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May 14, 2009

**VIA COURIER and E-MAIL**

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

Dear Ms. Walli:

**Re: Board File No. EB-2008-0101**

Please find enclosed VECC's interrogatories for Union with respect to the above noted proceeding.

Yours truly,

Michael Buonaguro  
Counsel for VECC  
Encl.

**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 July 1, 2009 in connection with the sharing of 2008 earnings under the incentive rate mechanism approved by the Ontario Energy Board on January 17, 2008

**INTERROGATORIES OF THE VULNERABLE ENERGY CONSUMERS COALITION (“VECC”)**

1. Reference: Exhibit A, page 4, Table 1

Please add one column to this table showing actual 2007 results.

2. Reference: Exhibit A, page 6

- a) Please explain what is meant by, and quantify the impact on the 2008 General Service Revenues, of “demand price elasticity related normalized average consumption variances” and “non DSM conservation.” Please include Union’s estimates of demand price elasticity for delivered gas with this response.
- b) Please provide Union’s view as to the impact on its net income of a sustained decline in natural gas prices on General Service Revenues in the current economic climate.
- c) Please indicate whether Union has estimated an income elasticity of demand for gas distribution services and, if so, provide Union’s estimate.

3. Reference: Exhibit A, page 7 and Exhibit A, Appendix A, Schedule 11, line 4

Union attributes the large 2008 increase in Short-Term Transportation and Exchange Revenue to *“increased customer activity and service values due to colder than normal weather late in the year and new market opportunities. In addition, Union put a greater focus on the gas supply transportation portfolio starting in 2007. This focus continued through 2008. Union also invested in incremental sales staff to capture the incremental revenue opportunities and deliver these services to customers. Union’s approach to the marketing of transactional services and the financial results for 2008 were the direct result of the IR framework and the elimination of the transportation deferral accounts.”*

- a) Please elaborate on the “new market opportunities” that arose in 2008.

- b) With the exception of "colder than normal weather late in the year," please indicate why the other drivers of this increase would not be expected to persist in 2009 and 2010.
- c) Please provide a comparison of the benefit that Union expects to obtain from its 2008 Short-Term Transportation and Exchange Revenue under the current IRM with the amount it would have received for 2008 if the transportation deferral account 179-69 had not been eliminated (assuming the same 2008 revenues and net of the 2008 incremental costs).
- d) Please indicate whether Union's response to the elimination of the transportation deferral accounts and the IR framework would have differed had the deadband for earnings sharing been set at (i) 175 bp, (ii) 150 bp, and (iii) 100 bp. Please explain.
- e) Please provide the total increase in costs of the "incremental sales staff" in 2008.
- f) Does Union expect to maintain the same level of sales staff dedicated to generating short-term transportation and exchange revenues in 2009 and 2010?

4. Reference: Exhibit A, Appendix C, Schedule 6

The changes in Salaries and Wages and in Contract Services over the period 2008-2010 reflect lower increases than the increases that would obtain under Union's inflation assumptions

- a) Do these changes reflect sustainable productivity improvements that Union expects will benefit ratepayers when Union files its next rebasing application?
- b) Please indicate whether Union has identified any other efficiency improvements that it expects will benefit ratepayers when it rebases.