



uniongas

A Spectra Energy Company

March 31, 2009

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

**Re: Union Gas Disposition of 2008 Deferral Account and Other Balances
(EB-2009-0052)**

Dear Ms. Walli:

Enclosed is the application and evidence submitted by Union Gas Limited (“Union”) concerning the final disposition and recovery of certain 2008 year-end deferral account balances.

Union proposes that the impacts which result from the disposition of 2008 deferral account balances be implemented on July 1, 2009 to align with other rate changes.

Also, consistent with the Board’s Decision and Order in EB-2008-0034 (concerning the disposition of Union’s 2007 deferral account balances) Union proposes that interest accrue starting January 1, 2008 on the amount due to ratepayers 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.

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-2008-0034 Decision and Order dated June 3, 2008.

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

comply with the agreement, Union has included in the evidence at Tab 3 the rationale for renewing the Vector Pipeline transportation contract.

Union has closed the following deferral accounts to comply with the Board's EB-2007-0606 Decision and Order for Interim Rates dated March 4, 2008:

179-69 Transportation & Exchange Services Account
179-73 Other S&T Services Account
179-74 Other Direct Purchases Services Account
179-89 Heating Value Account

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

Yours truly,

[Original Signed by]

Chris Ripley
Manager, Regulatory Applications

cc M. Penny (Torys)
EB-2008-0220 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 July 1, 2009;

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-2007-0606, Union applied to the OEB for an order, among other things, approving or fixing just and reasonable rates and other charges for the sale, distribution, storage and transmission of gas by Union effective January 1, 2008.
4. By Reasons for Decision and Order for Interim Rates dated March 4, 2008, the OEB fixed 2008 rates. In doing so, the OEB approved the creation/continuation of certain deferral accounts. The order also identified certain impacts on the setting of 2008 rates that resulted from prior proceedings.
5. In its EB-2006-0021 Decision with Reasons, the OEB decided that Union is entitled to an incentive payment of up to \$0.500 million in each year of the multi-year DSM plan based on the measured success of market transformation programs.

6. In 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. Union applies for the:
 - a) approval of final balances for all 2008 deferral accounts and an order for final disposition of those balances and;
 - b) approval of the market transformation incentive for 2008 and an order for final disposition of the balance.
8. 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.
9. Union further applies to the Board for all necessary orders and directions concerning pre-hearing and hearing procedures for the determination of this application.
10. 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.
11. 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.
12. The address of service for Union is:

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

Telephone: (519) 436- 5476

Fax: (519) 436-4641

- and -

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

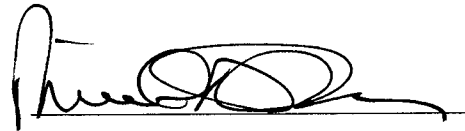
Telephone: (416) 865-7526

Fax: (416) 865-7380

DATED: March 31, 2009.

UNION GAS LIMITED

By its Solicitors



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

Telephone: (416) 865-7526

Fax: (416) 865-7380

Index

Tab 1 2008 Deferral Account Balances and Market Transformation Incentive and Capital Tax Deferral Amounts

Schedule 1 2008 Deferral Account Balances and Market Transformation Incentive (Year ending December 31, 2008)

Schedule 2 LRAM Deferral Account Schedules

Schedule 3 DSM Variance Account Schedule

Schedule 4 SSM Variance Account Schedule

Tab 2 Allocation & Disposition of 2008 Deferral Account Balances and Market Transformation Incentive

Schedule 1 Allocation of 2008 Deferral Account Balances and Market Transformation to Rate Classes

Schedule 2 Unit Rates for Prospective Recovery/(Refund), One-Time Adjustments, and Storage and Transportation (Ex-Franchise) Balances for Disposition

Schedule 3 General Service Bill Impacts

Tab 3 Vector Pipeline Long-term Transportation Contract

Schedule 1 Long-term Transportation Contracting Analysis

1 **1. 2008 YEAR-END DEFERRAL ACCOUNT BALANCES**

2

3 At the end of December 2008, the balances accumulated in Union's Board-approved

4 deferral accounts total a credit of \$30.707 million. This amount consists of \$10.996

5 million in credits in gas supply-related deferral accounts [the majority of which is

6 managed through the Quarterly Rate Adjustment Mechanism ("QRAM")], \$28.101

7 million in credits in Storage and Transportation related deferral accounts, and \$8.390

8 million in debits in the Other deferral accounts. Individual account balances are shown at

9 Tab 1, Schedule 1. Each account balance includes interest up to December 31, 2008.

10 Interest is computed monthly on the opening balance of each account. The applicable

11 short term interest rates used were 5.14% for the months of January through March,

12 4.08% for the months of April through June, and 3.35% for the months of July through

13 December as prescribed by the Board in accordance with EB-2006-0117.

14

15 Deferral account balances have been categorized into three types: Gas Supply deferral

16 accounts, S&T deferral accounts and Other deferral accounts. The balances for each

17 account are discussed below.

18

19 **GAS SUPPLY DEFERRAL ACCOUNTS**

20 The balances recorded in the following gas supply related deferral accounts were

21 examined in each of Union's four QRAM applications in 2008.

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

6

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

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

12

13 As noted in the Board’s EB-2008-0034 Decision, the Board issues Decisions and Orders
14 on the five gas supply deferral accounts as part of Union’s QRAM filings each quarter.

15 The QRAM orders include approval of the prospective disposition of deferral account
16 balances.

17

18 The balance of the Unabsorbed Demand Cost (“UDC”) Variance Account is not
19 prospectively recovered or refunded as part of the approved QRAM process.

1 Account No. 179-108 Unabsorbed Demand Cost (UDC) Variance Account

2 The credit balance of \$3.318 million in the Unabsorbed Demand Cost (UDC) account is
3 the difference between the actual UDC incurred by Union and the amount of UDC
4 included in rates as approved by the Board.

5

6 UDC Recovery in Rates

7 To meet customer demands across Union's franchise area and the targeted storage
8 inventory levels at October 31, Union's 2008 approved rates included UDC representing
9 4.4 PJs in the Northern and Eastern Operations area and 0.2 PJs in the Southern
10 Operations area.

11

12 In 2008, Union's actual UDC was nil in the Northern and Eastern Operations area and
13 0.034 PJs in the Southern Operations area.

14

15 For 2008, Union's total UDC was \$0.012 million. Union collected \$3.268 million in
16 rates and recorded an associated interest credit of \$0.062 million. The result is a credit in
17 the UDC deferral account of \$3.318 million. Table 1 provides the derivation of the UDC
18 deferral account balances by operations area.

1

Table 1

	Northern and Eastern Operations area (\$ 000s)	Southern Operations area (\$ 000s)	Total Franchise area (\$ 000s)
UDC Costs Incurred	-	12	12
Collected in Rates	(3,142)	(126)	(3,268)
Interest	<u>(60)</u>	<u>(2)</u>	<u>(62)</u>
(Credit)/Debit to Operations areas	<u>(3,202)</u>	<u>(116)</u>	<u>(3,318)</u>

2

3 A description of each item follows:

4

5 1. UDC Incurred

6 Union proposes to assign the total cost of \$0.012 million to each operations area
 7 in proportion to the actual excess supply. This results in UDC of \$0.012 million
 8 for the Southern Operations area and no UDC costs for the Northern and Eastern
 9 Operations area.

10

11 2. Collected in Rates

12 Board-approved rates for 2008 included \$3.115 million associated with planned
 13 UDC in the Northern and Eastern Operations area and \$0.117 million associated
 14 with planned UDC in the Southern Operations area (EB-2005-0520, Rate

1 Working Papers, Schedule 25, page 3). For 2008, Union actually recovered
2 \$3.142 million in the North and \$0.126 million in the South.

3

4 3. Interest

5 Interest associated with UDC amounted to a credit of \$0.060 million for the
6 Northern and Eastern Operations area and a credit of \$0.002 million for the
7 Southern Operations area for a net amount of \$0.062 million.

8

9 4. (Credit)/Debit to Operations areas

10 The UDC deferral account has a net total credit balance of \$3.318 million. The
11 balance applicable to customers in the Northern and Eastern Operations area is a
12 credit of \$3.202 million. The balance applicable to customers in the Southern
13 Operations area is a credit of \$0.116 million.

14

15 **STORAGE AND TRANSPORTATION DEFERRAL ACCOUNTS**

16 Actual net revenues from storage and transportation services are deferred against the net
17 revenues included in the rates approved by the Board. The credit balance of \$28.101
18 million represents the ratepayer portion in the following S&T deferral accounts.

19

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

21 The Short-Term Storage and Other Balancing Services deferral account includes
22 revenues from C1 Off-Peak Storage, Gas Loans, Enbridge LBA, Supplemental Balancing

1 Services, C1 Short-Term Firm Peak Storage, C1 Firm Short-Term Deliverability and
2 M12 Interruptible Deliverability.

3

4 The debit balance in the Short-Term Storage and Other Balancing Services deferral
5 account is \$0.360 million. The balance is calculated by comparing the actual 2008 net
6 revenue sufficiency for Short Term Storage Services of \$14.858 million to the net
7 revenue sufficiency approved by the Board of \$15.829 million in the EB-2007-0606 Rate
8 Order. The result is a net deferral debit of \$0.971 million. The net deferral margin is
9 adjusted to reflect the 79% Utility portion (EB-2005-0551) and is to equal \$0.767 million,
10 of which 90% or \$0.690 million is the ratepayer portion. In addition, the total deferred
11 amount showing a debit balance of \$0.360 million includes a 2007 true up credit of
12 \$0.330 million.

13

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

15 The balance in the Long-Term Peak Storage Service deferral account reflects the rate
16 payer portion of the deferred margin or 75% of the difference between actual revenue in
17 excess of the costs to provide Long-Term Peak Storage Services and the revenue forecast
18 in excess of the cost to provide these services as approved by the Board in the EB-2005-
19 0520 Rate Order.

20

21 The credit balance in the Long Term Peak Storage Services deferral account of \$28.461
22 million is 75% of the variance between the forecast of \$21.405 million and the actual net

1 revenues of \$51.478 plus a true-up of \$5.906 million for 2007 based on the Board's
2 Decision in EB-2008-0034.

3

4 **OTHER DEFERRAL ACCOUNTS**

5 The other deferral account balances are discussed below.

6

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

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

11

12 Account No.179-75 Lost Revenue Adjustment Mechanism

13 The Lost Revenue Adjustment Mechanism ("LRAM") deferral account has a credit
14 balance of \$0.421 million which represents the difference between actual margin
15 reductions related to Union's DSM activities and the margin reduction included in gas
16 delivery rates as approved by the Board. This balance includes volume variances related
17 to 2007 and 2008 DSM activities. Union proposes to dispose of the credit balance in the
18 account of \$0.421 million.

19

20 Tab 1, Schedule 2, page 1 provides the breakdown of the LRAM deferral account balance
21 for 2007 and 2008. Tab 1, Schedule 2, pages 2 and 3 provide the LRAM volumes and the
22 corresponding revenue impacts related to 2007 and 2008 DSM activities respectively.

1 The calculations for lost revenues reflect the Board's ruling in EB-2006-0021 Decision
2 with Reasons (page 11) which states that the first year impact will be calculated as 50%
3 of the annual volumetric impact multiplied by the distribution rate for each of the rate
4 classes that the volumetric variance occurred in.

5

6 The audit of 2007 DSM volumes is complete. The amount Union proposes to dispose of
7 for 2007 is a debit balance of \$1.282 million (Tab 1, Schedule 2, page 2, line 16, column
8 (k)) which is composed of the following:

- 9 • 50% of the variance between lost revenues resulting from the audited 55,854
10 10^3 m^3 volumes savings and those resulting from the unaudited forecasted volumes
11 savings of 88,519 10^3 m^3 reflected in 2007 rates;
- 12 • lost revenues from audited 2007 volumes savings of 55, 854 10^3 m^3 and forecast
13 volume savings of 88,519 10^3 m^3 reflected in 2008 rates.

14

15 In 2008, the variance is a debit balance of \$0.861 million (Tab 1, Schedule 2, page 3, line
16 18, column (c)). The 2008 variance represents 50% of the forecasted volumes savings of
17 65,867 10^3 m^3 . There were no 2008 DSM volumes included in 2008 rates. The process
18 to finalize DSM balances includes an audit of Union's DSM Evaluation Report, review
19 by the Evaluation and Audit Committee and communication to the DSM Consultative.
20 Consistent with the approach taken related to 2006 activity in EB-2007-0598, 2007
21 activity in EB-2008-0034, and in an effort to dispose of deferral account balances in a
22 timely manner, Union is proposing to dispose of the forecast LRAM balance related to

1 unaudited 2008 DSM activities at this time. Recognizing this balance may still change
2 following the audit, any amount disposed of would be subject to a future true-up. Any
3 true-up amount will be captured in the deferral account for future disposition in the same
4 way the 2007 variance has been trued up in this proceeding.

5

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

7 The debit balance of \$0.005 million in the Intra-Period WACOG Changes account
8 reflects the difference between the actual WACOG approved by the Board for 2008 and
9 the WACOG approved for recovery in Union's delivery rates in the EB-2005-0520
10 proceeding related to inventory carrying costs, compressor fuel, customer supplied fuel
11 and unaccounted for gas. The WACOG approved for recovery in 2008 rates was
12 \$356.255 per 10^3 m³. The actual WACOG in 2008, approved by the Board in the four
13 QRAM proceedings in 2008, ranged from a low of \$307.435 per 10^3 m³ to a high of
14 \$427.814 per 10^3 m³.

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 2008.

19

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

21 This account records the difference between actual direct DSM costs incurred and the
22 direct DSM budget included in rates. The debit balance of \$1.559 million (Tab 1,

1 Schedule 3, line 13, column (c)) represents the difference between actual 2008 DSM
2 expenditures of \$18.559 million and \$17.000 million included in rates.

3

4 In the Board's EB-2006-0021 Decision (Phase 1, page 30), the Board decided that Union
5 could spend 15% more than was included in rates provided the "additional funding was
6 spent on incremental program expenses".

7

8 The \$1.559 million additional expenditure was related to increased direct DSM program
9 costs above what was planned for 2008. The additional expenditures allowed Union to
10 achieve outstanding results in DSM providing its customers with 65.9 million m³ of
11 natural gas savings and \$252.0 million in TRC benefits exceeding the TRC target of
12 \$180.1 million.

13

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

15 The Gas Distribution Access Rule ("GDAR") deferral account has no balance. The
16 GDAR deferral account represents the difference between the actual capital costs
17 incurred to implement the process and system changes needed to achieve compliance
18 with GDAR and the capital costs included in rates as approved by the Board.

19

20 Account No. 179-113 Late Payment Penalty Litigation

21 The debit balance of \$0.593 million in the Late Payment Penalty Litigation deferral
22 account is the cost incurred in 2008 by Union in relation to late payment penalty

1 litigation. Amounts include Union's legal costs and the costs of storing and analyzing
2 historical billing records.

3

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

5 This account has a debit balance of \$7.943 million related to DSM activity in 2007 and
6 2008. Tab 1, Schedule 4 provides the breakdown of the SSM variance account for each
7 year. The account was established to record any shareholder incentive earned by Union
8 related to DSM activities in 2006 in accordance with the mechanism approved by the
9 Board in the EB-2005-0507 proceeding. The account was continued for DSM activities
10 in 2008 in accordance with the mechanism approved by the Board in the EB-2006-0021
11 proceeding.

12

13 Union has completed the audit of 2007 DSM activity and proposes to dispose of the
14 credit balance of \$0.753 million (Tab 1, Schedule 4, line 13, column (e)), which
15 represents an incentive payment of \$0.707 million and interest credit of \$0.045 million
16 through December 31, 2008.

17

18 This account has a debit balance of \$8.696 million related to unaudited 2008 DSM
19 activity. In accordance with previous Board-approved practice, Union is proposing to
20 clear the recorded SSM balance related to unaudited 2008 DSM activities. Recognizing
21 this balance may still change following the audit, any amount disposed of would be

1 subject to a future true-up. Any true-up amount will be captured in the deferral account
2 for future disposition.

3

4 Account No. 179-117 Carbon Dioxide Offset Credits

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

9

10 Account No. 179-118 Average Use Per Customer

11 The Average Use Per Customer deferral account has a credit balance of \$5.390 million.

12 The amount represents the margin variance resulting from the difference between the
13 actual rate of decline in use-per-customer for 2008 and forecast rate of decline in use-per-
14 customer included in Union's Board approved 2008 rates. Actual and forecast rate of
15 declines in use-per-customer were calculated on a percentage and rate class specific basis
16 for rate classes M1, M2, 01 and 10, were normalized for weather and exclude the volume
17 impacts attributed to DSM.

18

19 Account No. 179-119 2008 Federal and Provincial Tax Changes

20 Union recorded a debit of \$4.102 million, which represents 50% of the difference
21 between the actual 2008 tax rates and the tax rates used to establish 2007 rates. In 2008,
22 changes to legislation and increased capital cost allowance ("CCA") reduced Union's

1 federal and provincial income and capital tax rates. As detailed in (EB-2008-0220, Rate
2 Order Working Papers, Schedule 15):

- 3 (i) The actual 2008 blended federal and provincial tax rate was 33.5%,
4 compared to the blended tax rate of 36.12% used to establish 2007 rates.
- 5 (ii) The actual 2008 CCA was higher than the CCA used to establish 2007
6 rates as a result of new capital additions in 2008.
- 7 (iii) The actual 2008 capital tax rate was 0.225%, compared to a capital tax rate
8 of 0.285% used to establish 2007 rates.

9 The treatment of these tax savings was not settled at the time of Incentive Regulation
10 implementation, and accordingly, the full benefits were included in customer rates.
11 Subsequently, in accordance with the Board's EB-2007-0606 decision, 50% of the impact
12 of the tax reductions became subject to annual deferral account treatment. There were no
13 other enacted tax legislated changes during 2007 that resulted in tax rates different than
14 those used to establish 2007 rates.

15

16 **2. MARKET TRANSFORMATION INCENTIVE**

17

18 Union is claiming a \$0.500 million incentive for the Market Transformation ("MT") drain
19 water heat recovery program created and executed in Union's operations area in 2008.

20 This incentive amount is based upon meeting or exceeding the performance goals as
21 outlined by the MT Scorecard, filed with the Board Union's 2007 Evaluation Report on
22 July 3, 2008. The MT Scorecard is presented below.

Market Transformation Scorecard

Element	Indicator (weighting)	Metric Levels			Actual	Result	Score
		50%	100%	150%			
ULTIMATE OUTCOMES	Builder's Enrolled (25)	25	30	35	51	150%	84.75 / 70
	Units Installed New Build (45)	1000	1500	1800	1575	105%	
MARKET EFFECTS (Research)	Customer Awareness Survey (10) Baseline – 15%	17%	21%	25%	32%	150%	43 / 30
	Builder Knowledge Survey (10) Baseline – 58%	62%	70%	78%	75%	131%	
	Builder Promotion Survey (10) Baseline – 23%	29%	33%	37%	42%	150%	
Total Score							127.75/100

Notes:

1. Increased customer awareness from 15% to 32%, an increase of 17%
2. Increased builder knowledge from 58% to 75%, an increase of 17%
3. Increased availability and promotion of product from 23% to 42%, an increase of 19%

The process to finalize DSM-related balances includes an audit of Union's DSM Evaluation Report, review by the Evaluation and Audit Committee and communication to the DSM Consultative. Consistent with the approach taken related to 2007 activity in EB-2008-0034, and in an effort to dispose of deferral account balances in a timely manner, Union is proposing to dispose the forecast MT balance related to unaudited 2008 MT activities as measured by the MT Scorecard within the DSM portfolio at this time. The variances between the MT payout balances calculated out of audited and unaudited results would be subject to a future true-up. Any true-up amount will be captured in a

- 1 future disposition in the same way the LRAM variance from 2008 has been trued up in
- 2 this proceeding.

UNION GAS LIMITED
 Deferral Account Balances and Market Transformation Incentive
Year Ending December 31, 2008

Line No.	Account Number	Account Name	Balance (\$000's) (1)
<u>Gas Supply Accounts:</u>			
<u>Joint Accounts:</u>			
	179-107	Spot Gas Variance Account	
1		Spot Gas Purchases	(0)
2		Load Balancing	245
3	179-108	Unabsorbed Demand Costs	(3,318) (2)
4	179-109	Inventory revaluations	13,993
5		(Lines 1 through 4)	<u>10,919</u>
<u>Southern Operations Area:</u>			
6	179-106	PGVA	<u>(14,919)</u>
<u>Northern and Eastern Operations Area:</u>			
	179-100	TCPL Tolls and Fuel	
7		Tolls, LBA, Capacity Assignments	281
8		Fuel	2,432
9	179-105	PGVA	(9,710)
10		(Lines 7 through 9)	<u>(6,996)</u>
11	Total Gas Supply Accounts (Lines 5 + 6 + 10)		<u>(10,996)</u>
<u>Storage and Transportation Accounts:</u>			
12	179-70	Short-Term Storage and Other Balancing Services	360
13	179-72	Long-Term Peak Storage Services	<u>(28,461)</u>
14	Total Storage and Transportation Accounts (Lines 12 + 13)		<u>(28,101)</u>
<u>Other:</u>			
15	179-26	Deferred Customer Rebates/Charges	-
16	179-75	Lost Revenue Adjustment Mechanism	(421)
17	179-102	Intra-period WACOG Changes	5
18	179-103	Unbundled Services Unauthorized Storage Overrun	-
19	179-111	Demand Side Management Variance Account	1,559
20	179-112	Gas Distribution Access Rule (GDAR) Costs	-
21	179-113	Late Payment Penalty Litigation	593
22	179-115	Shared Savings Mechanism	7,943
23	179-117	Carbon Dioxide Offset Credits	-
24	179-118	Average Use Per Customer	(5,390)
25	179-119	2008 Federal and Provincial Tax Changes	<u>4,102</u>
26	Total Other Accounts (Lines 15 through 25)		<u>8,390</u>
27	Total Deferral Account Balances (Lines 11 + 14 + 26)		(30,707)
28	Market Transformation Incentive		<u>500</u>
29	Total Deferral Account Balances and Market Transformation Incentive (Lines 27 + 28)		(30,207)
	Less: Total Gas Supply-related balances recovered through the QRAM process		
30	Total Gas Supply-related balances (Line 11)		(10,996) (2)
31	Less: Balance of Unabsorbed Demand Costs Account (No. 179-108) (Line 3)		<u>(3,318) (7,678)</u>
32	Amount for Recovery/(Refund) (Line 29 less 31)		<u>(22,528)</u>

Notes:

(1) Account balances include interest to December 31, 2008.

(2) With the exception of UDC (No. 179-108), all gas supply-related deferral account balances are disposed through the QRAM

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

Line No.	Particulars	Amounts by DSM Plan Year		Total Amount in LRAM Deferral Account
		2007 ⁽¹⁾ (c)	2008 ⁽²⁾ (b)	
	<u>South</u>			
1	M1 Residential	(\$260,491)	\$190,508	(\$69,983)
2	M1 Commercial	\$0	\$245,593	\$245,593
3	M2 Commercial	(\$665,627)	\$94,455	(\$571,171)
4	M2 Industrial	(\$60,959)	\$13,967	(\$46,992)
	<u>Industrial</u>			
5	M4	(\$149,984)	\$24,785	(\$125,199)
6	M5	\$8,471	\$34,060	\$42,531
7	M7	(\$13,997)	\$3	(\$13,995)
8	T1	\$1,088	\$7,100	\$8,187
9		<u>(\$1,141,500)</u>	<u>\$610,472</u>	<u>(\$531,028)</u>
	<u>North</u>			
10	Residential 01	(\$222,714)	\$65,001	(\$157,713)
11	Commercial 01	\$22,367	\$81,739	\$104,106
12	Commercial 10	(\$75,227)	\$59,625	(\$15,601)
13	Industrial 10	\$177,991	\$31,694	\$209,685
	<u>Industrial</u>			
14	Rate 20	(\$24,428)	\$2,243	(\$22,185)
15	Rate 100	(\$18,238)	\$10,050	(\$8,189)
16		<u>(\$140,249)</u>	<u>\$250,352</u>	<u>\$110,103</u>
17	Total	<u>(\$1,281,749)</u>	<u>\$860,824</u>	<u>(\$420,925)</u>

Notes:

⁽¹⁾ EB-2009-0052, Exhibit A, Tab 1, Schedule 2, page 2 of 3, Col. (k)

⁽²⁾ EB-2009-0052, Exhibit A, Tab 1, Schedule 2, page 3 of 3, column (c)

UNION GAS LIMITED
Lost Revenue Adjustment Mechanism
2007 - Audited

Line No.	Particulars	Delivery Rates				Net Revenue Impact			LRAM Deferral Account Balance Disposed of in EB-2006-0034 ⁽³⁾	Interest	Net LRAM Deferral Account Balance Proposed for Disposition Including Interest	
		Audited Volumes ⁽¹⁾	2007 Lost Volumes in 2007 Rates	2007 Lost Volumes in 2008 Rates	2007 Rates	2008 Rates	2007 ⁽²⁾	2008				Total
		10 ³ m ³	10 ³ m ³	10 ³ m ³	\$/10 ³ m ³	\$/10 ³ m ³	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)
		(a)	(b)	(c)	(d)	(e)	(f) = [(a)-(b)]x (d) x 50%	(g) = [(a) - (c)] x (e)	(h) = (f) + (g)	(i)	(j)	(k) = (h) - (i) +(j)
<u>South</u>												
1	M1 Residential	4,662	5,232	5,232	61.01	50.87	(17,388)	(28,996)	(46,384)	211,533	(2,574)	(260,491)
2	M2 Commercial	10,659	20,096	20,096	50.736	50.87	(239,398)	(480,060)	(719,458)	(93,754)	(39,923)	(665,627)
3	M2 Industrial	732	2,021	2,021	40.168	41.237	(25,888)	(53,154)	(79,043)	(22,470)	(4,386)	(60,959)
<u>Industrial</u>												
4	M4	3,730	17,681	17,681	9.291	9.277	(64,809)	(129,423)	(194,233)	(55,027)	(10,778)	(149,984)
5	M5	638	-	-	15.631	16.009	4,986	10,214	15,200	7,573	843	8,471
6	M7	4,283	6,840	6,840	3.344	3.531	(4,275)	(9,029)	(13,304)	(45)	(738)	(13,997)
7	T1	16,582	10,944	10,944	0.798	0.819	2,250	4,618	6,867	6,160	381	1,088
8		<u>41,286</u>	<u>62,814</u>	<u>62,814</u>			<u>(344,523)</u>	<u>(685,832)</u>	<u>(1,030,354)</u>	<u>53,971</u>	<u>(57,175)</u>	<u>(1,141,500)</u>
<u>North</u>												
9	Residential 01	943	2,197	2,197	112.971	102.147	(70,833)	(128,092)	(198,925)	12,751	(11,038)	(222,714)
10	Commercial 01	1,440	1,048	1,048	105.147	95.251	20,609	37,338	57,947	38,796	3,216	22,367
11	Commercial 10	1,355	2,066	2,066	66.749	66.998	(23,729)	(47,636)	(71,365)	(98)	(3,960)	(75,227)
12	Industrial 10	3,997	237	237	61.265	61.471	115,178	231,131	346,309	187,535	19,217	177,991
<u>Industrial</u>												
13	Rate 20	652	7,845	7,845	2.877	3.068	(10,347)	(22,068)	(32,415)	(9,786)	(1,799)	(24,428)
14	Rate 100	6,181	12,312	12,312	2.102	2.17	(6,444)	(13,304)	(19,748)	(2,605)	(1,096)	(18,238)
15		<u>14,568</u>	<u>25,705</u>	<u>25,705</u>			<u>24,434</u>	<u>57,369</u>	<u>81,803</u>	<u>226,591</u>	<u>4,539</u>	<u>(140,249)</u>
16	Total	<u>55,854</u>	<u>88,519</u>	<u>88,519</u>			<u>(320,089)</u>	<u>(628,462)</u>	<u>(948,551)</u>	<u>280,562</u>	<u>(52,636)</u>	<u>(1,281,749)</u>

Notes:

- ⁽¹⁾ Summary of the Results of the 2007 Evaluation Report Audit, page 47(submitted by Union to the OEB Secretary on July 3rd, 2008 in compliance with section 2.1.12 of the Board's Reporting and Record Keeping Requirements), updated for M1/M2 split.
- ⁽²⁾ The 50% factor reflects the Board's ruling in EB-2006-0021 Decision with Reasons (page 11) which states that the first year impact will be calculated as 50% of the annual volumetric impact multiplied by the distribution rate for each of the rate classes that the volumetric variance occurred in.
- ⁽³⁾ EB-2008-0034 Exhibit A, Tab 1, Schedule 2, Page 4 of 4, Col.(e).

UNION GAS LIMITED
 Lost Revenue Adjustment Mechanism
2008 - Unaudited

Line No.	Particulars	Unaudited	2008	Revenue
		Volumes ⁽¹⁾ 10 ³ m ³ (a)	Delivery Rates \$/10 ³ m ³ (b)	Impact ⁽²⁾ (\$) (c) = (a) x (b) x 50%
<u>South</u>				
1	M1 Residential	7,490	50.870	190,508
2	M2 Residential	-	41.237	-
3	M1 Commercial	9,656	50.870	245,593
4	M2 Commercial	4,581	41.237	94,455
5	M2 Industrial	677	41.237	13,967
<u>Industrial</u>				
6	M4	5,343	9.277	24,785
7	M5	4,255	16.009	34,060
8	M7	2	3.531	3
9	T1	17,337	0.819	7,100
10		<u>49,342</u>	<u>255</u>	<u>610,472</u>
<u>North</u>				
11	Residential 01	1,273	102.147	65,001
12	Commercial 01	1,716	95.251	81,739
13	Commercial 10	1,780	66.998	59,625
14	Industrial 10	1,031	61.471	31,694
<u>Industrial</u>				
15	Rate 20	1,462	3.068	2,243
16	Rate 100	<u>9,262</u>	<u>2.170</u>	<u>10,050</u>
17		<u>16,525</u>	<u>331</u>	<u>250,352</u>
18	Total	<u>65,867</u>	<u>586</u>	<u>860,824</u>

Notes:

- (1) Based on unaudited 2008 DSM evaluation results.
- (2) The 50% factor reflects the Board's ruling in EB-2006-0021 Decision with Reasons (page 11) which states that the first year impact will be calculated as 50% of the annual volumetric impact multiplied by the distribution rate for each of the rate classes that the volumetric variance occurred in.

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

<u>Line No.</u>	<u>Particulars</u>	<u>DSM Costs in 2008 Rates⁽¹⁾</u>	<u>Actual DSM Costs</u>	<u>Account Balance</u>
		(a)	(b)	(c) = (b) - (a)
	<u>South</u>			
1	M1	5,640	9,414	3,774
2	M2	2,337	1,611	(727)
3	M4	1,721	738	(982)
4	M5	-	588	588
5	M7	654	-	(654)
6	T1	1,068	2,396	1,328
7		<u>11,420</u>	<u>14,747</u>	<u>3,327</u>
	<u>North</u>			
8	Rate 01	1,677	1,468	(209)
9	Rate 10	1,441	861	(580)
10	Rate 20	941	202	(739)
11	Rate 100	1,521	1,280	(241)
12		<u>5,580</u>	<u>3,812</u>	<u>(1,769)</u>
13	Total	<u>17,000</u>	<u>18,559</u>	<u>1,559</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.

UNION GAS LIMITED
 Shared Savings Mechanism
 Based on 2007 Audited and 2008 Unaudited Results

Line No.	Particulars	2007 Amount				2008 Amount Based on Unaudited results ⁽¹⁾	Total for 2007 and 2008
		Amount Based on 2007 Audited results ⁽¹⁾	Amount Disposed of in EB-2008-0034 ⁽²⁾	Net Amount	Interest		
		(\$)	(\$)	(\$)	(\$)	(\$)	(\$)
		(a)	(b)	(c) = (a) - (b)	(d)	(e) = (c) + (d)	(f)
	<u>South</u>						
1	M1	1,868,478	2,174,913	(306,435)	(19,650)	(326,085)	1,922,658
2	M2	491,998	585,821	(93,823)	(6,016)	(99,839)	665,828
3	M4	457,084	481,735	(24,651)	(1,581)	(26,232)	238,436
4	M5	48,770	51,256	(2,486)	(159)	(2,645)	383,494
5	M7	473,084	522,977	(49,893)	(3,199)	(53,092)	(52,304)
6	T1	1,394,684	1,465,959	(71,275)	(4,570)	(75,845)	1,287,141
7		<u>4,734,098</u>	<u>5,282,660</u>	<u>(548,562)</u>	<u>(35,177)</u>	<u>(583,739)</u>	<u>4,445,254</u>
	<u>North</u>						
8	Rate 01	301,648	344,137	(42,489)	(2,725)	(45,213)	456,971
9	Rate 10	447,216	524,810	(77,594)	(4,976)	(82,569)	282,966
10	Rate 20	74,222	78,259	(4,037)	(259)	(4,296)	116,246
11	Rate 100	676,644	711,134	(34,490)	(2,212)	(36,702)	2,641,544
12		<u>1,499,729</u>	<u>1,658,340</u>	<u>(158,610)</u>	<u>(10,171)</u>	<u>(168,781)</u>	<u>3,497,727</u>
13	Total	<u>6,233,827</u>	<u>6,941,000</u>	<u>(707,172)</u>	<u>(45,347)</u>	<u>(752,519)</u>	<u>7,942,981</u>

Notes:

⁽¹⁾ The SSM incentives for 2007 and 2008 are calculated and allocated among rate classes using the mechanism approved by the Board in EB-2006-0021. The information for the M2 rate class in 2007 has been allocated to the M1 and M2 rate classes.

⁽²⁾ EB-2008-0034 Exhibit A, Tab 1 Schedule 4, Column (f).

1 **ALLOCATION AND DISPOSITION OF 2008 DEFERRAL ACCOUNT BALANCES**
2 **AND MARKET TRANSFORMATION INCENTIVE**

3
4 The purpose of this evidence is to address the allocation and disposition of 2008 deferral account
5 balances not managed through the Quarterly Rate Adjustment Mechanism (“QRAM”) and the
6 market transformation incentive.

7
8 The allocation of 2008 deferral account balances and the market transformation incentive to rate
9 classes appears at Tab 2, Schedule 1. Tab 2, Schedule 2 provides the unit disposition rates for
10 Union’s in-franchise rate classes and summarizes the balances to be disposed of for Union’s ex-
11 franchise rate classes. Tab 2, Schedule 3 provides the impact of the proposed dispositions on
12 general service customers in the Southern Operations area and Northern and Eastern Operations
13 area.

14
15 **2008 GAS SUPPLY-RELATED DEFERRAL ACCOUNTS**

16 As indicated at Exhibit A, Tab 1, the Board issues Decisions and Orders on Union’s QRAM
17 filings each quarter. Those orders, which include approval of the prospective disposition of
18 deferral account balances, are issued as final orders.

19
20 The additional gas supply deferral account not recovered through the QRAM process is the
21 Unabsorbed Demand Cost (“UDC”) Variance Account (179-108). For this account Union is
22 seeking approval of the final disposition and refund of the year-end balance. Union proposes that

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

5
6 The UDC balances associated with the Southern Operations area is applicable to sales service
7 customers only. Accordingly, Union proposes that the portion of the balance in the UDC Variance
8 Account related to the Southern Operations area be allocated to sales service customers only.

9

10 **2008 NON- GAS SUPPLY RELATED DEFERRAL ACCOUNTS**

11 Non-gas supply related deferral accounts can be divided into two groups: Storage and
12 Transportation-related deferral accounts and Other deferral accounts.

13

14 **STORAGE AND TRANSPORTATION RELATED DEFERRAL ACCOUNTS**

15 The storage and transportation related deferral accounts are:

- 16 i) Account No. 179-70 Short-Term Storage and Other Balancing Services
17 ii) Account No. 179-72 Long-Term Peak Storage Services

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

8

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

10 Union proposes to allocate the balance in the Long-Term Peak Storage Services Deferral Account
11 to in-franchise rate classes in the Southern Operations area in proportion to EB-2005-0520 design
12 (peak) day demand and in-franchise rate classes in the Northern and Eastern Operations area (by
13 virtue of their use of storage in the Southern Operations area) in proportion to the allocation of
14 2007 storage demand costs as approved in EB-2005-0520.

15

16 **OTHER DEFERRAL ACCOUNTS**

17 Union proposes to allocate the balance in the Lost Revenue Adjustment Mechanism Deferral
18 Account (179-75) to rate classes in proportion to the margin reduction attributable to Demand Side
19 Management (“DSM”) activities appearing at Exhibit A, Tab 1, Schedule 2, Page 1 of 3.

20

21 Union proposes to allocate the balance in the Intra-period WACOG Changes Deferral Account
22 (179-102) to rate classes in proportion to the approved 2007 allocation of the items that the intra-

1 period WACOG change relate to (i.e. Unaccounted-For Gas, Compressor Fuel and Gas In
2 Storage). The proposed method for allocating the intra-period WACOG deferral account is
3 consistent with that used by Union and approved by the Board in the past.

4

5 Union proposes to allocate the balance in the DSM Variance Account (179-111) to rate classes in
6 proportion to the actual DSM spending by rate class in 2008 appearing at Exhibit A, Tab 1, and
7 Schedule 3. This allocation is the same as that used and approved by the Board to allocate the 2007
8 DSM deferral balance in EB-2008-0034.

9

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

12

13 Union proposes to allocate the balance in the Late Payment Penalty Litigation Deferral Account
14 (179-113) to rate classes in proportion to the allocation of late payment charges in 2007 rates (EB-
15 2005-0520).

16

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

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

5

6 Union proposes to allocate the balance in the 2008 Federal and Provincial Tax Changes Account
7 (179-119) to rate classes as shown at EB-2008-0220 Rate Order Working Paper Schedule 13,
8 column (a).

9

10 **MARKET TRANSFORMATION INCENTIVE**

11 Union proposes to allocate the market transformation incentive to the M1 and Rate 01 rate class.
12 As indicated at Exhibit A, Tab 1, page 13, the market transformation incentive relates to the drain
13 water heat recovery program directed at general service residential customers during 2008.

14

15 **DISPOSITION OF 2008 DEFERRAL ACCOUNT BALANCES**

16 For general service M1, M2, Rate 01 and Rate 10 customers Union proposes to dispose of 2008
17 deferral account balances not managed through the QRAM process and the market transformation
18 incentive prospectively, over the July 1, 2009 to December 31, 2009 time period. The prospective
19 refund / recovery approach proposed for M1, M2, Rate 01 and Rate 10 customers is consistent
20 with how Union refunded / recovered 2007 deferral account balances in EB-2008-0034.

1 For in-franchise contract and ex-franchise rate classes, Union is proposing to dispose of net 2008
2 delivery-related deferral account balances as a one-time credit or charge. This approach is the
3 same as that approved by the Board for the disposition of 2007 deferral account balances in EB-
4 2008-0034.

5

6 General Service customer impacts are presented at Tab 2, Schedule 3. For a residential customer
7 with annual consumption of 2,600 m³, the credit for the period July 1, 2009 to December 31, 2009
8 is \$ 0.99 in the Southern Operations area. This \$ 0.99 credit consists of a delivery-related credit of
9 \$ 0.87 (line 9, column (c)) and a commodity credit of \$ 0.12 (line 10, column (c)).

10

11 For a residential customer with annual consumption of 2,600 m³, the credit for the period July 1,
12 2009 to December 31, 2009 is \$ 23.15 in the Northern and Eastern Operations area. This \$ 23.15
13 credit consists of the delivery-related credit of \$ 15.81 (line 1, column (c)) and the gas
14 transportation credit of \$ 7.34 (line 3, column (c)).

UNION GAS LIMITED
Allocation of 2008 Deferral Account Balances and Market Transformation Incentive 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 Transportation-Related Deferrals:</u>																						
1	Unabsorbed Demand Cost (UDC) Variance	179-108	(2,357)	(754)	(91)	-	-	-	(87)	(28)	(1)	-	-	-	(0)	-	-	-	-	-	-	(3,318)
<u>Storage and Transportation-Related Deferrals:</u>																						
2	Balancing & Short Term Storage Services	179-70	47	15	2	-	2	-	128	42	14	1	10	1	0	85	12	-	-	-	-	360
3	Long-Term Peak Storage Services	179-72	(3,771)	(1,207)	(146)	-	(198)	-	(10,095)	(3,303)	(1,138)	(80)	(803)	(81)	(4)	(6,673)	(961)	-	-	-	-	(28,461)
4	Total Gas Supply Transportation and S&T Related Deferrals		(6,081)	(1,946)	(235)	-	(195)	-	(10,054)	(3,290)	(1,125)	(79)	(792)	(80)	(4)	(6,588)	(949)	-	-	-	-	(31,419)
<u>Delivery-Related Deferrals:</u>																						
5	Deferred Customer Rebates/Charges	179-26	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
6	Comprehensive Customer Information Program	179-56	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
7	Direct Purchase Revenue and Payments	179-60	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
8	Lost Revenue Adjustment Mechanism	179-75	(54)	194	(22)	-	(8)	-	176	(618)	(125)	43	(14)	-	-	8	-	-	-	-	-	(421)
9	Intra-period WACOG	179-102	2	2	0	-	(4)	-	14	(4)	(2)	(2)	(1)	0	0	-	-	-	(1)	-	(1)	5
10	Unbundled Services Unauthorized Storage Overrun	179-103	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
11	Storage Rights Compensation Costs	179-110	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
12	Demand Side Management Variance Account	179-111	(209)	(580)	(739)	-	(241)	-	3,774	(727)	(982)	588	(654)	-	-	1,328	-	-	-	-	-	1,559
13	Gas Distribution Access Rule Costs	179-112	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
14	Late Payment Penalty Litigation	179-113	136	1	0	0	0	0	452	3	0	0	0	0	0	0	0	-	-	-	-	593
15	Incremental OEB Cost Assessment	179-114	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
16	Shared Savings Mechanism	179-115	457	283	116	-	2,642	-	1,923	666	238	383	(52)	-	-	1,287	-	-	-	-	-	7,943
17	Average Use Per Customer	179-118	(2,376)	(3,591)	-	-	-	-	421	157	-	-	-	-	-	-	-	-	-	-	-	(5,390)
18	2008 Federal and Provincial Tax Changes	179-119	682	126	65	0	86	29	1,594	242	65	40	40	3	0	197	24	784	1	122	1	4,102
19	Total Delivery-Related Deferrals		(1,361)	(3,565)	(579)	0	2,475	29	8,353	(281)	(806)	1,052	(681)	3	0	2,820	24	784	(0)	122	0	8,391
20	Total 2008 Deferral Account Disposition		(7,442)	(5,511)	(814)	0	2,280	29	(1,701)	(3,570)	(1,931)	973	(1,474)	(76)	(4)	(3,769)	(925)	784	(0)	122	0	(23,028)
21	Market Transformation Incentive		12	-	-	-	-	-	488	-	-	-	-	-	-	-	-	-	-	-	-	500
22	Grand Total		(7,430)	(5,511)	(814)	0	2,280	29	(1,213)	(3,570)	(1,931)	973	(1,474)	(76)	(4)	(3,769)	(925)	784	(0)	122	0	(22,528)

Notes:
(1) EB-2009-0052, Exhibit A, Tab 1, Schedule 1

UNION GAS LIMITED
General Service Rates
Unit Rates for Prospective Recovery/(Refund): Delivery - 2008 Deferral Account Disposition

Line No.	Particulars	Rate Class	2008 Deferral Balances (\$000's) (a)	2008 Market Transformation Incentive (\$000's) (b)	Balance for Disposition (\$000's) (c) = (a+b)	2009 Forecast Volume (10 ³ m ³) (1) (d)	Unit Rate for Prospective Recovery/(Refund) (cents/m ³) (e) = (c/d)*100
1	Small Volume General Service	01	(5,085)	12	(5,073)	325,165	(1.5602)
2	Large Volume General Service	10	(4,757)	-	(4,757)	162,395	(2.9293)
3	Small Volume General Service	M1	(1,614)	488	(1,126)	1,072,157	(0.1050)
4	Large Volume General Service	M2	(3,542)	-	(3,542)	418,954	(0.8455)

Notes:

(1) Forecast volume for the period July 1, 2009 to December 31, 2009.

UNION GAS LIMITED
 General Service Rates

Unit Rates for Prospective Recovery/(Refund): Gas Supply Transportation - 2008 Deferral Account Disposition

Line No.	Particulars	Rate Class	2008 Deferral Balances (\$000's) (a)	2008 Market Transformation Incentive (\$000's) (b)	Balance for Disposition (\$000's) (c) = (a+b)	2009 Forecast Volume (10 ³ m ³) (1) (d)	Unit Rate for Prospective Recovery/(Refund) (cents/m ³) (e) = (c/d)*100
1	Small Volume General Service	01	(2,357)	-	(2,357)	325,165	(0.7248)
2	Large Volume General Service	10	(754)	-	(754)	160,679	(0.4695)

Notes:

(1) Forecast volume for the period July 1, 2009 to December 31, 2009.

UNION GAS LIMITED
Unit Rates for Prospective Recovery/(Refund): Gas Supply Commodity - 2008 Deferral Account Disposition

Line No.	Particulars	2008 Deferral Balances (\$000's) (a)	2008 Market Transformation Incentive (\$000's) (b)	Balance for Disposition (\$000's) (c) = (a+b)	2009 Forecast Volume (10 ³ m ³) (1) (d)	Unit Rate for Prospective Recovery/(Refund) (cents/m ³) (e) = (c/d)*100
1	North Sales Service	-	-	-	237,515	-
2	South Sales Service	(116)	-	(116)	818,102	(0.0142)

Notes:

(1) Forecast volume for the period July 1, 2009 to December 31, 2009.

UNION GAS LIMITED
Unit Rates for One-Time Adjustments - 2008 Deferral Account Disposition

Line No.	Particulars	Rate Class	2008 Deferral Balances (\$000's) (a)	2008 Market Transformation Incentive (\$000's) (b)	Total Balance (\$000's) (c) = (a+b)	2008 Actual Volume (10 ³ m ³) (d)	Unit Rate (cents/m ³) (e) = (c/d)*100
<u>Northern and Eastern Operations Area:</u>							
1	Medium Volume Firm Service (1)	20	(291)	-	(291)	158,827	(0.1833)
2	Medium Volume Firm Service (2)	20T	(388)	-	(388)	322,250	(0.1204)
3	Large Volume High Load Factor (2)	100T	2,475	-	2,475	1,964,681	0.1260
4	Wholesale Service	77	0.12	-	0	77	0.1525
5	Large Volume Interruptible	25	29	-	29	306,957	0.0096
<u>Southern Operations Area:</u>							
6	Firm Com/Ind Contract	M4	(1,930)	-	(1,930)	519,542	(0.3715)
7	Interruptible Com/Ind Contract	M5	973	-	973	498,505	0.1951
8	Special Large Volume Contract	M7	(1,474)	-	(1,474)	553,253	(0.2663)
9	Large Wholesale	M9	(76)	-	(76)	30,748	(0.2483)
10	Small Wholesale	M10	(4)	-	(4)	222	(1.6819)
11	Contract Carriage Service	T1	(3,769)	-	(3,769)	3,756,946	(0.1003)
12	Contract Carriage- Wholesale	T3	(925)	-	(925)	273,898	(0.3378)

Notes:

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

UNION GAS LIMITED

Unit Rates for One-Time Adjustments: Gas Supply Transportation and Bundled Storage - 2008 Deferral Account Disposition

Line No.	Particulars	Rate Class	Billing Units	2008 Deferral Balances (\$000's) (a)	2008 Market Transformation Incentive (\$000's) (b)	Total Balance (\$000's) (c) = (a+b)	2008 Actual Demand (d)	Unit Demand Rate (e) = (c/d)*100
	<u>Gas Supply Transportation (cents/m³)</u>							
1	Medium Volume Firm Service	20	10 ³ m ³	(91)	-	(91)	8,841	(1.0290)
	<u>Bundled (T- Service) Storage (\$/GJ)</u>							
2	Medium Volume Firm Service	20T	GJ	(44)	-	(44)	29,848	(1.470)
3	Large Volume High Load Factor	100T	GJ	(195)	-	(195)	132,760	(1.470)

UNION GAS LIMITED
 Summary of 2008 Deferral Account Disposition
Storage and Transportation Services

Line No.	Particulars (\$000's) (1)	Rate Class	2008 Deferral Balances (\$000's) (a)	2008 Market Transformation Incentive (\$000's) (b)	Total Balance (\$000's) (c) = (a+b)
1	Storage and Transportation	M12	784	-	784
2	Local Production	M13	(0)	-	(0)
3	Short-Term Cross Franchise	C1	122	-	122
4	Storage Transportation Service	M16	0	-	0

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

UNION GAS LIMITED
General Service Bill Impacts

Line No.	Particulars	Rate Component	Unit Rate for Prospective Recovery (cents/m ³) (1) (a)	Volume (m ³) (2) (b)	Bill Impact (\$) (c) = (a*b) / 100
1	Rate 01	Delivery	(1.5602)	1,013	(15.81)
2		Commodity	-	1,013	-
3		Transportation	(0.7248)	1,013	(7.34)
4			<u>(2.2850)</u>		<u>(23.15)</u>
5	Rate 10	Delivery	(2.9293)	38,833	(1,137.55)
6		Commodity	-	38,833	-
7		Transportation	(0.4695)	38,833	(182.32)
8			<u>(3.3988)</u>		<u>(1,319.87)</u>
9	Rate M1	Delivery	(0.1050)	829	(0.87)
10		Commodity	(0.0142)	829	(0.12)
11			<u>(0.1192)</u>		<u>(0.99)</u>
12	Rate M2	Delivery	(0.8455)	23,871	(201.83)
13		Commodity	(0.0142)	23,871	(3.39)
14			<u>(0.8597)</u>		<u>(205.22)</u>

Notes:

(1) EB-2009-0052, Exhibit A, Tab 2, Schedule 2, Pages 1-3

(2) Average consumption, per customer, for the period July 1 to December 31, 2009

1 **VECTOR PIPELINE LONG-TERM TRANSPORTATION CONTRACT**

2
3 **INTRODUCTION**

4 Pursuant to Union's EB-2005-0520 Settlement Agreement (pg 13, Subsection 3.1,
5 paragraph 2; and, Appendix B – Incremental Transportation Contracting Analysis), the
6 purpose of this evidence is to provide the analysis used by Union to support its decision
7 to renew its firm transportation capacity on Vector Pipeline for an additional 7-year term.
8 The capacity was first described in RP-2003-0063 (Exhibit D1, Tab 1, pp. 6-7 Updated)
9 when Union acquired it by way of assignment from Westcoast Energy after conducting
10 an RFP and in accordance with the U.S. Federal Energy Regulatory Commission's
11 (FERC's) Capacity Release rules. This capacity was last described by Union in EB-2005-
12 0520 at Exhibit D1, Tab 1.

13
14 **CAPACITY RENEWED**

15 This capacity will serve sales service customers in Union's Southern Operations Area and
16 is allocated to customers migrating from sales service to direct purchase using the vertical
17 slice methodology.

18
19 Union held 84,405 GJ/d of firm transportation capacity on Vector from Chicago to Dawn
20 for a 5 year primary term from Nov 1, 2003 to October 31, 2008. Prior to the expiry of
21 the contract, Union exercised its option to bid on increasing the capacity to 85,460 GJ/d

1 and extending the term through to October 31, 2015 and fixing the toll at \$0.25
2 US/mmbtu.

3

4 The assignment of US pipeline transportation capacity between shippers is governed by
5 the FERC in accordance with standardized “capacity release” bidding rules. FERC’s
6 capacity release process required Union and Westcoast to place a notice on Vector’s
7 website that described the term, volume and rate that Union had bid for the capacity. For
8 the next 4 business days other shippers had the right to place binding competitive bids. At
9 the end of the posting period, Union was informed that it had been awarded the capacity
10 under the terms of the original bid.

11

12 RATIONALE FOR RENEWING TRANSPORTATION CAPACITY

13 Union’s 2007/2008 Gas Supply Plan supported the renewal of the expiring Vector
14 capacity in order for Union to continue to meet forecasted demand within the Southern
15 sales service customer base.

16

17 The benefits of renewing this capacity are:

- 18 1. The landed cost of gas flowing to Union along this route is competitive with
19 supply flowing on alternative upstream pipelines;
- 20 2. The 7 year renewal supports Union’s objective of structuring a portfolio with a
21 diversity of contract terms and supply basins;

- 1 3. It maintains Union's access to the Chicago market hub which receives competing
2 gas supplies from the Western Canada Supply Basin, the U.S. Midwest, Gulf and
3 the expanding Rockies basin;
- 4 4. It maintains and supports the acquisition of secure supply from a diverse number
5 of gas basins and gas suppliers with whom Union has already established
6 commercial relationships;
- 7 5. It has a low Unabsorbed Demand Charge ("UDC") exposure relative to alternative
8 upstream pipeline routes due to the low demand charge on this route;
- 9 6. It provides a fixed-rate toll for the 7-year term providing toll certainty on a
10 portion of Union's supply.

11
12 CONTRACT PARAMETERS

- 13 • Transportation provider: Vector Pipeline
- 14 • Service: FT1 (Firm Transportation Service)
- 15 • Term: November 1, 2008 through November 30, 2015
- 16 • Volume: 81,000 mmbtu/day
- 17 • Rate: \$0.25 US/mmbtu at 100% Load Factor
- 18 • Receipt Point: Chicago (Joliet)
- 19 • Delivery Point: Dawn

1 INCREMENTAL CONTRACTING ANALYSIS FORM

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

Long-term Transportation Contracting Analysis

<u>Route</u> (A)	<u>Point of Supply</u> (B)	<u>Basis Differential</u> \$US/mmBtu (C)	<u>Supply Cost</u> \$US/mmBtu (D) = Nymex + C	<u>Unitized Demand Charge</u> \$US/mmBtu (E)	<u>Commodity Charge</u> \$US/mmBtu (F)	<u>Fuel Charge</u> \$US/mmBtu (G)	<u>100% LF Transportation Inclusive of Fuel</u> \$US/mmBtu (H) = E + F + G	<u>Landed Cost</u> \$US/mmBtu (I) = D + H	<u>Landed Cost</u> \$Cdn/GJ (J)	<u>Point of Delivery</u> (K)
Vector - 2008	Chicago	0.22	9.75	0.2500	0.0019	0.0985	0.3504	\$10.10	\$9.42	Dawn
Trunkline/Panhandle	Trunkline Field Zone	0.06	9.59	0.1919	0.0277	0.3854	0.6050	\$10.19	\$9.51	Dawn
Panhandle Longhaul	Panhandle Field Zone	-0.27	9.26	0.3758	0.0442	0.5500	0.9700	\$10.23	\$9.54	Dawn
Alliance/Vector	Alliance Field Zone	-0.45	9.08	1.6207	-0.2871	0.5001	1.8337	\$10.91	\$10.17	Dawn
TCPL SWDA	Empress	-0.24	9.20	1.0941	0.1075	0.3718	1.5734	\$10.78	\$10.05	Dawn

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>2009</u> \$US/mmBtu	<u>2010</u> \$US/mmBtu	<u>2011</u> \$US/mmBtu	<u>2012</u> \$US/mmBtu	<u>2013</u> \$US/mmBtu	<u>2014</u> \$US/mmBtu	<u>2015</u> \$US/mmBtu	<u>Average of Annual Gas Supply Cost</u> (\$US/mmBtu) Col (D) above	<u>Fuel Ratio Forecasts</u> Col (G) above
Henry Hub (NYMEX) \$US/mmBtu		\$8.31	\$8.33	\$9.09	\$9.61	\$10.10	\$10.77	\$10.49	\$9.53	
Vector - 2008	Chicago	\$8.43	\$8.51	\$9.30	\$9.85	\$10.36	\$11.05	\$10.78	\$9.75	1.01%
Trunkline/Panhandle	Trunkline Field Zone	\$8.35	\$8.37	\$9.15	\$9.67	\$10.17	\$10.84	\$10.56	\$9.59	4.02%
Panhandle Longhaul	Panhandle Field Zone	\$7.94	\$8.07	\$8.87	\$9.38	\$9.85	\$10.47	\$10.23	\$9.26	5.94%
Alliance/Vector	Alliance Field Zone	\$7.76	\$7.89	\$8.66	\$9.18	\$9.65	\$10.33	\$10.06	\$9.08	5.51%
TCPL's SWDA	Empress	\$7.99	\$8.11	\$8.88	\$9.41	\$9.90	\$10.59	\$10.32	\$9.31	4.04%

Sources for Assumptions:

- Gas Supply Prices (Col D): Energy & Environmental Analysis; April 2008
- 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 = \$0.984 Cdn
- Energy Conversions (Col K) 1 dth = 1 mmBtu = 1.055056 GJ's
- Union's Analysis Completed: May-08