



RP-2003-0063
EB-2004-0499

IN THE MATTER OF the *Ontario Energy Board Act*;

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

BEFORE: Paul Vlahos
Presiding Member

Art Birchenough
Member

Jan Carr
Vice Chair and Member

DECISION AND ORDER

Union Gas Limited ("Union") filed an application (the "Application") dated November 26, 2004, with the Ontario Energy Board (the "Board") for an order or orders approving or fixing just and reasonable rates for the sale, distribution, transmission, and storage of gas commencing January 1, 2005. The Application was made pursuant to Union's Board-approved Quarterly Rate Adjustment Mechanism. Union's Application was given Board File No. RP-2003-0063/EB-2004-0499. Union also provided its Application and evidence in support of the proposed changes to all parties of record in the last main rates proceeding, RP-2003-0063.

A Notice of Written Hearing and Procedural Order No. 1, dated November 30, 2004, set the deadline for submissions on the Application as December 3, 2004. Union was required to respond to any such submissions by December 7, 2004.

The Board received one submission on the Application, dated December 3, 2004, from the Industrial Gas Users Association ("IGUA"). While IGUA was satisfied that Union's proposal was consistent with past practice and the Board approved QRAM process, IGUA questioned why Union's Application did not reflect the lower interim tolls, effective January 1, 2005, as applied for in the letter of November 22, 2004, from TransCanada PipeLines Limited ("TCPL") to the National Energy Board ("NEB").

By letter dated December 7, 2004, Union replied that the proposed decrease had not been approved by the NEB and, consistent with past practice, Union would apply to pass through approved TCPL toll changes in the next QRAM following NEB approval of TCPL's request. In the meantime, Union would record differences between the TCPL tolls reflected in rates and the tolls charged by TCPL in Union's appropriate deferral account.

The Board has considered the evidence and finds that it is appropriate to adjust Union's rates effective January 1, 2005 to reflect the projected changes in gas costs and prospective recovery of the projected twelve-month balances of the gas supply deferral accounts for the period ending December 31, 2005. The Board also finds that it is appropriate to adjust Union's reference prices to reflect the projected changes in gas costs.

The Board notes that since the last QRAM Decision for rates effective October 1, 2004, under docket number RP-2003-0063/EB-2004-0416, the Board has approved changes to rates for 2005, effective January 1, 2005, under docket number RP-2003-0063/EB-2004-0480. This Rate Order supercedes the Rate Order attached to the Board's Decision and Order in RP-2003-0063/EB-2004-0480.

THE BOARD THEREFORE ORDERS THAT:

1. Rates and other charges as authorized by the Board's previous QRAM (RP-2003-0063/EB-2004-0416) rate order be increased to reflect a projected increase in the Alberta Border Reference Price of \$0.439/GJ (1.6589 ¢/m³) from \$7.373 /GJ (27.8626 ¢/m³) to \$7.812/GJ (29.5215 ¢/m³). The resulting rate changes set out in Appendix "A" and the rate schedules set out in Appendix "B" are approved effective January 1, 2005;
2. The rates pursuant to all contracts for interruptible service under Rates 16, 25, M5A, M7, and T1 be adjusted effective January 1, 2005, 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 as adjusted in Appendix "C";
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) be set at the Alberta Border Reference Price of \$7.812/GJ (29.5215 ¢/m³) effective January 1, 2005;
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) be set at the Ontario Landed Reference Price of \$9.341/GJ (35.2996 ¢/m³) effective January 1, 2005;
5. The South Portfolio Cost Differential be set at \$0.117/GJ (0.4421 ¢/m³) effective January 1, 2005;

6. The reference price for use in determining the amounts to be recorded in the Spot Gas Variance Account (Deferral Account No. 179-107) be set at the Ontario Landed Reference Price of \$9.341/GJ (35.2996 ¢/m³) effective January 1, 2005;
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) with respect to fuel gas is increased by \$0.439/GJ (1.6589 ¢/m³) to \$7.812/GJ (29.5215 ¢/m³) effective January 1, 2005;
8. The inventory revaluation credit resulting from changes in the reference price as of January 1, 2005, be recorded in the Inventory Revaluation Account (Deferral Account No. 179-109); and
9. The respective forms of the customer notices set out in Appendix "D" be given to all customers with the first bill or invoice reflecting the new rates.

DATED at Toronto, December 16, 2004.

On behalf of the Panel

Original signed by

Peter H. O'Dell
Assistant Board Secretary

APPENDIX "A" TO
DECISION AND ORDER
BOARD FILE No. RP-2003-0063/EB-2004-0499
DATED DECEMBER 16, 2004

Peter H. O'Dell
Assistant Board Secretary

APPENDIX "B" TO
DECISION AND ORDER
BOARD FILE No. RP-2003-0063/EB-2004-0499
DATED DECEMBER 16, 2004

Peter H. O'Dell
Assistant Board Secretary

APPENDIX "C" TO
DECISION AND ORDER
BOARD FILE No. RP-2003-0063/EB-2004-0499
DATED DECEMBER 16, 2004

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Assistant Board Secretary

APPENDIX "D" TO
DECISION AND ORDER
BOARD FILE No. RP-2003-0063/EB-2004-0499
DATED DECEMBER 16, 2004

Peter H. O'Dell
Assistant Board Secretary