

EB-2007-0598

IN THE MATTER OF the *Ontario Energy Board Act,* 1998, S.O. 1998, c.15 (Sched. 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 July 1, 2007;

NOTICE OF WRITTEN HEARING AND PROCEDURAL ORDER NO. 1

Union Gas Limited ("Union" or the "Applicant") filed an application (the "Application") on April 27, 2007 with the Ontario Energy Board (the "Board") seeking approval for final disposition and recovery of certain 2006 year-end deferral account balances and the 2006 year-end earnings sharing amount. Union also proposes that the impacts which result from the disposition of 2006 deferral account balances and 2006 earnings sharing, be implemented on July 1, 2007 to align with other potential rate changes expected to result from the July QRAM proceeding.

In RP-2003-0063, by Reasons for Decision dated March 18, 2004, the Board approved the creation or continuation of certain deferral accounts. Union's Board-approved gas supply and non-gas supply deferral accounts are:

2006 Gas Supply Related Deferral Accounts

Union is seeking approval of final disposition of year-end balances for the gas cost related deferral accounts that are prospectively recovered through the QRAM process. For these accounts, the recovery of the year-end deferral account balances will be managed through the QRAM process. The total amount for disposition within the gas supply accounts disposed of through QRAM proceedings, as requested here, is \$194.691 million in credits. These accounts are:

Account	Account Description	Balance (end Dec	2006)
No.			
(179-	North Purchased Gas Variance Account	\$54.735m credit	
105)			
(179-	CPL Tolls and Fuel – Northern and	\$0.522m credit	
100)	Eastern Operations Area		\$194.691m
(179-	South Purchased Gas Variance	\$145.719m credit	credit
106)	Account		
(179-	Inventory Revaluation Account	(\$12.769m) debit	
109)			
(179-	Spot Gas Variance Account	(\$6.484m) credit	
107)			

There are two gas supply deferral accounts that are not recovered through the QRAM process. For these accounts Union is seeking approval of the final disposition and recovery of the year-end balances. These are:

Account	Account Description	Balance
No		(end Dec 2006)
(179-89)	Heating Value Deferral Account	\$2.405m credit
(179-108)	Unabsorbed Demand Cost Deferral Account	\$0.708m credit

Storage and Transportation Related Deferral Accounts

The storage and transportation related deferral accounts are:

Account	Account Description	Balance (end Dec	2006)
No			
(179-69)	Transportation and Exchange Services Deferral Account	\$4.004m credit	
(179-70)	Short Term Storage and Other Balancing Services Deferral Account	\$21.565m credit	\$16.991m
(179-72)	Long Term Peak Storage Services Deferral Account	(\$9.341m) debit	credit (ratepayer portion)
(179-73)	Other S&T Services Deferral Account	\$0.390m credit	portion
(179-74)	Other Direct Purchase Services Deferral Account	\$0.373m credit	

Other Deferral Account

The other deferral accounts are:

Account	Account Description	Balance	
No		(end Dec 2006	6)
(179-26)	Deferred Customer Rebates/Charges	\$0	
	Account		
(179-56)	Comprehensive Customer Information	\$0	
	Program Account		
(179-60)	Direct Purchase Revenue and Payments	\$0.171m	
	Deferral Account	credit	
(179-75)	Lost Revenue Adjustment Mechanism	(\$3.980m)	
	Deferral Account	debit	
(179-102)	Intra-period WACOG Deferral Account	(\$15.742m)	
		debit	
(179-103)	Unbundled Services Unauthorized Storage	\$0	
	Overrun Account		Total
(179-110)	Storage Rights Compensation Costs	(\$0.511m)	(\$35.224m)
	Deferral Account	debit	debit
(179-111)	Demand Side Management Variance	(\$7.213m)	dobit
	Account	debit	
(179-112)	Deferred Gas Distribution Access Rule	Not	
	Costs	available	
(179-113)	Late Payment Litigation Deferral Account	(\$0.303m)	
		debit	
(179-114)	Incremental OEB Cost Assessment	(\$1.541m)	
	Deferral Account	debit	
(179-115)	Shared Savings Mechanism Variance	(\$7.000m)	
	Account	debit	
(179-116)	Interest on the Gain on the 2004 Cushion	\$0.896m	
	Gas Disposition	credit	

2006 Earnings Sharing

In EB-2004-0480, by Decision and Order dated December 15, 2004, the Board directed that Union would be subject to a 50:50 earnings sharing mechanism with no deadband for its 2005 fiscal year. In EB-2005-0449, by Decision and Order dated December 12, 2005, the OEB directed Union to continue the earnings sharing mechanism implemented by the Board for 2005, into 2006. Union's earnings subject to the earnings sharing mechanism for 2006 were \$98.023 million, a return on average common equity ("ROE") of 8.59%. For 2006, Union stated that the benchmark ROE was 8.89% according to Union's 2005 forecasts. The Applicant concluded that there are no excess earnings to be shared with ratepayers, as the return to the shareholder was below the benchmark ROE by 0.30% resulting in a utility revenue deficiency of \$3.425 million.

Union has provided written evidence in support of the proposed changes and the Application has been given Board File No. EB-2007-0598. The Application and the prefiled evidence were sent by Union to an updated list of Intervenors of record in the EB-2005-0520 proceeding. The updated list includes all intervenors from the previous disposition proceeding, EB-2006-0057. The intervenors listed in Appendix "A" to this Order shall be considered intervenors for this proceeding.

Written Hearing

The Board intends to proceed in this matter by way of a written hearing unless any party provides a good reason why it should proceed by way of an oral hearing. Parties listed in Appendix "A" who do not wish to participate in the current proceeding may so advise the Board.

Cost Awards

The Board may order costs in this proceeding. Intervenors will need to indicate whether they expect to seek costs from the applicant and the grounds for their eligibility for costs.

THE BOARD THEREFORE ORDERS THAT:

1. Union shall immediately issue a copy of the application to all intervenors listed in Appendix "A", if they have not already been served, and shall provide affidavit proof of all deliveries to the Board.

- 2. Intervenors and Board staff who wish information and material from Union that is in addition to the evidence filed with the Board, and that is relevant to the hearing, shall request it by written interrogatories filed with the Board and delivered to the Company on or before Friday, May 25, 2007.
- 3. Union shall file with the Board complete responses to the interrogatories and deliver them to the Intervenors no later than Tuesday, June 5, 2007.
- 4. The Board may order costs in this proceeding. Any party that expects to seek costs in this proceeding shall file a letter with the Board and copy Union no later than Tuesday, June 5, 2007. The Board will issue details with respect to the filing of cost claims at a later date. Union will be ordered to pay any cost awards for this proceeding.
- 5. Union may file with the Board its argument-in-chief and deliver it to the Intervenors no later than Monday, June 11, 2007.
- 6. Argument with respect to all issues shall be filed with the Board by Intervenors and Board Staff on or before Monday, June 25, 2007 and shall be served simultaneously on Union and other Intervenors.
- 7. Reply argument of the applicant shall be filed with the Board on or before Tuesday, July 10, 2007 and shall be simultaneously served on Intervenors.
- 8. All filings with the Board noted in the Order must be in the form of 10 hard copies plus CD, and must be received by the Board by 4:45 p.m. on the stated date. The Board requires all correspondence to be in electronic form as well as paper. Therefore, all parties must also e-mail an electronic copy of their filings in MS Word and accessible PDF format to the Board Secretary at Boardsec@oeb.gov.on.ca. Parties must also include the Case Manager, Vincent Cooney, vincent.cooney@oeb.gov.on.ca and Board Counsel Michael Millar Michael.Millar@oeb.gov.on.ca on all electronic correspondence related to this case.

ISSUED at Toronto May 16, 2007 ONTARIO ENERGY BOARD

Original Signed by

Peter H. O'Dell Assistant Board Secretary

Appendix "A" to

Notice of Written Hearing and Procedural Order No. 1

EB-2007-0598

UNION GAS LIMITED

2007 Rates EB-2007-0598 APPLICANT & LIST OF INTERVENTIONS

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