



RP-2002-0130

EB-2002-0492

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

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 July 1, 2002.

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

BEFORE:

Paul Sommerville
Presiding Member

Paul Vlahos
Vice-Chair and Member

DECISION AND ORDER

Union Gas Limited (“Union”) filed with the Ontario Energy Board (the “Board”) an Application (the “Application”) dated November 25, 2002, for an order or orders approving or fixing just and reasonable rates for the sale, distribution, transmission and storage of gas commencing January 1, 2003. The Application was made pursuant to Union’s Quarterly Rate Adjustment Mechanism (“QRAM”) to reflect forecast changes in Union’s gas costs. Union’s Application has been given Board File No. RP-2002-0130/EB-2002-0492.

Union provided its written Application and evidence in support of the proposed changes to all parties of record in the RP-2002-0130 proceeding.

A Notice of Written Hearing and Procedural Order No. 1, issued November 27, 2002, allowed intervenors to submit interrogatories by December 4, 2002, and required Union to respond by December 9, 2002. Procedural Order No. 1 also directed parties to file any response to Union’s Application

on or before December 12, 2002, and Union to file reply to any such submissions by December 16, 2002.

One submission was received from Direct Energy Marketing Limited (“Direct”). A response to the submission was also received from Union.

Direct supports Union’s proposal to change the commodity price to better reflect forecast costs. However, Direct is concerned that Union has not adjusted transportation rates since November 1, 2001, although TransCanada PipeLines Limited’s (“TCPL”) tolls have increased twice since that time. According to Direct, retailers have had to adjust their transportation rates twice to reflect the TCPL toll increases. Direct argues that Union’s failure to increase transportation tolls “has thus resulted in inconsistent price signals in the marketplace, to the detriment of competition for the sale of gas.” Direct also believes that the Board has not been provided with an accurate, and dis-aggregated forecast of the 2003 year-end balance for the TCPL Tolls and Fuel deferral account.

Direct submits that the points it raised result in a “deficiency in Union’s rates.” However, Direct also believes that there is insufficient evidence on “this written record to effect any warranted adjustment.” Direct would like the issues it raised be brought forward for further consideration.

In its reply submissions, Union noted that Direct supported Union’s application to change its commodity price using the current QRAM methodology. Union also noted that it could not change its TCPL toll to reflect its interim toll of \$1.203/GJ as the toll was approved ten days after Union submitted its QRAM application. Union also explained that it did not include a previously approved \$0.02/GJ increase in the TCPL toll because of workload to meet other proceedings before the Board during preparation of this application.

The Board notes Direct’s concerns and will consider the issues raised by Direct when it reviews the QRAM process.

The Board has considered the evidence and finds that it is appropriate to adjust Union’s rates and reference prices to reflect the evidence of changes in gas costs. The Board also finds it necessary to change the wording in Union’s customer information notices (Appendix “D”). [-:40]

The Board notes that, for the second and fourth quarters of 2002, there were forecast reductions in the price of gas at the Alberta border which were greater than the QRAM trigger threshold of \$0.05/GJ. Union is required to advise the Board promptly when this happens and indicate what it proposes to do. This did not happen. The Board directs Union to comply fully with its obligations under QRAM from this point on.

THE BOARD THEREFORE ORDERS THAT:

- 1 Rates and other charges as authorized by the Board’s RP-2001-0029 rate order are increased to reflect a projected \$0.18/GJ ($\$6.774/10^3\text{m}^3$) increase in the firm Alberta border WACOG from \$4.77/GJ ($\$179.495/10^3\text{m}^3$) to \$4.95/GJ ($\$186.269/10^3\text{m}^3$). The rate changes set out in Appendix

“A” [-:34] and the rate schedules set out in Appendix “B” [-:36] are approved effective January 1, 2003.

2 The rate schedules currently in effect (RP-2001-0029) and not superseded by the rate schedules set out in Appendix “B” are unchanged by this order. 21

3 The rates pursuant to all contracts for interruptible service under Rates 16, 25, M5A, M7, and T1 shall be adjusted effective January 1, 2003, by the amounts set out in Appendix “C” [-:38]. 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”. 22

4 The reference price for use in determining the amounts to be recorded in the Firm Supply Purchase Gas Variance Account (Deferral Account No. 179-80) is increased by \$0.18/GJ ($\$6.774/10^3\text{m}^3$) from \$4.77/GJ ($\$179.495/10^3\text{m}^3$) to \$4.95/GJ ($\$186.269/10^3\text{m}^3$), effective January 1, 2003. 23

5 The reference price for gas for determining the amounts to be recorded in the TCPL Tolls and Fuel - Southern Operations Area Deferral Account (Deferral Account No. 179-67) and the TCPL Tolls and Fuel - Northern and Eastern Operations Area Deferral Account (Deferral Account No. 179-100) with respect to fuel gas is increased by \$0.18/GJ ($\$6.774/10^3\text{m}^3$) from \$4.77/GJ ($\$179.495/10^3\text{m}^3$) to \$4.95/GJ ($\$186.269/10^3\text{m}^3$), effective January 1, 2003. 24

6 The reference prices for use in determining the amounts to be recorded in the Other Purchased Gas Costs Account (Deferral Account No. 179-68) is increased by \$0.196/GJ ($\$7.373/10^3\text{m}^3$) from \$6.324/GJ ($\$237.990/10^3\text{m}^3$) to \$6.520/GJ ($\$245.362/10^3\text{m}^3$). 25

7 Following the practice established in previous QRAM orders, the amount arising from the revaluation of the cost of gas in inventory at January 1, 2003, shall be recorded in the Other Purchased Gas Cost Account (Deferral Account No. 179-68). 26

8 The forms of customer notice set out in Appendix “D” [-:40] are approved, with the following amendment: 27

Union Gas’s costs to purchase natural gas have increased, resulting in an increase in the rate Union Gas charges its customers. 28

shall be replaced with: 29

Union’s forecast cost to purchase natural gas has increased, resulting in an increase in the rate Union Gas charges its customers. 30

The appropriate form of notice shall be given to all customers with the first bill or invoice reflecting the new rate. The notices in the RP-2001-0029 Rate Order that are not superseded by the notices set out in Appendix “D” are unchanged by this order. 31

DATED at Toronto, December 16, 2002.

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ONTARIO ENERGY BOARD

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Paul B. Pudge
Board Secretary

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**APPENDIX "A" TO DECISION AND ORDER
BOARD FILE NO. RP-2002-0130/EB-2002-0492
DATED DECEMBER 16, 2002**

Rate Schedules and Changes [[oeb:12L9W-0:1](#)]

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**APPENDIX “B” TO DECISION AND ORDER
BOARD FILE NO. RP-2002-0130/EB-2002-0492
DATED DECEMBER 16, 2002**

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Rate Schedules and Changes [[oeb:12L9W-0:1](#)]

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**APPENDIX “C” TO DECISION AND ORDER
BOARD FILE NO. RP-2002-0130/EB-2002-0492
DATED DECEMBER 16, 2002**

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Rate Schedules and Changes [[oeb:12L9W-0:1](#)]

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**APPENDIX “D” TO DECISION AND ORDER
BOARD FILE NO. RP-2002-0130/EB-2002-0492
DATED DECEMBER 16, 2002**

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Customer Notices [[oeb:12L9W-0:1](#)]

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