allocated exclusively to system gas customers, since that group did bear the additional costs. The remaining amount, that part of the penalty revenue in excess of the actual cost of the incremental purchases, should be returned to both system and compliant direct purchase customers pro rata, in recognition of their mutual compliance.

BOMA submits that the approach is consistent with the Board's decision in RP-2001-0029, which stated at section 2.90:

"The amounts imposed as penalties...would, as now, be applied to gas deferral accounts so as to benefit compliant customers".

3. Incremental Load Balancing Costs to March 2014

BOMA is of the view that the gas costs that Union incurred to offset negative amounts in the gas balancing accounts of certain direct purchasers on March 31, 2014 should be recovered from all direct purchase customers. The amount in question is \$1.801 million (0.8 PJs of spot gas).

BOMA agrees with Board Staff's submission that:

"Union retains load balancing obligations for these customers associated with variances relative to the February 28 checkpoint (for variances that occur after the establishment of the checkpoint) and March weather and consumption variances. The incremental gas purchased by Union and consumed by South bundled direct purchase customers in February and March 2014 is returned to Union by direct purchase customers in the summer (prior to the contractual year-end)".

BOMA believes that Union is entitled to recover the actual cost of gas purchased (\$1.801 million) from ratepayers. BOMA takes no position on the allocation of additional proposed \$0.153 million credit.

BOMA agrees with Board Staff, for the reasons provided by Board Staff in its submission (page 3) that the amounts of \$1.801 million and \$0.153 million should be recovered in this proceeding (our emphasis).

4. UFG

BOMA is of the view that the \$4.729 million debit variance should be allocated to both system gas customers and direct purchase customers that utilize Union supplied fuel.

The Company's evidence is that it allocates the costs of UFG through delivery rates and, therefore, to both system gas customers and direct purchase customers which use Union-supplied fuel (Transcript, Volume 1, pages 43-45). BOMA agrees with that position as it reflects cost causality in that all customers contribute to UFG. It is appropriate, therefore, that the benefits from the price variance should be allocated to those customers.

BOMA also agrees with Board Staff's submission (page 6) that:

"the benefit that accrued to South system gas customers in the past based on the historical treatment of price variances associated with UFG is not a strong rationale to ignore the principle of cost causality going forward. It is clear that UFG is caused by both system gas and direct purchase customers. Therefore, the price variances associated with UFG should also be allocated to both system gas and direct purchase customers (excluding those direct purchase customers that provide their own fuel). Board staff submits that its proposed allocation methodology adheres with the principle of cost causality while Union's proposal does not".

BOMA, therefore, does not agree with Union's proposal.

5. Average Use per Customer Deferral Account (Account 179-118)

The evidence provides that:

"the Average Use Deferral Account only relates to the variance resulting from the difference between actual average use and forecast average use included in delivery rates".

The issue in this case is whether storage revenues and costs should also be included in the Account.

BOMA agrees with the Board Staff that:

"the fundamental purpose of the Average Use Deferral Account is to ensure that neither ratepayers nor Union's shareholder are harmed by differences between forecasted and actual average use (in the general service rate classes)" (page 7).

Union's evidence is that the margin variance for the average use variance account would have been materially increased if storage margin variances had been included (Transcript, Volume 1, page 46; J2.1).

BOMA suggests that, given the current wording of the account, and the nature of this proceeding, Union's proposal be accepted for 2013. However, in light of the agreed purpose of the account, BOMA urges the Board to direct Union to change the wording of the account for 2014 to include storage margin in respect of the general use accounts.

6. Costs

BOMA requests that it be awarded 100% of its reasonably incurred costs in this proceeding.

All of which is respectfully submitted, this 25th day of September, 2014.

Tom Brett,
Counsel for BOMA