

May 18, 2012

Ms. Kirsten Walli
Board Secretary
Ontario Energy Board
2300 Yonge Street
Suite 2700
Toronto, Ontario, M4P 1E4

Dear Ms. Walli:

RE: EB-2012-0206 - Submissions of London Property Management Association

Please find attached the submissions of the London Property Management Association in the above noted proceeding.

Sincerely,

Randy Aiken

Randy Aiken
Aiken & Associates

Encl.

cc: Chris Ripley Union Gas Limited (e-mail)
Crawford Smith, Torys (e-mail)
Intervenors, (e-mail)

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

AND IN THE MATTER OF an Application by Union Gas
Limited for an Order or Orders amending or varying the rate or
rates charged to customers as of October 1, 2011;

AND IN THE MATTER OF a proceeding commenced by the
Ontario Energy Board on its own motion to determine the accuracy
of the calculation of margin sharing related to Deferral Account
179-70 - Short-Term Storage and Other Balancing Services.

SUBMISSIONS OF THE

LONDON PROPERTY MANAGEMENT ASSOCIATION

I. INTRODUCTION

These are the submissions of the London Property Management Association (“LPMA”) in the matter of a Notice of Motion to Review, Notice of Motion Hearing dated May 2, 2012.

The Canadian Manufacturers & Exporters ("CME") raised a number of issues with respect to the margin sharing calculation in the Short-Term Storage Account by way of a letter dated March 27, 2012. Union Gas ("Union") filed a letter responding to the CME letter on April 5, 2012. CME filed a subsequent letter on April 16, 2012, and Union filed a further letter on April 19, 2012.

As part of the May 2, 2012 Notice of Motion to Review, Notice of Motion and Procedural Order No. 1, the Board determined that the correction requested by CME in regards to the margin sharing calculation in the Short-Term Storage Account raised issues with respect to the calculation which warranted further review by the Board. The Board, therefore, determined that it would commence a review proceeding on its own motion pursuant to Rule 43.01 of the Rules to review its EB-2011-0038 Decision and Rate Order as it related to the issue of the calculating the amount of margin sharing in the Short-Term Storage Account.

II. BOARD DECISION

The Board's Decision and Order on Draft Rate Order dated February 29, 2012 clearly stated that (page 5):

"The Board's findings in this proceeding result in the sharing with ratepayers of all net revenues (minus a 10% incentive payment as set out in the NGEIR Decision⁷) in the Short-term Storage Account as it is a utility asset which is supporting these transactions."

The Board also made an explicit finding that the ratepayer share of the 2012 net short-term revenues should be \$0.831 million. This figure was based on changing the sharing in the Short-Term Storage and Other Balancing Services Deferral Account (No. 179-70).

In the NGEIR Decision (EB-2005-0551 dated November 7, 2006) the Board found that a 79%/21% sharing of the amounts in favour of ratepayers (or the utility portion versus the non-utility portion). The Board further found that an incentive of 10% of the ratepayer portion of the short-term margins for Union was appropriate. The figure of \$0.831 million noted by the Board in the February 29, 2012 Decision and Order reflected the removal of the 21% non-utility share of the margins.

The calculation did not, however, take into account that rates already included a credit to ratepayers of \$11.254 million, as was pointed out in Union's February 17, 2012 Reply Submissions. The calculation of the amount to be shared with ratepayers in the Short-Term Storage and Other Balancing Services Deferral Account (No. 179-70) should have reflected the Board's findings in the EB-2011-0038 proceeding that the 21% non-utility share of the net revenues in this account was to be eliminated. LPMA believes that this is at the heart of the difference in the amount to be credited to ratepayers.

III. CALCULATION OF THE AMOUNT TO BE REFUNDED TO RATEPAYERS

In the February 2, 2012 Draft Rate Order at Appendix C, Schedule 2, Union provided a calculation of the ratepayer amount associated with the Short-Term Storage and Other Balancing Services Deferral Account. The net margin of \$16.753 in the account less the Board approved figure of \$15.829 resulted in an excess of \$0.924 million to be shared. Union continued to show a sharing percentage of 71.1%, resulting in a ratepayer credit of \$0.657 million. The 71.1% share is the product of the 79% of the utility/non-utility split and the 90% ratepayer share of the utility figure. Replacing the 71.1% with the 90% share (i.e. reflecting the elimination of the 21% non-utility portion of the excess) increased the ratepayer share to 90% of the excess of \$0.924 million, or \$0.831 million.

However, as noted above, the credit included in rates is only \$11.254 million. LPMA submits that the calculation of the excess amount in the deferral account should have reflected a change in the Board approved amount of \$15.829 million to \$12.504 million, being the \$11.254 million grossed up to reflect the 90% ratepayer share.

As can be seen in the correspondence between Union and CME the \$15.829 million was the Board approved forecast included in the calculation of the excess amounts in the account for 2007 through 2009. In 2008 and 2009 the amount of \$15.829 million was maintained as the Board approved forecast by reducing the credit embedded in rates by \$2.992 million, from

\$14.246 million in 2007 to \$11.254 for 2008 and 2009. The same net result and sharing would have resulted if the Board approved forecast for 2008 and 2009 had been reduced from \$15.829 million by \$3.324 million to \$12.504 million.

Throughout its correspondence on this issue with CME, Union refers to the Board approved forecast in the deferral account and the amount of \$15.829 million as if they were one and the same. LPMA disagrees. The wording in the Short-Term Storage and Other Balancing Services Deferral Account (No. 179-70) is as follows:

"To record, as a debit (credit) in Deferral Account No. 179-70 the difference between actual net revenues for Short-term Storage and Other Balancing Services including: C1 Off-Peak Storage, Gas Loans, Consumers' LBA, Supplemental Balancing Services, C1 Firm Peak Storage, C1 Firm Short-term deliverability and M12 Interruptible deliverability and the net revenue forecast for these services as approved by the Board for ratemaking purposes."

There is no fixed Board approved net revenue forecast included in the deferral account.

LPMA submits that the Board's findings in the EB-2011-0038 Decision were clear. The 100 PJs of storage is the utility asset. All net revenues generated through the use of this asset should accrue to the ratepayers, less the 10% incentive payment as set out in the NGEIR Decision.

The "clear outcome of its findings" as expressed by the Board on page 5 of the its' Decision and Order on Draft Rate Order dated February 29, 2012 is that the Board approved forecast used in the calculation of the excess amount included in the deferral account must be adjusted for the removal of the 21%, or \$2.992 million, share of the net revenues that are no longer to be shared with the non-utility operations.

The total net revenue in 2010 was \$16.753 million. The adjusted Board approved forecast for calculating the excess in the deferral account is \$12.504 million, leaving an excess of \$4.249 million. The ratepayer share of this amount is 90%, or \$3.824 million, which is the amount requested by CME.

The LPMA approach is an alternative approach to that of CME and leads to the same conclusion as the CME approach. It also corresponds with the figures calculated in the submissions of Board Staff and the City of Kitchener. LPMA further notes that there is nothing in the wording of the deferral account that would preclude this approach.

In summary, Union did not remove its 21% share of the original \$15.829 in the calculation of the amount to be credited to ratepayers. LPMA submits that the Board's findings in EB-2011-0038

clearly indicated that Union was no longer entitled to anything but 10% of the short-term net revenues. This results in a credit to ratepayers of \$3.824 million, not \$0.831 million.

IV. COSTS

LPMA requests that it be awarded 100% of its reasonably incurred costs for participating in this proceeding.

All of which is respectfully submitted this 18th day of May, 2012.

Randall E. Aiken

Randall E. Aiken
Consultant to
London Property Management Association