



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

DECISION AND PROCEDURAL ORDER NO. 3

EB-2017-0091

UNION GAS LIMITED

Application for Disposition and Recovery of certain 2014 Deferral and Variance Account Balances and Earnings Sharing with Ratepayers

BEFORE: Allison Duff
Presiding Member

Lynne Anderson
Member

Michael Janigan
Member

August 24, 2017

1 INTRODUCTION AND SUMMARY

Union Gas Limited (Union) is a natural gas storage, distribution and transmission company regulated by the Ontario Energy Board (OEB). It serves approximately 1.4 million customers in more than 400 communities across northern, southwestern and eastern Ontario through an integrated network of over 67,000 kilometers of natural gas distribution pipelines. Union also owns and operates storage and transmission assets at the Dawn Hub in southern Ontario and the Dawn-Parkway transmission system that is a major natural gas delivery system for Ontario, Quebec and U.S. Northeast. Union is an Enbridge Inc. company.

Union filed an application with the OEB on April 21, 2017 for approval to dispose of and recover certain 2016 deferral and variance account balances and for consideration of sharing 2016 earnings with ratepayers. In its application, Union indicated that its 2016 actual utility earnings did not exceed the threshold as agreed to in the Incentive Regulation Mechanism (IRM) Settlement Agreement¹ and therefore there is no sharing of earnings with ratepayers.

Deferral and variance accounts capture amounts not included in existing OEB approved rates or record the difference between estimated and actual amounts for certain types of income or expenditure. The deferral accounts that are the subject of this application, with the exception of the Spot Gas Variance Account, are non-commodity accounts that are not cleared through the OEB Quarterly Rate Adjustment Mechanism process.

The total net balance of all the deferral and variance accounts that were requested for disposition by Union Gas was a \$45.771 million debit as at December 31, 2016. The total rate impact for a typical residential customer in the South (Windsor to Hamilton) was \$13.61 and \$35.56 for customers in other service areas. The stated amounts (\$13.61 and \$35.56) were proposed to be recovered over a six-month period, from October 1, 2017 to March 31, 2018.

A complete settlement proposal was filed with the OEB, which addressed all the issues in the proceeding. The OEB finds that the settlement proposal is a reasonable outcome and is prepared to approve a revised settlement proposal, provided some wording from the sentence regarding the timing of a prudence review is deleted and there is confirmation that interest be accrued to September 30, 2017, as reflected in the draft rate order.

¹ EB-2013-0202, Settlement Agreement July 31, 2013

2 THE PROCESS

Union filed its application on April 21, 2017. The list of intervenors who participated in the proceeding appears in Schedule A of this Decision and Order.

A Notice of Hearing was issued on May 9, 2017 and was served and posted as per the direction of the OEB.

In Procedural Order No. 1 dated June 2, 2017, the OEB scheduled a round of interrogatories and a three-day settlement conference starting on July 17, 2017, with the objective of reaching a settlement among the parties on the issues.

In Procedural Order No. 2 issued on June 23, 2017, the OEB deferred the final disposition of Union's 2016 Greenhouse Gas Emissions Impact Deferral Account (GGEIDA). The OEB however noted that it would consider the interim disposition of the account in this application and the issue of interim disposition was added as an issue for the settlement conference.

The parties were able to reach a settlement on all issues in the proceeding. Union filed a settlement proposal on August 1, 2017. OEB staff filed a submission on August 9, 2017 supporting the proposed settlement proposal.

As a result of the settlement proposal and the draft rate order, the amount for disposition would be reduced from \$45.771 million to \$43.056 million. This \$43.056 million amount reflects the adjustments agreed to by the parties and revised interest calculations up to September 30, 2017. Accordingly, the revised rate impact for a typical residential customer in the South (Windsor to Hamilton) would be \$12.61 and \$34.47 for customers in other service areas. The rate impact is cumulative and will be collected over a period of six months (from October 1, 2017 to March 31, 2018).

3 DECISION ON THE SETTLEMENT PROPOSAL

The OEB has reviewed the settlement proposal and has determined that it will not approve the settlement proposal as submitted. The OEB would be prepared to approve a revised settlement proposal should the parties agree to delete the wording from part of the sentence associated with the prudence review of spending with respect to the Parkway West Project Costs Deferral Account² (No. 179-136).

If parties agree, the second paragraph in section 15 (Parkway West Project Costs Deferral Account) would end after the word “assessed”. The revised paragraph would read as follows:

Although the Parkway West Project is in-service, there is additional spending forecast for 2017. The parties agree that the balance in this deferral account will be disposed of on an interim basis. Final disposition will occur when the prudence of this and all other spending (including prior to 2017) above the pre-approved capital level of \$219 million will be assessed.

Accordingly, the words, “as part of Union’s 2017 deferral proceeding, or a subsequent proceeding if all project costs have not been incurred by then” would be deleted.

The OEB finds that it is unnecessary for the settlement proposal to specify the proceeding in which the prudence of costs for the Parkway West Project will be assessed. This will ensure that there is flexibility for changing circumstances.

The OEB suggests that Union confer with the parties to the settlement proposal and advise the OEB of its progress by Friday, September 8, 2017.

² Section 15, page 12, Settlement Proposal, EB-2017-0091, August 1, 2017

4 FINALIZING THE RATE ORDER

Union noted in its letter with the settlement proposal that the draft rate order was not reviewed by the parties to the settlement proposal. In its submission, OEB staff noted that interest for the deferral and variance accounts was updated to September 30, 2017 even though the settlement proposal did not indicate that interest would be updated.

The OEB agrees that it is appropriate to update the interest to the date when rates are expected to be implemented but is concerned with this potential discrepancy between the settlement proposal and the draft rate order.

Should the parties agree to the revisions suggested by the OEB to the settlement proposal, the parties may also advise the OEB if Union's approach to updating interest to September 30, 2017 in the draft rate order is acceptable.

In addition, the OEB also notes that the draft rate order does not include Union's currently approved Miscellaneous Non-Energy Charges. While these charges remain in effect, it would be difficult for a customer of Union to locate these charges on an OEB-approved rate order. If parties agree to revise the settlement proposal, the accompanying draft rate order should be updated to include the schedule of approved Miscellaneous Non-Energy Charges.

5 ORDER

THE ONTARIO ENERGY BOARD ORDERS THAT:

1. Union shall advise the OEB by September 8, 2017 of the outcome of its discussion with the parties to the settlement proposal and the probable filing of a revised settlement proposal and draft rate order.

All filings to the OEB must quote the file number, EB-2017-0091 and be made electronically in searchable / unrestricted PDF format through the OEB's web portal at <https://www.pes.ontarioenergyboard.ca/eservice/>. Two paper copies must also be filed. Filings must clearly state the sender's name, postal address and telephone number, fax number and e-mail address. Parties must use the document naming conventions and document submission standards outlined in the RESS Document Guideline found at <http://www.ontarioenergyboard.ca/OEB/Industry>. If the web portal is not available parties may email their documents to the address below. Those who do not have internet access are required to submit all filings on a CD in PDF format, along with two paper copies. Those who do not have computer access are required to file 7 paper copies.

All communications should be directed to the attention of the Board Secretary at the address below, and be received no later than 4:45 p.m. on the required date.

ADDRESS

Ontario Energy Board
P.O. Box 2319
2300 Yonge Street, 27th Floor
Toronto ON M4P 1E4
Attention: Board Secretary

E-mail: boardsec@oeb.ca
Tel: 1-888-632-6273 (Toll free)
Fax: 416-440-7656

DATED at Toronto, **August 24, 2017**

ONTARIO ENERGY BOARD

Original signed by

Kirsten Walli
Board Secretary

SCHEDULE A
DECISION AND ORDER
LIST OF INTERVENORS
UNION GAS LIMITED
EB-2017-0091
AUGUST 24, 2017

LIST OF INTERVENORS

- Association of Power Producers of Ontario (APPrO)
- Building Owners and Managers Association Toronto (BOMA)
- City of Kitchener
- Consumers Council of Canada (CCC)
- Energy Probe Research Foundation (Energy Probe)
- Federation of Rental-housing Providers of Ontario (FRPO)
- Industrial Gas Users Association (IGUA)
- London Property Management Association (LPMA)
- Ontario Greenhouse Vegetable Growers (OGVG)
- School Energy Coalition (SEC)
- TransCanada PipeLines Limited
- Vulnerable Energy Consumers Coalition (VECC)