EB-2007-0606

IN THE MATTER OF the Ontario Energy Board Act, 1998, S.O. 1998, c.O.15. Sch. B;

AND IN THE MATTER OF an Application by Union Gas Limited for an Order or Orders approving or fixing Rates for the sale, distribution, transmission and storage of gas commencing January 1, 2008.

INTERROGATORIES OF UNION GAS

FROM THE

CITY OF KITCHENER

1. Ref: Exhibit B, Tab 1

   Issue Number: 1.1
   Issue: What are the implications associated with a revenue cap, a price cap and other alternative multi-year incentive ratemaking frameworks?

   Please provide a summary table for the years 2000 to 2007 inclusive showing, on an actual basis:

   a) Utility rate base (year-end)

   b) Annual capital investment

   c) Annual Operating and Maintenance expenses

   d) Return on Equity (ROE) in dollars and percentage

   e) Delivery rate change from previous year for Rates M2 and T3

   f) GDP IPI FDD

2. Ref: Exhibit B, Tab 1

Issue Number: 1.1
Issue: What are the implications associated with a revenue cap, a price cap and other alternative multi-year incentive ratemaking frameworks?

Where appropriate, please provide weather normalized adjustments to the components shown in the preceding table for the years 2000 to 2007 inclusive, as follows:

a) Using the Board approved weather normalization method; and,

b) Using the Company's proposed 20-year declining trend weather normalization method.

3. Ref: Exhibit B, Tab 1, p. 2

Issue Number: 10.1
Issue: Should an ESM be included in the IR plan?

Respecting the statement "incentive-diluting effects" of an earnings sharing mechanism ("ESM") as quoted from page 16 of the OEB's Natural Gas Forum Report:

a) Please provide any reports, data, research or analysis in the possession of the company which examine the effects of the ESM on the company as approved in RP-1999-0017, during the term of its operation; and,

b) Please provide the details of any facts which the company relies on to support its proposal to exclude an ESM from the next incentive regulation plan.

4. Ref: Exhibit B, Tab 1

Issue Number: 10.1
Issue: Should an ESM be included in the IR plan?

For the years 2001 to 2007 inclusive please provide a table showing:

a) Allowed ROE

b) Actual ROE (before sharing under ESM)

c) Actual ROE (after sharing under ESM)

d) Amount of excess earnings credited to customers under the ESM

e) Amount of excess earnings retained by Union under the ESM

f) Actual heating DDD

g) Normal heating DDD

5. Ref: Exhibit B, Tab 1

   Issue Number: 1.1
   Issue: What are the implications associated with a revenue cap, a price cap and other alternative multi-year incentive ratemaking frameworks?

   Assuming approval of Union's application, please show the change in delivery rate for each rate class for 2008 in percentage terms.

6. Ref: Exhibit B, Tab 1

   Issue Number: 1.1
   Issue: What are the implications associated with a revenue cap, a price cap and other alternative multi-year incentive ratemaking frameworks?

   Assuming approval of Union's application, please show Union's proposed rate change for each component of the T3 rate.

7. Ref: Exhibit B, Tab 1

   Issue Number: 14.1
   Issue: Are there adjustments that should be made to base year revenue requirements and/or rates?

   Weather Normalization Method

   At page 12 of Exhibit B, Tab 1, Union proposes an adjustment of approximately $ 7 million to base rates to fully reflect the 20-year declining trend weather forecasting methodology.

a) Please confirm that this adjustment is an annualized amount.

b) Please provide the details of this adjustment by rate class.

c) If this adjustment is approved by the Board, would an offsetting reduction in Union's ROE be appropriate since the adjustment would presumably mitigate "a substantial risk to the company" during the term of the IR plan?

d) Please provide the percentage reduction in ROE that would offset the forecasting methodology adjustment.

e) If Union is not prepared to accept a reduction in its allowed ROE in this manner, please provide an explanation or rationale.

8. Ref: Exhibit B, Tab 2

Issue Number: 14.1
Issue: Are there adjustments that should be made to base year revenue requirements and/or rates?

Weather Normalization Method

At page 1 of Exhibit B, Tab 2, Union states that "the weather normalization method is also used for…allocating storage capacity to customers electing semi-unbundled and unbundled service".

a) Please confirm that the weather normalization method only impacts the allocation of storage capacity if the aggregate excess methodology is used.

b) If this is not the case, please explain fully how the weather normalization method impacts the allocation of storage capacity to customers.

c) Assuming that the aggregate excess methodology is used to allocate storage capacity to semi-unbundled and unbundled customers, please provide a comparison table which illustrates the allocation of storage capacity to such customers by rate class, including T1 and T3, using the 50/50 blended method and 20-year declining trend method.

d) Please estimate, at current pricing levels, the incremental annualized margin achieved by Union on storage capacity notionally released (clawed back) from semi-unbundled and unbundled customers for market based sales by the use of the 20-year declining trend method.

9. Ref: Exhibit B, Tab 2, page 7

Issue Number: 14.1
Issue: Are there adjustments that should be made to base year revenue requirements and/or rates?

Weather Normalization Method

Please provide the statistical correlation between weather in Union's franchise area and Enbridge's Niagara region and Eastern region in a similar fashion to that shown for Toronto Pearson airport.

10. Ref: Exhibit B, Tab 1, pages 42 to 45, and Tab 2

Issue Number: 11.1
Issue: What information should the Board consider and stakeholders be provided with during the IR plan?

Issue Number: 14.1
Issue: Are there adjustments that should be made to base year revenue requirements and/or rates?

During the term of the IR plan, how will Union track the impact of its proposed change in weather normalization method, if approved, on throughput volumes and revenues, and ensure that this reduction is kept separate from reductions caused by DSM programs (captured by the LRAM) or declining average use per customer, i.e. no "double counting"?