



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

DECISION AND ORDER

EB-2017-0087

UNION GAS LIMITED

Decision on Motion to Vary Part of Procedural Order No. 3

BEFORE: Michael Janigan
Presiding Member

Susan Frank
Member

December 11, 2017

1 INTRODUCTION AND SUMMARY

Union Gas Limited (Union Gas) filed an application dated September 26, 2017 with the Ontario Energy Board (OEB) pursuant to section 36 of the *Ontario Energy Board Act, 1998* (Act), for an order or orders approving rates for the distribution, transmission and storage of natural gas, effective January 1, 2018. Union Gas is currently under an Incentive Ratemaking (IRM) framework for its annual rate adjustment.

The Industrial Gas Users Association (IGUA) filed evidence on November 27, 2017. The evidence provided an overview of the rate impact on IGUA members as a result of the current cost allocation methodology used to allocate Panhandle Reinforcement project costs.

In its evidence, IGUA noted that a number of its members acquiring gas supply services from Union Gas under Rate T2 would experience significant rate increases as a result of the current cost allocation methodology used to allocate Panhandle Reinforcement costs.

In the Panhandle Reinforcement Leave to Construct application¹, Union Gas proposed to allocate the Panhandle System demand costs related to the project, in proportion to the firm Union Gas South in-franchise Panhandle System Design Day demands, updated to include the incremental firm Project Design Day demands. Union Gas' proposed cost allocation was different from the OEB-approved cost allocation methodology. The existing methodology allocates costs based on the combined Panhandle and St. Clair System. With the addition of significant project costs related only to the Panhandle System and no change to the cost of the St. Clair System, the use of the combined system for cost allocation purposes no longer reflected the costs to serve the customers on each respective transmission system according to Union Gas. Union Gas submitted that its proposed interim allocation of project costs better reflected the principles of costs causality during the remainder of the IRM term.

The OEB in its leave-to-construct Decision² determined that a change in cost allocation cannot be adequately considered during the IRM term and such changes should be reviewed in Union Gas' next rebasing proceeding, which at the time was expected to be in 2019.

¹ EB-2016-0186

² EB-2016-0186 Decision and Order, February 23, 2017, page 11

In Procedural Order No. 3 issued on November 29, 2017, the OEB determined that cost allocation changes were outside of the scope of this proceeding and accordingly the evidence of IGUA would not be considered as part of the evidentiary record. The OEB noted that it would not be appropriate to address cost allocation changes in the last year of the current IRM framework where rate changes are supposed to be mechanistic.

By a letter dated December 6, 2017, IGUA requested a review under Part VII of the OEB's *Rules of Practice and Procedure* for a part of Procedural Order No. 3. Although IGUA accepted the OEB's determination that it would not be making changes to cost allocation methodology in this proceeding, it submitted that it should not be precluded from exploring other possible options for the OEB to consider in addressing what would in its view be a very significant and negative impact on IGUA members. For example, IGUA suggested that it might ultimately argue in favour of deferring a portion of the Panhandle associated revenue requirement until the OEB's consideration of cost allocation issues in 2019 rates.

IGUA expressed a desire to be able to explore in upcoming settlement discussions, and ultimately argue if required, for alternative forms of relief. IGUA argued that the most significant impacts of the Panhandle costs will fall in 2018 (i.e. the year covered by the current application), and that the amounts are material at both a class level and for certain individual customers. IGUA further submitted that its evidence is both relevant and probative of the equity of considering alternative test year treatments for recovery of Panhandle Reinforcement costs. While IGUA accepted the determination of the OEB that cost allocation with respect to Panhandle Reinforcement costs would not be addressed in this proceeding, IGUA submitted that striking its evidence from the record was neither necessary to implement that direction nor fair to IGUA.

2 OEB FINDINGS

The OEB has considered the arguments presented in IGUA's letter of December 6, 2017 and has determined that, pursuant to Rule 43.01, it will dismiss this request for a review. As detailed in Procedural Order No. 3, the OEB has already determined that it will not be examining cost allocation issues in this proceeding. Although IGUA has suggested potential remedies that would not involve direct changes to cost allocation methodology in this proceeding (such as a deferral), the OEB does not believe that the proposed IGUA evidence is necessary to advance such arguments. The record already contains information regarding the different impacts that would result (at a class level) using the status quo cost allocation versus the cost allocation methodology proposed by Union Gas in the leave-to-construct application³. Detailed information regarding the impacts on specific customers is not necessary for the purposes of this proceeding.

³ Panhandle Reinforcement Leave-to-Construct Application EB-2016-0186

3 ORDER

THE ONTARIO ENERGY BOARD ORDERS THAT:

1. It will not review part of Procedural Order No. 3 and will not vary its decision to include IGUA's evidence on the record.

All filings to the OEB must quote the file number, EB-2017-0087 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

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Attention: Board Secretary

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Tel: 1-888-632-6273 (Toll free)
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DATED at Toronto, **December 11, 2017**

ONTARIO ENERGY BOARD

Original signed by

Kirsten Walli
Board Secretary