



ONTARIO ENERGY BOARD

OEB STAFF SUBMISSION ON DRAFT RATE ORDER

Union Gas Limited

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

EB-2018-0105

December 3, 2018

Background

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.

The OEB issued its Decision and Order (the Decision) with respect to Union's application on November 26, 2018. In the Decision, the OEB ordered reductions to the balances in two deferral accounts (the Lobo D / Bright C / Dawn H Compressor Project Costs Deferral Account and the OEB Cost Assessment Variance Account) and that Union update the interest amounts for each deferral and variance account based on a January 1, 2019 disposition date. The OEB also agreed with Union that there are no earnings to be shared with ratepayers.¹

In accordance with the Decision, Union filed a draft rate order reflecting the OEB's findings on November 29, 2018. Based on the draft rate order, the total net balance of the deferral and variance accounts is a recoverable from ratepayers of \$0.83 million (including interest to December 31, 2018).² This is a reduction of \$1.37 million relative to the total net debit balance of the deferral and variance accounts of \$2.2 million requested for disposition in the pre-filed evidence.³

OEB staff's submission on the draft rate order is set out in the section that follows.

OEB Staff Submission on Draft Rate Order

OEB staff submits that the updated balances in the deferral accounts as set out in the draft rate order⁴ should be approved on a final basis with two exceptions.

First, in accordance with the Decision, the Parkway West Project Costs Account should be disposed of on an interim basis.⁵

¹ EB-2018-0105, Decision and Order, pp. 9-14, 16.

² EB-2018-0105, Draft Rate Order, Appendix A.

³ EB-2018-0105, Exhibit A, Tab 1, Appendix A, Schedule 1.

⁴ EB-2018-0105, Draft Rate Order, Appendix A.

⁵ EB-2018-0105, Decision and Order, p. 5. The OEB granted interim approval of the balance in the account consistent with the approval granted in the 2016 deferral account disposition proceeding (EB-2017-0091).

Second, the disposition of the Lobo D / Bright C / Dawn H Compressor Project Costs Deferral Account should also be approved on an interim basis only for the reasons that follow.

OEB staff submits that the calculation of the proportional allocation of short-term transportation revenues to the account and the allocation of the account balance to rate classes require further discovery. Given the OEB's finding that the disposition of the balances in the deferral and variance accounts is to align with the January 1, 2019 Quarterly Rate Adjustment Mechanism (QRAM) application⁶, there is insufficient time to test the evidence now. On that basis, OEB staff submits that the OEB should order that Union file the 2017 proportional revenue calculation and a description of the rate class allocation methodology as part of the proceeding in which Union brings forward the 2018 balance in the Lobo D / Bright C / Dawn H Compressor Project Costs Deferral Account for disposition. In that proceeding, both the 2017 and 2018 balances can be reviewed.

OEB staff submits that Union, in the draft rate order, properly adjusted the balance in the OEB Cost Assessment Variance Account to zero in accordance with the Decision.⁷ OEB staff also submits that the draft accounting order for the OEB Cost Assessment Variance Account⁸ was properly updated to reflect the OEB's findings⁹ and should be approved by the OEB.

Finally, OEB staff submits that the unit rates set out in the draft rate order¹⁰ properly reflect the OEB's findings^{11,12} and should be approved by the OEB subject to a final review of the combined bill impacts resulting from the January 1, 2019 QRAM proceeding.

The bill impacts for a typical residential customer, over the 6-month period January 1, 2019 to June 30, 2019, are as follows.

⁶ EB-2018-0105, Decision and Order, p. 16.

⁷ EB-2018-0105, Decision and Order, pp. 12-13.

⁸ EB-2018-0105, Draft Rate Order, Appendix C.

⁹ EB-2018-0105, Decision and Order, p. 13.

¹⁰ EB-2018-0105, Draft Rate Order, Appendix B.

¹¹ EB-2018-0105, Decision and Order, p. 16.

¹² OEB staff requests that Union explain why the January 1, 2019 to June 30, 2019 forecast volumes were adjusted slightly relative to the pre-filed evidence in its reply submission.

Union South - \$6.31 debit
Union North East - \$5.86 debit
Union North West - \$13.73 credit

All of which is respectfully submitted.