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September 14, 2012

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

Dear Ms. Walli:

RE: EB-2012-0087 - Submissions of London Property Management Association on Preliminary Issue

Please find attached the submissions of the London Property Management Association on the Preliminary Issue in the above noted proceeding.

Sincerely,

Randy Aiken

Randy Aiken
Aiken & Associates

Encl.

cc: Chris Ripley Union Gas Limited (e-mail)

IN THE MATTER OF the *Ontario Energy Board Act, 1998*,
S.O. 1998, c.15 (Schedule B);

AND IN THE MATTER OF an Application by Union Gas
Limited for an order or orders amending or varying the rate or
rates charged to customers as of October 1, 2012.

SUBMISSIONS OF THE
LONDON PROPERTY MANAGEMENT ASSOCIATION
ON THE PRELIMINARY ISSUE

I. INTRODUCTION

These are the submissions of the London Property Management Association ("LPMA") on the Preliminary Issue in the matter of an application by Union Gas Limited ("Union") for an order of the Board amending or varying the rate or rates charge to customers as of October 1, 2012 in connection with the sharing of 2011 earnings under the incentive rate mechanism approved by the Board as well as final disposition of 2011 year-end deferral account and other balances. The Board assigned file number toEB-2012-0087 to the Application.

In Procedural Order No. 3 dated August 15, 2012, the Board determined that it would deal with the issue of Union's treatment of upstream transportation revenues in 2011 as a distinct issue in the proceeding. It determined that the Preliminary Issue would be "Has Union treated the upstream transportation optimization revenues appropriately in 2011 in the context of Union's existing IRM framework?". A Technical Conference was scheduled for August 24, 2012, which dealt primarily with the Preliminary Issue.

Procedural Order No. 4 date August 24, 2012 set out the schedule for Argument-in-Chief, written submissions from Board Staff and intervenors and reply argument. Union provided their Argument-in-Chief on September 7, 2012.

II. SUBMISSIONS

LPMA has had the opportunity to review the detailed and comprehensive submissions of the Canadian Manufacturers and Exporters ("CME"). LPMA supports and adopts those submissions.

LPMA submits that the fundamental question for the Board to resolve is whether the FT-RAM related activities undertaken by Union are revenue generating activities (which could then be classified as transactional services) or cost reduction activities (which should then be classified as a reduction in gas transportation costs).

LPMA notes that Union has indicated that these transactions result in Union continuing to deliver the gas to its franchise area for use by its system gas customers. In fact, Union emphasized that the gas purchased always ends up be delivered to its system. The gas may be diverted from one area within Union's franchise to another, but ultimately the gas purchased for system gas customers is delivered to Union in its franchise area for use by those customers. In other words, Union is able to reduce the cost associated with the delivery of system gas to its franchise. This reduction in cost is in comparison to the forecast cost based on the gas supply plan related to upstream transportation that it says is needed to supply system gas customers. It is this forecast that is built into rates. This activity does not generate additional revenues based on capacity not needed to serve system gas customers.

LPMA submits that if Union is able to deliver gas to Ontario for consumption by system gas customers using utility assets that are paid for by those customers at less than that forecast, the reduction in costs should be passed through to those customers. To do so otherwise encourages Union to contract on a planned basis to optimize (maximize) revenue generating activities to enhance shareholder return rather than to contract on a planned basis to optimize (minimize) the costs paid by system gas customers. These optimization activities are likely to be at odds with one another with the result that system gas customers are paying too much to get their gas delivered to Ontario and Union's shareholder benefitting by a similar amount.

III. COSTS

LPMA requests that it be awarded 100% of its reasonably incurred costs for participating in this proceeding.

All of which is respectfully submitted this 14th day of September, 2012.

Randall E. Aiken

Randall E. Aiken
Consultant to
London Property Management Association