



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

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## **DECISION AND ORDER**

**EB-2015-0115**

## **NATURAL RESOURCE GAS LIMITED**

**Application for an approval of rates and other charges for the sale, distribution, transmission and storage of gas effective October 1, 2015**

**BEFORE:**            **Allison Duff**  
                         Presiding Member

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**September 10, 2015**

## 1 INTRODUCTION AND SUMMARY

This is a decision of the Ontario Energy Board (OEB) in response to an application filed by Natural Resource Gas Limited (NRG) to set rates for the distribution of natural gas and other charges effective October 1, 2015<sup>1</sup>.

NRG is a natural gas storage, distribution and transmission company regulated by the OEB. It is a privately owned utility that sells and distributes natural gas in the Town of Aylmer and surrounding areas to approximately 8,000 customers.

NRG's last cost of service application was filed for 2011 rates (EB-2010-0018). Since 2011, NRG's rates have been adjusted in accordance with the OEB's Incentive Ratemaking (IRM) framework<sup>2</sup> using the Price Cap Incentive Rate-Setting option (Price Cap IR). The Price Cap IR provides for a mechanistic and formulaic adjustment to distribution rates and charges between cost of service proceedings.

In EB-2014-0274, NRG requested an extension of the Price Cap IR option for two more years, from October 1, 2014 to September 30, 2016, rather than file a cost of service application. The Board approved NRG's request. The current IRM application represents the last year of the Price Cap IR extension.

The OEB approves the proposed Price cap IR adjustment which results in an annual rate increase for a typical residential customer of \$8.64 for the period October 1, 2015 to September 30, 2016.

## 2 THE PROCESS

NRG filed its application on July 9, 2015. Union Gas Limited (Union) was the only intervenor in the proceeding and OEB staff participated.

OEB staff filed a submission on August 25, 2015 supporting NRG's proposed rate adjustments. OEB staff was satisfied with the Excel model generator submitted by NRG and the proposed calculations including income tax changes. Union did not file a submission.

NRG filed its reply submission on August 27, 2015 agreeing to the submissions of OEB staff.

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<sup>1</sup> The Application was made under section 36 of the OEB Act that states that an Order of the OEB is required for any gas transmitter, gas distributor or storage company to sell gas or charge for the transmission, distribution or storage of gas.

<sup>2</sup> EB-2014-0274

### 3 OEB DECISION

The OEB has reviewed the evidence and the submissions.

Under IRM, distribution rates are adjusted by a Price Cap IR adjustment. The adjustment is defined as an annual percentage change in an inflation factor, less the sum of a productivity factor and a stretch factor. For 2015<sup>3</sup> rates, the OEB has set the inflation factor at 1.6% and the productivity factor at zero percent. In NRG's previous IRM rates proceeding<sup>4</sup>, the OEB approved a stretch factor of 0.4%, which was 0.1% above the 0.3% mid-point applicable to electricity distributors in 2015. Consequently, NRG proposed a net Price Cap IR adjustment of 1.20% (i.e. 1.6 % - (0% + 0.4%)) for distribution rates effective October 1, 2015.

Apart from the formulaic change, NRG has requested recovery of additional costs related to changes in tax rates. NRG indicated that it no longer qualifies for the lower provincial tax rate applicable to companies with taxable capital less than \$15 million. This change has resulted in NRG paying higher income taxes in 2016 as compared to the amount included in rates. In accordance with the IRM Settlement Agreement in EB-2010-0018, changes in income tax are to be shared equally between NRG and its customers. Consequently, NRG has proposed to recover 50% of the \$34,103 increase in income taxes as a rate rider over a one year period. The OEB approves NRG's proposal.

In a prior decision<sup>5</sup>, the OEB expressed concerns with NRG's request for procuring natural gas from a related company, NRG Corp., at higher than market rates. The OEB directed NRG to file an independent study with a robust sensitivity analysis to determine volumes required from NRG Corp. to maintain system integrity within NRG's franchise area and to identify other potential natural gas suppliers that could supply NRG in a competitive market.

The OEB reminds NRG to file a complete study as per the OEB's directions in its next rates application, which should be on a cost of service basis.

The OEB is satisfied that the proposed rate adjustments reflect the IRM framework and Price Cap IR rate setting parameters approved by the OEB for 2015. The OEB approves the proposed rate changes effective October 1, 2015.

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<sup>3</sup> Report on Rate Setting Parameters and Benchmarking under the Renewed Regulatory Framework for Ontario's Electricity Distributors (December 4, 2013)

<sup>4</sup> EB-2014-0274

<sup>5</sup> EB-2010-0018 Decision and Order, May 17, 2012, pages 3-11

## 4 ORDER

### THE BOARD ORDERS THAT:

1. NRG shall file with the OEB and shall forward to Union a draft Rate Order attaching a proposed tariff of rates and charges on or before September 14, 2015.
2. OEB staff and Union shall file any comments on the draft Rate Order with the OEB and send to NRG by September 16, 2015
3. NRG shall file with the OEB and send to Union responses to any comments on its draft Rate Order by September 18, 2015
4. Pursuant to Section 30 of the *Ontario Energy Board Act, 1998*, NRG shall pay the OEB's costs of and incidental to this proceeding immediately upon receipt of the OEB's invoice.

All filings to the OEB must quote the file number, **EB-2015-0115** and be made electronically in searchable / unrestricted PDF format through the OEB's web portal at [www.pes.ontarioenergyboard.ca/eservice/](http://www.pes.ontarioenergyboard.ca/eservice/). Two paper copies must also be filed. 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 [www.ontarioenergyboard.ca/OEB/Industry](http://www.ontarioenergyboard.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 CD in PDF format, along with two paper copies. Those who do not have computer access are required to file seven paper copies.

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

### ADDRESS

Ontario Energy Board  
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Attention: Board Secretary

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**DATED** at Toronto, September 10, 2015

**ONTARIO ENERGY BOARD**

*Original signed by*

Kirsten Walli  
Board Secretary