

December 6, 2017

VIA RESS AND COURIER

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Dear Ms. Walli:

Re: EB-2017-0087 – Union Gas Limited (Union) 2018 Rates Application.

Industrial Gas Users Association (IGUA) Request for Board Review of P.O. No. 3.

On behalf of IGUA we write to request that the Board review part of Procedural Order No. 3 herein (P.O. 3), pursuant to Rule 41.01 of the Board's *Rules of Practice and Procedure* (Rules). Rule 41.01 permits the Board to vary P.O. 3. IGUA believes that the Board has adopted an erroneous assumption in respect of IGUA's position in this matter and that the clarification provided in this letter might assist the Board and would justify variance of P.O. 3.

The Board issued P.O. 3 on November 29th indicating that it would not consider the evidence filed by IGUA herein as part of the evidentiary record in this proceeding. The basis for the Board's determination in respect of IGUA's evidence was that cost allocation changes are outside of the scope of this proceeding.

IGUA's evidence was intended to provide the Board and interested parties with information on the impact on IGUA's members of the allocation of Panhandle Reinforcement costs to rate classes as proposed in the current proceeding (Status Quo Allocation) compared to the impact that would result from adoption of the allocation methodology proposed by Union in the application for leave to construct the Panhandle Reinforcement [EB-2016-0186] (Union Proposed Allocation).¹ IGUA's evidence does not advocate a particular remedy associated with the information provided.

We concede that our October 19, 2017 letter filed herein on behalf of IGUA requesting intervenor status indicated that *"IGUA will argue in this proceeding that the Panhandle Expansion Project rate impacts are too significant to further defer a re-examination of the appropriate and equitable approach to allocation of [Panhandle Reinforcement] costs"*. We also acknowledge the direction provided in P.O. 3 that the Board is not prepared in the current proceeding to engage in re-examination of such allocation.

¹ IGUA Evidence, paragraph 1.

However, and with respect, IGUA should not be precluded from exploring other possible options for the Board to consider in addressing what would be a very significant and negative impact on its members, who are Union customers, resulting from the proposed recovery in 2018 by Union of the test year revenue requirement associated with the Panhandle Reinforcement.

We note that:

1. Union's evidence during the Panhandle Reinforcement leave to construct proceeding is that the largest rate impact of the Panhandle Reinforcement investment would be in 2018.²
2. Union has now indicated in this proceeding that it intends to address concerns with the cost allocation of all Panhandle System and St. Clair System costs in its 2019 Rates application.³ This information was not available at the time that we filed IGUA's request for intervenor status herein and indicated IGUA's intention to argue against further deferral of re-examination of the allocation of Panhandle Expansion costs.
3. There is a \$3.6 million difference in Panhandle Reinforcement cost allocation results for Union's T2 customers under application of the Status Quo Methodology as compared to the Union Proposed Methodology.⁴
4. Almost \$1 million of this difference accrues to IGUA's 4 Sarnia area members whose evidence has been filed by IGUA and in respect of whose gas delivery needs Union does not rely on the Panhandle system at all.⁵
5. The Board's Notice of Hearing herein indicated that Panhandle Costs would be an issue in this proceeding (and subject to cost recovery eligibility).
6. P.O. No. 1 herein provided parties (including IGUA) with the opportunity to file evidence on issues in this proceeding.

IGUA understands the Board's direction that it will not entertain discussion of alternative methodologies for allocation of these costs in this proceeding. However, IGUA wishes to be able to explore in settlement discussions, and ultimately argue if required, for alternative forms of relief. For example, IGUA may wish to argue that where there is a negative impact on rate classes in the test year from adoption of one allocation methodology as compared to the other, a portion of the test year revenue requirement resulting from the Panhandle Reinforcement project costs be deferred pending the anticipated imminent review by the Board of the cost allocation methodology as part of Union's 2019 rates proceeding. There may be other reasonable mechanisms that IGUA or others could propose to address what IGUA will submit is a material inequity in the test year arising from the Status Quo Methodology, and pending the imminent review by the Board of the cost allocation methodology for Panhandle and St. Clair system costs.

² EB-2016-0186, Exhibit A, Tab 8, page 18, lines 2-5.

³ Exhibit B.IGUA.4, part c).

⁴ Exhibit B.IGUA.2, Attachment 1, line 15.

⁵ IGUA Evidence, paragraph 29.

IGUA's evidence is both relevant and probative of the equity of considering alternative test year treatments for recovery of Panhandle Reinforcement costs. While IGUA accepts the Hearing Panel's direction that the Panel will not entertain arguments for changes in cost allocation in this proceeding, we submit that it would be unfair for IGUA to be denied the opportunity to put forward its strongest case for potential alternatives (other than a re-examination of cost allocation at this time) to address what it asserts is an inequity in the test year that should be considered and addressed in some fashion in this proceeding. With respect, while IGUA accepts the Panels determination on the permitted scope of the Panhandle Cost issue in this proceeding, striking IGUA's evidence from the record herein is neither necessary to implement that direction nor fair to IGUA.

IGUA therefore requests that, in light of the foregoing clarifications, the Hearing Panel review P.O. 3 and vary its order to allow IGUA's evidence to remain on the record, with the caveat to IGUA and other parties that further exploration of alternative Panhandle Reinforcement cost allocation methodologies (beyond the impact in the test year of those alternatives) will not be permitted in this proceeding.

We note that the Settlement Conference herein is scheduled to commence next Wednesday, December 13th. In the event that the Board varies P.O. 3 as requested, and parties have questions regarding IGUA's evidence, IGUA is prepared to make best efforts to answer such questions as quickly as possible so that any discussions thereon at the Settlement Conference can proceed on the most complete information reasonably available.

On behalf of IGUA, we appreciate the Board's consideration of this request.

Yours truly,


Ian A. Mondrow

c: A. Stiers (Union)
 C. Smith (Torys)
 S. Rahbar (IGUA)
 K. Viraney (Board Staff)
 Intervenors of Record

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