unionGas
A Spectra Energy Company

June 3, 2009

Ontario Energy Board
2300 Yonge Street, Suite 2700
Toronto, Ontario
M4P 1E4

Attention: Ms. Kirsten Walli, Board Secretary

Re: EB-2009-0052 – Union's Submission

Dear Ms. Walli:

The City of Kitchener ("Kitchener") filed a submission in the above noted proceeding on May 28, 2009. Union filed a reply submission on June 1, 2009. Subsequently, Kitchener contacted Union and expressed concern that Union's submission did not accurately characterize Kitchener's argument, specifically the last paragraph on page 2. The purpose of this letter, therefore, is to clarify Kitchener's position.

Union understood Kitchener's submission to be that Union should levelize the return over the life of the asset for the purposes of deferral account calculations so that the return in the early years is decreased from the traditional return calculation to reduce the costs for the purposes of the deferral account calculation.

Based on further discussion with Kitchener, Union now understands Kitchener's submission to be that the deferral account costs should be adjusted for the actual rate of return. Kitchener's submission is that the projects do not earn a constant (levelized) return on the rate base investment and, to the extent that the revenue does not recover the required rate of return for a project in the early years, this should be reflected in the calculation of the amount of the deferral account because the sharing of unregulated storage services revenues will only continue for two more years.

Kitchener's clarification, while helpful, does not change the core of Union's June 1 submission. In Union's submission, the deferral account costs should not be adjusted for an actual rate of return simply because there is transition period phasing out rate payer sharing. Rate payers are sharing revenues from investments made by Union during the transition period for which the rate payer has undertaken no risk.

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Union Gas Limited

In Union's submission, the allocation of costs, including a required return on rate base investment that is calculated for deferral account disposition purposes, should be consistent with the traditional revenue requirement calculation. This approach has always been used for deferral account disposition purposes before and is consistent with the methodology used to cost storage services in the 2007 rate case, which was accepted by the Board in the NGEIR decision. There is no justification, in Union's view, for changing that approach merely because the sharing of margin from unregulated storage services is being phased out.

Should you have any questions on this matter, please contact me at (519) 436-5476.

Yours truly,

[Original signed by]

Chris Ripley
Manager, Regulatory Applications

cc: Michael Penny (Torys)
EB-2009-0052 Intervenors