ONTARIO ENERGY BOARD

Union Gas Limited (Union)

2017 Disposition of Deferral Account Balances and 2017 Utility Earnings

Industrial Gas Users Association (IGUA)

Written Submissions

Introduction

1. Those issues which the Board indicated in its Notice of Hearing herein would be eligible for cost recovery are:

   (a) certain listed deferral and variance accounts;

   (b) the proposed 2017 utility results and earnings sharing amount; and

   (c) the proposed method for allocating and disposing of the 2017 deferral account balances (there being no earnings sharing balance to dispose of).

2. In these submissions we provide IGUA's positions on those of the issues which are of concern.

Parkway Obligation Rate Variance Account (179-138)

3. We understand the purpose of this variance account to be to capture the variances arising from annual changes to (i.e. relief to customers from) Parkway Delivery Obligations (PDO) and related Parkway Delivery Commitment Incentives (PDCIs) paid to customers with a remaining Parkway Delivery Obligation, which annual changes occur effective November 1st but are not reflected in approved rates until the following January 1st. Effective

November 1, 2017 Union reduced the obligations of both direct purchase and sales service customers to deliver gas at Parkway. This "shift" of delivery obligations from Parkway to Dawn; i) increases costs incurred by Union to move gas from Dawn to Parkway on behalf of all of its customers; and ii) decreases the amount of PDCI payments made to customers with remaining Parkway delivery obligations. For the period from November 1 to December 31, 2017 the net change in these PDO related costs is a reduction of $121,000 from the amount included in 2017 rates, and is captured in account 179-138 as a credit which Union proposes to refund to customers.[1]

4. IGUA supports this proposed disposition on the basis of its understanding that this variance account has nothing to do with, and its clearance herein has no impact on, the stipulation in the Parkway Delivery Settlement included in Union's 2014 Rates Settlement Agreement (EB-2013-0365) that:

> *... ratepayers will be entitled to recover from Union that portion of the costs incurred by Union to manage the Parkway Delivery Shortfall to the extent that the cost of the measures used by Union to manage the shortfall are already covered in base rates, Y factors and/or existing deferral or variance accounts.*

5. That is, IGUA's acceptance of the proposed disposition is on the basis of its understanding that to the extent that it is demonstrated at some point in the future that Union has "over recovered" in 2017 on account of its PDO settlement obligations and related activities, disposition of the 2017 balance in this account 179-138 resulting from the timing differences between PDO adjustments and rate adjustments will not be dispositive of the implications of, or remedies arising from, such "over recovery", one way or another.

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

6. IGUA agrees with and endorses the submissions of OEB Staff in respect of this account, to the effect that Union should be directed to calculate, and attribute to the balance in this

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[1] ExA/T1/pp. 41-43.

account, a proportional share of revenues generated through disposition in 2017 of surplus Dawn Parkway system capacity.

OEB Cost Assessment Variance Account (179-151)

7. IGUA agrees with and endorses the position of OEB Staff in respect of this account, to the effect that the $1.167 million balance in this account is not material based on Union's Board sanctioned 2014-2018 IRM Settlement Agreement and should not be recovered from ratepayers.

8. In respect of the arguments put forward by OEB Staff on this issue, we note that Union is subject to a negotiated IRM period Z-factor materiality threshold, and that the settlement agreement which included this negotiated materiality threshold predates the Board's stipulation of a $1.0 materiality threshold for establishing new deferral and variance accounts. Thus whether or not it could be argued that the materiality threshold for establishing a new deferral account should be the default materiality threshold applied to determine recovery of any balance recorded in the account so established (which point need not be addressed in this context), as part of a comprehensive settlement process and resulting agreement Union agreed to a materiality threshold for recovery of these types of expenses which far exceeds the 2017 balance in this account, did so prior to the issuance of the Board's aforementioned stipulation, and should not be relieved of its settlement obligations as a result of the Board's subsequent, generic, guidance.

Proposed 2017 Utility Results and Earnings Sharing Amount

9. IGUA accepts that for 2017 there are no earnings to be shared with ratepayers.

10. OEB Staff in their submissions, and others in this proceeding, have noted the inclusion by Union in its utility results of costs related to the integration of its parent company, Spectra, and Enbridge Inc. We understand that the magnitude of these integration costs is such that, even if these costs were excluded from utility results, there would still be no earnings to share with ratepayers. Accordingly, acceptance by IGUA of Union's position that there are no earnings to be shared with ratepayers does not necessitate further argument in respect of whether these integration costs are appropriately included in utility results or

not. There is insufficient evidence on these costs on the record in this proceeding to make such a determination.

11. In any event, the result of there being no earnings to share with ratepayers is that the inclusion of such costs in utility results as proposed by Union reduces Union's 2017 earnings above Board approved return on equity, and are thus effectively borne by the shareholder.

ALL OF WHICH IS RESPECTFULLY SUBMITTED by:

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