



ONTARIO ENERGY BOARD

STAFF SUBMISSION

UNION GAS DISPOSITION OF 2007 DEFERRAL ACCOUNT AND OTHER BALANCES

EB-2008-0034

May 01, 2008

INTRODUCTION

Union Gas Limited (“Union” or the “Applicant”) filed an application (the “Application”) on March 4, 2008 with the Ontario Energy Board (the “Board”) seeking approval for final disposition and recovery of certain 2007 year-end deferral account balances including approval and disposition of the market transformation incentive and capital tax deferral amounts.

These submissions reflect observations and concerns arising from Board staff’s review of the pre-filed evidence, interrogatory responses from Union and Union’s Argument in Chief.

Long-Term Peak Storage Services Account (179-72)

In its pre-filed evidence (Exhibit A, Tab 1, Page 9) Union indicated that the credit balance in the Long-Term Peak Storage Service deferral account of \$2.196 million represents 75% of the variance between the forecast of \$16.006 million and actual net revenues of \$18.934 million.

In response to a Board staff interrogatory (IR #11), the company submitted a summary of the S&T Transactional Margin included in 2007 rates (Exhibit B1.11), a portion of which is reproduced below.

Summary of S&T Transactional Margin Included in 2007 Rates

Line No	Particulars (\$ 000's)	Total Revenue	Allocated Cost	Total Margin	Included in 2007 Rates
8	Total Long Term Peak Storage Services Acct 179-72	42,058	20,653	21,405	19,264

According to the Applicant’s pre-filed evidence, the forecast amount of \$16.006 million should be reflected above in the column titled “Total Margin”. However, the amounts provided at Exhibit A, Tab 1, Page 9 and in response to IR #11 are different and this discrepancy is not explained. Additionally, Union indicated in its response to a Board Staff interrogatory (IR #11) that the methodology used to calculate the balance in Account No. 179-72 in 2007 will not change going forward.

Board Staff invites Union to clarify this discrepancy in its reply argument and provide reasons for this difference. Board staff also invites Union to clarify its position on the methodology used to calculate the balance in the account and whether its inputs or calculation mechanism have been changed in 2007 or if it will be changed going forward.

Disposition of 2007 Deferral Account Balances

In its prefiled evidence, Union indicated that it proposes to dispose of the 2007 deferral account balances that are not managed through the QRAM process, the market transformation incentive and the capital tax deferral amounts through the April 1, 2008 to December 31, 2008 time period. The Applicant submitted a rate impact summary (Tab 2, Schedule 3) for M1, M2, Rate 01 and Rate 10 customers showing volumes and associated rate impacts for the period April 1 to December 31, 2008.

However, in its Argument in Chief (Item #16) Union proposes to dispose of the deferral and other account balances to in-franchise general service (Rates M1, M2, 01 and 10) customers prospectively commencing July 1, 2008 and ending December 31, 2008. While it appears the Applicant intends to alter the commencement date of the disposition, the Applicant did not provide an updated summary showing volumes and associated rate impacts for the period July 1 to December 31, 2008. Board staff invites Union to clarify this discrepancy in its reply argument.

- All of which is respectfully submitted –