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BY E-MAIL

March 23, 2012

To: All registered parties in proceeding EB-2011-0210

**Re: Union Gas Limited
2013 Rebasing Application
Board File Number EB-2011-0210**

The Board held its Issues Day Hearing on March 22, 2012 for Union's 2013 rebasing proceeding (EB-2011-0210). The Board approved a Final Issues List at the conclusion of the hearing. The Final Issues List is attached to this letter.

Yours truly,

Original signed by

Kirsten Walli
Board Secretary

**Union Gas Limited
2013 Rates
EB-2011-0210
Final Issues List**

B. Rate Base

1. Is Union's forecast level of capital spending in 2013 appropriate?
2. Are the proposed updates to Union's lead/lag study appropriate?
3. Is Union's proposal to terminate reporting on new business-related directives from prior facility projects appropriate?
4. Is the proposed Test Year Rate Base appropriate?
5. Is the proposed working capital allowance appropriate?
6. Are the methods proposed by Union to allocate the cost and use of capital assets between regulated and non-regulated activities appropriate, and are the proposed allocations to the regulated business appropriate for the Test Year?
7. Do Union's Asset Condition Assessment information and Investment Planning Process appropriately address the condition of the distribution system assets and support the OM&A and capital expenditures proposed for the Test Year?
8. Is the allocation of capital expenditures between utility and non-utility ("unregulated") operations appropriate?

C. Operating Revenues

1. Is Union's general service demand forecast appropriate?
2. What is the appropriate methodology to be used to forecast degree days for the Test Year?
3. Is the 2013 Contract Customer Demand forecast appropriate?
4. Is the 2013 S&T forecast appropriate?
5. Is the proposed amount for Test Year Other Revenues, including the methodologies used to cost and price those services, appropriate?

6. Has Union levied proper charges and allocations to non-regulated businesses and affiliates, and provided proper credit for those charges and allocations in calculating revenue requirement to be recovered from regulated ratepayers?

D. Cost of Service

1. Is the 2013 O&M budget appropriate?
2. Are the 2013 affiliate charges appropriate?
3. Has Union complied with the Affiliate Relationships Code ("ARC") and the Board's "three prong test" (as described by the Board in the E.B.R.O. 493/494 Decision with Reasons)?
4. Are the provisions for depreciation, amortization and depletion proposed in the 2011 Depreciation Study appropriate?
5. Are the changes to unaccounted for gas appropriate?
6. Is the proposed community investment funding appropriate?
7. Is the proposed Energy Technology Innovation Canada program funding appropriate?
8. Is the forecast of Employee Future Benefit costs which will be incurred under USGAAP appropriate?
9. Are the Test Year Human Resources related costs (wages, salaries, benefits, incentive payments, labour productivity and pension costs) including employee levels, appropriate?
10. Are the amounts proposed for capital and property taxes appropriate?
11. Is the amount proposed for income taxes, including the methodology, appropriate?
12. Is the proposal to update the bad debt expense as part of the Quarterly Rate Adjustment Mechanism ("QRAM") process appropriate?
13. Is the proposal to continue to adjust the unaccounted for gas, company used gas and gas inventory for resale costs as part of the QRAM process appropriate?
14. Is the gas supply plan for 2013 appropriate?

15. Is the allocation of O&M costs between utility and non-utility operations appropriate?
16. Is the proposed system integrity space value and its allocation for 2013 appropriate?
17. Is the proposed Parkway commitment for direct purchase customers appropriate?
18. Is the existing Parkway obligated delivery requirement for direct purchase customers appropriate?

E. Cost of Capital

1. Is the forecast of the cost of debt for the Test Year, including the mix of short and long term debt and preference shares, and the rates and calculation methodologies for each, appropriate?
2. Is the proposed change in capital structure increasing Union's deemed common equity component from 36% to 40% appropriate?
3. Is the proposal to use the Board's formula to calculate return on equity appropriate?

F. Revenue Requirement

1. Are the revenue requirement and revenue deficiency or sufficiency for the Test Year calculated correctly?
2. Is the overall change in revenue requirement reasonable given the impact on consumers?

G. Cost Allocation

1. Is Union's utility Cost Allocation Study, including the methodologies and judgments used and the proposed application of that study with respect to Test Year rates, appropriate?
2. Are the Cost Allocation Study methodology changes to the allocation of Oil Springs East costs appropriate?
3. Are the Cost Allocation Study methodology changes to the allocation of Tecumseh metering and regulating costs appropriate?
4. Is the Cost Allocation Study methodology to allocate the cost of system integrity appropriate?

5. Are the Cost Allocation Study methodology changes to allocate the cost of North distribution customer station plant appropriate?
6. Are the Cost Allocation Study methodology changes to classify and allocate the cost of distribution maintenance O&M (meter and regulator repairs) appropriate?
7. Are the Cost Allocation Study methodology changes to allocate the cost of distribution maintenance O&M (equipment on customer premises) appropriate?
8. Are the Cost Allocation Study methodology changes to classify and allocate the cost of purchase production general plant appropriate?
9. Is the Cost Allocation Study methodology to allocate the cost of the Dawn to Dawn-TCPL, Dawn to Dawn-Vector and M12 F24-T services appropriate?
10. Should the cost allocation methodology be modified to separate Parkway Station metering and compression costs and Kirkwall station metering costs from Dawn Trafalgar Easterly costs?
11. Is the allocation of all Dawn Trafalgar Easterly costs, including metering and compression costs, based on commodity-kilometres appropriate?

H. Rate Design

1. Are the rates proposed in Exhibit H just and reasonable?
2. Is Union's response to the Board directive to review the M12 and C1 ratemaking methodology appropriate?
3. Is the proposal to lower the breakpoint between small and large volume general service customers to 5,000 M3 per year effective January 1, 2014 appropriate?
4. Is the proposal to harmonize the general service rate structures between the North and South operating areas effective January 1, 2014 appropriate?
5. Is the proposal to lower the eligibility for the M4 and M5A rate classes to a daily contracted demand of 2,400 M3 and a minimum annual volume of 350,000 M3 effective January 1, 2014 appropriate?

6. Is the introduction of an M4 interruptible service offering effective January 1, 2014 appropriate?
7. Is the proposal to lower the eligibility for the M7 rate class to a combined firm, interruptible and seasonal daily contract demand of 60,000 M3 effective January 1, 2014 appropriate?
8. Is the splitting of T1 into two rate classes effective January 1, 2013 appropriate?
9. Is recovering UFG on transportation activity in the winter months for the Dawn to Dawn-Vector transportation service appropriate?
10. Is the proposal to modify the M1 and M2 rate schedules appropriate?
11. Is the proposal to modify the M12, M13, M16 and C1 rate schedules including Schedule A, Schedule A-2013 and Schedule C appropriate?
12. Are the proposed changes to the Distributor Consolidated Billing fee to \$0.57 per month per customer appropriate?
13. Are the proposed changes to the Gas Supply Administration Fee appropriate?
14. Are rate mitigation measures required to address the rate impacts on some customers as a result of the proposed January 1, 2014 rate design proposals?
15. Is the proposal to change the rate design for services originating at Kirkwall to eliminate Kirkwall measuring and regulating costs appropriate?

DV. Deferral and Variance Accounts

1. Are Union's proposed and existing deferral and variance accounts appropriate?
2. Should deferral accounts for transmission-related transactional services that were eliminated in the EB-2007-0606 incentive ratemaking proceeding be re-established?
3. Is the proposal to eliminate the Late Payment Penalty Litigation (No. 179-113) and the Harmonized Sales Tax (No. 179-124) deferral accounts appropriate?
4. Is the proposal to modify the wording of the Short-term Storage and Other Balancing Services (No. 179-70), Average Use Per Customer (No. 179-

118), and the Inventory Revaluation Account (No. 179-109) deferral accounts appropriate?

O. Other Issues

1. Has Union responded appropriately to all relevant Board directions from previous proceedings?
2. Are Union's economic and business planning assumptions for the Test Year appropriate?
3. Is service quality, based on the Board specified performance indicators acceptable?
4. Are sustainable efficiency improvements (or efficiency gains) achieved under incentive regulation reflected in Union's CoS estimates?
5. Are the forecasts of Natural Gas Market Conditions in 2013 and beyond and the impacts on Union, including turnback and mitigation actions by Union, appropriate?
6. Are Union's customer service policies (including security deposits, late payment penalty, etc.) compatible with Board directives?
7. Have all impacts of the conversion of regulatory and financial accounting from CGAAP to USGAAP been identified, and reflected in the appropriate manner in the Application, the revenue requirement for the Test Year, and the proposed rates?