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May 30, 2012

Ms. Kirsten Walli
Board Secretary
Ontario Energy Board
P.O. Box 2319
2300 Yonge Street, 27th Floor
Toronto, ON M4P 1E4

Dear Ms. Walli:

**Re: EB-2012-0206
Union Gas Limited – Short Term Storage Margin**

This is the reply submission of Union Gas Limited in response to the motion brought by the Board to review its Final Rate Order in EB-2011-0038.

Yours truly,



Crawford Smith

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CS/tm
Enclosure

cc: All EB-2012-0206 Intervenors
Michael Millar/Kristi Sebalj, Board Staff

ONTARIO ENERGY BOARD

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 calculation of margin sharing related to Deferral Account 179-70 – Short-Term Storage and Other Balancing Services.

REPLY OF UNION GAS LIMITED

A. OVERVIEW

1. This is the reply submission of Union Gas Limited in response to the motion brought by the Board to review the Final Rate Order in EB-2011-0038. This submission should be read in conjunction with Union's submission dated May 18, and the letters filed by Union in that matter dated April 5 and 16, 2012.
2. Union has had the opportunity to review the submissions filed by Board Staff and various intervenors. With the exception of the submission filed by the City of Kitchener and LPMA, none of the submissions requires more than a brief response. In essence, each of the submissions simply repeats the position first advanced by CME in its correspondence to the effect that the Board must have intended a different result than it actually ordered in its Final Rate Order.
3. In advancing their position, none of the intervenors or Board Staff refer to the proper test on a motion to review. Doing so would not have assisted their case. As previously submitted, there is no error in fact in the Board's decision; that is, no instance where it could be said that the Board's findings were contrary to the evidence that was before the panel or could have been before the panel. Nor, has there been a change in position or new facts that have arisen.

B. REPLY TO CCK AND LPMA

4. CCK argues that the Board approved accounting definition of Deferral Account 179-70 supports the requested increase in the amount recorded as a credit in respect of net short-term revenues reflected in the Final Rate Order. With respect, it does not.

5. As Union has consistently argued:

- (a) the Board was fully aware that the credit amount of \$0.831 did not include the change in the sharing of forecast short-term margin (\$2.992 million) which had occurred subsequent to NGEIR and which had resulted in a change in base rates that had been carried forward in each subsequent proceeding; and that,
- (b) in relation to (a), the Board and all parties were fully aware that the manner in which the credit was arrived at compared the net margin to the Board approved forecast of \$15.829 million, whereas the amount embedded in rates was \$11.254 million.

6. The accounting definition confirms Union's submissions. It provides 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.
(Emphasis added.)

7. The accounting definition confirms that the relevant comparator – the one used by Union – is the revenue forecast for short term services approved by the Board for ratemaking purposes. While LPMA appears to assert that there is no such revenue forecast, this submission is plainly wrong. As Union discussed at length in its April 5 letter, the Board approved a net revenue forecast of \$15.829 million in EB-2007-0606 and has since used that forecast in every subsequent deferral proceeding.

C. CONCLUSION

8. For all of the above reasons, and the reasons previously submitted, Union respectfully requests that the Board dismiss the motion to review.

May 30, 2012

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AND TO: All Intervenors