

November 15, 2011

Ms. Kirsten Walli  
Board Secretary  
Ontario Energy Board  
2300 Yonge Street, 27<sup>th</sup> Floor  
Toronto, ON M4P 1E4

Dear Ms. Walli:

**RE: EB-2011-0327 – Union Gas Limited – 2012-2014 Demand Side Management Plan -  
Reply Submission on Draft Issues List**

On November 4, 2011 the Ontario Energy Board (the “Board”) issued Procedural Order No. 1 and Cost Eligibility Decision. The Board also issued a draft issues list and asked for written submissions by November 11, 2011. Submissions on the draft issues were provided by the Association of Power Producers of Ontario (“APPrO”), Canadian Manufacturers & Exporters (“CME”), Industrial Gas Users Association (“IGUA”), Pollution Probe and Vulnerable Energy Consumers Coalition (“VECC”).

The Board requested reply submissions to be filed by November 15, 2011. This is Union’s reply submission.

Submission of APPrO

The Submission of APPrO relates to the EB-2011-0025 Settlement Agreement for Union’s 2012 Rates Application. Issue five of the 2012 Rates Settlement Agreement reads:

“5. IS THE TREATMENT AND AMOUNT PROPOSED FOR Y FACTOR INCREMENTAL DSM COSTS APPROPRIATE?”

*(Complete Settlement)*

*The parties accept Union’s proposal to include the incremental DSM costs, as filed in EB-2011-0327, in 2012 rates on an interim basis. This treatment is intended to provide for an in-year adjustment of rates if warranted as a result of the EB-2011-0327 proceeding, and to be determined by the Hearing Panel in that proceeding, as opposed to conventional variance account treatment through which variances are disposed of commencing part way through the following year. The final DSM budget and allocation of the budget to rate classes will be determined in the EB-2011-0327 proceeding. The parties agreement to include the DSM budget as proposed in EB-2011-0327 in Union’s proposed 2012 rates is without prejudice to positions any party may take in the EB-2011-0327 proceeding.”*

In light of the Settlement Agreement, APPrO suggests the addition of the following issue:

“What is the appropriate rate design for recovery of DSM costs?”

In Union's view, this issue is related to the method of the recovery or refund of any variance between Union's proposed 2012 DSM budget and allocation and the final approved 2012 DSM budget and allocation, not rate design.

Union suggests the addition of the following issue within section 1 of the draft issues list:

"How will the recovery or refund of any potential variance between the proposed and final 2012 DSM budget and rate class allocation be implemented?"

CME, IGUA and Pollution Probe Submissions

CME, IGUA and Pollution Probe suggest there should be an issue to review the allocation of Low-income costs. Union suggests the following issue be added:

"Is the proposed allocation methodology to rate classes for 2012-2014 DSM budgets for the Low-income program appropriate?"

Union has no comments on the other issues submitted by CME and IGUA.

Submission of VECC

VECC suggests the words, "and is interim approval appropriate" be added to draft issues 1.1 and 1.4 which are related to budgets. This addition to the issues list is not required. The review for Union's interim approval request was addressed in Procedural Order No.1 and a Board Decision is expected shortly.

VECC also recommends revising issue 8.0 on the stakeholder engagement process. Both Union and Enbridge Gas Distribution filed a Settlement Agreement for the Joint Terms of Reference on Stakeholder Engagement. Due to the Settlement Agreements, this issue no longer requires stakeholder review and Union suggests the issue list be refined to the following:

"Is the Settlement Agreement for the Joint Terms of Reference on Stakeholder Engagement filed November 10, 2011 acceptable to the Board?"

Union has no comments on the other issues submitted by VECC.

If you have any questions or concerns, please contact me at 519-436-4521.

Sincerely,

*[Original signed by]*

Marian Redford  
Manager, Regulatory Initiatives

cc: Crawford Smith (Torys)  
EB-2011-0327 Intervenors