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By electronic filing

January 27, 2012

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

Dear Ms Walli,

Union Gas Limited (“Union”)
2010 Earnings Sharing & Deferral Accounts and Other Balances
Board File No.: EB-2011-0038
Our File No.: 339583-000104

I am writing with respect to the Board’s Decision and Order dated January 20, 2012 (the “Decision”).

In the Decision, the Board directs Union “... to file a Draft Rate Order which reflects the Board’s findings in this Decision.”

Union is to submit the Draft Rate Order no later than February 3, 2012, and intervenors who wish to file comments must do so no later than February 10, 2012. I will be out of the country until February 13, 2012, and will be unable to submit comments by the February 10, 2012 deadline date.

As a result, I am submitting one comment now in the hope that the matter can be considered by the Board and by Union and addressed during the Order approval process.

My comment stems from the Board’s findings in the Decision as follows:

- (a) That the intent of the NGEIR Decision was to effect the one time separation of plant assets between Union’s utility and non-utility businesses (page 6 of the Decision);
- (b) That although Union’s system is integrated, Union plans resource optimization activities around non-utility storage assets only and tracks the use of its non-utility storage space for ex-franchise transactions (page 16); and

- (c) That the entire amount of utility storage above in-franchise customer needs is sold as short-term storage service and that all of the costs of this space are to be paid by in-franchise customers (page 20).

It is submitted that a necessary corollary of these findings is that the short-term (under 2 years) storage transactions and other balancing services Union provides are supported entirely by the 100 PJs of storage space that the Decision establishes as the utility asset (page 6). As a consequence of the findings that the Board has made in the Decision, there no longer exists any factual basis for allocating 21% of short-term net revenues recorded in Account No. 179-70 to Union's non-utility storage business.

In the NGEIR Decision, at page 101, the Board had directed Union to split the margins on short-term storage transactions 79/21 between in-franchise customers and the non-utility storage business because of "the impossibility of physically linking a short-term transaction to a specific slice of storage space". Since the Board has now found that Union can and does track which storage space is used for short-term and long-term storage sales, it inevitably follows that 100%, and not 79%, of the net credit in Account No. 179-70 of \$0.924M (to which the Board refers at page 18 of the Decision) is the utility portion of the net revenues on short-term storage sales made entirely from utility storage assets, and that 90% of these net revenues, or \$0.831M, is the amount to be shared with ratepayers.

It is submitted that it necessarily follows from the findings in the Decision that the ratepayers' share of 2010 net short-term revenues is \$0.831M, rather than the \$0.657M referenced in the Decision.

We respectfully submit that this consequence of the Decision should be recognized in the Draft Rate Order that Union submits to reflect its findings.

Our hope is that Union will agree with this analysis and submit a Draft Rate Order that increases the short-term net revenues to be shared with ratepayers from \$0.657M to \$0.831M. If that hope does not materialize, then we respectfully request that the Board invite submissions from Union and others on this point and then determine whether or not it agrees that, as a result of the findings made in the Decision, the ratepayers' share of 2010 short-term storage revenues is \$0.831M.

Yours very truly,



Peter C.P. Thompson, Q.C.

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c. Chris Ripley (Union)
Intervenors in EB-2011-0038
Paul Clipsham (CME)

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