

September 20, 2017

Ms. Kirsten Walli
OEB Secretary
Ontario Energy Board
2300 Yonge Street, 27th Floor
Toronto, ON M4P 1E4

Dear Ms. Walli:

Re: EB-2017-0087 – Union Gas Limited – 2018 Rates Application

Please find attached an application by Union Gas Limited for an order of the Ontario Energy Board (the “OEB”) approving or fixing rates for the distribution, transmission and storage of natural gas, effective January 1, 2018.

Union’s supporting evidence will be filed at a later date. The application has been filed in advance of the evidence to expedite the application process. Union’s evidence will address each of the factors underlying the price cap index set out in Union’s OEB-approved 2014-2018 Incentive Regulation (“IR”) application (EB-2013-0202), Settlement Agreement and supporting evidence (together the “Agreement”), approved on October 7, 2013. In addition, Union’s supporting evidence for 2018 Rates will include:

- The cost consequences of the Panhandle Reinforcement Project (EB-2016-0186),
- Changes to Union North storage and transportation rates in accordance with the OEB-approved Dawn Reference Price Settlement Proposal (EB-2015-0181),
- Rate schedule changes, and
- A request to close the Energy East Pipeline Consultation Costs Deferral Account (No. 179-139).

If the proposed 2018 rate changes are approved by the OEB, the net annual bill increase for a typical Union South residential customer consuming 2,200 m³ per year will be \$9 - \$10 per year and the net annual bill increase for a typical Union North residential customer consuming 2,200 m³ per year will range from \$11 - \$14 per year.

Union seeks the OEB’s issuance of the final Rate Order by November 30, 2017 to ensure the implementation of 2018 rates by January 1, 2018. In the event that the OEB does not issue a rate order by November 30, 2017 for implementation, Union seeks an Order of the OEB declaring interim approval of Union’s rates as filed, as of January 1, 2018. Union proposes to deal with any retrospective impact of the OEB’s Decision through a rate rider for general service rate classes and a one-time adjustment for all other rate classes, which

will recover any changes in rates ultimately approved by the OEB's order with effect from January 1, 2018.

Yours truly,

[Original signed by]

Adam Stiers
Manager, Regulatory Initiatives

c.c.: EB-2016-0245 Intervenors
Crawford Smith, Torys

ONTARIO ENERGY BOARD

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,
2018.

APPLICATION

1. Union Gas Limited is a business corporation incorporated under the laws of the Province of Ontario, with its head office in the Municipality of Chatham-Kent.
2. Union conducts both an integrated natural gas utility business that combines the operations of distributing, transmitting and storing natural gas, and a non-utility storage business.
3. Union was an applicant in a proceeding before the Ontario Energy Board (“OEB”) for an order of the OEB approving or fixing a multi-year incentive rate mechanism (“IRM”) to determine rates for the regulated distribution, transmission and storage of natural gas (EB-2013-0202).
4. Union filed an IRM application with the OEB on July 31, 2013. The application was supported by a comprehensive Settlement Agreement (the “Agreement”) between Union and stakeholders. The stakeholders party to the Agreement were parties who participated in Union’s 2008-2012 IRM proceeding and in the annual rate proceedings throughout the last IRM term. The proposed IRM parameters in the Agreement were supported by evidence and reports. The OEB approved the Agreement on October 7, 2013.

5. Union's OEB-approved Agreement sets out a multi-year incentive ratemaking mechanism IRM for calendar years 2014 to 2018. The framework includes a price cap index ("PCI"), where rates are a function of: an inflation factor ("I factor"), a productivity factor ("X factor"), certain non-routine adjustments ("Z factors"), certain predetermined pass-throughs ("Y factors") and an adjustment for normalized average consumption ("NAC") to reflect changes in consumption in the general service rate classes.
6. The IRM contemplates the filing by Union of an application for Z factor adjustments, structural rate design changes or the pricing of new regulated services in a time frame that will enable these issues to be resolved in sufficient time to be reflected prospectively in the next year's rates. This requires the filing of a draft Rate Order with supporting documentation which reflects the impact of the PCI pricing formula so that a final Rate Order will be issued for implementation by January 1, 2018.
7. Union hereby applies to the OEB, pursuant to section 36 of the Act and pursuant to the annual rate-setting process underlying the IRM in the Agreement, for an order or orders approving or fixing just and reasonable rates and other charges for the sale, distribution, transmission and storage of natural gas effective January 1, 2018.
8. Union further applies to the OEB for the following:
 - a. Approval of the revised Accounting Order for the Panhandle Reinforcement Project Costs Deferral Account; and,
 - b. All necessary orders and directions concerning pre-hearing and hearing procedures for the determination of this application.
9. This application is supported by written evidence and may be amended from time to time as circumstances require.
10. The persons affected by this application are the customers resident or located in the municipalities, police villages and First Nations reserves served by Union, together with those to whom Union sells gas, or on whose behalf Union distributes, transmits or stores

natural gas. It is impractical to set out in this application the names and addresses of such persons because they are too numerous.

11. The address of service for Union is:

Union Gas Limited

P.O. Box 2001
50 Keil Drive North
Chatham, Ontario
N7M 5M1

Attention: Adam Stiers
Manager, Regulatory Initiatives
Telephone: (519) 436-4558
Fax: (519) 436-4641

- and -

Torys
Suite 3000, TD South Tower
P.O. Box 270
Toronto Dominion Centre
Toronto, Ontario
M5K 1N2

Attention: Crawford Smith
Telephone: (416) 865-8209
Fax: (416) 865-7380

DATED September 20, 2017.

UNION GAS LIMITED

[Original signed by]

Adam Stiers
Manager, Regulatory Initiatives