

ONTARIO ENERGY BOARD

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 July 1, 2008.

AND IN THE MATTER OF an Application by Union Gas Limited
for an order or order amending or varying the rate or rates charged to
customers as of July 1, 2007.

AND IN THE MATTER OF Rules 7, 42, 44.01, and 45.01 of the
Board's *Rules of Practice and Procedure*.

**SUBMISSIONS OF THE LONDON PROPERTY MANAGEMENT
ASSOCIATION**

August 11, 2008

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INTRODUCTION

1. These are the submissions of the London Property Management Association (“LPMA”) in response to the Argument-in-Chief of Union Gas Limited (“Union”).
2. Union has asked the Board to review the Decision in EB-2008-0034 (the “2007 Deferral Decision”) on the basis that it is incorrect, and alternatively, to review the Decision in EB-2007-0598 (the “2006 Deferral Decision”) on the basis that that the two decisions are inconsistent with the Board’s findings in EB-2005-0551 (the “NGEIR” decision) or with each other.

LPMA’s POSITION

3. For the reasons set out below, LPMA’s position with respect to the relief sought by Union is that it should be dismissed by the Board on the grounds that neither of the Deferral Decisions can be regarded as incorrect. Both are consistent with the NGEIR decision and with each other.

SUBMISSION

4. Union’s argument with respect to the 2007 Deferral Decision is that in the NGEIR Decision the Board meant to order that ratepayers would only share in long-term storage revenues from contracts entered into before the NGEIR Decision. While LPMA agrees with Union that this was the Board’s intent, it does not agree with Union’s interpretation of how the Board decided to have Union carry out this goal.
5. At page 107 of the NGEIR Decision, the Board considered whether to require Union to record the margins on existing (pre-NGEIR) long term contracts separately from the margins on new (post-NGEIR) long term contracts. The Board rejected this option, noting that while it had a conceptual appeal, it could give rise to ongoing implementation issues.

6. Instead, the Board concluded that it should adopt a simpler phase-out mechanism that was a rough “proxy” for the conceptual approach that was rejected. The phase-out of the sharing of margins that the Board adopted recognized that as contracts mature, a larger part of Union’s total long term margins would be generated by new (post-NGEIR) transactions.

7. The percentages set by the Board were clearly defined to be applicable to the total long term margins generated, not limited to the margins generated from the pre-NGEIR contracts.

8. Indeed, as part of the conceptual approach that Board rejected, it indicated that ratepayers would be credited with 90% of the margins on the existing contracts for the remaining terms of those contracts.

9. Clearly, the Board determined that the appropriate way to determine the ratepayer share of the long term margins was to gradually reduce the total long term revenues. As the Board indicated, this was a “proxy” to reflect that over time a greater proportion of Union’s long term storage revenues would be generated by new transactions (post-NGEIR contracts). Ratepayers would share, on a declining basis, in total revenues.

10. Union submits that the issue which fell for determination in the 2007 Deferral Decision was whether the NGEIR Decision limited the sharing during the phase-out period from 2007 to 2010 to solely the sharing of the long term margins arising from the pre-NGEIR long term storage contracts as *those were the only margins included in the determination of Union’s 2007 rates* (emphasis added).

11. The margins included in the determination of Union’s 2007 rates were all of the long term contract margins that were forecast at the time of the rates proceeding. There was also a variance account (Account 179-72) to record the variance from the forecast of the long term margins. This account was not set up to record only the variance from pre-

NGEIR contract forecasts. As a result, LPMA submits that the Board has made the proper interpretation of the NGEIR Decision.

12. In addition Union states that it would be unfair to require Union to share with ratepayers the margins earned from its unregulated post-NGEIR long term storage contracts while at the same time prohibiting Union from deducting from the account all of the costs of providing that unregulated service, including Union's 2006 deferred income tax expenses.

13. LPMA submits that the Board is not requiring Union to share any of the post-NGEIR margins with ratepayers. The NGEIR Decision was very clear that the methodology that was approved was a "proxy" for the amount from the pre-NGEIR contracts.

14. In summary, it is clear that the relevant portion of the NGEIR Decision as set out at page 107 clearly demonstrates that the Board decided to allow ratepayers to receive a declining proportion of the total long term storage revenues as an alternative to the approach of separating the pre and post-NGEIR contract revenues. The 2007 Deferral Decision is consistent with the NGEIR Decision.

15. The formula, or "proxy" implemented by the NGEIR Decision does not mean that ratepayers are sharing in revenue from post-NGEIR contracts. The "proxy" is clearly meant to ensure that ratepayers continue to receive an amount related to the pre-NGEIR contracts. As a result, there is no inconsistency between the 2007 Deferral Decision and the 2006 Deferral Decision.

16. In the EB-2005-0520 Decision and Final Rate Order dated Dec. 19, 2006, the Board indicated that:

"In accordance with the Board's EB-2005-0551 Decision with Reasons, the phase-out of the sharing of margins on Union's long-term storage transactions will take place over four years. After 2007, Union's share of long-term margins will be as follows: 2008 –

25%, 2009 – 50%, 2010 – 75%, 2001 and thereafter – 100%. This phase-out will be reflected in future rates beginning in 2008.”

17. In addition, the accounting order found in Appendix F of that Decision and Final Rate Order requires Union:

“To record, as a credit (debit) in Deferral Account No. 179-72, the difference between actual net revenues for Long-Term Peak Storage Services including C1 Firm Peak Storage and the net revenues forecast for these services as approved by the Board for rate making purposes.”

18. Neither of these references in the EB-2005-0520 Decision and Final Rate Order limit the long-term storage transactions to pre-NGEIR contracts.

COSTS

19. LPMA participated responsibly in this proceeding and requests that it be awarded 100% of its reasonably incurred costs.

All of which is submitted this 11th day of August, 2008.



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Association