

# *Aiken & Associates*

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October 5, 2018

Ms. Kirsten Walli  
Board Secretary  
Ontario Energy Board  
2300 Yonge Street  
Suite 2700  
Toronto, Ontario, M4P 1E4

Dear Ms. Walli:

**RE: EB-2018-0105 – Written Submissions of London Property Management Association**

Please find attached the written submissions of the London Property Management Association in the above noted proceeding.

Sincerely,

*Randy Aiken*

Randy Aiken  
Aiken & Associates

Encl.

cc: Vanessa Innis, Union Gas Limited (e-mail)

**UNION GAS LIMITED**

**Application for disposition and recovery of certain  
2017 deferral account balances and approval of the  
earnings sharing**

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**SUBMISSIONS  
OF  
LONDON PROPERTY MANAGEMENT ASSOCIATION**

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**A. INTRODUCTION**

Union Gas Limited (“Union”) filed an application with the Ontario Energy Board (“OEB”) on June 6, 2018 for approval to dispose of and recover certain 2017 deferral account balances. Union indicated that its 2017 actual utility earnings did not exceed the threshold as agreed to in the Settlement Agreement approved in Union’s 2014-018 Incentive Regulation proceeding (EB-2013-0202) and therefore there was no sharing of earnings with ratepayers.

The total net balance of all the deferral accounts that Union requested for disposition totaled a \$2.2 million debit as of the end of 2017.

A Notice of Hearing was issued on July 5, 2018 and Procedural Order No. 1 was issued on July 20, 2018. Interrogatories were due August 8, 2018 and Union filed responses to those interrogatories on August 24, 2018. A Settlement Conference was scheduled for September 4 and 5, 2018. By letter dated September 12, 2018, Union advised the OEB that there was no settlement proposal result from the settlement conference. The OEB subsequently issued Procedural Order No. 2 on September 18, 2018 in which it directed OEB staff to file written submissions on or before October 3, 2018 and any intervenor that wished to make written submissions to file such submissions on or before October 5, 2018.

The following are the submissions of the London Property Management Association (“LPMA”) on the issues where LPMA disagrees with the Union proposals.

## **B. SUBMISSIONS**

LPMA has submissions on two of deferral accounts proposed to be disposed of by Union in this proceeding. LPMA also makes submissions on the allocation of the balances of the deferral accounts.

### **i. Lobo D/Bright C/Dawn H Compressor Project Costs (Account 179-144)**

In its EB-2015-0116 Decision and Rate Order dated Dec 3, 2015, the OEB approved the establishment of the above noted deferral account to track the differences between the actual revenue requirement related to the costs for the Lobo D/Bright C/Dawn H Compressor Project and the revenue requirement included in rates.

As part of the Dawn Parkway Project Settlement Proposal (EB-2015-0200) dated November 13, 2015 and approved by the OEB in the Decision and Order dated December 22, 2015, Union agreed to record in the deferral account variances in actual revenue generated from the forecast surplus capacity of 30,393 GJ/d relative to the maximum annual revenue of \$1.34 million that could be realized from the sale of long-term firm surplus capacity effective November 1, 2017. Union also included in the deferral account balance a credit of \$1.34 million related to the 30,393 GJ/d of surplus capacity. Variances in the actual revenue generated from the surplus capacity to the \$1.34 million would also be recorded in the deferral account, and would be subject to review at the time of disposition of the account. The account is symmetrical, meaning that it would capture both positive and negative variances in actual revenue generated from the surplus capacity relative to the \$1.34 million included as a credit in the deferral account.

Union's proposal is that since its actual surplus Dawn to Parkway surplus for the winter 2017/2018 was in excess of 30,303 GJ/d there is no long term revenue that was earned from the forecast surplus capacity to be applied as a credit to the account (Exhibit A, Tab 1, pages 51-52).

In the response to part (b) of Exhibit B.Staff.13, Union expands on this explanation with the following:

*“If Union experiences surplus capacity in excess of 30,393 GJ/d due to expiring contracts or adjustments to total system capacity, revenue obtained by selling that capacity will be part of utility earnings and subject to earnings sharing. Once all surplus capacity in excess of 30,393 GJ/d has been sold on a long-term basis, any further sales will then be applied to the Dawn H/Lobo D/Bright C Compressor Project Costs Deferral Account No.179-144.*

*As Union's actual Dawn to Parkway surplus for winter 2017/2018 was in excess of 30,393 GJ/d, there was no long-term Dawn-Parkway revenue to apply to the deferral account."*

In other words, Union has assumed that the first revenue earned by selling any excess capacity is generated by excess capacity that is in excess to the 30,393 GJ/d that was created by the Lobo D/Bright C/Dawn H Compressor Project. LPMA submits that this proposal should be rejected by the OEB and replaced by a proportional approach.

LPMA submits that the OEB should not accept Union's "colour coded capacity" proposal as being reasonable. Why should excess capacity generated through expiring contracts or adjustments to total system capacity or any other factor be considered to be the first excess capacity to be sold?

LPMA submits that a reasonable approach would be a proportional approach. As an example, if Union had 50,000 GJ/d of excess capacity and earned \$1 million from the sale of a portion of this excess capacity, then the deferral account should be credited with \$608,000 ( $30,393 / 50,000 \times \$1 \text{ million}$ ).

LPMA also submits that Union appears to assume that only revenue generated from the long-term sale of excess capacity would be eligible for inclusion in the account. LPMA submits that there is nothing in the EB-2015-0200 Settlement that limits the revenue generated from excess capacity to long-term sales revenue.

The Settlement Proposal calculated the credit to be included in the deferral account based on the maximum annual revenue that could be generated through the sale of long-term firm surplus capacity. However, nowhere in the Settlement Proposal is the revenue generated from the excess capacity explicitly limited to that of long-term firm sales. This latter point is confirmed by the statement in the Settlement Proposal that the account is symmetrical, "*meaning that it will capture both positive and negative variances in actual revenue generated from the surplus capacity relative to the \$1.34 million to be included as a cred in the deferral account*" (EB-2015-0200 Decision and Order dated December 22, 2015, Schedule B, page 24).

If only long-term sale revenues were to be included, and the maximum long-term revenue was calculated to be \$1.34 million, how could there be a positive variance relative to the \$1.34 million figure? Clearly the account was to record all revenues generated from the sale of the excess capacity generated from the project.

LPMA submits that the OEB should direct Union to file, by month, the total excess capacity on the Dawn Parkway system for the relative period, along with the total revenue generated from the sale of excess capacity including short term C1 revenues (Exhibit B.FRPO.11) and the proportion to be included in the deferral account should be calculated on a proportional basis for each month as the above example illustrated. The need for the monthly calculations is due to the potential for the excess capacity to fluctuate throughout the year and to reflect the timing of any revenues generated through the excess capacity.

## **ii. OEB Cost Assessment Variance Account (Account 179-151)**

LPMA submits that the OEB should deny Union the recovery of the balance in this account from ratepayers because the balance is not material.

In its February 9, 2016 letter *Re: Revisions to the Ontario Energy Board Cost Assessment Model*, the OEB established a new variance account for electricity distributors and transmitter to record any material differences between OEB cost assessments currently built into rates and cost assessment that would result from the application of the new cost assessment model effective April 1, 2016. The OEB noted that it had also authorized the establishment of a similar variance account by natural gas distributors, OPG and the IESO.

In that same letter, the OEB reminded the regulated entities “*that, in the normal course, any disposition of deferral and variance account balances **must meet** any OEB default or **company-specific materiality thresholds**” (emphasis added).*

As confirmed in the response to Exhibit B.LPMA.9, Union has a company-specific materiality threshold of \$4.0 million in its current IRM plan (EB-2013-0202). The 2017 balance in the account, as shown in Exhibit A, Tab 1, Appendix A, Schedule 1 is \$1.167 million, including interest. This amount is well below Union’s materiality threshold.

As a result, LPMA submits that based on the Settlement Agreement in EB-2013-0202 and the OEB’s February 9, 2016 letter, it is clear that the balance in the account does not meet the materiality threshold for recovery from ratepayers and should be denied by the OEB.

## **iii. Proposed Allocation of Account Balances**

LPMA has reviewed the Union proposals to allocate the balances in each of the deferral and variance accounts and supports Union’s proposals with respect to each of the

accounts. Union's evidence (Exhibit A, Tab 3, pages 1-2) indicates that with respect to all the accounts, save for two, the allocation of the balances is consistent with the approved methodologies approved by the OEB in previous proceedings.

The two exceptions noted above are the OEB Cost Assessment Variance Account (179-151) and the Panhandle Reinforcement Project Costs Deferral Account (179-156).

With respect to the first account noted above, LPMA has submitted that Union is not eligible to recover the costs in this account since the amount is immaterial. As a result, LPMA makes no submissions on the proposed allocation of this account.

With respect to the second account noted above, Union explained (Exhibit B.VECC.13) that the allocation methodology for the Panhandle Reinforcement Project Costs Deferral Account was not previously approved by the OEB in any of the proceedings noted in its evidence at Exhibit A, Tab 3, pages 1-2. However, as noted in the response to VECC, Union's proposed allocation methodology of this account is consistent with the cost allocation methodology approved by the OEB in Union's Panhandle Reinforcement Project Leave to Construct application (EB-2016-0186) and that the current proceeding is the first time that Union is seeking recovery of the costs in the deferral account.

The allocation methodology for the Panhandle Project was further confirmed in the response to Exhibit B.LPMA.14 in which Union confirmed that the allocation of the costs are based on the continued use of an aggregate allocator for the Panhandle and St. Clair system and not on a separate basis for the Panhandle and St. Clair systems. LPMA continues to support this allocation, as approved by the OEB in EB-2016-0186.

## **C. COSTS**

LPMA requests that it be awarded 100% of its reasonably incurred costs. LPMA worked with other intervenors which limiting duplication of time and effort while ensuring that the issues of concern to LPMA members were fully addressed.

**ALL OF WHICH IS RESPECTFULLY SUBMITTED**

**October 5, 2018**

**Randy Aiken**

**Consultant to London Property Management Association**