



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

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## **DECISION AND ORDER**

**EB-2017-0215**

**NATURAL RESOURCE GAS LIMITED**

**APPLICATION TO CORRECT PURCHASED GAS  
TRANSPORTATION VARIANCE ACCOUNT REFERENCE  
PRICES FOR FISCAL YEARS 2011 TO 2015**

**BEFORE: Cathy Spoel**  
Presiding Member

**Lynne Anderson**  
Member

**Michael Janigan**  
Member

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**September 21, 2017**

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# 1 INTRODUCTION AND SUMMARY

Natural Resource Gas Limited (NRG) is a natural gas storage, distribution and transmission company regulated by the Ontario Energy Board (OEB). It is a privately owned utility that sells and distributes natural gas in the Town of Aylmer and surrounding areas to approximately 8,000 customers.

While preparing its 2017 cost of service application<sup>1</sup> (now in abeyance pending a revised application by EPCOR, the purchaser of NRG's distribution assets), NRG identified an error that had resulted in incorrect balances being recorded in the two Purchased Gas Transportation Variance Accounts (PGTVA). NRG filed an application on June 23, 2016 under sections 19 and 36 of the *Ontario Energy Board Act, 1998*, requesting a correction to the reference prices used in the PGTVA to record the variance between forecast and actual transportation costs. NRG submitted that there was a calculation error in NRG's last rates proceeding<sup>2</sup> as the reference price was based on Union Gas Limited's (Union) transportation volumes rather than NRG's load forecast sales volume. The load forecast sales volume includes volumes purchased by NRG from producers within NRG's franchise areas as well as Union's transportation volumes. In its application, NRG applied for a correction to the reference prices and an amendment of the rate order issued in the last cost of service proceeding<sup>3</sup>.

On July 8, 2016, the OEB referred the issue to the OEB's Audit and Performance Assessment department. The audit was completed in March 2017. The audit report confirmed the error reported by NRG, verified NRG's revised calculation for the reference prices, assessed the impact of this change on the PGTVA balance and recommended that the reference prices be adjusted. NRG filed a revised application on June 2, 2017 which included materials from the original application<sup>4</sup> and a copy of the OEB's audit report.

OEB staff did not express any concerns with the requested correction. The OEB notes that the account has not been disposed of for the requested period and so there is no issue of rate retroactivity. Accordingly, the OEB will allow NRG to correct the reference prices as requested, for the fiscal period 2011 to 2015.

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<sup>1</sup> EB-2016-0236

<sup>2</sup> EB-2010-0018

<sup>3</sup> EB-2010-0018 Rate Order, February 17, 2011

<sup>4</sup> June 23, 2016

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## 2 THE PROCESS

A Notice of Hearing was issued on June 20, 2017, and was served and posted as directed by the OEB. Union was the only intervenor in the proceeding. The application was processed by way of a written hearing.

The OEB issued Procedural Order No. 1 on July 13, 2017, scheduling interrogatories followed by final arguments. In Procedural Order No. 2 issued on August 8, 2017, the OEB scheduled supplemental interrogatories as some of the interrogatory responses required clarification or more detailed responses.

OEB staff filed a submission on August 25, 2017. OEB staff noted that amending a rate order after six years would lead to an out-of-period adjustment. However, OEB staff noted that since the PGTVA had not been disposed of for the requested period, there was less concern of rate retroactivity. Although OEB staff submitted that NRG was responsible to ensure that the calculations underpinning its draft rate order were accurate, they did not express any concerns if the OEB approved the requested correction.

NRG noted the pass-through principle of the PGTVA, and emphasized the fact that the account had been set up to ensure that there was no gain or loss in relation to the cost of transporting purchased gas, and that if the correction is made, the refund to customers will result in customers paying the actual costs of transporting purchased gas.

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### 3 OEB FINDINGS

Union provides NRG with transportation, storage and load balancing services. NRG has stated that these services benefit all NRG customers, and the costs related to storage, load balancing and transportation are distribution related costs. NRG records in the PGTVA, the difference (on a monthly basis) between the actual unit cost of NRG's M9 costs<sup>5</sup> and the approved reference price, multiplied by the actual volume of gas delivered into NRG's system from both Union's system and local production.

The PGTVA operates to ensure that the actual costs are recovered from ratepayers. In response to a supplemental interrogatory, NRG confirmed that if the requested correction is made, NRG will neither profit nor suffer a loss from transportation related costs for fiscal years 2011 to 2015<sup>6</sup>. NRG has confirmed that ratepayers are only paying for the actual storage, transportation and load balancing costs and variances between the actual and reference costs are recorded in the PGTVA<sup>7</sup>.

If NRG were to correct the reference prices, the credit balance in the deferral account would be reduced. The current credit balance in the account (for fiscal years 2011 to 2015) is approximately \$1.85 million. If the requested correction is approved, the balance would be reduced to approximately \$1.05 million.

NRG has submitted that it is not applying to change distribution rates that were set in the last rates proceeding<sup>8</sup>. It is only seeking a correction to the reference prices expressed in an accounting order. The OEB notes that the PGTVA balances have not been disposed of (i.e. a rate has not yet been established for these PGTVA balances), and therefore rate retroactivity is not an issue. Although the reference prices were approved in an accounting order issued as an appendix to the rate order<sup>9</sup>, the implementation of the reference prices through the clearance and disposition of the PGTVA has not occurred.

NRG has confirmed that it made an error by using Union's transportation volumes rather than the load forecast sales volume to calculate the reference prices. The purpose of

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<sup>5</sup> Union Gas related storage, transportation and load balancing costs

<sup>6</sup> Response to OEB staff supplementary Interrogatory #1(a)

<sup>7</sup> Response to OEB staff supplementary Interrogatory #1(c)

<sup>8</sup> EB-2010-0018

<sup>9</sup> EB-2010-0018 Rate Order, February 17, 2011

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the PGTVA is to ensure that ratepayers pay the actual cost of transportation and that the utility does not incur a profit or loss on this account. If the reference prices are not corrected, NRG would be incurring a loss of \$844,100, as it would be overpaying ratepayers when refunding the PGTVA balance. The OEB will therefore allow NRG to make the requested correction.

The OEB orders NRG to make the correct entries in the PGTVA as noted in the audit report for fiscal years 2011 to 2015 and to request disposition of the account in its next cost of service proceeding or 2018, whichever is earlier.

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## 4 ORDER

### THE ONTARIO ENERGY BOARD ORDERS THAT:

1. NRG shall set the reference prices in the PGTVA to \$0.018339/m<sup>3</sup> for rate classes 1 to 5 and \$0.009885/m<sup>3</sup> for rate class 6. The reference prices shall be effective October 1, 2010 and NRG shall correct the PGTVA accounting orders in EB-2010-0018 (pages 9 and 10 of Appendix B) dated February 17, 2011.
2. NRG shall file with the OEB and forward to Union, the revised accounting orders showing the corrected reference prices by September 28, 2017.

All filings to the OEB must quote the file number, EB-2017-0215 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](mailto:boardsec@oeb.ca)  
Tel: 1-888-632-6273 (Toll free)  
Fax: 416-440-7656

**DATED** at Toronto, **September 21, 2017**

**ONTARIO ENERGY BOARD**

*Original signed by*

Kirsten Walli  
Board Secretary