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BY E-MAIL

May 1, 2009

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

Dear Ms. Walli:

Re: **Union Gas Limited**
2008 Deferral and Variance Account Application
Board File Number EB-2009-0052

Please find attached Board staff interrogatories in the above proceeding. Please forward the attached documents to Union Gas Limited and all other parties in this proceeding.

Yours truly,

Original Signed by

Vincent Cooney
Advisor, Natural Gas Applications

Encl.

Board Staff Interrogatories
Union Gas Limited
EB-2009-0052
2008 Deferral and Variance Account Application

Deferral Account Balances and Market Transformation Incentive (Tab 1)

Interrogatory #1
Ref: Tab 1 / Pg 4
Union indicates that the Board approved $3.232M in planned Unabsorbed Demand Charges (UDC) in 2008 rates. Union's evidence indicates that Union incurred only incidental UDC ($12,000) and recovered $3.268M.

a) Please provide an explanation of the difference between UDC costs incurred and the amount provided for in rates.

Allocation & Disposition (Tab 2)

Interrogatory #2

In the event that the Green Energy Act receives Royal Assent before July 1, 2009, does Union plan to apply to the Board to align the timing, as currently proposed, of the disposition of the deferral/variance account balances in rates with the recovery of costs associated with special purpose amounts anticipated in the Green Energy Act.

Interrogatory #3
Ref: Tab 2 / Pg 3
With respect to Account No. 179-72 Long Term Peak Storage Services:

a) Please provide a summary of the S&T Transactional Margin included in 2008 Rates.

b) Will the same methodology that was used to calculate the balance in Account No. 179-72 in 2008 be followed to record transaction in 2009. If not, please provide the proposed changes.

Vector Pipeline (Tab 3)

In its EB-2005-0520 decision, the Board accepted the Settlement Agreement which required Union to report to the Board new upstream transportation contracts with a term of one year or longer that may form part of Union's "system" service in the future.

Interrogatory #4
Ref: EB-2005-0520, Settlement Agreement, Appendix B, Page 1

Preamble: Union indicates in its Settlement Agreement that, "Analysis will be provided as part of Union's evidence in the applicable Board proceeding ***in which it seeks recovery of the cost consequences*** *associated with the new upstream transportation contract." (emphasis added)*

a. Please explain why the analysis of the Vector Pipeline upstream transportation contract was included as part of this proceeding and not in the 2009 Rate Case (EB-2008-0220).

b. What are the cost consequences of this upstream transportation contract?

c. Please confirm whether or not Union is seeking any approvals in this proceeding with respect to the Vector Pipeline contracting arrangements.

Interrogatory #5
Ref: Tab 3 / Pg 1
With respect to the Vector Pipeline evidence:

a) Please confirm whether or not Union or any of its affiliates hold an ownership interest in the Vector Pipeline.

b) Provide a brief description of Union's "vertical slice methodology."

Interrogatory #6
Ref: Tab 3 / Sch 1

a) Is Union aware of any reasons that the alternative contracts to the Vector Pipeline have higher toll rates?

b) Over the term of the Vector Pipeline contract, what circumstances could arise that would make the Vector Pipeline cost disadvantaged versus any of the four (4) contract alternatives presented. Provide a commentary on the likelihood of these scenarios.

c) Union provides a "Long-term Transportation Contracting Analysis" at Schedule 1, as of May 2008. Please update and run a similar analysis using the most recent data. Please explain the difference between the results of the two analyses.

d) In the section "Assumptions used in Developing Long-term Transportation Contracting Analysis" does Union use a constant or a formulaic assumption for the basis differential? If yes, please describe Union's approach, and provide an example calculation. If no, please explain.