



ONTARIO ENERGY BD

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FINANCIAL SERVICES DEPARTMENT
KITCHENER UTILITIES

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BY E-MAIL & COURIER

June 16, 2010

Ontario Energy Board
Attn: Ms. Kirsten Walli, Board Secretary
P.O. Box 2319
2300 Yonge Street, 27th Floor
Toronto, Ontario, M4P 1E4

EB-2010-0039

OEB BOARD SECRETARY	
File No:	Sub File: 9
Panel	mt ps
Licensing	HD nm
Other	mm
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Dear Ms. Walli:

Re: **EB-2010-0039 – Union Gas Limited (“Union”) – 2009 ESM and Deferral Account**
Disposition – Interrogatories from the City of Kitchener (“Kitchener”)

Pursuant to the Ontario Energy Board's Procedural Order No. 1 dated June 1, 2010, please find enclosed the Written Interrogatories of Kitchener for Union.

Sincerely,

James A. Gruenbauer, CMA
Manager, Regulatory Affairs and Supply

Cc: W. Malcolm (Kitchener)
J. Alick Ryder, Q.C. (RWBH)
C. Ripley (Union)
Registered Intervenors to EB-2010-0039

EB-2010-0039

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 October 1, 2010.

**INTERROGATORIES OF THE CITY OF KITCHENER
FOR UNION GAS LIMITED**

Interrogatory # 1

Ref: Exhibit A, Tab 1, page 8, Table 2

Please separately quantify the three cost components to "Interest, return and income taxes" for 2009 and 2008 and provide the detailed calculations which support each cost component. Please explain why "Interest, return and income taxes" disproportionately increased by \$ 15.003 million, or about 82%, from 2008 to 2009 while "Storage revenue" increased by \$ 24.866 million, or about 23%.

Interrogatory # 2

Ref: Exhibit A, Tab 2, page 9, lines 6 to 20

Please explain why the entire net tax expense of \$ 3.5 million arising from the different tax rates applied to the deferral accounts (where the 2010 tax rate is lower than the 2009 tax rate) is included in Union's 2009 utility earnings instead of shared 50 / 50 between ratepayers and the shareholder in a similar treatment to Federal and Provincial Tax changes in accordance with the Board's EB-2007-0606 Decision. Please explain why the net tax expense adjustment was not included in the 2008 utility earnings sharing.

Interrogatory # 3

Ref: Exhibit A, Tab 2, page 10

The actual 2009 ROE is 11.07%. Please confirm that Union's forecast of 2009 ROE prepared one year ago for EB-2009-0101 [per Exhibit A, Appendix C, Schedule 2, Page 1, updated] was 10.37%. Please prepare a schedule in a similar format to Table 1 on Page 1 of Tab 2 which compares Actual 2009 with Forecast 2009.

Interrogatory # 4

Ref: EB-2009-0101, Exhibit B, Tab 4, Schedule 7

Please update the Attachment to this Exhibit from EB-2009-0101 to include 2009 Actual and Union's current Forecast for 2010 and 2011.

Interrogatory # 5

Ref: Exhibit A, Tab 4, page 9, line 13 to 16

For purposes of the horsepower allocation method to separate Dawn compression costs between storage and transmission functions, are Union's gas-fired power generation customers using high deliverability services deemed to be dispatched and included in design day demand? Is there an alternative allocation method that recognizes any off-winter peak diversity benefit from the gas-fired power generators using unregulated storage services such as high deliverability that would change the allocation of costs to in-franchise storage service based on winter peak demand?

Interrogatory # 6

Ref: Exhibit A, Tab 4, page 17, lines 15 and 16

In 2009, did Union's in-franchise customers fully utilize the 92.1 PJ of storage, the cost of which was recovered in their regulated rates? If not, how much storage did its in-franchise customers utilize in 2009? What is Union's forecast of the utilization of storage by its in-franchise customers for 2010 and 2011 relative to the 92.1 PJ of storage included in regulated rates?

Interrogatory # 7

Ref: Exhibit A, Tab 4, page 21, lines 16 and 17

- a) Does Union's use of the verb "minimized" infer that some cross subsidization between its regulated and unregulated storage operations has occurred, in fact or practice, since implementation of the Board's NGEIR Decision in EB-2005-0551? If so, to what extent did cross subsidization occur and which storage operations were subsidized by the other? Does Union expect some level of cross subsidization to continue, increase or decrease in future under its existing methodology to allocate storage costs to match the revenues attributed to regulated and unregulated operations (short-term and long-term storage)?
- b) To the extent that judgement is necessarily used by Union to allocate the costs to provide storage services to regulated and unregulated operations from integrated assets and resources, does Union agree that materially different allocations of cost could result from different but alternatively reasonable applications of judgement? In Union's view, in which specific areas where judgement must be applied to allocate the integrated costs to provide storage services to both regulated and unregulated operations does the greatest risk of inappropriate cross subsidies lie? Has Union considered allocation methodologies for its integrated storage operations other than its existing approach post-NGEIR to test sensitivities to the results and the reasonableness of those results in comparison to the existing approach?

Interrogatory # 8

Ref: Exhibit A, Tab 4

Please complete the attached schedule for 2007 Forecast (upon which base rates were set), 2008 Actual and 2009 Actual.