Ontario Energy Board
Commission de l'énergie de l'Ontario

DECISION AND ORDER

EB-2016-0186

UNION GAS LIMITED

Application for approval to construct a natural gas pipeline in the Township of Dawn Euphemia, the Township of St. Clair and the Municipality of Chatham-Kent and approval to recover the costs of the pipeline.

BEFORE: **Allison Duff**
Presiding Member

Cathy Spoel
Member

Paul Pastirik
Member

February 23, 2017

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1 INTRODUCTION AND SUMMARY

This is a decision of the Ontario Energy Board (OEB) on an application filed by Union Gas Limited (Union). Union applied under section 90(1) of the *Ontario Energy Board Act, 1998* (the Act) for leave to construct approximately 40 kilometers of 36 inch diameter pipeline from Union's Dawn Compressor Station in the Township of Dawn-Euphemia to its Dover Transmission Station in the Municipality of Chatham-Kent (the Project). A map of the Project is attached as Schedule A.

Union also applied for approval of the recovery of costs associated with the construction of the Project pursuant to section 36 of the Act; approval of a 20-year depreciation term; and approval of an accounting order to establish a Panhandle Reinforcement Deferral Account pursuant to section 36 of the Act.

Union's evidence is that the Project is needed to meet increasing demand for firm service on the Panhandle System in the Leamington-Kingsville area, from greenhouse operations, commercial and small industrial customers and anticipated residential growth.

One of the issues that arose in the proceeding was whether there were alternatives to the Project that did not require the construction of new pipeline facilities. Specifically, the issue is whether Union's customers are best served through the proposed pipeline's capacity or through capacity acquired on a contractual basis from Panhandle Eastern Pipe Line Company (Panhandle Eastern) through the Ojibway international connection point near Windsor. A map showing these interconnections is attached as Schedule B.

The OEB grants leave to construct the Project, subject to the Conditions of Approval, which are attached as Schedule C. For the reasons set out below, the OEB finds that the construction of the Project is in the public interest as it is the most reliable approach to meeting demand in the Leamington-Kingsville area.

2 THE PROCESS

A Notice of Application was issued on July 12, 2016 and was served and published by Union as directed by the OEB.

The OEB granted intervenor status to the following:

- Association of Power Producers of Ontario (APPrO)
- Building Owners and Managers Association, Greater Toronto (BOMA)
- Canadian Association of Energy and Pipeline Landowners Associations (CAEPLA)
- Canadian Manufacturers and Exporters (CME)
- Consumers Council of Canada (CCC),
- Enbridge Gas Distribution Inc. (Enbridge)
- Federation of Rental-housing Providers of Ontario (FRPO)
- Industrial Gas Users Association (IGUA)
- Liberty Oil and Gas Limited (Liberty)
- London Property Management Association (LPMA)
- Municipality of Chatham-Kent (Chatham-Kent)
- Ontario Greenhouse Vegetable Growers (OGVG)
- School Energy Coalition (SEC)
- Vulnerable Energy Consumers Coalition (VECC)

OEB staff also participated in the proceeding.

The OEB also found that APPrO, BOMA, CAEPLA, CCC, CME, FRPO, IGUA, LPMA, OGVG, SEC and VECC are eligible to apply for cost awards.

The OEB provided intervenors and OEB staff the opportunity to ask Union questions about its application through written interrogatories and a technical conference.

There was provision for intervenor evidence. No intervenors chose to file evidence.

The OEB held an oral hearing for all non-landowner issues and provided for the filing of written submissions on those issues.

Union informed the OEB that it had reached a comprehensive settlement with CAEPLA concerning all landowner issues. Union filed a summary of the settlement agreement and included a Form of Easement Agreement Addendum. Subsequently, the OEB accepted CAEPLA’s request to withdraw as an intervenor in the proceeding.

2.1 Process Issues

In its submission, FRPO expressed frustration with the hearing process, alleging that the process did not afford it an adequate opportunity to test and analyze Union's evidence.

Findings

The OEB takes allegations of an applicant failing to disclose relevant information seriously and has carefully reviewed the procedural steps in this proceeding. FRPO's concerns appear to arise from the fact that it had to avail itself of many procedural steps to obtain some of the information it sought in relation to alternatives to Union's application. FRPO and some of the other intervenors expressed concern that if not for the motion brought by FRPO and requests by intervenors to have documents updated by Union, some of the evidence on the record would not have been disclosed.

In this proceeding, intervenors were afforded every opportunity to request additional information from Union, and they took advantage of those opportunities. This benefitted the OEB as it resulted in a more complete evidentiary record than might otherwise have been the case. That is the purpose of prehearing disclosure and of examination and cross-examination at the hearing. In the OEB's view, the intervenors fulfilled their role by participating actively in these processes.

While the OEB understands that being unable to persuade the applicant's witnesses that an alternative approach would be preferable may be a source of frustration, it does not demonstrate that the process was deficient. The process ultimately worked as the necessary evidence was placed on the record for the OEB to make a decision.

The procedural steps provided for by the OEB included the opportunity for intervenors to file evidence. None took advantage of that opportunity.

Several of the intervenors have filed arguments that purport to offer alternative scenarios to those presented by Union. Many of these scenarios were not part of the record, and Union did not have the opportunity to test these through cross-examination. While Union, as the applicant, has the onus of persuading the OEB that the Project should be approved, analysis of alternatives must be based on the evidentiary record. If intervenors want the OEB to accept an alternative other than ones put forward by Union, the intervenors must ensure that there is sufficient evidence on the record in this proceeding to support their case.

3 ISSUES

3.1 Are the proposed facilities needed?

In its evidence, Union forecast an increase in design day (peak) demand on the Panhandle System until 2034. Union's evidence is that the forecast is based on specific customer requests, anticipated conversion of interruptible to firm service based on unfulfilled requests from the 2016 expansion in the Leamington area, discussions with customers and growth in the general service market.

Table 1: Union's Design Day Forecast Growth for Panhandle System

Timeframe	**Design Day Requirements TJ/day**
November 1, 2016 (post Leamington expansion)[1]	565
2017 - 2021 Forecast Growth	106
2022 – 2034 Forecast Growth	99
2034 Total Design Day Requirements	770

Union expects that demand growth will occur across the entire Panhandle System, with the majority of the requests for firm contracts from greenhouse customers in the Leamington-Kingsville area. In particular, for the 2016 Leamington expansion project (2016 expansion), Union requested Expressions of Interest and received 80 TJ/day in firm demand. Union was able to satisfy 32 TJ/day with the 2016 expansion, leaving 48 TJ/day of unfulfilled firm capacity which is part of the forecast capacity to be served by the Project. This 48 TJ/day is currently served by interruptible service, but Union's evidence is that these customers want to convert to firm service, as much of their demand is for space heating, for example in greenhouses.

Union also identified incremental demand for firm service across its entire market including the New Windsor Mega Hospital, the new Gordie Howe International Bridge, CNG facilities and load increases from other industrial customers in the Windsor area.

[1] EB-2016-0013 OEB Decision, Union's Leamington Expansion Pipeline Project

Union also conducted a reverse open season in May 2016 with existing distribution customers currently served by the Panhandle System to determine if any would be willing to return their firm service to Union. No offers were received.

LMPA, OGVG and OEB staff agreed with Union's forecast. Union also received letters of support for its application from customers represented by OGVG and municipalities served by the Panhandle System, which were filed with the OEB.

Other intervenors argued that Union's design day forecast was overstated as it did not account for demand reductions due to demand side management (DSM) initiatives and the government's climate change initiatives. Regarding the conversion of interruptible customers, IGUA submitted that Union could have done more to work with these customers to find alternative supply arrangements and demand management options to reduce the demand forecast, thereby avoiding the need for the Project.

These intervenors also argued that Union's forecast was subject to risk as customers who expressed interest in 2015 had yet to enter into contracts for firm service with Union. APPrO suggested the OEB require Union to meet a threshold of 50 TJ/day as a condition of approval if the Application was approved.

Union submitted that there was as no available capacity to accommodate any incremental firm demand on the Panhandle System, whether from general service or contracting customers, as of November 2017.

Findings

The OEB accepts Union's forecast of 106 TJ/day of firm demand growth from 2017–2021. The OEB finds that Union is in the best position to assess firm demand growth, especially information sourced through its interactions with customers. Receiving expressions of interest are evidence of intent; signed five-year agreements are evidence of commitment.

The OEB finds that the risk that the forecast is overstated is further reduced by unsolicited demand requests Union received, which were not included in the forecast.

The OEB accepts Union's evidence and OGVG's submissions that the demand for firm service to replace interruptible is due to the heat sensitivity of greenhouses. These customers have every right to request the service they want and need for their businesses. These customers have interruptible service by default, and don't want it. Assuming these customers are rational and informed regarding alternative sources of supply, the OEB accepts Union's submission that it has worked with these customers to develop its forecast, and efficiency improvements are already built into the forecast.

The OEB does not find that the forecast is overstated based on the effects of DSM. There is no evidence to support a reduction to the forecast. Consistent with Union's evidence in the DSM proceeding, the OEB accepts that to date, annual volumes are most affected by DSM programs, not design day demand. Union indicated that while DSM had reduced average annual consumption by 920 TJ per year, design day demand on the Panhandle System continued to increase over the same period. In fact, the OEB directed Union to work jointly with Enbridge on how to include DSM in future infrastructure planning activities to address this issue, for the mid-term review in 2018.[2]

The OEB does not find that the forecast is overstated based on the government's climate change initiatives. A reduction to the forecast would be premature as the market has not had time to react and data is not available. The OEB agrees that such unknowns add uncertainty to any forecast yet are outweighed by the immediate need for firm service.

Union's demand forecast for 2017-2021 is tied to its application and the alternatives it analyzed. The alternatives will be covered later in this Decision. Union also filed a demand forecast to 2034. The OEB agrees that a longer-term forecast is subject to more risk with greater uncertainties and unknowns. However, it is important to note that Union expects the incremental capacity from the Project to be fully subscribed after five years. In fact, five year agreements are being signed, consistent with Union's demand forecast.

The OEB has reviewed Union's longer-term demand risk and the submission regarding risks to that forecast. The OEB has also considered the source of the firm demand, including conversion from interruptible service and incremental growth.

Union has started to sign demand contracts extending to 2021, and the greenhouse owners signing those contracts have made significant capital investments. In light of the significant investments made, the OEB finds it unlikely that the demand will cease in five years due to new DSM or climate change initiatives. The OEB expects the greenhouses converting to firm service and expanding operations in the Leamington-Kingsville area will continue to increase their demand for gas after 2021 assuming the facilities are in place. These sources of firm demand growth can counterbalance the longer-term demand risk.

[2] OEB's Decision and Order EB-2015-0029/0049, page 84

3.2 OEB's economic tests

Union's evidence is that the total cost of the Project was $264.5 M. Union assessed the economic feasibility of the Project by applying the OEB's economic tests.[3] Over a 20-year term, the net present value (NPV) for the Stage 1 test was negative $212 M based on the facilities required for five years of demand day growth. With a Stage 1 NPV less than zero, Union conducted a Stage 2 NPV test and estimated energy cost savings to be approximately $805 M, resulting in an NPV greater than zero.

Union compared the NPV of the Project to the NPV of all alternatives considered. Alternative 2 assumed incremental deliveries of 34 TJ/day or total deliveries of 94 TJ/d at Ojibway, plus new facilities. Alternative 2 was presented in Union's evidence as an alternative to the Project. The NPV's changed when Union considered the assets required after five and six years of demand day growth.

Table 2 - Stage 1 NPV of Proposal and Alternative 2 with 20-year term ($ Millions)

Description	NPV – Assets five years	NPV – Assets six years
Project	$(212)	$(239)
Alternative 2	$(207)	$(271)

Union's evidence is that incremental facilities were required for both scenarios to meet the increase in demand. Union stated that there was little difference in the NPVs of these alternatives looking at assets for five years, but the more economic option over the longer term is the Project.

Many intervenors who submitted the OEB should not approve the application did not comment on Union's NPV and economic tests. The submissions of these intervenors focused on the alternatives that Union did not consider and were not included in evidence.

VECC submitted that the cost difference and NPVs of Union's alternatives are a distraction to the important issues raised by the application and obfuscate the analysis. VECC noted that the additional costs of Alternative 2 only come into play in 2022 and are based on the accuracy of Union's forecast of demand.

[3] Filing Guidelines on the Economic Tests for Transmission Pipeline Applications, Feb 21, 2013

LPMA submitted that the Project met the OEB's economic test in Stage 2. Although LPMA did not agree with all the assumptions used to calculate the NPV of the stage 2 benefits, LMPA agreed that the NPV is well in excess of the $212 shortfall in the Stage 1 NPV calculation.

Findings

The OEB finds that the Project meets the OEB's economic tests. The OEB finds that the Stage 2 benefits sufficiently exceed the Stage 1 net cost, and result in a positive NPV.

Union's Stage 1 NPV was negative $212 based on a 5-year forecast and 20-year term. The NPV changed slightly to negative $207 based on a 40-year term. With a 40-year term, the NPV for Alternative 2 changed from negative $207 to negative $201. The OEB finds the Stage 1 NPVs for the Project to be similar to Union's Alternative 2, despite a change in term.

The OEB agrees with LPMA that not all of Union's assumptions in its Stage 2 analysis may be adequately justified, but the OEB finds the $805 M in estimated benefits so large that even with some adjustments the benefits will exceed the net cost estimate in Stage 1.

Based on Union's forecast five-year demand, the OEB finds that Union has demonstrated that the economic tests required by the OEB's filing guidelines have been met.

3.3 Potential rate impacts to customers

Based on Union's proposed costs and rate recovery, the average total bill impact for Union South customers ranged from 1.2% for residential rate M1 to 5.8% for small rate M4[4].

Union's cost estimate included depreciation expense based on a 20-year depreciation period, which is shorter than the 50 years in the OEB's approved depreciation rates for these assets. The depreciation expense to be recovered from customers would be lower by $3.5 M in 2017 and $7.4 M in 2018 if depreciated over 50 years.[5]

Union submitted that a shorter amortization period was warranted given the uncertainties with Ontario's Cap and Trade program and the introduction of the government's Climate Change Action Plan (CCAP). Union submitted that these new

[4] Exhibit A, Tab 8, Schedule 6, p.2
[5] Exhibit J1.3

initiatives add significant risk to the return of any capital invested in natural gas infrastructure over the medium to long term. Union submitted that a 20-year period better aligns the recovery of the asset costs with the timing of government restrictions and potential elimination of natural gas heating of homes and businesses.

All but one of the intervenors disagreed with Union's proposal for a 20-year amortization period. They noted that the settlement agreement entered into at Union's most recent cost of service proceeding refers to OEB-approved 2013 depreciation rates. These intervenors argued that the terms of the settlement proposal prohibit the use of different depreciation rates, and that depreciation was not identified as a Y-factor in the settlement proposal. These intervenors also argued that if a change was to be considered by the OEB it should be during a rebasing year, not during the IRM term, based on a comprehensive review of all assets.

LPMA supported Union's proposal, submitting that a 20-year period reduced the risk for Union resulting from Cap and Trade and CCAP, and reduced the total net present cost to customers.

Union proposed two changes to the cost allocation methodology approved by the OEB when rates were established in 2013. The proposed cost allocation would determine how the Project costs would be recovered until 2019, the end of Union's current IRM term.

First, Union proposed to base the allocation on the Panhandle System's design day demand plus incremental design day demands of the Project. In 2013, the OEB had approved a cost allocation methodology based on design day demands from the combined Panhandle and St. Clair Systems.

Second, Union proposed to exclude ex-franchise Rate C1 and M16 firm contracted demands from the cost allocation. In 2013, the OEB had approved a cost allocation methodology that included in-franchise and ex-franchise rate classes.

Union's position is that using the combined Panhandle and St. Clair Systems to allocate costs no longer reflects the costs to serve customers on their respective parts of these Systems. In addition, Union submitted that C1 and M16 ex-franchise customers are not driving the need for the Project because their gas flows counter to the flow of design day volumes. Union's proposed allocation would result in a re-allocation of 15% of the Project costs to in-franchise customers, rather than allocating them to C1 and M16 customers. A full comparison of the current OEB-approved and the proposed allocation follows.[6]

		Design Day Demands		Project Cost Allocation Factors	
		St. Clair	Panhandle	OEB-Approved	Proposed
Line No.	Rate Class	System (%)	System (%)	Allocation (%)	Allocation (%)
		(a)	(b)	(c)	(d)
1	Rate M1	7%	40%	21%	40%
2	Rate M2	2%	14%	7%	14%
3	Rate M4	0%	14%	7%	14%
4	Rate M5	-	0%	0%	0%
5	Rate M7	-	4%	2%	4%
6	Rate T1	9%	5%	6%	5%
7	Rate T2	82%	23%	42%	23%
8	Total In-franchise	100%	100%	85%	100%
9	Rate C1	-	-	13%	-
10	Rate M16	-	-	3%	-
11	Total Ex-franchise	0%	0%	5%	0%
12	Total	100%	100%	100%	100%

All Intervenors except two disagreed with Union's proposal to change the cost allocation methodology for the Project. These intervenors submitted that a change to cost allocation should only be considered in a rebasing year, not during an IRM term, as changes to one part of cost allocation affect all other customers. LPMA, VECC and OEB staff indicated that they were not opposed to Union's proposal, but suggested further review of the impacts are required.

APPrO and IGUA supported Union, arguing that Union's cost allocation proposals were in line with the principle of cost causality and consistent with how the Panhandle System is used.

Findings

The OEB will not approve Union's proposals for a 20-year depreciation period and a revised cost allocation methodology. The OEB finds that both proposals should be deferred to Union's next cost of service or custom IR application. It would be inconsistent to change the depreciation term and cost recovery for one project, while Union's other assets are depreciated and recovered on different bases. A comprehensive review is required for parties to test, and the OEB to assess, the merits

[6] Exhibit J1.2 Attachment 2, page 3

and implications of these two proposals and this should be at Union's next cost of service or custom IR application.

While these proposals may have merit, they cannot be adequately considered during the IRM term, for one project in isolation. A leave-to-construct application requesting a capital pass-through mechanism for cost recovery over 14 months is not the appropriate forum to consider deviations from principles embedded in current OEB-approved rates.

A proper review of these issues will need to include the full range of possible amortization periods, and the impacts on all customer classes of a change to the cost allocation methodology

Given these findings, it is not necessary for the OEB to comment on whether Union's proposal is consistent with the settlement agreement.

3.4 Facilities and non-facilities alternatives to the Project

Exhibit A, Tab 6 of Union's evidence describes the alternatives to the Project that were considered by Union. Union defined an acceptable alternative as one which allows Union to maintain minimum inlet pressures on a design day and meet design day requirements to supply its downstream distribution systems. The alternatives considered by Union are intended to serve the five-year forecasted demand growth from 565 TJ/d to 671TJ/d by 2021, and further consideration for expected future growth beyond 2021.

Union's Alternative 1

This alternative involves construction of a new 30 or 36 inch pipeline from Dawn alongside the existing Panhandle pipeline which would continue to be used.

Union forecast the cost of this alternative at an NPV of negative $224 M which is $12M more expensive than the Project's estimate of negative $212 M. The Project also has the advantage of eliminating the need for additional land and easements and ongoing maintenance costs to preserve the integrity of the existing pipeline.

Union's Alternative 2

This alternative involves contracting for an additional 34 TJ/d of gas supply at Ojibway and installing incremental pipeline and station facilities along the Panhandle System to serve the remainder of the demand from Dawn.

Union's forecast of the NPV for this alternative was negative $207 M. When comparing this to the Project's NPV of negative $212 M, Union did not consider this small differential to be worth the added risk of this alternative. Union's evidence is that additional supply at Ojibway adds term, price and availability risk to Union’s gas supply mix on the Panhandle System.

In the longer term, Union’s evidence is that this alternative is more expensive than the Project as additional pipeline and station facilities would be required in 2022.

Union went to the market with a request for proposal (RFP) to obtain addition capacity at Ojibway. Union indicated that its maximum capability to accept imports at Ojibway is 115 TJ/d on an annual basis. The 115 TJ/day is an operational constraint in the summer because of demand in the Windsor market. Union indicated that its maximum capacity at Ojibway in the winter was 140 TJ/d, but despite this higher demand in the winter, the year-round maximum capacity for firm supply was 115 TJ/d given the summer operational constraint. Currently Union imports 60 TJ/d at Ojibway.

Union indicated that Alternative 2 may be well suited to serve the Windsor market, but is not an efficient way to serve demand beyond Windsor, between Sandwich and Dawn.

Union’s Alternative 3

This alternative involves installation of a Liquefied Natural Gas (LNG) Plant along the existing Panhandle System to allow for peaking gas supply on design day.

Union forecast the cost of this alternative to be $48M more than the cost of the Project. In addition, Union did not consider this alternative to be viable as a plant could not be constructed in time to meet the required in service date of November 1, 2017.

Intervenor positions

Many intervenors opposed the Project and argued that Union should have considered additional supply options at Ojibway, beyond Alternative 2. These intervenors submitted that Union did not adequately consider supply alternatives that could defer or even address the need to build the proposed facilities at all. Some parties submitted that Union favoured a facilities option rather than a supply option to meet the forecast demand.

APPrO, FRPO and IGUA indicated that they worked together to review Union’s evidence and were informed by each other’s work, while representing distinct customer interests. APPrO’s submission focused on alternative supply options that Union did not consider in evidence, arguing that Union should have considered:

- Using the Nexus pipeline for supply
- Offering an incentivized demand response program

- Negotiating of a “must nominate” or similar obligation with C1 customers
- Offering interruptible customers to stay interruptible

As Union did not consider these alternatives in evidence, many intervenors submitted the application was deficient and the Project should not be approved without further analysis of supply alternatives.

APPrO criticized Union’s Alternative 2, arguing that the RFP for additional capacity was conducted in a non-commercial and impractical manner and that Union’s 115 TJ/day annual import capability at Ojibway was an artificial constraint.

Regarding the RFP, APPrO submitted that Union did not include all shippers on the Rover pipeline on the US side of Ojibway, and did not provide adequate time for parties to respond. In addition, the terms of Union’s RFP were too restrictive seeking firm transportation service, which prejudiced Rover shippers from submitting a delivered service proposal. Instead, APPrO suggested that Energy Transfer Partners (owners of Panhandle Eastern and the proposed Rover pipeline) could have worked more closely with Union to identify and access all of the shippers for the RFP.

Regarding the import capability of 115 TJ/d, APPrO disagreed with Union’s analysis of the maximum amount of firm gas Union could accept at Windsor and suggested it was significantly higher. FRPO submitted that Union’s evidence demonstrated there were days when Union received supply at Ojibway exceeding 140TJ/d.

FRPO submitted that if Union received 140 TJ/d at Ojibway, Union would not need the Project. FRPO suggested that Union work with Energy Transfer Partners to devise a market-based solution.

FRPO argued that the gas supply simulations completed by Union in response to interrogatories and undertakings did not emulate reality and didn’t provide the OEB with a rigorous comparison of market-supply and facility options.

IGUA, SEC and VECC also argued that Union did not thoroughly review alternatives, and supported the commercial supply alternatives suggested by APPrO and FRPO.

OEB staff also agreed that Union did not fully explore and assess all available alternatives, and submitted that Union was in the best position to evaluate alternatives to the Project. However, OEB staff supported Union’s application given the time constraints to meet the forecast demand on November 1, 2017. In the future, OEB staff suggested that Union should provide more detailed analyses of alternatives in leave to construct applications.

OGVG and LMPA supported the Project as the best alternative to meet the increasing demand in the area in the short, medium and long term. They submitted that it would be risky and imprudent for Union to rely on additional supply from Ojibway. CME supported the Project if Union was unable to meet all its firm demand commitments requests beyond November 1, 2017.

In reply submission, Union argued that none of the supply alternatives proposed by intervenors were reasonable to address the need for firm service in the Leamington-Kingsville area. Union maintained that additional supply at Ojibway beyond the 34 TJ/day assumed in Alternative 2 was not an efficient way to serve demand beyond Windsor, between Sandwich and Dawn.

Union also reiterated that Ojibway is not a liquid trading point, and contracting for additional supply at Ojibway would diminish Union's gas supply portfolio diversity and flexibility on the Panhandle System resulting in a risk to supply security, price and term.

Findings

The OEB finds that the Project is the preferred alternative based on the evidence and information currently available. The OEB finds that Union reviewed a reasonable range of alternatives and the Project is the most appropriate given what is known today. The OEB acknowledges there are a number of uncertainties regarding the longer-term demand forecast and future supply options if the Rover pipeline is built.

In contrast, the increase in demand is certain. In 2015, Union was unable to meet 48 TJ/day of firm demand requests in the Leamington-Kingsville area. If a supply option was available, the OEB questions why Union did not act to meet that demand, especially in an IRM year. As of November 1, 2017, Union needs to meet an additional 106 TJ/day in design day demand. The OEB finds it appropriate for Union to meet this firm service demand with a firm supply solution.

The OEB also finds that the location of the increase in demand, primarily in the Leamington-Kingsville area, to be pertinent to the evaluation of alternatives to the Project. The question is not whether Union can obtain additional supply of 106 TJ/day. The operational considerations of the Panhandle System must be considered given that the increase in demand is in Leamington-Kingsville, and not in the Windsor area.

Throughout the proceeding, many intervenors argued that Union should consider supply alternatives. These intervenors submitted that additional supply at Ojibway could meet the forecast demand for a few years and defer the Project. With time, the impact of Cap and Trade and the government's climate change initiatives could be assessed, the demand forecast revised, and the need for the Project re-assessed.

The OEB agrees that Union could accept more gas at Ojibway. In fact, Union had accepted volumes in excess of 140 TJ/day on multiple, consistent days over the past three years. However, that historical supply met the historical demand in the Windsor area. Union's evidence indicated that in the past three years, power producers in the Windsor area have reduced their demand significantly. The demand is now further east in the Leamington-Kingsville area.

In considering alternatives, Union must select one that will provide sufficient pressure on its NPS 20 on the Panhandle System to serve this area. The OEB accepts Union's evidence that the annual maximum supply capacity at Ojibway is now 115 TJ/day given the design day forecast, forecast Windsor demand, pressure requirements and other operational considerations of the Panhandle System.

Union's evidence was that to supply the new demand in Leamington-Kingsville through an Ojibway supply alternative would require a supply to demand ratio of 2.5 to 1; i.e., approximately 2.5 GJ/d needs to be supplied at Ojibway for every 1GJ/d that is delivered to Leamington-Kingsville. This compares to a 1:1 supply to demand ratio with the Project. The OEB finds this higher supply ratio to be inefficient. In addition, $188 M would also need to be spent on upgrades and changes to facilities for this alternative to be technically viable. Part of the OEB's role is to ensure efficiency in the delivery of service to Union's customers.

Union also stated that receiving 187 TJ/day at Ojibway, as suggested by some intervenors, would increase the supply mix for the Panhandle System from Ojibway to 36%, an increase from approximately 12% today. The OEB finds that change would be significant for Union and its customers and it would create unnecessary risk in Union's gas supply portfolio. Ojibway is not a liquid trading point today. That may change in the future if Rover is built and supply routes are augmented, but there is no certainty of this at present. In the meantime increasing receipts at Ojibway to 187 TJ/day would result in new supply risks. The OEB agrees with Union that this supply alternative creates price and term risk, commercial risk with contracting parties, delivery and backstop risk to Union's customers, and portfolio control and diversification risk for Union as the supplier.

As a result, the OEB does not find a supply proposal of 187 TJ/day at Ojibway to be a reasonable alternative to the Project. The OEB notes that many of the other supply proposals put forward by the intervenors were not supported by any evidence. The OEB did make provision for intervenor evidence in this proceeding but none chose to avail themselves of this opportunity. The result is that the only evidence the OEB has before it is Union's.

The OEB agrees that Union must plan its facilities to serve on design day conditions, Because of growth in demand, additional looping or laterals from the NPS 20 pipeline into Leamington/Kingsville will not provide the necessary capacity to serve the market.

The OEB also accepts Union's evidence that additional supplies at Ojibway would not address the physical operational realities of the Panhandle System and that only the Project could do so with certainty.

The OEB finds that Union's RFP provided an opportunity for the market to respond and that it was sufficient for the purposes of this application. The RFP's exact wording and response window are not critical factors in the OEB's decision that Alternative 2 is not preferable to the Project. Increasing deliveries at Ojibway will not get the gas to Leamington-Kingsville without an inefficient supply ratio, a significant change in supply mix, the need for additional facilities and the assumption of more risk.

The OEB finds that Union reviewed a reasonable range of alternatives and considered the advantages and disadvantages of each. Union is required to explore alternatives, but once an alternative is assessed to be less appropriate, Union is not required to go further. The preferred option needs to be as good as, or better, than the alternatives analysed.

The OEB approves Union's leave to construct application as the preferred alternative to meet the growing demand in the Leamington-Kingsville area. The OEB finds that approval of the Project is cost effective and will enable a firm, secure gas supply to meet Union's five-year design day demand forecast and beyond.

3.5 OEB's Environmental Guidelines for Hydrocarbon Pipelines

In accordance with the OEB's Environmental Guidelines,[7] Union conducted and completed routing, the environmental assessment, and consultation for the Project. An Environmental Report (ER) dated June 2, 2016 was prepared by Stantec Consulting Limited (Stantec). The ER was reviewed by the Ontario Pipeline Coordination Committee (OPCC), Lower Thames Conservation Authority, St. Clair Region Conservation Authority, the Township of St. Clair, the Township of Dawn-Euphemia, the Municipality of Chatham-Kent, affected landowners, and potentially affected First Nations and the Métis Nation of Ontario.

Review of the ER by the OPCC resulted in letters of comment from the Ministry of Environment and Climate Change, Ministry of Transportation, Technical Standards and

[7] Environmental Guidelines for the Location, Construction and Operation of Hydrocarbon Pipelines and Facilities in Ontario, 7th edition, 2016.

Safety Authority and Infrastructure Ontario. There are no unresolved issues originating from the OPCC review.

Findings

The OEB finds that Union has adequately addressed the environmental issues through its proposed mitigation and restoration program and its commitment to implement the ER and OPCC recommendations.

Union indicated that it is also committed to adhering to the OEB standard conditions of approval contained in Schedule C related to mitigation and construction monitoring and reporting. The OEB is also aware that other approvals will be required for the Project. The OEB finds that Union's compliance with the OEB standard conditions of approval will ensure that the requirements of other approvals, permits, licences, and certificates are fully addressed.

3.6 Landowner matters for the Project

Union will need new permanent easements for approximately 1 kilometer of the pipeline route. Union will also need 309 acres of Temporary Land Use Areas for 2 years during construction and land restoration. For modifications of the Dover Transmission Station and the Dover Centre Valve Site, Union purchased additional land.

Union obtained permanent easement rights for 2 of 13 properties, and temporary land use rights on 52 of 126 properties, and has confirmed that it continues to negotiate with landowners for acquisition of required land rights.

During the proceeding, outstanding landowner matters were pursued by CAEPLA and its subcommittee, the Panhandle Landowner Committee (CAEPLA-PLC). CAEPLA-PLC was an active intervenor in this proceeding until it withdrew as an intervenor following a comprehensive settlement agreement with Union. Concerns raised by the CAEPLA-PLC were mainly related to construction impacts and land restoration on agricultural lands along the route of the Project.

In a letter dated December 2, 2016 CAEPLA-PLC informed the OEB that it had reached and ratified a comprehensive settlement agreement with Union and had no unresolved issues related to the proceeding. The letter also requested that it be withdrawn as a registered intervenor in the OEB proceeding.

On December 2, 2016, Union filed with the OEB a summary of the settlement agreement. Responsibilities of Union in terms of Construction and land restoration protocols are set in a Letter of Understanding (LOU). The negotiated LOU is part of the settlement agreement. The LOU proposed by Union includes terms for an Independent Construction Monitor as well as compensation to landowners for construction and restoration related damages.

Union also submitted that any concerns raised by directly affected landowners during construction will be recorded and addressed by implementing Union's Landowner Relations Program (LRP) and associated Landowner Complaint Resolution System (LCRS). Union noted that the documentation on the outcomes of the LRP and LCRS would be part of the Final Monitoring Report filed with the OEB as required by the standard Conditions of Approval.

Findings

The OEB has no concerns with the comprehensive settlement agreement on land matters reached by Union and CAEPLA-PLC.

The OEB finds that Union has put in place appropriate mechanisms to monitor, address and document landowner related matters. Union has also committed to acquiring all of the necessary land rights before the start of construction. The OEB therefore has no concerns regarding landowner matters. The OEB notes that conditions 6a) ii-iv and 6b) v. of Schedule C require post-construction reports that demonstrate and describe how routing and construction matters and issues were monitored, addressed, and resolved.

3.7 Form of easement agreement

Pursuant to Section 97 of the Act, leave to construct cannot be granted to Union unless Union has offered or will offer to each owner of land affected by the approved route an agreement in a form approved by the OEB.

Union filed on the record a Form of Easement Agreement that it offered or will offer to all of the landowners that have no existing agreement for the roughly 1 kilometer length portion of the 40 kilometer proposed pipeline route.

Union and the CAEPLA-PLC negotiated a Form of Easement Agreement Addendum (Addendum) as part of its comprehensive settlement agreement. Union stated that it would enter into the Addendum agreement with all landowners that have an existing easement agreement dated from 1950 when the original 16 inch diameter pipeline was constructed.

Findings

The OEB approves the form of easement agreement provided by Union, as well as the Addendum that was already approved through the approval of the settlement agreement. The OEB finds that this easement agreement is consistent with agreements from other projects approved by the OEB [8] but updated to reflect new requirements of CSA Z662-15 regarding the prohibition of storage of flammable material, solid or liquid spoil, refuse waste or effluent on the easement.

3.8 Accordance with current technical and safety requirements

Union's evidence is that the Project meets current design and safety requirements in accordance with *Ontario Regulation 210/01, Oil and Gas Pipeline Systems* under the *Technical Standards and Safety Act*, 2000 and the Canadian Standards Association Z662-15 Standard (CSA Z662-15) in accordance with the Code Adoption document under the Ontario Regulations.

The Project involves abandonment of the existing 16 inch diameter pipeline and its replacement with a new 36 inch diameter pipeline by a "lift and lay" method. This method will be applied along the entire length of the route except at certain watercourse and major roads crossing where the existing pipeline will be abandoned "in place". Union stated that it would adhere to clause 10.16 of CSA Z662-15, which requires preparation of an abandonment plan prior to commencement of the abandonment process.

The provincial authority overseeing pipeline technical and safety requirements did not express any concerns with the proposed pipeline design safety or abandonment method.

Findings

The OEB finds that Union has provided adequate evidence to confirm that the proposed facilities have been designed in accordance with current technical and safety requirements.

8 The OEB has approved the same form of easement agreement for Union's Dawn-Parkway (Hamilton-Milton Pipeline) 2016 Expansion Project (the OEB Decision and Order, EB-2014-0261)

3.9 Consultation with potentially affected parties

As part of the Project planning, environmental assessment and route selection process Union conducted public and agency consultation as well as consultation with potentially affected First Nations and Métis communities. The OEB will address consultation with Indigenous communities in section 3.10 of this Decision. The consultation included newspaper notices, written communication, and meetings. In February 2016, Union held two public information sessions in the Project study area to consult potentially affected parties. The consultation informed the stakeholders about the Project and sought comments so that concerns and issues could be addressed and resolved.

Union also noted that during construction it will have inspectors on site to deal with any construction issues that may arise.

Findings

The OEB finds that Union has adequately consulted with potentially affected parties. There do not appear to be any outstanding concerns from potentially affected parties, and Union has expressed a commitment to work with landowners. Union has also put measures in place to deal with any issues or concerns that may come up during the execution of the Project.

3.10 Consultation with Indigenous communities with respect to any Aboriginal or treaty rights

Union commenced Indigenous consultation on January 11, 2016 by sending a written invitation to attend information sessions in February 2016 to those potentially affected or with an interest in the Project:

i) Metis Nations of Ontario
ii) Oneida First Nation
iii) Munsee-Delaware First Nation
iv) Chipewa of the Thames First Nation
v) Kettle and Stony Point First Nations
vi) Aamjiwnaang First Nation
vii) Walpole Island First Nation
viii) Delaware Nation and
ix) Caldwell First Nation

Union identified these potentially affected Indigenous communities using databases of the Ministry of Aboriginal Affairs and Aboriginal Affairs and Northern Development Canada.

On July 18, 2016 Union also served the OEB's Notice of Application to all Indigenous communities that were initially contacted in January 2016. Union filed on the record an affidavit confirming the service was completed as directed by the OEB. No First Nations or Métis Nation of Ontario representatives intervened in this proceeding.

Upon initial communication, Walpole Island First Nation, Caldwell First Nation, Kettle and Stony Point First Nation and Chippewas of Thames First Nation requested that Union conduct further consultation on the Project. Union and Stantec met and exchanged information on the Project and its impacts with these First Nations.

Caldwell First Nation and Kettle and Stony Point First Nation requested to monitor the archeological surveys. These communities were involved in the early archeological surveys and will be involved in the next stages of the surveys. Walpole Island First Nation requested that it be kept informed on the method of disposal and recycling of the pipeline removed from the ground and asked for follow-up meetings to discuss any issues as they arise. Union agreed to the follow up meetings regarding this concern.

Union confirmed that it will continue to consult with the First Nations and Métis communities throughout the Project to ensure that any concerns are addressed and issues resolved. Union agreed that the First Nations monitors from Caldwell First Nation and Kettle and Stony Point First Nation will be present during its archeological surveys and that it will compensate the First Nations' monitors for their time.

Union stated that no new issues or concerns were raised by the Indigenous communities in the consultation process after the interrogatory responses were filed.

Findings

The OEB is satisfied that the evidence establishes that Union has made appropriate efforts to consult with affected Indigenous communities with respect to the Project. The OEB is satisfied that Union has followed the OEB's Environmental Guidelines regarding consultation with Indigenous communities and that the duty to consult has been sufficiently discharged for the Project as of the time of this Decision.

The OEB expects Union to continue to consult proactively with affected First Nations and Métis communities, as appropriate, throughout the construction phase of the Project to address any concerns that may arise.

3.11 Capital pass-through mechanism criteria

Union's Application included a request to recover the cost consequences of the Project. The OEB had approved a capital pass-through mechanism and criteria in Union's IRM proceeding (EB-2013-0202). The purpose of the capital pass-through mechanism is to allow Union to recover the cost consequences of investments considered "not business as usual" during the IRM term.

The capital pass-through criteria included a minimum increase of $5 M in net delivery revenue requirement, and a capital cost of $50 M. Intervenors and OEB staff agreed that the capital pass-through mechanism criteria had been met.

Union filed a draft accounting order for a new deferral account to allow for the capital pass through mechanism.

LPMA submitted that Union's draft accounting order did not match the criteria from the settlement proposal from 2013 with respect to the deferral account. LPMA argued that the settlement proposal requires that the purpose of the deferral account is to track the difference between the "net delivery revenue requirement" whereas Union's draft simply refers to "revenue requirement". In particular, LPMA took issue with the revenues included in Unions calculations for 2017 and 2018.

LPMA submitted that the settlement proposal clearly contemplated that all incremental delivery revenues (transmission, distribution and storage) should be deducted from the forecast Project costs. Union's evidence included only forecast transmission margin in the net revenue requirement calculations, which LMPA submitted understated revenues. For example, LPMA indicated that Union would earn additional distribution revenue from interruptible customers converting to firm service, which should be included in the revenue forecast.

Findings

The OEB finds that the Project meets the capital pass-through mechanism criteria for Union to recover the cost consequences. The OEB's approval is subject to two limitations. First, the OEB is only pre-approving the recovery of the Project costs up to the current estimate of $264 M. Second, the Project costs will only be incorporated into rates in 2018, assuming the Project is completed and in service.

The OEB has reviewed Union's draft accounting order for the new deferral account. The OEB does not approve Union's draft as it is inconsistent with the settlement proposal. The OEB finds that the words "net delivery" must be included in the accounting order, consistent with the settlement proposal.

By including the words "net delivery" the OEB directs Union to track the difference between the forecast and actual net delivery revenue requirement, which should include both transmission and distribution margin to the extent that it can be attributable to the Project.

The OEB agrees with LPMA that Union should be able to quantify, at a minimum, the incremental distribution margin associated with the customers switching from interruptible to firm service, as a result of the Project. Furthermore, Union identified incremental demand from specific customers in its application (Windsor Hospital, Gordie Howe International Bridge) and provided individual letters of support from customers. Union should therefore be in a position to forecast distribution revenues from such customers. The OEB does not accept Union's view that it does not have sufficient information to detail distribution revenue[9].

The Project is expected to be complete and in service by November 1, 2017. The OEB does not find it necessary for Union to recover the cost consequences for the remaining two months in 2017, assuming construction proceeds as scheduled. The OEB does not want to increase the number of rate changes for customers in 2017. Union will be able to start recovering the cost consequences of the Project in its 2018 IRM year.

Union will use a new deferral account to track the forecast net delivery revenue requirement for 2017, based on its $4,768,000 forecast[10] adjusted in proportion to the actual in-service date of the Project. The actual revenue requirement associated with the Project will be zero, as there will be no recovery of the cost consequences in 2017. Union may propose disposition of the deferral account balance in its 2018 IRM application.

For 2018, the OEB directs Union to update its 2018 delivery revenue forecast in its 2018 IRM application for OEB approval. Union will use the approved, revised delivery forecast for purposes of tracking the difference between forecast to actual in the new deferral account. The revised 2018 delivery revenue forecast cannot be lower than the $1,572,000 forecast included in the Application, the basis on which the Project was approved.

[9] Exhibit B.LPMA.4
[10] Exhibit A, Tab 8, Schedule 1

The revised draft accounting order is attached as Schedule D. The OEB has included the purpose of the account and a more detailed description of draft accounting entries.

3.12 Conditions of approval

OEB staff provided Union with draft standard conditions of approval for leave to construct applications under Section 90 of the Act. Union confirmed in its reply argument in this proceeding that it accepts these standard conditions of approval.

Findings

The OEB approves the standard conditions of approval for this Project, which are attached in Schedule C.

4 ORDER

THE ONTARIO ENERGY BOARD ORDERS THAT:

1. Union Gas Limited is granted leave, pursuant to subsection 90(1) of the Act, to construct a 36 inch pipeline and ancillary facilities in the Township of Dawn-Euphemia, the Township of St. Clair and in the Municipality of Chatham-Kent as shown in Schedule A. Leave to construct is subject to the Conditions of Approval set forth in Schedule C.

2. Union Gas Limited is granted approval, pursuant to section 36 of the Act, of the recovery of the cost consequences of the Project beginning from the date that the as-constructed facilities are placed in service.

3. Union and intervenors shall file any comments on the Draft Accounting Order by **March 10, 2017**.

4. Union Gas Limited shall pay the OEB's costs incidental to this proceeding upon receipt of the OEB's invoice.

5. Intervenors shall file with the OEB and forward to Union their respective cost claims by **March 20, 2017**. Cost claims must be prepared in accordance with the OEB's Practice Direction on Cost Awards.

6. Union will have until **March 24, 2017** to object to any aspect of the cost claims. A copy of the objection must be filed with the OEB and one copy must be served on the party against whose claim the objection is being made.

7. Any party whose cost claim was objected to will have until **March 30, 2017** to make a reply submission as to why the cost claim should be allowed. One copy of the submission must be filed with the OEB and one copy is to be served on Union.

All filings with the OEB must quote the file number EB-2016-0186, and be made through the OEB'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 be received by the OEB by 4:45 p.m. on the stated date. Parties should use the document naming conventions and document submission standards outlined in the RESS Document Guideline found at www.ontarioenergyboard.ca.

If the web portal is not available, parties may e-mail their documents to the attention of the OEB Secretary at BoardSec@ontarioenergyboard.ca . All other filings not filed via the OEB's web portal should be filed in accordance with the OEB's Practice Directions on Cost Awards.

DATED at Toronto February 23, 2017

ONTARIO ENERGY BOARD

Original Signed By

Kirsten Walli
Board Secretary

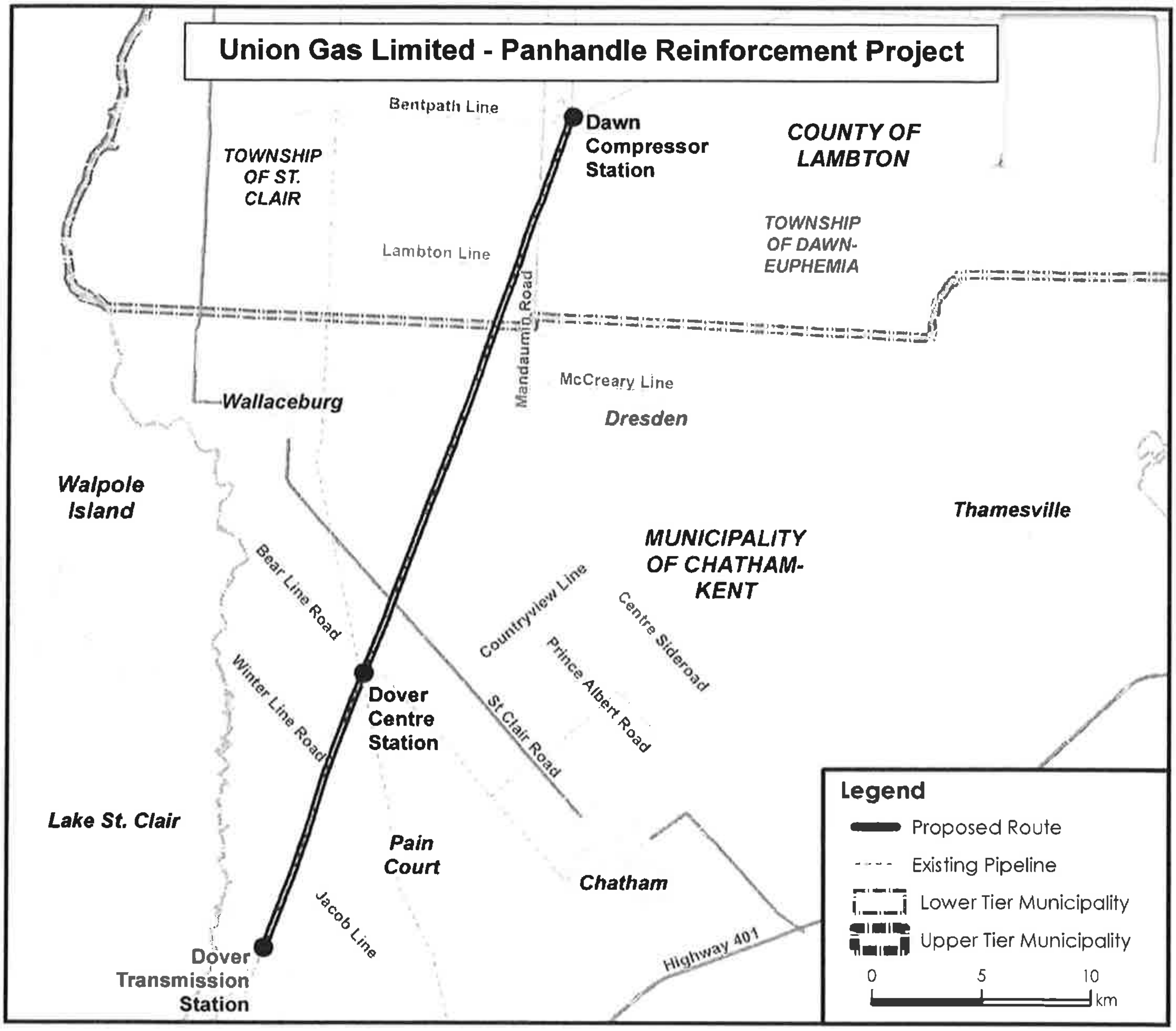
SCHEDULE A - PROJECT MAP

DECISION AND ORDER

UNION GAS LIMITED

EB-2016-0186

FEBRUARY 23, 2017


Union Gas Limited - Panhandle Reinforcement Project
Bentpath Line
Dawn Compressor Station
COUNTY OF LAMBTON
TOWNSHIP OF ST. CLAIR
Lambton Line
TOWNSHIP OF DAWN-EUPHEMIA
Mandaumin Road
McCreary Line
Wallaceburg
Dresden
Walpole Island
Thamesville
MUNICIPALITY OF CHATHAM-KENT
Bear Line Road
Countryview Line
Centre Sideroad
Prince Albert Road
Winter Line Road
Dover Centre Station
St Clair Road
Lake St. Clair
Pain Court
Chatham
Jacob Line
Highway 401
Dover Transmission Station
Legend
Proposed Route
Existing Pipeline
Lower Tier Municipality
Upper Tier Municipality
0
5
10
km

SCHEDULE B – AREA MAP

DECISION AND ORDER

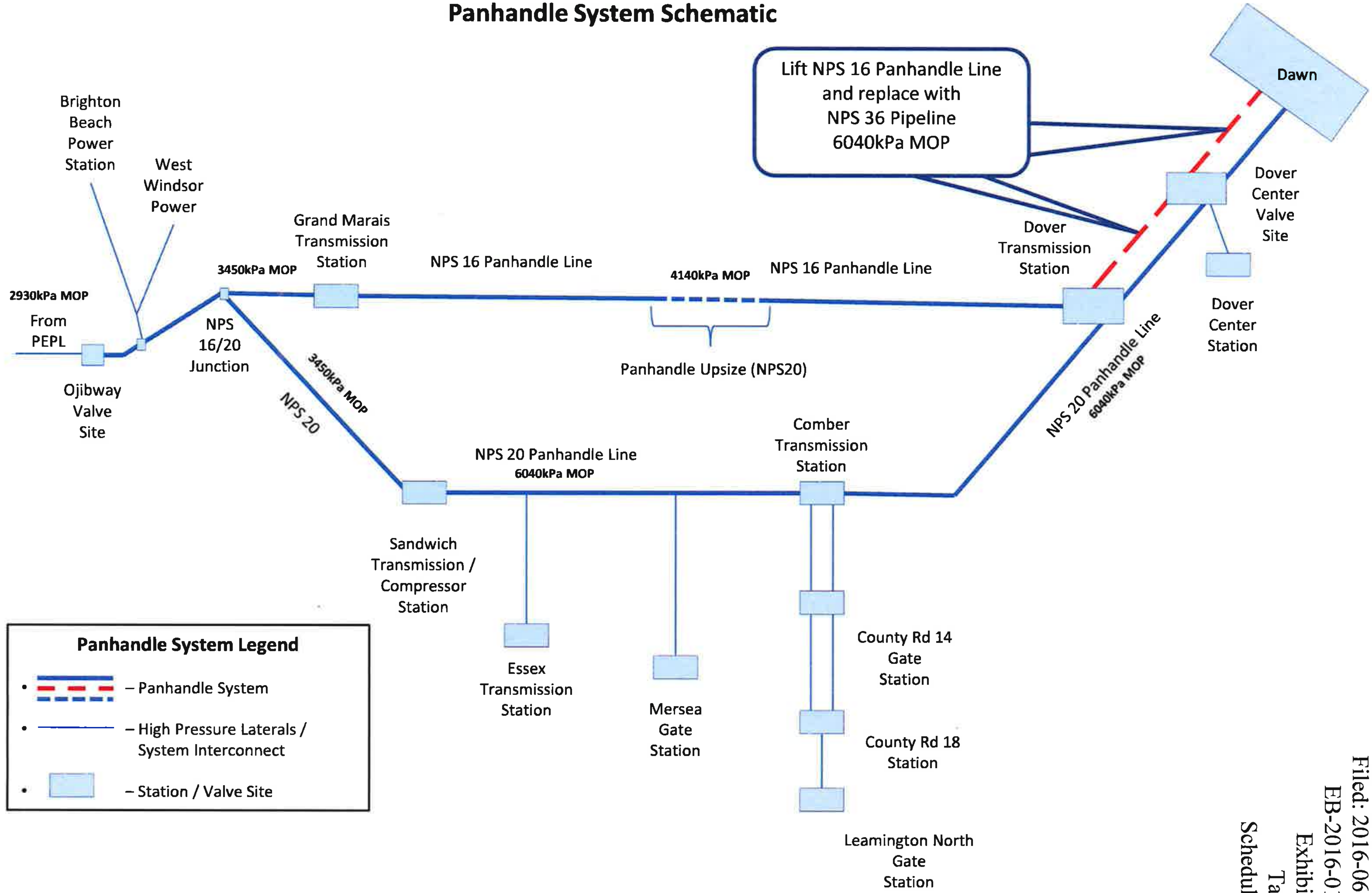
UNION GAS LIMITED

EB-2016-0186

FEBRUARY 23, 2017

Panhandle Reinforcement Project

Panhandle System Schematic



SCHEDULE C – CONDITIONS OF APPROVAL

DECISION AND ORDER

UNION GAS LIMITED

EB-2016-0186

FEBRUARY 23, 2017

Leave to Construct Conditions of Approval
Application under Sections 90 of the OEB Act
Union Gas Limited
EB-2016-0186

1. Union Gas Limited (Union) shall construct the facilities and restore the land in accordance with the OEB's Decision and Order in EB-2016-0186 and these Conditions of Approval.

2. (a) Authorization for leave to construct shall terminate 12 months after the decision is issued, unless construction has commenced prior to that date.

   (b) Union shall give the OEB notice in writing:

   i. of the commencement of construction, at least ten days prior to the date construction commences;
   ii. of the planned in-service date, at least ten days prior to the date the facilities go into service;
   iii. of the date on which construction was completed, no later than 10 days following the completion of construction; and
   iv. of the in-service date, no later than 10 days after the facilities go into service.

3. Union shall implement all the recommendations of the Environmental Report filed in the proceeding, and all the recommendations and directives identified by the Ontario Pipeline Coordinating Committee review.

4. Union shall advise the OEB of any proposed change to OEB-approved construction or restoration procedures. Except in an emergency, Union shall not make any such change without prior notice to and written approval of the OEB. In the event of an emergency, the OEB shall be informed immediately after the fact.

5. Union shall file, in the proceeding where the actual capital costs of the project are proposed to be included in rate base, a Post Construction Financial Report, which shall indicate the actual capital costs of the project and shall provide an

explanation for any significant variances from the cost estimates filed in this proceeding.

6. Both during and after construction, Union shall monitor the impacts of construction, and shall file with the OEB one paper copy and one electronic (searchable PDF) version of each of the following reports:
   a) a post construction report, within three months of the in-service date, which shall:
      i. provide a certification, by a senior executive of the company, of Union's adherence to Condition 1;
      ii. describe any impacts and outstanding concerns identified during construction;
      iii. describe the actions taken or planned to be taken to prevent or mitigate any identified impacts of construction;
      iv. include a log of all complaints received by Union, including the date/time the complaint was received, a description of the complaint, any actions taken to address the complaint, the rationale for taking such actions; and
      v. provide a certification, by a senior executive of the company, that the company has obtained all other approvals, permits, licences, and certificates required to construct, operate and maintain the proposed project.

   b) a final monitoring report, no later than fifteen months after the in- service date, or, where the deadline falls between December 1 and May 31, the following June 1, which shall:
      i. provide a certification, by a senior executive of the company, of Union's adherence to Condition 3;
      ii. describe the condition of any rehabilitated land;
      iii. describe the effectiveness of any actions taken to prevent or mitigate any identified impacts of construction;
      iv. include the results of analyses and monitoring programs and any recommendations arising therefrom; and
      v. include a log of all complaints received by Union, including the date/time the complaint was received, a description of the complaint, any actions taken to address the complaint, the rationale for taking such actions.

SCHEDULE D – DRAFT ACCOUNTING ORDER

DECISION AND ORDER

UNION GAS LIMITED

EB-2016-0186

FEBRUARY 23, 2017

Draft Accounting Order
Net Revenue Requirement Impact of
Panhandle Reinforcement Project
Deferral Account No. 179-XXX

The purpose of this account is to record the difference between the forecast net delivery revenue requirement and the actual incremental net delivery revenue requirement related to the Panhandle Reinforcement Project. For 2017, the forecast net revenue requirement will be proportional to the $4,768,000 (approved in EB-2016-0186) given the actual in-service date. For 2018, the forecast net delivery revenue requirement will be approved by the OEB as part of Union's 2018 IRM proceeding.

Account numbers are from the Uniform System of Accounts for Gas Utilities, Class A prescribed under the Ontario Energy Board Act.

Debit Account No.179-XXX
Net Revenue Requirement - Panhandle Reinforcement Project

Credit Account No. 579
Miscellaneous Operating Revenue

To record, as a debit (credit) in Deferral Account No. 179-XXX, the difference between the actual net delivery revenue requirement related to the costs for the Panhandle Reinforcement Project and the forecast net delivery revenue requirement included in rates as approved by the OEB.

Debit Account No.179-XXX
Net Revenue Requirement – Panhandle Reinforcement Project

Credit Account No. 323
Other Interest Expense

To record, as a debit (credit) in Deferral Account No. 179-XXX, interest on the balance in Deferral Account No. 179- XXX. Simple interest will be computed monthly on the opening balance in the said account in accordance with the methodology approved by the OEB in EB-2006-0117.

The above entries will start from the in-service date of the Project until the Project's costs are included in Union's rate base. The amounts accumulated in the account will be proposed for OEB's review and disposition at the same time.