

October 7, 2018

Kirsten Walli
Board Secretary
Ontario Energy Board
2300 Yonge Street
P.O. Box 2319
Toronto, Ontario
M4P 1E4

Dear Ms. Walli:

Re: EB-2018-0105 – Application by Union Gas Limited for the Disposition of Deferral and Variance Account Balances and 2017 Utility Earnings

Introduction:

We are representing the Consumers Council of Canada (Council) in the above-referenced proceeding. By Application dated, June 6, 2018, Union Gas Limited applied to the Ontario Energy Board (Board or OEB) to clear the 2017 final balances in certain deferral and variance accounts.

Pursuant to Procedural Order No. 2, dated, September 18, 2018, these are the final submissions of the Consumers Council of Canada regarding Union's Application. The Council supports Union's proposal to clear the balances in all of the accounts embodied in this application with the exception of the following two accounts:

1. The OEB Cost Assessment Variance Account No. 179-151; and
2. The Lobo D/Bright C/Dawn H Compressor Project Costs Account No. 179-144

Submissions:

1. OEB Cost Assessment Variance Account:

Union is seeking recovery of a balance of \$1.167 million in its OEB Cost Assessment Variance Account.¹ This account was established by the OEB, by letter dated February 9, 2016, as a result of a cost allocation change regarding the methodology used to apportion its costs under Section 26 of the *Ontario Energy Board Act*, 1998 (Act). The consulting firm MNP LLP was engaged to undertake a review of the OEB's Cost Assessment Model (CAM) to ensure alignment with the OEB's current mandate and best practices. The Board at the time noted that the changes to the CAM may result in material shifts in the allocation of costs. Accordingly, the OEB authorized the establishment of variance accounts to record any material differences between OEB cost assessments currently built into rates and cost assessments that would result from the application of the new cost assessment model effective April 1, 2016.²

¹ Ex. A/T1/p. 63

² OEB letter Re: Revisions to the Ontario Energy Board Cost Assessment Model, dated February 9, 2016, p. 1 (OEB letter)

Union has \$2.5 million related to OEB cost assessments embedded in its rates. In 2017, the actual cost assessment was \$3.659 million. The balance of \$1.167 million represents the difference between the two amounts plus interest.

The Council does not support recovery of the \$1.167 million from customers on the basis that the amount is not material. The Board clearly noted in its February 6, 2016 letter that, "Regulated entities are reminded that, in the normal course, any disposition of deferral and variance accounts balances must meet any OEB default or company-specific materiality thresholds."³ Union's current materiality threshold is \$4 million. Therefore, the request by Union to recover the balance should be denied.

The Council notes that in the 2016 deferral and variance account proceeding Union agreed not to recover a balance of \$832,000 from its customers related to its OEB cost assessment.⁴

2. Lobo D/Bright C/Dawn H Compressor Project Costs Variance Account

Union is seeking approval to recover a debit balance in this account of \$4.918 million. It is Union's evidence that the amount is largely related to assets going into service earlier than forecast.⁵ In the Dawn Parkway Project Settlement Proposal dated November 13, 2015, Union agreed to record in the deferral account variance in actual revenue generated for a 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 capacity effective November 1, 2017.

Union's position in this case appears to be that only after it sells off all of its surplus capacity on the Dawn-Parkway System that is related to assets other than the Lobo d/Bright C/Dawn H Compressor project, will any amount be credited to this account. From the Council's perspective this is not fair, and not consistent with the earlier Settlement Proposal that was approved by the Board. The Council supports the approach advanced by Board Staff in its submissions regarding the treatment of surplus capacity and the associated revenue generated from that surplus. OEB Staff has proposed that the OEB should order Union to calculate the revenue to be included as an offset to the balance in the Lobo D/Bright C/ Dawn H Compressor Project Cost Deferral Account on the basis of a proration of the total revenues generated through the Dawn Parkway surplus capacity. The revenue generated from the sale of surplus capacity on the Dawn Parkway system should be multiplied by the proportion of the total surplus that is associated with the Lobo D/Bright C/Dawn H project and this amount should be recorded as an offset in the deferral account.

Costs:

The Council requests that it be awarded 100% of its reasonably incurred costs associated with its participation in this proceeding.

All of which is respectfully submitted.

Yours truly,

³ OEB letter, p. 2

⁴ EB-2017-0091, Settlement Proposal, p. 17

⁵ Ex. A/T1/pp. 50-58

Julie E. Girvan

Julie E. Girvan

CC: All parties