

September 1, 2006

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

Dear Ms. Walli:

Re: Union Gas submission on Notice of Proposal to Amend the Gas Distribution Access Rule – EB-2006-0198

Union is writing in response to the Board's Notice of Proposal to Amend the GDAR (dated August 18, 2006) to defer the implementation of Phase I of the Gas Distribution Access Rule ("GDAR") from January 1, 2007 to June 1, 2007. This extension would impact the implementation of the functionality for rate-ready Distributor Consolidated Billing ("DCB") for large volume customers and for all transactions necessary to provide full customer mobility (ie. electronic business transactions ("EBT") standards).

In its reply to Mr. Brian Hewson's letter dated July 20, 2006, Union confirmed that its systems and interfaces could be designed, built and tested prior to the commencement of Phase I market testing. Despite being on schedule, Union agrees that all market participants need to be ready for implementation at the same time.

Although Union does not oppose an extension to GDAR Phase I, the proposed delay will:

- 1) increase overall costs
- 2) impact its ability to accommodate the timing of DCB in a bill-ready form by January 1, 2008 ("GDAR Phase II").

1. Cost Impact

Union has stated on a number of occasions that any delays in implementation will impact costs. With respect to costs and absent any change to scope or timing, Union is on target to manage within the \$18.2 million capital cost estimate approved in the EB-2005-0520 proceeding. However, the proposed implementation deferral to June 1, 2007 will create incremental costs of approximately \$200,000 per month. The need to maintain the existing external project management and programming expertise for a longer period of time as well as additional internal labour costs to accommodate this delay are the main drivers for the incremental costs.

Accordingly, should the Board amend the GDAR for the proposed deferred implementation, Union requests that the Board approve a rate increase effective January 1, 2008 to recover the carrying cost on the incremental \$1.0 million (5 month delay x \$200,000 per month). Any variances from the new \$19.2 million cost estimate would continue to be recorded for disposition in the GDAR deferral account, in accordance with section 6.8 of the EB-2005-0520 settlement agreement.

2. GDAR Phase II Timing

In addition to the above-mentioned cost consequences, an extension to the implementation of GDAR Phase I will have a corresponding impact on GDAR Phase II. On March 9, 2006 the Board issued a Notice of Amendments to the GDAR which included a requirement for gas distributors to have functionality for a bill-ready DCB service in place by January 1, 2008. The development of the bill-ready service is a significant undertaking for stakeholders. For example, Union has determined that it will require a minimum of 12 months following the completion of the “bill-ready” EBT standards to develop and build the bill-ready service. Due to the magnitude of both the Phase I and Phase II projects, detailed work on Phase II cannot begin until Phase I is largely complete. It is the same external and internal resources that will be needed for Phase II as are needed to complete Phase I.

Consequently, it is Union’s recommendation that the Board defer the implementation date for GDAR Phase II from January 1, 2008 to no sooner than June 1, 2008. Further, the June 1st date is contingent on market participants being willing and available to participate in the development of the bill-ready service. Union also recommends Board Staff convene a “Working Group” with a mandate to develop the EBT standards, including implementation guides and schemas, for the bill-ready service by May 1, 2007. To meet these required timelines, Union estimates the bill-ready Working Group should begin its work on December 1, 2006.

Union respectfully requests the Board issue a timely response to these concerns. With respect to GDAR Phase I, Union has completed the design phase and is currently in the process of building and testing its new system and process changes. A final ruling on the GDAR implementation timeline is required before Union can complete this work and move into the implementation phase.

Please contact me at (519) 436-4637 if you have any questions.

Yours truly,

[Original signed by]

Bryan Goulden
Manager, Regulatory Applications

cc Mr. Russ Houldin
Phase 1 Working Group Participants