



EB-2005-0531

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, pursuant to section 36(1) of the *Ontario Energy Board Act, 1998*, for an order or orders approving or fixing just and reasonable rates and other charges for the sale, distribution, transmission, and storage of gas as of January 1, 2006;

AND IN THE MATTER OF the Quarterly Rate Adjustment Mechanism approved by the Ontario Energy Board in RP-2003-0063.

BEFORE: Bob Betts
Presiding Member

Cathy Spoel
Member

DECISION AND ORDER

Union Gas Limited (“Union”) filed an application (the “Application”) dated November 25, 2005, with the Ontario Energy Board (the “Board”) for an order or orders approving or fixing just and reasonable rates and other charges for the sale, distribution, transmission, and storage of gas commencing January 1, 2006. The Application was made pursuant to Union’s approved Quarterly Rate Adjustment Mechanism (“QRAM”). Union also provided the Application and evidence supporting the proposed changes to all parties of record in the last main rates proceeding, EB-2005-0449. The Board assigned file number EB-2005-0531 to the Application.

On November 29, 2005, the Board issued a Notice of Written Hearing and Procedural Order No. 1 setting December 5, 2005 as the deadline for submissions on the Application and December 7, 2005 as the deadline for Union’s reply submissions. In a

letter dated December 2, 2005, Mr. Scully of the Federation of Northern Ontario Municipalities (FONOM) and the cities of Greater Sudbury and Timmins (Cities) made a submission with five questions of Union regarding the Application. Union provided responses on December 5, 2005 and the Board received no objection to the responses. IGUA submitted a letter indicating that it did not oppose the Application and that Union's request for the Delivery Commitment Credit ("DCC") elimination was appropriate.

The Board has considered the evidence and finds that it is appropriate to adjust Union's rates effective January 1, 2006 to reflect the projected changes in gas costs and the prospective recovery of the projected twelve-month balances of the gas supply deferral accounts for the period ending December 31, 2006. 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 the Application also included a request to implement the final 20% of the annual DCC reduction in the delivery rates effective January 1, 2006. This request stems from the Board's EB-2005-0449 Decision concerning Union's 2006 rates. While it is unusual for the Board to consider non-QRAM matters in a QRAM application, there were no objections to Union's proposal. The Board therefore accepts the DCC elimination for implementation on January 1, 2006. The Board also notes the Company's intention to continue the earnings sharing mechanism currently in place, into 2006. The Board notes that this was also directed by the Board in its EB-2005-0449 Decision.

THE BOARD THEREFORE ORDERS THAT:

1. The Alberta Border Reference Price used to set Union's rates and other charges be established at \$10.859/GJ (40.8950 ¢/m³). This represents an increase in the Alberta Border Reference Price previously established through Board Decision and Order EB-2005-0462 (\$9.075/GJ or 34.1765 ¢/m³). The resulting rate changes set out in Appendix "A" and the rate schedules set out in Appendix "B" shall be effective January 1, 2006;
2. The rates pursuant to all contracts for interruptible service under Rates 16, 25, M5A, M7, and T1 be adjusted effective January 1, 2006, 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 \$10.859/GJ (40.8950 ¢/m³) effective January 1, 2006;
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 \$12.452/GJ (46.8942 ¢/m³) effective January 1, 2006;
5. The South Portfolio Cost Differential be set at \$0.050/GJ (0.1883 ¢/m³) effective January 1, 2006;
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 \$12.452/GJ (46.8942 ¢/m³) effective January 1, 2006;
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 be set at the Alberta Border Reference Price of \$10.859/GJ (40.8950 ¢/m³) effective January 1, 2006;
8. The inventory revaluation credit resulting from changes in the reference price as of January 1, 2006, 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 12, 2005

Original signed by

Peter H. O'Dell
Assistant Board Secretary

APPENDIX "A" TO
DECISION AND ORDER
BOARD FILE No. EB-2005-0531
DATED DECEMBER 12, 2005

APPENDIX "B" TO
DECISION AND ORDER
BOARD FILE No. EB-2005-0531
DATED DECEMBER 12, 2005

APPENDIX "C" TO
DECISION AND ORDER
BOARD FILE No. EB-2005-0531
DATED DECEMBER 12, 2005

APPENDIX "D" TO
DECISION AND ORDER
BOARD FILE No. EB-2005-0531
DATED DECEMBER 12, 2005