

April 13, 2012

Ontario Energy Board
2300 Yonge Street, 27th Floor
Toronto, ON
M4P 1E4

Dear Ms. Walli:

Re: EB-2012-0087 - Union Gas Limited - 2011 Earnings Sharing & Disposition of Deferral Accounts and Other Balances

Enclosed is the application and evidence submitted by Union Gas Limited (“Union”) concerning the final disposition and recovery of certain 2011 year-end deferral account and other balances and the calculation of its 2011 utility earnings for the purposes of earnings sharing.

Union notes that Section 36 (4.2) of the Ontario Energy Board Act, 1998 states 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-2011-0038 Rate Order dated March 8, 2012.

The Application is supported by evidence which is outlined below:

- | | |
|-------|---|
| Tab 1 | 2011 Deferral Account Balances, Market Transformation and Low-Income Incentive Amounts |
| Tab 2 | 2011 Utility Results, Earnings Sharing and Utility Financial Reporting Package |
| Tab 3 | Allocation and Disposition of 2011 Deferral Account Balances, Market Transformation Incentive, 2011 Incremental Low-income Incentive, 2011 Earnings Sharing and 2012 DSM Settlement Rate Impacts. |
| Tab 4 | Incremental Transportation Contracting Analysis |

Union proposes that the impacts which result from the disposition of 2011 deferral account and other balances and 2011 earnings sharing be implemented on October 1, 2012 to align with other rate changes implemented through the Quarterly Rate Adjustment Mechanism.

Also, consistent with the Board's Decision and Order in EB-2011-0038 (concerning the disposition of Union's 2010 deferral account balances) Union proposes that interest accrue starting January 1, 2012 on the amount due to Union as a result of Union's claim of entitlement for the market transformation incentive 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.

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. Union has included in the evidence at Tab 4 Incremental Transportation Contracting Analysis for four contracts.

Also included at Tab 4 are proposed changes to the TCPL Tolls and Fuel – Northern and Eastern Operations Area Deferral Account (179-100) Accounting Order. Union is proposing to modify the accounting order to replace references to "TCPL" with the more generic "transportation" to reflect the diversity of contracts in the north. This deferral account records the difference between actual per unit tolls and associated fuel costs and the Board approved per unit tolls and associated fuel costs included in rates attributable to northern sales service and bundled direct purchase customers.

Tab 3 includes the 2012 DSM settlement rate impacts per EB-2011-0327. As agreed to in the Settlement Agreement that forms part of the EB-2011-0327 decision dated February 21, 2012, the variance between the 2012 DSM budgets included in current approved rates and the revised 2012 DSM budgets will be determined as part of this 2011 Deferral disposition proceeding.

The approved IR mechanism provides for the sharing (50/50 between Union and its customers) of actual utility earnings greater than 200 basis points over the amount calculated annually by the application of the Board's ROE formula in any year of the IR plan.

The approved IR mechanism also provides for the sharing (10/90 between Union and its customers, in the customers favour) of actual utility earnings greater than 300 basis points over the amount calculated annually by the application of the Board's ROE formula in any year of the IR plan.

Union's 2011 actual utility earnings exceeded the 200 basis point threshold. Union is, therefore, seeking an order or orders approving \$6.450 million as the customer portion of earnings sharing in 2011 above the 200 basis point threshold and the proposed disposition of that amount to Union's customers.

Union's 2011 actual utility earnings exceeded the 300 basis point threshold by 47 basis points. Union is, therefore, seeking an order or orders approving \$5.498 million as the customer portion of earnings sharing above the 300 basis point threshold in 2011 and the proposed disposition of that amount to Union's customers.

If you have any questions concerning this application and evidence please contact me at (519) 436-5473.

Yours truly,

[Original Signed by]

Karen Hockin
Manager, Regulatory Initiatives

cc Crawford Smith (Torys)
EB-2011-0038 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 October 1, 2012;

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-2010-0148, Union applied to the Ontario Energy Board (the “OEB”) for an order approving or fixing just and reasonable rates and other charges for the sale, distribution, storage and transmission of gas by Union effective January 1, 2011 through an incentive rate (IR) mechanism. The Board approved Union’s request. In doing so, the OEB approved the continuation of certain deferral accounts. The order also identified certain impacts on the setting of 2011 rates that resulted from prior proceedings.
4. 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.

5. In its EB-2010-0055 Decision and Order, the OEB approved Union's incremental Low-income DSM plan including a Low-income incentive. Union is entitled to an incentive payment of up to \$0.600 million based on measured success of the Home Weatherization program.
6. In its EB-2005-0520 decision, the Board 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.
7. The approved IR mechanism provides for the sharing (50/50 between Union and its customers) of actual utility earnings greater than 200 basis points over the amount calculated annually by the application of the Board's ROE formula in any year of the IR plan.
8. Union's 2011 actual utility earnings exceeded this threshold. The customer portion of earnings sharing above the 200 basis point threshold is \$6.450 million.
9. The approved IR mechanism also provides for the sharing (90/10 between Union and its customers, in the customers' favour) of actual utility earnings greater than 300 basis points over the amount calculated annually by the application of the Board's ROE formula in any year of the IR plan.
10. Union's 2011 actual utility earnings exceeded this threshold. The customer portion of earnings sharing above the 300 basis point threshold is \$5.498 million
11. Union applies for the:
 - a) approval of final balances for all 2011 deferral accounts and an order for final disposition of those balances;

- b) approval of the market transformation incentive for 2011 and an order for final disposition of the balance;
- c) approval of the Low-income incentive for 2011 and an order for final disposition of the balance;
- d) approval of \$16.652 million as the customer portion of earnings sharing in 2011 and the proposed disposition of that amount to Union's customers;
- e) approval of the proposed wording changes to the accounting order for Deferral Account No. 179-100; and,
- f) approval of the proposed disposition of the variance between the DSM budget included in 2012 rates and the revised budget approved by the Board in EB-2011-0327.

12. 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.

13. Union further applies to the Board for all necessary orders and directions concerning pre-hearing and hearing procedures for the determination of this application.

14. This application is supported by written evidence. This evidence may be amended from time to time as required by the OEB, or as circumstances may require.

15. 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.

16. The address of service for Union is:

Union Gas Limited
P.O. Box 2001
50 Keil Drive North
Chatham, Ontario
N7M 5M1
Attention: Karen Hockin
Manager, Regulatory Initiatives

Telephone: (519) 436-5473

Fax: (519) 436-4641

- and -

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

Telephone: (416) 865-8209

Fax: (416) 865-7380

DATED: April 13, 2012

UNION GAS LIMITED

By its Solicitors

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1 **2011 DEFERRAL ACCOUNT BALANCES AND MARKET TRANSFORMATION**
2 **AND LOW-INCOME INCENTIVES**

3
4 **2011 YEAR-END DEFERRAL ACCOUNT BALANCES**

5 Union has classified the deferral accounts approved by the Board for use in 2011 into
6 three groups:

- 7 a) Unabsorbed Demand Cost;
8 b) Storage accounts; and
9 c) Other accounts.

10

11 The net balance in the above deferral accounts together with the market transformation
12 and Low-income incentives at December 31, 2011, result in a \$13.226 million debit from
13 ratepayers. Interest has been calculated on account balances according to the Board-
14 approved accounting orders. The applicable short-term interest rate used was 1.47% for
15 the months of January through December as prescribed by the Board in EB-2006-0117.

16

17 Tab 1, Schedule 1 provides a summary of the deferral account balances and market
18 transformation and Low-income incentives.

1 Account No. 179-108 Unabsorbed Demand Costs

2 The balance in Account No. 179-108 Unabsorbed Demand Cost Variance Account
3 (“UDC”) is not prospectively recovered or refunded as part of the approved Quarterly
4 Rate Adjustment Mechanism. It has therefore been included in this submission.

5

6 The credit balance of \$5.882 million in the UDC account is the difference between the
7 actual UDC incurred by Union and the amount of UDC collected in rates.

8

9 UDC Recovery in Rates

10 To meet customer demands across Union’s franchise area and the targeted storage
11 inventory levels at October 31, Union’s 2011 approved rates included UDC of 4.4 PJ in
12 Union North and 0.2 PJ in Union South.

13

14 In 2011, Union’s actual UDC was 2.0 PJ in Union North and 0.0 PJ in Union South.

15

16 For 2011, Union’s total UDC was \$0.525 million. Union collected \$6.363 million in rates
17 and recorded an associated interest credit of \$0.044 million. The result is a credit in the
18 UDC deferral account of \$5.882 million. Table 1 below provides the derivation of the
19 UDC deferral account balances by operations area.

Table 1
UDC Deferral Account by Operational Area

Line No.	Particulars (\$000's)	Union North	Union South	Total Franchise Area
1	Collected in Rates	6,217	146	6,363
2	UDC Costs Incurred	525	0	525
3	Variance (line 2 – line 1)	(5,692)	(146)	(5,838)
4	Interest	(43)	(1)	(44)
5	(Credit)/Debit to Operations areas	(5,735)	(147)	(5,882)

1 A description of each item follows:

2

3 Collected in Rates

4 2011 Board-approved rates include \$6.489 million associated with planned UDC in
 5 Union North and \$0.117 million associated with UDC in Union South. Union actually
 6 recovered \$6.217 million in Union North and \$0.146 million in Union South.

7

8 UDC Incurred

9 Consistent with past UDC deferral account dispositions, Union proposes to assign the
 10 total cost of \$0.525 million to each operations area in proportion to the actual excess
 11 supply. This results in UDC of \$0.525 million for Union North and \$0.00 for Union
 12 South.

1 Interest

2 Interest associated with UDC amounted to a credit of \$0.043 million for Union North and
3 a credit of \$0.001 million for Union South for a net credit of \$0.044 million.

4

5 (Credit)/Debit to Operations areas

6 The UDC deferral account has a net total credit balance of \$5.882 million. The balance
7 applicable to customers in Union North is a credit of \$5.735 million. The balance
8 applicable to customers in Union South is a credit of \$0.147 million.

9

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

11 The Short-Term Storage and Other Balancing Services deferral account includes
12 revenues from C1 Off-Peak Storage, Gas Loans, Enbridge LBA, Supplemental Balancing
13 Services, C1 Short-Term Firm Peak Storage, and C1 Firm Short-Term Deliverability.

14 The net revenue for Short-Term Storage and Other Balancing Services is determined by
15 deducting the costs incurred to provide service from the gross revenue.

16

17 There is a debit balance in the Short-Term Storage and Other Balancing Services deferral
18 account of \$7.137 million. The balance is calculated by comparing the actual 2011 net
19 revenue for Short-Term Storage and Other Balancing Services of \$7.899 million to the
20 net revenue approved by the Board of \$15.829 million in the EB-2007-0606 Rate Order.

21 The result is a net deferral debit of \$7.930 million. Pursuant to the Board's Decision and

1 Order on Draft Rate Order in EB-2011-0038 on February 29, 2012, 90% of the net
2 deferral debit, or \$7.137 million, is shared with ratepayers. The details of the balance are
3 found at Tab 1, Schedule 7.

4

5 The revenues and costs included in Short-Term Storage and Other Balancing Services
6 were originally determined as part of Union's 2007 Cost of Service proceeding (EB-
7 2005-0520). At that time revenues and costs totaled \$5.961 million and \$2.131 million,
8 respectively, for net revenue of \$3.829 million. Short-Term Peak Storage was calculated
9 based on 2.1 PJ of peak storage resulting in forecasted revenues of \$1.794 million and
10 forecasted costs of \$0.847 million. The Board-approved settlement agreement (EB-2005-
11 0520) imputed \$12.000 million of additional revenue. The settlement agreement did not
12 specify the total revenues or any costs associated with the \$12.000 million of imputed net
13 revenue.

14

15 In EB-2007-0606 (Union's Incentive Regulation and 2008 rate order proceeding) Union
16 filed a rate order working paper (Schedule 16) identifying the S&T revenues and costs
17 included in rates. Union included the \$12.000 million additional revenue in Short-Term
18 Peak Storage. This increased forecast revenue for Short-Term Peak Storage to \$13.794
19 million and the total revenue to \$17.961 million. The rate setting process did not forecast
20 any cost increases required to achieve an additional \$12.000 million in margin. The
21 details of the revenues and costs in the Short-Term Storage and Other Balancing Services
22 deferral account are included at Tab 1, Schedule 6.

1 The debit balance is driven by lower revenues when compared to the 2007 Board-
2 approved forecast.

3

4 2011 Short Term Storage and Other Balancing Services – Drivers of deferral balance

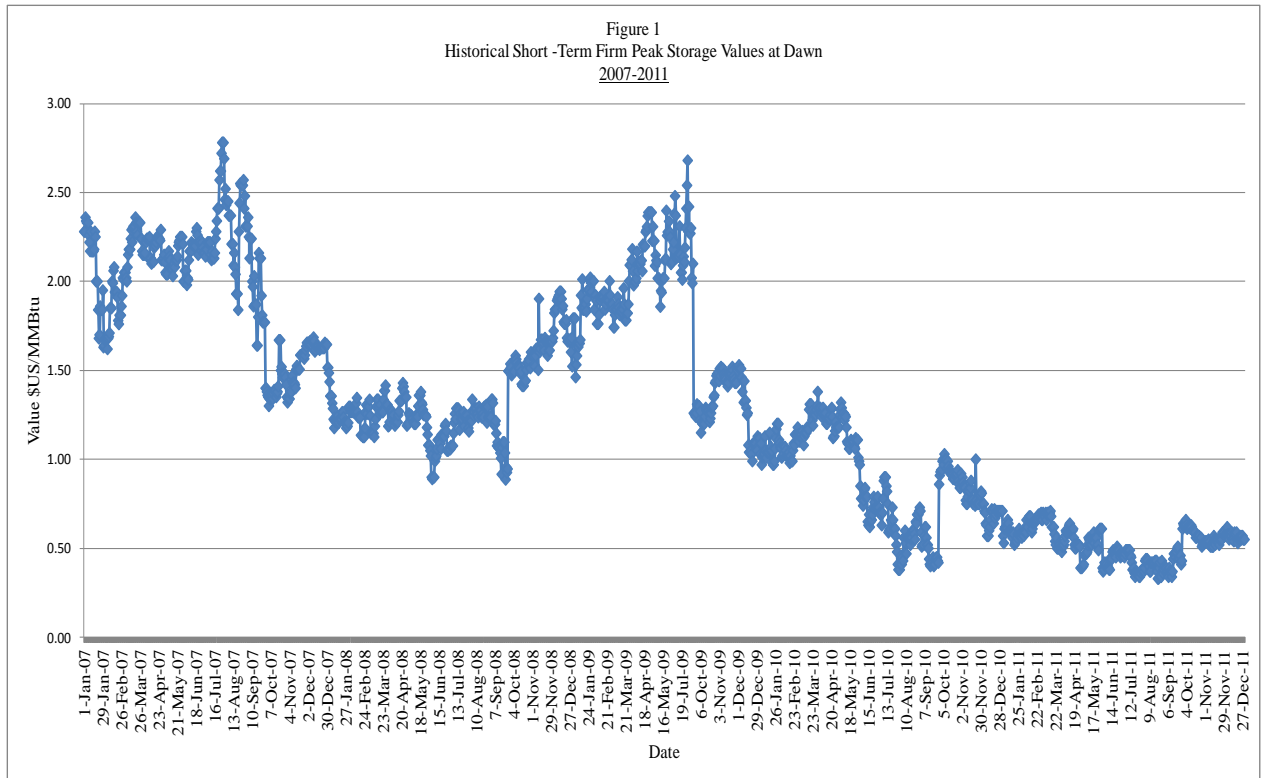
5 Actual revenues from C1 Off-Peak Storage and Gas Loans were \$1.601 million lower
6 than the 2007 Board-approved forecast due to prevailing market conditions. Natural gas
7 supplies in North America have increased significantly as a result of shale gas production
8 which has reduced the seasonal volatility of natural gas prices. Low volatility has caused
9 the market value for C1 Off Peak Storage and Gas Loans to be flat or negative.

10

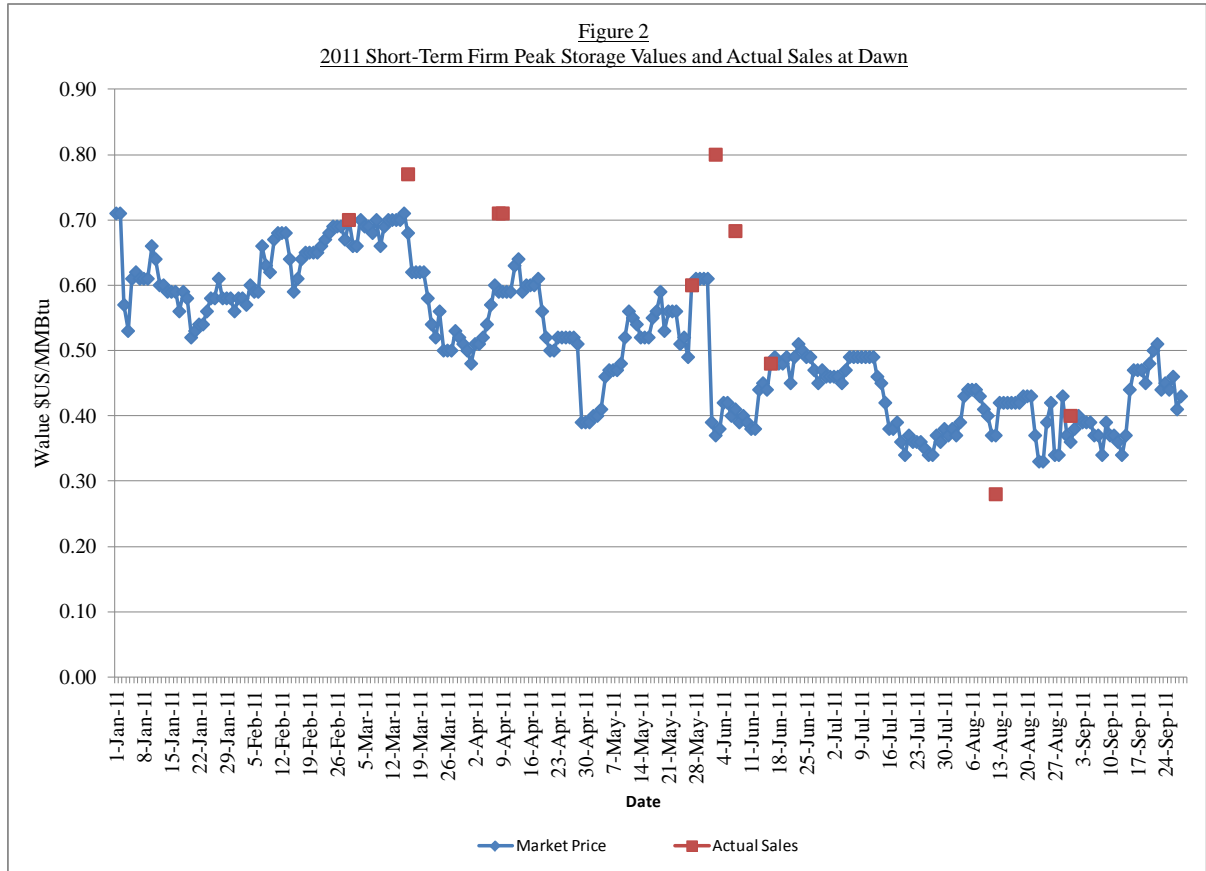
11 Supplemental Balancing Service revenues were also lower than the Board-approved
12 forecast by \$0.471 million. Revenues from these services are generated through basic
13 Hub activity. The demand for these services has also decreased because of less volatile
14 natural gas prices.

15

16 C1 Short-Term Firm Peak Storage revenues were lower than the 2007 Board-approved
17 forecast by approximately \$4.758 million. The lower revenues were driven by a lower
18 average annual short-term storage value in 2011 of \$0.90/GJ compared to the 2007
19 Board-approved implied forecast average annual value of \$1.75/GJ (\$13.794 million / 7.9
20 PJ). The market value for short-term peak storage services has steadily declined since the
21 last Board-approved forecast in 2007, shown at Figure 1.



1 Despite the lower values Union was able to execute the majority (99.8%) of Short-Term
2 Firm Peak Storage sales at values equal to or greater than the market value at the time of
3 the sale. Short-Term Firm Peak Storage Values and Actual Sales at Dawn are shown at
4 Figure 2. The impact of the market price decline was partially offset by higher capacity
5 available for sale of C1 Short-Term Firm Peak Storage for the 2011/2012 winter (10.1 PJ)
6 compared to the 2007 Board-approved forecast (7.9 PJ).



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

2 The Long-Term Peak Storage Services deferral account has no balance. Union no longer
3 shares net revenues on long-term storage transactions as approved by the Board in EB-
4 2005-0551. This account was closed effective January 1, 2012 per the Board's EB-2011-
5 0025 Decision.

1 OTHER DEFERRAL ACCOUNTS

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

3 The Deferred Customer Rebates/Charges account has no balance. This account captures
4 unclaimed cheques related to amounts refunded to customers that arose from the
5 disposition of deferral balances as approved by the Board.

6

7 Parties agreed as part of the Partial Settlement Agreement for Union's 2012 rates
8 application (EB-2011-0025) and approved by the Board on November 14, 2011 to
9 eliminate the Customer Rebates/Charges Deferral Account (179-26) effective January 1,
10 2012. This account was closed January 1, 2012.

11

12 Account No.179-75 Lost Revenue Adjustment Mechanism ("LRAM")

13 The LRAM deferral account has a debit balance of \$2.009 million. This balance includes
14 volume variances related to 2010 audited versus unaudited demand side management
15 ("DSM") activities and the unaudited volumes related to 2011 DSM activities.

16

17 Tab 1, Schedule 2, page 1 provides the breakdown of the LRAM deferral account balance
18 for 2010 and 2011. Tab 1, Schedule 2, pages 2 and 3 provide the LRAM volumes and the
19 corresponding revenue impacts related to 2010 and 2011 DSM activities respectively.

20 The calculations for lost revenues reflect the Board's ruling in EB-2006-0021 Decision
21 with Reasons (page 11) which states that the first year impact will be calculated as 50%

1 of the annual volumetric impact multiplied by the distribution rate for each of the rate
2 classes that the volumetric variance occurred in.

3

4 The audit of 2010 DSM volumes is complete. The amount Union proposes to dispose of
5 for 2010 is a debit balance of \$1.187 million (Tab 1, Schedule 2, page 2, line 18, column
6 (g)) which is composed of the following:

- 7 • 50% of the variance between lost revenues resulting from the audited 121,116 10³
8 m³ volumes savings and those resulting from the unaudited forecasted volumes
9 savings of 122,888 10³ m³ at 2010 rates;
- 10 • lost revenues from audited 2010 volumes savings of 121,116 10³ m³ at 2011 rates.

11

12 In 2011, the variance is a debit balance of \$0.822 million (Tab 1, Schedule 2, page 3, line
13 18, column (c)). The 2011 variance represents 50% of the forecasted volumes savings of
14 163,766 10³ m³.

15

16 The 2011 forecasted volumes savings include volumes related to Union's incremental
17 Low-income DSM activities. Union's 2011 Low-income plan approved by the Board in
18 EB-2010-0055 stated that lost distribution revenues that resulted from the Home
19 Weatherization program would be recovered using the methodology established in EB-
20 2006-0021 on a custom basis. Union's Low-income plan also stated it would continue to
21 use the LRAM deferral account for 2011 in the same manner as in previous years.

1 Accordingly, the LRAM deferral account includes volumes saving of $257 \times 10^3 \text{ m}^3$ related
2 to incremental Low-income DSM activities.

3

4 There were no 2011 DSM volumes included in 2011 rates. The process to finalize DSM
5 balances for 2011 includes an audit of Union's DSM Annual Report, which is
6 subsequently reviewed by the Evaluation and Audit Committee, communicated to the
7 DSM Consultative and filed with the Board.

8

9 Consistent with the approach taken related to activity in previous deferral disposition
10 proceedings, Union is proposing to dispose of the LRAM balance related to unaudited
11 2011 DSM activities. Recognizing this balance may still change following the audit, any
12 amount disposed of would be subject to a future true-up. Any true-up amount will be
13 captured in the deferral account for future disposition in the same way the 2010 variance
14 has been trued-up in this proceeding.

15

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

17 No unauthorized storage overrun charges were incurred by customers electing unbundled
18 service in 2011.

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

2 This account records the difference between actual direct DSM costs incurred and the
3 direct DSM budget included in rates. The debit balance of \$3.081 million (Tab 1,
4 Schedule 3, line 13, column (g)) represents the difference between actual 2011 DSM
5 expenditures of \$26.271 million and \$23.190 million included in rates.

6

7 The Board's EB-2006-0021 Decision (Phase 1, page 30) allows Union to spend up to
8 15% more than what was included in rates provided the "additional funding was spent on
9 incremental program expenses."

10

11 Additional expenditures over what was included in rates included \$1.026 million related
12 to direct DSM program costs above what was planned for 2011. The additional
13 expenditures contributed to Union's 2011 natural gas savings of 163,766 10³m³ and
14 \$379.581 million in Total Resource Cost ("TRC") benefits, exceeding the TRC target of
15 \$252.653 million.

16

17 In its Decision and Order dated December 20, 2010 (EB-2010-0055) the Board approved
18 Low-income amendments to Union's 2011 DSM plan. The amendments included a
19 budget for Low-income programs incremental to the budget approved as part of Union's
20 2011 DSM plan. Accordingly, additional expenditures in 2011 also included \$2.056
21 million for the incremental Low-income program approved in EB-2010-0055. The

1 incremental Low-income budget (\$2.465 million) was not included in 2011 rates (EB-
 2 2010-0148) so the entire amount is recovered through the DSMVA.

3

4 The details of the 2011 DSM overspend are presented in Table 2 below.

Table 2
2011 DSM Overspend

Line No.	Particulars (\$000's)	2011 Plan	2011 Actual	Variance
1	Residential	3,139	2,699	(440)
2	Low-Income	1,903	1,729	(174)
3	Commercial	5,666	4,143	(1,523)
4	Distribution Contract	4,990	8,737	3,747
5	Market Transformation	1,464	1,572	108
6	Other Direct Program Costs	7,727	7,035	(692)
7	Subtotal	24,889	25,915	1,026
8	Incremental Low-Income	-	2,056	2,056
9	Total	24,889	27,971	3,082

5 Account No. 179-112 Gas Distribution Access Rule (GDAR) Costs

6 The GDAR costs deferral account has no balance to be disposed of in 2011. This account
 7 records the difference between the actual costs required to implement the appropriate
 8 process and system changes to achieve compliance with GDAR and the costs included in
 9 rates as approved by the Board.

10

1 On October 14, 2011, the Board issued a Notice of Amendment to a Rule – Residential
2 Customer Service Amendments to the Gas Distribution Access Rule under docket
3 number EB-2010-0280.

4

5 The amendments to the GDAR require each rate-regulated Gas Distributor to implement
6 and publish a Customer Service Policy that is fair, transparent, and enforceable by the
7 Board. The Board ordered that the amendments to the GDAR come into force on April 1,
8 2012.

9

10 Union expects to incur approximately \$1.550 million in capital costs for 2011 and 2012
11 to implement the amendments to the GDAR. The capital costs include the costs to modify
12 Union's customer service information system so it has the functionality required to
13 implement Union's updated policies and practices. This involved the development of
14 business and system design requirements, programming by both the external Customer
15 Service System provider and internal IT staff, testing and implementation. The capital
16 costs also included the salaries and expenses for four additional employees who were
17 added to the Customer Care group in order to implement the amendments to the GDAR
18 by April 1, 2012.

19

20 Since the EB-2010-0280 GDAR amendments did not come into service until March 5,
21 2012, the costs associated with the amendments will be disposed of as part of the 2012
22 non commodity deferral account disposition.

1 Account No. 179-113 Late Payment Penalty (“LPP”) Litigation

2 The LPP Litigation deferral account is a debit balance of \$1.822 million which represents
3 a balance of \$1.800 million and interest of \$0.022 million. The debit balance of \$1.800
4 million is the cost incurred in 2011 as a result of the settlement in the late payment
5 penalty litigation. The settlement approved by the Ontario Superior Court on February
6 10, 2009, ordered Union to make a payment to the Winter Warmth Fund of \$1.800
7 million in 2011. As part of the Settlement Agreement to the 2009 Deferral Disposition
8 and Earnings Sharing proceeding (EB-2010-0039) Union agreed to dispose of the LPP
9 costs over three years resulting in a final payment of \$1.800 million in 2011.

10

11 Account No. 179-115 Shared Savings Mechanism (“SSM”) Variance Account

12 This account has a debit balance of \$9.664 million consisting of \$9.243 million from
13 2011 DSM activity and \$0.421 million related to the 2010 audit true-up for DSM activity
14 in 2010. Tab 1, Schedule 4 provides the breakdown of the SSM variance account. The
15 account was established in 2006, in accordance with the mechanism approved by the
16 Board in the EB-2005-0507 proceeding, to record any shareholder incentive earned by
17 Union related to DSM activities.

18

19 Union has completed the audit of 2010 DSM activity and there is an increase of \$0.421
20 million in the resulting SSM incentive payout variance (Tab 1, Schedule 4, line 13,
21 column (c)). The auditor’s report was filed with the Board on July 29, 2011 in
22 compliance with section 2.1.12 of the Board’s Reporting and Record Keeping

1 Requirements. Upon completion of the audit of Union's 2010 DSM activity, the
2 adjustments resulted in a net increase in the level of TRC achieved. This adjustment to
3 Union's pre-audit TRC results increased the SSM payout by \$0.421 million.

4

5 In accordance with previous Board-approved practice, Union is proposing to dispose of
6 the recorded SSM balance related to unaudited 2011 DSM activities. Recognizing this
7 balance may still change following the audit, any amount disposed of would be subject to
8 a future true-up. Any true-up amount will be captured in the deferral account for future
9 disposition.

10

11 In addition to the balance in the SSM deferral account Union is claiming a \$0.544 million
12 incentive for the 2011 incremental Low-income program. This incentive amount is based
13 upon achieving 135.9% on the overall scorecard approved in EB-2010-0055. The 2011
14 Home Weatherization Scorecard is provided at Table 3.

15

Table 3
2011 Home Weatherization Scorecard

Element	Metrics Weighting	Metric Value Levels			Weight	Actual Results	Payout %	Score
		50%	100%	150%				
Low Income Weatherization Scorecard								
Ultimate Outcomes	Weatherization Participants	300	400	450	50%	450	150.0	75/50
	Total Natural Gas savings (m3)	366,000	488,000	549,000	50%	514,499	121.7	60.9/50
Overall Results	Payout for Low-Income Incentive (Maximum Payout = \$600,000)						\$543,600	135.9/100

1 The process to finalize DSM related balances includes an audit of Union’s DSM Annual
 2 Report, review by the Evaluation and Audit Committee and communication to the DSM
 3 Consultative. Consistent with the approach taken for Market Transformation in EB-2011-
 4 0038 and in an effort to dispose of deferral account balances in a timely manner, Union is
 5 proposing to dispose of the forecast Low-income balance related to unaudited 2011 Low-
 6 income activities as measured by the Home Weatherization Scorecard at this time. The
 7 variances between the payout balances calculated out of audited and unaudited results
 8 would be subject to a future true-up. Any true-up amount will be captured in a future
 9 disposition in the same way the LRAM variance from 2011 has been tried up in this
 10 proceeding.

1 Account No. 179-117 Carbon Dioxide Offset Credits

2 This account has no balance. The account was created in accordance with the Board's
3 Decision in the EB-2006-0021 proceeding to record the amounts representing proceeds
4 from the sale of or other dealings in carbon dioxide offset credits earned as a result of
5 Union's DSM activities.

6

7 Account No. 179-118 Average Use Per Customer

8 The Average Use Per Customer deferral account is a credit of \$5.076 million and interest
9 of \$0.029 million.

10

11 The credit balance of \$5.076 million is the margin variance resulting from the difference
12 between the actual rate of decline in use-per-customer for 2011 and the forecast rate of
13 decline in use-per-customer included in 2011 Board-approved rates. Actual and forecast
14 rates of decline in use-per-customer were calculated on a percentage and rate class
15 specific basis for rate classes M1, M2, Rate 01 and Rate 10. The rates of decline were
16 normalized for weather and excluded the volume impacts attributed to DSM. The details
17 of the Average Use per Customer deferral account balance can be found at Tab 1,
18 Schedule 5.

1 Account No. 179-120 International Financial Reporting Standards (“IFRS”) Conversion

2 Costs

3 In accordance with the Board-approved Settlement Agreement in EB-2010-0039 Union
 4 agreed to remove from the deferral account the capital costs associated with upgrading
 5 Union’s accounting system in order to report results under IFRS. These capital costs were
 6 replaced by the annual revenue requirement related to those capital costs as outlined in
 7 Table 4, and are to be included in the respective future deferral account disposition
 8 proceedings.

9

10 Accordingly, the 2011 IFRS Conversion Costs deferral account has a debit balance of
 11 \$0.335 million.

12

Table 4
IFRS Conversion Costs by Year

Line No.	<u>Particulars (\$ Millions)</u>	<u>2008</u> (a)	<u>2009</u> (b)	<u>2010</u> (c)	<u>2011</u> (d)	<u>2012</u> (e)	<u>2013</u> (f)	<u>2014</u> (g)	<u>Total</u> (h)
1	Proposed by Union	1.918	2.071						3.989
2	Less capital expenditures	0.953	0.459						1.412
3	O&M	0.965	1.612						2.577
4	Revenue requirement	-	-	0.124	0.335	0.538	0.505	0.244	1.747
5		0.965	1.612	0.124	0.335	0.538	0.505	0.244	4.324

1 Account No. 179-121 Cumulative Under-recovery – St. Clair Transmission Line and
2 Account No. 179-122 – Impact of Removing St. Clair Transmission Line from Rates

3 Union applied to the Board on January 30, 2012 to close accounts 179-121 and 179-122.
4 In its Decision and Order (EB-2012-0048) dated March 28, 2012 the Board ordered
5 Union to close deferral accounts 179-121 and 179-122 effective April 1, 2012. These
6 accounts have no balance.

7

8 Account No. 179-123 Conservation Demand Management

9 The Conservation Demand Management (“CDM”) account captures 50% of the revenue
10 generated from CDM programs. In its EB-2010-0055 Decision and Order which granted
11 approval for Union’s 2011 DSM plan the Board ordered Union to establish a deferral
12 account to track revenues associated with CDM activities, to be shared 50/50 between
13 shareholder(s) and ratepayers. The Board approved the accounting order for Union’s
14 CDM deferral account on November 29, 2010 through the Board’s Decision and Rate
15 Order for Union’s 2011 rates application (EB-2011-0148).

16

17 The CDM deferral account is a credit of \$0.212 million and interest of \$0.03 million.

18 The credit balance of \$0.212 million represents 50% of the net revenue generated from
19 two CDM programs that generated revenue in 2011. A description of the CDM programs
20 is provided below.

1 High Performance New Construction (“HPNC”) is a CDM program that was run through
2 the Ontario Power Authority from 2008 to 2010. Union was subcontracted by Enbridge
3 through the OPA to provide Sales Services to Enbridge in their delivery of HPNC for
4 enrolled electricity distributors within Union’s service area. The HPNC program involved
5 educating and encouraging Commercial, Institutional and Industrial new build facilities to
6 move to more efficient building code levels and thereby take advantage of related
7 incentives. This program was operational from 2008 to 2010 generating revenue in 2009,
8 2010 and 2011. HPNC generated net revenues of \$0.172 million in 2010 and \$0.250
9 million in 2011 of which 50% or \$0.211 million is shared with rate payers.

10
11 Union did not have an approved deferral account for CDM activity in 2009. Accordingly,
12 the net revenue booked in 2009 was included in utility earnings for the purposes of
13 calculating earnings sharing. The Board approved Union’s CDM deferral account
14 effective January 1, 2011 on November 29, 2010. Since the deferral account was not
15 opened until 2011 there was no balance at the end of 2010. To ensure revenue for 2010
16 and 2011 was shared in the CDM deferral account Union removed the revenue from
17 earnings subject to sharing and has included the balances for 2010 and 2011 in the CDM
18 deferral account to be disposed of as part of Union’s 2011 deferral account disposition.

19
20 Union has also participated in a joint CDM/DSM Low-income conservation pilot
21 program delivered in 2011 in collaboration with Hydro One Networks Incorporated. The
22 program involved the delivery and installation of eligible electric measures into Hydro

1 One Low-income customer homes. These measures included the installation of up to four
2 compact fluorescent light bulbs, shower heads, faucet aerators, pipe wrap and delivery of
3 power bars. Net revenue for the pilot program for 2011 was \$1,404 of which \$702 is
4 shared with ratepayers.

5

6 Account No. 179-124 Harmonized Sales Tax

7 On July 1, 2010, Harmonized Sales Tax (“HST”) came into effect in Ontario, combining
8 provincial and federal taxes. The impact of HST resulted in both savings and additional
9 costs to Union related to the provincial component of the tax.

10

11 In its EB-2010-0148 Decision, the Board ordered Union to establish a deferral account to
12 record as a credit the amount of Provincial Sales Tax (“PST”) previously paid and
13 collected in approved rates that is now subject to HST tax credits (i.e. the savings to
14 Union). Additionally, the Board ordered Union to record in the deferral account as a debit
15 the amount of HST paid on taxable items for which no tax credits are received (i.e. the
16 additional costs to Union). Union will share the net impact 50/50 between the ratepayers
17 and the shareholders.

18

19 To calculate the 2011 HST deferral balance, Union reviewed the 2011 transactions for: a)
20 Capital and O&M purchases that were subject to PST but are now subject to a tax credit;
21 and, b) Compressor Fuel costs that are now subject to PST with no tax credit.

1 For 2011 the HST deferral account is a credit balance of \$0.664 million which represents
2 a balance of \$0.662 million and interest of \$0.002 million. The credit balance of \$0.662
3 million is provided at Table 5. A discussion of each component is also provided below.

Table 5
50% of Net Savings (Costs) from the impact of HST
to be shared with Ratepayers

<u>Line</u> <u>No.</u>	<u>Particulars (\$ Millions)</u>	<u>2011</u>
1	Capital Savings	0.398
2	Operations and Maintenance Savings	0.641
3	Compressor Fuel Costs	<u>(0.377)</u>
4		0.662

4 Capital

5 Prior to July 2010, PST paid on capital purchases was included in capital costs. With the
6 introduction of HST in July 2010, a tax credit was created for the provincial component
7 of HST paid on capital purchases. As a result, Union is collecting PST in rates for which
8 it now can claim a tax credit. This generates a savings to ratepayers.

9

10 The revenue requirement associated with Capital expenditures is recovered through rates.
11 Consistent with this approach, the HST impact related to Capital is also calculated based
12 on revenue requirement. In 2011, Union had a tax savings of an estimated \$6.395 million
13 related to Capital additions, including \$0.082 million of O&M overhead Capitalization,
14 for the year. After applying the half-year rule, Union applied depreciation, interest,
15 return and income taxes to calculate the revenue requirement impact for Capital. The

1 revenue requirement impact is a credit of \$0.390 million, of which 50% or \$0.195 million
 2 is the ratepayer portion. In 2010 Union had a tax savings of \$3.330 million related to
 3 capital additions, including \$0.032 million of O&M overhead capitalization. The revenue
 4 requirement impact for the 2010 Capital additions in 2011 is a credit of \$0.406 million, of
 5 which 50% or \$0.203 million is the ratepayer portion. The combined revenue
 6 requirement impact for 2011 is \$0.796 million, of which 50% or \$0.398 is the ratepayer
 7 portion. The calculation of this balance is provided in Table 6 below. The HST impact
 8 on capital expenditures will be included in rate base when Union resets its rates in 2013.

Table 6
HST Capital Summary

Line No.	Particulars (\$ Millions)	2011	2010	Total
	Capital Additions			
1	Capital PST Savings Estimate	6.395	3.330	9.725
2	1/2 year rule	0.5	N/A	
		<u>3.198</u>	<u>3.330</u>	<u>6.528</u>
3	Depreciation	3.30% 0.106	0.110	0.216
4	Interest	4.61% 0.147	0.154	0.301
5	Return	3.07% 0.098	0.102	0.200
6	Income Taxes	28.25% 0.039	0.040	0.079
7	Revenue Requirement Impact	<u>0.390</u>	<u>0.406</u>	<u><u>0.796</u></u>

9 Operations & Maintenance (“O&M”)

10 Prior to July 2010, PST paid on O&M purchases was included as an expense in rates. As
 11 a result of the introduction of the HST in July 2010, except where restricted by the

1 Canada Revenue Agency, the provincial component of the HST is subject to tax credit.
2 This results in a 2011 tax savings of \$2.080 million.

3

4 Where Union pays HST on O&M purchases that were previously exempt and tax credits
5 are now restricted, Union incurs additional costs not included in rates. This results in a
6 2011 tax cost of \$0.715 million.

7

8 Certain O&M costs are related to Overhead Capitalization and must be removed from the
9 O&M HST impact calculations and included in the Capital HST impacts. For 2011,
10 Union transferred cost of \$0.082 million to Capital.

11

12 The net impact to Union in 2011 is a savings of \$1.282 million, of which 50%, or \$0.641
13 million is attributable to ratepayers.

14

15 Compressor Fuel Costs

16 Prior to July 2010, Union did not assess PST on the gas used in its own operations. As a
17 result of the introduction of the HST in July 2010, Union is required to assess HST on its
18 own use of gas. No tax credit exists for the provincial component of HST on own-use
19 compressor fuel, resulting in an additional compressor fuel costs to Union. In 2011, the
20 increased compressor fuel cost to Union was \$0.754 million, of which 50%, or \$0.377
21 million is attributable to ratepayers.

22

1 OTHER ITEMS

2 Market Transformation Incentive

3 Union is claiming a \$0.500 million incentive for the Market Transformation (“MT”) drain
 4 water heat recovery program created and executed in Union’s operations area in 2011.

5 This incentive amount is based upon meeting or exceeding the performance goals as
 6 outlined by the MT Scorecard, filed with the Board on December 17, 2010. The 2011 MT
 7 Scorecard is presented below in Table 7.

Table 7
2011 MT Scorecard - DWHR

Element	Metrics Weighting	Metric Value Levels			Weight	Actual Results	Payout %	Score
		50%	100%	150%				
DRAIN WATER HEAT RECOVERY								
Ultimate Outcomes	Participating Builders	122	128	133	20%	137	150	30/20
	Units Installed (new build) as a percentage of 2011 residential new attachments	15.72% or 2011 units	17.72% or 2267 units	19.72% or 2522 units	80%	2691	150	120/ 80
Overall Results	Payout for Market Transformation (Maximum Payout = \$500,000)						\$500,000	150/ 100

Note: 2010 Actuals = 116 builders and 15.72% of Residential New Attachments.

8 Consistent with the approach proposed for the Low-income incentive Union is proposing
 9 to dispose the forecast MT balance related to unaudited 2011 MT activities as measured
 10 by the MT Scorecard within the DSM portfolio at this time. The variances between the

- 1 MT payout balances calculated out of audited and unaudited results would be subject to a
- 2 future true-up. Any true-up amount will be captured in a future disposition in the same
- 3 way the LRAM variance from 2011 has been trued up in this proceeding.

UNION GAS LIMITED
Deferral Account Balances and Market Transformation Incentive and Low-income Incentive
Year Ending December 31, 2011

Line No.	Account Number	Account Name	Balance (\$000's)
<u>Gas Supply Accounts:</u>			
1	179-108	Unabsorbed Demand Costs (UDC) Variance Account	(5,882)
<u>Storage Accounts:</u>			
2	179-70	Short-Term Storage and Other Balancing Services	7,137
3	179-72	Long-Term Peak Storage Services	-
4	Total Storage Accounts (Lines 2 + 3)		7,137
<u>Other:</u>			
5	179-26	Deferred Customer Rebates/Charges	-
6	179-75	Lost Revenue Adjustment Mechanism	2,009
7	179-103	Unbundled Services Unauthorized Storage Overrun	-
8	179-111	Demand Side Management Variance Account	3,081
9	179-112	Gas Distribution Access Rule (GDAR) Costs	-
10	179-113	Late Payment Penalty Litigation	1,822
11	179-115	Shared Savings Mechanism	9,664
12	179-117	Carbon Dioxide Offset Credits	-
13	179-118	Average Use Per Customer	(5,105)
14	179-120	IFRS Conversion Cost	335
15	179-121	Cumulative Under-recovery – St. Clair Transmission Line	-
16	179-122	Impact of Removing St. Clair Transmission Line from Rates	-
17	179-123	Conservation Demand Management	(215)
18	179-124	Harmonized Sales Tax	(664)
19	Total Other Accounts (Lines 5 through 18)		10,927
20	Total Deferral Account Balances (Lines 1 + 4 + 19)		12,182
21	Market Transformation Incentive		500
22	Incremental Low-income Incentive		544
23	Total Deferral Account Balances and Market Transformation and Low-income Incentives (Lines 20 + 21 + 22)		13,226

Notes:

- (1) Account balances include interest to December 31, 2011 per accounting order EB-2010-0148.
- (2) With the exception of UDC (No. 179-108), all gas supply-related deferral account balances are disposed through the QRAM process.

UNION GAS LIMITED
Lost Revenue Adjustment Mechanism
Breakdown of 2011 LRAM Deferral Account Balance

Line No.	Particulars (\$)	Amounts by DSM Plan Year		Total Amount in LRAM Deferral Account
		2010 ⁽¹⁾	2011 ⁽²⁾⁽³⁾	
		(a)	(b)	(c)
	<u>South</u>			
1	M1 Residential	160,212	110,808	271,020
2	M1 Commercial	184,427	90,443	274,871
3	M1 Industrial	1,472	25,387	26,859
4	M2 Commercial	178,864	123,716	302,580
5	M2 Industrial	143,192	63,791	206,984
	<u>Industrial</u>			
6	M4	63,357	34,973	98,330
7	M5	118,901	105,037	223,938
8	M7	27,797	15,450	43,248
9	T1	29,942	39,565	69,507
10		<u>908,164</u>	<u>609,171</u>	<u>1,517,335</u>
	<u>North</u>			
11	Residential 01	73,581	76,588	150,168
12	Commercial 01	48,945	53,618	102,563
13	Commercial 10	41,903	48,178	90,081
14	Industrial 10	16,990	13,808	30,798
	<u>Industrial</u>			
15	Rate 20	24,880	8,429	33,309
16	Rate 100	72,278	12,459	84,737
17		<u>278,577</u>	<u>213,080</u>	<u>491,657</u>
18	Total	<u>1,186,741</u>	<u>822,251</u>	<u>2,008,992</u>

Notes:

- (1) EB-2012-0087, Exhibit A, Tab 1, Schedule 2, page 2 of 3, column (g).
- (2) EB-2012-0087, Exhibit A, Tab 1, Schedule 2, page 3 of 3, column (c).
- (3) Includes \$0.0124 million related to incremental Low-income DSM activities per EB-2010-0055.

UNION GAS LIMITED
Lost Revenue Adjustment Mechanism
2010 - Audited

Line No.	Particulars	Delivery Rates		Net Revenue Impact		Net LRAM Deferral Account Balance Proposed for Disposition		
		2010 Audited Volumes ⁽¹⁾	2010 Unaudited Volumes ⁽²⁾	2010 Rates	2011 Rates		2010 ⁽³⁾	2011
		10 ³ m ³	10 ³ m ³	\$/10 ³ m ³	\$/10 ³ m ³	2010 ⁽³⁾	2011	
		(a)	(b)	(c)	(d)	(e) = [(a)-(b)]x (c) x 50%	(f) = (a) x (d)	(g) = (e) + (f)
		10 ³ m ³	10 ³ m ³	\$/10 ³ m ³	\$/10 ³ m ³	(\$)	(\$)	(\$)
<u>South</u>								
1	M1 Residential	4,105	4,423	44.749	40.757	(7,108)	167,320	160,212
2	M1 Commercial	4,920	5,639	44.749	40.757	(16,095)	200,522	184,427
3	M1 Industrial	36	36	44.749	40.757	(1)	1,473	1,472
4	M2 Commercial	4,505	4,740	40.470	40.763	(4,763)	183,627	178,864
5	M2 Industrial	3,515	3,519	40.470	40.763	(85)	143,277	143,192
<u>Industrial</u>								
6	M4	7,254	7,304	8.545	8.764	(216)	63,573	63,357
7	M5	8,174	8,205	14.783	14.574	(230)	119,131	118,901
8	M7	11,495	11,491	2.411	2.418	4	27,794	27,797
9	T1	32,818	32,867	0.884	0.913	(22)	29,963	29,942
10		<u>76,822</u>	<u>78,226</u>			<u>(28,517)</u>	<u>936,680</u>	<u>908,164</u>
<u>North</u>								
11	Residential 01	843	923	96.673	91.828	(3,867)	77,448	73,581
12	Commercial 01	666	845	90.054	85.583	(8,050)	56,995	48,945
13	Commercial 10	706	766	64.910	62.162	(1,953)	43,856	41,903
14	Industrial 10	298	297	59.486	57.001	13	16,977	16,990
<u>Industrial</u>								
15	Rate 20	6,759	6,767	3.404	3.683	(13)	24,894	24,880
16	Rate 100	35,022	35,064	2.027	2.065	(42)	72,320	72,278
17		<u>44,294</u>	<u>44,662</u>			<u>(13,912)</u>	<u>292,490</u>	<u>278,577</u>
18	Total	<u>121,116</u>	<u>122,888</u>			<u>(42,429)</u>	<u>1,229,170</u>	<u>1,186,741</u>

Notes:

- (1) Audited Demand Side Management 2010 Annual Report, page 76 (submitted by Union to the OEB Secretary on July 29, 2011 in compliance with section 2.1.12 of the Board's Reporting and Record Keeping Requirements).
- (2) EB-2011-0038, Exhibit A, Tab 1, Schedule 2, page 3 of 3, column (a).
- (3) 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
Lost Revenue Adjustment Mechanism
2011 - Unaudited

Line No.	Particulars	2011 Unaudited Volumes ⁽¹⁾ 10 ³ m ³ (a)	2011 Delivery Rates \$/10 ³ m ³ (b)	Revenue Impact ⁽²⁾ (\$) (c) = (a) x (b) x 50%
<u>South</u>				
1	M1 Residential	5,438	40.757	110,808
2	M1 Commercial	4,438	40.757	90,443
3	M1 Industrial	1,246	40.757	25,387
4	M2 Commercial	6,070	40.763	123,716
5	M2 Industrial	3,130	40.763	63,791
<u>Industrial</u>				
6	M4	7,981	8.764	34,973
7	M5	14,414	14.574	105,037
8	M7	12,780	2.418	15,450
9	T1	86,670	0.913	39,565
10		142,167		609,171
<u>North</u>				
11	Residential 01	1,668	91.828	76,588
12	Commercial 01	1,253	85.583	53,618
13	Commercial 10	1,550	62.162	48,178
14	Industrial 10	484	57.001	13,808
<u>Industrial</u>				
15	Rate 20	4,577	3.683	8,429
16	Rate 100	12,067	2.065	12,459
17		21,600		213,080
18	Total	163,766		822,251

Notes:

- (1) Based on unaudited 2011 DSM evaluation results.
- (2) Includes 514 10³m³ related to incremental Low-income DSM activities per EB-2010-0055. The revenue impact associated with these volumes is \$0.0124 million.
- (3) 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

UNION GAS LIMITED
Demand Side Management Variance Account

Line No.	Particulars (\$000's)	2011		
		DSM Costs in 2011		Account Balance
		Rates ⁽¹⁾	Actual DSM Costs ⁽²⁾	
		(a)	(b)	(c) = (b) - (a)
	<u>South</u>			
1	M1	7,612	10,106	2,494
2	M2	3,154	3,300	146
3	M4	2,391	987	(1,403)
4	M5	-	2,104	2,104
5	M7	909	588	(320)
6	T1	1,484	4,364	2,880
7		<u>15,549</u>	<u>21,450</u>	<u>5,900</u>
	<u>North</u>			
8	Rate 01	2,269	2,568	299
9	Rate 10	1,951	846	(1,106)
10	Rate 20	1,308	573	(735)
11	Rate 100	2,112	834	(1,278)
12		<u>7,640</u>	<u>4,821</u>	<u>(2,819)</u>
13	Total	<u>23,190</u>	<u>26,271</u>	<u>3,081</u>

Notes:

UNION GAS LIMITED
 Shared Savings Mechanism
Based on 2010 Audited and 2011 Unaudited Results

Line No.	Particulars (\$)	2010 Amount			2011 Amount Based on Unaudited Results ⁽¹⁾	Total for 2010 and 2011 (e) = (c) + (d)
		Amount Based on 2010 Audited Results ⁽¹⁾⁽²⁾ (a)	Amount Disposed of in EB-2011-0038 ⁽³⁾ (b)	Net Amount (c) = (a) - (b)		
	<u>South</u>					
1	M1	827,888	859,686	(31,798)	886,587	854,790
2	M2	552,247	544,266	7,981	497,955	505,936
3	M4	504,301	467,085	37,216	512,717	549,933
4	M5	393,687	362,449	31,239	980,419	1,011,657
5	M7	574,902	516,139	58,763	610,360	669,123
6	T1	1,418,964	1,264,262	154,701	4,401,731	4,556,433
7		<u>4,271,989</u>	<u>4,013,887</u>	<u>258,102</u>	<u>7,889,769</u>	<u>8,147,871</u>
	<u>North</u>					
8	Rate 01	161,933	173,973	(12,040)	252,721	240,681
9	Rate 10	58,863	60,295	(1,432)	104,296	102,864
10	Rate 20	348,229	318,613	29,616	291,360	320,976
11	Rate 100	1,735,221	1,588,823	146,398	705,221	851,619
12		<u>2,304,246</u>	<u>2,141,704</u>	<u>162,542</u>	<u>1,353,598</u>	<u>1,516,139</u>
13	Total	<u>6,576,235</u>	<u>6,155,591</u>	<u>420,644</u>	<u>9,243,367</u>	<u>9,664,011</u>

Notes:

- (1) The SSM incentives for 2010 and 2011 are calculated and allocated among rate classes using the mechanism approved by the Board in EB-2006-0021.
- (2) Audited Demand Side Management 2010 Annual Report, page 78 (submitted by Union to the OEB Secretary on July 29, 2011 in compliance with section 2.1.12 of the Board's Reporting and Record Keeping Requirements).
- (3) EB-2011-0038 Exhibit A, Tab 1 Schedule 4, Column (d).

UNION GAS LIMITED
Calculation of Balances by Rate Class in Average Use Per Customer Deferral Account (No. 179-118)

Line No.	Particulars (m ³)	Rate 01		Rate 10		Rate M1/M2		Net Account
		(a)	(b)	(c)	(d)	(e)	(f)	Balance (g)
1	2010 Target Average Use	3,128	(0.0%)	148,852	6.5%	4,239	(0.6%)	
2	2010 Actual Average Use (1)	3,175	(1.2%)	171,877	6.6%	4,104	(1.9%)	
3	2011 Target Average Use	3,128	0.0%	159,570	7.2%	4,179	(1.4%)	
4	2011 Actual Average Use	3,189	0.4%	180,161	4.8%	4,208	2.5%	
5	Forecast decline in Average Use per customer (line 3 - line 2) (2)	(47)		(12,307)		76		
6	Actual decline in Average Use per customer (line 4 - line 2)	14		8,283		104		
7	Change in Average Use - Forecast vs. Actual (line 5 - line 6) (3)	(61)		(20,591)		(28)		
8	2007 Board Approved Number of Customers	295,672		2,966		987,063		
9	Volume Impact (10 ³ m ³)	(18,091.5)		(60,955.0)		(28,495.7)		
10	2011 Board Approved Average Delivery Rate (\$/10 ³ m ³) (4)	70.36		46.44		34.11		
11	Average Use Deferral (\$) (line 9 x line 10) (5)	(1,272,856)		(2,830,869)		(972,025)		<u>(5,075,750)</u>

Notes:

- (1) Updated for 2010 audited DSM results.
- (2) Calculated volume variance by rate class after applying the Average Use percentage identified in Board-approved Accounting Order for Deferral Account No. 179-118.
- (3) Change in Average Use is calculated as the year-over-year volume variance after actual volumes are weather normalized and DSM adjusted for 2011 un-audited LRAM Volume Savings.
- (4) Obtained from Union's 2011 QRAM applications.
- (5) EB-2012-0087, Exhibit A, Tab 1, Schedule 1 excluding interest.

UNION GAS LIMITED

Details of Revenues and Costs in Short-Term Storage Deferral Account (No. 179-70)

Line No.	Particulars (\$000's)	Board-Approved 2007 (a)	Actual 2010 (b)	Actual 2011 (c)
Revenue				
1	C1 Off-Peak Storage	1,000	1,710	342
2	Supplemental Balancing Services	2,000	3,240	1,461
3	Gas Loans	1,000	916	57
4	Enbridge LBA	75	135	68
5	C1 ST Firm Peak Storage	13,794	14,886	9,036
6	C1 Firm ST Deliverability	92	-	-
7	Total Revenue	17,961	20,887	10,964
Costs				
Demand				
8	O&M	(175)	(743)	(743)
9	Depreciation	(132)	(498)	(498)
10	Property & Capital Tax	(28)	(102)	(102)
11	Return	(258)	(905)	(905)
12	Income Taxes	(6)	(13)	(13)
13	Total Demand	(599)	(2,261)	(2,261)
Commodity				
14	O&M	(74)	-	-
15	UFG	(751)	(653)	(342)
16	Compressor Fuel	(707)	(1,220)	(462)
17	Total Commodity	(1,532)	(1,873)	(804)
18	Total Costs (line 13 + line 17)	(2,131)	(4,134)	(3,065)
19	Net Revenue (line 7 + 18)	15,829	16,753	7,899

UNION GAS LIMITED
Details of Balances in Short-Term Storage Deferral Account (No. 179-70)

<u>Line No.</u>	<u>Particulars (\$000's)</u>	<u>2011</u>	<u>2010</u>	<u>Difference</u>
		(a)	(b)	(c)
1	Short-term storage revenue ⁽¹⁾	10,964	20,887	(9,923)
2	Operating costs			
3	UFG ⁽²⁾	342	653	(311)
4	Compressor fuel ⁽³⁾	462	1,220	(758)
5	O&M ⁽⁴⁾	2,261	2,261	-
6		<u>3,065</u>	<u>4,134</u>	<u>(1,069)</u>
7	Net margin	7,899	16,753	(8,854)
8	Board approved	<u>15,829</u>	<u>15,829</u>	-
9	Excess	<u>(7,930)</u>	<u>924</u>	<u>(8,854)</u>

Notes:

- (1) Based on short-term storage services provided.
- (2) Based on short-term storage volumes in proportion to total volumes.
- (3) Based on short-term storage activity in proportion to total actual storage activity.
- (4) Revenue requirement on 7.9 PJs of excess in-franchise storage capacity.

1 **2011 UTILITY RESULTS AND EARNINGS SHARING**

2

3 **2011 UTILITY RESULTS**

4 For the year ended December 31, 2011, Union's actual revenue sufficiency from utility
 5 operations is \$18.4 million higher relative to 2010. Table 1 below provides the results
 6 from Union's actual utility operations for 2011.

Table 1
Calculation of Revenue Deficiency/(Sufficiency) from Utility Operations
For the Year Ended December 31, 2011

Line No.	Particulars (\$ Millions)	Board Approved 2007 (a)	Actual 2010 (b)	Actual 2011 (c)	Increase/ (decrease) 2011 vs 2010 (d) = (c)-(b)
1	Gas sales and distribution revenue	1,796.8	1,497.4	1,482.7	
2	Cost of gas	<u>1,134.3</u>	<u>793.6</u>	<u>755.1</u>	
3	Gas distribution margin	662.5	703.8	727.6	23.8
4	Transportation	127.4	183.3	193.6	10.3
5	Other revenue	24.4	23.5	23.1	(0.4)
6	Expenses	567.4	605.8	625.3	19.5
7	Income taxes	<u>8.7</u>	<u>25.0</u>	<u>30.9</u>	<u>5.9</u>
8	Utility income	238.1	279.8	288.1	8.3
9	Cost of Capital	<u>259.5</u>	<u>260.8</u>	<u>251.4</u>	<u>(9.4)</u>
10	Revenue deficiency/(sufficiency) after tax	21.4	(19.0)	(36.7)	(17.7)
11	Provision for income taxes on deficiency/(sufficiency)	<u>12.1</u>	<u>(8.5)</u>	<u>(14.5)</u>	<u>(6.0)</u>
12	Distribution revenue deficiency/(sufficiency)	33.5	(27.5)	(51.2)	(23.7)
13	Storage premium adjustment	<u>33.5</u>	<u>16.6</u>	<u>11.3</u>	<u>(5.3)</u>
14	Total revenue deficiency/(sufficiency)	<u>-</u>	<u>(44.1)</u>	<u>(62.5)</u>	<u>(18.4)</u>

7

1 The primary drivers of Union's 2011 financial results relative to 2010 are provided in
2 detail below.

3

4 Gas Distribution Margin

5 The increase in gas distribution margin of \$23.8 million relative to 2010 was mainly
6 driven by an increase in the usage of natural gas due to colder weather, growth in the
7 number of customers and lower fuel and operating costs.

8

9 Transportation Revenue

10 The increase in transportation revenue of \$10.3 million relative to 2010 was mainly
11 driven by an increase in short-term exchange service revenue.

12

13 Operating Expenses

14 The increase in operating expenses of \$19.5 million relative to 2010 was mainly driven
15 by higher employee benefit costs, and an increase in depreciation, partially offset by a
16 reduction in capital taxes.

1 2011 EARNINGS SHARING

2 The benchmark return on equity (“ROE”) for 2011 was 8.10%. Union’s actual ROE
3 from utility operations in 2011 was 11.57% or 347 basis points above the 2011
4 benchmark ROE. This results in earnings sharing for 2011 of \$16.652 million (Tab 2,
5 Appendix B, Schedule 1, column (d), line 35).

6

7 The calculation of earnings sharing for 2011 is found at Tab 2, Appendix B, Schedule 1.
8 To calculate actual utility earnings Union starts in column (a) with Union’s total
9 corporate revenues and operating expenses; column (b) removes revenues and costs
10 associated with Union’s unregulated storage operations; column (c) makes adjustments
11 that would normally be made under cost of service to arrive at utility earnings for
12 ratemaking before interest and income taxes. To arrive at utility earnings for the
13 purposes of earnings sharing, deemed interest, income taxes and preferred dividends are
14 calculated and deducted from utility earnings before interest and income taxes. The
15 adjustments are discussed in more detail below.

16

17 Unregulated Storage Operations

18 The revenues and costs for Union’s unregulated storage operations are shown in Tab 2,
19 Appendix B, Schedule 1, column (b). The regulated and unregulated financial
20 information was allocated using the methodology approved in EB-2011-0038.

1 Other Adjustments

2 Consistent with Section 10.1 of the EB-2007-0606 Settlement Agreement, Union is
3 making the following adjustments (Tab 2, Appendix B, Schedule 1, column (c)):

- 4 a) Impact of Removing St. Clair Transmission Line from rates and the Cumulative
5 Under-recovery of the St. Clair Transmission Line
6 b) SSM incentive payments
7 c) Charitable donations
8 d) Interest on customer deposits
9 e) Other

10

11 Impact of Removing St. Clair Transmission Line from rates and the Cumulative Under-
12 recovery of the St. Clair Transmission Line

13 In its EB-2010-0039 Decision and Order dated May 25, 2011 the Board ordered that:

14

15 *“Union is required to dispose of the balances in Accounts 179-121- and 179-122 upon*
16 *closure of the transaction for sale of the St. Clair Line on or before December 31, 2011.*
17 *In the event that the transaction is cancelled Union shall inform the Board and apply for*
18 *approval to close accounts 179-121 and 179-122 in order to return the St. Clair Line to*
19 *rate base”.*

1 On December 20, 2011 Union advised the Board that the sale of the St. Clair
2 Transmission Line to Dawn Gateway LP was cancelled. Accordingly, the amounts held
3 in the deferral accounts for disposal were reversed leaving a zero balance in the accounts
4 for the year ending December 31, 2011. The amounts removed from utility income
5 include, \$2.030 million of Distribution revenue, \$0.190 million in Transportation
6 revenue, depreciation of \$0.136 million and transportation costs of \$0.342 million.

7

8 The reversal of the cumulative under-recovery of the St. Clair Transmission Line of
9 \$6.402 million has also been removed from utility income.

10

11 SSM Incentive Payments

12 Other revenue includes the revenue recorded from the 2011 SSM of \$9.862 million. The
13 SSM payment is an incentive to the company to encourage it to actively pursue DSM
14 activities. To ensure that the full amount of the SSM accrues to the company and that the
15 incentive is maintained, the SSM revenue is removed from the earnings sharing
16 calculation. This treatment is in accordance with the EB-2007-0606 Settlement
17 Agreement and with past earnings sharing calculations.

18

19 Charitable Donations

20 Charitable donations are costs incurred by the utility that are not recovered from
21 customers in rates. The reduction in costs of \$0.587 million follows the treatment of

1 charitable donations under cost of service ratemaking and the EB-2007-0606 Settlement
2 Agreement.

3

4 Interest on Customer Deposits

5 Interest on customer deposits of \$0.343 million paid out during the year (recorded in the
6 company's accounts as interest expense) is included in the expenses allowable as
7 deductions from earnings consistent with the treatment under cost of service ratemaking
8 and the EB-2007-0606 Settlement Agreement.

9

10 Other

11 Provisions for accruals for \$0.500 million for Market Transformation and \$0.500 million
12 for the incremental Low-income incentive recorded in 2011 have been removed from the
13 earnings sharing calculation. In addition to the accruals mentioned above, the following
14 have also been removed from the earnings sharing calculation, \$0.244 million resulting
15 from Conservation Demand Management and High Performance New Construction as
16 well as \$0.040 million cash distribution from Dawn Gateway Limited Partnership.

17

18 Calculation of Earnings

19 Determining the amount of earnings for sharing requires a calculation of interest,
20 dividends and income taxes based on the utility rate base to arrive at utility earnings to

1 common shareholder. The amount of the storage premium is then added to earnings to
2 calculate the ROE to compare to the threshold return. These calculations and amounts
3 are discussed further below:

4

5 Interest, Income Taxes and Preferred Dividends

6 The approach used to calculate interest and income taxes to determine earnings subject to
7 sharing is the same approach used for rate making under cost of service.

8

9 Utility interest expense of \$143.821 million is calculated using actual utility rate base,
10 deemed capital structure, and actual average interest rates adjusted for fees and other
11 costs. The calculation can be found at Tab 2, Appendix A, Schedule 4.

12

13 Current utility income taxes are calculated using utility income before interest and taxes,
14 less deemed interest costs, permanent and timing differences to arrive at taxable income
15 multiplied by the current tax rates. The calculation can be found at Tab 2, Appendix A,
16 Schedule 14.

17

18 Preferred share dividend requirements are based on deemed capital structure and cost of
19 capital.

1 Storage Premium Adjustment

2 Earnings from utility operations are increased by the portion of the storage premium
3 reflected in approved rates to determine utility earnings subject to sharing. In 2011, the
4 amount of the ratepayer benefit comprised of revenue excess generated from short-term
5 storage services is \$11.254 million pre-tax or 71% of the \$15.829 million forecast
6 revenue excess on short-term storage services (EB-2007-0606, Rate Order Working
7 Papers, Schedule 16). The after tax earnings impact of the premium in 2011 is \$8.075
8 million for short-term storage.

9

10 Return on Equity ("ROE")

11 Actual ROE is determined using utility earnings calculated as described above divided by
12 deemed common equity at 36% of actual utility rate base. The actual 2011 ROE is
13 11.57% (Tab 2, Appendix B, Schedule 1, column (d), line 28).

14

15 Earnings Subject to Sharing

16 The actual ROE is compared to the ROE generated by applying the Board's approved
17 ROE formula. If the difference between the actual ROE and the benchmark ROE is
18 greater than 200 basis points but less than 300 basis points, the excess earnings are shared
19 50/50 between Union and its ratepayers. If the difference between the actual ROE and
20 the benchmark ROE exceeded 300 basis points then that excess over 300 basis points is

1 shared 90/10 to the benefit of the ratepayers. For 2011, the difference is 347 basis points
2 or \$11.948 million, after tax (Tab 2, Appendix B, Schedule 1, column (d), line 34). The
3 amount attributed to 50/50 sharing is \$6.450 million and 90/10 sharing is \$5.498 million.
4 When grossed up for income taxes, the amount of the earnings sharing is \$16.652 million
5 (Tab 2, Appendix B, Schedule 1, column (d), line 35).

UNION GAS LIMITED
Calculation of Revenue Deficiency/(Sufficiency)
Year Ended December 31

Line No.	Particulars (\$000's)	Board-Approved 2007 (a)	Actual 2010 (b)	Actual 2011 (c)
1	Operating revenue	1,948,549	1,704,286	1,699,423
2	Cost of service	<u>1,710,465</u>	<u>1,424,454</u>	<u>1,411,306</u>
3	Utility income	238,084	279,832	288,117
4	Requested return	<u>259,490</u>	<u>260,845</u>	<u>251,384</u>
5	Revenue deficiency / (sufficiency) after tax	21,407	(18,986)	(36,733)
6	Provision for income taxes on deficiency / (sufficiency)	<u>12,104</u>	<u>(8,530)</u>	<u>(14,463)</u>
7	Distribution revenue deficiency / (sufficiency)	33,511	(27,516)	(51,196)
8	Storage premium adjustment	<u>33,511</u>	<u>16,605</u>	<u>11,254</u>
9	Total revenue deficiency/ (sufficiency)	<u><u>-</u></u>	<u><u>(44,121)</u></u>	<u><u>(62,450)</u></u>

UNION GAS LIMITED
Statement of Utility Income
Year Ended December 31

Line No.	Particulars (\$000's)	Board-Approved 2007 (a)	Actual 2010 (b)	Actual 2011 (c)
	Operating Revenues:			
1	Gas sales and distribution	1,796,757	1,497,451	1,482,738
2	Transportation	127,358	183,331	193,605
3	Other	24,434	23,504	23,080
4		<u>1,948,549</u>	<u>1,704,286</u>	<u>1,699,423</u>
	Operating Expenses:			
5	Cost of gas	1,134,293	793,619	755,138
6	Operating and maintenance expenses	325,623	349,373	369,470
7	Depreciation	173,780	190,176	195,477
8	Other financing	315	621	343
9	Property and capital taxes	67,709	65,130	60,699
10		<u>1,701,720</u>	<u>1,398,919</u>	<u>1,381,127</u>
	Other Income (Expense)			
11	Gain/(Loss) on sale of assets	-	1	35
12	Gain/(Loss) on foreign exchange	-	(501)	674
13			<u>(500)</u>	<u>709</u>
14	Utility income before income taxes	246,829	304,867	319,005
15	Income taxes	8,745	25,035	30,888
16	Total utility income	<u>238,084</u>	<u>279,832</u>	<u>288,117</u>

UNION GAS LIMITED
Statement of Earnings Before Interest and Taxes
Year Ended December 31

Line No.	Particulars (\$000's)	2007 Board-Approved				2010 Actual				2011 Actual			
		Corporate (a)	Non-Utility Storage (b)	Adjustments (c)	Utility (d)=(a)-(b)+(c)	Corporate (e)	Non-Utility Storage (f)	Adjustments (g)	Utility (h)=(e)-(f)+(g)	Corporate (i)	Non-Utility Storage (j)	Adjustments (k)	Utility (l)=(i)-(j)+(k)
Operating Revenues:													
1	Gas sales and distribution	1,796,757	-	-	1,796,757	1,497,451	-	-	1,497,451	1,484,768	-	(2,030) i	1,482,738
2	Storage & Transportation	191,444	60,019	(4,067)	127,358	307,561	123,904	(326)	183,331	310,109	116,314	(190) i	193,605
3	Other	24,434	-	-	24,434	28,913	-	(5,409)	23,504	34,226	-	(11,146) ii	23,080
4	Earnings Sharing	-	-	-	-	-	-	-	-	-	-	-	-
5		<u>2,012,635</u>	<u>60,019</u>	<u>(4,067)</u>	<u>1,948,549</u>	<u>1,833,925</u>	<u>123,904</u>	<u>(5,735)</u>	<u>1,704,286</u>	<u>1,829,103</u>	<u>116,314</u>	<u>(13,366)</u>	<u>1,699,423</u>
Operating Expenses:													
6	Cost of gas	1,135,842	1,549	-	1,134,293	793,775	726	570	793,619	755,265	(215)	(342) i	755,138
7	Operating and maintenance expenses	333,029	7,002	(404)	325,623	363,410	13,339	(698)	349,373	384,773	14,716	(587) iii	369,470
8	Depreciation	178,502	4,722	-	173,780	198,821	8,645	-	190,176	204,344	8,731	(136) i	195,477
9	Other financing	-	-	315	315	-	-	621	621	-	-	343 iv	343
10	Property and capital taxes	68,671	962	-	67,709	66,791	1,661	-	65,130	62,057	1,358	-	60,699
11		<u>1,716,044</u>	<u>14,235</u>	<u>(89)</u>	<u>1,701,720</u>	<u>1,422,797</u>	<u>24,371</u>	<u>493</u>	<u>1,398,919</u>	<u>1,406,439</u>	<u>24,590</u>	<u>(722)</u>	<u>1,381,127</u>
Other Income (Expense)													
12	Gain/(Loss) on sale of assets	-	-	-	-	(399)	(400)	-	1	6,322	(115)	(6,402) v	35
13	Other	-	-	-	-	(1,067)	(1,067)	-	-	(1,165)	(1,165)	-	-
14	Gain/(Loss) on foreign exchange	-	-	-	-	(520)	(19)	-	(501)	701	27	-	674
15		<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,986)</u>	<u>(1,486)</u>	<u>-</u>	<u>(500)</u>	<u>5,858</u>	<u>(1,253)</u>	<u>(6,402)</u>	<u>709</u>
16	Earnings Before Interest and Taxes	<u>296,591</u>	<u>45,784</u>	<u>(3,978)</u>	<u>246,829</u>	<u>409,142</u>	<u>98,047</u>	<u>(6,228)</u>	<u>304,867</u>	<u>428,522</u>	<u>90,471</u>	<u>(19,046)</u>	<u>319,005</u>

Notes:

i) Impact of Removing St. Clair Transmission Line from rates

ii) Shared Savings Mechanism (9,862)
Market Transformation Incentive (500)
Low Income Program (500)
CDM / HPNC (244)
Dawn Gateway (HST) (40)
(11,146)

iii) Donations

iv) Customer deposit interest

v) Cumulative Under-recovery St. Clair Transmission Line

UNION GAS LIMITED
 Summary of Cost of Capital
 Year Ended December 31

Line No.	Particulars	2007 Board-Approved				2010 Actual				2011 Actual			
		Utility Capital Structure		Cost Rate	Return	Utility Capital Structure		Cost Rate	Return	Utility Capital Structure		Cost Rate	Return
		(\$000's)	(%)	%	(\$000's)	(\$000's)	(%)	%	(\$000's)	(\$000's)	(%)	%	(\$000's)
	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)	(l)	
1	Long-term debt	2,016,833	61.66	7.66%	154,389	2,084,793	58.39	7.07%	147,336	2,109,129	58.86	6.76%	142,509
2	Unfunded short-term debt	<u>(28,980)</u>	<u>(0.89)</u>	1.58%	<u>(457)</u>	<u>97,441</u>	<u>2.73</u>	1.10%	<u>1,073</u>	<u>81,473</u>	<u>2.27</u>	1.61%	<u>1,312</u>
3	Total debt	1,987,853	60.77	7.74%	153,932	2,182,234	61.12		148,409	2,190,602	61.13		143,821
4	Preference shares	105,519	3.23	4.74%	4,998	102,760	2.88	2.60%	2,670	102,683	2.87	2.99%	3,075
5	Common equity	<u>1,177,522</u>	<u>36.00</u>	8.54%	<u>100,560</u>	<u>1,285,309</u>	<u>36.00</u>	8.54%	<u>109,765</u>	<u>1,289,973</u>	<u>36.00</u>	8.10%	<u>104,488</u>
6	Total rate base	<u>3,270,894</u>	<u>100.00</u>		<u>259,490</u>	<u>3,570,303</u>	<u>100.00</u>		<u>260,845</u>	<u>3,583,258</u>	<u>100.00</u>		<u>251,384</u>

UNION GAS LIMITED
 Total Weather Normalized Throughput Volume by Service Type and Rate Class
 All Customer Rate Classes
 Year Ended December 31

Line No.	Particulars (10 ³ m ³)	2007 Board-Approved						2010 Actual						2011 Actual					
		System						System						System					
		Sales (a)	ABC-T (b)	ABC-Unbundled (c)	Bundled-T (d)	T-Service (e)	Total (f)	Sales (g)	ABC-T (h)	ABC-Unbundled (i)	Bundled-T (j)	T-Service (k)	Total (l)	Sales (m)	ABC-T (n)	ABC-Unbundled (o)	Bundled-T (p)	T-Service (q)	Total (r)
	General Service	-	-	-	-	-	-	2,118,409	504,495	237,115	14,910	-	2,874,930	2,329,600	444,445	159,056	15,303	-	2,948,404
1	Rate M1 Firm	-	-	-	-	-	-	421,358	350,019	36,680	259,176	-	1,067,233	489,179	354,059	29,065	269,983	-	1,142,286
2	Rate M2 Firm	2,249,002	1,377,551	105,414	230,800	-	3,962,767	632,832	266,016	-	7,502	-	906,349	703,936	215,011	-	7,631	-	926,578
3	Rate 01 Firm	502,613	400,625	-	2,073	-	905,311	141,898	97,576	-	98,323	-	337,797	161,653	88,660	-	95,251	1,635	347,199
4	Rate 10 Firm	135,308	139,784	-	106,277	-	381,369	-	-	-	-	-	-	-	-	-	-	-	-
5	Rate 16 Interruptible	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
6	Total General Service	<u>2,886,923</u>	<u>1,917,960</u>	<u>105,414</u>	<u>339,150</u>	<u>-</u>	<u>5,249,447</u>	<u>3,314,497</u>	<u>1,218,106</u>	<u>273,795</u>	<u>379,911</u>	<u>-</u>	<u>5,186,310</u>	<u>3,684,368</u>	<u>1,102,175</u>	<u>188,121</u>	<u>388,168</u>	<u>1,635</u>	<u>5,364,467</u>
	Wholesale - Utility	-	-	-	24,506	-	24,506	-	-	-	61,047	-	61,047	-	-	-	60,129	-	60,129
7	Rate M9 Firm	-	-	-	24,506	-	24,506	-	-	-	61,047	-	61,047	-	-	-	60,129	-	60,129
8	Rate M10 Firm	202	-	-	-	-	202	35	129	-	-	-	164	39	153	-	-	-	192
9	Rate 77 Firm	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
10	Total Wholesale - Utility	<u>202</u>	<u>-</u>	<u>-</u>	<u>24,506</u>	<u>-</u>	<u>24,708</u>	<u>35</u>	<u>129</u>	<u>-</u>	<u>61,047</u>	<u>-</u>	<u>61,211</u>	<u>39</u>	<u>153</u>	<u>-</u>	<u>60,129</u>	<u>-</u>	<u>60,321</u>
	Contract	23,609	-	-	429,418	-	453,027	14,885	4,116	-	419,190	-	438,191	17,744	4,174	-	420,265	-	442,183
11	Rate M4	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
12	Rate M6	-	-	-	277,546	-	277,546	-	-	-	313,077	-	313,077	-	-	-	257,671	-	257,671
13	Rate M7	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
14	Rate 20 Storage	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
15	Rate 20 Transportation	24,982	-	-	146,571	354,035	525,588	13,891	-	-	108,600	423,214	545,705	13,034	-	-	98,449	533,322	644,805
16	Rate 100 Storage	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
17	Rate 100 Transportation	-	-	-	-	2,275,112	2,275,112	-	-	-	-	1,882,208	1,882,208	-	-	-	-	1,892,180	1,892,180
18	Rate T-1 Storage	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
19	Rate T-1 Transportation	-	-	-	-	4,889,989	4,889,989	-	-	-	-	4,102,748	4,102,748	-	-	-	-	4,607,226	4,607,226
20	Rate T-3 Storage	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
21	Rate T-3 Transportation	-	-	-	-	321,455	321,455	-	-	-	-	253,595	253,595	-	-	-	-	264,032	264,032
22	Rate M5	-	-	-	404,634	-	404,634	19,866	1,550	-	506,430	-	527,846	16,360	1,437	-	493,002	-	510,799
23	Rate 25	41,048	-	-	-	63,597	104,645	44,741	-	-	-	175,593	220,334	40,515	-	-	-	117,269	157,784
24	Rate 30	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
25	Total Contract	<u>89,639</u>	<u>-</u>	<u>-</u>	<u>1,258,169</u>	<u>7,904,188</u>	<u>9,251,996</u>	<u>93,384</u>	<u>5,666</u>	<u>-</u>	<u>1,347,297</u>	<u>6,837,358</u>	<u>8,283,705</u>	<u>87,653</u>	<u>5,611</u>	<u>-</u>	<u>1,269,387</u>	<u>7,414,029</u>	<u>8,776,680</u>
26	Total Throughput Volume	<u>2,976,764</u>	<u>1,917,960</u>	<u>105,414</u>	<u>1,621,825</u>	<u>7,904,188</u>	<u>14,526,151</u>	<u>3,407,915</u>	<u>1,223,901</u>	<u>273,795</u>	<u>1,788,255</u>	<u>6,837,358</u>	<u>13,531,225</u>	<u>3,772,060</u>	<u>1,107,939</u>	<u>188,121</u>	<u>1,717,684</u>	<u>7,415,664</u>	<u>14,201,468</u>

UNION GAS LIMITED
 Total Throughput Volume by Service Type and Rate Class
 All Customer Rate Classes
 Year Ended December 31

Line No.	Particulars (10 ³ m ³)	2007 Board-Approved					2010 Actual						2011 Actual						
		System Sales (a)	ABC-T (b)	ABC-Unbundled (c)	Bundled-T (d)	T-Service (e)	Total (f)	System Sales (g)	ABC-T (h)	ABC-Unbundled (i)	Bundled-T (j)	T-Service (k)	Total (l)	System Sales (m)	ABC-T (n)	ABC-Unbundled (o)	Bundled-T (p)	T-Service (q)	Total (r)
General Service																			
1	Rate M1 Firm	-	-	-	-	-	-	2,050,177	488,246	229,478	14,430	-	2,782,331	2,308,386	440,398	157,607	15,164	-	2,921,555
2	Rate M2 Firm	2,249,002	1,377,551	105,414	230,800	-	3,962,767	407,787	338,745	35,499	250,828	-	1,032,858	484,725	350,835	28,801	267,525	-	1,131,886
3	Rate 01 Firm	502,613	400,625	-	2,073	-	905,311	584,831	245,838	-	6,933	-	837,602	688,496	210,295	-	7,463	-	906,254
4	Rate 10 Firm	135,308	139,784	-	106,277	-	381,369	132,869	91,368	-	92,067	-	316,303	158,487	86,923	-	93,386	1,635	340,431
5	Rate 16 Interruptible	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
6	Total General Service	<u>2,886,923</u>	<u>1,917,960</u>	<u>105,414</u>	<u>339,150</u>	-	<u>5,249,447</u>	<u>3,175,663</u>	<u>1,164,197</u>	<u>264,977</u>	<u>364,258</u>	-	<u>4,969,094</u>	<u>3,640,094</u>	<u>1,088,451</u>	<u>186,408</u>	<u>383,538</u>	<u>1,635</u>	<u>5,300,126</u>
Wholesale - Utility																			
7	Rate M9 Firm	-	-	-	24,506	-	24,506	-	-	-	61,047	-	61,047	-	-	-	60,129	-	60,129
8	Rate M10 Firm	202	-	-	-	-	202	35	129	-	-	-	164	39	153	-	-	-	192
9	Rate 77 Firm	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
10	Total Wholesale - Utility	<u>202</u>	<u>-</u>	<u>-</u>	<u>24,506</u>	<u>-</u>	<u>24,708</u>	<u>35</u>	<u>129</u>	<u>-</u>	<u>61,047</u>	<u>-</u>	<u>61,211</u>	<u>39</u>	<u>153</u>	<u>-</u>	<u>60,129</u>	<u>-</u>	<u>60,321</u>
Contract																			
11	Rate M4	23,609	-	-	429,418	-	453,027	14,885	4,116	-	419,190	-	438,191	17,744	4,174	-	420,265	-	442,183
12	Rate M6	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
13	Rate M7	-	-	-	277,546	-	277,546	-	-	-	313,077	-	313,077	-	-	-	257,671	-	257,671
14	Rate 20 Storage	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
15	Rate 20 Transportation	24,982	-	-	146,571	354,035	525,588	13,891	-	-	108,600	423,214	545,705	13,034	-	-	98,449	533,322	644,805
16	Rate 100 Storage	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
17	Rate 100 Transportation	-	-	-	-	2,275,112	2,275,112	-	-	-	-	1,882,208	1,882,208	-	-	-	-	1,892,180	1,892,180
18	Rate T-1 Storage	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
19	Rate T-1 Transportation	-	-	-	-	4,889,989	4,889,989	-	-	-	-	4,102,748	4,102,748	-	-	-	-	4,607,226	4,607,226
20	Rate T-3 Storage	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
21	Rate T-3 Transportation	-	-	-	-	321,455	321,455	-	-	-	-	253,595	253,595	-	-	-	-	264,032	264,032
22	Rate M5	-	-	-	404,634	-	404,634	19,866	1,550	-	506,430	-	527,846	16,360	1,437	-	493,002	-	510,799
23	Rate 25	41,048	-	-	-	63,597	104,645	44,741	-	-	-	-	220,334	40,515	-	-	-	117,269	157,784
24	Rate 30	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
25	Total Contract	<u>89,639</u>	<u>-</u>	<u>-</u>	<u>1,258,169</u>	<u>7,904,188</u>	<u>9,251,996</u>	<u>93,384</u>	<u>5,666</u>	<u>-</u>	<u>1,347,297</u>	<u>6,837,358</u>	<u>8,283,705</u>	<u>87,653</u>	<u>5,611</u>	<u>-</u>	<u>1,269,387</u>	<u>7,414,029</u>	<u>8,776,680</u>
26	Total Throughput Volume	<u>2,976,764</u>	<u>1,917,960</u>	<u>105,414</u>	<u>1,621,825</u>	<u>7,904,188</u>	<u>14,526,151</u>	<u>3,269,081</u>	<u>1,169,992</u>	<u>264,977</u>	<u>1,772,602</u>	<u>6,837,358</u>	<u>13,314,010</u>	<u>3,727,786</u>	<u>1,094,215</u>	<u>186,408</u>	<u>1,713,054</u>	<u>7,415,664</u>	<u>14,137,127</u>

UNION GAS LIMITED
 Total Weather Normalized Gas Sales Revenue by Service Type and Rate Class
 All Customer Rate Classes
Year Ended December 31

Line No.	Particulars (\$000's)	2010 Actual					2011 Actual						
		System Sales	ABC	ABC		T-Service	Total	System Sales	ABC	ABC		T-Service	Total
		(a)	(b)	Unbundled	Bundled-T	(e)	(f)	(g)	(h)	Unbundled	Bundled-T	(k)	(l)
<u>General Service</u>													
1	Rate M1 Firm	746,295	63,488	29,759	916	-	840,458	737,279	53,723	19,715	853	-	811,570
2	Rate M2 Firm	113,556	17,213	3,237	11,491	-	145,497	114,776	16,632	2,230	11,448	-	145,086
3	Rate 01 Firm	250,083	60,364	-	1,154	-	311,600	266,915	51,216	-	1,252	-	319,383
4	Rate 10 Firm	40,558	11,410	-	10,462	-	62,430	44,133	12,154	-	12,144	70	68,501
5	Rate 16 Interruptible	-	-	-	-	-	-	-	-	-	-	-	-
6	Total General Service	<u>1,150,492</u>	<u>152,475</u>	<u>32,996</u>	<u>24,023</u>	<u>-</u>	<u>1,359,986</u>	<u>1,163,103</u>	<u>133,725</u>	<u>21,945</u>	<u>25,697</u>	<u>70</u>	<u>1,344,540</u>
<u>Wholesale - Utility</u>													
7	Rate M9 Firm	-	-	-	876	-	876	-	-	-	833	-	833
8	Rate M10 Firm	9	3	-	-	-	12	8	4	-	-	-	12
9	Rate 77 Firm	-	-	-	-	-	-	-	-	-	-	-	-
10	Total Wholesale - Utility	<u>9</u>	<u>3</u>	<u>-</u>	<u>876</u>	<u>-</u>	<u>888</u>	<u>8</u>	<u>4</u>	<u>-</u>	<u>833</u>	<u>-</u>	<u>845</u>
<u>Contract</u>													
11	Rate M4	3,887	115	-	11,540	-	15,542	3,963	119	-	11,363	-	15,445
12	Rate M6	-	-	-	-	-	-	-	-	-	-	-	-
13	Rate M7	-	-	-	6,381	-	6,381	-	-	-	5,890	-	5,890
14	Rate 20 Storage	-	-	-	-	1,376	1,376	-	-	-	-	1,701	1,701
15	Rate 20 Transportation	3,861	-	-	8,532	7,407	19,801	3,282	-	-	9,151	7,617	20,050
16	Rate 100 Storage	-	-	-	-	839	839	-	-	-	-	186	186
17	Rate 100 Transportation	-	-	-	-	12,639	12,639	-	-	-	-	12,823	12,823
18	Rate T-1 Storage	-	-	-	-	9,982	9,982	-	-	-	-	9,555	9,555
19	Rate T-1 Transportation	-	-	-	-	49,548	49,548	-	-	-	-	52,202	52,202
20	Rate T-3 Storage	-	-	-	-	1,392	1,392	-	-	-	-	1,310	1,310
21	Rate T-3 Transportation	-	-	-	-	3,614	3,614	-	-	-	-	3,397	3,397
22	Rate M5	4,765	36	-	8,759	-	13,560	3,422	34	-	8,556	-	12,012
23	Rate 25	11,070	-	-	-	3,536	14,606	8,711	-	-	-	2,583	11,294
24	Rate 30	-	-	-	-	66	66	-	-	-	-	63	63
25	Total Contract	<u>23,583</u>	<u>151</u>	<u>-</u>	<u>35,212</u>	<u>90,400</u>	<u>149,345</u>	<u>19,378</u>	<u>153</u>	<u>-</u>	<u>34,960</u>	<u>91,437</u>	<u>145,928</u>
26	Total Revenue	<u>1,174,085</u>	<u>152,629</u>	<u>32,996</u>	<u>60,111</u>	<u>90,400</u>	<u>1,510,220</u>	<u>1,182,489</u>	<u>133,882</u>	<u>21,945</u>	<u>61,490</u>	<u>91,507</u>	<u>1,491,313</u>

UNION GAS LIMITED
Total Gas Sales Revenue by Service Type and Rate Class
All Customer Rate Classes
Year Ended December 31

Line No.	Particulars (\$000's)	2010 Actual					2011 Actual						
		System Sales (a)	ABC-T (b)	ABC Unbundled (c)	ABC Bundled-T (d)	T-Service (e)	Total (f)	System Sales (g)	ABC-T (h)	ABC Unbundled (i)	ABC Bundled-T (j)	T-Service (k)	Total (l)
<u>General Service</u>													
1	Rate M1 Firm	742,945	62,690	29,384	893	-	835,912	736,330	53,542	19,650	847	-	810,370
2	Rate M2 Firm	112,890	16,660	3,179	11,081	-	143,810	114,577	16,488	2,218	11,338	-	144,621
3	Rate 01 Firm	246,293	58,770	-	1,109	-	306,172	265,773	50,868	-	1,240	-	317,881
4	Rate 10 Firm	40,094	11,090	-	10,141	-	61,325	43,977	12,069	-	12,052	70	68,168
5	Rate 16 Interruptible	-	-	-	-	-	-	-	-	-	-	-	-
6	Total General Service	<u>1,142,221</u>	<u>149,211</u>	<u>32,563</u>	<u>23,223</u>	<u>-</u>	<u>1,347,218</u>	<u>1,160,658</u>	<u>132,967</u>	<u>21,868</u>	<u>25,477</u>	<u>70</u>	<u>1,341,039</u>
<u>Wholesale - Utility</u>													
7	Rate M9 Firm	-	-	-	876	-	876	-	-	-	833	-	833
8	Rate M10 Firm	9	3	-	-	-	12	8	4	-	-	-	12
9	Rate 77 Firm	-	-	-	-	-	-	-	-	-	-	-	-
10	Total Wholesale - Utility	<u>9</u>	<u>3</u>	<u>-</u>	<u>876</u>	<u>-</u>	<u>888</u>	<u>8</u>	<u>4</u>	<u>-</u>	<u>833</u>	<u>-</u>	<u>846</u>
<u>Contract</u>													
11	Rate M4	3,887	115	-	11,540	-	15,542	3,963	119	-	11,363	-	15,446
12	Rate M6	-	-	-	-	-	-	-	-	-	-	-	-
13	Rate M7	-	-	-	6,381	-	6,381	-	-	-	5,890	-	5,890
14	Rate 20 Storage	-	-	-	-	1,376	1,376	-	-	-	-	1,701	1,701
15	Rate 20 Transportation	3,861	-	-	8,532	7,407	19,801	3,282	-	-	9,151	7,617	20,050
16	Rate 100 Storage	-	-	-	-	839	839	-	-	-	-	186	186
17	Rate 100 Transportation	-	-	-	-	12,639	12,639	-	-	-	-	12,823	12,823
18	Rate T-1 Storage	-	-	-	-	9,982	9,982	-	-	-	-	9,555	9,555
19	Rate T-1 Transportation	-	-	-	-	49,548	49,548	-	-	-	-	52,202	52,202
20	Rate T-3 Storage	-	-	-	-	1,392	1,392	-	-	-	-	1,310	1,310
21	Rate T-3 Transportation	-	-	-	-	3,614	3,614	-	-	-	-	3,397	3,397
22	Rate M5	4,765	36	-	8,759	-	13,560	3,422	34	-	8,556	-	12,012
23	Rate 25	11,070	-	-	-	3,536	14,606	8,711	-	-	-	2,583	11,294
24	Rate 30	-	-	-	-	66	66	-	-	-	-	63	63
25	Total Contract	<u>23,583</u>	<u>151</u>	<u>-</u>	<u>35,212</u>	<u>90,400</u>	<u>149,345</u>	<u>19,378</u>	<u>153</u>	<u>-</u>	<u>34,961</u>	<u>91,436</u>	<u>145,928</u>
26	Average Use												(5,076)
27	Total Revenue	<u>1,165,813</u>	<u>149,365</u>	<u>32,563</u>	<u>59,311</u>	<u>90,400</u>	<u>1,497,451</u>	<u>1,180,044</u>	<u>133,124</u>	<u>21,868</u>	<u>61,271</u>	<u>91,506</u>	<u>1,482,738</u>

UNION GAS LIMITED
 Delivery Revenue by Service Type and Rate Class
 All Customer Rate Classes
 Year Ended December 31

Line No.	Particulars (\$000's)	2007 Board-Approved						2010 Actual						2011 Actual					
		System		ABC		T-Service	Total	System		ABC		T-Service	Total	System		ABC		T-Service	Total
		Sales	ABC-T	Unbundled	Bundled-T			Sales	ABC-T	Unbundled	Bundled-T			Sales	ABC-T	Unbundled	Bundled-T		
(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)	(l)	(m)	(n)	(o)	(p)	(q)	(r)		
	<u>General Service</u>																		
1	Rate M1 Firm	-	-	-	-	-	-	273,840	62,690	29,384	893	-	366,808	298,602	53,542	19,650	847	-	372,641
2	Rate M2 Firm	253,336	133,485	12,252	11,336	-	410,409	19,839	16,660	3,179	11,081	-	50,758	22,477	16,488	2,218	11,338	-	52,521
3	Rate 01 Firm	74,884	57,873	-	195	-	132,952	93,036	39,004	-	548	-	132,587	106,469	31,958	-	568	-	138,995
4	Rate 10 Firm	8,156	8,706	-	5,024	-	21,886	6,355	4,729	-	3,419	-	14,504	8,359	5,003	-	4,147	70	17,579
5	Rate 16 Interruptible	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
6	Total General Service	<u>336,376</u>	<u>200,064</u>	<u>12,252</u>	<u>16,555</u>	<u>-</u>	<u>565,247</u>	<u>393,070</u>	<u>123,083</u>	<u>32,563</u>	<u>15,941</u>	<u>-</u>	<u>564,657</u>	<u>435,907</u>	<u>106,991</u>	<u>21,868</u>	<u>16,900</u>	<u>70</u>	<u>581,736</u>
	<u>Wholesale - Utility</u>																		
7	Rate M9 Firm	-	-	-	592	-	592	-	-	-	876	-	876	-	-	-	833	-	833
8	Rate M10 Firm	5	-	-	-	-	5	1	35	-	-	-	36	1	4	-	-	-	5
9	Rate 77 Firm	-	-	-	-	28	28	-	-	-	-	-	-	-	-	-	-	-	-
10	Total Wholesale - Utilit	<u>5</u>	<u>-</u>	<u>-</u>	<u>592</u>	<u>28</u>	<u>625</u>	<u>1</u>	<u>35</u>	<u>-</u>	<u>876</u>	<u>-</u>	<u>912</u>	<u>1</u>	<u>4</u>	<u>-</u>	<u>833</u>	<u>-</u>	<u>838</u>
	<u>Contract</u>																		
11	Rate M4	739	-	-	13,030	-	13,769	493	115	-	11,540	-	12,148	558	119	-	11,363	-	12,040
12	Rate M6	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
13	Rate M7	-	-	-	6,670	-	6,670	-	-	-	6,381	-	6,381	-	-	-	5,890	-	5,890
14	Rate 20 Storage	-	-	-	-	56	56	-	-	-	-	1,376	1,376	-	-	-	-	1,701	1,701
15	Rate 20 Transportation	522	-	-	1,940	4,982	7,444	315	-	-	1,680	7,406	9,401	291	-	-	1,548	7,617	9,456
16	Rate 100 Storage	-	-	-	-	1,767	1,767	-	-	-	-	839	839	-	-	-	-	186	186
17	Rate 100 Transportation	-	-	-	-	16,153	16,153	-	-	-	-	12,639	12,639	-	-	-	-	12,823	12,823
18	Rate T-1 Storage	-	-	-	-	8,206	8,206	-	-	-	-	9,982	9,982	-	-	-	-	9,406	9,406
19	Rate T-1 Transportatior	-	-	-	-	46,827	46,827	-	-	-	-	49,548	49,548	-	-	-	-	52,202	52,202
20	Rate T-3 Storage	-	-	-	-	1,578	1,578	-	-	-	-	1,392	1,392	-	-	-	-	1,310	1,310
21	Rate T-3 Transportatior	-	-	-	-	4,010	4,010	-	-	-	-	3,614	3,614	-	-	-	-	3,397	3,397
22	Rate M5	-	-	-	8,038	-	8,038	343	4	-	8,759	-	9,105	308	34	-	8,556	-	8,898
23	Rate 25	908	-	-	-	1,497	2,405	843	-	-	-	3,391	4,234	811	-	-	-	2,466	3,277
24	Rate 30	-	-	-	-	-	-	-	-	-	-	66	66	-	-	-	-	63	63
25	Total Contract	<u>2,169</u>	<u>-</u>	<u>-</u>	<u>29,678</u>	<u>85,076</u>	<u>116,923</u>	<u>1,994</u>	<u>119</u>	<u>-</u>	<u>28,359</u>	<u>90,254</u>	<u>120,727</u>	<u>1,968</u>	<u>153</u>	<u>-</u>	<u>27,357</u>	<u>91,171</u>	<u>120,649</u>
26	Average Use																		(5,076)
27	Total Revenue	<u>338,550</u>	<u>200,064</u>	<u>12,252</u>	<u>46,825</u>	<u>85,104</u>	<u>682,795</u>	<u>395,065</u>	<u>123,237</u>	<u>32,563</u>	<u>45,176</u>	<u>90,254</u>	<u>686,295</u>	<u>437,876</u>	<u>107,148</u>	<u>21,868</u>	<u>45,090</u>	<u>91,241</u>	<u>698,147</u>

UNION GAS LIMITED
 Total Customers by Service Type and Rate Class
 All Customer Rate Classes
 Year Ended December 31

Line No.	Particulars	2007 Board-Approved						2010 Actual						2011 Actual								
		System Sales	ABC-T	ABC-Unbundled	Bundled	T	T-Service	Total	System Sales	ABC-T	ABC-Unbundled	Bundled	T	T-Service	Total	System Sales	ABC-T	ABC-Unbundled	Bundled	T	T-Service	Total
		(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)	(l)	(m)	(n)	(o)	(p)	(q)	(r)			
General Service																						
1	Rate M1 Firm	-	-	-	-	-	-	783,779	161,276	79,713	930	-	1,025,698	861,125	130,667	44,484	870	-	1,037,146			
2	Rate M2 Firm	663,740	297,276	34,458	1,690	-	997,164	3,055	2,517	262	773	-	6,607	3,346	2,339	174	778	-	6,637			
3	Rate 01 Firm	172,580	125,484	-	166	-	298,230	223,892	84,611	-	343	-	308,846	252,289	60,991	-	353	-	313,633			
4	Rate 10 Firm	1,329	1,344	-	300	-	2,973	1,110	758	-	286	-	2,154	1,220	661	-	275	4	2,160			
5	Rate 16 Interruptible	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-			
6	Total General Service	<u>837,649</u>	<u>424,104</u>	<u>34,458</u>	<u>2,156</u>	<u>-</u>	<u>1,298,367</u>	<u>1,011,836</u>	<u>249,162</u>	<u>79,975</u>	<u>2,332</u>	<u>-</u>	<u>1,343,305</u>	<u>1,117,980</u>	<u>194,658</u>	<u>44,658</u>	<u>2,276</u>	<u>4</u>	<u>1,359,576</u>			
Wholesale - Utility																						
7	Rate M9 Firm	-	-	-	2	-	2	-	-	-	2	-	2	-	-	-	2	-	2			
8	Rate M10 Firm	4	-	-	-	-	4	1	1	-	-	-	2	1	1	-	-	-	2			
9	Rate 77 Firm	-	-	-	-	1	1	-	-	-	-	-	-	-	-	-	-	-	-			
10	Total Wholesale - Utility	<u>4</u>	<u>-</u>	<u>-</u>	<u>2</u>	<u>1</u>	<u>7</u>	<u>1</u>	<u>1</u>	<u>-</u>	<u>2</u>	<u>-</u>	<u>4</u>	<u>1</u>	<u>1</u>	<u>-</u>	<u>2</u>	<u>-</u>	<u>4</u>			
Contract																						
11	Rate M4	13	-	-	181	-	194	9	2	-	119	-	130	11	2	-	119	-	132			
12	Rate M6	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-			
13	Rate M7	-	-	-	8	-	8	-	-	-	6	-	6	-	-	-	5	-	5			
14	Rate 20 Storage	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-			
15	Rate 20 Transportation	10	-	-	20	35	65	3	-	-	17	31	51	2	-	-	18	29	49			
16	Rate 100 Storage	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-			
17	Rate 100 Transportation	-	-	-	-	19	19	-	-	-	-	16	16	-	-	-	-	14	14			
18	Rate T-1 Storage	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-			
19	Rate T-1 Transportation	-	-	-	-	68	68	-	-	-	-	53	53	-	-	-	-	56	56			
20	Rate T-3 Storage	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-			
21	Rate T-3 Transportation	-	-	-	-	1	1	-	-	-	-	1	1	-	-	-	-	1	1			
22	Rate M5	-	-	-	133	-	133	4	1	-	125	-	130	4	1	-	119	-	124			
23	Rate 25	56	-	-	-	67	123	46	-	-	-	53	99	44	-	-	-	50	94			
24	Rate 30	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1	1			
25	Total Contract	<u>79</u>	<u>-</u>	<u>-</u>	<u>342</u>	<u>190</u>	<u>611</u>	<u>62</u>	<u>3</u>	<u>-</u>	<u>267</u>	<u>154</u>	<u>486</u>	<u>61</u>	<u>3</u>	<u>-</u>	<u>261</u>	<u>151</u>	<u>476</u>			
26	Total Customers	<u>837,732</u>	<u>424,104</u>	<u>34,458</u>	<u>2,500</u>	<u>191</u>	<u>1,298,985</u>	<u>1,011,899</u>	<u>249,166</u>	<u>79,975</u>	<u>2,601</u>	<u>154</u>	<u>1,343,795</u>	<u>1,118,042</u>	<u>194,662</u>	<u>44,658</u>	<u>2,539</u>	<u>155</u>	<u>1,360,056</u>			

* Customer count for storage is included in the transportation customer count.

UNION GAS LIMITED
Revenue from Regulated Transportation of Gas
Year Ended December 31

Line No.	Particulars (\$000's)	Board-Approved 2007 (a)	Actual 2010 (b)	Actual 2011 (c)
1	M12 Transportation	120,667	141,875	138,256
2	M12-X Transportation	-	-	1,477
3	M12 Transportation Overrun/Limited Firm	-	546	17
4	C1 Long Term Transportation	2,900	6,288	7,570
5	C1 Short Term Transportation and Exchanges	3,742	32,555	44,228
6	C1 Rebate Program	(2,178)	-	-
7	M13 - Local Production	864	386	323
8	M16	553	610	642
9	Other S&T Revenue	810	1,072	1,092
10	Total S&T Revenue	<u>127,358</u>	<u>183,331</u>	<u>193,605</u>

UNION GAS LIMITED
 Other Revenue
Year Ended December 31

Line No.	Particulars (\$000's)	Board-Approved 2007 (a)	Actual 2010 (b)	Actual 2011 (c)
1	Delayed payment charges	7,231	5,833	6,770
2	Account opening charges	5,858	6,579	6,586
3	Billing revenue	9,041	7,369	6,013
4	Mid market transactions	2,000	2,244	1,298
5	Other operating revenue	304	1,479	2,413
6	Total other revenue	24,434	23,504	23,080

UNION GAS LIMITED
Operating and Maintenance Expense by Cost Type
Year Ended December 31

Line No.	Particulars (\$000's)	Board-Approved 2007 (a)	Actual 2010 (b)	Actual 2011 (c)
1	Salaries/Wages	159,896	183,249	191,837
2	Benefits	55,621	70,861	81,179
3	Materials	9,132	9,631	10,701
4	Employee Training	12,798	11,783	13,514
5	Contract Services	50,061	57,335	63,608
6	Consulting	6,447	7,506	7,713
7	General	20,645	21,211	22,262
8	Transportation and Maintenance	7,523	7,892	9,012
9	Company Used Gas	4,911	2,451	2,401
10	Utility Costs	3,269	3,704	4,069
11	Communications	7,969	6,780	6,394
12	Demand Side Management Programs	11,874	16,438	17,925
13	Advertising	2,255	1,860	2,376
14	Insurance	7,004	8,507	8,101
15	Donations	404	749	632
16	Financial	2,884	2,077	1,682
17	Lease	3,202	3,632	4,092
18	Cost Recovery from Third Parties	(2,106)	(4,641)	(5,869)
19	Computers	4,226	4,922	5,287
20	Regulatory Hearing & OEB Cost Assessment	6,000	3,126	3,306
21	Outbound Affiliate Services	(5,741)	(10,182)	(11,697)
22	Inbound Affiliate Services	11,933	9,462	8,956
23	Bad Debt	11,600	5,075	4,455
24	Other	100	249	206
25	Total	<u>391,907</u>	<u>423,677</u>	<u>452,142</u>
26	Indirect Capitalization (OH)	(51,528)	(46,290)	(52,220)
27	Direct Capitalization (DCC)	<u>(7,350)</u>	<u>(13,978)</u>	<u>(15,149)</u>
28	Total	<u>333,029</u>	<u>363,408</u>	<u>384,773</u>
29	Non Utility Costs (1)	(7,406)	(14,037)	(15,303)
30	Total Net Utility Operating and Maintenance Expense	<u><u>325,623</u></u>	<u><u>349,371</u></u>	<u><u>369,470</u></u>

Notes:

(1) Includes non utility storage, charitable donations.

UNION GAS LIMITED
Calculation of Utility Income Taxes
Year Ended December 31

Line No.	Particulars (\$000's)	Board-Approved 2007 (a)	Actual 2010 (b)	Actual 2011 (c)
<u>Determination of Taxable Income</u>				
1	Utility income before interest and income taxes	246,829	304,867	319,005
Adjustments required to arrive at taxable utility income:				
2	Interest expense	(153,932)	(148,409)	(143,821)
3	Utility permanent differences	1,333	4,589	3,941
4		<u>94,230</u>	<u>161,047</u>	<u>179,125</u>
Utility timing differences				
5	Capital Cost Allowance	(163,089)	(171,709)	(170,080)
6	Depreciation	173,780	190,176	195,477
7	Depreciation through clearing	1,114	1,543	1,674
8	Other	(38,911)	(49,912)	(43,105)
9	Gas Cost Deferrals and Other (current)	-	(152,680)	(21,527)
10		<u>(27,106)</u>	<u>(182,582)</u>	<u>(37,561)</u>
11	Taxable income	<u>67,124</u>	<u>(21,535)</u>	<u>141,564</u>
<u>Calculation of Utility Income Taxes</u>				
12	Income taxes (line 11 * line 18)	24,245	(6,677)	39,992
13	Deferred tax on Gas Cost Deferrals (tax rate 31%)	-	48,753	6,685
14	Deferred tax drawdown	<u>(15,500)</u>	<u>(17,041)</u>	<u>(15,789)</u>
15	Total taxes	<u>8,745</u>	<u>25,035</u>	<u>30,888</u>
<u>Tax Rates</u>				
16	Federal tax	22.12%	18.00%	16.50%
17	Provincial tax	14.00%	13.00%	11.75%
18	Total tax rate	<u>36.12%</u>	<u>31.00%</u>	<u>28.25%</u>

UNION GAS LIMITED
Calculation of Capital Cost Allowance (CCA)
Year Ended December 31

Line No.	Particulars (\$000's)	2007 Board-Approved			2010 Actual			2011 Actual		
		Depreciable UCC Balance	Rate (%)	CCA	Depreciable UCC Balance	Rate (%)	CCA	Depreciable UCC Balance	Rate (%)	CCA
		(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)
	Class									
1	1 Buildings, structures and improvements, services, meters, mains		4%	-	1,420,545	4%	56,822	1,365,023	4%	54,601
2	1 Non-residential building acquired after March 19, 2007		6%	-	51,543	6%	3,093	55,279	6%	3,317
3	2 Mains acquired before 1988		6%	-	177,580	6%	10,655	166,925	6%	10,016
4	3 Buildings acquired before 1988		5%	-	4,991	5%	250	4,741	5%	237
5	6 Other buildings		10%	-	237	10%	24	213	10%	21
6	7 Compression equipment acquired after February 22, 2005		15%	-	149,067	15%	22,360	141,567	15%	21,235
7	8 Compression assets, office furniture, equipment		20%	-	68,651	20%	13,730	93,524	20%	18,705
8	10 Transportation, computer equipment		30%	-	19,506	30%	5,852	21,193	30%	6,358
9	12 Computer software, small tools		100%	-	7,727	100%	7,727	7,934	100%	7,934
10	13 Leasehold improvements (1)		N/A	-	651	N/A	113	656	N/A	(1) 121
11	17 Roads, sidewalk, parking lot or storage areas		8%	-	1,215	8%	97	1,118	8%	89
12	38 Heavy work equipment		30%	-	4,726	30%	1,418	5,688	30%	1,706
13	41 Storage assets		25%	-	8,631	25%	2,158	9,352	25%	2,338
14	45 Computers - Hardware acquired after March 22, 2004		45%	-	1,481	45%	666	815	45%	367
15	49 Transmission pipeline additions acquired after February 23, 2005		8%	-	204,565	8%	16,365	196,657	8%	15,733
16	50 Computers hardware acquired after March 18, 2007		55%	-	2,859	55%	1,572	6,889	55%	3,789
17	51 Distribution pipelines acquired after March 18, 2007		6%	-	294,137	6%	17,648	374,598	6%	22,476
18	52 Computers hardware acquired after January 27, 2009 and before February 2011		-	-	11,159	100%	11,159	1,038	100%	1,038
19	Total	<u>0</u>		<u>0</u>	<u>2,429,271</u>		<u>171,709</u>	<u>2,453,210</u>		<u>170,080</u>

Notes:

(1) The CCA rate depends on the type of the leasehold and the terms of the lease.

UNION GAS LIMITED
 Provision for Depreciation, Amortization and Depletion
Year Ended December 31

Line No.	Particulars (\$000's)	2007 Board-Approved	2010 Actual	2011 Actual
1	Total provision for depreciation and amortization before adjustments (per page 3)	-	191,720	197,151
2	Adjustments: vehicle depreciation through clearing	-	1,543	1,674
3	Provision for depreciation amortization and depletion	-	190,176	195,477

UNION GAS LIMITED
Provision for Depreciation, Amortization and Depletion
Year Ended December 31

Line No.	Particulars (\$000's)	2007 Board-Approved			2010 Actual			2011 Actual		
		Average Plant (1)	Rate (%)	Provision	Average Plant (1)	Rate (%)	Provision	Average Plant (1)	Rate (%)	Provision
		(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)
	Intangible plant:									
1	Franchises and consents				1,321	Amortized	63	1,321	Amortized	63
2	Intangible plant - Other				6,370	Amortized	118	6,370	Amortized	122
3		-		-	7,692		181	7,692		185
	Local Storage Plant									
4	Structures and improvements		3.30%	-	2,593	3.30%	86	2,813	3.30%	93
5	Gas holders - storage		2.68%	-	4,574	2.68%	(35)	4,574	2.68%	-
6	Gas holders - equipment		3.68%	-	9,225	3.68%	339	9,817	3.68%	361
7		-		-	16,392		390	17,204		454
	Storage:									
8	Land rights		2.23%	-	32,062	2.23%	715	32,023	2.23%	714
9	Structures and improvements		2.34%	-	55,076	2.34%	1,289	56,111	2.34%	1,313
10	Wells and lines		2.66%	-	87,383	2.66%	2,324	87,951	2.66%	2,339
11	Compressor equipment		3.19%	-	218,629	3.19%	6,974	218,016	3.19%	6,955
12	Measuring & regulating equipment		4.30%	-	50,288	4.30%	2,162	60,484	4.30%	2,601
13	Other equipment				821	20.00%	27	1,758		372
14		-		-	444,259		13,492	456,343		14,295
	Transmission:									
15	Land rights		2.00%	-	37,673	2.00%	753	37,791	2.00%	756
16	Structures and improvements		2.66%	-	53,401	2.66%	1,420	53,903	2.66%	1,434
17	Mains		2.37%	-	1,038,740	2.37%	24,618	1,046,190	2.37%	24,795
18	Compressor equipment		3.52%	-	298,410	3.52%	10,504	306,731	3.52%	10,797
19	Measuring & regulating equipment		3.61%	-	141,533	3.61%	5,109	162,971	3.61%	5,883
20		-		-	1,569,758		42,405	1,607,587		43,665
	Distribution - Southern Operations:									
21	Land rights		1.67%	-	5,414	1.67%	90	5,552	1.67%	93
22	Structures and improvements		2.91%	-	101,031	2.93%	2,956	103,801	2.91%	3,041
23	Services - metallic		3.69%	-	109,883	3.69%	4,055	109,721	3.69%	4,049
24	Services - plastic		3.18%	-	734,964	3.18%	23,372	748,811	3.18%	23,812
25	Regulators		3.30%	-	70,793	3.30%	2,336	72,011	3.30%	2,376
26	Regulator and meter installations		3.51%	-	66,954	3.51%	2,350	67,740	3.51%	2,378
27	Mains - metallic		2.54%	-	397,468	2.54%	10,096	403,980	2.54%	10,261
28	Mains - plastic		2.34%	-	497,000	2.34%	11,630	508,277	2.34%	11,894
29	Measuring & regulating equipment		4.64%	-	28,951	4.64%	1,343	29,730	4.64%	1,379
30	Meters		3.70%	-	184,525	3.70%	6,827	199,423	3.70%	7,379
31	Other equipment				-		-	-		-
32		-		-	2,196,982		65,055	2,249,046		66,661

UNION GAS LIMITED
Provision for Depreciation, Amortization and Depletion
Year Ended December 31

Line No.	Particulars (\$000's)	2007 Board-Approved			2010 Actual			2011 Actual		
		Average Plant (1)	Rate (%)	Provision	Average Plant (1)	Rate (%)	Provision	Average Plant (1)	Rate (%)	Provision
		(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)
	Distribution plant - Northern & Eastern Operations:									
1	Land rights		1.68%	-	8,951	1.69%	150	9,075	1.68%	152
2	Structures & improvements		3.13%	-	60,517	3.17%	1,917	62,322	3.13%	1,967
3	Services - metallic		3.58%	-	92,411	3.58%	3,308	93,240	3.58%	3,338
4	Services - plastic		3.19%	-	349,438	3.19%	11,147	359,075	3.19%	11,454
5	Regulators		3.34%	-	26,302	3.34%	879	28,012	3.34%	936
6	Regulator and meter installations		3.50%	-	28,975	3.50%	1,014	29,308	3.50%	1,026
7	Mains - metallic		2.52%	-	348,326	2.52%	8,778	353,866	2.52%	8,917
8	Mains - plastic		2.35%	-	198,720	2.35%	4,670	202,160	2.35%	4,751
9	Compressor equipment		3.34%	-	-	2.99%	-	-	3.34%	-
10	Measuring & regulating equipment		4.63%	-	102,821	4.63%	4,761	106,119	4.63%	4,913
11	Meters		3.67%	-	52,213	3.67%	1,916	52,711	3.67%	1,934
12	Other distribution equipment			-	-		-	-		-
13		<u>-</u>		<u>-</u>	<u>1,268,674</u>		<u>38,540</u>	<u>1,295,887</u>		<u>39,389</u>
	General:									
14	Structures and improvements		2.13%	-	41,261	2.26%	933	41,635	2.13%	942
15	Office furniture and equipment		6.67%	-	12,886	6.67%	859	10,470	6.67%	698
16	Office equipment - computers		25.00%	-	84,007	25.00%	21,002	78,684	25.00%	19,671
17	Transportation equipment		10.07%	-	40,898	10.07%	4,118	46,067	10.07%	4,639
18	Heavy work equipment		4.55%	-	14,071	4.55%	640	15,156	4.55%	707
19	Tools and other equipment		6.67%	-	31,858	6.67%	2,124	30,285	6.67%	2,019
20	Communications equipment & structures		6.67%	-	15,938	6.35%	1,015	15,870	6.67%	1,010
21	Other equipment			-	-		-	-		-
22		<u>-</u>		<u>-</u>	<u>240,920</u>		<u>30,691</u>	<u>238,167</u>		<u>29,686</u>
23	Regulatory Assets				26,810		964	80,346		2,817
24	Sub-total	-		-	5,771,486		191,720	5,952,271		197,151
24	Total provision for depreciation and amortization			-			191,720			197,151
25	Depreciation through clearing			-			1,543			1,674
26		<u>-</u>		<u>-</u>	<u>5,771,486</u>		<u>190,176</u>	<u>5,952,271</u>		<u>195,477</u>

Notes:

(1) A simple average of the opening and closing plant balances was used to calculate the annual depreciation provision.

UNION GAS LIMITED
 Capital Expenditure by Function
 Includes IDC and Overheads
Year Ended December 31, 2011

Line No.	Particulars (\$000's)	Board Approved 2007 (a)	Actual 2010 (b)	Actual 2011 (c)
1	Storage	10,024	11,931	23,805
2	Transmission	139,121	25,141	48,291
3	Distribution	89,565	101,836	112,326
4	General	49,943	31,697	37,732
5	Other	59,312	48,994	52,387
6	Total	<u>347,965</u>	<u>219,599</u>	<u>274,542</u>
7	Rate Base Reduction via ADR	<u>(35,000)</u>		
8		<u>312,965</u>		

UNION GAS LIMITED
Statement of Utility Rate Base
Year Ended December 31

Line No.	Particulars (\$000's)	Board-Approved 2007 (a)	Actual 2010 (b)	Actual 2011 (c)
	<u>Gas Utility Plant</u>			
1	Gross plant at cost	5,170,809	5,839,769	5,998,663
2	Less: accumulated depreciation	<u>2,014,712</u>	<u>2,374,895</u>	<u>2,505,353</u>
3	Net utility plant	<u>3,156,097</u>	<u>3,464,874</u>	<u>3,493,310</u>
	<u>Working Capital and Other Components</u>			
4	Cash working capital	32,672	30,505	31,678
5	Gas in storage and line pack gas	188,792	167,629	150,999
6	Balancing gas	129,618	94,338	79,764
7	ABC receivable (gas in storage)	(53,791)	(46,774)	(55,323)
8	Inventory of stores, spare equipment	28,469	29,238	28,464
9	Prepaid and deferred expenses	2,741	4,341	5,080
10	Customer deposits	(43,902)	(56,816)	(50,281)
11	Customer interest	<u>(300)</u>	<u>(622)</u>	<u>(736)</u>
12	Total working capital and other components	<u>284,299</u>	<u>221,838</u>	<u>189,645</u>
13	Total rate base before deduction of accumulated deferred income taxes	3,440,396	3,686,712	3,682,955
14	Accumulated deferred income taxes	<u>169,502</u>	<u>116,410</u>	<u>99,698</u>
15	Total rate base	<u><u>3,270,894</u></u>	<u><u>3,570,303</u></u>	<u><u>3,583,258</u></u>

UNION GAS LIMITED
Earnings Sharing Calculation
Year Ended December 31

Line No.	Particulars (\$000's)	2011 (a)	Non-Utility Storage (b)	Adjustments (c)	2011 Utility (d)=(a)-(b)+(c)
Operating Revenues:					
1	Gas Sales and distribution	1,484,768	-	(2,030) i	1,482,738
2	Storage & Transportation	310,109	116,314	(190) i	193,605
3	Other	34,226	-	(11,146) ii	23,080
4		<u>1,829,103</u>	<u>116,314</u>	<u>(13,366)</u>	<u>1,699,423</u>
Operating Expenses:					
5	Cost of gas	755,265	(215)	(342) i	755,138
6	Operating and maintenance expenses	384,773	14,716	(587) iii	369,470
7	Depreciation	204,344	8,731	(136) i	195,477
8	Other financing	-	-	343 iv	343
9	Property and capital taxes	62,057	1,358	-	60,699
10		<u>1,406,439</u>	<u>24,590</u>	<u>(722)</u>	<u>1,381,127</u>
Other					
11	Gain / (Loss) on sale of assets	6,322	(115)	(6,402) v	35
12	Other / HTLP	(1,165)	(1,165)	-	-
13	Gain / (Loss) on foreign exchange	701	27	-	674
14		<u>5,858</u>	<u>(1,253)</u>	<u>(6,402)</u>	<u>709</u>
15	Earning Before Interest and Taxes	<u>428,522</u>	<u>90,471</u>	<u>(19,046)</u>	<u>319,005</u>
Financial Expenses:					
16	Long-term debt				142,509
17	Unfunded short-term debt				1,312
18					<u>143,821</u>
19	Utility income before income taxes				175,184
20	Income taxes				30,888
21	Preferred dividend requirements				<u>3,075</u>
22	Utility earnings				<u>141,221</u>
23	Long term storage premium subsidy (after tax)				-
24	Short term storage premium subsidy (after tax)				8,075
25					<u>8,075</u>
26	Earnings subject to sharing				<u>149,296</u>
27	Common equity				1,289,973
28	Return on equity (line 26 / line 27)				11.57%
29	Benchmark return on equity				10.10%
30	50% Earnings sharing % (line 28 - line 29, maximum 1%)				1.00%
31	90% Earnings sharing to ratepayer % (if line 30 = 1% then line 28 - line 29 - line 30)				0.47%
32	50% Earnings sharing \$ (line 27 x line 30 x 50%)				6,450
33	90% Earnings sharing to ratepayer \$ (line 27 x line 31 x 90%)				<u>5,498</u>
34	Total earnings sharing \$ (line 32 + line 33)				<u>11,948</u>
35	Pre-tax earnings sharing (line 34 / (1 minus tax rate))				<u>16,652</u>

Notes:

i) Impact of Removing St. Clair Transmission Line from rates

ii) Shared Savings Mechanism	(9,862)
Market Transformation Incentive	(500)
Low Income Incentive	(500)
CDM / HPNC	(244)
Dawn Gateway (HST)	(40)
	<u>(11,146)</u>

iii) Donations

iv) Customer deposit interest

v) Cumulative Under-recovery St. Clair Transmission Line

1 **ALLOCATION AND DISPOSITION OF 2011 DEFERRAL ACCOUNT BALANCES,**
2 **MARKET TRANSFORMATION INCENTIVE, 2011 INCREMENTAL LOW-INCOME**
3 **INCENTIVE, 2011 EARNINGS SHARING AND 2012 DSM SETTLEMENT RATE**
4 **IMPACTS**

5
6 The purpose of this evidence is to address the allocation and disposition of 2011 deferral account
7 balances, market transformation incentive, 2011 incremental Low-income incentive amounts
8 identified at Exhibit A, Tab 1, Schedule 1, 2011 earnings sharing amounts identified at Exhibit A,
9 Tab 2, Appendix B, Schedule 1 and 2012 DSM settlement rate impacts related to the EB-2011-
10 0327 decision identified at Exhibit A, Tab 3, Schedule 5.

11
12 The allocation of 2011 deferral account balances, market transformation incentive, 2011
13 incremental Low-income incentive and 2012 DSM settlement rate impact amounts to rate classes
14 appears at Tab 3, Schedule 1, Page 1. The allocation of 2011 earnings sharing amounts to rate
15 classes appears at Tab 3, Schedule 1, Page 2. Tab 3, Schedule 2 provides the unit disposition rates
16 for Union's in-franchise rate classes and summarizes the balances to be disposed of for Union's ex-
17 franchise rate classes. Tab 3, Schedule 3 provides the impact of the proposed disposition for
18 general service customers in Union South and Union North.

19

1 **UNABSORBED DEMAND COST VARIANCE ACCOUNT**

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

7
8 The UDC associated with Union South is applicable to sales service customers only. Accordingly,
9 Union proposes that the portion of the balance in the Unabsorbed Demand Cost (“UDC”) Variance
10 Account (179-108) related to Union South be allocated to sales service customers only.

11
12 **2011 NON- GAS SUPPLY RELATED DEFERRAL ACCOUNTS**

13 Non-gas supply related deferral accounts can be divided into two groups: storage-related deferral
14 accounts and other deferral accounts.

15
16 **STORAGE-RELATED DEFERRAL ACCOUNTS**

17 The storage- related deferral accounts are:

- 18 i) Account No. 179-70 Short-Term Storage and Other Balancing Services;
19 ii) Account No. 179-72 Long-Term Peak Storage Services.

20

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

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

7

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

9 As approved by the Board in the EB-2005-0520 Rate Order, the ratepayer portion of the deferred
10 margin in the Long-Term Peak Storage Services Deferral Account is 0% in 2011. There was no
11 balance in the Long-Term Peak Storage Services Deferral Account (179-72) at December 31, 2011.
12 Per the Board's Decision in EB-2011-0025 (Union's 2012 rate application) this account was closed
13 effective January 1, 2012.

14

15 **OTHER DEFERRAL ACCOUNTS**

16 There is no balance in the Deferred Customer Rebates/Charges Deferral Account (179-26) at
17 December 31, 2011. As approved in EB-2011-0025, this account was closed effective January 1,
18 2012.

19

20 Union proposes to allocate the balance in the Lost Revenue Adjustment Mechanism Deferral

1 Account (179-75) to rate classes in proportion to the margin reduction attributable to demand side
2 management activities appearing at Exhibit A, Tab 1, Schedule 2, Page 1 of 3.

3

4 There is no balance in the Unbundled Services Unauthorized Storage Overrun Deferral Account
5 (179-103) at December 31, 2011.

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 2011.
9 This allocation is the same as that used and approved by the Board in past deferral dispositions.

10

11 There is no balance in the Gas Distribution Access Rule (“GDAR”) Costs Deferral Account (179-
12 112) at December 31, 2011.

13

14 Union proposes to allocate the balance in the Late Payment Penalty Litigation Deferral Account
15 (179-113) to rate classes in proportion to the allocation of the 2007 late payment revenue.

16

17 Union proposes to allocate the balance in the Shared Savings Mechanism (“SSM”) Variance
18 Account (179-115) to rate classes in proportion to the net TRC benefits attributable to the
19 respective rate classes appearing at Exhibit A, Tab 1, Schedule 4. This is consistent with the
20 Board-approved Settlement Agreement (Exhibit K1.1, Tab 1 which is the agreement between
21 Union and most of the intervenors) in EB-2006-0021, the Board's Generic DSM Proceeding and

1 past deferral disposition proceedings.

2

3 On June 30, 2011, the Board issued its Demand Side Management Guidelines for Natural Gas
4 Utilities (EB-2008-0346). The guidelines state on page 31 that "...incentive amounts paid to the
5 natural gas utilities should be allocated to rate classes in proportion of the amount actually spent on
6 each rate class". Accordingly, beginning in 2012, SSM will be known as DSM Incentive and
7 Union will allocate the balance based on the amount spent on each rate class. For illustrative
8 purposes, Union has provided the allocation of 2011 SSM based on spend by rate class at Exhibit
9 A, Tab 3, Schedule 4.

10

11 There is no balance in the Carbon Dioxide Offset Credits Deferral Account (179-117) at December
12 31, 2011.

13

14 Union proposes to allocate the balance in the Average Use Per Customer Account (179-118) to
15 General Service rate classes in proportion to the margin variances by rate class resulting from the
16 difference between the actual rate of decline in use-per-customer and the forecast rate of decline
17 included in approved rates by rate class.

18

19 Union proposes to allocate the balance in the IFRS Conversion Costs Account (179-120) to rate
20 classes in proportion to 2007 Board-approved EB-2005-0520 Administrative & General O&M
21 Expense (per Exhibit G3, Tab 2, Schedule 2, updated for the EB-2005-0520 Board Decision).

1 As indicated at Exhibit A, Tab 1, there is no balance in the Cumulative Under-Recovery - St. Clair
2 Transmission Line Deferral Account (179-121) and the Impact of Removing St. Clair Transmission
3 Line from Rates Deferral Account (179-122) at December 31, 2011.

4

5 Union proposes to allocate the balance in the Conservation Demand Management (“CDM”)
6 Deferral Account (179-123) to rate classes in proportion to the DSM amounts by rate class in
7 approved 2011 rates.

8

9 Union proposes to allocate the balances in the Harmonized Sales Tax Deferral Account (179-124)
10 by component using 2007 Board-Approved allocators as follows:

11 i) Capital savings using rate base (EB-2005-0520, Exhibit G3, Tab 2, Schedule 2, Rate Base,
12 Updated for EB-2005-0520 Board Decision);

13 ii) Operations & Maintenance savings using O&M expenses excluding cost of gas (EB-2005-
14 0520, Exhibit G3, Tab 2, Schedule 2, Rate Base, Updated for EB-2005-0520 Board
15 Decision);

16 iii) Compressor fuel costs using the allocation of Compressor Fuel less Customer Supplied
17 Fuel (EB-2005-0520, Decision Cost Study, Operating Expenses, C. Underground Storage &
18 D. Transmission, Compressor Fuel, pages 13-16).

19 **MARKET TRANSFORMATION INCENTIVE**

20 Union proposes to allocate the market transformation incentive to the M1 and Rate 01 rate classes.

1 As indicated at Exhibit A, Tab 1, the market transformation incentive relates to the drain water heat
2 recovery program directed at general service residential customers during 2011.

3

4 **INCREMENTAL LOW-INCOME INCENTIVE**

5 Union proposes to allocate incremental Low-income incentive, described at Exhibit A, Tab 1, Page
6 19, to the M1 and Rate 01 rate classes based on the 2011 net volume savings. As indicated at
7 Exhibit A, Tab 1, the incremental Low-income incentive relates to the home weatherization
8 program.

9

10 **2011 EARNINGS SHARING**

11 Union is proposing to allocate the 2011 earnings sharing of \$16.652 million to all rate classes
12 based on the allocation of the 2007 Board-approved return on equity.¹ The allocation of 2007
13 Board-approved return on equity underpins 2011 approved rates. The allocation of 2011 earnings
14 sharing appears at Tab 3, Schedule 1, Page 2. Union's proposal to use the allocation of return on
15 equity approved for 2007 to allocate earnings sharing related to 2011 is consistent with how Union
16 allocated the 2010 earnings sharing.

17

18 **2012 DSM SETTLEMENT RATE IMPACTS PER EB-2011-0327**

¹ Using return on equity ("ROE") as the allocator has the same effect as using rate base. ROE is allocated to rate classes in proportion to rate base.

1 In the Settlement Agreement that forms part of the EB-2011-0327 decision dated February 21,
2 2012, parties agreed that:

3 “Disposition of the difference between the DSM budgets included in 2012 rates
4 through the EB-2011-0025 Settlement Agreement approved by the Board and the
5 revised settled DSM budgets included in this Settlement Agreement (the “DSM
6 Settlement Rate Impacts”) will be determined in conjunction with Union’s upcoming
7 application to clear 2011 DSM related and other variances. Parties will be free to argue
8 in that upcoming application the appropriate mechanism for disposition of the DSM
9 Settlement Rate Impacts.”
10

11 The 2012 DSM Settlement rate impact variances by rate class are identified at Exhibit A, Tab
12 3, Schedule 5, column (c). These variances represent the difference between the 2012 DSM
13 budgets included in current approved rates and the revised 2012 DSM budgets approved in
14 EB-2011-0327. Union proposes to dispose of the variances by rate class as part of the 2011
15 Deferral disposition. This approach ensures the timely true-up of 2012 DSM budgets within
16 2012.

17
18 **DISPOSITION OF 2011 DEFERRAL ACCOUNT BALANCES, MARKET TRANSFORMATION INCENTIVE,**
19 **2011 INCREMENTAL LOW-INCOME INCENTIVE, 2011 EARNINGS SHARING AND 2012 DSM**
20 **SETTLEMENT RATE IMPACT AMOUNTS**

21 For general service M1, M2, Rate 01 and Rate 10 customers Union proposes to dispose of 2011
22 deferral account balances, market transformation incentive, 2011 incremental Low-income
23 incentive, 2011 earnings sharing and 2012 DSM Settlement rate impact amounts prospectively,
24 over the October 1, 2012 to March 31, 2013 time period. The prospective refund / recovery

1 approach over six months proposed for M1, M2, Rate 01 and Rate 10 customers is consistent with
2 how Union refunded / recovered 2010 deferral account and earnings sharing balances in EB-2011-
3 0038.

4

5 For in-franchise contract and ex-franchise rate classes, Union is proposing to dispose of net 2011
6 delivery-related deferral account, 2011 earnings sharing and 2012 DSM Settlement rate impact
7 amounts as a one-time adjustment with October 2012 bills customers receive in November 2012.

8 This approach is consistent with the methodology used for the disposition of 2010 deferral account
9 and earnings sharing balances in EB-2011-0038.

10

11 **GENERAL SERVICE BILL IMPACTS**

12 General Service customer impacts are presented at Tab 3, Schedule 3. For a residential customer
13 in Union South with annual consumption of 2,600 m³, the credit for the period October 1, 2012 to
14 March 31, 2013 is \$1.64. This \$1.64 credit consists of a delivery-related credit of \$1.50 (line 9,
15 column (c)) and a commodity-related credit of \$0.14 (line 10, column (c)).

16

17 For a residential customer in Union North with annual consumption of 2,600 m³, the credit for the
18 period October 1, 2012 to March 31, 2013 is \$19.67. This \$19.67 credit consists of a delivery-
19 related credit of \$7.19 (line 1, column (c)) and a gas transportation-related credit of \$12.48 (line 3,
20 column (c)).

UNION GAS LIMITED
Allocation of 2011 Deferral Account Balances, Market Transformation Incentive, Incremental Low-income Incentive,
2011 Earnings Sharing, and 2012 DSM Settlement Rate Impact Amounts to Rate Classes

Line No.	Particulars	Acct No.	Northern and Eastern Operations Area							Southern Operations Area											Total (1) (\$000's)	
			Rate 01 (\$000's)	Rate 10 (\$000's)	Rate 20 (\$000's)	Rate 77 (\$000's)	Rate 100 (\$000's)	Rate 25 (\$000's)	M1 (\$000's)	M2 (\$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)
		(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)	(l)	(m)	(n)	(o)	(p)	(q)	(r)	(s)	(t)	(u)
<u>Gas Supply Related Deferrals:</u>																						
1	Unabsorbed Demand Cost (UDC) Variance Account	179-108	(4,221)	(1,351)	(163)	-	-	-	(125)	(20)	(1)	(1)	-	-	(0)	-	-	-	-	-	-	(5,882)
<u>Storage Related Deferrals:</u>																						
2	Short-Term Storage and Other Balancing Services	179-70	931	298	36	-	49	-	2,541	831	286	20	202	20	1	1,679	242	-	-	-	-	7,137
3	Long-Term Peak Storage Services	179-72	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4	Total Gas Supply & Storage Related Deferrals		(3,290)	(1,053)	(127)	-	49	-	2,416	811	286	20	202	20	1	1,679	242	-	-	-	-	1,255
<u>Delivery Related Deferrals:</u>																						
5	Deferred Customer Rebates/Charges	179-26	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
6	Lost Revenue Adjustment Mechanism	179-75	253	121	33	-	85	-	573	510	98	224	43	-	-	70	-	-	-	-	-	2,009
7	Unbundled Services Unauthorized Storage Overrun	179-103	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
8	Demand Side Management Variance Account (3)	179-111	299	(1,106)	(735)	-	(1,278)	-	2,494	146	(1,403)	2,104	(320)	-	-	2,880	-	-	-	-	-	3,081
9	Gas Distribution Access Rule (GDAR) Costs	179-112	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
10	Late Payment Penalty Litigation	179-113	419	4	0	0	0	0	1,388	10	0	0	0	0	0	0	0	-	-	-	-	1,822
11	Shared Savings Mechanism	179-115	241	103	321	-	852	-	855	506	550	1,012	669	-	-	4,556	-	-	-	-	-	9,664
12	Carbon Dioxide Offset Credits	179-117	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
13	Average Use Per Customer	179-118	(1,280)	(2,847)	-	-	-	-	(705)	(273)	-	-	-	-	-	-	-	-	-	-	-	(5,105)
14	IFRS Conversion Costs	179-120	59	6	4	0	6	1	176	17	7	3	3	0	0	18	2	24	0	7	0	335
15	Cumulative Under-recovery - St. Clair Transmission Line	179-121	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
16	Impact of Removing St. Clair Transmission Line from Rates	179-122	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
17	Conservation Demand Management	179-123	(21)	(18)	(13)	-	(20)	-	(68)	(28)	(23)	-	(9)	-	-	(14)	-	-	-	-	-	(215)
18	Harmonized Sales Tax	179-124	(89)	(10)	(11)	(0)	18	(5)	(332)	17	2	7	2	1	(0)	(55)	(6)	(170)	(0)	(33)	1	(664)
19	Total Delivery-Related Deferrals		(119)	(3,746)	(400)	(0)	(339)	(4)	4,381	903	(768)	3,350	389	1	(0)	7,454	(4)	(147)	(0)	(26)	1	10,927
20	Total 2011 Deferral Account Disposition (Line 4 + Line 19)		(3,409)	(4,799)	(527)	(0)	(290)	(4)	6,797	1,714	(483)	3,369	591	21	1	9,134	238	(147)	(0)	(26)	1	12,182
<u>Other Items:</u>																						
21	2011 Market Transformation Incentive		71	-	-	-	-	-	429	-	-	-	-	-	-	-	-	-	-	-	-	500
22	2011 Incremental Low-income Incentive		79	-	-	-	-	-	465	-	-	-	-	-	-	-	-	-	-	-	-	544
23	Total 2011 Deferrals plus Other Items (Line 20 + Line 21 + Line 22)		(3,259)	(4,799)	(527)	(0)	(290)	(4)	7,690	1,714	(483)	3,369	591	21	1	9,134	238	(147)	(0)	(26)	1	13,226
24	2011 Earnings Sharing (2)		(2,859)	(528)	(274)	(0)	(362)	(123)	(6,684)	(1,016)	(271)	(166)	(168)	(14)	(1)	(824)	(99)	(3,245)	(3)	(12)	(4)	(16,652)
25	Total (Line 23 + Line 24)		(6,118)	(5,327)	(801)	-	(652)	(126)	1,007	698	(754)	3,203	423	7	0	8,310	138	(3,392)	(3)	(38)	(2)	(3,426)
26	2012 DSM Settlement Rate Impacts (4)		(537)	(118)	(14)	-	303	-	(2,834)	224	216	1,195	236	-	-	1,330	-	-	-	-	-	0
27	Grand Total (Line 25 + Line 26)		(6,655)	(5,446)	(815)	-	(349)	(126)	(1,827)	922	(537)	4,398	659	7	0	9,640	138	(3,392)	(3)	(38)	(2)	(3,426)

Notes:
(1) EB-2012-0087, Exhibit A, Tab 1, Schedule 1.
(2) EB-2012-0087, Exhibit A, Tab 3, Schedule 1, page 2.
(3) EB-2012-0087, Exhibit A, Tab 1, Schedule 3, Column (c).
(4) EB-2012-0087, Exhibit A, Tab 3, Schedule 5, Column (c).

UNION GAS LIMITED
Allocation of 2011 Earnings Sharing Amounts to Rate Classes

Line No.	Particulars	Rate Class	C2007 Return on Equity Allocation (1) (\$000's) (a)	2011 Earnings Sharing (\$000's) (b)
<u>Northern & Eastern Operations Area</u>				
1	Small Volume General Firm Service	01	44,549	(2,859)
2	Large Volume General Firm Service	10	8,234	(528)
3	Medium Volume Firm Service	20	4,263	(274)
4	Large Volume High Load Factor Firm Service	100	5,641	(362)
5	Large Volume Interruptible Service	25	1,913	(123)
6	Wholesale Transportation Service	77	8	(0)
7	Total Northern & Eastern Operations Area		64,608	(4,147)
<u>Southern Operations Area</u>				
8	Small Volume General Service Rate	M1	104,130	(6,684)
9	Large Volume General Service Rate	M2	15,828	(1,016)
10	Firm Industrial and Commercial Contract Rate	M4	4,220	(271)
11	Interruptible Industrial & Commercial Contract Rate	M5A	2,587	(166)
12	Special Large Volume Industrial & Commercial Contract Rate	M7	2,617	(168)
13	Large Wholesale Service Rate	M9	219	(14)
14	Small Wholesale Service Rate	M10	10	(1)
15	S & T Rates for Contract Carriage Customers	T1	12,835	(824)
16	S & T Rates for Contract Carriage Customers	T3	1,546	(99)
17	Cross Franchise Transportation Rates	C1	186	(12)
18	Storage & Transportation Rates	M12	50,557	(3,245)
19	Transportation of Locally Produced Gas	M13	39	(3)
20	Storage & Transportation Services - Transportation Charges	M16	55	(4)
21	Total Southern Operations Area		194,830	(12,505)
22	Total		259,438	(16,652) (2)

Notes:

- (1) Allocated costs per 2007 Decision in EB-2005-0520.
(2) EB-2012-0087, Exhibit A, Tab 2, Appendix B, Schedule 1, column (d), line 35.

UNION GAS LIMITED
 General Service Unit Rates for Prospective Recovery/(Refund) - Delivery
2011 Deferral Account Disposition, Market Transformation, Incremental Low-income Incentive, 2011 Earnings Sharing Mechanism and 2012 DSM Settlement Rate Impacts

Line No.	Particulars	Rate Class	2011 Deferral Balances (\$000's) (a)	2011 Market Transformation Incentive (\$000's) (b)	2011 Incremental Low Income Program (\$000's) (c)	2011 Earnings Sharing Mechanism (\$000's) (d)	2012 DSM Settlement Rate Impacts (\$000's) (e)	Balance for Disposition (\$000's) (f) = (a+b+c+d+e)	Forecast Volume (10 ³ m ³) (1) (g)	Unit Rate for Prospective Recovery/(Refund) (cents/m ³) (h) = (f/g)*100
1	Small Volume General Service	01	812	71	79	(2,859)	(537)	(2,434)	692,752	(0.3514)
2	Large Volume General Service	10	(3,448)	-	-	(528)	(118)	(4,095)	237,256	(1.7259)
3	Small Volume General Service	M1	6,922	429	465	(6,684)	(2,834)	(1,702)	2,251,574	(0.0756)
4	Large Volume General Service	M2	1,734	-	-	(1,016)	224	943	756,509	0.1246

Notes:

(1) Forecast volume for the period October 1, 2012 to March 31, 2013.

UNION GAS LIMITED

General Service Unit Rates for Prospective Recovery/(Refund) - Gas Supply Transportation

2011 Deferral Account Disposition, Market Transformation, Incremental Low-income Incentive, 2011 Earnings Sharing Mechanism and 2012 DSM Settlement Rate Impacts

Line No.	Particulars	Rate Class	2011 Deferral Balances (\$000's) (a)	2011 Market Transformation Incentive (\$000's) (b)	2011 Incremental Low Income Program (\$000's) (c)	2011 Earnings Sharing Mechanism (\$000's) (d)	2012 DSM Settlement Rate Impacts (\$000's) (e)	Balance for Disposition (\$000's) (f) = (a+b+c+d+e)	Forecast Volume (10 ³ m ³) (1) (g)	Unit Rate for Prospective Recovery/(Refund) (cents/m ³) (h) = (f/g)*100
1	Small Volume General Service	01	(4,221)	-	-	-	-	(4,221)	692,752	(0.6093)
2	Large Volume General Service	10	(1,351)	-	-	-	-	(1,351)	236,801	(0.5705)

Notes:

(1) Forecast volume for the period October 1, 2012 to March 31, 2013.

UNION GAS LIMITED
 Unit Rates for Prospective Recovery/(Refund) - Gas Supply Commodity
2011 Deferral Account Disposition, Market Transformation, Incremental Low-income Incentive, 2011 Earnings Sharing Mechanism and 2012 DSM Settlement Rate Impacts

Line No.	Particulars	2011 Deferral Balances (\$000's) (a)	2011 Market Transformation Incentive (\$000's) (b)	2011 Incremental Low Income Program (\$000's) (c)	2011 Earnings Sharing Mechanism (\$000's) (d)	2012 DSM Settlement Rate Impacts (\$000's) (e)	Balance for Disposition (\$000's) (f) = (a+b+c+d+e)	Forecast Volume (10 ³ m ³) (1) (g)	Unit Rate for Prospective Recovery/(Refund) (cents/m ³) (h) = (f/g)*100
1	North Sales Service	-	-	-	-	-	-	626,508	-
2	South Sales Service	(147)	-	-	-	-	(147)	2,043,985	(0.0072)

Notes:

(1) Forecast volume for the period October 1, 2012 to March 31, 2013.

UNION GAS LIMITED
 Contract Unit Rates for One-Time Adjustment - Delivery
2011 Deferral Account Disposition, Market Transformation, Incremental Low-income Incentive, 2011 Earnings Sharing Mechanism and 2012 DSM Settlement Rate Impacts

Line No.	Particulars	Rate Class	2011 Deferral Balances (\$000's) (a)	2011 Market Transformation Incentive (\$000's) (b)	2011 Incremental Low Income Program (\$000's) (c)	2011 Earnings Sharing (\$000's) (d)	2012 DSM Settlement Rate Impacts (\$000's) (e)	Balance for Disposition (\$000's) (f) = (a+b+c+d+e)	2011 Actual Volume (10 ³ m ³) (g)	Unit Rate (cents/m ³) (h) = (f/g)*100
<u>Northern and Eastern Operations Area:</u>										
1	Medium Volume Firm Service (1)	20	(111)	-	-	(48)	(3)	(162)	111,535	(0.1454)
2	Medium Volume Firm Service (2)	20T	(329)	-	-	(225)	(12)	(566)	520,888	(0.1087)
3	Large Volume High Load Factor (2)	100T	(298)	-	-	(362)	303	(357)	1,892,682	(0.0189)
4	Wholesale Service	77	(0)	-	-	(0)	-	(1)	-	
5	Large Volume Interruptible	25	(4)	-	-	(123)	-	(126)	157,090	(0.0805)
<u>Southern Operations Area:</u>										
6	Firm Com/Ind Contract	M4	(482)	-	-	(271)	216	(537)	442,313	(0.1213)
7	Interruptible Com/Ind Contract	M5	3,369	-	-	(166)	1,195	4,398	510,499	0.8615
8	Special Large Volume Contract	M7	591	-	-	(168)	236	659	257,391	0.2559
9	Large Wholesale	M9	21	-	-	(14)	-	7	60,100	0.0119
10	Small Wholesale	M10	1	-	-	(1)	-	0	192	0.1581
11	Contract Carriage Service	T1	9,134	-	-	(824)	1,330	9,640	4,541,959	0.2122
12	Contract Carriage- Wholesale	T3	238	-	-	(99)	-	138	264,032	0.0524

Notes:

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

UNION GAS LIMITED

Contract Unit Rates for One-Time Adjustment - Gas Supply Transportation and Bundled Storage

2011 Deferral Account Disposition, Market Transformation, Incremental Low-income Incentive, 2011 Earnings Sharing Mechanism and 2012 DSM Settlement Rate Impacts

Line No.	Particulars	Rate Class	Billing Units	2011 Deferral Balances (\$000's) (a)	2011 Market Transformation Incentive (\$000's) (b)	2011 Incremental Low Income Program (\$000's) (c)	2011 Earnings Sharing (\$000's) (d)	2012 DSM Settlement Rate Impacts (\$000's) (e)	Balance for Disposition (\$000's) (f) = (a+b+c+d+e)	2011 Actual Volume/Demand (g)	Unit Volumetric/Demand Rate (h) = (f/g)*100	
	<u>Gas Supply Transportation (cents/m³)</u>											
1	Medium Volume Firm Service	20	10 ³ m ³	(163)	-	-	-	-	(163)	6,055	(2.6912)	
	<u>Storage (\$/GJ)</u>											
2	Bundled-T Storage Service	20T/100T	GJ	85	-	-	-	-	85	155,904	0.543	

UNION GAS LIMITED

Storage and Transportation Service Amounts for Disposition

2011 Deferral Account Disposition, Market Transformation, Incremental Low-income Incentive, 2011 Earnings Sharing Mechanism and 2012 DSM Settlement Rate Impacts

Line No.	Particulars (\$000's) (1)	Rate Class	2011 Deferral Balances (\$000's) (a)	2011 Market Transformation Incentive (\$000's) (b)	2011 Incremental Low Income Program (\$000's) (c)	2011 Earnings Sharing (\$000's) (d)	2012 DSM Settlement Rate Impacts (\$000's) (e)	Balance for Disposition (\$000's) (f) = (a+b+c+d+e)
1	Storage and Transportation	M12	(147)	-	-	(3,245)	-	(3,392)
2	Local Production	M13	(0)	-	-	(3)	-	(3)
3	Short-Term Cross Franchise	C1	(26)	-	-	(12)	-	(38)
4	Storage Transportation Service	M16	1	-	-	(4)	-	(2)

Notes:

(1) Exfranchise M12, M13, M16 and C1 customer 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/(Refund) (cents/m ³) (1) (a)	Volume (m ³) (2) (b)	Bill Impact (\$) (c) = (a x b) / 100
1	Rate 01	Delivery	(0.3514)	2,048	(7.19)
2		Commodity	-	2,048	-
3		Transportation	(0.6093)	2,048	(12.48)
4			<u>(0.9607)</u>		<u>(19.67)</u>
5	Rate 10	Delivery	(1.7259)	66,961	(1,155.67)
6		Commodity	-	66,961	-
7		Transportation	(0.5705)	66,961	(382.01)
8			<u>(2.2964)</u>		<u>(1,537.68)</u>
9	Rate M1	Delivery	(0.0756)	1,984	(1.50)
10		Commodity	(0.0072)	1,984	(0.14)
11			<u>(0.0828)</u>		<u>(1.64)</u>
12	Rate M2	Delivery	0.1246	55,772	69.49
13		Commodity	(0.0072)	55,772	(4.02)
14			<u>0.1174</u>		<u>65.48</u>

Notes:

(1) EB-2012-0087 Exhibit A, Tab 3, Schedule 2, Pages 1-3.

(2) Average consumption, per customer, for the period October 1, 2012 to March 31, 2013.

UNION GAS LIMITED
 Shared Savings Mechanism
Allocation of 2011 Amounts Using 2012 Methodology

Line No.	Particulars (\$)	<u>Methodology</u>		Variance (c) = (b) - (a)
		TRC (a)	Spend ⁽¹⁾ (b)	
	<u>South</u>			
1	M1	886,587	2,628,719	1,742,131
2	M2	497,955	1,299,666	801,711
3	M4	512,717	545,634	32,917
4	M5	980,419	889,918	(90,500)
5	M7	610,360	297,455	(312,904)
6	T1	4,401,731	1,657,775	(2,743,956)
7		<u>7,889,769</u>	<u>7,319,167</u>	<u>(570,602)</u>
	<u>North</u>			
8	Rate 01	252,721	852,038	599,318
9	Rate 10	104,296	358,456	254,160
10	Rate 20	291,360	314,042	22,682
11	Rate 100	705,221	399,663	(305,558)
12		<u>1,353,598</u>	<u>1,924,200</u>	<u>570,602</u>
13	Total	<u><u>9,243,367</u></u>	<u><u>9,243,367</u></u>	<u><u>-</u></u>

Notes:

(1) Allocation by spend reflects the Demand Side Management Guidelines for Natural Gas Utilities (page 31) issued under docket number EB-2008-0346 on June 30, 2011. This is provided for illustrative purposes only.

UNION GAS LIMITED
2012 DSM Settlement Rate Impacts

Line No.	Particulars (\$000s)	2012		
		DSM Costs in Rates ⁽¹⁾	Revised DSM Budget ⁽²⁾	Variance
		(a)	(b)	(c) = (b) - (a)
	<u>South</u>			
1	M1	13,058	10,224	(2,834)
2	M2	3,587	3,811	224
3	M4	1,356	1,572	216
4	M5	1,430	2,624	1,195
5	M7	650	886	236
6	T1	2,984	4,314	1,330
7		<u>23,064</u>	<u>23,431</u>	<u>367</u>
	<u>North</u>			
8	Rate 01	4,188	3,651	(537)
9	Rate 10	1,279	1,160	(118)
10	Rate 20	968	953	(14)
11	Rate 100	1,456	1,759	303
12		<u>7,891</u>	<u>7,523</u>	<u>(367)</u>
13	Total	<u><u>30,954</u></u>	<u><u>30,954</u></u>	<u><u>(0)</u></u>

Notes:

- (1) The allocation of the costs is consistent with EB-2005-0520, Exhibit G3, Tab 5, Schedule 21, updated to reflect EB-2005-0520 Board decision.
- (2) Updated per EB-2011-0327 Union Gas Limited Settlement Agreement, January 31, 2012, Page 14.

1 INCREMENTAL TRANSPORTATION CONTRACTING ANALYSIS

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 its decision
7 to enter into firm transportation capacity on the four following contracts:

- 8 1. Vector Pipeline
- 9 2. Panhandle Eastern Pipeline - Michigan Consolidated Gas Company
- 10 3. Michigan Consolidated Gas Company – Great Lakes Gas Transmission-
11 TransCanada PipeLines
- 12 4. TransCanada PipeLines.

13

14 VECTOR PIPELINE TRANSPORTATION CONTRACT

15

16 Capacity

17 Union currently holds 85,460 GJ/d of firm transportation capacity on Vector Pipeline
18 (“Vector”) from Chicago to Dawn for a term ending on October 31, 2015 at a fixed
19 demand rate of \$0.25 US/mmbtu.

20

1 Capacity of 10,000 mmbtu/d (10,551 GJ/d) was purchased in the secondary market and
2 was entered into for a one-year term initiating on November 1, 2011 through to October
3 31, 2012 at a 100% load factor rate of \$0.2416 US/mmbtu.

4

5 This new capacity will serve sales service customers in Union's Southern Operations
6 Area. This transportation path is allocated to customers migrating from sales service to
7 direct purchase using the vertical slice methodology.

8

9 The assignment of US pipeline transportation capacity between shippers is governed by
10 FERC in accordance with standardized "capacity release" bidding rules. FERC's capacity
11 release process required Union and Shipper releasing the capacity, in this case, DTE
12 Energy, to place a notice on Vector's website that described the term, volume and rate
13 that Union had bid for the capacity. At the end of a one business day pre-arranged,
14 biddable posting, Union was awarded the capacity under the terms of the original bid.

15

16 Rationale for Transportation Capacity

17 Union's 2011/2012 Gas Supply Plan supports the new Vector capacity in order for Union
18 to meet forecasted demand within the Southern sales service customer base.

19

20 The benefits of this capacity are:

- 21 1. The landed cost of gas flowing to Union along this route is competitive with
22 supply flowing on alternative upstream pipelines;

- 1 2. The one-year term supports Union's objective of structuring a portfolio with a
- 2 diversity of contract terms and supply basins;
- 3 3. Access to the Chicago market hub which receives competing gas supplies from
- 4 the Western Canada Supply Basin, the U.S. Midwest, Gulf and the expanding
- 5 Rockies basin which supports Union's objective of diversity of supply basins;
- 6 4. It maintains and supports the acquisition of secure supply from a liquid market
- 7 hub with many gas suppliers accessing multiple gas basins;
- 8 5. It has a low unabsorbed demand charge exposure relative to alternative upstream
- 9 pipeline routes due to the low demand charge on this route;
- 10 6. It provides a fixed-rate toll which provides toll certainty on a portion of Union's
- 11 supply.

12

13 Contract Parameters

- 14 • Transportation provider: Vector Pipeline Limited Partnership
- 15 • Service: FT-1 (Firm Transportation Service)
- 16 • Term: November 1, 2011 through October 31, 2012
- 17 • Volume: 10,000 mmbtu/day
- 18 • Rate: \$0.2416 US/mmbtu at 100% load factor (exclusive of fuel)
- 19 • Receipt Point: Joliet (Alliance Pipelines)
- 20 • Delivery Point: Dawn (Union Gas Limited)

21
22

1 Incremental Contracting Analysis Form

2 Schedule 1 shows a comparison of landed costs for the Vector contract relative to the
3 alternatives reviewed by Union in the format agreed upon in the EB-2005-0520
4 Settlement Agreement.

5

6 **PANHANDLE EASTERN PIPELINE-MICHIGAN CONSOLIDATED GAS COMPANY**

7 **TRANSPORTATION CONTRACT**

8

9 Capacity

10 Union currently holds 25,000 mmbtu/d of firm transportation capacity on Panhandle
11 Eastern Pipe Line (“PEPL”) from the Panhandle Field Zone (“FZ”) to Ojibway for a term
12 ending October 31, 2017 at a 100% load factor rate of \$0.4693 US/mmbtu.

13

14 Union delivers to Dawn 20,000 mmbtu/d (21,101 GJ/d) of firm supply via the
15 transportation path originating on PEPL FZ in Oklahoma travelling to Michigan
16 Consolidated Gas Company (“MichCon”) interconnect, then on MichCon to the St. Clair
17 interconnect at which point it then moves on to St. Clair Pipelines to Dawn. The one-year
18 contract term on the upstream pipelines is from November 1, 2011 to October 31, 2012.

19 The combined 100% load factor rate for the transportation path is \$0.3175 US/mmbtu.

20 The transportation contracts were directly negotiated with upstream pipeline suppliers.

21 This new capacity will serve sales service customers in Union’s Southern Operations

22 Area. This transportation path is not allocated to customers migrating to direct purchase

1 using the vertical slice methodology because the MichCon portion of the PEPL-MichCon
2 path does not have a capacity release program. MichCon is regulated as a
3 Hinshaw¹ pipeline (as opposed to an interstate regulated pipeline) and is not required to
4 have such a program. The systems required to execute Union's vertical slice methodology
5 are not available.

6

7 Rationale for Transportation Capacity

8 Union's 2011/2012 Gas Supply Plan supports the new PEPL FZ-MichCon capacity in
9 order for Union to meet forecasted demand within the Southern sales service customer
10 base.

11

12 The benefits of this capacity are:

- 13 1. The landed cost of gas flowing to Union along this route is competitive with
14 supply flowing on alternative upstream pipelines;

¹ "Intrastate natural gas pipelines are defined as pipelines that operate entirely within a single state and are not subject to the Commission's jurisdiction under the Natural Gas Act. Hinshaw pipelines, by definition, also operate within a single state, but can receive gas from outside their state without becoming subject to the Commission's NGA jurisdiction. Historically, the Commission did not make intrastate and Hinshaw pipelines meet the same rigorous transactional reporting guidelines as interstate pipelines. However, the Commission's new rule was created to provide a more detailed and uniform account of intrastate and Hinshaw pipelines." *Source: Washington Energy Report, FERC Announces New Reporting Rules for Intrastate and Hinshaw Pipelines, Troutman Sanders LLP, May 2010*

- 1 2. The one-year term supports Union's objective of structuring a portfolio with a
- 2 diversity of contract terms and supply basins;
- 3 3. It maintains and supports the acquisition of secure supply from the Panhandle
- 4 Field Zone gas supply basin, maintaining Union's supply diversity;
- 5 4. It has a low unabsorbed demand charge exposure relative to alternative upstream
- 6 pipeline routes due to the low demand charge on this route;
- 7 5. Both PEPL and MichCon are able to provide a fixed-rate toll for the contract term
- 8 providing toll certainty on this portion of Union's supply;
- 9 6. Bringing supply into Ontario via the St. Clair interconnect is anticipated to allow
- 10 for additional operational flexibility in the Sarnia Industrial market.

11

12 Contract Parameters

- 13 • Transportation provider: Panhandle Eastern Pipe Line Company, LP
- 14 • Service: FT (Firm Transportation Service)
- 15 • Term: November 1, 2011 through October 31, 2012
- 16 • Volume: 20,326 mmbtu/day
- 17 • Rate: \$0.28 US/mmbtu at 100% load factor (exclusive of fuel)
- 18 • Primary Receipt Point: Markwest Western Oklahoma Gas (13241)
- 19 • Secondary Receipt Points: Scotland Interconnect (09248), ANR Defiance
- 20 (ANRDF), Crossroads (CRSRD), REX Pipeline (09254)
- 21 • Primary Delivery Point: Michigan Consolidated Gas (MCON)
- 22 • Secondary Delivery Point: Ojibway (UNION)

1

- 2 • Transportation provider: Michigan Consolidated Gas Company
- 3 • Service: Exchange Service
- 4 • Term: November 1, 2011 through October 31, 2012
- 5 • Volume: 20,000 mmbtu/day
- 6 • Rate: \$0.0375 US/mmbtu at 100% load factor (exclusive of fuel)
- 7 • Primary Receipt Point: PEPL/MCON (9028)
- 8 • Primary Delivery Point: Union St. Clair

9

10 INCREMENTAL CONTRACTING ANALYSIS FORM

11 Schedule 1 shows a comparison of landed costs for the PEPL/MichCon transportation
12 path contracts relative to the alternatives reviewed by Union in the format agreed upon in
13 the EB-2005-0520 Settlement Agreement.

14

15 MICHIGAN CONSOLIDATED GAS COMPANY-GREAT LAKES GAS TRANSMISSION-
16 TRANSCANADA PIPELINES LIMITED TRANSPORTATION CONTRACTS

17

18 Capacity

19 Union continues to hold 2,700 Gj/d of firm transportation capacity on TransCanada
20 PipeLines (“TCPL”) from Empress to Sault St. Marie Delivery Area (“SSMDA”) for a
21 term ending on October 31, 2012. The 100% load factor rate at the time of the analysis
22 was \$1.2589 CDN/GJ (2010 final toll schedule).

1 Capacity of 6,143 GJ/d to the SSMDA was purchased via the transportation path
2 originating on Michigan Consolidated Gas Company (“MichCon”) travelling to the Great
3 Lakes Gas Transmission (“GLGT”) interconnect at Belle River Mills, then on GLGT to
4 the Sault Ste. Marie TCPL interconnect at which point it moves on to TCPL to Union’s
5 SSMDA. The contract term on upstream pipelines is from November 1, 2011 to October
6 31, 2014. The transportation contracts were directly negotiated with upstream pipeline
7 suppliers.

8
9 This new capacity will serve sales service customers in Union’s Northern Operations
10 Area. The combined 100% load factor rate for the new transportation path is \$0.1574
11 US/mmbtu.

12 13 Rationale for Transportation Capacity

14 Union’s 2011/2012 Gas Supply Plan supports the new MichCon-GLGT capacity in order
15 for Union to meet forecasted demand within the Northern sales service customer base.

16 The benefits of this capacity are:

- 17 1. The landed cost of gas flowing to Union along this route is competitive with
18 supply flowing on alternative upstream pipelines;
- 19 2. The three-year term supports Union’s objective of structuring a portfolio with a
20 diversity of contract terms and supply basins;
- 21 3. It introduces to northern customers secure supply from a new gas basin,
22 increasing Union’s supply diversity;

- 1 4. The transportation path provides transportation portfolio diversity by including
2 two new pipeline suppliers in the North, MichCon and GLGT;
3 5. Both MichCon and GLGT are able to provide a fixed-rate toll for the contract
4 term providing increased toll certainty on this supply.

5

6 Contract Parameters

- 7 • Transportation provider: Michigan Consolidated Gas Company
8 • Service: Firm Gas Transportation Service
9 • Term: November 1, 2011 through October 31, 2014
10 • Volume: November-March 5,829 mmbtu/day (6,150 GJ/day)
11 April-October 3,003 mmbtu/day (3,168 GJ/day)
12 • Rate: \$0.035 US/mmbtu at 100% load factor (exclusive of fuel)
13 • Primary Receipt Points: MichCon Generic Points
14 • Delivery Point: GLGT-Belle River
15 • Transportation provider: Great Lakes Gas Transmission
16 • Service: FT (Firm Transportation Service)
17 • Term: November 1, 2011 through October 31, 2014
18 • Volume: 5,829 mmbtu/day (6,150 GJ/day)
19 • Rate: \$0.08 US/mmbtu at 100% load factor (exclusive of fuel)
20 • Receipt Point: Belle River Mills
21 • Secondary Receipt Points: St. Clair and Farwell

- 1 • Delivery Point: Sault Ste. Marie TCPL
- 2 • Secondary Delivery Point: Emerson
- 3 • Transportation provider: TransCanada PipeLines Limited
- 4 • Service: FT (Firm Transportation Service)
- 5 • Term: November 1, 2011 through October 31, 2014
- 6 • Volume: 6,143 GJ/day
- 7 • Rate: \$0.0412 CDN/ GJ at 100% load factor (exclusive of fuel)
- 8 • Receipt Point: SS Marie
- 9 • Delivery Point: Union SSMDA

10

11 Incremental Contracting Analysis Form

12 Schedule 2 shows a comparison of landed costs for the MichCon/GLGT/TCPL
13 transportation path contracts relative to the alternatives reviewed by Union in the format
14 agreed upon in the EB-2005-0520 Settlement Agreement.

15

16 **TRANSCANADA PIPELINES LIMITED TRANSPORTATION CONTRACTS**

17

18 Capacity

19 Effective November 1, 2011, Union entered into two contracts with TCPL, totalling
20 80,000 GJ/d from Parkway to Union CDA. The first contract is for a quantity of 16,000
21 GJ/d of firm transportation (“FT”) for a one-year term from November 1, 2011 to

1 October 31, 2012 at the 100% load factor tariff rate of \$0.0686/GJ. The second contract is
2 for a quantity of 64,000 GJ/d of firm transportation – non renewable (“FTNR”) for a one-
3 year term initiating from November 1, 2011 to October 31, 2012 at the 100% load factor
4 rate. This capacity is used to transport molecules that have already landed on Union’s
5 system.

6

7 Rationale for Transportation Capacity

8 The capacity of 80,000 GJ/d between Parkway and Union CDA is required to meet peak
9 day demands in Union North . On a peak day, gas originating at Empress and destined for
10 Union CDA is diverted to meet northern requirements. The Union CDA peak day
11 requirement is then met with gas originating from Dawn and transported to Parkway. To
12 transport this gas from Parkway to Union CDA, firm transportation is required on TCPL
13 from Union Parkway to Union CDA.

14

15 Historically, Union was able to manage gas movement from Parkway to Union CDA
16 under existing arrangements with TCPL. TCPL contacted Union in January 2011 and
17 identified that Union would no longer be able to utilize these existing arrangements and
18 that Union would be required to separately contract to move gas between Parkway and
19 Union CDA.

20

21 Through open season, TCPL made available 16,000 GJ/d of firm transportation with
22 renewal rights. Union was awarded all available firm transportation with renewal rights.

1 Union met its remaining firm transportation requirements with non-renewable firm
2 transportation of 64,000 GJ/d.

3

4 The benefits of this capacity are:

- 5 1. The cost of gas flowing along this route is less expensive than serving the north
6 with TCPL long-haul;
- 7 2. The one-year term supports Union's objective of structuring a portfolio with a
8 diversity of contract terms and supply basins; and,
- 9 3. The firm transport purchase is consistent with the gas supply principal of ensuring
10 secure and reliable gas supply to Union's service territory at a reasonable cost.

11

12 Contract Parameters

- 13 • Transportation provider: TransCanada Pipelines Limited
- 14 • Service: (FT) Firm Gas Transportation Service
- 15 • Term: November 1, 2011 through October 31, 2012
- 16 • Volume: 16,000 GJ/day
- 17 • Rate: \$0.0686 Cdn/GJ at 100% load factor (exclusive of fuel)
- 18 • Primary Receipt Point: Union Parkway Belt
- 19 • Delivery Point: Union CDA
- 20 • Transportation provider: TransCanada Pipelines Limited
- 21 • Service: (FT-NR) Firm Gas Transportation Service – Non Renewable

- 1 • Term: November 1, 2011 through October 31, 2012
- 2 • Volume: 64,000 GJ/day
- 3 • Rate: \$0.0686 Cdn/GJ at 100% load factor (exclusive of fuel)
- 4 • Primary Receipt Point: Union Parkway Belt
- 5 • Delivery Point: Union CDA

6

7 Incremental Contracting Analysis Form

8 The Union Parkway Belt to Union CDA transportation path moves existing supply that
9 has already landed on the Union system to a delivery area. In addition, the only firm
10 transportation available underpinning this path is the TCPL Union Parkway Belt to Union
11 CDA. Thus, a landed cost comparison is not included.

12

13 **Proposed Changes to The TCPL Tolls and Fuel –Northern and Eastern Operations**

14 **Area Deferral Account(No. 179-100) Accounting Order**

15

16 Union is proposing to modify the accounting order for the TCPL Tolls and Fuel –
17 Northern and Eastern Operations Area Deferral Account (“Account 179-100”) to replace
18 all references to “TCPL” with the more generic “Transportation”. The current approved
19 accounting order for Account 179-100 and the accounting order incorporating Union’s
20 proposed changes are provided at Schedules 3 and 4.

21

22

1 Rationale for the Proposed Changes

2 Account 179-100 records the difference between the actual per unit tolls and associated
3 fuel costs and the Board approved per unit tolls and associated fuel costs included in rates
4 attributable to northern sales service and bundled direct purchase customers. The North
5 Purchased Gas Variance Account (“Account 179-105”) in combination with Account
6 179-100 capture cost variances related to commodity and upstream transportation for
7 Union north customers.

8

9 Account 179-100 was last reviewed in the RP-2003-0063 proceeding (Union’s 2004 Rate
10 Case). At that time, Union proposed that Account 179-100 should be maintained and that
11 because the northern supply portfolio continued to be underpinned by 100% TCPL
12 transportation, actual TCPL costs would be deferred against the approved TCPL tolls and
13 fuel ratios for each delivery area. Union’s proposal was accepted and approved by the
14 Board.

15

16 Union North is no longer exclusively served through TCPL upstream transportation
17 contracts. As indicated above, Union’s northern supply portfolio now includes
18 transportation capacity on Michcon and GLGT. As a result of these changes and Union’s
19 continued efforts to diversify the northern supply portfolio, Union is proposing to modify
20 Account 179-100, replacing the reference to TCPL with the more generic
21 “Transportation”, to allow Union to capture toll changes on all upstream capacity serving

1 Union North. This proposal is consistent with the purpose of Account 179-100 which, in
2 combination with Account 179-105, is intended to capture gas-supply related cost
3 variances and pass them through to northern customer. The updated accounting order
4 with black lined changes is included in Schedule 4.

UNION GAS LIMITED
2011-2012 Transportation Contracting Analysis

<u>Route</u>	<u>Point of Supply</u>	<u>Basis Differential</u> \$US/mmBtu	<u>Supply Cost</u> \$US/mmBtu	<u>Unitized Demand Charge</u> \$US/mmBtu	<u>Commodity Charge</u> \$US/mmBtu	<u>Fuel Charge</u> \$US/mmBtu	<u>100% LF Transportation Inclusive of Fuel</u> \$US/mmBtu	<u>Landed Cost</u> \$US/mmBtu	<u>Landed Cost</u> \$Cdn/Gj	<u>Point of Delivery</u>
(A)	(B)	(C)	(D) = Nymex + C	(E)	(F)	(G)	(I) = E + F + G	(J) = D + I	(K)	(L)
Dawn	Dawn	0.299	5.3521	0.0000	0.0000	0.0000	0.0000	5.35	5.87	Dawn
Vector (2011)	Chicago	0.054	5.1067	0.2397	0.0019	0.0618	0.3034	5.41	5.93	Dawn
Vector (2008)	Chicago	0.054	5.1067	0.2500	0.0019	0.0618	0.3137	5.42	5.94	Dawn
Trunkline/Panhandle	Trunkline Field Zone	(0.031)	5.0215	0.1900	0.0274	0.2139	0.4313	5.45	5.98	Ojibway
PEPL FZ-MichCon-St Clair	Panhandle Field Zone	(0.277)	4.7760	0.3083	0.0442	0.3893	0.7418	5.52	6.05	Dawn
Panhandle Longhaul	Panhandle Field Zone	(0.277)	4.7760	0.4251	0.0442	0.2813	0.7506	5.53	6.06	Ojibway
Alliance/Vector	CREC	(0.617)	4.4358	1.6991	(0.287)	0.2577	1.6694	6.11	6.70	Dawn
TCPL SWDA	Empress	(0.612)	4.4408	1.9430	0.1330	0.1079	2.1840	6.62	7.27	Dawn

Sources for Assumptions:

Gas Supply Prices (Col D):	ICE Settlement; May 31, 2011
Fuel Ratios (Col G):	Average ratio over the previous 12 months or Pipeline Forecast
Transportation Tolls (Cols E & F):	Tolls in effect on Alternative Routes at the time of Union's Analysis
Foreign Exchange (Col K)	\$1 US = \$0.962 CDN
Energy Conversions (Col K)	1 dth = 1 mmBtu = 1.055056 GJ
Union's Analysis Completed:	Jun-11

Union Gas Limited
2011-2014 Transportation Contracting Analysis

<u>Route</u>	<u>Point of Supply</u>	<u>Basis Differential</u> \$US/mmBtu	<u>Supply Cost</u> \$US/mmBtu	<u>Unitized Demand Charge</u> \$US/mmBtu	<u>Commodity Charge</u> \$US/mmBtu	<u>Fuel Charge</u> \$US/mmBtu	<u>100% LF Transportation Inclusive of Fuel</u> \$US/mmBtu	<u>Landed Cost</u> \$US/mmBtu	<u>Landed Cost</u> \$Cdn/Gj	<u>Point of Delivery</u>
(A)	(B)	(C)	(D) = Nymex + C	(E)	(F)	(G)	(I) = E + F + G	(J) = D + I	(K)	(L)
MichCon-GLGT-TCPL to SSMDA	Michigan	0.27	5.44	0.1572	0.0002	0.0921	0.2495	\$5.69	\$5.86	SSMDA
TCPL Empress to SSMDA	Empress	(0.63)	4.54	1.2440	0.0531	0.1013	1.3984	\$5.94	\$6.12	SSMDA

Assumptions used in Developing Long-term Transportation Contracting Analysis:

<u>Annual Gas Supply & Fuel Ratio Forecasts</u>	<u>Point of Supply</u> Col (B) above	<u>2011</u> \$US/mmBtu	<u>2012</u> \$US/mmBtu	<u>2013</u> \$US/mmBtu	<u>Average Annual Gas Supply Cost</u> \$US/mmBtu Col (D) above	<u>Fuel Ratio Forecasts</u> Col (G) above
Henry Hub (NYMEX) \$US/mmBtu		4.70	5.05	5.75	5.17	
MichCon to SSMDA	Michigan	4.96	5.30	6.06	5.44	1.69%
TCPL Empress to SSMDA	Empress	4.06	4.42	5.15	4.54	2.23%

Sources for Assumptions:

Gas Supply Prices (Col D): ICF International; October 2010
 Fuel Ratios (Col G): Average ratio over the previous 12 months or Pipeline Forecast
 Transportation Tolls (Cols E & F): Tolls in effect on Alternative Routes at the time of Union's Analysis
 Foreign Exchange (Col K): \$1 US = \$1.024 CDN
 Energy Conversions (Col K): 1 dth = 1 mmBtu = 1.055056 GJs
 Union's Analysis Completed: Jan-11

UNION GAS LIMITED

**Accounting Entries for
TCPL Tolls and Fuel – Northern and Eastern Operations Area
Deferral Account No. 179-100**

This account is applicable to the Northern and Eastern Operations of Union Gas Limited. Account numbers are from the Uniform System of Accounts for Gas Utilities, Class A prescribed under the Ontario Energy Board Act.

Debit - Account No. 179-100
Other Deferred Charges - TCPL Tolls and Fuel – Northern and Eastern Operations Area

Credit - Account No. 623
Cost of Gas

To record, as a debit (credit) in Deferral Account No. 179-100, the difference in the costs between the actual per unit TCPL tolls and associated fuel and the forecast per unit TCPL tolls and associated fuel costs included in the rates as approved by the Board.

Debit - Account No. 623
Cost of Gas

Credit - Account No. 179-100
Other Deferred Charges - TCPL Tolls and Fuel – Northern and Eastern Operations Area

To record, as a credit (debit) in Deferral Account No. 179-100, the benefit from the temporary assignment of unutilized capacity under Union's TCPL transportation contracts to the Northern and Eastern Operations Area. The benefit will be equal to the recovery of pipeline demand charges and other charges resulting from the temporary assignment of unutilized capacity that have been included in gas sales rates.

Debit - Account No. 179-100
Other Deferred Charges - TCPL Tolls and Fuel – Northern and Eastern Operations Area

Credit - Account No. 623
Cost of Gas

To record, as a debit (credit) in Deferral Account No. 179-100 charges that result from the Limited Balancing Agreement with TCPL.

Debit - Account No. 500
Sales Revenue

Credit - Account No. 179-100
Other Deferred Charges - TCPL Tolls and Fuel – Northern and Eastern Operations Area

To record, as a credit (debit) in Deferral Account No. 179-100 revenue from T-Service customers for load balancing service resulting from the Limited Balancing Agreement with TCPL.

Debit	-	Account No. 179-100 Other Deferred Charges - TCPL Tolls and Fuel – Northern and Eastern Operations Area
Credit	-	Account No. 323 Other Interest Expense

To record, as a debit (credit) in Deferral Account No. 179-100 interest expense on the balance in Deferral Account No. 179-100. Simple interest will be computed monthly on the opening balance in the said account in accordance with the methodology approved by the Board in EB-2006-0117.

UNION GAS LIMITED

**Accounting Entries for
Transportation Tolls and Fuel – Northern and Eastern Operations Area
Deferral Account No. 179-100**

This account is applicable to the Northern and Eastern Operations of Union Gas Limited. Account numbers are from the Uniform System of Accounts for Gas Utilities, Class A prescribed under the Ontario Energy Board Act.

Debit - Account No.179-100
Other Deferred Charges - Transportation Tolls and Fuel – Northern and Eastern
Operations Area

Credit - Account No. 623
Cost of Gas

To record, as a debit (credit) in Deferral Account No. 179-100, the difference in the costs between the actual per unit transportation tolls and associated fuel and the forecast per unit transportation tolls and associated fuel costs included in the rates as approved by the Board.

Debit - Account No. 623
Cost of Gas

Credit - Account No.179-100
Other Deferred Charges - Transportation Tolls and Fuel – Northern and Eastern
Operations Area

To record, as a credit (debit) in Deferral Account No. 179-100, the benefit from the temporary assignment of unutilized capacity under Union’s transportation contracts to the Northern and Eastern Operations Area. The benefit will be equal to the recovery of pipeline demand charges and other charges resulting from the temporary assignment of unutilized capacity that have been included in gas sales rates.

Debit - Account No. 179-100
Other Deferred Charges - Tolls and Fuel – Northern and Eastern Operations Area

Credit - Account No. 623
Cost of Gas

To record, as a debit (credit) in Deferral Account No. 179-100 charges that result from the Limited Balancing Agreement.

Debit - Account No. 500
Sales Revenue

Credit - Account No. 179-100
Other Deferred Charges - Transportation Tolls and Fuel – Northern and Eastern
Operations Area

To record, as a credit (debit) in Deferral Account No. 179-100 revenue from T-Service customers for load balancing service resulting from the Limited Balancing Agreement with TCPL.

Debit	-	Account No. 179-100	
		Other Deferred Charges – Transportation Tolls and Fuel – Northern and Eastern	
Operations Area			
Credit	-	Account No. 323	
		Other Interest Expense	

To record, as a debit (credit) in Deferral Account No. 179-100 interest expense on the balance in Deferral Account No. 179-100. Simple interest will be computed monthly on the opening balance in the said account in accordance with the methodology approved by the Board in EB-2006-0117.