



# **ONTARIO ENERGY BOARD**

## **OEB STAFF SUBMISSION SETTLEMENT PROPOSAL AND DRAFT RATE ORDER**

**Union Gas Limited  
2016 Rates**

**EB-2015-0116**

**November 27, 2015**

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**OEB Staff Submission on Settlement Proposal and Draft Rate Order**

Union Gas Limited (Union) filed an application on September 11, 2015 with the Ontario Energy Board (OEB) pursuant to section 36 of the *Ontario Energy Board Act, 1998*, for an order or orders approving rates for the distribution, transmission and storage of natural gas, effective January 1, 2016.

In Procedural Order No. 1, dated October 15, 2015, the OEB scheduled a Settlement Conference with the objective of reaching a settlement among the parties on all of the issues in the proceeding. The Settlement Conference was held on November 10 and 11, 2015.

Union filed a Settlement Proposal on November 24, 2015, which reflects full settlement on all of the issues in the proceeding. Union attached the Draft Rate Order as an appendix to the Settlement Proposal.

Union requested that a Final Decision and Rate Order be issued prior to December 8, 2015 to allow its 2016 rates to be implemented with its January 1, 2016 QRAM.

OEB staff reviewed the Settlement Proposal filed by Union in the context of the multi-year ratemaking framework approved in EB-2013-0202, other applicable OEB policies, relevant OEB decisions, and the OEB's statutory obligations. OEB staff is of the view that the Settlement Proposal appropriately reflects the framework approved by the OEB in EB-2013-0202. OEB staff submits that the OEB's approval of the Settlement Proposal would adequately reflect the public interest and would result in just and reasonable rates for customers. OEB staff also submits that the accompanying explanation and rationale is adequate to support the Settlement Proposal.

OEB staff will provide comments on a few specific issues addressed in the Settlement Proposal.

The Settlement Proposal incorporates, in 2016 rates, the revenue requirement associated with two major capital projects (the Burlington Oakville Pipeline Project and the 2017 Dawn Parkway Project) that have not been approved by the OEB. OEB staff submits that the noted major capital projects, if approved, will meet the eligibility criteria for Y-factor treatment applicable during Union's 2014-2018 IRM term. In the event that the OEB does not approve one or both of these major capital projects, the amounts included in 2016 rates will be subject to deferral. OEB staff submits that including the

revenue requirement associated with the noted major capital projects in 2016 rates is appropriate in this instance as the amounts are small (and result in an overall credit to ratepayers). However, as discussed in the Settlement Proposal at page 8, OEB staff agrees with parties that the inclusion of amounts not approved by the OEB in rates should not be a common practice going forward.

The Settlement Proposal also includes a revised methodology for adjusting the delivery rates for the small volume rate classes (M1 and Rate 01). For 2016, Union will rebalance the recovery of the customer-related cost variances across all delivery blocks (as opposed to the standard first block only) for the noted rate classes. OEB staff submits that this approach is appropriate for 2016 rates in order to maintain the \$21 customer charge and a declining rate structure across all delivery blocks. Also, OEB staff notes that Union's revised approach for 2016 is the same approach that is used by Enbridge Gas Distribution Inc. (Enbridge) to adjust its delivery rates.

Another issue addressed by the Settlement Proposal is the requested Unauthorized Overrun Non-Compliance charge. The Unauthorized Overrun Non-Compliance charge as agreed to in the Settlement Proposal is \$2.313/m<sup>3</sup> (\$60/GJ), which was determined by applying a premium of 150% to the recent historic retail price for diesel fuel. OEB staff submits that the charge is set at an appropriate level to incentivize interruptible customers to comply with their contractual obligations when a service interruption is called.

Finally, OEB staff notes that the Settlement Proposal includes the closure of the Average Use Per Customer Deferral Account (No. 179-118) (the Average Use Account) and the Preparation of Audited Utility Financial Statements Deferral Account (No. 179-129) (the Audited Financial Statements Account).

OEB staff submits that the closure of the Average Use Account is appropriate as, during the 2014-2018 IRM term, Union adjusts rates annually for changes in normalized average consumption (as opposed to average use). The Average Use account is no longer required as it was replaced by the Normalized Average Consumption deferral account for the 2014-2018 IRM term.

OEB staff submits that the closure of the Audited Financial Statements Account is also appropriate as the amounts recorded in the account have previously been disposed of and the account balance is zero.

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OEB staff also reviewed the Draft Rate Order attached to the Settlement Proposal. OEB staff submits that the Draft Rate Order accurately reflects the Settlement Proposal.

If the OEB were to approve the Settlement Proposal as filed, the resulting bill impacts, on an annual basis, for typical residential customers who use 2,200 m<sup>3</sup> of natural gas per year are as follows:

Fort Frances: -\$9.81

Western: -\$9.91

Northern: -\$9.72

Eastern: -\$9.55

Southern: -\$3.11

OEB staff notes that Union intends to provide customers notices only as part of its January 2016 QRAM proceeding as it will be the QRAM Rate Order that will supersede the Rate Order issued in this proceeding. OEB staff supports this proposal.

All of which is respectfully submitted.