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August 20, 2007

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

Dear Ms. Walli:

**RE: Union Gas Limited
2008 Rates Application
Ontario Energy Board File Number EB-2007-0606**

Please find enclosed eleven copies of the interrogatories of the Ontario Association of Physical Plant Administrators for Union Gas.

Should you have any questions, please feel free to contact me at 416-622-9449, X104.

Yours truly,



Valerie Young
Director, Research and Analysis

Encl.

cc. Applicants and Intervenors in EB-2007-0615 and EB-2007-0606 (via e-mail)
John Witjes, Director, Engineering, Physical Plant Services, Queen's University (via e-mail)

UNION GAS LIMITED
EB-2007-0606

Interrogatories of the Ontario Association of Physical Plant Administrators for Union Gas

1. Ref: Union Exhibit B, Tab 1, page 6

Issue No.1.1

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

Union states that one objective for a multi-year incentive ratemaking plan is rate predictability and stability whereby customers and the utility should generally know what rates can be charged over a reasonable period of time.

- a. Please elaborate on what Union means when it says customers and the utility should generally know what rates can be charged.
- b. What does Union consider to be "a reasonable period of time"?

2. Ref: Union Exhibit B, Tab 1, page 6

Issue No. 1.1

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

Union indicates that one objective for a multi-year incentive ratemaking plan is flexibility and accountability so the utility has the freedom and is accountable for certain pricing and service decisions without undue regulatory intervention.

- a. Please list the types of pricing and service decisions that Union is contemplating in putting forward this objective.
- b. What does Union consider to be "undue regulatory intervention"?

3. Ref: Union Exhibit B, Tab 1, pages 17-18

Issue No. 7.1

Issue: How should the impacts of the NGEIR decisions, if any, be reflected in rates during the IR plan?

Please explain in detail how Union intends to implement the impacts of a decision on the review of Union's T1 storage allocation proposals as filed with the Ontario Energy Board on February 2, 2007?

4. Ref: Union Exhibit B, Tab 1, page 17

Issue No. 12.3

Issue: Changes in Rate Design

Union proposes that it should have the ability under its price cap plan to adjust the fixed monthly charge and the variable charge on a revenue neutral basis, and indicates that it has been moving the fixed monthly charge towards full customer-related cost recovery.

- a. Please list the rate groups for which Union is proposing the fixed monthly charge / variable charge adjustment.
- b. For each of the rate groups listed in (a), what is Union's final target with respect to the percentage of customer-related costs recovered through the fixed monthly charge and in what increments does it intend to move towards the target?
- c. If it is Union's proposal that the level of the increments in (b) vary from one adjustment to the next, what criteria does Union propose to use to decide on the amount of the adjustment to the fixed monthly charge?
- d. Why does Union consider it more appropriate to have fixed monthly charges that are whole numbers?

5. Ref: Union Exhibit B, Tab 1, pages 17-18

Issue No. 12.2.1

Issue: What should be the criteria to implement a new energy service?

Union explains that it requires the flexibility under its price cap plan to develop new services.

- a. Please list and describe all new energy services that Union anticipates may be required over the term of the incentive ratemaking plan.
- b. What specific criteria will Union use to decide whether or not a new energy service should be implemented?

6. Ref: Union Exhibit B, Tab 1, pages 17-18

Issue No. 12.3.1

Issue: What should be the criteria for changes in rate design?

Union explains that it requires the flexibility under its price cap plan to make any necessary changes to existing services when required.

- a. Please list and describe all specific changes or areas of change to existing rate schedules, including rate design and terms and conditions of service, that Union anticipates it may be required to make during the term of the incentive ratemaking plan. Please provide the rationale for each.
- b. What specific criteria will Union use to decide whether or not the changes are necessary?

- c. Please explain how the proposed flexibility is consistent with the objective of rate stability and predictability.

7. Ref: Union Exhibit B, Tab 1, page 45

Issue No. 12.3.2

Issue: How should the change in the rate design be implemented?

Union proposes that if rate-related changes are minor and customer impacts minimal, then these changes could be included in the annual rate-setting filing. If they are more significant in nature and require a longer review period, then a separate application may be required.

- a. Please provide examples of what Union considers to be minor changes and those that would be more significant in nature.
- b. What criteria does Union propose to use to determine if a change could be included in the annual rate-setting filing or if it requires a separate application? Please explain how each criterion will contribute to determining the appropriate filing.

8. Ref: Union Exhibit B, Tab 1, pages 46-47

Issue No. 12.1

Issue: Annual Adjustment

- a. Please list the specific steps involved in adjusting rates under a price cap plan at the beginning of each year of the term.
- b. Using current M5 rates as the base, please provide a sample calculation to illustrate specifically how Union's price cap formula would be applied to arrive at new adjusted rates.
- c. Please complete the table that follows on the next page. If Union is unable to complete the table at this time, please confirm that the information will be provided once Union has filed its proposed 2008 rates.

Table for Union Interrogatory 8(c)

Rate Schedule (a)	Current Average Unit Rate (b)	Proposed 2008 Average Unit Rate (c)	% Change Column (c) vs. Column (b) (d)
Southern Area M2 Monthly Charge Delivery Commodity Storage Total M4 Monthly Demand Delivery Commodity Total M5 Firm Monthly Demand Delivery Commodity Total M5 Interruptible Monthly Charge Delivery Commodity Total T1 Monthly Charge Storage Transportation Total			
Northern & Eastern Area Rate 01 Monthly Charge Delivery Commodity Gas Transportation Storage Total Rate 10 Monthly Charge Delivery Commodity Transportation Storage Total Rate 20 Monthly Charge Delivery Demand Delivery Commodity Gas Transportation Total			