

Ontario Energy Board

IN THE MATTER OF the *Ontario Energy Board Act*,
1998, S.O. 1998, c.15 (Schedule. B);

AND IN THE MATTER OF an Application by Union Gas
Limited for an order or orders clearing certain non-commodity
related deferral accounts and sharing utility earnings pursuant to
a Board-approved earnings sharing mechanism;

Submission of

Energy Probe Research Foundation

October 4, 2018

Disposition of 2017 Deferral Account Balances and Earnings Sharing Amount Energy Probe Submission

Overview

Consistent with the direction in the Notice of Application and its review of the evidence and interrogatory responses, Energy Probe will make submissions on the following:

- Parkway Obligation Rate Variance Account 179-138
- Lobo D/Bright C/Dawn H Compressor Project Costs Account 179-144
- OEB Cost Assessment Variance Account 179-151
- 2017 Earnings Sharing Calculation

Parkway Obligation Variance Account 179-138

Energy Probe requested Union to provide the forecast volumes and the Parkway Delivery Obligation (“PDO”) Credit for 2018:

Union is forecasting a debit balance in the Parkway Delivery Obligation Rate Variance Account for 2018 of approximately \$0.3 million.

Union included the PDO costs in 2018 Rates in accordance with the Parkway Delivery Obligation Settlement Agreement, approved as part of Union’s 2014 Rates proceeding (EB- 2013-0365). *The guiding principle of the PDO Settlement Agreement is to keep Union whole rather than enhance or reduce its earnings during the operation of the IRM. Including the PDO costs in 2018 Rates ensures Union is kept whole because the Dawn to Parkway capacity used to facilitate the PDO reduction is capacity that could otherwise be sold in the S&T markets as long-term or short-term transportation revenue.*

(Exhibit B. Energy Probe 7 Ref: Exhibit A Tab 1 Pages 41-43: Exhibit A, Tab 1, Appendix A, Schedule 8)

Energy Probe also notes the following extracts from the Board’s Decision in EB-2017-0306/0307

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“Amalco is required to track the actual costs and amounts recovered through rates related to the Parkway Delivery Obligation during the deferred rebasing period, as discussed in Section 6.1.

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“The OEB has determined that there is insufficient evidence to determine whether, as a result of the implementation of the PDO, ratepayers are paying twice for the same capacity. The OEB requires Amalco to track actual costs and amounts recovered through rates related to the PDO during the deferred rebasing period. The OEB at the time of rebasing will review the costs and amounts recovered through rates to ensure that ratepayers are not paying twice for the required capacity and the legacy Union Gas is not enhancing earnings contrary to the intent of the PDO settlement agreement.

Energy Probe submits that the PDO shift and related costs remains a live issue that should be addressed by Union in its 2019 Rate Application, or in default, with full evidence, discovery and a hearing in its 2018 Deferral Application. There is lack of clarity between Union and Ratepayers and certain parties believe that ratepayers may have paid too much for the replacement capacity until the capacity from new builds on Dawn Parkway was in service.

Pending Review of the PDO, the Board should not approve the disposition of the 2017 balance in the Parkway Obligation Variance Account 179-138.

Lobo D/Bright C/Dawn H Compressor Project Costs Account 179-144

Energy Probe agrees with the submission of Board Staff regarding the Lobo D/Bright C/Dawn H Compressor Project Costs Account 179-144.

Ontario Energy Board Cost Assessment Variance Account 179-151

The OEB's Cost Assessment Model (CAM) was updated in 2016 and the Board made provision for a variance account to record any material differences between the revised cost assessments and that currently built into utility rates, effective April 1, 2016.

The Pre-filed Evidence, (Exhibit A, Tab 1, 63-64) indicates that Union has recorded a balance of \$1.167 million in the 2017 179-151 account. Currently, \$2.5 million in OEB assessment costs are included in Union's rates. In 2017, the actual amount of cost assessment was \$3.659 million. As such, the balance in the account requested for clearance is a debit to be collected from ratepayers of \$1.159 million plus interest of \$0.008 million for a total of \$1.167 million.

The appropriate disposition of the balance relates to materiality. Union's IRM has a Materiality Threshold of \$4 million for Z factors. Therefore the increased assessment does not qualify. Union claims that the establishment of the new 179-151 Deferral account triggers a new threshold per the Filing Guidelines and the Balance therefore qualifies.

Energy Probe supports Board Staff's position that as the establishment of the 179-151 account predates the issuance of the current filing requirements, the materiality threshold contained in the requirements should only be viewed as potential guidance.

Accordingly, the relevant Materiality Threshold is \$4 million and the Board should deny Union's request.

2017 Earnings Sharing Calculation

Union's pre-filed evidence shows that the Utility Income and ROE was less than that allowed so there was no Earnings Sharing in 2017.

Intervenors and Board Staff questioned the 2017 increase in O&M expenses that includes \$5.6 million of merger-related costs (and \$3.7 million of related savings) associated with the Enbridge Inc. and Spectra Energy merger. Union provided the earnings sharing calculation with the \$5.6 million merger-related costs removed (but maintaining the \$3.7 million savings in the calculation). (B.EP.5 and B.Staff.16)

Adjustment of the \$1.67 million of OEB Assessment Costs (see above) also reduces net 2017 utility income.

Accordingly, Energy Probe suggests the Board note that 2017 Merger costs and the 179-151 account balance are not eligible expenses and that the 2017 Utility Income be adjusted appropriately.

Respectfully Submitted This 4th Day of October 2018.

A handwritten signature in blue ink, appearing to read "RM Higgin", is written over a light blue rectangular background.

Roger M.R. Higgin SPA Inc Consultants to Energy Probe