

**THE ONTARIO ENERGY BOARD**

**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.

**WRITTEN ARGUMENT OF THE CONSUMERS COUNCIL OF CANADA**

On April 27, 2007, Union Gas Limited (“Union”) applied to the Ontario Energy Board seeking approval for final disposition and recovery of certain 2006 year-end deferral account balances and the 2006 earnings sharing amount. On May 16, 2007, the Board issued a Notice of Written Hearing and Procedural Order No. 1 setting out the dates for submissions on Union’s evidence and other procedural matters.

On June 11, 2007, the Board received a letter from Union requesting that the response to one interrogatory be kept confidential subject to the Board’s Rules of Practice and Procedure and its Practice Direction on Confidential Filings. On June 22, 2007, in its Procedural Order 3, the Board set an oral hearing date for the deferred tax issue of July 9, 2007, and determined that all other issues would be dealt with through written argument.

These are the submission of the Consumers Council of Canada (“Council”) with respect to all other issues with the exception of the deferred tax issue that will be considered orally by the Board.

**Deferral Account Balances:**

At the end of 2006 the balances accumulated in Union’s Board approved deferral accounts is a credit of \$179.6 million, the majority of which will be dealt with through the Quarterly Rate Adjustment Mechanism (“QRAM”). Of this amount Union is seeking a credit of \$16.99 million in storage and transportation related deferral accounts and a debit of \$35.224 million in other deferral accounts. (Ex. A, T1/p. 1)

Account 179-05, the Lost Revenue Adjustment deferral account, has a debit balance of \$3.9 million which represents the difference between actual margin reductions related to Union’s demand side management (“DSM”) activities. The current balance includes volume variances related to the years 2003-2006. With the exception of 2006 the

amounts are based on audited amounts. Typically, LRAM accounts are not cleared until the final audited amounts are approved by the Board. Union is proposing to include the 2006 forecasted amount, subject to a final true-up because the variance between the forecast and the final audited amount is not likely to be significant. (Ex. A/T1/p.19) Although the Council supports the principle that LRAM amounts should not be cleared until the final audited results are approved, in this case, given the likelihood that the variance will not be significant, the Council supports Union's approach. This position is contingent on a true-up of the actual approved audited amount.

The Council accepts the proposed amounts as reasonable with the exception of the amounts in Account 179-72 related to deferred taxes. The Council will be making submissions on the deferred tax issue at the oral hearing on July 9.

#### **Earnings Sharing:**

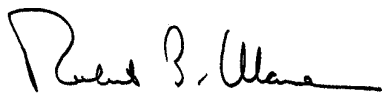
The total amount of earnings subject to sharing is \$117.9 million. The Council accepts the calculation as reasonable, with one exception. The Council is in the process of obtaining a copy of the confidential undertaking referred to above. At this time we reserve our rights to make submissions on that issue at the oral hearing on Monday after review of the confidential undertaking and any related interrogatories.

#### **Allocation of the Balances:**

The Council accepts the allocation of the balances in the accounts and the earnings sharing amounts with the exception of the Demand Side Management Deferral Account, Account 179-111. The amount in the DSMVA is \$7.2 million. This represents the difference between the 2006 actual direct DSM costs incurred and the budget included in rates. Union's proposal is to allocate the amount in the account in proportion to the allocation of the approved 2004 costs. (Ex A/T2/p. 5)

The Council does not accept the allocation as proposed by Union. From the Council's perspective the direct DSM costs should be allocated, to the extent possible, to the rate classes on the basis of how the money was spent. If the amount in the account relates entirely to the residential programs, for example, it should be allocated to the residential rate classes. Using the 2004 allocation factors does not assure that the rate classes responsible for those costs will be directly allocated those costs. The Board should direct Union to re-file the allocation of the 2006 DSMVA on the basis of where the money was spent.

**ALL OF WHICH IS RESPECTFULLY SUBMITTED.**



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