



RP-2003-0063

EB-2003-0087

EB-2003-0097

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 and other charges for the sale, distribution, transmission, and storage of gas for the period commencing January 1, 2004.

BEFORE:

Paul B. Sommerville
Presiding Member

Arthur Birchenough
Member

RATE ORDER
(for rates effective January 1, 2004)

On May 2, 2003, Union Gas Limited (“Union”) filed an application (the “Application”) with the Ontario Energy Board (the “Board”) under section 36 of the Ontario Energy Board Act, S.O. 1998 c.15, Schedule B. The Application was for an order or orders approving or fixing just and reasonable rates and other charges for the sale, distribution, storage, and transmission of gas effective January 1, 2004. The Board assigned file number RP-2003-0063 to the Application

On November 19, 2003, the Board issued Accounting Orders for gas supply related deferral accounts as applied for under RP-2003-0063.

The Board issued its Decision With Reasons on March 18, 2004.

On April 16, 2004, Union provided a draft rate order and supporting documentation to the Board and intervenors. Union proposed to implement new rates May 1, 2004, and to combine the cumulative 2004 rate adjustments with the 2003 deferral account balances and dispose of the total balance, for all rate classes except M7, T1, M12, M13, M16, and C1, through a temporary charge or credit in rates between May 1, 2004 and December 31, 2004. Union proposed to dispose of the total balances for rate classes M7, T1, M12, M13, M16, and C1 through a one-time charge or credit based on 2003 consumption on the first billing cycle after May 1, 2004. Intervenor was allowed until April 23, 2004 to seek clarifications from Union and to make submissions to the Board with respect to Union's draft rate order.

THE BOARD THEREFORE ORDERS THAT:

1. The rate changes set out in Appendix "A" and the rate schedules set out in Appendix "B" are approved effective January 1, 2004. Union shall implement these rates on the first billing cycle on or after May 1, 2004. With the exception of customer-supplied fuel under Rate T1, T3, M12, M13, M16, and C1, variances between the rates charged to customers during the period January 1, 2004 to April 30, 2004 and the rates approved herein shall form part of the adjustment to be recovered from each rate class at the time that new rates are implemented.

For customers taking service in the Northern and Eastern Operations area and ex-franchise storage and transportation rates, the adjustments for the period January 1, 2004 to April 30, 2004 shall be calculated using RP-2003-0063 rates effective January 1, 2004

For customers taking service under in-franchise rates applicable to Union's Southern Operations area, excluding Rate M5A and T1 customers, the adjustments for the period January 1, 2004 to April 30, 2004 shall be calculated using RP-2003-0063 rates effective January 1, 2004, net of amounts related to the reduction of the DCC payment. For Southern Operations area Rate M5A and Rate T1 customers, the adjustments for the period January 1, 2004 to April 30, 2004 shall be based on 2004 approved rates net of amounts related to the reduction of the DCC payment and prior to modifying the rate structure as approved in the RP-2003-0063 Decision With Reasons.

2. Union shall combine the cumulative 2004 rate adjustments between January 1, 2004 and April 30, 2004 and the 2003 deferral accounts balances, net of the projected deferral amounts recovered in 2003, for Rates 01, 10, 20, 100, 25, 16, 77, M2, M4, M5A, M6A, T3, M9, M10, U2, U5, and U9. To avoid the imposition of one-time charges/credits, Union shall dispose of this total balance prospectively on a rate class basis, through a temporary charge or credit in rates between May 1, 2004 and December 31, 2004, as set out in Appendix "A".

3. The 2004 demand forecast shall be reduced to reflect the 2003 Demand Side Management ("DSM") unaudited volume savings. The 2004 demand forecast shall be reduced to reflect 50 percent of the forecast 2004 DSM volume savings of $58.1 \times 10^6 \text{m}^3$.

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- Consistent with the Board’s direction in the RP-2002-0130 Decision With Reasons to eliminate the DCC, Union shall reduce the DCC payment by a further 20 percent, from \$3.40/103m3 to \$2.55/103m3. This change shall be implemented prospectively with rate implementation on May 1, 2004.
- 519
- The Monthly Charge in Rate M2 and Rate 01 shall increase from \$10 to \$14 over a two-year period with the initial increase to \$12 effective January 1, 2004. The Monthly Charge in Rate 10 shall increase from \$50 to \$70 effective January 1, 2004. A monthly charge of \$500 shall be introduced in Rate M5A effective May 1, 2004.
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- In accordance with the Board Finding in Section 2.4(a) of the RP-2003-0063 Decision With Reasons, the one-time component of the GDAR O&M costs shall be amortized and expensed over three years.
- 721
- In accordance with the Board Finding in Section 6.0 of the RP-2003-0063 Decision With Reasons, the O&M costs for providing rate rider functionality shall be amortized and expensed over three years.
- 822
- In accordance with the Board Finding in Section 5.0 of the RP-2003-0063 Decision With Reasons, Union shall continue the use of the historic cost drivers to calculate the capitalization of overheads.
- 923
- The rates pursuant to all contracts for interruptible service under Rates M5A, M7, T1, 16, and 25 shall be adjusted effective May 1, 2004 by the amounts set out in Appendix “C”. Union shall implement 2004 changes in rates on the first billing cycle after May 1, 2004.
- 1024
- The customer notices in Appendix “D” shall be given to all customers with the first bill or invoice reflecting the new rate.
- 1125
- The deferral account balances as at December 31, 2003, totalling a credit of \$17.873 million as set out in Appendix “E” including interest up to April 30, 2004, are approved for disposition with the implementation of the 2004 rates.
- 1226
- Union shall charge the fees as set out in Appendix “F” for non-energy charges.
- 1327
- Union shall comply with the Board directives set out in Appendix “G”.
- 1428
- Union shall close the following deferral accounts subsequent to the disposition of the December 31, 2003 balances in accordance with Section 10.2 of the RP-2003-0063 Decision With Reasons:
- 29

179-101 Incremental Unbundling Costs
179-104 Pipeline Integrity Costs

15 Union shall close the following deferral accounts subsequent to the disposition of the December 31, 2003 balances, pursuant to the approval given by the Board its RP-2003-0063/EB-2003-0087/EB-2003-0097 Accounting Orders dated November 19, 2003: 30

179-67 TCPL Tolls & Fuel - Southern Operations Area
179-68 Other Purchased Gas Costs
179-80 Firm Supply Purchase Gas Variance 31

16 Union shall close Deferral Account No. 179-71 and transfer the account balance to Deferral Account No. 179-70. Account No. 179-70 will be renamed "Short-term Storage and Other Balancing Services Deferral Account." The accounting order for Deferral Account No. 179-70 shall be amended to reflect the name change and operation of the account so that the net revenue generated from short-term storage services (previously recorded in Account No. 179-71) will also be recorded in the account. 32

17 Union shall maintain the following deferral accounts in accordance with Appendix "H": 33

179-26 Deferred Customer Rebates/Charges
179-56 Comprehensive Customer Information Program
179-60 Direct Purchase Revenues and Payments
179-69 Transportation & Exchange Services
179-70 Short-term storage and Other Balancing Services
179-72 Long-term Peak Storage Services
179-73 Other S&T Services
179-74 Other Direct Purchase Services
179-75 Lost Revenue Adjustment Mechanism ("LRAM")
179-89 Heating Value
179-100 TCPL Tolls and Fuel - Northern and Eastern Operations Area
179-102 Intra-Period WACOG Charges
179-103 Unbundled Services Unauthorized Storage Overrun
179-105 North Purchase Gas Variance Account
179-106 South Purchase Gas Variance Account
179-107 Spot Gas Variance Account
179-108 Unabsorbed Demand Cost ("UDC") Variance Account
179-109 Inventory Revaluation Account
179-111 Demand Side Management Variance Account
179-112 Gas Distribution Access Rule ("GDAR") Costs 34

18 The accounting order for Deferral Account No. 179-107 shall be amended to reflect the Board's findings on Union's Load Balancing and March Park proposals. 35

19 The accounting order for Deferral Account No. 179-75 shall be amended with respect to the determination of volume savings recorded in the account. The variance between the actual volume savings achieved and the 2004 target savings included in rates (instead of total savings achieved) 36

shall be recorded in this deferral account. Any adjustment from the evaluation process and audit of 2003 DSM volumes shall also be recorded in this LRAM deferral account.

- 20 Union shall establish Deferral Account No. 179-111 to record any over- or under-spending of the approved direct DSM expenditure budget for 2004 only. 37
- 21 Union shall establish Deferral Account No. 179-112 to record the difference between the costs Union forecast it would incur and the actual costs incurred to achieve compliance with the Gas Distribution Access Rule. 38
- 22 Union shall apply to rate classes M7 and T1 the unit rates set to recover rate retroactivity and deferral account disposition in accordance with Appendix "I". 39
- 23 Union shall pay the balance of the Intervenor's costs as authorized in the Board's RP-2003-0063 Decision With Reasons, forthwith upon receipt of the Board's Cost Orders 40
- 24 Union shall pay the Board's costs of, and incidental to, this proceeding immediately upon receipt of the Board's invoice. 41

DATED at Toronto, April 27, 2004 42

ONTARIO ENERGY BOARD

Peter H. O'Dell
Acting Board Secretary

**APPENDIX "A" TO
2004 RATE ORDER
DATED April 27, 2004
in respect of
BOARD FILE No. RP-2003-0063**

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

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**APPENDIX “B” TO
2004 RATE ORDER
DATED April 27, 2004
in respect of
BOARD FILE No. RP-2003-0063**

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**APPENDIX “C” TO
2004 RATE ORDER
DATED April 27, 2004
in respect of
BOARD FILE No. RP-2003-0063**

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**APPENDIX “D” TO
2004 RATE ORDER
DATED April 27, 2004
in respect of
BOARD FILE No. RP-2003-0063**

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**APPENDIX “E” TO
2004 RATE ORDER
DATED April 27, 2004
in respect of
BOARD FILE No. RP-2003-0063**

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**APPENDIX “F” TO
2004 RATE ORDER
DATED April 27, 2004
in respect of
BOARD FILE No. RP-2003-0063**

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**APPENDIX “G” TO
2004 RATE ORDER
DATED April 27, 2004
in respect of
BOARD FILE No. RP-2003-0063**

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**APPENDIX “H” TO
2004 RATE ORDER
DATED April 27, 2004
in respect of
BOARD FILE No. RP-2003-0063**

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**APPENDIX "I" TO
2004 RATE ORDER
DATED April 27, 2004
in respect of
BOARD FILE No. RP-2003-0063**

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