



uniongas

A Spectra Energy Company

September 26, 2007

Ontario Energy Board
2300 Yonge Street, 27th Floor
Toronto, ON M4P 1E4

Attention: Ms. Kirsten Walli, Board Secretary

**Re: Multi-Year Incentive Rate Regulation for Natural Gas Utilities
EB-2007-0606**

Dear Ms. Walli:

Enclosed, please find Union's responses to Supplemental Interrogatories from VECC as listed below:

- Exhibit C32.1 Supplemental
- Exhibit C32.13 (b) Supplemental
- Exhibit C32.14 (h) Supplemental

Yours truly,

[original signed by]

Connie Burns, CMA, PMP
Manager, Regulatory Initiatives

Enclosure

cc: All Intervenors
Michael Penny, Torys

UNION GAS LIMITED

Answer to Interrogatory from
Vulnerable Energy Consumer's Coalition ("VECC")

Reference: Union Exhibit B, Tab 1, p. 9

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

Question:

In Union's revenue requirement there are items for which the total cost has been amortized over a number of years. Some of these items will be fully amortized, i.e., the costs will be fully recovered, over the term of Union's proposed IR plan, 2008-2012.

Please provide a list of all such items embedded in Union's 2007 revenue requirement, along with their respective amounts and the year in which each item's cost will have been fully recovered.

Response:

Union assumes that VECC is looking for Union to identify those costs included in Union's 2007 rates which Union will not incur at some point during the term of the incentive regulation plan. The hearing costs associated with Union's 2007 rates proceeding (EB-2005-0520) are the only costs being amortized that will be fully amortized during the term of the incentive regulation plan. Parties agreed in the EB-2005-0520 ADR settlement agreement (p. 17) to a two year amortization of Union's 2007 rates proceeding costs starting in 2007. Please also see the interrogatory response provided at Exhibit C3/C16/C33.9. During the IR period all hearing costs will be expensed as incurred.

Other costs that are amortized include furniture, tools, computer equipment and long term debt issuance costs. As new costs of this nature are incurred, they are recorded on the balance sheet and amortized (rather than depreciated) over a period of time. Amortization of these costs will continue over the term of the incentive regulation plan.

Question: September 19, 2007
Answer: September 26, 2007
Docket: EB-2007-0606

UNION GAS LIMITED

Answer to Interrogatory from
Vulnerable Energy Consumer's Coalition ("VECC")

Reference: Union Exhibit B, Tab 1, pp 26-27 and Appendix G pp v-vi

Issue: 4.3- If so, how should the impact of changes in average use be applied (e.g., to all customer rate classes equally, should it be differentiated by customer rate classes or some other manner)?

Question:

On page 27, Union states that "[a]s part of the PEG Report, the proposed average use factor has been established using historical data to 2005. As a result, the utility will be at risk for the acceleration in declining average use which has been Union's most recent experience." Then on the same page, Union quotes the CGA Report (Appendix G) concluding with the sentence "These factors could bring us to the tipping point of an accelerated declining average use." (Emphasis added.)

- a) Please provide support for Union's claim that it has recently experienced an acceleration in declining average use including any statistical evidence to that effect.*
- b) Please provide average use data on a rate class basis for all rate classes for the years 1998-2006 inclusive. For rate classes that Union weather normalizes, please provide this on a normalized basis using both the 55/45 blend and Union's proposed 20-year trend methodology; for rate classes that Union does not normalize, please provide this information on an actual basis.*
- c) Please confirm that assuming that customers in a rate class will take gas delivery service over the long run, it is impossible for the acceleration in declining average use to continue indefinitely (since consumers can not take less than 0 m3).*

Response:

- b) As stated in the interrogatory response provided at Exhibit C32.14, part b), Union does not calculate or use in any of its forecasting, planning or reporting normalized average use per customer for rate classes other than the general service rate classes.

Union provided historical total throughput volume and number of customers in the EB-2005-0520 proceeding at Exhibit C1, Summary Schedule 1 and 2 (attached). Historical data prior to 2000 is not available. Averages can be calculated by dividing the total throughput for a rate class by the total number of customers in the rate class.

Question: September 19, 2007
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Docket: EB-2007-0606

The resulting “average use per customer” values should be used with caution as the number of customers in each rate class is relatively small and the types of customers within each of the contract rate classes can be diverse.

Question: September 19, 2007

Answer: September 26, 2007

Docket: EB-2007-0606

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Answer to Interrogatory from
Vulnerable Energy Consumer's Coalition ("VECC")

Reference: Union Exhibit B, Tab 1, pp 28-32

Issue: 4.3- If so, how should the impact of changes in average use be applied (e.g., to all customer rate classes equally, should it be differentiated by customer rate classes or some other manner)?

Question:

- a) Please provide charts corresponding to Charts 3, 4, 5, 6, 7, 8, and 9 that show the NAC using Union's proposed 20-year trend rather than the 55-45 blend.
- b) Please provide charts similar to these (i) for every other rate class not shown in Charts 3, 4, 5, 6, 7, 8, and 9 separately, and for (ii) these non-general service rate classes in aggregate.
- c) At the top of page 32 Union states that "the approach PEG used to calculate the total average use factor appears to Union to be reasonable." Please provide analytical support for this statement.
- d) Please advise of any differences in methodology (with respect to the PEG methodology) in calculating the total average use factor that Union would have employed had it provided a total average use factor.
- e) Please provide all utility data supplied to PEG with respect to calculating the Average Use Factor.
- f) If the data supplied in e) is not on a rate class basis or does not include some delivery rate classes, please provide full data for the same period for all rate classes on a rate class basis.
- g) Please indicate whether it is Union's view that the non-general service rate classes, in aggregate, have exhibited and are projected to exhibit constant average use. Please provide support.
- h) Please provide a table showing historical average use by rate class for the same period as was used by PEG in its calculation of the total average use factor. For rate classes that Union normalizes, please show normalized use under the 55/45 blend and under Union's proposed 20-year trend; for all other rate classes please show actual average use.

Response:

- h) Please see interrogatory response provided at Exhibit C32.13 b) Supplemental.

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