February 6, 2009

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

Dear Ms. Walli:

Re: Union Gas – Interrogatories to the Gas Marketer Group
Board File No. - EB-2008-0106

Pursuant to Procedural Order No.2 (dated August 8, 2008) for the above-noted proceeding, please find enclosed the interrogatories to the evidence filed by the Gas Marketer Group from Union Gas Limited.

Sincerely,

[Original signed by Gail Marvell for]

Chris Ripley
Manager, Regulatory Applications

cc: Crawford Smith, Torys
All EB-2008-0106 Intervenors

P. O. Box 2001, 50 Keil Drive North, Chatham, ON, N7M 5M1 www.uniongas.com
Union Gas Limited

Union's Interrogatories on the Evidence of the Gas Marketer Group ("GMG") EB-2008-0106

INTERROGATORY #1

Request:

Please provide the name of the person(s) who prepared the GMG evidence and who will be testifying to the evidence. Please provide the curriculum vitae for each person identified.

INTERROGATORY #2

Request:

Would the GMG agree that rate stability is a Board goal/objective of the current QRAM? If so, please describe in detail how the GMG's MRAM proposal aligns with this goal/objective.

INTERROGATORY #3

Reference: Page 21 of 31, Summary of GMG Proposed Structuring for Rate Setting

Request:

Does the GMG currently offer a monthly price in Ontario consistent with its proposal in evidence? If not, why? Has the GMG ever consulted with customers in Ontario regarding the prospect of offering a MRAM based on a monthly price? If not, why?

INTERROGATORY #4

Reference: Page 16–19, Table 6: DERS Gas Cost Flow-through Rate Comparison to Monthly Index and Table 7: Comparison between Union QRAM and DERS GCFR in relation to Monthly Index; MRAM preparation and Regulatory Approvals Process

Preamble: At page 19 of the GMG's evidence, GMG references the Alberta GCFR (described by GMG as the Alberta default supply price, or Gas Cost Flow-through Rate) as a "good example of how MRAM preparation and approval can be expedited". GMG cites the calculation of the GCFR is in accordance with the mechanical process approved in April, 2002 by the Alberta Energy and Utilities Board ("EUB").

This process refers to a Decision of the Alberta Utilities Commission (formerly Energy and Utilities Board): EUB Decision 2001-75 (Methodology for Managing Gas Supply Portfolios and Determining Gas Cost Recovery Rates) in which the Alberta regulator determined the mechanism under which gas utilities were to determine their Gas Cost Recovery Rate (GCRR) – the rate for their regulated gas supply; as well the mechanism for clearing their Deferred Gas Account (DGA) which tracks the differences between forecast and actual gas costs.

In section 4.3.2 (page 63) of the decision, the EUB states it is, "aware that adopting a monthly GCRR/DGA scheme will mean that rates become more variable month-to-month. However, there is a limit to this variability that results from the implementation of the NGPPA. The Board takes the view that the NGPPA will allay significant concerns with price stability, without direct cost to gas consumers." As described at page 46 of the Decision 2001-75, under the NGPPA (the Natural Gas Price Protection Act), the Government of Alberta has the power to authorize the payment of rebates to consumers in Alberta when the price of gas rises above an amount specified under the regulations to the NGPPA. The rebates are funded by Alberta natural gas royalties. The decision also notes that this protection is provided at "no direct cost to consumers".

Since 2003, the Natural Gas Rebate Program has provided more than $1.8 billion in assistance to Alberta consumers. (Source: January 2009 news release of the Alberta Government
http://alberta.ca/acn/200901/2506196408EF5-E407-B428-FD3E655D825C92FA.html)

Request:

a. **In EUB 2001-75, the Commission describes the NGPPA as a "price protection program, that, in effect, provides the benefits of a price cap to Alberta consumers (section 4.1.2 Views of the Board, Paragraph 3). Please describe how these NGPPA rebates are applied to the monthly GCRR prices in Alberta that Direct Energy charges its ATCO customer base.**

b. **Please review the attached Natural Gas Rebate Program consumer information issued by the Government of Alberta (source** http://www.energy.alberta.ca/NaturalGas/Rebate/Natural_Gas_Rebate_Program.pdf**). In this document, the Government of Alberta explains that the EUB approves regulated gas costs, following which "rebates will directly reduce gas bills". Please add a column to Table 6 (page 16 of GMG's evidence) showing what the historic application of these rebate amounts (between $1.50 through $3.25 per Gj) have had on the North and South Gas Cost Flow-through Rates (GCFR) shown in Table 6.**

c. Please re-issue Table 7: "Comparison between Union QRAM and DERS GCFR in relation to Monthly Index" (page 17 of 31) taking into account the effect the Natural Gas Rebate Program rebates have had on Direct Energy's GCFR vs the AECO Monthly Index.

INTERROGATORY #5

Reference: Page 6 of 31 and Page 21-23 of 31, Summary of GMG Proposed Structuring for Rate Setting

Preamble: The GMG makes the following claims:

i. Ontario adopt rate setting on a monthly basis (MRAM) (page 21);
ii. the "current QRAM process does not support customer awareness and acceptance of true market prices reflective of current market conditions" (page 22); and,
iii. "… under the current QRAM protocol, in the fall, the utilities typically underestimate the cost of the winter supply by including the lower summer cost. This distorts the actual winter price down during periods of peak demand." (page 6)

Request:

a. Is the GMG aware of a Natural Gas Rebate Program available to Ontario consumers that would have a price smoothing effect similar to that enjoyed by Alberta consumers should Ontario adopt the Alberta MRAM mechanism?

b. Please describe what information or studies Direct Energy has undertaken to ensure that its regulated-rate customer base in Alberta has an improved "awareness and acceptance of true market prices".

c. Please describe how the NGPPA rebates paid to regulated-rate customers for the gas they consume between October and March does not distort the actual winter price down of Direct Energy's regulated sales rate to its ATCO Gas North and South customer base.

INTERROGATORY #6

Reference: Page 19 of 31, Removal of Triggers and Clearing of PGVA's; Page 24 of 31, Board question 2.2 "If not, what alternative forecast period or periods should be used by natural gas distributors?"; and, Appendix A, Section 1 – DGA Cost and Recovery Overview.

Preamble: The GMG recommends that "… the clearing of the PGVA should match the rate setting timeline (for example, if rates are set monthly, then balances are cleared monthly, …") (page 19, para 1); and, "… GMG supports moving to MRAM based on monthly forecasting and monthly clearing of deferral accounts." (page 24, response to 2.2).

GMG's evidence at Appendix A, Section 1 – DGA Cost and Recovery Overview, Schedule M-1 models Direct's Deferred Gas Account (DGA) Costs and Recoveries. It appears that the January 2009 DGA is cleared based upon a mix of actual and estimates from the previous 3-months.

Request:

Please explain the process and timeline that Direct follows to clear its DGA and contrast this to GMG's statement that "balances are cleared monthly".

INTERROGATORY #7

Reference: Appendix A, Section 1 – DGA Cost and Recovery Overview, Schedule M-2 Monthly DGA Energy Balance

Request:

a. **Are the monthly gas supply purchases documented in Appendix A based upon a philosophy that monthly purchases should equal the sum of monthly sales to customers and any true up from previous months?**

b. **Does Direct Energy purchase any gas supply on behalf of its Alberta customer base in the summer for the purpose of injecting it into storage in the summer? If so, how is this captured in the MRAM mechanism? If not, why not?**

c. **Does Direct Energy rely upon gas withdrawals from storage in the winter to serve a portion of its Alberta customer's winter demands? If so, how are these volumes captured in the MRAM mechanism? If not, why not?**

INTERROGATORY #8

Reference: Page 3 of 31 …"The Default Supply Provider (DSP) should calculate a default price that is reflective of real, short-term market prices"; and…"the pricing estimates to be used in rate setting should be adjusted to align with the costs the utilities can reasonably expect to incur within the period."
Reference: Pg 10 of 31 …"The rate setting mechanism of utilities should match, as much as is practicable, the methodology used to procure supply."

Preamble: In Ontario, and unlike Alberta, approximately 50 percent of the gas that is used to meet winter consumption is drawn from storage. That stored gas would have been purchased at various prices prior to the time of consumption. Therefore the consumption in the winter is served by a blend of supply that was purchased at various prices throughout the year.

Request:

a. **If, as GMG proposes, the default price simply reflects the short-term market prices, please reconcile how the price of gas that is drawn from storage is passed on to customers.**

b. **If, as GMG proposes, the default price simply reflects the short-term market prices while the actual cost to supply that gas varies from the default price due to the use of storage, please reconcile how customers would receive the proper price signal of their true cost of gas?**

c. **If, as GMG proposes, the default price simply reflects the short-term market prices while the actual cost to supply that gas varies from the default price due to the use of storage, then what price signal should customers rely upon in determining cost effective conservation measures?**

Attachment to IR #4a

Natural Gas Rebate Program

The rebate program applies during winter months (October to March)

EUB approves regulated gas costs (before start of month)
This is the cost of gas that will appear on most consumer bills.

If price of gas is more than $5.50/GJ for 2 out of 3 regulated gas companies, **a rebate will be issued for that month**

If price of gas is less than $5.50/GJ for 2 out of 3 regulated gas companies, **there will be no rebate that month**

Rebates Will Directly Reduce Gas Bills

If the gas cost on the bill is: ($/GJ)	Rebate will be: ($/GJ)	Net consumer cost per GJ	Rebate on the average bill*
>$5.50 to $7.50	$1.50	$4.001-$6.00	$34.50
>$7.50 to $9.00	$2.50	$5.001-$6.50	$57.50
>$9.00 to $12.00	$3.25	$5.751-$8.75	$74.75
Over $12.00/GJ	$3.25 plus a set per GJ amount determined by the Alberta price	$8.75/GJ	$74.75 plus

* Assuming consumption of 23 GJ/month

GOVERNMENT OF ALBERTA