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LE CENTRE POUR LA DEFENSE DE L'INTERET PUBLIC***

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>

Michael Buonaguro
Counsel for VECC
(416) 767-1666

December 31, 2008

VIA MAIL and E-MAIL

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

Dear Ms. Walli:

**Re: Board File No. EB-2008-0220
Union Gas Limited - Application, Evidence, and Draft Rate Order
Rates Effective January 1, 2009**

Please find enclosed the submissions of the Vulnerable Energy Consumers Coalition (VECC) in the above-noted proceeding.

Thank you.

Yours truly,

Michael Buonaguro
Counsel for VECC

cc: Chris Ripley

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, pursuant to section 36(1) of the *Ontario Energy Board Act, 1998*, for an order or orders approving or fixing just and reasonable rates and other charges for the sale, distribution, transmission, and storage of gas as of January 1, 2009.

SUBMISSIONS OF THE VULNERABLE ENERGY CONSUMERS COALITION

1. The Vulnerable Energy Consumers Coalition (“VECC”) has reviewed Union’s pre-filed evidence, interrogatory responses, and Argument in Chief, along with the submissions of the London Property Management Association (“LPMA”) which was filed on December 29, 2008.
2. VECC supports the submissions made by LPMA in respect of Union’s 2009 rates and adds the following comments with respect to Union’s proposed treatment of compliance costs, in converting from Generally Accepted Accounting Principles (“GAAP”) to International Financial Reporting Standards (“IFRS”), as a Z-factor.
3. VECC notes that in any proceeding initiated by an applicant, the onus is on the applicant to establish its case.
4. In this proceeding, the onus was on Union Gas Limited (“Union”) to demonstrate that all of the five criteria required to establish a Z-factor, as spelled out in paragraph 6.1 of the EB-2007-0606 Settlement Agreement (pp 17-19), have been met in order to recover the costs of complying with IFRS. Specifically, Union was required to demonstrate that the materiality threshold of \$1.5M in annual costs would be breached.
5. In VECC’s view, Union’s argument that these costs are material for each year 2009-2012 inclusive, hangs by a chain of very slim threads such that the failure of any individual thread causes Union’s argument to plummet earthwards.

6. Union's own evidence indicates that the forecasted costs do not meet the \$1.5M annual threshold in 2011 and 2012 – even under the assumptions underpinning Union's position.
7. The assumptions underpinning Union's position include the equal allocation of IFRS conversion costs between Union and Westcoast and the failure to remove either depreciation or interest costs related to 2008 capital expenditures.
8. First, VECC submits that there is no appropriate evidentiary basis for allocating 50% of the costs to Union and the other 50% to Union's parent; second, as LPMA has pointed out (LPMA Submissions, page 8), removal of either the depreciation costs or the interest costs that are related to the unrecoverable 2008 capital expenditures result in Union's forecasted costs not breaching the materiality threshold in any year.
9. VECC submits that rather than no threads failing – as is required to support Union's position – here, we are faced with the logical opposite, i.e., all threads are failing. As such, VECC urges the Board to deny Union's application with respect to treatment of IFRS conversion costs as a Z-factor.

COSTS

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