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**RP-2002-0063**

**EB-2004-0210**

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**IN THE MATTER OF** the *Ontario Energy Board Act, 1998*,  
S.O. 1998, c.15 (Sched. B);

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**AND IN THE MATTER OF** an Application by Union Gas  
Limited for an order or orders approving or fixing just and  
reasonable rates for the sale, distribution and transmission and  
storage of gas as of April 1, 2004;

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**AND IN THE MATTER OF** the Quarterly Rate Adjustment  
Mechanism approved by the Ontario Energy Board.

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**BEFORE:**

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Paul Sommerville  
Presiding Member

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Art Birchenough  
Member

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**DECISION AND ORDER**

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Union Gas Limited filed with the Ontario Energy Board an application dated February 25, 2004,  
for an order or orders approving or fixing just and reasonable rates for the sale, distribution,  
transmission and storage of gas commencing April 1, 2004. The Application was made pursuant to  
Union's approved Quarterly Rate Adjustment Mechanism ("QRAM"). Union's Application has  
been given Board File No. RP-2003-0063/EB-2004-0210. Union provided its Application and  
evidence in support of the proposed changes to all parties of record in the RP-2003-0063 proceeding.

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A Notice of Written Hearing and Procedural Order No. 1, issued on February 27, 2003, allowed  
intervenor to provide comments by March 9, 2004, and required Union to respond by March 11,  
2004.

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By letter dated March 4, 2004, Union corrected its evidence to reflect two errors. First, the  
prospective recovery unit rate of 0.3417 cents/m<sup>3</sup> for inventory revaluation approved in the Board's

January 2004 QRAM Decision was inadvertently omitted from the rate calculations, and second, the prospective recovery unit rate credit of 0.0153 cents/m<sup>3</sup> for spot gas was inadvertently omitted from the calculation of the total amounts for prospective recovery.

Comments were received from IGUA, Superior Energy Management (“SEM”) and a coalition of the Federation of Northern Ontario (“FONOM”) and the City of Timmins and the City of Greater Sudbury (the “Cities”). IGUA indicated that it had no objections to the relief that Union was seeking. SEM requested that the Board not approve final disposition of the PGVA in this application until a more complete review of the evidence was possible.

In its reply, Union explained that it was not applying for final disposition of the PGVA in this application. Rather it was applying to prospectively recover the projected 12- month balances in the gas cost deferral accounts in order to avoid large, out of period adjustments.

FONOM and the Cities raised concerns about procedure, wording of the customer notice, transparency, and the north/south split. Union responded that similar issues had been raised by FONOM and the Cities in the January 2004 QRAM (EB-2003-0287) and that it had addressed those issues. Union provided a copy of its January 2004 QRAM response to intervenor comments.

With respect to the Load Balancing costs, the Board accepts Union’s request to prospectively recover these costs from all bundled customers. Previously the Board has approved the prospective recovery of load balancing costs as part of the QRAM. However, the Board cautions the Applicant that the decision from Union’s main rates case is pending and will address load balancing. Should that decision direct that load balancing costs be treated differently then an adjustment will have to be made to accommodate the rates decision.

Pursuant to the *Ontario Energy Board Act, 1998*, section 36 (4.1), the Board has considered all deferral account balances related to the commodity cost of gas and is adjusting rates, as set out below, to mitigate the potential impact of an increasing credit balance for the gas commodity related deferral accounts.

The Board has considered the evidence and finds that it is appropriate to adjust Union’s rates to reflect the projected changes in gas costs, and prospective recovery of the gas supply related deferral account balances. The Board also finds that it is appropriate to establish and/or adjust Union’s reference prices to reflect the projected changes in gas costs.

**THE BOARD THEREFORE ORDERS THAT:**

- 1 Rates and other charges as authorized by the Board’s previous QRAM (RP-2003-0063/EB-2003-0287) rate order are increased to reflect a projected increase in the Alberta Border Reference Price of \$0.84/GJ from \$5.480/GJ (20.7582 cents/m<sup>3</sup>) to \$6.320/GJ (23.9402 cents/m<sup>3</sup>). The rate changes set out in Appendix “A” and the rate schedules set out in Appendix “B” are approved effective April 1, 2004;

- 2           The rates pursuant to all contracts for interruptible service under Rates 16, 25, M5A, M7, and T1 shall be adjusted effective April 1, 2004, by the amounts set out in Appendix "C". The rates pursuant to contracts for interruptible service under Rate 25 shall be negotiated within the range for service, as adjusted and set out in Appendix "C"; 20
- 3           The reference price for use in determining the amounts to be recorded in the North Purchased Gas Variance Account (Deferral Account No. 179-105) is set at \$6.320/GJ (23.9402 cents/m<sup>3</sup>) effective April 1, 2004; 21
- 4           The reference price for use in determining the amounts to be recorded in the South Purchased Gas Variance Account (Deferral Account No. 179-106) is set at \$7.849/GJ (29.7320 cents/m<sup>3</sup>) effective April 1, 2004; 22
- 5           The South Portfolio Cost Differential is set at \$0.227/GJ (0.8599 cents/m<sup>3</sup>) effective April 1, 2004; 23
- 6           The reference price for use in determining the amounts to be recorded in the Spot Gas Variance Account (Deferral Account No. 179-107) is set at \$7.849/GJ (29.7320 cents/m<sup>3</sup>) effective April 1, 2004; 24
- 7           The reference price for use in determining the amounts to be recorded in the TCPL Tolls and Fuel - Northern and Eastern Operations Area deferral account (Deferral Account No. 179-100) is increased to \$6.320/GJ (23.9402 cents/m<sup>3</sup>) effective April 1, 2004; 25
- 8           The amount arising from the revaluation of the cost of gas inventory resulting from the change in the reference price shall be recorded in the Inventory Revaluation Account (Deferral Account No. 179-109); and 26
- 9           The appropriate form of notice shall be given to all customers with the first bill or invoice reflecting the new rate. The respective forms of the customer notices are set out in Appendix "D". 27

**DATED** at Toronto, March 16, 2004.

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ONTARIO ENERGY BOARD

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Peter H. O'Dell  
Assistant Secretary

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**APPENDIX "A" TO  
DECISION AND ORDER  
BOARD FILE NO: RP-2003-0063/EB-2004-0210  
DATED March 16, 2004**

The above Appendix is not currently available in electronic format but can be viewed at the Ontario Energy Board's Public File Room.

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**APPENDIX “B” TO  
DECISION AND ORDER  
BOARD FILE NO: RP-2003-0063/EB-2004-0210  
DATED March 16, 2004**

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**APPENDIX “C” TO  
DECISION AND ORDER  
BOARD FILE NO: RP-2003-0063/EB-2004-0210  
DATED March 16, 2004**

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**APPENDIX “D” TO  
DECISION AND ORDER  
BOARD FILE NO: RP-2002-0063/EB-2004-0210  
DATED March 16, 2004**

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