Aiken & Associates
578 McNaughton Ave. West
Chatham, Ontario, N7L 4J6
Phone: (519) 351-8624
Fax: (519) 351-4331
E-mail: raiken@xcelco.on.ca

July 6, 2007

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

Dear Ms. Walli:

Re: EB-2007-0598 – Union Gas Deferral Balances and Earnings Sharing for 2006 – Argument of the London Property Management Association

Please find attached ten copies of the argument on behalf of the London Property Management Association ("LPMA") in the above noted proceeding.

A copy of this argument has also been delivered to Union Gas. An electronic copy has also been sent to the Board Secretary and to Union Gas.

The confidential portion of the argument will be sent to the Board and to Union separately.

If the Board requires any further information, please contact me. My contact information is shown at the top of this letter.

Sincerely,

Randy Aiken

Randy Aiken
Aiken & Associates

Attachment

c.c. Mr. Chris Ripley, Union Gas Limited.
Mr. Michael Millar, OEB (e-mail)
Mr. Vincent Cooney, OEB (e-mail)

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:

ARGUMENT OF THE LONDON PROPERTY MANAGEMENT ASSOCIATION

Introduction

By application dated April 27, 2007, Union Gas Limited applied to the OEB for the final disposition of their 2006 deferral account balances and for the final disposition of the 2006 earnings sharing amount.

This is the argument of the London Property Management Association ("LPMA") on all matters with the exception of the deferred tax issue.

Deferral Account Balances

LPMA has reviewed the deferral account balances and accept the figures provided by Union in Exhibit A, Tab 1, Schedule 1, with the exception of Account 179-72, Long Term Peak Storage.

With the exclusion of the deferred taxes from this account, LPMA accepts the balance in this account of a credit of $3,015, as shown on line 15 of the response to LPMA interrogatory #11 (Exhibit B4.11). The derivation of this amount is shown in the response to IGUA interrogatory #2 (Exhibit B3.2).

With the exclusion of the deferred taxes from Account 179-72, the total amount shown by Union for recovery is $3,660, as shown on line 34 of Exhibit B4.11. LPMA accepts this figure.

2006 Earnings Sharing

Union has made a number of adjustments to their corporate earnings of $98,636, as shown in Exhibit A, Tab 1, Schedule 4. LPMA accepts the adjustments shown at lines 2 through 5 as appropriate and reasonable.

With respect to "Other non-utility adjustment" at line 6 of Exhibit A, Tab 1, Schedule 4, LPMA does not accept the adjustment as a non-utility adjustment. The confidential argument related to this issue has been filed separately with the Board and with Union Gas.

Allocation

LPMA has reviewed the allocation proposed by Union for each of the deferral account balances and the 2006 earnings sharing. With the exception noted below, LPMA accepts the proposals as appropriate.

The exception deals with the allocation of Account 179-11, the Demand Side Management Variance Account. Union's evidence, at page 5 of Exhibit A, Tab 2, indicates that amount in this account ($7.213 million) would be allocated to rate classes in proportion to the approved 2004 allocation of DSM costs. The allocation to rate classes is shown on line 16 of Exhibit A, Tab 2, Schedule 1.

LPMA does not support this allocation. Rather, LPMA submits that the proper allocation of costs should be based on how the money was actually spent in 2006. Union's 2006 direct DSM expenditures were $11.182 million with $4.0 million included in rates (Exhibit A, Tab 1, page 20). The allocation of this $4.0 million is shown in Appendix A to this Argument, and is a response to an interrogatory in EB-2006-0057 filed as Exhibit B2.10 in that proceeding. The difference, along with interest on this difference amounts to the debit in the account of $7.213 million. It is unlikely that the 2006 DSM direct expenditures were spent in proportion to the forecast for 2004 that is reflected in the $4.0 million included in rates. Given the growth in these expenditures of more than $7 million, or a 180% increase, care should be taken to ensure the proper allocation of this amount. LPMA submits that the proper allocation, following the principle that costs should follow benefits, is that the expenditures should be allocated in proportion to where the money was actually spent. For example, if all the incremental expenditures of $7 million were targeted at residential markets, then none of this additional cost should be allocated to non-residential rate classes. In this scenario, only residential customers would benefit from the incremental expenditures and only they should pay the associated costs. The allocation proposed by Union may have been appropriate when the variance from $4 million was small. However, given the increase in DSM expenditures, a more appropriate allocation should be used to ensure fairness to all ratepayers.

LPMA, therefore, submits that the Board should direct Union to identify the component of the incremental expenditures of $7 million that is associated with each rate class and that these amounts are to be recovered from those rate classes. This would match and complement the underlying principle associated with the $4 million already included in rates for direct DSM spending. This $4 million was allocated based on how it was forecast to be spent. In other words, if Union did not expect to spend any DSM money on a particular rate class, no costs were allocated to them. The incremental expenditures should be treated in the same manner. The only exception is that instead of a forecast, Union has the actual expenditures which it can allocate.

Costs

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

All of which is respectfully submitted this 6th day of July, 2007.

Randall E. Aiken

Randall E. Aiken
Consultant to
London Property Management Association

UNION GAS LIMITED

Answer to Interrogatory from
London Property Management Association and
Wholesale Gas Service Purchasers Group

Reference: **Ex. A, Tab 2, page 6**

Request:

a) Please provide the 2004 allocation of DSM costs as approved in 2004 by rate class and category.

b) Please provide the EB-2005-0211 Board Approved budget of $7.75 million for 2005 by rate class.

c) Please provide a table showing the impact by rate class of using the proportion of the Board approved 2005 DSM costs to allocate the DSMVA (179-111) to rate classes instead of Union's proposed allocation as applied to the 2005 variance.

Response:

a) DSM direct costs are in the Distribution Demand classification. The 2004 allocation of DSM costs to rate classes is as follows:

	($000s)
M2	2,214
M4	154
M5	154
M7	154
T1	154
R01	700
R10	162
R20	154
R100	154
	4,000

b) The Board-approved $7.75 million DSM budget for direct costs is not in rates and therefore is not broken down by rate class.

c) As indicated in part (b) above, the 2005 budget of $7.75 million is not broken down by rate class. Only $4.0 million is built in rates. The breakdown of this amount is shown in part (a) above. DSM spending beyond $4.0 million has been captured in the Demand Side Management Variance Account (No. 179-111). Union has allocated

Question: May 26, 2006
Answer: June 5, 2006
Docket: EB-2006-0057

the $3.035 million balance of the DSMVA (including $2.392 million attributable to 2005) using the same proportional allocation shown in part (a).

Question: May 26, 2006
Answer: June 5, 2006
Docket: EB-2006-0057