



uniongas

A Spectra Energy Company

March 3, 2008

Ms. Kirsten Walli
Board Secretary
Ontario Energy Board
2300 Yonge Street, 26th Floor
Toronto, ON
M4P 1E4

**Re: Union Gas Disposition of 2007 Deferral Account and Other Balances
(EB-2008-0034)**

Dear Ms. Walli:

Enclosed is an application and evidence from Union Gas Limited (“Union”) concerning the final disposition and recovery of certain 2007 year-end deferral account balances.

Union proposes that the impacts which result from the disposition of 2007 deferral account balances be implemented on April 1, 2008 to align with other rate changes.

Also, consistent with the Board’s Rate Order for EB-2007-0598 (concerning the disposition of Union’s 2006 deferral account balances and earnings sharing amount) Union is proposing that interest accrue starting January 1, 2007 on the amount due to ratepayers as a result of Union’s claim of entitlement for the market transformation incentive and the capital tax deferral at the interest rate for deferral and variance accounts approved by the Board. This approach is consistent with how the balance would have been treated had a deferral account been established to record this amount.

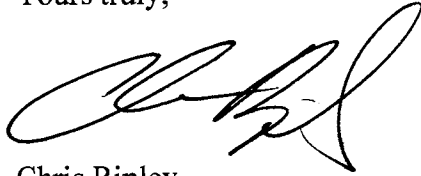
Union notes that Section 36 (4.2) states requires that with respect to non-commodity related deferral accounts *“the Board shall at least once every 12 months, or such period as is prescribed by the regulations, make an order under this section that determines whether and how amounts recorded in the account shall be reflected in rates.”* These deferral accounts were last disposed of by the Board in its EB-2007-0598 Decision and Order dated August 17, 2006.

In accordance with the Board-approved Settlement Agreement in the EB-2005-0520 proceeding, Union agreed to report new upstream transportation contracts with a term of one year or longer that may form part of Union’s “system” sales service in the future. To

comply with the agreement, Union has included in the evidence at Tab 3 the rationale for renewing the Panhandle/Trunkline Transportation Contract.

If you have any questions concerning this application and evidence please contact me at (519) 436-5476.

Yours truly,

A handwritten signature in black ink, appearing to read 'Chris Ripley', with a large, stylized initial 'C'.

Chris Ripley
Manager, Regulatory Applications

cc M. Penny (Torys)
EB-2007-0606 Intervenors

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 for an order or orders amending or varying the rate or rates charged to customers as of April 1, 2008;

APPLICATION

1. Union Gas Limited (“Union”) is a business corporation, incorporated under the laws of Ontario, with its head office in the Municipality of Chatham-Kent.
2. Union conducts an integrated natural gas utility business that combines the operations of selling, distributing, transmitting and storing gas within the meaning of the *Ontario Energy Board Act, 1998* (the “Act”).
3. In EB-2005-0520, Union applied to the OEB for an order, among other things, approving or fixing just and reasonable rates and other charges for the sale, distribution, storage and transmission of gas by Union effective January 1, 2007.
4. By Reasons for Decision and Rate Order dated December 19, 2006, the OEB fixed 2007 rates. In doing so, the OEB approved the creation/continuation of certain deferral accounts. The order also identified certain impacts on the setting of 2007 rates that resulted from prior proceedings.
5. In its EB-2006-0021 Decision with Reasons, the OEB decided that Union is entitled to an incentive payment of up to \$0.500 million in each year of the multi-year DSM plan based on the measured success of market transformation programs.
6. In the Board’s EB-2005-0520 decision, the OEB approved a settlement under which enacted changes to tax legislation which result in tax rates different than those used to establish 2007 rates would be subject to deferral account treatment for 2007 only.

7. The EB-2005-0520 Decision also required Union to report new upstream transportation contracts with a term of one year or longer that may form part of Union's "system" sales service in the future.
8. Union applies for the:
 - a) approval of final balances for all 2006 deferral accounts and an order for final disposition of those balances; and
 - b) approval of the market transformation incentive and capital tax deferral amounts for 2007 and an order for final disposition of these amounts.
9. Union also applies to the OEB for such interim order or orders approving interim rates or other charges and accounting orders as may from time to time appear appropriate or necessary.
10. Union further applies to the Board for all necessary orders and directions concerning pre-hearing and hearing procedures for the determination of this application.
11. This application will be supported by written evidence. This evidence will be pre-filed and will be amended from time to time as required by the OEB, or as circumstances may require.
12. The persons affected by this application are the customers resident or located in the municipalities, police villages and Indian reserves served by Union, together with those to whom Union sells gas, or on whose behalf Union distributes, transmits or stores gas. It is impractical to set out in this application the names and addresses of such persons because they are too numerous.

13. The address of service for Union is:

Union Gas Limited
P.O. Box 2001
50 Keil Drive North
Chatham, Ontario
N7M 5M1
Attention: Chris Ripley
Manager, Regulatory Applications

Telephone: (519) 436- 5476
Fax: (519) 436-4641

- and -

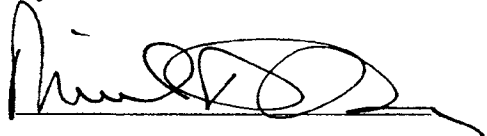
Torys LLP
Suite 3000, Maritime Life Tower
P.O. Box 270
Toronto-Dominion Centre
Toronto, Ontario
M5K 1N2
Attention: Michael A. Penny

Telephone: (416) 865-7526
Fax: (416) 865-7380

DATED: March 3, 2008.

UNION GAS LIMITED

By its Solicitors



Torys
Suite 3000, Maritime Life Tower
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March 2008

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	Schedule 1 Panhandle/Trunkline Long-term Transportation Contracting Analysis

1 **1. 2007 YEAR-END DEFERRAL ACCOUNT BALANCES**

2

3 At the end of December 2007, the balances accumulated in Union's Board-approved
4 deferral accounts total a credit of \$99.937 million. This amount consists of \$96.889
5 million in credits in gas supply-related deferral accounts (the majority of which is
6 managed through the Quarterly Rate Adjustment Mechanism ("QRAM")), \$7.482 million
7 in credits in Storage and Transportation related deferral accounts, and \$4.434 million in
8 debits in the Other deferral accounts. Individual account balances are shown at Tab 1,
9 Schedule 1. Each account balance includes interest up to December 31, 2007. Interest is
10 computed monthly on the opening balance of each account. The applicable short term
11 interest rate used was 4.59% for the months of January through September and 5.14% for
12 the months of October through December. The applicable rates were approved by the
13 Board in the RP-2003-0063 proceeding.

14

15 Deferral account balances have been categorized into three types: Gas Supply deferral
16 accounts, S&T deferral accounts and Other deferral accounts. The balances for each
17 account are discussed below.

18

19 **GAS SUPPLY DEFERRAL ACCOUNTS**

20 The balances recorded in the following gas supply related deferral accounts were
21 examined in each of Union's four QRAM applications in 2007.

1	179-105	North Purchased Gas Variance Account (“PGVA”)
2	179-100	TCPL Tolls and fuel – Northern and Eastern Operations area
3	179-106	South PGVA
4	179-109	Inventory Revaluation
5	179-107	Spot Gas Variance Account

6

7 Union’s Board-approved QRAM process establishes reference prices for selected gas
8 supply-related deferral accounts and the prospective recovery, or refund, of the projected
9 balances of these accounts including interest, over the following 12 month period.

10 Variances between the forecast and actual prospective recovery amounts are tracked and
11 included in the amounts prospectively recovered in future QRAM proceedings.

12

13 Under the QRAM process, the actual year-end deferral account balances are subject to
14 the Board’s final approval. In this application, Union is seeking that approval. The
15 Board approved all four of Union’s QRAM applications in 2007.

16

17 The balances for the two other gas supply related deferral accounts are not prospectively
18 recovered or refunded as part of the approved QRAM process. These accounts are as
19 follows:

1 Account No. 179-108 UDC

2 Account No. 179-89 Heating Value

3

4 Account No. 179-108 Unabsorbed Demand Costs

5 The credit balance of \$2.031 million in the Unabsorbed Demand Costs (“UDC”) account
6 is the difference between the actual UDC incurred by Union and the amount of UDC
7 included in rates as approved by the Board.

8

9 During 2007 Union experienced excess supply of 14.40 PJs due to both planned UDC
10 and reduced demand caused by warmer than normal weather. The 2007 weather normal is
11 set by the blended 55:45 (30 year average/20 year trend) weather normal methodology in
12 accordance with the Board’s RP-2003-0063 Decision. In response to the warm weather in
13 2007, Union reduced a portion of its planned purchases through the year to balance
14 demand and supply. The resulting unfilled pipe capacity was sold for the then-current
15 market prices which minimized UDC to the extent possible. The favourable cost
16 variance more than offset the unfavourable volume variance which resulted in less UDC
17 overall than had been forecast. The explanation for the excess supply of 14.40 PJs is
18 shown in Table 1 below:

1 Table 1

	Northern and Eastern Operations area (PJs)	Southern Operations area (PJs)	Total Franchise area (PJs)
Planned UDC	7.69	3.47	11.16
Weather-related UDC	<u>0.81</u>	<u>2.43</u>	<u>3.24</u>
Total UDC	<u>8.50</u>	<u>5.90</u>	<u>14.40</u>
% of Total	<u>59%</u>	<u>41%</u>	<u>100.0%</u>

2
3 A description of each item follows:

4
5 1. Planned UDC

6 To meet peak customer demands across Union's franchise area and the targeted
7 storage inventory levels at October 31, Union's 2007 supply portfolio included
8 planned UDC of 7.69 PJs in the Northern and Eastern Operations area and 3.47
9 PJs in the Southern Operations area.

10
11 2. Weather-related UDC

12 The weather through the 2007 heating season was abnormally warm, resulting in
13 reduced demand across Union's franchise area. In the Northern and Eastern
14 Operations area, the sales service and bundled direct purchase customers
15 experienced reduced demand of 0.81 PJs due to weather. In the Southern
16 Operations area, the sales service customers experienced reduced demand of 2.43
17 PJs. Union did not incur UDC on behalf of direct purchase customers in the

1 Southern Operations area because these customers manage their own supplies to
 2 meet their load balancing checkpoint targets.

3

4 3. Total Excess Supply

5 The result of the planned UDC and the reduced demand due to weather was 8.50
 6 PJs (or 59% of the total) of excess supply in the Northern and Eastern Operations
 7 area and 5.90 PJs (or 41% of the total) in the Southern Operations area.

8

9 For 2007, Union's total UDC was \$1.185 million. Union collected \$3.160 million in
 10 rates and recorded an associated interest credit of \$0.056 million. The result is a credit in
 11 the UDC deferral account of \$2.031 million. Table 2 below provides the derivation of the
 12 UDC deferral account balances by operations area.

13

Table 2

	Northern and Eastern Operations area (\$ 000s)	Southern Operations area (\$ 000s)	Total Franchise area (\$ 000s)
UDC Costs Incurred	700	485	1,185
Collected in Rates	(3,046)	(114)	(3,160)
Interest	<u>(66)</u>	<u>10</u>	<u>(56)</u>
(Credit)/Debit to Operations areas	<u>(2,412)</u>	<u>381</u>	<u>(2031)</u>

14 A description of each item follows:

15

16 1. UDC Costs Incurred

1 Union proposes to assign the total cost of \$1.185 million to each operations area
2 in proportion to the excess supply as calculated in Table 1. This results in UDC
3 of \$0.700 million for the Northern and Eastern Operations area and \$0.485
4 million for the Southern Operations area.

5

6 2. Collected in Rates

7 Board-approved rates for 2007 included \$3.232 million associated with planned
8 UDC in the North of \$3.115 million and planned UDC in the South of \$0.117
9 million (EB-2005-0520, Rate Working Papers, Schedule 25, page 3). For 2007,
10 Union actually recovered \$3.046 million in the North and \$0.114 million in the
11 South.

12

13 3. Interest

14 Interest associated with UDC costs amounted to a credit of \$0.066 million for the
15 Northern and Eastern Operations area and a debit \$0.010 million for the Southern
16 Operations area for a net amount of \$0.056 million.

1 4. (Credit)/Debit to Operations areas

2 The UDC deferral account has a net total credit balance of \$2.031 million. The
3 balance applicable to customers in the Northern and Eastern Operations area is a
4 credit of \$2.412 million. The balance applicable to customers in the Southern
5 Operations area is a debit of \$0.381 million.

6

7

8 Account No.179-89 Heating Value

9 The Heating Value deferral account captures the impact associated with the difference
10 between the actual heat content of the gas purchased and the forecast heat content
11 included in gas sales rates. The 2007 credit balance of \$1.539 million is due to lower
12 energy content in the gas delivered to customers than what was reflected in their gas
13 supply rates. In accordance with the Settlement Agreement approved by the Board in its
14 EB-2007-0606 Decision dated January 17, 2008, the deferral account will be closed
15 effective January 1, 2008.

16

17 **STORAGE AND TRANSPORTATION DEFERRAL ACCOUNTS**

18 Actual net revenues from storage and transportation services are deferred against the net
19 revenues included in the rates approved by the Board in the EB-2005-0520 Rate Order.

20 The differences are currently shared on a 75/25 basis between ratepayers and the
21 shareholder. The credit balance of \$7.482 million represents the ratepayer portion in the
22 following S&T deferral accounts.

1

2 Account No. 179-69 Transportation and Exchange Services

3 The balance in the Transportation and Exchange Services deferral account is 75% of the
4 difference between actual net revenues for Transportation and Exchange Services
5 including C1 Interruptible Transportation, Energy Exchanges, M12 Transportation
6 Overrun, M12 and C1 Non-Loss-of-Critical-Unit Protected Firm Transportation, M12
7 Limited Firm/Interruptible Transportation and C1 Firm Short Term Transportation, and
8 the net revenues forecast for these services as approved by the Board for ratemaking
9 purposes.

10

11 The credit balance of \$4.589 million is 75% of the variance between the Board-approved
12 forecast of \$2.583 million and actual net revenues of \$8.701 million. The total variance
13 of \$6.118 million is attributable to customer's greater use of Union's M12 Overrun
14 services than forecast; and transportation and exchange services sold as a result of
15 warmer than normal weather.

16

17 Account No. 179-70 Short-Term Storage and Other Balancing Services

18 The balance in the Short-Term Storage and Other Balancing Services deferral account is
19 75% of the difference between actual revenues in excess of the costs to provide Short-
20 term Storage and Other Balancing Services (including C1 Off-Peak Storage, Gas Loans,
21 Consumers' LBA, Supplemental Balancing Services, C1 Firm Peak Storage, C1 Firm
22 Short-Term Deliverability and M12 Interruptible Deliverability) and the forecast revenue

1 in excess of the cost to provide these services as approved by the Board for ratemaking
2 purposes.

3

4 The credit balance in the Short-Term Storage and Other Balancing Services deferral
5 account of \$1.351 million is 75% of the variance between the forecast of \$15.829 million
6 and the actual net revenues of \$17.630 million.

7

8 Account No. 179-72 Long-Term Peak Storage Services

9 The balance in the Long-Term Peak Storage Service deferral account is 75% of the
10 difference between actual revenue in excess of the costs to provide Long-Term Peak
11 Storage Services and the revenue forecast in excess of the cost to provide these services
12 as approved by the Board in EB-2005-0520. The approach is consistent with the
13 direction given by the Board in the NGEIR proceeding (EB-2005-0551).

14

15 The credit balance in the Long-Term Peak Storage Services deferral account of \$2.196
16 million is 75% of the variance between the forecast of \$16.006 million and actual net
17 revenues of \$18.934 million.

18

19 Account No. 179-73 Other S&T Services

20 The balance in the Other S&T Services deferral account is the difference between actual
21 net revenues for Other S&T Services including Off-System Capacity, Redirection/Name

1 Changes, Ontario Production and Other S&T services and the net revenues forecast for
2 these services as approved by the Board for ratemaking purposes.

3

4 The credit balance of \$0.146 million is 75% of the variance between the Board-approved
5 forecast of \$0.853 million and actual net revenues of \$1.047 million.

6

7 Account No. 179-74 Other Direct Purchase Services

8 The balance in the Other Direct Purchase Services deferral account is 75% of the actual
9 net revenues earned for Supplemental Load Balancing (T1 and R1) and T1 Storage
10 Inventory Demand Charges. The debit balance in the Other Direct Purchase Services
11 deferral account of \$0.799 million is 75% of the variance between the Board approved
12 revenue excess of \$2.000 million and actual revenue excess of \$0.934 million.

13

14 **OTHER DEFERRAL ACCOUNTS**

15 The other deferral account balances are discussed below.

16

17 Account No. 179-26 Deferred Customer Rebates/Charges

18 The Deferred Customer Rebates/Charges account has no balance. This account captures
19 unclaimed cheques related to amounts refunded to customers that arose from the
20 disposition of deferral balances as approved by the Board. The disposition of 2006
21 deferral accounts as approved by the Board in the EB 2007-0598 Rate Order did not
22 occur until January 2008. As a result, no deferral disposition occurred in 2007.

1

2 Account No.179-75 Lost Revenue Adjustment Mechanism

3 The Lost Revenue Adjustment Mechanism (“LRAM”) deferral account has a credit
4 balance of \$0.268 million which represents the difference between actual margin
5 reductions related to Union’s DSM activities and the margin reduction included in gas
6 delivery rates as approved by the Board. This balance includes volume variances related
7 to 2005, 2006 and 2007 DSM activities. Union proposes to dispose of the balance in the
8 account of \$0.268 million.

9

10 Tab 1, Schedule 2, page 1 provides the breakdown of the LRAM deferral account balance
11 for each year from 2005 to 2007. Tab 1, Schedule 2, pages 2 to 4 provides the LRAM
12 volumes and the corresponding revenue impacts related to 2005, 2006 and 2007 DSM
13 activities respectively. The calculations for lost revenues reflect the Board's ruling in EB-
14 2006-0021 Decision with Reasons (page 11) which states that the first year impact will be
15 calculated as 50% of the annual volumetric impact multiplied by the distribution rate for
16 each of the rate classes that the volumetric variance occurred in.

17

18 The amount related to 2005 is a credit balance of \$0.614 million (Tab 1, Schedule 2, page
19 2, line 16, column (f)) which is the variance between lost revenues resulting from the
20 audited volumes of 64,794 10^3 m^3 and forecast volumes of 88,518 10^3 m^3 reflected in
21 2007 rates.

22

1 The audit of 2006 DSM volumes is complete. The amount Union proposes to dispose of
2 for 2006 is a debit balance of \$0.059 million (Tab 1, Schedule 2, page 3, line 16, column
3 (j)) which is composed of the following:

- 4 - 50% of the variance between lost revenues resulting from the audited 90,474
5 10^3 m^3 volumes savings and those resulting from the unaudited forecasted volumes
6 savings of 92,274 10^3 m^3 disposed of in the EB-2007-0598 proceeding.
- 7 - lost revenues from audited 2006 volumes savings of 90,474 10^3 m^3 and forecast
8 volume savings of 88,519 10^3 m^3 reflected in 2007 rates.

9

10 In 2007, the variance is a debit balance of \$0.287 million (Tab 1, Schedule 2, page 4, line
11 16, column (g)). The 2007 variance represents 50% of the difference between forecasted
12 volumes savings of 92,976 10^3 m^3 and 88,519 10^3 m^3 built into 2007 rates. The process to
13 finalize DSM balances includes an audit of Union's DSM evaluation report, review by
14 the Evaluation and Audit Committee and communication to the DSM Consultative.
15 Consistent with the approach taken related to 2006 activity in EB-2007-0598, and in an
16 effort to dispose of deferral account balances in a timely manner, Union is proposing to
17 dispose the forecast LRAM balance related to unaudited 2007 DSM activities at this time.
18 The variances between the LRAM balances calculated out of audited and unaudited
19 results have been decreasing, thus increasing Union's confidence in the accuracy of the
20 unaudited numbers. Recognizing this balance may still change following the audit, any
21 amount disposed of would be subject to a future true-up. Any true-up amount will be

1 captured in the deferral account for future disposition in the same way the 2006 variance
2 has been trued up in this proceeding.

3

4 Account No.179-102 Intra-Period WACOG Changes

5 The credit balance of \$0.779 million in the Intra-Period WACOG account reflects the
6 difference between the actual WACOG approved by the Board during the year and the
7 WACOG approved for recovery in Union's delivery rates in the EB-2005-0520
8 proceeding related to inventory carrying costs, compressor fuel, customer supplied fuel
9 and unaccounted for gas. The WACOG approved for recovery in rates was \$355.473 per
10 10^3 m^3 . The actual WACOG in 2007, approved by the Board in the four QRAM
11 proceedings in 2007, ranged from a low of \$330.766 per 10^3 m^3 to a high of \$368.148 per
12 10^3 m^3 .

13

14 Account No. 179-103 Unbundled Services Unauthorized Storage Overrun

15 No unauthorized storage overrun charges were incurred by customers electing unbundled
16 service in 2007.

17

18 Account No.179-111 Demand Side Management Variance Account

19 This account records the difference between actual 2007 direct DSM costs incurred and
20 the direct DSM budget included in rates for 2007. The credit balance of \$0.863 million
21 million (Tab 1, Schedule 3, line 16, column (c))represents the difference between the
22 direct DSM expenditure in 2007 of \$14.437 million and \$15.300 million included in rates

1 through December 31, 2007. The Board approved a direct DSM budget of \$15.300
2 million for 2007 in the EB-2006-0021 proceeding.

3
4 Account No. 179-112 Deferred Gas Distribution Access Rule Costs

5 The \$0.557 million credit in the Gas Distribution Access Rule (“GDAR”) deferral
6 account represents the difference between the actual capital costs incurred to implement
7 the process and system changes needed to achieve compliance with GDAR and the
8 capital costs included in rates as approved by the Board. Union implemented the process
9 and system changes for EBT standards and Rate-ready ABC service for large volume
10 customers on June 1, 2007 at an actual capital expenditure level of \$11.234 million.
11 Union’s 2007 rates were based on capital expenditures of \$14.054 million and an
12 implementation date of January 1, 2007.

13
14 The table below provides a breakdown of the capital cost components that make up the
15 balance in the account (\$millions):

1

	2007	2007	
	<u>Actual</u>	<u>Approved</u>	<u>Difference</u>
Capital	11.234	14.054	(2.820)
<u>Capital Costs</u>			
Carrying Costs	0.525	1.229	(0.703)
Depreciation	1.404	1.757	(0.352)
Capital Tax	0.029	0.037	(0.007)
Income Tax	<u>(2.339)</u>	<u>(2.859)</u>	<u>0.520</u>
Total	<u><u>(0.415)</u></u>	<u><u>0.104</u></u>	<u><u>(0.544)</u></u>
Interest			<u>(0.013)</u>
Total with Interest			<u><u>(0.557)</u></u>

2

3 Account No. 179-113 Late Payment Penalty Litigation

4 The debit balance of \$0.147 million in the Late Payment Penalty (“LPP”) Litigation
 5 deferral account is the cost incurred in 2007 by Union in relation to late payment penalty
 6 litigation. Amounts include the Company’s legal costs and the costs of storing and
 7 analyzing historical billing records.

8

9 Account No. 179-115 Shared Savings Mechanism Variance Account

10 This account has a debit balance of \$6.754 million related to DSM activity in 2006 and
 11 2007. Tab 1, Schedule 4 provides the breakdown of the SSM variance account for each
 12 year. The account was established to record any shareholder incentive earned by the
 13 Company related to DSM activities in 2006 in accordance with the mechanism approved
 14 by the Board in the EB-2005-0507 proceeding. The account was continued for DSM

1 activities in 2007 in accordance with the mechanism approved by the Board in the EB-
2 2006-0021 proceeding.

3
4 Union has completed the audit of 2006 DSM activity and proposes to dispose of the
5 credit debit balance of \$0.187, which represents an incentive payment of \$0.179 million
6 and interest of \$0.008 million through December 31, 2007.

7
8 This account has a debit balance of \$6.941 million related to unaudited 2007 DSM
9 activity. In an effort to recognize the desire of parties to move to a more timely
10 disposition of deferral account balances, Union is proposing to clear the recorded SSM
11 balance related to unaudited 2007 DSM activities. The SSM has been in existence for
12 two years and Union is confident that the tracking process and assessment procedures are
13 in place to produce an accurate calculation of the deferral account balance. Recognizing
14 this balance may still change following the audit, any amount disposed of would be
15 subject to a future true-up. Any true-up amount will be captured in the deferral account
16 for future disposition.

17
18 Account No. 179-117 Carbon Dioxide Offset Credits

19 This account has a balance of zero. The account was created in accordance with the
20 Board's Decision in the EB-2006-0021 proceeding to record the amounts representing
21 proceeds from the sale of or other dealings in carbon dioxide offset credits earned as a
22 result of Union's DSM activities.

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2. MARKET TRANSFORMATION INCENTIVE

Union is claiming a \$0.500 million incentive for the Market Transformation (“MT”) drain water heat recovery program created and executed in Union’s Southern Operations area in 2007. Union proposes to allocate the incentive amount to general service customers in the Southern Operations area. This incentive amount is based upon meeting or exceeding the performance goals as outlined by the MT Scorecard, filed and approved by the Ontario Energy Board in Union’s 2007 – 2009 DSM Plan (EB-2006-0021 – Phase III). The MT Scorecard is presented below.

1

Market Transformation Scorecard

Element	Indicator (weighting)	Metric Levels			Actual	Result	Score
		50%	100%	150%			
ULTIMATE OUTCOMES	Builder's Enrolled (25)	4	8	12	20	150%	75 / 50
	Units Installed (25)	250	500	750	906	150%	
MARKET EFFECTS (Research)	Customer Awareness Survey ¹ (10)	+15%	+10%	n/a	15%	100%	29 / 30
	Builder Knowledge Survey ² (10)	+25%	+50%	n/a	58%	100%	
	Builder Promotion ³ (10)	+18%	+24%	n/a	23%	92%	
PROGRAM PERFORMANCE (Training/Awareness Building)	Builder Training Workshop (7.5)	1	3	5	5	150%	25 / 20
	Contractor/Sub-contractor Workshop (7.5)	1	3	5	4	125%	
	Trade Show / Builder Show (5)	1	2	3	2	100%	
Total Score							129/100

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Notes:

1. Increased customer awareness from 12% to 15%, an increase of 25%
2. Increased builder knowledge from 31% to 58%, an increase of 87%
3. Increased availability and promotion of product from 12% to 23%, an increase of 92%

10 The process to finalize DSM-related balances includes an audit of Union's DSM
 11 evaluation report, review by the Evaluation and Audit Committee and communication to
 12 the DSM Consultative. Consistent with the approach taken related to 2006 activity in
 13 EB-2007-0598, and in an effort to dispose of deferral account balances in a timely
 14 manner, Union is proposing to dispose the forecast MT balance related to unaudited 2007
 15 MT activities as measured by the MT Scorecard within the DSM portfolio at this time.
 16 The variances between the MT payout balances calculated out of audited and unaudited
 17 results would be subject to a future true-up. Any true-up amount will be captured in a

1 future disposition in the same way the LRAM variance from 2007 has been trued up in
2 this proceeding.

3

4 **3. CAPITAL TAX DEFERRAL**

5 In accordance with the Board's EB-2005-0520 decision, enacted tax legislation changes
6 that result in tax rates different than those used to establish 2007 rates, were subject to
7 deferral account treatment in 2007.

8

9 In 2007, enacted legislation reduced the capital tax rate from what was used to establish
10 2007 rates. The actual 2007 capital tax rate was 0.225%. This compares to a capital tax
11 rate of 0.285% used to establish 2007 rates. Therefore, Union has recorded a credit of
12 \$1.813 million which represents the difference between the two capital tax rates applied
13 against a capital tax base of \$3.021 billion.

14

15 There were no other enacted tax legislated changes during 2007 that resulted in tax rates
16 different than those used to establish 2007 rates.

UNION GAS LIMITED

Deferral Account Balances and Market Transformation Incentive and Capital Tax Deferral Amounts
Year Ending December 31, 2007
 (\$000's)

Line No.	Account Number	Account Name	Balance	(1)
<u>Deferral Account Balances</u>				
<u>Gas Supply Accounts:</u>				
<u>Joint Accounts:</u>				
1	179-107	Spot Gas Variance Account		
		Spot Gas Purchases	\$ 0	
2		Load Balancing	(1,716)	
3	179-108	Unabsorbed Demand Costs	(2,031)	
4	179-109	Inventory revaluations	19,940	
5		(Lines 1 through 4)	<u>16,193</u>	
<u>Southern Operations Area:</u>				
6	179-106	PGVA	(98,140)	
<u>Northern and Eastern Operations Area:</u>				
7	179-89	Heating Value	(1,539)	
	179-100	TCPL Tolls and Fuel		
8		Tolls, LBA, Capacity Assignments	2,899	
9		Fuel	(1,542)	
10	179-105	PGVA	(14,760)	
11		(Lines 7 through 10)	<u>(14,942)</u>	
12	Total Gas Supply Accounts (Lines 5 + 6 + 11)		<u>(96,889)</u>	(2)
<u>Storage and Transportation Accounts:</u>				
13	179-69	Transportation and Exchange Services	(4,589)	
14	179-70	Short Term Storage and Balancing Services	(1,351)	
15	179-72	Long-term Peak Storage	(2,196)	
16	179-73	Other S&T Services	(146)	
17	179-74	Other Direct Purchase Services	799	
18	Total Storage and Transportation Accounts (Lines 13 through 17)		<u>(7,482)</u>	

UNION GAS LIMITED

Deferral Account Balances and Market Transformation Incentive and Capital Tax Deferral Amounts
Year Ending December 31, 2007
 (\$000's)

Line No.	Account Number	Account Name	Balance	(1)
<u>Other:</u>				
19	179-26	Deferred Customer Rebates/Charges	-	
20	179-75	Lost Revenue Adjustment Mechanism	(268)	
21	179-102	Intra-period WACOG Changes	(779)	
22	179-103	Unbundled Services Unauthorized Storage Overrun	-	
23	179-111	Demand Side Management Variance Account	(863)	
24	179-112	Gas Distribution Access Rule Costs	(557)	
25	179-113	Late Payment Penalty Litigation	147	
26	179-115	Shared Savings Mechanism Variance Account	6,754	
27	179-117	Carbon Dioxide Offset Credits	-	
28	Total Other Accounts (Lines 19 through 27)		4,434	
29	Total Deferral Account Balances (Lines 12 + 18 + 28)		\$ (99,937)	
30	Market Transformation Incentive		500	
31	Capital Tax Deferral		(1,813)	
32	Total Deferral Account Balances and Market Transformation Incentive and Capital Tax Deferral Amounts (Lines 28 to 31)		(101,250)	
33	Amount for Recovery/(Refund)		\$ (7,930)	(3)

Notes:

(1) Account balances include interest to December 31, 2007.

(2) With the exception of UDC (No. 179-108) and Heating Value (No. 179-89) accounts, all gas supply-related deferral account balances are recovered through the QRAM process.

(3) Breakdown of amount for recovery/(refund):

Total Deferral Account Balances and Market Transformation Incentive and Capital Tax Deferral Amounts (Line 28)		\$ (99,937)
Less Total Gas Supply-related balances recovered through the QRAM process		
Total Gas Supply-related balances (Line 12)	\$ (96,889)	
Less: Balance of Unabsorbed Demand Costs Account (No. 179-108) (Line 3)	(2,031)	
Balance of Heating Value Account (No. 179-89) (Line 7)	(1,539)	(93,320)
Add: Market Transformation Incentive	500	
Capital Tax Deferral	(1,813)	(1,313)
Amount for Recovery/(Refund)		<u>\$ (7,930)</u>

UNION GAS LIMITED
Lost Revenue Adjustment Mechanism
Breakdown of 2007 LRAM Deferral Account Balance

Line No.	Particulars	Amounts by DSM Plan Year			Total Amount in LRAM Deferral Account
		2005 ⁽¹⁾	2006 ⁽²⁾	2007 ⁽³⁾	
		(a)	(b)	(c)	(d)
	<u>South</u>				
1	M2 Residential	(\$95,790)	\$157,677	\$216,679	\$278,567
2	M2 Commercial	(\$437,522)	\$35,650	(\$96,035)	(\$497,907)
3	M2 Industrial	(\$31,244)	\$61,458	(\$23,016)	\$7,198
	<u>Industrial</u>				
4	M4	(\$109,737)	(\$90,925)	(\$56,366)	(\$257,027)
5	M5	\$107,939	\$140,409	\$7,757	\$256,105
6	M7	(\$7,399)	(\$10,542)	(\$46)	(\$17,987)
7	T1	(\$3,040)	\$8,407	\$6,310	\$11,677
8		<u>(\$576,793)</u>	<u>\$302,134</u>	<u>\$55,284</u>	<u>(\$219,375)</u>
	<u>North</u>				
9	Residential 01	(\$96,940)	(\$147,293)	\$13,061	(\$231,173)
10	Commercial 01	\$31,449	\$170,809	\$39,739	\$241,997
11	Commercial 10	\$7,141	(\$277,387)	(\$101)	(\$270,347)
12	Industrial 10	\$24,086	\$30,081	\$192,098	\$246,264
	<u>Industrial</u>				
13	Rate 20	\$8,960	(\$18,430)	(\$10,024)	(\$19,495)
14	Rate 100	(\$11,470)	(\$1,279)	(\$2,669)	(\$15,417)
15		<u>(\$36,774)</u>	<u>(\$243,500)</u>	<u>\$232,104</u>	<u>(\$48,170)</u>
16	Total	<u>(\$613,567)</u>	<u>\$58,634</u>	<u>\$287,388</u>	<u>(\$267,545)</u>

Notes:

- (1) EB-2008-0034, Exhibit A, Tab 1, Schedule 2, page 2 of 4, column (f)
- (2) EB-2008-0034, Exhibit A, Tab 1, Schedule 2, page 3 of 4, column (j)
- (3) EB-2008-0034, Exhibit A, Tab 1, Schedule 2, page 4 of 4, column (g)

UNION GAS LIMITED
 Lost Revenue Adjustment Mechanism
 2005 Actual - Audited

Line No.	Particulars	Audited	2005	2007	Revenue	Interest	Net LRAM
		Volumes ⁽¹⁾ 10 ³ m ³ (a)	Lost Volumes in 2007 Rates ⁽²⁾ 10 ³ m ³ (b)	Delivery Rates \$/10 ³ m ³ (c)	Impact (\$) (d) = [(a) - (b)] x (c)	(\$) (e)	Deferral Account Balance Proposed for Disposition Including Interest (\$) (f) = (d) + (e)
<u>South</u>							
1	M2 Residential	3,703	5,236	61.01	(93,515)	(2,275)	(95,790)
2	M2 Commercial	11,661	20,080	50.736	(427,132)	(10,390)	(437,522)
3	M2 Industrial	1,262	2,021	40.168	(30,502)	(742)	(31,244)
-							
<u>Industrial</u>							
4	M4	6,154	17,685	9.291	(107,131)	(2,606)	(109,737)
5	M5	6,741	-	15.631	105,376	2,563	107,939
6	M7	4,681	6,841	3.344	(7,223)	(176)	(7,399)
7	T1	7,227	10,946	0.798	(2,968)	(72)	(3,040)
8		<u>41,429</u>	<u>62,809</u>		<u>(563,095)</u>	<u>(13,697)</u>	<u>(576,793)</u>
<u>North</u>							
9	Residential 01	1,359	2,197	112.971	(94,638)	(2,302)	(96,940)
10	Commercial 01	1,340	1,048	105.147	30,702	747	31,449
11	Commercial 10	2,170	2,066	66.749	6,971	170	7,141
12	Industrial 10	621	237	61.265	23,514	572	24,086
<u>Industrial</u>							
13	Rate 20	10,887	7,847	2.877	8,747	213	8,960
14	Rate 100	6,987	12,314	2.102	(11,198)	(272)	(11,470)
15		<u>23,365</u>	<u>25,709</u>		<u>(35,901)</u>	<u>(873)</u>	<u>(36,774)</u>
16	Total	<u>64,794</u>	<u>88,518</u>		<u>(598,996)</u>	<u>(14,571)</u>	<u>(613,567)</u>

Notes:

- (1) Summary of the Results of the 2005 Evaluation Report Audit, page 4 (submitted by Union to the OEB Secretary on December 28, 2006 in compliance with section 2.1.12 of the Board's Reporting and Record Keeping Requirements).
- (2) The total is presented in EB-2005-0520 Exhibit D, Tab7, Page 3 Corrected.

UNION GAS LIMITED
 Lost Revenue Adjustment Mechanism
 2006 Actual - Audited

Line No.	Particulars	2006		Delivery Rates		Net Revenue Impact			LRAM Deferral Account Balance Disposed of in EB-2007-0598 ⁽³⁾	Interest	Net LRAM Deferral Account Balance Proposed for Disposition
		Audited Volumes ⁽¹⁾ 10 ³ m ³ (a)	Lost Volumes in 2007 Rates ⁽²⁾ 10 ³ m ³ (b)	2006 Rates \$/10 ³ m ³ (c)	2007 Rates \$/10 ³ m ³ (d)	2006 ⁽³⁾ (\$) (e) = (a) x 50% x (c)	2007 (\$) (f) = [(a) - (b)] x (d)	Total (\$) (g) = (e) + (f)			
<u>South</u>											
1	M2 Residential	10,194	6,793	66.158	61.01	337,197	207,477	544,674	387,335	338	157,677
2	M2 Commercial	19,101	18,408	50.009	50.736	477,616	35,171	512,788	477,616	479	35,650
3	M2 Industrial	1,638	109	38.088	40.168	31,199	61,427	92,626	31,199	31	61,458
<u>Industrial</u>											
4	M4	5,282	15,071	7.963	9.291	21,032	-90,946	(69,914)	21,032	21	(90,925)
5	M5	8,978	0	15.399	15.631	69,128	140,340	209,468	69,128	69	140,409
6	M7	2,573	5,727	2.739	3.344	3,524	-10,545	(7,021)	3,524	4	(10,542)
7	T1	19,870	9,344	0.783	0.798	7,779	8,400	16,179	7,779	8	8,407
8		<u>67,637</u>	<u>55,452</u>			<u>947,476</u>	<u>351,322</u>	<u>1,298,798</u>	<u>997,614</u>	<u>950</u>	<u>302,134</u>
<u>North</u>											
9	Residential 01	2,222	3,387	111.186	112.971	123,512	-131,643	(8,131)	139,286	124	(147,293)
10	Commercial 01	4,522	2,900	104.976	105.147	237,362	170,571	407,933	237,362	238	170,809
11	Commercial 10	1,473	5,629	64.820	66.749	47,727	-277,435	(229,708)	47,727	48	(277,387)
12	Industrial 10	600	109	59.311	61.265	17,784	30,063	47,847	17,784	18	30,081
<u>Industrial</u>											
13	Rate 20	1,800	8,207	2.647	2.877	2,382	-18,433	(16,050)	2,382	2	(18,430)
14	Rate 100	12,221	12,835	1.983	2.102	12,117	-1,291	10,826	12,117	12	(1,279)
15		<u>22,837</u>	<u>33,067</u>			<u>440,885</u>	<u>(228,168)</u>	<u>212,717</u>	<u>456,659</u>	<u>442</u>	<u>(243,500)</u>
16	Total	<u>90,474</u>	<u>88,519</u>			<u>1,388,361</u>	<u>123,154</u>	<u>1,511,515</u>	<u>1,454,273</u>	<u>1,391</u>	<u>58,634</u>

Notes:

- (1) Summary of the Results of the 2006 Evaluation Report Audit, page 4 (updated for M4 and M5 volumes) submitted by Union to the OEB Secretary on June 29, 2007 in compliance with section 2.1.12 of the Board's Reporting and Record Keeping Requirements.
- (2) The total is presented in EB-2005-0520 Exhibit D, Tab7, Page 3 Corrected.
- (3) The 50% factor is in accordance with the Board's ruling in RP-2001-0029 Decision with Reasons at paragraph 2.171 which requires that 50% of volume savings should be reflected in the first year in which the DSM measure is undertaken.

UNION GAS LIMITED
Lost Revenue Adjustment Mechanism
2007 - Unaudited

Line No.	Particulars	Unaudited	2007	Difference	2007	Revenue	Interest	Net LRAM
		Volumes ⁽¹⁾	Lost Volumes		Delivery	Impact		Deferral Account
		10 ³ m ³	in 2007 Rates ⁽²⁾	10 ³ m ³	Rates	(\$)	(\$)	Balance Proposed
		(a)	(b)	(c)	\$/10 ³ m ³	(e) = (c) x (d) x 50%	(f)	for Disposition
					(d)			Including Interest
								(\$)
								(g) = (e) + (f)
	<u>South</u>							
1	M2 Residential	12,166	5,232	6,934	61.01	211,533	5,146	216,679
2	M2 Commercial	16,400	20,096	(3,696)	50.736	(93,754)	(2,281)	(96,035)
3	M2 Industrial	902	2,021	(1,119)	40.168	(22,470)	(547)	(23,016)
	<u>Industrial</u>							
4	M4	5,836	17,681	(11,845)	9.291	(55,027)	(1,339)	(56,366)
5	M5	969	-	969	15.631	7,573	184	7,757
6	M7	6,813	6,840	(27)	3.344	(45)	(1)	(46)
7	T1	26,384	10,944	15,440	0.798	6,160	150	6,310
8		<u>69,470</u>	<u>62,814</u>	<u>6,656</u>	<u>181</u>	<u>53,971</u>	<u>1,313</u>	<u>55,284</u>
	<u>North</u>							
9	Residential 01	2,423	2,197	226	112.971	12,751	310	13,061
10	Commercial 01	1,786	1,048	738	105.147	38,796	944	39,739
11	Commercial 10	2,063	2,066	(3)	66.749	(98)	(2)	(101)
12	Industrial 10	6,359	237	6,122	61.265	187,535	4,562	192,098
	<u>Industrial</u>							
13	Rate 20	1,042	7,845	(6,803)	2.877	(9,786)	(238)	(10,024)
14	Rate 100	9,833	12,312	(2,479)	2.102	(2,605)	(63)	(2,669)
15		<u>23,506</u>	<u>25,705</u>	<u>(2,199)</u>		<u>226,591</u>	<u>5,513</u>	<u>232,104</u>
16	Total	<u>92,976</u>	<u>88,519</u>	<u>4,457</u>		<u>280,562</u>	<u>6,826</u>	<u>287,388</u>

Notes:

- (1) Based on unaudited 2007 DSM evaluation results
- (2) The 50% factor reflects the Board's ruling in EB-2006-0021 Decision with Reasons (page 11) which states that the first year impact will be calculated as 50% of the annual volumetric impact multiplied by the distribution rate for each of the rate classes that the volumetric variance occurred in.

UNION GAS LIMITED
Demand Side Management Variance Account
 (\$000s)

<u>Line No.</u>	<u>Particulars</u>	<u>DSM Costs in 2007 Rates⁽¹⁾</u>	<u>Actual DSM Costs</u>	<u>Account Balance</u>
		(a)	(b)	(c) = (b) - (a)
	<u>South</u>			
1	M2 Residential	\$4,100	\$4,589	\$489
2	M2 Commercial	\$2,871	\$3,213	\$343
3	M2 Industrial	\$209	\$234	\$25
	<u>Industrial</u>			
4	M4	\$1,549	\$842	(\$707)
5	M5	\$0	\$241	\$241
6	M7	\$589	\$341	(\$248)
7	T1	\$961	\$1,639	\$678
8		<u>\$10,278</u>	<u>\$11,099</u>	<u>\$822</u>
	<u>North</u>			
9	Residential 01	\$1,195	\$1,291	\$96
10	Commercial 01	\$315	\$340	\$25
11	Commercial 10	\$686	\$451	(\$235)
12	Industrial 10	\$611	\$402	(\$209)
	<u>Industrial</u>			
13	Rate 20	\$847	\$154	(\$693)
14	Rate 100	\$1,369	\$700	(\$669)
15		<u>\$5,022</u>	<u>\$3,337</u>	<u>(\$1,685)</u>
16	Total	<u>\$15,300</u>	<u>\$14,437</u>	<u>(\$863)</u>

Notes:

(1) EB-2005-0520, Exhibit G3, Tab 5, Schedule 21, updated to reflect EB-2005-0520 Board decision.

UNION GAS LIMITED
 Shared Savings Mechanism Variance Account
 Based on 2006 Audited and 2007 Unaudited Results

Line No.	Particulars	2006 Amount				2007 Amount		Total for 2006 and 2007 (\$)
		Amount Based on Audited results ⁽¹⁾ (\$)	Amount Disposed of in EB-2007-0598 ⁽²⁾ (\$)	Net Amount (\$)	Interest (\$)	Total (\$)	Based on Unaudited results ⁽³⁾ (\$)	
		(a)	(b)	(c) = (a) - (b)	(d)	(e) = (c) + (d)	(f)	(g) = (e) + (f)
	<u>South</u>							
1	M2 Residential	375,467	419,123	(43,656)	(2,064)	(45,720)	1,169,173	1,123,453
2	M2 Commercial	600,688	635,383	(34,695)	(1,640)	(36,335)	1,523,847	1,487,512
3	M2 Industrial	41,890	44,309	(2,419)	(114)	(2,533)	67,713	65,179
4	<u>Industrial</u>							
5	M4	154,361	168,078	(13,717)	(648)	(14,365)	481,735	467,370
6	M5	262,362	272,715	(10,353)	(489)	(10,842)	51,256	40,414
7	M7	62,327	65,927	(3,600)	(170)	(3,770)	522,977	519,207
8	T1	580,915	614,467	(33,552)	(1,586)	(35,138)	1,465,959	1,430,820
9		<u>2,078,010</u>	<u>2,220,003</u>	<u>(141,993)</u>	<u>(6,712)</u>	<u>(148,705)</u>	<u>5,282,660</u>	<u>5,133,955</u>
	<u>North</u>							
10	Residential 01	91,180	96,446	(5,266)	(249)	(5,515)	218,791	213,276
11	Commercial 01	141,897	150,093	(8,196)	(387)	(8,583)	125,346	116,763
12	Commercial 10	35,366	37,409	(2,043)	(97)	(2,139)	126,130	123,990
13	Industrial 10	13,534	14,316	(782)	(37)	(818)	398,680	397,862
14	<u>Industrial</u>							
14	Rate 20	54,661	57,818	(3,157)	(149)	(3,306)	78,259	74,952
15	Rate 100	304,311	321,887	(17,576)	(831)	(18,407)	711,134	692,727
16		<u>640,948</u>	<u>677,968</u>	<u>(37,019)</u>	<u>(1,750)</u>	<u>(38,769)</u>	<u>1,658,340</u>	<u>1,619,570</u>
17	Total	<u>2,718,958</u>	<u>2,897,971</u>	<u>(179,012)</u>	<u>(8,462)</u>	<u>(187,474)</u>	<u>6,941,000</u>	<u>6,753,526</u>

Notes:

- (1) 2006 amount of SSM incentives calculated using the mechanism approved by the Board in EB-2005-0507. The allocation of the amount is based on 2006 TRC results achieved by rate class.
- (2) EB-2007-0598 Exhibit A, Tab 1 Schedule 3 Corrected, Column (d).
- (3) 2007 amount of SSM incentives calculated using the mechanism approved by the Board in EB-2006-0021. The allocation of the amount is based on 2007 TRC results achieved by rate class.

Tab 2

1 **ALLOCATION AND DISPOSITION OF 2007 DEFERRAL ACCOUNT BALANCES,**

2 **MARKET TRANSFORMATION INCENTIVE AND CAPITAL TAX DEFERRAL**

3

4 The purpose of this evidence is to address the allocation and disposition of 2007 deferral account
5 balances not managed through the Quarterly Rate Adjustment Mechanism (“QRAM”), the market
6 transformation incentive and the capital tax deferral.

7

8 The allocation of 2007 deferral account balances, the market transformation incentive and the
9 capital tax deferral to rate classes appears at Tab 2, Schedule 1. Tab 2, Schedule 2 provides the
10 unit disposition rates for Union’s in-franchise rate classes and summarizes the balances to be
11 disposed of for Union’s ex-franchise rate classes. Union has not allocated the 2007 balances to the
12 new M1 and M2 rate classes since these rates did not exist during 2007. To dispose of the 2007
13 balances to general service customers in the Southern Operations area, Union will apply a common
14 unit rate for prospective recovery to the M1 and M2 rate classes. Tab 2, Schedule 3 provides the
15 impact of the proposed dispositions on general service customers in the Southern Operations area
16 and Northern and Eastern Operations area.

17

18 **2007 GAS SUPPLY-RELATED DEFERRAL ACCOUNTS**

19 As indicated at Exhibit A, Tab 1, Union is seeking approval of final disposition of year-end
20 balances for the gas cost related deferral accounts that are prospectively recovered through the
21 QRAM process. For these accounts, recovery of the year-end deferral account balances will be
22 managed through the QRAM process.

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There are also two gas supply deferral accounts that are not recovered through the QRAM process.

These are the Heating Value Deferral Account (179-89) and the Unabsorbed Demand Cost (“UDC”) Deferral Account (179-108). For these accounts Union is seeking approval of the final disposition and recovery/refund of the year-end balances.

Union proposes that the balance in the Heating Value Deferral Account (179-89) be allocated to the Rate 01 and Rate 10 customer classes in the Northern and Eastern Operations area in proportion to 2007 sales service volume.

Union proposes that the portion of the balance in the Unabsorbed Demand Cost Variance Account (179-108) related to the Northern and Eastern Operations area be allocated to the firm Rate 01, Rate 10 and Rate 20 customers in proportion to 2007 excess peak over annual average. This allocation is consistent with the allocation of UDC in approved 2007 rates (EB-2005-0520, Rate Order Working Papers, Schedule 25, page 3).

As indicated at Exhibit A, Tab 1, page 4, the UDC associated with the Southern Operations area is applicable to sales service customers only. Accordingly, Union proposes that the portion of the balance in the Unabsorbed Demand Cost Variance Account (179-108) related to the Southern Operations area be allocated to sales service customers only.

1 **2007 NON- GAS SUPPLY RELATED DEFERRAL ACCOUNTS**

2 Non-gas supply related deferral accounts can be divided into two groups: Storage and
3 Transportation-related deferral accounts and other deferral accounts.

4
5 **STORAGE AND TRANSPORTATION RELATED DEFERRAL ACCOUNTS**

6 The storage and transportation related deferral accounts are:

- 7 i) Transportation and Exchange Services Deferral Account (179-69)
8 ii) Short Term Storage and Other Balancing Services Deferral Account (179-70)
9 iii) Long Term Peak Storage Services Deferral Account (179-72)
10 iv) Other S&T Services Deferral Account (179-73)
11 v) Other Direct Purchase Services Deferral Account (179-74)

12
13 **Transportation and Exchange Services Deferral Account (179-69)**

14 Union proposes that firm C1 and M12 customers and in-franchise customers receive an allocation
15 of the Transportation and Exchange Services Deferral Account (179-69) balance in proportion to
16 actual 2007 available capacity. Further, Union proposes that the balance allocated to in-franchise
17 customers in the Southern Operations area be allocated among rate classes in proportion to EB-
18 2005-0520 design (peak) day demand. Union proposes that the balance allocated to customers in
19 the Northern and Eastern Operations area (by virtue of their use of transportation systems in the
20 Southern Operations area) be allocated among rate classes in proportion to the allocation of 2007
21 storage demand costs as approved in EB-2005-0520.

1 Short Term Storage and Other Balancing Services Deferral Account (179-70)

2 Union proposes to allocate the Short Term Storage and Other Balancing Services Deferral Account
3 balance related to in-franchise customers in the Southern Operations area among rate classes in
4 proportion to EB-2005-0520 design (peak) day demand. Union proposes to allocate the balance to
5 in-franchise customers in the Northern and Eastern Operations area (by virtue of their use of
6 storage in the Southern Operations area) among rate classes in proportion to the allocation of 2007
7 storage demand costs as approved in EB-2005-0520.

8

9 Long-Term Peak Storage Services Deferral Account (179-72), Other S&T Services Deferral

10 Account (179-73) and Other Direct Purchase Services Deferral Account (179-74)

11 Union proposes to allocate the balance in the Long-Term Peak Storage Services Deferral Account
12 (179-72), Other S&T Services Deferral Account (179-73) and Other Direct Purchase Services
13 Deferral Account (179-74) to in-franchise rate classes in the Southern Operations area in
14 proportion to EB-2005-0520 design (peak) day demand and in-franchise rate classes in the
15 Northern and Eastern Operations area (by virtue of their use of storage in the Southern Operations
16 area) in proportion to the allocation of 2007 storage demand costs as approved in EB-2005-0520.

17

18 **OTHER DEFERRAL ACCOUNTS**

19 Union proposes to allocate the balance in the Lost Revenue Adjustment Mechanism Deferral
20 Account (179-75) to rate classes in proportion to the margin reduction attributable to demand side
21 management activities appearing at Exhibit A, Tab 1, Schedule 2, Page 1 of 4.

22

1 Union proposes to allocate the balance in the Intra-period WACOG Deferral Account (179-102) to
2 rate classes in proportion to the approved 2007 allocation of the items that the intra-period
3 WACOG change relate to (i.e. Unaccounted-For Gas (“UFG”), Compressor Fuel and Gas In
4 Storage). The proposed method for allocating the intra-period WACOG deferral account is
5 consistent with that used by Union and approved by the Board in the past.

6

7 Union proposes to allocate the balance in the Demand Side Management (“DSM”) Variance
8 Account (179-111) to rate classes in proportion to the actual DSM spending by rate class in 2007.
9 The allocation to rate classes is provided at Exhibit A, Tab 1, Schedule 3. This allocation is the
10 same as that used and approved by the Board to allocate the 2006 DSM deferral balance in EB-
11 2007-0598.

12

13 Union proposes to allocate the balance in the Gas Distribution Access Rule (“GDAR”) Deferral
14 Account (179-112) in proportion to the allocation of GDAR costs in approved 2007 rates.

15

16 Union proposes to allocate the balance in the Late Payment Penalty Litigation Deferral Account
17 (179-113) to rate classes in proportion to the allocation of the 2007 delayed/late payment revenue.

18

19 Union proposes to allocate the balance in the Shared Savings Mechanism Variance Account (179-
20 115) to rate classes in proportion to the net TRC benefits attributable to the respective rate classes
21 appearing at Exhibit A, Tab 1, Schedule 4. This is consistent with the Board-approved settlement
22 agreement (Exhibit K1.1, Tab 1 which is the agreement between EGD and Union and most of the

1 intervenors) in EB-2006-0021, the Board's Generic DSM Proceeding.

2

3 **MARKET TRANSFORMATION INCENTIVE AND CAPITAL TAX DEFERRAL**

4 Union proposes to allocate the market transformation incentive to general service customers in the
5 Southern Operations area. As indicated at Exhibit A, Tab 1, page 16, the market transformation
6 incentive relates to the drain water heat recovery program directed at general service customers in
7 the Southern Operations area during 2007.

8

9 Union proposes to allocate the capital tax deferral to rate classes in proportion to the allocation of
10 capital taxes included in 2007 approved rates.

11

12 **DISPOSITION OF 2007 DEFERRAL ACCOUNT BALANCES**

13 For general service M1, M2, Rate 01 and Rate 10 customers Union proposes to dispose of 2007
14 deferral account balances not managed through the QRAM process, the market transformation
15 incentive and the capital tax deferral prospectively, over the April 1, 2008 to December 31, 2008
16 time period. The prospective refund / recovery approach proposed for M1, M2, Rate 01 and Rate
17 10 customers is consistent with how Union refunded / recovered 2006 earnings sharing and
18 deferral account balances.

19

20 For in-franchise contract and ex-franchise rate classes, Union is proposing to dispose of net 2007
21 delivery-related deferral account balances and the capital tax deferral as a one-time credit or
22 charge. This approach is the same as that approved by the Board for the disposition of 2006

1 earnings sharing and deferral account balances.

2

3 General Service customer impacts are presented at Tab 2, Schedule 3. For a residential customer
4 with annual consumption of 2,600 m³, the charge for the period April 1, 2008 to December 31,
5 2008 is \$0.47 in the Southern Operations area. This \$0.47 charge consists of a delivery-related
6 charge of \$0.08 (line 9, column (e)) and a commodity charge of \$0.39 (line 10, column (e)).

7

8 For a residential customer with annual consumption of 2,600 m³, the credit for the period April 1,
9 2008 to December 31, 2008 is \$12.84 in the Northern and Eastern Operations area. This \$12.84
10 credit consists of the delivery-related credit of \$1.47 (line 1, column (e)), a commodity credit of
11 \$6.21 (line 2, column(e)) and the gas transportation credit of \$5.16 (line 3, column (e)).

UNION GAS LIMITED
Allocation of 2007 Deferral Account Balances, Market Transformation Incentive, and Capital Tax Deferral to Rate Classes

Line No.	Particulars	Northern and Eastern Operations Area						Southern Operations Area						Total (1)					
		Rate 01 (\$000's)	Rate 10 (\$000's)	Rate 20 (\$000's)	Rate 77 (\$000's)	Rate 100 (\$000's)	Rate 25 (\$000's)	M4 (\$000's)	M5A (\$000's)	M7 (\$000's)	M9 (\$000's)	M10 (\$000's)	T1 (\$000's)		T3 (\$000's)	M12 (\$000's)	M13 (\$000's)	C1 (\$000's)	M16 (\$000's)
1	Gas Supply Transportation-Related Deferrals:																		
2	Unabsorbed Demand Cost (UDC) Variance	(1,775)	(568)	(89)	-	-	-	-	-	-	0	-	-	-	-	-	-	-	(2,031)
3	Heating Value	(1,225)	(314)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(1,539)
4	Storage and Transportation-Related Deferrals:																		
5	Transportation and Exchange Services	(82)	(26)	(3)	-	(4)	-	(767)	(5)	(46)	(0)	(382)	(65)	(3,115)	-	(35)	-	(4,589)	
6	Balancing & Short Term Storage Services	(182)	(56)	(7)	-	(10)	-	(633)	(4)	(38)	(0)	(315)	(45)	-	-	-	-	(1,351)	
7	Long-Term Peak Storage Services	(281)	(93)	(11)	-	(15)	-	(1,034)	(6)	(62)	(0)	(515)	(74)	-	-	-	-	(2,156)	
8	Other S&T Services	(19)	(6)	(1)	-	(1)	-	(69)	(4)	(4)	(0)	(34)	(5)	-	-	-	-	(146)	
9	Other Direct Purchase Services	106	34	4	-	6	-	376	2	23	2	187	27	-	-	-	-	799	
10	Total Gas Supply Transportation and S&T Related Deferrals	(3,469)	(1,032)	(87)	-	(25)	-	(1,749)	(13)	(127)	(13)	(1,059)	(153)	(3,115)	-	(35)	-	(11,052)	
11	Delivery-Related Deferrals:																		
12	Deferred Customer Rebates/Charges	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
13	Comprehensive Customer Information Program	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
14	Direct Purchase Revenue and Payments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
15	Lost Revenue Adjustment Mechanism	11	(24)	(19)	-	(15)	-	(212)	(18)	(18)	-	12	-	-	-	-	-	(288)	
16	Intra-period WACOG	(116)	(28)	(4)	-	(39)	-	(474)	(42)	(25)	(3)	-	-	-	(7)	-	(5)	(779)	
17	Unbilled Services Unauthorized Storage Overrun	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
18	Storage Rights Compensation Costs	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
19	Demand Side Management Variance Account	121	(444)	(683)	-	(669)	-	857	(707)	(248)	-	678	-	-	-	-	-	(863)	
20	Gas Distribution Access Rule Costs	(105)	(1)	(15)	-	(5)	-	(351)	(45)	(2)	(0)	-	-	-	-	-	-	(557)	
21	Late Payment Penalty Litigation	34	0	-	-	-	-	113	0	-	-	-	-	-	-	-	-	147	
22	Incremental OEB Cost Assessment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
23	Shared Savings Mechanism Variance Account	330	522	75	-	683	-	2,676	467	519	40	1,431	-	-	-	-	-	6,754	
24	Total Delivery-Related Deferrals	274	25	(657)	-	(35)	-	2,608	(583)	227	(4)	2,121	(153)	(3,115)	(7)	(35)	(5)	4,434	
25	Total 2007 Deferral Account Disposition	(3,195)	(1,007)	(744)	-	(60)	-	859	(760)	99	(16)	1,062	(153)	(3,115)	(7)	(35)	(5)	(6,613)	
26	Market Transformation Incentive	-	-	-	-	-	-	500	-	-	-	-	-	-	-	-	-	-	500
27	Capital Tax Deferral	(311)	(58)	(30)	(0)	(39)	(13)	(838)	(28)	(18)	(2)	(90)	(11)	(353)	(0)	(1)	(0)	(1,813)	
28	Grand Total	(3,506)	(1,056)	(774)	(0)	(89)	(13)	520	(789)	81	(18)	972	(163)	(3,468)	(7)	(36)	(5)	(7,530)	

Notes:
(1) EB-2008-0034, Exhibit A, Tab 1, Schedule 1.

UNION GAS LIMITED
 General Service Rates
Unit Rates for Prospective Recovery/(Refund): Delivery

Line No.	Particulars	Rate Class	2007 Deferral Balances (\$000's) (a)	2007 Market Transformation Incentive (\$000's) (b)	2007 Capital Tax Deferral (\$000's) (c)	Balance for Disposition (\$000's) (d) = (a+b+c)	2008 Forecast Volume (10 ³ m ³) (1) (e)	Unit Rate for Prospective Recovery/(Refund) (cents/m ³) (f) = (d/e)*100
1	Small Volume General Service	01	(194)	-	(311)	(505)	475,679	(0.1062)
2	Large Volume General Service	10	(125)	-	(58)	(183)	219,020	(0.0835)
3	General Service	M1 / M2	481	500	(838)	143	2,151,589	0.0066

Notes:

(1) Forecast volume for the period April 1, 2008 to December 31, 2008.

UNION GAS LIMITED
 General Service Rates
Unit Rates for Prospective Recovery/(Refund): Gas Supply Transportation

Line No.	Particulars	Rate Class	2007 Deferral Balances (\$000's) (a)	2007 Market Transformation Incentive (\$000's) (b)	2007 Capital Tax Deferral (\$000's) (c)	Balance for Disposition (\$000's) (d) = (a+b+c)	2008 Forecast Volume (10 ³ m ³) (1) (e)	Unit Rate for Prospective Recovery/(Refund) (cents/m ³) (f) = (d/e)*100
1	Small Volume General Service	01	(1,775)	-	-	(1,775)	475,679	(0.3732)
2	Large Volume General Service	10	(568)	-	-	(568)	216,923	(0.2619)

Notes:

(1) Forecast volume for the period April 1, 2008 to December 31, 2008.

UNION GAS LIMITED
Unit Rates for Prospective Recovery/(Refund): Gas Supply Commodity

Line No.	Particulars	2007 Deferral Balances (\$'000's) (a)	2007 Market Transformation Incentive (\$'000's) (b)	2007 Capital Tax Deferral (\$'000's) (c)	Balance for Disposition (\$'000's) (d) = (a+b+c)	2008 Forecast Volume (10 ³ m ³) (1) (e)	Unit Rate for Prospective Recovery/(Refund) (cents/m ³) (f) = (d/e)*100
1	North Sales Service	(1,539)	-	-	(1,539)	343,121	(0.4485)
2	South Sales Service	381	-	-	381	1,250,614	0.0305

Notes:
 (1) Forecast volume for the period April 1, 2008 to December 31, 2008.

UNION GAS LIMITED
 Unit Rates for One-Time Adjustments

Line No.	Particulars	Rate Class	2007			2007 Actual Volume (10 ³ m ³) (e)	Unit Rate (cents/m ³) (f) = (d/e)*100
			Deferral Balances (\$000's) (a)	Market Transformation Incentive (\$000's) (b)	Capital Tax Deferral (\$000's) (c)		
<u>Northern and Eastern Operations Area:</u>							
1	Medium Volume Firm Service (1)	20	(250)	-	(11)	160,882	(0.1619)
2	Medium Volume Firm Service (2)	20T	(423)	-	(19)	290,203	(0.1523)
3	Large Volume High Load Factor (2)	100T	(35)	-	(39)	2,015,431	(0.0037)
4	Wholesale Service	77	-	-	(0)	92	(0.0578)
5	Large Volume Interruptible	25	-	-	(13)	423,604	(0.0032)
<u>Southern Operations Area:</u>							
6	Firm Com/Ind Contract	M4	(764)	-	(29)	519,626	(0.1527)
7	Interruptible Com/Ind Contract	M5	459	-	(18)	504,405	0.0874
8	Special Large Volume Contract	M7	99	-	(18)	583,977	0.0139
9	Large Wholesale	M9	(16)	-	(2)	20,205	(0.0887)
10	Small Wholesale	M10	(2)	-	(0)	133	(1.2383)
11	Contract Carriage Service	T1	1,062	-	(90)	3,831,155	0.0254
12	Contract Carriage- Wholesale	T3	(153)	-	(11)	276,098	(0.0592)

Notes:

- (1) Sales and Bundled-T customers only
- (2) T-service customers only

UNION GAS LIMITED
Unit Rates for One-Time Adjustments: Gas Supply Transportation and Bundled Storage

Line No.	Particulars	Rate Class	Billing Units	2007 Deferral Balances (\$000's) (a)	2007 Market Transformation Incentive (\$000's) (b)	2007 Capital Tax Deferral (\$000's) (c)	Total Balance (\$000's) (d) = (a+b+c)	2007 Actual Demand (e)	Unit Demand Rate (f) = (d/e)*100
	<u>Gas Supply Transportation (cents/m³)</u>								
1	Medium Volume Firm Service	20	10 ³ m ³	(69)	-	-	(69)	7,995	(0.8573)
	<u>Bundled (T- Service) Storage (\$/GJ)</u>								
2	Medium Volume Firm Service	20T	GJ	(3)	-	-	(3)	15,960	(0.168)
3	Large Volume High Load Factor	100T	GJ	(25)	-	-	(25)	146,100	(0.168)

UNION GAS LIMITED
 Summary of 2007 Deferral Account Disposition
Storage and Transportation Services

Line No.	Particulars (\$000's) (1)	Rate Class	2007			Total Balance (\$000's) (d) = (a+b+c)
			Deferral Balances (\$000's) (a)	Market Transformative Incentive (\$000's) (b)	Capital Tax Deferral (\$000's) (c)	
1	Storage and Transportation	M12	(3,115)	-	(353)	(3,468)
2	Local Production	M13	(7)	-	(0)	(7)
3	Short-Term Cross Franchise	C1	(35)	-	(1)	(36)
4	Storage Transportation Service	M16	(5)	-	(0)	(5)

Note: (1) Exfranchise M12, M13, M16 and C1 customers based on specific amounts determined using approved deferral account allocation methodologies.

UNION GAS LIMITED
General Service Bill Impacts

Line No.	Particulars	Rate Component	Unit Rate for Prospective Recovery (cents/m ³) (1)	Volume (m ³) (2)	Bill Impact (\$)
			(a)	(b)	(c) = (a*b) / 100
1	Rate 01	Delivery	(0.1062)	1,384	(1.47)
2		Commodity	(0.4485)	1,384	(6.21)
3		Transportation	(0.3732)	1,384	(5.16)
4			(0.9279)		(12.84)
5	Rate 10	Delivery	(0.0835)	55,384	(46.25)
6		Commodity	(0.4485)	55,384	(248.41)
7		Transportation	(0.2619)	55,384	(145.05)
8			(0.7939)		(439.71)
9	Rate M1	Delivery	0.0066	1,277	0.08
10		Commodity	0.0305	1,277	0.39
11			0.0371		0.47
12	Rate M2	Delivery	0.0066	36,719	2.42
13		Commodity	0.0305	36,719	11.20
14			0.0371		13.62

Notes:

- (1) EB-2008-0034, Tab 2, Schedule 2.
- (2) Average consumption, per customer, for the period April 1 to December 31, 2008.

1 **PANHANDLE/TRUNKLINE LONG-TERM TRANSPORTATION CONTRACT**

2

3 **INTRODUCTION**

4 Pursuant to Union's EB-2005-0520 Settlement Agreement (pg 13, Subsection 3.1,
5 paragraph 2; and, Appendix B – Incremental Transportation Contracting Analysis), the
6 purpose of this evidence is to provide the analysis used by Union to support the renewal
7 of its transportation capacity with Trunkline Gas Company and Panhandle Eastern
8 Pipeline.

9

10 As stated in EB-2005-0520 (Exhibit D1, Tab 1), Union held firm transportation on
11 Trunkline from the Gulf of Mexico to Bourbon, Illinois; and a corresponding short-haul
12 contract on Panhandle from Bourbon to Union's pipeline system at Ojibway. These
13 volumes were delivered to Parkway by a firm Ojibway-to-Parkway service.

14

15 These contracts, which transported a total volume of 22,000 Decatherm/day (23,211
16 GJ/d), were in place from November 1, 2004 through October 31, 2007. This capacity
17 served sales service customers in Union's Southern Operations Area and was allocated to
18 customers migrating to direct purchase using the vertical slice methodology. Upon the
19 expiry of these contracts, Union negotiated replacement contracts with
20 Trunkline/Panhandle for a 5-year term (November 1, 2007 to October 31, 2012) at the
21 same tolls as the previous contracts.

22

1 **RATIONALE FOR RENEWING TRANSPORTATION CAPACITY**

2
3 Union's 2007/08 Gas Supply Plan supported the replacement of the expiring
4 Trunkline/Panhandle capacity in order for Union to continue to meet forecasted demand.
5 The landed cost of gas arriving at Parkway that Union negotiated is competitive with
6 supply flowing on alternative upstream pipelines. The 5-year renewal also supports
7 Union's objective of structuring a portfolio with a diversity of contract terms and supply
8 basins. The additional benefits of renewing this capacity are:

- 9 1. It maintains Union's access not only to the Gulf of Mexico supply basin
10 which is the largest supply basin on the continent but to a large number of
11 existing and proposed LNG re-gasification terminals;
- 12 2. It maintains and supports the acquisition of secure supply from a diverse
13 number of gas basins, gas suppliers and transportation providers with
14 whom Union has already established commercial relationships;
- 15 3. It reduces Unabsorbed Demand Charge ("UDC") cost exposure relative to
16 alternative upstream pipeline routes due to the low demand charge on this
17 route;
- 18 4. It achieves a fixed-rate toll for the 5-year term providing toll certainty on a
19 portion of Union's supply;
- 20 5. It delivers supply into the Windsor market at the Ojibway interconnect
21 providing added security of supply to the growing demands in that area;

- 1 6. It provides, through the Panhandle short haul contract, a supply connection
2 with the new Rockies Express (REX) pipeline scheduled to be in-service
3 in 2009;
- 4 7. It provides Union receipt and delivery flexibility within the US Midwest
5 and Great Lakes area due to the secondary Receipt and Delivery rights
6 negotiated within the contract

7

8 **CONTRACT PARAMETERS**

- 9 ○ Transportation provider: Trunkline Gas Company & Panhandle Eastern Pipe Line;
- 10 ○ Term: November 1, 2007 through October 31, 2012
- 11 ○ Volume: 20,000 Decatherm/day
- 12 ○ Rate: \$0.22 US/Decatherm at 100% Load Factor
- 13 ○ Receipt Point: East Louisiana in the Trunkline Field Zone
- 14 ○ Delivery Point: Union's Ojibway interconnect with Panhandle

15

16 **INCREMENTAL CONTRACTING ANALYSIS FORM**

17 The attached form (Attachment A) shows a comparison of landed costs for the
18 Trunkline/Panhandle contract relative to the alternatives reviewed by Union.

Long-term Transportation Contracting Analysis

Route (A)	Point of Supply (B)	5-Yr Basis Differential \$/US/mmBtu (C)	5-Yr Supply Cost \$/US/mmBtu (D) = Nymex + C	Utilized Demand Charge \$/US/mmBtu (E)	Commodity Charge \$/US/mmBtu (F)	Fuel Charge \$/US/mmBtu (G)	Dawn/Parkway Transport \$/US/mmBtu (H)	100% LF Transportation Inclusive of Fuel \$/US/mmBtu (I) = E + F + G + H	5-Yr Landed Cost \$/US/mmBtu (J) = D + I	5-Yr Landed Cost \$/Cdn/GJ (K)	Point of Delivery (L)
Trunkline/Panhandle	Trunkline Field Zone	-0.03	6.42	0.19064	0.02936	0.21247	0.12751	0.55998	\$6.98	\$7.03	Parkway
TCPL Eastern Zone Longhaul	Empress	-0.26	6.19	0.95012	0.07213	0.29298	0	1.31522	\$7.51	\$7.57	Parkway
Vector	Chicago	0.19	6.64	0.24400	0.00190	0.06041	0.12751	0.43382	\$7.07	\$7.13	Parkway
Alliance/Vector	Alliance Field Zone	-0.47	5.98	1.22608	0.00190	0.31226	0.12751	1.66775	\$7.65	\$7.71	Parkway
Panhandle Longhaul	Panhandle Field Zone	-0.29	6.16	0.37900	0.04100	0.32546	0.12751	0.87297	\$7.04	\$7.09	Parkway

Assumptions used in Developing Long-term Transportation Contracting Analysis:

Annual Gas Supply & Fuel Ratio Forecasts	Fuel Ratio Forecasts Col (G) above	2008 \$/US/mmBtu	2009 \$/US/mmBtu	2010 \$/US/mmBtu	2011 \$/US/mmBtu	2012 \$/US/mmBtu	5-Yr Average of Annual Gas Supply Cost (\$/US/mmBtu) Col (D) above	Effective Date of Transportation Tolls Used in Analysis
Henry Hub (NYMEX) \$/US/mmBtu	n/a	\$6.93	\$6.90	\$6.06	\$5.95	\$6.42	\$6.45	n/a
Trunkline/Panhandle	3.31%							01-Nov-07
TCPL's Eastern Zone Longhaul	4.73%							2007 Final Tolls
Vector	0.91%							01-Nov-07
Alliance/Vector	5.22%							01-Jan-07
Panhandle Longhaul	5.28%							01-Nov-05
TCPL's Dawn to Union CDA FT	0.28%							2007 Final Tolls

Sources for Assumptions:

5-yr Average Basis Differential (Col C)	Energy & Environmental Analysis; August 2007
5-yr Average Supply Cost (D)	Energy & Environmental Analysis; August 2007
Transportation Tolls (Cols E & F):	Tolls in effect on Alternative Routes at the time of Union's Analysis
Fuel Ratios (Col G):	Average ratios over the prior year or Pipeline Forecast
Dawn/Parkway Transport (Col H):	TCPL Dawn to Union CDA FT Toll in effect at the time of Union's Analysis
Foreign Exchange (Col K)	\$1 US = \$1.06 Cdn
Energy Conversions (Col L)	1 dth = 1 mmBtu 1.055056 GJ's
	1 103m3 = 35.77061312 dth (assumes heat value of 37.74)
Union's Analysis Completed:	Aug-07