



uniongas

A Spectra Energy Company

August 20, 2007

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

RE: EB-2007-0606/EB-2007-0615 Interrogatories to Board Staff

Dear Ms. Walli:

As per Procedural Order No. 1 & 3, please find enclosed 11 hard copies of the interrogatories to Board Staff related to the PEG Report from Union Gas Limited.

Electronic copies in both Word and PDF formation have been sent to the Board and Intervenor of Record via e-mail.

Yours truly,

Connie Burns
Manager, Regulatory Initiatives

Enclosure

cc: EB-2007-0606 / EB-2007-0615 Intervenor of Record
Michael Penny, Torys

EB-2007-0606 Incentive Regulation
Interrogatories of Union Gas Limited
for
Board Staff

Reference: The Pacific Economics Group (“PEG”) June 20th “Rate Adjustment Indexes for Ontario’s Natural Gas Utilities” report

Issue: 3.2 - What are the appropriate components of an X factor?

1. Page 61 of PEG’s June 20th “Rate Adjustment Indexes for Ontario’s Natural Gas Utilities” report states “In research for Board staff last year to develop an IR plan for power distributors we found that the average explicit stretch factor approved for the rate escalation indexes of North American energy utilities is around 0.50%.”
 - a. Please provide this research and identify what specific companies were included in PEG’s analysis.
 - b. Please identify the criteria that were used to determine which incentive regulation plans were to be included on this list.
 - c. Please indicate for each incentive regulation plan included in this list whether it was a first or second generation plan.
 - d. What other incentive regulation plans, not included in this list, were in existence during the same time frame? If there were such plans, please identify them and explain why they were excluded.
2. What factors should be taken into account when determining the need for a stretch factor and the size of the stretch factor?
3. Please provide all citations to research on the parameters of price cap or revenue cap plans referenced in peer reviewed academic literature that include a theoretical basis for choosing the magnitude of a stretch factor.
4. Please provide a complete copy of the incentive power research footnoted on page 61 of PEG’s June 20th “Rate Adjustment Indexes for Ontario’s Natural Gas Utilities” report.

Issue: 3.1 - How should the X factor be determined?

5. What were the magnitudes of the fixed revenue weights that were used to obtain revenue-weighted output quantity indexes in Table 7 in both the March 30, 2007 and the June 20, 2007 versions of PEG’s “Rate Adjustment Indexes for Ontario’s Natural Gas Utilities” report? If the revenue weights are the same, please explain the difference in Table 7 between the March 30, 2007 Fixed Revenue Weighted average aggregate output growth rate for Union of 1.05% over the 2000-2005 period, and the corresponding June 20, 2007 average growth rate for Union of 1.20%.

6. In PEG's "Rate Adjustment Indexes for Ontario's Natural Gas Utilities" report, as noted in Table 17, the General Service Rate 10 service group was included in the Non-residential category for the determination of the X factor by service group. On January 1, 2008 the M2 rate class will be split into an M1 and M2 rate class. The M2 rate class will not include residential customers. Please identify the impacts of this M2 rate class split on the categorization by service group for the determination of the X factor by service group.
7. Is PEG aware of any service level price cap IR frameworks approved by regulators that have been determined by calculating the TFP by service level? Is PEG aware of any service level price cap IR frameworks approved by regulators that have been determined without calculating a TFP by service level?
8. Page 64 of PEG's June 20th "Rate Adjustment Indexes for Ontario's Natural Gas Utilities" report references a special adjustment term ("ADJ") used in the calculation of the X factor by service group. Please explain how this ADJ can be reliably determined without doing a productivity study by service level.