EB-2009-0052

IN THE MATTER OF the *Ontario Energy Board Act, 1998*, S.O. 1998, c. 15 (Sched. 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 July 1, 2009.

SUBMISSIONS OF THE LONDON PROPERTY MANAGEMENT ASSOCIATION

These are the submissions of the London Property Management Association ("LPMA") in the matter of an application by Union Gas Limited ("Union") for approval for final disposition and recovery of certain 2008 year-end deferral account balances.

Account Balances

LPMA has reviewed the balances in the various deferral accounts that are to be refunded/recovered from customers through this proceeding. In general, with two exceptions, LPMA agrees that the balances appear to be appropriate and accepts the amounts as calculated.

The two exceptions noted above relate to the balances in accounts 179-70 (short-term storage and other balancing services) and 179-72 (long-term peak storage services). The balances in these accounts as calculated by Union are $360,000 and ($28,461,000), respectively as shown in Exhibit A, Tab 1, Schedule 1 and described at pages 5 through 7 of Exhibit A, Tab 1.

As shown in the response to Exhibit B3.1, there are significant changes in the level of both revenues and costs used in the calculation of the net revenue figures shown in Attachments 1 & 2 to the response.

For example, as shown in Attachment 1 to Exhibit B3.1 that calculates the net revenue for long term peak storage services, there is a more than a doubling of the revenues generated. However, despite this increase, there is a decrease in demand costs. On the other hand, there is a substantial increase in the asset related costs from a 2007 Board Approved level of $316,000 to $18,233,000, an increase of more than 5600%.

Similarly, a review of Attachment 2 to Exhibit B3.1 which relates to the net revenue calculation associated with short-term storage and other balancing services, similar questions arise. In this case, revenues increase by about 30% or $5.366 million in 2008 over the 2007 Board Approved level. At the same time, however, total costs (demand and commodity) rise by nearly 300%, or 10 times the percentage increase in revenues. In fact, the increase in costs is $6.336 million, more than the increase in the total revenue.

In the supplemental response to FRPO at Exhibit B3.1 Supplemental, Union indicates that the short term commodity costs are comprised of unaccounted for gas and compressor fuel, while the short term demand costs are comprised of operating & maintenance, depreciation, property & capital tax, interest, income taxes, deferred tax drawdown and return. The response also indicates that the level of costs in 2008 are significantly higher than the 2007 Board approved figure because the Board imputed $12 million in margin which is revenue net of costs. Revenues were increased by the $12 million while there was no increase in costs. LPMA understands this explanation, but notes it would be helpful if Union had provide a more detailed response, especially in relation to the commodity cost increase of more than $4.6 million. This explanation would have related the increase in costs to the increase in unaccounted for gas and compressor fuel that was apparently related to the increased short term storage and other balancing services activity. Union has not provided information for this critical link, as a result LPMA cannot determine whether the results are reasonable or not.

Similarly in the Exhibit B3.1 Supplemental response related to the long term peak storage services, the asset related costs are described as be comprised of interest, return and income tax for unregulated assets. Union indicates that these costs were not forecasted as part of EB-2005-0520. This raises the question of whether or not these unregulated asset related costs are properly included in the calculation for 2008. Union has not provided any further information related to their inclusion.

Based on the above, LPMA is unable to determine if the resulting amounts in these two accounts are reasonable. LPMA submits that the Board should approve the amounts as proposed by Union so as to not delay the disposition in these and the other accounts beyond July 1. However, the Board should require Union to provide further information to the Board and other parties related to these two accounts so that all parties can be satisfied that the amounts calculated are appropriate.

Allocation of 2008 Deferral Account Balances

LPMA has reviewed the proposed allocation of the various deferral accounts as proposed by Union and finds that the proposals are acceptable. These allocations are shown in Exhibit A, Tab 2, Schedule 1. All of the allocations appear to be based on allocations used by Union and approved by the Board in the setting of 2007 rates (EB-2005-0520) or approved by the Board in some other past proceeding. For example, Union confirmed that the method proposed for allocating the balances in accounts 179-70 and 179-72 was consistent with that used by Union and approved by the Board in the past (Exhibit B5.5).

With respect to the allocation of the market transformation incentive, Union proposes to allocate this amount to the M1 and Rate 01 rate classes (Exhibit A, Tab 2, page 5). As shown on line 21 of Exhibit A, Tab 2, Schedule 1, this results in an allocation of $12,000 to Rate 01 and $488,000 to Rate M1. This allocation was based on the number of units installed in the M1 residential rate class (Union South) relative to the number of units installed in the 01 residential rate class (Union North) as detailed in the response to LPMA interrogatory # 6 (Exhibit B5.6). LPMA submits that this allocation is an acceptable methodology.

The allocation of the Average Use per Customer deferral account (179-118) is shown on line 17 of Exhibit A, Tab 2, Schedule 1 and includes a credit to customers in Rates 01 and 10 and a charge to customers in Rates M1 and M2. Based on the calculations provided in response to an LPMA interrogatory (Exhibit B5.3) LPMA accepts this allocation. As Attachment 1 to that interrogatory response indicates, the 2008 actual average use for Rates 01 and 10 were higher than the target average use, meaning that these customers are entitled to a rebate. The actual average use for the M1/M2 rate class was slightly less than the targeted figure, meaning those customers should be charged an additional amount. The calculations provided in the attachment appear to LPMA to be appropriate.

Disposition of 2008 Deferral Account Balances

Union proposes to dispose of the 2008 deferral account balances for general service rates M1, M2, 01 and 10 prospectively over the July 1, 2009 through December 31, 2009 time period. This disposal does not include balances managed through the QRAM process. In-franchise contract and ex-franchise customers would receive a one-time credit or charge. This approach for both general service customers and for contract customers is consistent with how Union disposed of the 2007 deferral account balances in EB-2008-0034. LPMA supports the continued use of the disposition methodology as proposed by Union.

For the general service rate classes, the forecasted volume for the July 1, 2009 through December 31, 2009 period over which the account balances are to be rebated is based on Union's most current operational forecast for 2009 (Exhibit B5.7). This is not a Board approved forecast.

While LPMA supports use of the most current operation forecast for the same reasons as stated by Union, that is, this forecast is most likely to result in minimal differences between the amounts actually recovered/refunded and amounts approved for recovery/refund, LPMA is concerned that there is potential for a significant potential for over or under recovery of the deferral account balances due to differences between the forecasted and actual volumes for the July through December, 2009 period that would, in part, be weather related.

As shown in the response to Exhibit B5.7, Union indicates that any over or under recovery/refund of deferral account balances accrue to the company and there is no true up for differences between the actual recovery/refund amount and the balances approved by the Board for recovery/refund. Union has indicated that it expects any difference would be minimal.

LPMA submits that the Board should direct Union to provide the Board and intervenors with information on the amount of the difference between the actual disposition of the 2008 account balances and the approved amount when it files its application for the disposition of 2009 balances in 2010. This would allow parties to determine if the difference is minimal or whether the Board should institute some process for a true up.

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 15th day of May, 2009.

Randall E. Aiken

Randall E. Aiken
Consultant to
London Property Management Association