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September 6, 2007

Ms. Kirsten Walli
Board Secretary
Ontario Energy Board
2300 Yonge Street
Suite 2700
Toronto, Ontario, M4P 1E4

Dear Ms. Walli:

Re: EB-2007-0598 – Union Gas Limited Application for 2006 Deferral Account and Earnings Sharing Disposition – Draft Rate Order

In accordance with Procedural Order No. 4 dated September 4, 2007, I am writing on behalf of my client, the London Property Management Association ("LPMA") to comment on certain portions of the Draft Order circulated by Union Gas on August 27, 2007.

Having reviewed the Board's Decision and Order dated August 17, 2007 and the Earnings Sharing calculation found in Appendix C of the Draft Order, it appears that Union has reduced the earnings sharing amount as result of the Board's decision that the deferred taxes should be properly associated with Union's newly formed ex-franchise storage business as a non-utility business.

I have reviewed Mr. Thompson's letter on behalf of this client, the Industrial Gas Users Association, dated September 6, on this matter. LPMA supports Mr. Thompson's comments and rationale for an Earnings Sharing amount (pre-tax) of \$14.326 million rather than the \$5.836 million calculated by Union.

It would be helpful, in the view of the LPMA, if Union would provide its rationale for the adjustment related to the deferred taxes that it made in Appendix C to the Draft Order. For example, is this adjustment an adjustment for non-utility impacts? On the surface, it is not clear why this adjustment is made to corporate earnings. It would be useful, for example, if Union could reconcile the adjustment to corporate earnings to the Operating Results table shown on page 5 of the Union Gas Annual Report 2006 by showing where this adjustment would be shown in this table if it were separated out of corporate earnings. Would, for example, the income taxes of \$37 million be higher if Union had not recorded the deferred income tax liability in 2006?

LPMA believes that the Board's Decision in this matter clearly indicated that the taxes associated with the ex-franchise storage service business, including the deferred taxes residing in the account should form part of the new undertaking and not be recoverable from ratepayers. However, Union's approach in the Draft Order appears to continue to shift the majority of this cost to ratepayers. Rather than recovery approximately \$10.5 million through the deferral account route, Union is effectively recovering approximately \$8.5 million through the earnings sharing route.

LPMA asks that it be awarded its costs of reviewing Union's Draft Rate Order and preparing these submissions in response thereto.

Please contact me if the Board requires any further information.

Sincerely,

Randy Aiken

Randy Aiken
Aiken & Associates

Attachment

c.c. Mr. Chris Ripley, Union Gas Limited.
Mr. Vincent Cooney, OEB (e-mail)