

May 25, 2012

**Sent by E-mail and Courier  
Filed on RESS**

Ms. Kirsten Walli  
Board Secretary  
Ontario Energy Board  
2300 Yonge Street, Suite 2700  
Toronto, ON M4P 1E4

Your reference  
EB-2012-0087

Our reference  
01015413-0028



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Dear Ms. Walli:

**Union Gas Limited – 2011 Earnings Sharing and Disposition of Deferral Accounts and Other Balances (EB-2012-0087)**

Please find attached the information requests of Association of Power Producers of Ontario for the above-noted proceeding.

Yours very truly,

*Original signed by*

John Beauchamp

JB/mnm

Enclosure

Cop(y/ies) to: All parties to the proceeding

DOCSTOR: 2434849\1

**ASSOCIATION OF POWER PRODUCERS OF ONTARIO**

**INTERROGATORIES TO UNION GAS LIMITED**

**INTERROGATORY #1**

**Reference:** Exhibit A, Tab 1, Page 13, Table 2  
 Exhibit A, Tab 3, Schedule 1, Page 1

**Questions/Requests:**

- a) Please fill out the Table 1 below in order to show the forecasted and actual spending for each program that impacts rates 20, 100, T1 and M12. Please indicate in column 4 the total spending for each program and not the sum of spending for rates 20, 100 and T1. If the number in column 4 happens to equal the sum of the spending for rates 20, 100 and T1, please add a note indicating that no additional amount was spent on another rate class for that program.

<b>2011 Forecasted DSM spending</b>						
<b>Line No.</b>	<b>Program Name</b>	<b>Particulars/Details (e.g., Resource Acquisition, Market Transformation, Distribution Contract, etc.)</b>	<b>Rate 20 (1) (\$000's)</b>	<b>Rate 100 (2) (\$000's)</b>	<b>Rate T1 (3) (\$000's)</b>	<b>Program Total (4) (\$000's)</b>
1						
2						
3						
4						
5						
6						
<b>Total</b>			1,308	2,112	1,484	

<b>2011 Actual Unaudited DSM Spending</b>						
<b>Line No.</b>	<b>Program Name</b>	<b>Particulars/Details (e.g., Resource Acquisition, Market Transformation, Distribution Contract, etc.)</b>	<b>Rate 20 (1) (\$000's)</b>	<b>Rate 100 (2) (\$000's)</b>	<b>Rate T1 (3) (\$000's)</b>	<b>Program Total (4) (\$000's)</b>
7						
8						
9						
10						
11						
12						
<b>Total</b>			573	834	4,364	

*\*Note – Totals as shown in Exhibit A, Tab 1, Schedule 3 are provided*

- b) For each of the programs and rates listed in Table 1, Please provide the Total Resource Cost ("TRC") achieved and fill out Table 2 below.

<b>2011 Unaudited TRC</b>						
<b>Line No.</b>	<b>Program Name</b>	<b>Particulars/Details (e.g., Resource Acquisition, Market Transformation, Distribution Contract, etc.)</b>	<b>Rate 20 (1) M\$</b>	<b>Rate 100 (2) M\$</b>	<b>Rate T1 (3) M\$</b>	<b>Program Total (4) M\$</b>
1						
2						
3						
4						
5						
6						
<b>Total</b>						

**INTERROGATORY #2**

**Reference:** Exhibit A, Tab 1, Page 11

**Questions/Requests:**

- a) Union mentions, at line 4, that there were no 2011 DSM "volumes" included in 2011 rates. Please clarify what Union means by "DSM volumes" and how they might be included in rates.
- b) Union mentions, at lines 4-7, that "the process to finalize DSM balances for 2011 includes an audit of Union's DSM Annual Report, which is subsequently reviewed by the Evaluation and Audit Committee, communicated to the DSM Consultative and filed with the Board". Please provide a copy of Union's audited DSM Annual Report.

**INTERROGATORY #3**

**Reference:** Exhibit A, Tab 1, Page 12

**Preamble:** At lines 7-9, Union states:

"The Board's EB-2006-0021 Decision (Phase 1, page 30) allows Union to spend up to 15% more than what was included in rates provided the "additional funding was spent on incremental program expenses."

**Questions/Requests:**

- a) Please explain how Union decides to spend this additional 15%, including on which rate classes. Are there any processes or procedures that Union follows when making these decisions? If so, please provide/explain.

**INTERROGATORY #4**

**Reference:** Exhibit A, Tab 1, Page 13, Table 2

**Preamble:** Table 2 reads as follows:

Table 2  
2011 DSM Overspend

Line No.	Particulars (\$000's)	2011 Plan	2011 Actual	Variance
1	Residential	3,139	2,699	(440)
2	Low-Income	1,903	1,729	(174)
3	Commercial	5,666	4,143	(1,523)
4	Distribution Contract	4,990	8,737	3,747
5	Market Transformation	1,464	1,572	108
6	Other Direct Program Costs	7,727	7,035	(692)
7	Subtotal	24,889	25,915	1,026
8	Incremental Low-Income	-	2,056	2,056
9	Total	24,889	27,971	3,082

**Questions/Requests:**

- Please explain the term "Distribution Contract" and what it is meant to capture.
- According to Line 4 in Table 2, while Union's planned 2011 DSM spend was \$4,990,000, its actual 2011 DSM spend was \$8,737,000 (a variance of approx. \$3,747,000). Please explain this variance (how it came to be and the rationale behind the spending). Please explain why this exceeds the 15% referred to in IR #3.
- Explain how the Distribution Contract amount was spent – i.e. on what programs and for the benefit of which rate classes. Please also provide the benefits achieved from this expenditure.

**INTERROGATORY #5**

**Reference:** Exhibit A, Tab 1, Page 16

**Preamble:** At lines 5-9, Union states:

“In accordance with previous Board-approved practice, Union is proposing to dispose of the recorded SSM balance related to unaudited 2011 DSM activities. Recognizing this balance may still change following the audit, any amount disposed of would be subject to a future true-up. Any true-up amount will be captured in the deferral account for future disposition.”

**Questions/Requests:**

- a) Please explain the rationale behind Union’s decision to dispose of the recorded SSM balance related to unaudited 2011 DSM Activities (as opposed to deferring these amounts). If Union is basing this decision on “Board-approved practice”, please provide references or examples to support the decision. Please also identify when the audited report will be available.

**INTERROGATORY #6**

**Reference:** Exhibit A, Tab 1, Page 16

**Preamble:** At Lines 11-12 on Page 16 and Lines 4-10 on Page 17, Union states:

“In addition to the balance in the SSM deferral account Union is claiming a \$0.544 million incentive for the 2011 incremental Low-income program...

Union is proposing to dispose of the forecast Low-income balance related to unaudited 2011 Low income activities as measured by the Home Weatherization Scorecard at this time. The variances between the payout balances calculated out of audited and unaudited results would be subject to a future true-up. Any true-up amount will be captured in a future disposition in the same way the LRAM variance from 2011 has been trued up in this proceeding.”

**Questions/Requests:**

- a) Please explain the rationale behind Union’s decision to dispose of the forecast Low-income balance related to unaudited 2011 Low income activities as measured by the Home Weatherization Scorecard at this time.

**INTERROGATORY #7**

**Reference:** Exhibit A, Tab 1, Page 19, Table 4

**Preamble:** Table 4 reads as follows:

**Table 4**  
**IFRS Conversion Costs by Year**

<u>Line</u> <u>No.</u>	<u>Particulars (\$ Millions)</u>	<u>2008</u> <u>(a)</u>	<u>2009</u> <u>(b)</u>	<u>2010</u> <u>(c)</u>	<u>2011</u> <u>(d)</u>	<u>2012</u> <u>(e)</u>	<u>2013</u> <u>(f)</u>	<u>2014</u> <u>(g)</u>	<u>Total</u> <u>(h)</u>
1	Proposed by Union	1.918	2.071						3.989
2	Less capital expenditures	0.953	0.459						1.412
3	O&M	0.965	1.612						2.577
4	Revenue requirement	-	-	0.124	0.335	0.538	0.505	0.244	1.747
5		0.965	1.612	0.124	0.335	0.538	0.505	0.244	4.324

**Questions/Requests:**

- a) In light of the fact that there are no expenditures listed in Table 4 for the years 2010-2014, please provide calculations for and explain the revenue requirement numbers for these years.

**INTERROGATORY #8**

**Reference:** Exhibit A, Tab 1, Pages 23-24

**Preamble:** Union's application (at Line 15, Page 23 – Line 8, Page 24) reads as follows:

"The revenue requirement impact is a credit of \$0.390 million, of which 50% or \$0.195 million is the ratepayer portion. In 2010 Union had a tax savings of \$3.330 million related to capital additions, including \$0.032 million of O&M overhead capitalization. The revenue requirement impact for the 2010 Capital additions in 2011 is a credit of \$0.406 million, of which 50% or \$0.203 million is the ratepayer portion. The combined revenue requirement impact for 2011 is \$0.796 million, of which 50% or \$0.398 is the ratepayer portion. The calculation of this balance is provided in Table 6 below. The HST impact on capital expenditures will be included in rate base when Union resets its rates in 2013."

Table 6 (see page 24) reads as follows:

Table 6  
HST Capital Summary

Line No.	Particulars (\$ Millions)	2011	2010	Total	
	Capital Additions				
1	Capital PST Savings Estimate	6.395	3.330	9.725	
2	1/2 year rule	0.5	N/A		
		3.198	3.330	6.528	
3	Depreciation	3.30%	0.106	0.110	0.216
4	Interest	4.61%	0.147	0.154	0.301
5	Return	3.07%	0.098	0.102	0.200
6	Income Taxes	28.25%	0.039	0.040	0.079
7	Revenue Requirement Impact	0.390	0.406	0.796	

**Questions/Requests:**

- a) Union explains that the HST impact on capital expenditures will be included in rate base when Union resets its rates in 2013. Please explain the rationale behind this decision – i.e. why is the "ratepayer portion" of the credit not being refunded immediately?

**INTERROGATORY #9**

**Reference:** Exhibit A, Tab 1, Schedule 2, Page 3

**Preamble:** This table provides 2011 Unaudited LRAM particulars.

**Questions/Requests:**

- a) Column (a) in the table provides "2011 Unaudited Volumes". Please provide the final approved/audited volumes for the Rate 20, Rate 100 and T1 rate classes.

**INTERROGATORY #10**

**Reference:** Exhibit A, Tab 1, Schedule 3

**Questions/Requests:**

- a) Line No. 6 of this table provides DSM numbers for the T1 rate class. While the DSM costs in 2011 rates for T1 is listed at \$1,484, 000, the actual 2011 DSM costs for T1 were \$4,364,000 (see column (b)). This results in an account balance of \$2,880,000 (see column (c)). Please address this difference by providing the following information:
- I. Explain how the \$4,364,000 was spent (i.e. on which programs);
  - II. Explain the rationale behind such significant overspending for the T1 rate class; and
  - III. Please discuss any benefits that T1 achieved because of this overspend.
- b) The "Notes" section at the bottom of this table (detailing DSMVA) is blank. Please provide.

**INTERROGATORY #11**

**Reference:** Exhibit A, Tab 2, Page 3

**Preamble:** Under "2011 Earnings Sharing", Union provides the following at lines 2-5:

"The benchmark return on equity ("ROE") for 2011 was 8.10%. Union's actual ROE from utility operations in 2011 was 11.57% or 347 basis points above the 2011 benchmark ROE. This results in earnings sharing for 2011 of \$16.652 million (Tab 2, Appendix B, Schedule 1, column (d), line 35)."

**Questions/Requests:**

- a) Please provide what amount of the \$16.652 million would be delegated to T1, Rate 20, Rate 100 and Rate 25 customers – both to each rate class as a whole and to the average customer within that rate class.