

VIA E-MAIL & COURIER TO THE BOARD

June 14, 2012

Ontario Energy Board
P.O. Box 2319
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2300 Yonge Street
Toronto ON M4P 1E4

Attn: Kirsten Walli, Board Secretary

RE: EB-2012-0087 UNION GAS 2011 ESM AND DEFERRAL DISPOSITIONS

The following are the submissions of the Federation of Rental-housing Providers of Ontario in the above proceeding. The Board's Procedural Order No. 1 dated April 19, 2012 in this proceeding ordered that intervenors notify the Board on or before June 15, 2012 if they intend to file intervenor evidence. At this juncture, we respectfully request an additional opportunity for discovery in this proceeding to inform emerging issues. Our respectful request would be for a Technical Conference to be established prior to hearing of these matters.

While some of the dispositions applied for by Union are mechanistic and require little explanation or validation, in our view, there are some significant issues surrounding the use of transportation contract attributes to yield shareholder margins that warrant further examination. The awareness of this issue has grown with ratepayers during our inquiry into cost and revenue allocations in EB-2011-0210. Our submissions in that proceeding will be focused on the 2013 rebasing construct. However, the classification of revenues achieved from transportation cost mitigation in 2011 being channeled to shareholder margins is disconcerting.

Based on information filed in the EB-2011-0210 proceeding, the purpose of TCPL's FT Risk Alleviation Mechanism (RAM) that provides credits to Union for FT Capacity it does not use is to provide a "tool to mitigate unabsorbed demand charges (UDC)". In other words, the FT-RAM feature of Union's TCPL contracts is to enable Union to mitigate the upstream transportation costs it classifies and pays as "gas costs".

The extent to which Union is not filling the pipe that is secured through payment of demand charges thus creating UDC to obtain benefits from FT-RAM credits and then streaming those benefits to its shareholder rather than using them to reduce these demand charges in its gas costs accounts needs to be clarified. As a matter of principle, any gas cost related benefits should be used to reduce gas costs so that Union does not profit from attributes related to its TCPL transportation contracts that it classifies as gas costs.

As an example, in response to FRPO IR7.7 Attachment 2, the response provides that 95% of the pathway of Empress to Parkway (Union CDA) was used for optimization to achieve a profit of \$11.3 million. From information filed by Union Gas in the TCPL Tolls Hearing (RH-003-2011) on May 16, 2012, Union South held contracts of 71,327 GJ/day from Empress to Union CDA. The annualized cost for this transportation would be over \$50 million dollars that would be recovered from Union transportation customers in their rates with no apparent recovery of the benefits of optimization of this transport to these customers. In addition, discovery in the EB-2011-0210 yield significant concerns regarding the level of transportation contracting in Union's North territory.

Having regard to the foregoing, the balances in Union's gas related deferral accounts including the UDC account need to be carefully examined. Therefore, to ensure that the Board has sufficient understanding of these issues, we would respectfully propose that a Technical Conference be provided as an additional opportunity to clarify the record for determination of these issues.

Respectfully Submitted on Behalf of FRPO,



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- c. Interested Parties EB-2012-0087
V. Brescia