



Ontario Energy Board Commission de l'énergie de l'Ontario

DECISION AND RATE ORDER

EB-2018-0105

UNION GAS LIMITED

Application for the disposition of amounts recorded in certain deferral and variance accounts and approval of the earnings sharing amount

BEFORE: **Allison Duff**
Presiding Member

Lynne Anderson
Member

Michael Janigan
Member

December 6, 2018

1 INTRODUCTION AND SUMMARY

Union Gas Limited (Union) is a natural gas storage, distribution and transmission company regulated by the Ontario Energy Board (OEB). It serves approximately 1.4 million customers in more than 400 communities across northern, southwestern and eastern Ontario through an integrated network of over 67,000 kilometers of natural gas distribution pipelines. Union also owns and operates storage and transmission assets at the Dawn Hub in southern Ontario and the Dawn-Parkway transmission system that is a major natural gas delivery system for Ontario, Quebec and U.S. Northeast. Union is an Enbridge Inc. company.¹

Union filed an application with the Ontario Energy Board (OEB) on June 6, 2018 for approval to dispose of and recover certain 2017 deferral and variance 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 approved the account balances as filed with two exceptions. The OEB ordered reductions to the balances in the Lobo D / Bright C / Dawn H Compressor Project Costs Deferral Account and the OEB Cost Assessment Variance Account. The OEB also required 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 were no earnings to be shared with ratepayers.²

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).³ 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.⁴

The OEB received a submission on the draft rate order from OEB staff and a reply

¹ The OEB approved the amalgamation of Enbridge Gas Distribution Inc. and Union Gas Limited in its Decision and Order, dated August 30, 2018, in the EB-2017-0306/0307 proceeding. By letter dated October 15, 2018, Enbridge Gas Distribution Inc. and Union Gas Limited filed a letter advising the OEB that Enbridge Inc. will amalgamate the two utilities with an expected effective date of January 1, 2019.

² EB-2018-0105, Decision and Order, pp. 9-14, 16.

³ EB-2018-0105, Draft Rate Order, Appendix A.

⁴ EB-2018-0105, Exhibit A, Tab 1, Appendix A, Schedule 1.

submission from Union.

The OEB approves the draft rate order with one change. The OEB finds that the disposition of the Lobo D / Bright C / Dawn H Compressor Project Costs Deferral Account shall be on an interim basis.⁵

The deferral and variance account balances as set out in Appendix A to this Decision and Rate Order are approved.

The bill impacts for a typical residential customer, over the 6-month period January 1, 2019 to June 30, 2019, resulting from this Decision and Rate Order are as follows.

Union South - \$6.31 debit

Union North East - \$5.86 debit

Union North West - \$13.73 credit

The bill impacts are based on unit rates which are subject to a final review of the combined bill impacts resulting from the January 1, 2019 Quarterly Rate Adjustment Mechanism (QRAM) proceeding.

⁵ The Parkway West Project Costs Account is also approved on an interim basis in accordance with the November 26, 2018 Decision and Order in this proceeding.

2 DECISION ON DRAFT RATE ORDER

The OEB approves the draft rate order with one change. The OEB finds that the disposition of the Lobo D / Bright C / Dawn H Compressor Project Costs Deferral Account shall be on an interim basis.

The OEB notes that Union's reply submission urged the OEB to approve the Lobo D / Bright C / Dawn H Compressor Project Costs Deferral Account balance and associated unit rates on a final basis.⁶ In this proceeding, the schedule for the filing and review of Union's draft rate order was compressed compared to standard process timelines for draft rate orders. The objective was to minimize the number of rate changes for Union's customers by ensuring that the unit rates resulting for the decision in this proceeding could be implemented along with the other rate changes expected in Union's January 1, 2019 QRAM proceeding. The objective was not to limit the review or scrutiny by OEB staff and intervenors in ensuring the draft rate order is correct. The OEB finds the advantages of a correct rate order outweigh the advantages of rate certainty with a final rate order.

The OEB approves the disposition of the Lobo D / Bright C / Dawn H Compressor Project Costs Deferral Account, and associated unit rates, on an interim basis. The OEB agrees with Union that the scope of any subsequent review shall be limited to the short-term transportation revenue and rate class allocations. The OEB orders Union to file evidence supporting the proportional allocation of 2017 short-term transportation revenue to the account and the rate class allocations in the proceeding that Union requests disposition of the 2018 balance in the Lobo D / Bright C / Dawn H Compressor Project Costs Deferral Account.

The OEB finds that the unit rates set out in the draft rate order⁷ properly reflect the OEB's findings⁸ and are approved subject to a final review of the combined bill impacts resulting from the January 1, 2019 QRAM proceeding. The unit rates set out in Appendix B to this Decision and Rate Order are approved.

⁶ EB-2018-0105, Union Reply Submission on Draft Rate Order, pp. 1-3.

⁷ EB-2018-0105, Draft Rate Order, Appendix B.

⁸ EB-2018-0105, Decision and Order, p. 16.

The OEB also approves the updated draft accounting order for the OEB Cost Assessment Variance Account, set out in Appendix C, as it accurately reflects the OEB's findings in this proceeding.

3 IMPLEMENTATION

The OEB approves the disposition of the balances in the deferral and variance accounts to align with the January 1, 2019 QRAM application.

The OEB has made provision for a cost award process for intervenors. The OEB will issue a cost award decision after the steps set out in the Order are complete.

4 ORDER

THE ONTARIO ENERGY BOARD ORDERS THAT:

1. The net deferral and variance account balance of \$0.83 million, including interest to December 31, 2018, receivable from customers, as set out in Appendix A, is approved.
2. For residential and general service customer rate classes, Union shall recover the net total balance in the accounts prospectively over six months through a temporary rate adjustment starting January 1, 2019. For in-franchise contract and ex-franchise rate classes, Union shall apply the unit rates as a one-time adjustment in January 2019 bills as set out in Appendix B. The unit rates are subject to a final review of the combined bill impacts resulting from the January 1, 2019 QRAM proceeding.
3. The Accounting Order for the OEB Cost Assessment Variance Account as set in Appendix C is approved.
4. Intervenor shall file with the OEB, and forward to Union, their respective cost claims by **December 20, 2018**.
5. Union shall file with the OEB, and forward to intervenors, any objections to the claimed costs by **January 10, 2019**.
6. Intervenor shall file with the OEB, and forward to Union, any responses to any objections for cost claims by **January 17, 2019**.
7. Union shall pay the OEB's costs incidental to this proceeding upon receipt of the OEB's invoice.

All filings to the OEB must quote the file number, **EB-2018-0105**, be made in searchable / unrestricted PDF format electronically through the OEB's web portal at <https://pes.ontarioenergyboard.ca/eservice/>. Two paper copies must also be filed at the OEB's address provided below. Filings must clearly state the sender's name, postal address and telephone number, fax number and e-mail address. Parties must use the document naming conventions and document submission standards outlined in the RESS Document Guideline found at <http://www.oeb.ca/OEB/Industry>. If the web portal is not available parties may email their documents to the address below. Those who do

not have internet access are required to submit all filings on a USB drive in PDF format, along with two paper copies. Those who do not have computer access are required to file 7 paper copies.

All communications should be directed to the attention of the Registrar at the address below, and be received no later than 4:45 p.m. on the required date.

With respect to distribution lists for all electronic correspondence and materials related to this proceeding, parties must include the Case Manager, Lawrie Gluck at lawrie.gluck@oeb.ca and Counsel, Michael Millar at michael.millar@oeb.ca.

ADDRESS

Ontario Energy Board
P.O. Box 2319
2300 Yonge Street, 27th Floor
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Attention: Board Secretary

E-mail: boardsec@oeb.ca
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DATED at Toronto, December 6, 2018

ONTARIO ENERGY BOARD

Original Signed By

Kirsten Walli
Board Secretary

APPENDIX A
DECISION AND RATE ORDER
UNION GAS LIMITED
EB-2018-0105
DECEMBER 6, 2018
DEFERRAL AND VARIANCE ACCOUNT BALANCES

UNION GAS
Deferral Account Balances
Year Ending December 31, 2017

Line No.	Account Number	Account Name	Balance (\$000's)	Interest ¹ (\$000's)	Total (\$000's)
<u>Gas Supply Accounts:</u>					
1	179-107	Spot Gas Variance Account	-	-	-
2	179-108	Unabsorbed Demand Costs (UDC) Variance Account	(4,133)	(103)	(4,236)
3	179-131	Upstream Transportation Optimization	11,057	206	11,263
4	179-132	Deferral Clearing Variance Account - Supply	317	9	326 ³
5	179-132	Deferral Clearing Variance Account - Transport	502	14	516 ³
6	Total Gas Supply Accounts (Lines 1 through 5)		7,743	126	7,869 ²
<u>Storage Accounts:</u>					
7	179-70	Short-Term Storage and Other Balancing Services	1,183	22	1,205
<u>Other:</u>					
8	179-103	Unbundled Services Unauthorized Storage Overrun	-	-	-
9	179-112	Gas Distribution Access Rule (GDAR) Costs	76	1	77
10	179-120	IFRS Conversion Cost	-	-	-
11	179-123	Conservation Demand Management (CDM)	(245)	(5)	(250)
12	179-132	Deferral Clearing Variance Account	1,747	49	1,796 ³
13	179-133	Normalized Average Consumption	(2,926)	(43)	(2,969)
14	179-134	Tax Variance	(330)	(7)	(337)
15	179-135	Unaccounted for Gas (UFG) Volume Variance Account	-	-	-
16	179-136	Parkway West Project Costs	(526)	(12)	(538)
17	179-137	Brantford-Kirkwall/Parkway D Project Costs	(864)	(20)	(884)
18	179-138	Parkway Obligation Rate Variance	(121)	(2)	(123)
19	179-139	Energy East Pipeline Consultation Costs	-	-	-
20	179-141	Unaccounted for Gas (UFG) Price Variance Account	102	3	105
21	179-142	Lobo C Compressor/Hamilton-Milton Pipeline Project Costs	(6,296)	(146)	(6,442)
22	179-143	Unauthorized Overrun Non-Compliance Account	(8)	-	(8)
23	179-144	Lobo D/Bright C/Dawn H Compressor Project Costs	4,696	89	4,785 ⁴
24	179-149	Burlington-Oakville Project Costs	(3,460)	(81)	(3,541)
25	179-151	OEB Cost Assessment Variance Account	-	-	-
26	179-153	Base Service North T-Service TransCanada Capacity	-	-	-
27	179-156	Panhandle Reinforcement Project Costs	83	1	84
28	Total Other Accounts (Lines 8 through 27)		(8,071)	(172)	(8,244)
29	Total Deferral Account Balances (Lines 6 + 7 + 28)		854	(24)	830

Notes:

¹ Interest balances as of December 31, 2018.

² With the exception of UDC (No. 179-108), Upstream Transportation Optimization (No. 179-131), Deferral Clearing Variance Account (No. 179-132) related to Supply and Transport, and a portion of the Spot Gas Variance Account (No. 179-107), all gas supply-related deferral account balances are disposed of through the QRAM process.

³ Deferral Clearing Variance Account (No. 179-132) total balance of \$2,638 (\$326 + \$516 + \$1,796).

⁴ Filed balance of \$4,912 less short-term transportation revenue allocation of \$216 (See Schedule 3).

APPENDIX B
DECISION AND RATE ORDER
UNION GAS LIMITED

EB-2018-0105

DECEMBER 6, 2018

**UNIT RATES FOR PROSPECTIVE RECOVERY / (REFUND) & ONE-TIME
ADJUSTMENT, AND STORAGE AND TRANSPORTATION SERVICE (EX-
FRANCHISE) AMOUNTS FOR DISPOSITION**

UNION GAS
General Service Unit Rates for Prospective Recovery/(Refund) - Delivery
2017 Deferral Account Disposition

Line No.	Particulars	Rate Class	2017 Deferral Balances (\$000's) (a)	2017 Earnings Sharing Mechanism (\$000's) (b)	Deferral Balance for Disposition (\$000's) (c) = (a + b)	Forecast Volume (10 ³ m ³) (1) (d)	Unit Rate for Prospective Recovery/(Refund) (cents/m ³) (e) = (c / d) * 100
1	Small Volume General Service	01	1,603	-	1,603	609,769	0.2630
2	Large Volume General Service	10	218	-	218	198,813	0.1097
3	Small Volume General Service	M1	(520)	-	(520)	1,904,866	(0.0273)
4	Large Volume General Service	M2	(1,547)	-	(1,547)	683,530	(0.2263)

Notes:

(1) Forecast volume for the period January 1, 2019 to June 30, 2019.

UNION GAS
General Service Unit Rates for Prospective Recovery/(Refund) - Gas Supply Transportation
2017 Deferral Account Disposition

Line No.	Particulars	Rate Class	2017 Deferral Balances (\$000's) (a)	2017 Earnings Sharing Mechanism (\$000's) (b)	Deferral Balance for Disposition (\$000's) (c) = (a + b)	Forecast Volume (10 ³ m ³) (1) (d)	Unit Rate for Prospective Recovery/(Refund) (cents/m ³) (e) = (c / d) * 100
<u>Union North West</u>							
1	Small Volume General Service	01	(2,298)	-	(2,298)	176,259	(1.3036)
2	Large Volume General Service	10	(456)	-	(456)	49,064	(0.9299)
<u>Union North East</u>							
3	Small Volume General Service	01	786	-	786	433,510	0.1814
4	Large Volume General Service	10	209	-	209	147,889	0.1414

Notes:

(1) Forecast volume for the period January 1, 2019 to June 30, 2019.

UNION GAS
Unit Rates for Prospective Recovery/(Refund) - Gas Supply Commodity
2017 Deferral Account Disposition

Line No.	Particulars	Rate Class	2017 Deferral Balances (\$000's) (a)	2017 Earnings Sharing Mechanism (\$000's) (b)	Deferral Balance for Disposition (\$000's) (c) = (a + b)	Forecast Volume (10 ³ m ³) (1) (d)	Unit Rate for Prospective Recovery/(Refund) (cents/m ³) (2) (e) = (c / d) * 100
1	Small Volume General Service	M1	7,784	-	7,784	1,764,164	0.4487
2	Large Volume General Service	M2	1,651	-	1,651	334,383	0.4487
3	Firm Com/Ind Contract	M4	100	-	100	26,702	0.4487
4	Interruptible Com/Ind Contract	M5	27	-	27	3,159	0.4487
5	Special Large Volume Contract	M7	61	-	61	8,819	0.4487
6	Large Wholesale	M9	34	-	34	13,837	0.4487
7	Small Wholesale	M10	1	-	1	960	0.4487
8	Total				9,657	2,152,025	0.4487

Notes:

- (1) Forecast sales service volumes for the period January 1, 2019 to June 30, 2019.
(2) Unit rate for prospective recovery/refund for each rate class equal to the gas supply commodity weighted-average unit rate.

UNION GAS
Contract Unit Rates for One-Time Adjustment - Delivery
2017 Deferral Account Disposition

Line No.	Particulars	Rate Class	2017 Deferral Balances (\$000's) (a)	2017 Earnings Sharing Mechanism (\$000's) (b)	Deferral Balance for Disposition (\$000's) (c) = (a + b)	2017 Actual Volume (10 ³ m ³) (d)	Unit Rate (cents/m ³) (e) = (c / d) * 100
	<u>Union North</u>						
1	Medium Volume Firm Service (1)	20	19	-	19	108,741	0.0175
2	Medium Volume Firm Service (2)	20T	55	-	55	391,421	0.0140
3	Large Volume High Load Factor (2)	100T	74	-	74	1,029,988	0.0072
4	Large Volume Interruptible	25	30	-	30	107,644	0.0281
	<u>Union South</u>						
5	Firm Com/Ind Contract	M4	151	-	151	551,180	0.0273
6	Interruptible Com/Ind Contract	M5	61	-	61	140,489	0.0437
7	Special Large Volume Contract	M7	91	-	91	506,549	0.0179
8	Large Wholesale	M9	(28)	-	(28)	69,559	(0.0401)
9	Small Wholesale	M10	(1)	-	(1)	276	(0.2725)
10	Contract Carriage Service	T1	58	-	58	458,724	0.0126
11	Contract Carriage Service	T2	80	-	80	3,766,529	0.0021
12	Contract Carriage- Wholesale	T3	(202)	-	(202)	258,356	(0.0784)

Notes:

- (1) Sales and Bundled-T customers only.
(2) T-Service customers only.

UNION GAS
Contract Unit Rates for One-Time Adjustment - Gas Supply Transportation and Bundled Storage
2017 Deferral Account Disposition

Line No.	Particulars	Rate Class	2017 Deferral Balances (\$000's) (a)	2017 Earnings Sharing Mechanism (\$000's) (b)	Deferral Balance for Disposition (\$000's) (c) = (a + b)	2017 Actual Volume/ Demand (d)	Billing Units	Unit Volumetric/ Demand Rate (cents/m3) (e) = (c / d) * 100
<u>Gas Supply Charges</u>								
<u>Union North West</u>								
1	Medium Volume Firm Service	20	(155)	-	(155)	1,644	10 ³ m ³ /d	(9.4360)
2	Large Volume Interruptible	25	10	-	10	18,775	10 ³ m ³	0.0522
<u>Union North East</u>								
3	Medium Volume Firm Service	20	78	-	78	4,265	10 ³ m ³ /d	1.8192
4	Large Volume Interruptible	25	37	-	37	21,843	10 ³ m ³	0.1702
<u>Storage (\$/GJ)</u>								
5	Bundled-T Storage Service	20T/100T	10	-	10	155,904	GJ/d	0.062

UNION GAS
Storage and Transportation Service Amounts for Disposition
2017 Deferral Account Disposition

Line No.	Particulars (\$000's) (1)	Rate Class	2017 Deferral Balances (a)	2017 Earnings Sharing Mechanism (b)	Deferral Balance for Disposition (c)
1	Transportation	M12	(7,494)	-	(7,494)
2	Transportation of Locally Produced Gas	M13	0	-	0
3	Cross Franchise Transportation	C1	219	-	219
4	Storage and Transportation Services	M16	51	-	51

Notes:

- (1) Ex-franchise Rate M12, Rate M13, Rate M16 and Rate C1 customer specific amounts determined using approved deferral account allocation methodologies.

APPENDIX C
DECISION AND RATE ORDER
UNION GAS LIMITED
EB-2018-0105
DECEMBER 6, 2018
ACCOUNTING ORDER

DRAFT

UNION GAS LIMITED**Accounting Entries for
OEB Cost Assessment Variance Account
Deferral Account No. 179-151**

Account numbers are from the Uniform System of Accounts for Gas Utilities, Class A prescribed under the Ontario Energy Board Act.

Debit	-	Account No. 179-151 Other Deferred Charges – OEB Cost Assessment Variance Account
Credit	-	Account No. 728 General Expenses

To record as a debit (credit) in Deferral Account No. 179-151 any differences between OEB cost assessments currently built into rates, and cost assessments that will result from the application of the new cost assessment model effective April 1, 2016. The account is subject to a \$1 million materiality threshold.

Debit	-	Account No. 179-151 Other Deferred Charges – OEB Cost Assessment Variance Account
Credit	-	Account No. 323 Other Interest Expense

To record, as a debit (credit) in Deferral Account No. 179-151, interest on the balance in Deferral Account No. 179-151. Simple interest will be computed monthly on the opening balance in the said account in accordance with the methodology approved by the Board in EB-2006-0117.