

May 14, 2009

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

**Re: Union Gas Disposition of 2008 Deferral Account and Other Balances  
(EB-2009-0052) – Union's Response to FRPO Request for Clarification**

Dear Ms. Walli:

Please find enclosed two copies of Union's Supplemental response to Exhibit B3.1.

If you have any questions please contact me at (519) 436-5476.

Yours truly,

[original signed by]

Chris Ripley  
Manager, Regulatory Applications

cc M. Penny (Torys)  
EB-2009-0052 Intervenors

UNION GAS LIMITED

Answer to Interrogatory from  
Federation of Rental-housing Providers of Ontario ("FRPO")

Provide descriptions of the costs included in the Short-Term and Long-Term Peak storage deferral accounts, including an explanation for cost variances from Board Approved.

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**Response:**

Short-Term Storage and Other Balancing Services

The short-term commodity costs are comprised of unaccounted for gas ("UFG") and compressor fuel.

The short-term demand costs are comprised of operating and maintenance ("O&M"), depreciation, property & capital tax, interest, income taxes, deferred tax drawdown and return.

The 2007 Board approved costs (EB-2005-0520) for the Short-Term Storage and Other Balancing Services deferral account were based on 2 PJs of Short-Term Peak storage. As part of the EB-2007-0520 Settlement Agreement, the Board imputed \$12 million in margin, revenue net of costs, which was embedded in in-franchise rates. The costs were not changed and there was no indication of the costs associated with the higher imputed revenues. The 2008 deferral balance is calculated using total revenues and total costs. Comparing the 2008 actual costs with the 2007 Board Approved costs is not an accurate comparison, since the 2007 Board Approved costs did not identify the incremental costs to achieve the incremental imputed margin.

Long-Term Peak Storage Services

The long-term commodity costs are comprised of UFG and compressor fuel, net of customer supplied fuel.

The long-term demand costs are comprised of O&M, depreciation, and property and capital tax.

The long term asset costs are comprised of interest, return and income tax for unregulated assets. These costs were not forecasted as part of EB-2005-0520 resulting in a variance from the 2007 Board Approved costs.