Aiken & Associates
578 McNaughton Ave. West
Chathan, Ontario, N7L 4J6
Phone: (519) 351-8624
E-mail: randy.aiken@sympatico.ca

January 3, 2013

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

Please find attached the submissions of the London Property Management Association 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

I. INTRODUCTION

These are the submissions of the London Property Management Association ("LPMA") on one unsettled 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 EB-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 2011as 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 held on August 21, 2012, which dealt primarily with the Preliminary Issue.

The Board issued its Decision and Order on Preliminary Issue on November 19th, 2012. The settlement conference was held on November 27th and 29th, 2012, as ordered in Procedural Order No. 5 dated October 24, 2012. The resulting Settlement Agreement was filed with the Board on December 14, 2012.

All issues were settled, except one. The Board's Decision and Order on Preliminary Issue required Union to confirm the total amount related to the upstream transportation optimization activities that would be subject to the Board-ordered revenue sharing arrangement. This unsettled issue relates to compressor fuel and unaccounted-for-gas ("UFG") in the calculation of the amount to be shared with ratepayers. Union proposes to deduct the costs of fuel and UFG to arrive at the FT-RAM optimization related net margin to include in deferral account 179-30. This unsettled issue affects three components of the Settlement Agreement dated December 14, 2012. In particular, it impacts on Issue 2 - Balance of Upstream Transportation FT-RAM Optimization (179-130), Issue 19 - 2011 Earnings Sharing, and Issue 23 - Wording of Upstream Transportation FT-RAM Optimization (179-130). LPMA makes submissions on each of these issues in the following section.

II. SUBMISSIONS

a) Issue 2 - Balance of Upstream Transportation FT-RAM Optimization (179-130)

LPMA has divided its comments on this issue into three sub-issues: matching costs with revenues, the amount of the incremental costs, and the accounting for the costs.

i) Matching Costs with Revenues

The Board ordered Union to move the revenues associated with the FT-RAM optimization transactions in the deferral account (Account 179-130). Union proposes to move the incremental costs incurred for compressor fuel and UFG into the same deferral account as an offset to these revenues. These incremental costs are only those incremental costs that are related to the FT-RAM optimization transactions and do not relate to capacity assignment transactions (Tr. Vol. 2, page 46).

LPMA agrees with Union that the incremental costs for compressor fuel and UFG directly attributable to the FT-RAM optimization transactions should be deducted from the revenues generated by the transactions. These costs are incurred only to enable the generation of the revenues that are to be recorded in this account.

The response to parts (a) and (b) of CME Question #1 found in Exhibit K2.3 clearly describe and illustrate the situation in which Union generates revenues and incurs incremental compressor fuel and UFG related costs on the Dawn to Parkway system. Union would not be able to generate the additional revenues without incurring the additional costs.

Matching the incremental costs with the incremental revenues, as proposed by Union, is consistent with the calculation of the net margin in Account 179-69, which was the deferral account which captured exchange transactions prior to its closure as part of the IRM framework. This is shown in the response to FRPO Question #4 in Exhibit K2.3. LPMA submits that Union's current proposal is consistent with the way in which such costs were treated in the past and that there is no evidence why this approach should not be maintained.

<u>ii) Amount of the Incremental Costs</u>

Union proposes that the ratepayer portion of the 2011 net FT-RAM revenue is $18.947 million, as shown in Appendix A to Exhibit K2.1. This calculation is based on compressor fuel and UFG related to FT-RAM costs of $948,405. The calculation of this figure is shown in Appendix B to Exhibit K2.1.

As shown in this calculation, the volumes subject to compressor fuel and/or UFG have been derived by Union based on the paths used to earn the optimization revenues. LPMA has no issues with these volumes.

These volumes are then multiplied by compressor fuel ratios (line 12) and UFG ratios (line 13) to arrive at compressor fuel and UFG volumes (lines 14 and 15) and ultimately the sum of the two volumes (line 16). This figure is then multiplied on a monthly basis by the approved WACOG to arrive at the total cost of $948,405.

LPMA accepts that the approved WACOG is an appropriate rate to be applied to the volumes to determine the cost of the compressor fuel and the UFG volumes.

LPMA further accepts that the compressor fuel volume based on the ratios shown in line 12 is appropriate. As Mr. Isherwood explained (Tr. Vol., 2, pages 18-19), Union went back and calculated the actual compressor fuel ratios for each month in 2011 and then used these ratios to calculate the volume of compressor fuel to include in the incremental costs. LPMA supports the use of the actual compressor fuel ratios on a monthly basis, as this provides an accurate estimate of the compressor fuel associated with the FT-RAM optimization services.

However, as noted by Mr. Isherwood at line 7 on page 19 of the same transcript, Union used as Board-approved figure for the UFG ratio. As seen in Appendix B of Exhibit K2.1, this ratio is 0.328%. LPMA submits that the use of this deemed ratio is inappropriate. LPMA submits that the actual UFG ratio for 2011 should be used.

The purpose of the FT-RAM optimization deferral account is to provide 90% of actual net revenue to ratepayers. This net revenue should be based on actual revenues, actual third party costs, actual compressor fuel and actual UFG. Union's approach uses actual information for each of the first three items noted. However, instead of using actual UFG, Union has used a deemed level of UFG based on a Board approved ratio from the 2007 cost of service proceeding. As a result, by using a deemed amount for one of the cost components, Union has not calculated the actual net revenue associated with the optimization services, but rather has provided a deemed net revenue.

LPMA has calculated the actual UFG ratio for 2011 to be 0.105%. This figure is derived from the 2011 actual data provided in Attachment 2 to CME Question 1 in Exhibit K2.3. In particular, the 0.105% ratio is calculated as 35,668 10^3 m^3 of actual UFG for 2011 divided by 33,824 10^6 m^3 of actual throughput. LPMA submits that this is the ratio that Union should be directed by the Board to use in the calculation of the UFG portion of the total fuel costs.

LPMA has provided a calculation of the compressor fuel and UFG costs related to the FT-RM optimization in Appendix A to this submission. This calculation takes the key line items from Appendix B of Exhibit K2.1 and replaces the UFG ratio of 0.328% with the above noted 0.105%. The result is a total cost of $738,957. This is a reduction of approximately $210,000 or more than 22% from the cost calculated by Union.

<u>iii)Accounting for the Costs</u>

LPMA submits that part of the confusion in this proceeding is related to the accounting for the incremental compressor fuel and UFG related costs associated with the FT-RAM optimization revenues. On a going forward basis, LPMA submits that the deferral account (Account 179-130) should clearly show not only the revenues and third party costs, but also the incremental compressor fuel and UFG related costs associated with these transactions that are directly attributable to the transactions that provide the revenue.

<u>b) Issue 19 - 2011 Earnings Sharing</u>

LPMA submits that the 2011 earnings sharing should be adjusted, if necessary, to reflect the Board's findings with respect to Issue 2. In particular, the earnings sharing shown in Exhibit A, Tab 2, Appendix B, Schedule 1 attached to Union's December 19, 2012 letter (Exhibit K2.2) would be applicable if the Board determines that Union's approach to deducting the $948,405 in compressor fuel and UFG related costs related to FT-RAM optimization activities is appropriate.

If the Board determines that the $948,405 is not an appropriate cost to deduct for the determination of the amount pertaining to the upstream transportation optimization activities that is to subject to the Board-ordered revenue sharing arrangement, then LPMA submits that the earnings sharing calculation should be adjusted to reflect this change from what Union has proposed. In particular, if the $948,405 is not an appropriate cost deduction for the FT-RAM calculation, then no adjustment should be made in the earnings sharing calculation, as illustrated in Attachment 3 to CME Question 1 in Exhibit K2.3.

If some adjustment is made to the figure of $948,405, then this should also be reflected in the earnings sharing adjustment.

c) Issue 23 - Wording of Upstream Transportation FT-RAM Optimization (179-130)

LPMA generally supports the proposed working in Account 179-130, as found in Appendix D to Exhibit K2.1. However, LPMA suggests that the wording used to describe net revenue should be more specific.

Instead of defining net revenue as *"FT-RAM optimization revenue less related third party and fuel costs to provide FT-RAM optimization transportation services"*, LPMA submits that it should be defined as *"FT-RAM optimization revenue less related third party costs and incremental compressor fuel and UFG costs directly attributable to the provision of FT-RAM optimization transportation services"*. LPMA believes this more accurately and precisely defines the costs to be included as an offset to the revenues recorded in the deferral account.

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 3rd day of January, 2013.

*Randall E. Aiken_*

Randall E. Aiken
Consultant to
London Property Management Association

APPENDIX A

Summary of Compressor Fuel and UFG Costs Related to FT-RAM Optimization

For the Year Ended December 31, 2011

		Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total
Line 10	Total Volume Subject to Compressor Fuel and UFG	3,445,864	2,135,935	1,864,696	1,023,454	639,678	614,577	935,903	95,347	22,279	156,936	2,058,238	2,159,365	15,152,272
Line 11	Total Volume Subject to UFG Only	539,507	480,206	630,550	0	0	0	0	0	0	0	0	0	1,650,263
	Dawn to Parkway Actual Fuel Rates													
Line 12	Compressor Fuel	0.935%	1.041%	0.805%	0.548%	0.479%	0.508%	0.575%	0.346%	0.554%	0.641%	0.538%	0.729%	
Line 13 (1)	UFG	0.105%	0.105%	0.105%	0.105%	0.105%	0.105%	0.105%	0.105%	0.105%	0.105%	0.105%	0.105%	
	Compressor Fuel and UFG for FT-RAM Exchanges													
Line 14	Compressor Fuel (Line 10 x Line 12)	32,209	22,236	15,007	5,607	3,066	3,124	5,380	330	123	1,005	11,083	15,737	114,907
Line 15	UFG ((Line10 + Line 11) x Line 13)	4,203	2,759	2,631	1,079	675	648	987	101	23	165	2,170	2,277	17,719
Line 16	Total Fuel Volumes (Line 14 + Line 15)	36,412	24,995	17,638	6,686	3,741	3,772	6,367	431	146	1,170	13,253	18,014	132,626
Line 17	Approved WACOG ($/GJ)	5.370	5.370	5.370	5.890	5.890	5.890	6.114	6.114	6.114	5.808	5.808	5.808	
Line 18	Total Fuel Costs ($) (Line 16 x Line 17)	195,531	134,222	94,718	39,382	22,032	22,218	38,927	2,632	896	6,798	76,976	104,626	738,957

Notes: (1) UFG rate changed from 0.328% to actual rate of 0.105% as calculated from Attachment 2 to CME Question 1 in Exhibit K2.3