

UNION GAS LIMITED

Answer to Interrogatory from
Ontario Association of Physical Plant Administrators ("OAPPA")

Reference: Exhibit B, Tab 1, page 6

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

Question:

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"?*
-

Response:

- a) Please see interrogatory response provided at Exhibit C3/C16/C33.4.
- b) A reasonable period of time is 5 years.

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Reference: Exhibit B, Tab 1, page 6

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

Question:

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"?*
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Response:

- a) As described at p.17 of Exhibit B, Tab 1 of Union's evidence, Union is proposing to have the ability to adjust the fixed monthly charge and the variable charge on a revenue neutral basis annually.
- b) In this context the phrase "undue regulatory intervention" means having approval as part of the incentive regulation plan to make the change explained in a).

Question: August 20, 2007

Answer: September 4, 2007

Docket: EB-2007-0606 / EB-2007-0615

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Answer to Interrogatory from
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Reference: Exhibit B, Tab 1, pages 17-18

Issue 7.1 - How should the impacts of the NGEIR decisions, if any, be reflected in rates during the IR plan?

Question:

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?

Response:

Any changes resulting from a Decision related to the review of Union's T1 storage allocation proposal would be incorporated into the next annual rate order (if not sooner) based on the Board's direction in the Decision.

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Answer to Interrogatory from
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Reference: Exhibit B, Tab 1, page 17

Issue 12.3 - Changes in Rate Design

Question:

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?*
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Response:

- a) to c) Please see interrogatory response provided at Exhibit C1.21.*
- d) Please see interrogatory response provided at Exhibit C1.22.*

Question: August 20, 2007

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Reference: Exhibit B, Tab 1, pages 17-18

Issue 12.2.1 - What should be the criteria to implement a new energy service?

Question:

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?*
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Response:

- a) Please refer to interrogatory responses provided at Exhibits C2.1 and C5.1.
- b) Union does not anticipate that the criteria followed under COS will change under incentive regulation. During any new service analysis, Union will determine if there is a demonstrated market need for the new service, ensure that the new service is economic to provide, identify whether the new service has any impact on existing customers, and the impact on any existing operations and facilities. Each of these components will be evaluated as Union continues to advance the new service.

Question: August 20, 2007

Answer: September 4, 2007

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Answer to Interrogatory from
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Reference: Exhibit B, Tab 1, pages 17-18

Issue 12.3.1 - What should be the criteria for changes in rate design?

Question:

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.*
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Response:

- a), b) and c) Union is not currently aware of any changes to existing terms and conditions that will be required over the term of the incentive ratemaking plan. However, as market dynamics change in the future, there may be a requirement to make changes to the existing rate schedules, rate design and terms and conditions of services to reflect changing customer requirements. Any proposed changes to existing rate schedules will be submitted to the OEB for approval.

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Answer: September 4, 2007

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UNION GAS LIMITED

Answer to Interrogatory from
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Reference: Exhibit B, Tab 1, page 45

Issue 12.3.2 - How should the change in the rate design be implemented?

Question:

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.*
-

Response:

- a) Examples of rate-related changes that Union would consider minor with minimal customer impact include:
 - 1. Minor changes to rate schedule wording for the purpose of added clarity;
 - 2. Changes to range rate maximums as a result of changes in the marketplace; and
 - 3. Changes to penalty rates as a result of changes in the marketplace.

These types of changes would be dealt with through the approval of annual rate orders and would not require a separate application.

Examples of changes that would be more significant in nature, that would require a separate application would include:

- 1. Adding new services to an existing rate schedule;
- 2. Adding a new service requiring a new rate schedule;
- 3. Significant rate redesign;
- 4. Changes to the pricing of regulated services not included in the price cap eg. Non-energy services; and
- 5. Changes to general terms and conditions currently approved by the Board.

- b) Please see above.

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Reference: Exhibit B, Tab 1, pages 46-47

Issue 12.1 - Annual Adjustment

Question:

- 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.*

Question: August 20, 2007

Answer: September 4, 2007

Docket: EB-2007-0606 / EB-2007-0615

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			

Question: August 20, 2007

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Response:

a), b) and c) Please see interrogatory response provided at Exhibit C2.2 a).

Question: August 20, 2007

Answer: September 4, 2007

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