

BY EMAIL, COURIER & RESS

December 4, 2018

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

RE: EB-2018-0105 – Union Gas – 2017 Disposition of Deferral Account Balances and 2017 Utility Earnings – Response to Draft Rate Order Submission

Dear Ms. Walli,

On November 26, 2018 the Ontario Energy Board (“OEB” or “Board”) released its Decision and Order on Union’s Application for disposition of 2017 deferral and variance account balances and utility earnings (EB-2018-0105). On November 29, 2018, in response to the Decision and Order, Union filed a Draft Rate Order that reflected the OEB’s findings.

Union received submissions on certain aspects of the Draft Rate Order from OEB Staff. Union’s response to these submissions is provided below.

Lobo D / Bright C / Dawn H Compressor Project Costs Deferral Account

OEB Staff stated that the Lobo D / Bright C / Dawn H Compressor Project Costs Deferral Account balance should only be disposed of on an interim basis pending further discovery on the proportional allocation of short-term transportation revenues to the account and the allocation of the account balance to rate classes.¹ OEB Staff stated that given the timing of the disposition of the balances in the deferral and variance accounts to align with the January 1, 2019 QRAM application, there is insufficient time to the test this evidence now.²

OEB Staff did not raise any specific concerns related to the proposed short-term transportation revenue allocation or the proposed allocation of the account balance to rate classes. As such, it is unclear if OEB Staff has any particular concern with Union’s proposal that supports the request for further discovery and interim disposition of the account balance. Absent specific concerns with Union’s proposal driving the need for further discovery, Union believes it would be inappropriate for the Board to order interim disposition of the account balance.

¹ EB-2018-0105, OEB Staff Draft Rate Order Submission, p. 2.

² EB-2018-0105, OEB Staff Draft Rate Order Submission, p. 2.

Nevertheless, Union asserts that its proposed method for allocating the short-term transportation revenue to the account, and the subsequent allocation of the account balance to rate classes, is reasonable and appropriate and should be approved on a final basis.³

Short-term Transportation Revenue Allocation

The short-term transportation revenue allocation contained in Union's Draft Rate Order appropriately attributes a portion of the actual short-term transportation revenue earned since the project was in-service to the forecast surplus capacity generated by the project (30,393 GJ/d). This is consistent with the Board's Decision "...that the proportional share should include only revenues that were generated after the project went into service and from Dawn Parkway system paths where the project has provided incremental capacity."⁴

On a monthly basis, Union used the actual average easterly short-term transportation volumes that were served on the Dawn-Parkway system (i.e. the volumes that underpin the revenue being allocated), and allocated short-term transportation revenue to the account based on the project's 30,393 GJ/d surplus' proportional share of these volumes. Effectively, Union assumed the project's 30,393 GJ/d of surplus capacity served a portion of the daily easterly short-term transportation volumes, and accordingly allocated short-term transportation revenue to the account on this basis. This is a clear and transparent approach to attribute short-term transportation revenue to the project's surplus capacity in accordance with the OEB's Decision and Order.

Allocation of Account Balance to Rate Classes

Further, the proposed allocation of the account's balance to rate classes is also appropriate.

As stated in pre-filed evidence, the allocation of the filed 2017 balance in this account of \$4.912 million to rates classes is consistent with the allocation methodology approved by the OEB in prior proceedings.⁵ As a result of the Board's Decision, Union adjusted the balance for the short-term transportation revenue credit of \$0.216 million and allocated it to rate classes in proportion to the 2013 Dawn-Parkway distance weighted design day demands, updated for the Project. This allocation methodology is consistent with the Board-approved allocation of Dawn-Parkway demand costs in Union's 2013 cost allocation study and for the Dawn-Parkway demand costs of the project.

Therefore, the allocation of the account balance uses methodologies that have been previously been approved by the Board, and is consistent with the approach used for allocating the Panhandle Reinforcement Project Costs Variance Account balance (which also contained distinct revenue requirement and incremental revenue components), which was supported by OEB Staff.⁶

³ EB-2018-0105, Draft Rate Order, Working Papers, Schedule 3; EB-2018-0105, Draft Rate Order, Working Papers, Schedule 1.

⁴ EB-2018-0105, Decision and Order, p. 9.

⁵ EB-2018-0105, Application and Evidence, Exhibit A, Tab 3, pp. 1 – 2.

⁶ EB-2018-0105, OEB Staff Submission, pp. 9 - 10.

Conclusion

For the reasons set out above, Union believes the balance in this account should be approved for disposition on a final basis and its Draft Rate Order approved as filed.

In the event the Board orders interim disposition of this account, future discovery related to the 2017 balance in this account should be limited only to the short-term transportation revenue and rate class allocation. The base balance in the account of \$4.912 million, as described in Union's pre-filed evidence,⁷ should not again be subject to further discovery in a future proceeding. Parties had the opportunity to fully test this balance throughout the course of this proceeding, and no issues were raised regarding its appropriateness that would justify the prolonged uncertainty of recovery and re-examination in a future proceeding.

Union respectfully requests a Board Decision on its Draft Rate Order by Thursday, December 6, 2018 in order for the impacts to be included with the filing of Union's January 2019 QRAM application.

If you have any questions with respect to this submission please contact me at 519-436-5334.

Yours truly,

[original signed by]

Vanessa Innis
Manager, Regulatory Applications

c.c.: Crawford Smith (Torys)
Lawrie Gluck (OEB)
Michael Millar (OEB)
EB-2018-0105 Intervenors

⁷ EB-2018-0105, Application and Evidence, Exhibit A, Tab 1, pp. 50 – 58.