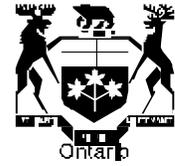


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BY E-MAIL

May 14, 2009

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 Earning Sharing and Incentive Regulation Review
Board File Number EB-2009-0101**

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

Richard Battista
Project Advisor, Natural Gas Applications

Encl.

**Board Staff Interrogatories
Union Gas Limited
EB-2009-0101
2008 Earnings Sharing and Incentive Regulation Review**

1. Ref: Exhibit A – Page 5

Union stated that the gas distribution margin for 2008 was \$24.2 million over the 2007 Board approved level; primarily this reflects increases in infranchise contract delivery revenues of \$9.9 million and increased general service revenues of \$ 9.7 million offset by decreases in other cost of gas items.

- a) Please confirm the amount of the decrease in the other cost of gas items and explain the reason(s) for the decrease.

2. Ref: Exhibit A – Page 6

Union stated that \$4.0 million of the variance (increase) in 2008 general service revenue was due to variances in the forecasted level of customer additions, demand price elasticity related normalized average consumption (“NAC”) variances, non demand side management (“DSM”) related energy conservation, the Average Use (“AU”) factor and the unbilled revenue accrual.

- a) What portion of the \$4.0 million is related to the unbilled revenue accrual?

3. Ref: Exhibit A – Page 9

- a) Please provide the calculation that generated the 8.81% ROE.

4. Ref: Exhibit A – Page 11

Union stated that new market opportunities, in part, account for the increase in short-term transportation and exchange revenues.

- a) Please describe the nature and characteristics of these new market opportunities.

5. Ref: Exhibit A – Page 21

Union stated that a main contributor to a reduction in ROE between the 2009 forecast and 2008 actual results is an increase in DSM spending of \$1.9 million.

- a) Please explain why an increase in DSM spending in 2009, which was provided for in Union's 2009 rates by way of Y factor treatment, would, all else being equal, cause the 2009 ROE forecast to be less than 2008 actual?

6. Ref: Exhibit A – Page 10

- a) Please provide a copy of Union's 2008 Annual Report.
- b) Please provide a side-by-side comparison, with explanations for any differences, between the 2008 actuals presented in Exhibit A / Appendix B / Schedule 1 / Page 1 (i.e. column "a" of the Earnings Sharing Calculation) and the 2008 Statement of Income presented in the Annual Report.

7. Ref: Exhibit A – Page 5, 18 and 24

Union stated that the increased infranchise distribution revenue experienced in 2008 arose from unusual circumstances that are not expected to continue in 2009 and 2010. \$2.6 million is from increased discretionary gas fired power generation at OPG Lennox due to favourable weather in 2008; unplanned coal and nuclear power generation outages; restricted electricity transmission access to Eastern Ontario electricity markets; and favourable natural gas versus residual oil prices.

- a) What approximate portion of the \$2.6 million was due to favourable weather? Was the impact realized in the winter or summer months?
- b) How certain is Union that the additional electric transmission interconnection tie with Quebec will be in place starting in 2009.

- c) Please provide the third party forecasts Union used to conclude that that the favourable difference between natural gas and residual oil prices will not continue in 2009 and 2010.

8. Ref: Exhibit A – Pages 22-23

Union forecasted a \$2 million reduction in 2009 general service delivery revenue as a result of significantly lower forecasted growth in the number of billed customers in 2009. Customer additions in 2008 were 20,069. Union forecasted 3,232 customer additions in 2009.

Union stated that the low forecast of customer additions in 2009 is based on the expectation that Ontario housing starts will decline by 33% in 2009 (based on a Consensus Economics Report). In addition, customer attrition will rise due to commercial bankruptcies, plant closures and customer credit related issues.

Union forecasted 11,153 customer additions in 2010. Union stated that the relatively low forecast of customer additions in 2010 is based on the lingering impact of the current economic recession.

- a) Please provide the cited Consensus Economics Report.
- b) What is Union's most currently available customer count? Please include the following components: December 2008 count plus 2009 YTD customer additions less 2009 YTD customer attritions.

9. Ref: Exhibit A – Page 26

Union forecasted short-term transportation and exchange revenues of \$18 million in 2009. This is a \$5 million reduction from 2008 actual revenue. Union stated, *"The 2009 forecast reflects Union's continued focus and proactive approach to optimization of transportation assets by selling services early in 2008, prior to the precipitous decline in the markets and commodity prices. Those contracts will sustain higher revenues into the 2009 winter season"*.

- a) Please explain how Union's proactive approach to the optimization of transportation assets would result in a reduction of 2009 short-term transportation and exchange revenues.