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By electronic filing

January 18, 2012

Kirsten Walli
Board Secretary
Ontario Energy Board
2300 Yonge Street
27th floor
Toronto, ON M4P 1E4

Dear Ms Walli,

Union Gas Limited
2013 Rebasing Application
Board File No.: EB-2011-0210
Our File No.: 339583-000123

We enclose the Interrogatories of Canadian Manufacturers & Exporters ("CME") for Union Gas Limited ("Union").

Yours very truly,

A handwritten signature in blue ink, appearing to read 'Peter Thompson', is written over a faint, larger signature.

Peter C.P. Thompson, Q.C.

\slc
enclosure

c. Chris Ripley (Union)
Crawford Smith (Torys)
Intervenors in EB-2011-0210
Paul Clipsham (CME)

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IN THE MATTER OF the *Ontario Energy Board Act, 1998*, S.O. 1998, c. 15, Schedule B;

AND IN THE MATTER OF an Application by Union Gas Limited, pursuant to section 36(1) of the *Ontario Energy Board Act, 1998*, for an order or orders approving or fixing just and reasonable rates and other charges for the sale, distribution, transmission and storage of gas as of January 1, 2013.

**INTERROGATORIES OF
CANADIAN MANUFACTURERS & EXPORTERS ("CME")
TO UNION GAS LIMITED ("UNION")
ON THE PRELIMINARY ISSUE**

Reference: Exhibit A2, Tab 4 and Adopted Evidence

1. In its Application and in parts of the Adopted Evidence, Union describes the justification for its decision to adopt the USGAAP accounting standard rather than either of the alternatives. We seek information on the accounting standard that other gas distributors in Canada are planning to adopt. In this connection, please provide the following information:
 - (a) Please provide a list of Canadian gas distributors in British Columbia, Alberta, Manitoba, Quebec, New Brunswick and Nova Scotia and indicate to what accounting standard each of these distributors plans to transition effective January 1, 2012, i.e. either:
 - (i) USGAAP;
 - (ii) IFRS; or
 - (iii) Some form of MIFRS.
 - (b) Please advise of the extent to which the plans of each of the foregoing utilities to transition to the new accounting standard referenced above have or have not yet been approved by their regulators.

References: Adopted Evidence
Transcript in EB-2011-0025 for January 16, 2012
Volume B – Rate Base
Volume F – Revenue Requirement and Revenue Sufficiency/Deficiency
Volume H – Deferral Accounts

2. The Adopted Evidence was the subject of some cross-examination questions in the EB-2011-0025 proceeding on January 16, 2012. The evidence in Volume B shows Rate Base values for 2011, 2012 and 2013. The evidence in Volume F shows Revenue

Sufficiencies for 2011 and 2012 of \$29.924M and \$2.623M respectively. For 2013, there is a Revenue Deficiency shown in the amount of \$65.611M. Deferral account balances are the subject matter of evidence in Volume H. The oral evidence provided by Union witnesses on January 16, 2012, in the EB-2011-0025 proceedings indicated that, for accounting purposes, Union plans to transition to USGAAP effective January 1, 2012, and that for comparative purposes, it will be restating its accounting information for the twelve (12) months ending December 31, 2011.

Moreover, regardless of the outcome of Union's request in the EB-2011-0025 proceedings that the OEB establish an account in which Union is authorized to record the December 31, 2012 unamortized actuarial losses related to pension expenses, there is likely to be an issue with respect to the amounts to be recorded in and/or cleared from that tracking account for recovery from ratepayers on or after January 1, 2013. Information provided by the Union witness at the January 16, 2012, EB-2011-0025 hearing indicated that the portion of the unamortized losses at December 31, 2012, not already recovered from ratepayers may be materially less than the \$7-\$7.3M postulated by Union.

In connection with this evidence, please provide the following further information:

- (a) In order to assist in the identification of the ratemaking differences between the different accounting standards, please provide, for each of the years 2011, 2012, and 2013, schedules that will show the following ratemaking information for Union under each of the CGAAP, USGAAP and MIFRS accounting standards:
 - (i) Total Rate Base;
 - (ii) Total Revenue Requirement;
 - (iii) Revenue Sufficiency or Deficiency;
 - (iv) Total Year-end Deferral Account Balances at December 31, 2011, and estimated balances for December 31, 2012, under each of the foregoing accounting standards; and
 - (v) Please show differences in the amounts of expenses to be capitalized under each accounting standard in each of the years 2011, 2012 and 2013, including the consequential differences in capitalization rates in each year and the consequential impacts on Rate Base and Cost of Service in each year.
- (b) Will the transition from CGAAP to either USGAAP or MIFRS, have any impact on the accounting of costs incurred for Customer Care and CIS, including the benchmarks derived therefrom that the Board uses to assist in the evaluation of the reasonableness of such costs for ratemaking purposes? If so, then please describe the impact that each accounting standard will have on such costs compared to the CGAAP accounting standard.

- (c) Please provide the following information with respect to the issue of the amount of unamortized actuarial losses at December 31, 2012, that might reasonably be recovered from ratepayers commencing on and after January 1, 2013:
- (i) Confirm that the annual amount recoverable from ratepayers on account of such actuarial losses and embedded in Union's 2007 Base Rates is \$3.8M;
 - (ii) Provide the amortization amounts actually charged by Union as expenses under CGAAP in its financial statements in each of the years 2008 to 2012 inclusive;
 - (iii) Provide the total 2007 Base Year revenue requirement and express the amount of \$3.8M as a percentage of that Base Year revenue requirement;
 - (iv) Confirm that the total overearnings realized during the course of the five (5) year IRM Plan expiring December 31, 2012, is slightly in excess of \$210M; and
 - (v) Advise as to the portion of the total of \$210M allocated to ratepayers and the portion allocated to Union's shareholder.