

Aiken & Associates

578 McNaughton Ave. West
Chatham, Ontario, N7L 4J6

Phone: (519) 351-8624
Fax: (519) 351-4331
E-mail: raiken@xcelco.on.ca

April 30, 2008

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

Dear Ms. Walli:

RE: EB-2008-0034 – Argument of the London Property Management Association

Please find attached the argument of the London Property Management Association related to the Union Gas disposition and recovery of certain 2007 year-end deferral and other account balances.

An electronic copy has been filed through the Board's web portal at www.errr.oeb.gov.on.ca.

Sincerely,



Randy Aiken
Aiken & Associates

cc: Chris Ripley, Union Gas
EB-2007-0606 Intervenors (by 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 April 1, 2008;

**LONDON PROPERTY MANAGEMENT ASSOCIATION
ARGUMENT**

Introduction

Union Gas (“Union”) has applied to the Ontario Energy Board for final disposition of Union’s 2007 deferral and other account balances. As per Procedural Order No. 1 dated March 31, 2008, the London Property Management Association (“LPMA”) provided written interrogatories to Union on April 8, 2008.

This is the written argument of the LPMA. It deals with tax changes, disposition of the balances and allocation of the balances to the various rate classes.

Tax Changes

Union has included a section in their evidence titled “Capital Tax Deferral” (Ex. A, Tab 1, pg. 19). This portion of the evidence related to the settlement agreement in EB-2005-0520 that dealt with differences in anticipated tax legislation changes.

LPMA agrees with the \$1.813 million credit as calculated by Union related to the reduction in the provincial capital tax rate from that used to establish 2007 rates.

Union’s original evidence, however, is silent on the impact of a change in capital cost allowance rates from those used to calculate the tax component of the 2007 revenue requirement that was used to establish 2007 rates. These CCA changes are also covered by the settlement agreement in EB-2005-0520.

1 Union has confirmed that if the proposed CCA changes are enacted prior to the
2 disposition of the 2007 deferral account balances, they will dispose of the CCA refund at
3 the same time (Ex. B3.4, part c). The balance in question has been estimated by Union to
4 be a credit of approximately \$1.0 million (Ex. B3.4, part d). LPMA agrees with the
5 calculation of this amount.

6
7 However, Union has proposes that if the CCA changes are enacted after the deferral
8 account disposition Board Order, then they will dispose of the CCA balance in 2009, with
9 interest (Ex. B3.4, part c).

10
11 LPMA believes that the Board should direct Union to include the \$1.0 million credit in
12 the Board Order and to track any variance between this amount and the actual amount
13 resulting from the passage of the relevant legislation. This approach would mirror the
14 proposal by Union to recover amounts in the LRAM and SSM accounts prior to those
15 accounts being finalized through the DSM audit procedure. In the past the Board has
16 allowed Union to recover the unaudited amount in these accounts with a true up to reflect
17 the audited amounts at a later point in time. LPMA submits that the Board should direct
18 Union to follow the same approach for the CCA related tax deferral account.

19
20 In the response to part of Ex. B3.4, Union states that it if disposed of the CCA balance of
21 \$1.0 million and the proposed CCA legislation is not enacted, it would have to recover
22 the full amount from ratepayers in 2009. Union also indicates that the DSM balances can
23 be disposed of because they are subject to a relatively small true-up.

24
25 LPMA notes that the unaudited amount in the 2007 shared savings mechanism variance
26 account is nearly \$7 million (Ex. A, Tab 1, Schedule 4). That schedule also shows that in
27 2006, the audited amount was approximately 7% less than the unaudited amount disposed
28 of in the previous year. Applying this 7% change to the unaudited \$7 million figure for
29 2007 would yield a difference of nearly \$0.5 million. This is not much different, LPMA
30 submits, than the \$1.0 million associated the CCA impact on taxes.

1 LPMA therefore submits that the Board should treat the CCA component of the tax
2 variance account consistent with that of the SSM variance account. Recognizing that
3 either of these balances may still change following the disposition of the current balances,
4 both amounts disposed of would be subject to a future true-up (if necessary). Any true-
5 up amount would be captured in the deferral account for future disposition.

6 7 **Disposition of Balances**

8 Union had originally proposed to implement the rate riders required to clear the balances
9 in the deferral and other account balances not managed through the QRAM process over
10 the period April 1, 2008 through December 31, 2008 for general service customers. For
11 the contract rate classes, the balances would be disposed of through a one time charge or
12 rebate (Ex. A, Tab 2, pg. 6). Both of these proposals are consistent with that approved by
13 the Board for the disposition of the 2006 balances.

14
15 Given the timing of the application, the April 1 date cannot be met to start the rate riders.
16 As a result, Union has adjusted the time period for the rate riders applicable to the general
17 service customers to be July 1, 2008 through December 31, 2008 (Ex. B1.10).

18
19 LPMA supports the Union proposal of using a temporary rate rider from July 1, 2008
20 through December 31, 2008. This support is based on the relatively small impact on Rate
21 M1 and M2 customers of the proposed clearance of the deferral and other account
22 balances shown in Ex. A, Tab 2, Schedule 3. As this schedule shows, the impact on M1
23 customers is a increase of \$0.47 and the increase for M2 customers is \$13.62. As these
24 amounts can be recovered over a six month period, LPMA believes that proposal is
25 appropriate.

26 27 **Allocation**

28 Union has proposed that the allocators used for the deferral and variance accounts be the
29 same as those that have been approved by the Board (Ex. B3.6). LPMA supports the use
30 of the most recent approved Board approved allocation factors unless there is adequate

1 rationale for a different allocation. LPMA, therefore, supports the allocation as proposed
2 by Union.

3
4 **Costs**

5 LPMA requests that it be awarded 100% of their reasonably incurred costs of
6 participating in this proceeding.

7
8
9 ALL OF WHICH IS RESPECTFULLY SUBMITTED this 30th day of April, 2008.

10
11
12 **LONDON PROPERTY MANAGEMENT ASSOCIATION**

13
14 By their Consultant

15 **AIKEN & ASSOCIATES**

16 

17
18 **Randall E. Aiken**