

November 18, 2015

BY COURIER & RESS

Ms. Kirsten Walli
Board Secretary
Ontario Energy Board
2300 Yonge Street, 27th Floor
Toronto, ON M4P 1E4

Dear Ms. Walli,

Re: Union Gas Limited (“Union”) – Written Notification per EB-2011-0327 Settlement Agreement

In Section 6 – Resource Acquisition Program of the Settlement Agreement for Union’s 2012-2014 DSM Plan filed under EB-2011-0327, parties agreed Union would notify intervenors in writing as soon as the company is aware budget shifts and Demand Side Management Variance Account (“DSMVA”) access between rate classes would exceed 100% (p. 22). This letter serves as written notification that Union expects to exceed a shift of 100% for the Rate M7 class in 2015.

Background

In Union’s 2013 Cost of Service proceeding, EB-2011-0210, Union proposed to lower the rate class eligibility criteria for the mid-market bundled contract rate classes (Rate M4 and Rate M5) and the large volume bundled contract rate class (Rate M7), effective January 1, 2014. In its EB-2011-0210 Decision, the Board approved Union’s proposed rate class eligibility changes. As a result of this change, 22 Rate M4 and Rate M5 customers in Union’s 2013 Board-approved forecast were required to move to Rate M7 effective January 1, 2014.

During its 2014 to 2018 Incentive Regulation Mechanism (“IRM”), Union’s rates are set based on the 2013 Board-approved volume forecast, subject only to specific volume adjustments related to changes in normalized average consumption (“NAC”) and DSM savings (“LRAM”).

Union’s ratemaking process during IRM does not recognize the annual volumes (i.e. billing units) associated with the transition of 22 customers from Rate M4 and Rate M5 to Rate M7, while Union’s DSM budget spend reflects the current number of customers in all three rate classes.

Union's EB-2015-0029 Evidence

In accordance with the Board's 2015 to 2020 Report on the DSM Framework for Natural Gas Distributors, Union's 2015 DSM Plan follows the Board's direction in Section 15.1 and rolls over all elements of Union's 2014 DSM Plan. This includes increasing the budget in the same manner as Union has done throughout the 2012-2014 DSM Plan, using an inflation rate of 1.68%. The 2015 DSM costs in rates do not recognize the transition of customers from Rate M4 and Rate M5 to Rate M7. Union notes its expectation of exceeding the 100% amount for Rate M7 at Exhibit A, Tab 2, p. 10.

To address the discrepancy between the proportion of DSM costs in Rate M7 compared to Rate M4 and M5, in its 2015-2020 DSM Plan Union proposes to pool the proposed DSM costs for these three rate classes and reallocate the costs in proportion to 2015 approved billing units. Union is proposing this approach for ratemaking purposes from 2016 to 2018.

Next Steps

Union will address the effects of the actual 2015 DSM spend in its 2015 Disposition of DSM Deferral and Variance Accounts proceeding.

If you have any questions with respect to this submission please contact me at 519-436-5334.

Yours truly,

[Original signed by]

Vanessa Innis
Manager, Regulatory Initiatives

c.c.: Josh Wasylyk, Board Staff
Alex Smith, Torys
EB-2011-0327 Intervenors
EB-2015-0029 Intervenors