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ONE Nicholas Street, Suite 1204, Ottawa, Ontario, Canada K1N 7B7

Tel: (613) 562-4002. Fax: (613) 562-0007. e-mail: piac@piac.ca. <http://www.piac.ca>

July 8, 2007

VIA EMAIL AND COURIER

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

Dear Ms. Walli:

**Re: Union Gas Limited 2006 Deferral Balances and Earnings Sharing
Board File No. EB-2007-0598**

Pursuant to Procedural Order No. 2, issued June 22, 2007, please find attached the submissions of the Vulnerable Energy Consumers Coalition ("VECC") on all issues except for the Deferred Tax issue which is to be heard orally on July 9, 2007, and the issue which is the subject of separate confidential submissions. VECC will submit the confidential portion of its argument separately to the Board Secretary and to Union Gas Limited.

Ten copies of these submissions are being couriered to you.

Yours truly,

Michael Buonaguro
Counsel for VECC

EB-2007-0598

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.

ARGUMENT OF THE VULNERABLE ENERGY CONSUMERS COALITION

By Application dated April 27, 2007, Union Gas Limited (“Union”) applied to the Ontario Energy Board (“the Board”) for final disposition of the deferral account balances and the earnings sharing amount for 2006.

In Procedural Order No. 2, issued June 22, 2007, the Board has determined that all issues other than the “Deferred Tax issue,” which will be dealt with in an oral proceeding on July 9, 2007, will be the subject of written argument; further, the Board determined that one matter relating to the proposed “Other non-utility adjustment” in the amount of \$1.278 million, would be treated confidentially.

With respect to Union’s proposals in respect of deferred tax recovery and “other non-utility adjustment,” VECC does not accept these proposals nor does VECC accept their impacts on Union’s proposals, nor does VECC accept the impacts of these proposals on the balance in Account 179-72 and the amount subject to earnings sharing. VECC will make its oral submissions on deferred taxes on July 9, 2007, and its confidential written submissions separately.

The following are the written submissions of the Vulnerable Energy Consumers Coalition (“VECC”) on all matters save for the Deferred Tax issue and the issue subject to confidential treatment.

Subject to the preceding qualifications, VECC's only remaining issue with Union's proposals is regarding the allocation of the DSMVA balance, in Account 179-11, among rate classes.

Union proposes to allocate the 2006 DSMVA balance among rate classes in the same proportions as the 2004 DSM costs were embedded in rates.

VECC submits that Union's proposal would only be fair if Union could demonstrate that the total DSM spending in 2006 had been allocated among rate classes in the same proportion that DSM costs were embedded in 2004 rates. Otherwise, a rate class that had not benefited from incremental DSM spending in 2006 might be required to subsidize a rate class that had been the beneficiary of incremental spending in 2006.

VECC submits that, in principle, total DSM costs in any year should be allocated among rate classes in exactly as the same manner as the DSM spending was allocated among rate classes. VECC therefore requests that the Board require Union to file evidence regarding the allocation among rate classes of 2006 DSM spending and then allocate the DSMVA among classes so as to match costs and benefits.

Costs

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

All of which is respectfully submitted this 9th day of July, 2007.



Michael Buonaguro
Counsel for VECC