Aiken & Associates
578 McNaughton Ave. West
Chatham, Ontario, N7L 4J6

Phone: (519) 351-8624
E-mail: randy.aiken@sympatico.ca

May 28, 2012

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

Dear Ms. Walli:

RE: EB-2011-0210 – LPMA Technical Conference Questions for Union Gas

Please find attached the technical conference questions of the London Property Management Association in the above noted application. These questions were forwarded to Union Gas last week.

Sincerely,

Randy Aiken

Randy Aiken
Aiken & Associates
Encl.

cc: Chris Ripley Union Gas Limited (e-mail)
Crawford Smith, Torys (e-mail)
Intervenors (e-mail)

TECHNICAL CONFERENCE QUESTIONS OF LPMA

B. RATE BASE

1. Ref: Ex. J.B-2-3-1 & Ex. B1, Tab 8, Sch. 1

Please explain what is driving the changes in each of the following O&M expense leads from that filed in EB-2005-0520 to the current filing:

a) salaries and wages from 14.2 to 10.5; in particular, please explain the decrease from 16.7 to 14.9 days for weekly employees, the decrease from 9.4 to 5.3 days and the decrease from 19.9 to 18.4 days for technical/salary employees.

b) employee benefits from 14.5 to 32.1.

c) other O&M from 18.2 to 28.3.

2. Ref: Ex. J.B-2-2-1 part (d)

Please explain more fully why the interest payments are paid from the operations of the business and are not a required component of cash working capital. For example, how does this differ from O&M payments? Are O&M payments paid from the operations of the business?

3. Ref: Ex. J.B-4-1-1

How was the forecasted average cost of gas of $5.37/GJ determined?

4. Ref: Ex. J.B-4-2-1 & Ex. B3, Tab 2, Sch. 2

Line pack gas has been moved from gas in inventory to property, plant and equipment. Union proposes to fix the value of the line pack gas at the prevailing WACOG at the time the quarterly revaluations end. Union also proposes to keep the line pack gas recorded at historical cost as of December 31, 2012.

a) Based on the date of December 31, 2012, would the WACOG from the October 1, 2012 QRAM or the January 1, 2013 QRAM be used as the "prevailing" WACOG at the time the quarterly revaluations end?

b) Please indicate where the base line pack gas has been included in Exhibit B3, Tab 2, Schedule 2. Please also indicate the value of this base line pack gas included in PP&E for the 2013 test year in the updated evidence and the QRAM price that this value is based upon.

5. Ref: Ex. J.B-4-15-1

Lines 1 through 7 do not add the figure shown in line 8. Please provide a corrected version of the response.

C. OPERATING REVENUE

1. Ref. Ex. J.C-1-2-2

a) Please confirm that the changes in the average use shown in the table in part (b) are the result of changes other than degree days, such as the economy, DSM, person/house, furnace efficiency, etc.

b) Please explain why there are more than 30 residential Rate M2 customers, with an average use of more 100,000 m3 per year.

c) Please explain the significant drop in the residential Rate M2 use from the 2011 actual level.

d) What is driving the significant drop in the commercial Rate 10 use from the 2011 actual level?

e) What is driving the significant drop in the tobacco Rate M1 and M2 use from the 2011 actual levels?

f) The total NAC has declined by an average compound rate of 0.92% between 2007 and 2011 and by 0.16% between 2009 and 2011. The decline in 2012 is 3.71% with a further decline of 2.11% in 2013. Please explain what is driving this accelerated decline in light of the slowing decline experienced in 2009 to 2011.

2. Ref: Ex. J.C-1-2-3

Please provide both equations referred to in the response, including the regression statistics and all explanatory variables used in them.

3. Ref: Ex. J.C-1-2-6

Part (c) of the response did not provide the answer requested. Please provide the actual 2011 and forecast 2012 and 2013 figures for each of the residential equations used to forecast the residential volumes (i.e. Use and Volume as shown as Eqn. 1 and Eqn. 2)

D. COST OF SERVICE

1. Ref: Ex. J.D-1-2-6

Please confirm that the OM&A per customer of $346.47 shown for 2008 should be $246.47.

2. Ref: Ex. J.D-2-2-2 & Ex. D1, Tab 7, Table 2

The response indicates that the 2013 depreciation expense of $2.444 million is not based on any depreciation study. Please provide the depreciation rates used in the calculation of the 2013 depreciation expense for each line item shown in Table 2 of Exhibit D1, Tab 7.

3. Ref: Ex. J.D-9-2-2

Please explain why and how the total variable pay has been consistently above the total variable pay available at 100% payout.

4. Ref: Ex. J.D-12-2-2

Has Union reflected the potential cancellation of the provincial corporate tax reduction in the updated revenue requirement and deficiency calculations? If not, does Union propose to adjust the revenue requirement and deficiency to reflect the increase of $2.1 million in income taxes?

5. Ref: Ex. J.D-14-2-1 & Ex. F, Tab 1, Sch. 1

a) What is the impact on the test year revenue deficiency shown in Exhibit F3, Tab 1, Schedule 1 of using the total utility cost of gas of $613,805 shown in the response to Exhibit J.D-14-2-1?

b) Does this impact include any change to the working capital component of rate base associated with the use of the April 1, 2012 QRAM price? If not, what is the impact on rate base and the revenue deficiency of using the April 1, 2012 QRAM price?

DV. DEFERRAL AND VARIANCE ACCOUNTS

1. Ref: Ex. J.DV-4-2-1

Union states that there is no need for the Average Use Per Customer deferral account in 2013 but wishes to keep it available as a possible component of its next multi-year incentive regulation proposal.

a) Could Union discontinue this account for 2013 and request the addition of the same or similar account when it files a proposal for the next multi-year incentive regulation plan?

b) Please explain the answer to part (b). Why is Board approval of the continuation of this deferral account necessary for it to be a possible component of Union's next multi-year incentive regulation proposal?

c) Part (b) of the interrogatory was not answered completely. Does the continuation of this account eliminate the forecast risk associated with the margin impact of the average use forecast for the applicable general service customer classes? If not, please explain fully.

2. Ref: Ex. J.DV-4-2-3

The response provided to part (b) is not complete. If Union does not sell all of the space in excess of in-franchise requirements up to 100 PJ on a short term basis and Union receives revenue generated from this excess space for something other than short term storage, does Union agree that this revenue should be included in the deferral account to be shared with ratepayers? If not, why not?

3. Ref: Ex. J.DV-4-10-1

a) Could Union earn any revenue for an service that would be generated from the storage space or deliverability required by the utility for the upcoming storage year for in-franchise requirements? If yes, please explain.

b) If Union did generate additional revenues from the storage space or deliverability reserved for in-franchise requirements but subsequently not needed, would that additional revenue accrue solely to Union's shareholder under Union's current proposal? Would any amount of this revenue accrue to ratepayers?

O. OTHER ISSUES

1. Ref: Ex. J.O-2-2-1

Please separate the $0.543 impact shown in the response to part (a) into the components for each of rates M2 and 10.

2. Ref: Ex. J.O-2-2-2, Attachment 1

a) What are the sources for the salary and wage increases shown in Attachment 1?

b) Why is there no figures shown for 2012 and 2013 in the March 2012 column? Please provide the forecasts for 2012 and 2013 from the latest forecasts from the sources requested in part (a) above and provide the date of this forecast.

3. Ref: Ex. J.O-3-3-1 part (a)

Please explain the significant drop in total appointments shown between 2007 and 2011. Does Union expect the number of total appointments in 2012 and 2013 to approximate the level recorded in 2010 and 2011?

H. RATE DESIGN

1. Ref: Ex. J.H-1-1-2

The response notes that the increase in Union North delivery rates based on Union's updated evidence is about 20% and the increase in Union South delivery rates is about 7%. Page 4 of the response provides a number of rate mitigation measures that could be used to reduce these figures.

a) Please provide the comparable figures to the 20% and 7% increases noted above if the equity component of the capital structure were to be increased from 36% to 40% in equal increments over a 4 year period.

b) Please provide the comparable figures to the 20% and 7% increases noted above if the weather normalization methodology were to be phased in over a a 5 year period in equal increments.

c) Please provide the comparable figures to the 20% and 7% increases noted above if both of the phase-ins noted in (a) and (b) above were implemented.

d) Does the projected loss of the FT-RAM affect only Union North delivery rates?

e) Would Union agree to the establishment of a deferral/variance account to record any FT-RAM revenues received in 2013 that could be rebated to customers? If not, why not?

f) Please show the impact on revenue to cost ratios of the proposal noted on page 5 for each rate class in the North and South.

2. Ref: Ex. J.H-3-3-3 & Ex. J.H-14-2, Attachment 1

a) How did Union arrive at a monthly customer charge reduction from $70 to $35 per month?

b) Please provide a version of Attachment 1 of Exhibit J.H-14-2 that shows the bill impacts if the monthly customer charge for rates M2 and 10 is set at levels of $25 and $30 per month instead of $35 per month. Please also reflect the impact of the higher delivery (volumetric) rates that would be required to ensure revenue neutrality for the classes.

c) Has Union considered a phase-in approach to the monthly customer charge for Rate M2 and 10 customers to mitigate the impacts on the smaller volume customers in these classes? If not, why not?

3. Ref: Ex. J-H-5-2-1

The response shows that for customers with a load factor of 40% and a firm CD of 2,400 or 3,600 m^3 that Rate M4 would be more expensive than rate M2.

a) Based on a monthly customer charge for Rate M2 of $25 or $30 and the resulting increases in the variable rate requested in the previous technical conference question, please provide a version of Attachment 1 to Exhibit J.H-5-2-1 for each of the monthly customer charges.

b) Based on Union's proposal as shown in Attachment 1, what is the annual volume needed to make the costs under Rates M2 and M4 equivalent for a firm contract demand of 2,400 m^3? for a firm contract demand of 3,600 m^3?

<u>4. Ref: Ex. J.H-5-11-1</u>

Please confirm that the 140 days use of firm contract demand noted on the first line of page 2 should be 146 days of firm contract demand.

<u>5. Ref: Ex. J.H-10-2-1</u>

The response indicates, that for billing purposes a number of M1 accounts cannot be grouped to become an M2 account and that a number of M2 accounts cannot be grouped to become an M4 account. The responses to part (k) and (l) appear to indicate that a customer with M1 and M2 accounts can aggregate them into an M2 account and a customer with M1 or M2 and an M4 account can aggregate them into an M4 contract.

a) Is the above correct?

b) Is a single meter required to aggregate these accounts for billing purposes?

<u>6. Ref: Ex. J.H-10-2-1</u>

With respect to part (q) of the response, Union indicates that it does offer a similar supplemental service under rates 01 and 10 but that there is no additional service charge for each additional meter.

a) Foes the supplemental service available to rates 01 and 10 allow the volumes of the accounts combined to take advantage of the lower rates for higher volume blocks as does the M1 and M2 supplemental service?

b) Why is Union charging a service charge for each additional meter in Rates M1 and M2 but not for Rates 01 and 10?