



**uniongas**

A Spectra Energy Company

May 26, 2009

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

**Re: EB-2009-0101 - Union Gas Earnings Sharing Mechanism**

Dear Ms. Walli:

Please find enclosed two copies of Union's responses to May 25<sup>th</sup> undertakings. Also enclosed are the Corrected Exhibit B, Tab 3, Schedule 2, Attachment 2 and 3 which was corrected orally at the Technical Conference (TR: 53-54).

If you have any questions, please contact me at (519) 436-4521.

Yours truly,

[original signed by]

Marian Redford  
Manager, Regulatory Initiatives

cc M. Penny (Torys)  
EB-2009-0101 (Intervenors)

UNION GAS LIMITED

Undertaking of Mr. Thompson

To Mr. Ferguson

To provide answer as to whether actual presentation for the 2004 calculation included actual UFG or formula UFG.

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When reporting actual results in 2005 and 2006 for earning sharing purposes, UFG was not normalized. However, the UFG deducted as an expense to perform an earnings calculation in a cost of service application is always the formula UFG.

File: 2009-05-26

EB-2009-0101

Exhibit J1.2

UNION GAS LIMITED

Undertaking of Mr. Wightman

To Mr. Packer

Please provide the exhibit number from EB-2007-0606 showing the 2008 forecast.

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The EB-2007-0606 exhibit number is C23.52 (TR: page 40-41).

UNION GAS LIMITED

Undertaking of Mr. Quinn

To Mr. Ferguson

To provide the components of O&M that are driving the increase in costs identified at line 7 at Exhibit B, Tab 3, Schedule 2, Attachment 2.

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The 2007 Board approved O&M costs are classified as demand-related (\$5.954 million, see Exhibit B, Tab 3, Schedule 2, line 7) and commodity-related (\$0.955 million, see Exhibit B, Tab 3, Schedule 2, line 14). The total 2007 Board approved O&M applicable to long-term storage is \$6.909 million.

On an actual basis, O&M costs are aggregated (\$9.767 million, see Exhibit B, Tab 3, Schedule 2, line 7). This results in a total O&M variance between 2008 actual and 2007 Board approved of \$2.858 million.

The variance is primarily attributable to changes in capitalization, increased salaries and wages and other expenses resulting from increased activity attributable to Union's investments in storage in 2008.

As a result of the Board's finding that ex-franchise storage services are competitive, Union is no longer able to capitalize under CGAAP as much O&M as it was able to under regulatory accounting. This has increased O&M in 2008 by approximately \$1.0 million.

Increased storage activity associated with Union's 2008 storage investments results in higher direct and allocated indirect salaries and wages of approximately \$1.5 million.

The remaining variance of approximately \$0.4 million is attributable to increased O&M costs for contractor services, materials and supplies and other expenses associated with 2008 storage activity.

UNION GAS LIMITED

Undertaking of Mr. Quinn  
To Mr. Ferguson

To provide a breakdown of Return identified at Exhibit B, Tab 3, Schedule 3, Attachment 3, line 10 in order to establish the nature of its increase.

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Please find attached the Calculation of the Long-Term Storage Return.

UNION GAS LIMITED  
Calculation of Long-Term Storage Return  
 (\$000's)

Line No.	Particulars	Rate Base	Return (1) and Interest	2007 Board Approved	2008 Actual	2009 Forecast
1	2007 Board Approved	102,794	7.93% (2)	8,155		
2	2007 Board Approved	102,794 (3)	7.93%		8,155	
3	Less 6 PJ's Sold as Short Term	(9,070) (4)	7.93%		(720)	
4	2008 New Investment and Purchased Storage	74,395 (5)	9.29% (6)		6,913	
5	2007 Board Approved	102,794 (3)	7.93%			8,155
6	Less 6 PJ's Sold as Short Term	(9,070) (4)	7.93%			(720)
7	2008 & 2009 New Investment and Purchased Storage	216,664 (5)	8.70% (6)			18,840
9	Total			<u>8,155</u>	<u>14,348</u>	<u>26,275</u>

Notes:

- (1) Rate base additions determined using the average of monthly averages methodology.
- (2) EB-2009-0101, Appendix A, Schedule 4, page 1, column (d), line 6 divided by EB-2009-0101, Appendix A, Schedule 4, page 1, column (a), line 6 times 100.
- (3) Excludes the annual impact of depreciation on 2007 Board approved rate base and return.
- (4) Calculated as  $(\$102,794/68 \text{ PJs}) \times 6 \text{ PJs}$
- (5) New Investment and Purchased Storage
- |                       | 2008 Actual  |         | 2009 Actual  |         |
|-----------------------|--------------|---------|--------------|---------|
|                       | In-Service   | \$000's | In-Service   | \$000's |
| 1 Washington 10       | Jan-08       | 21,000  |              |         |
| 2 St Clair            | Apr-08       | 12,000  |              |         |
| 3 Huron Tipperary     | Jun-08       | 23,000  |              |         |
| 4 Delta Pressure      | Sep-08       | 5,400   |              |         |
| 5 Dawn Deliverability | Nov-08       | 99,200  |              | 11,600  |
| 6 Replacement Capital | 2008 Ongoing | 3,400   | 2009 Ongoing | 10,100  |
| 7 Sarnia Airport      |              |         | Jun-09       | 58,000  |
| 8 Heritage            |              |         | Jul-09       | 12,300  |
| 9 Delta Pressure      |              |         | Nov-09       | 4,000   |
- (6) Estimated

UNION GAS LIMITED

Undertaking of Mr. Quinn  
To Mr. Ferguson

To provide 2009 figures for attachment 3, tab 3 for long-term storage services.  
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Please see the addition of the 2009 forecast in the attached schedules.

2007 Board Approved vs. 2008 Actual  
Short Term Storage Services

Line No.	Particulars (\$000's)	2007 Board Approved	2008 Actual	Variance	2009 Forecast
1	Revenue				
2	C1 Off-Peak Storage	\$1,000	\$2,040	\$1,040	\$2,687
3	Supplemental Balancing Services	2,000	3,122	1,122	2,042
4	Gas Loans	1,000	2,177	1,177	3,958
5	Enbridge LBA	75	211	136	
6	C1 ST Firm Peak Storage	13,794	15,777	1,983	18,938
7	C1 Firm ST Deliverability	92	-	(92)	-
8	M12 Interruptible Deliverability	-	-	-	-
9	Total Revenue	17,961	23,327	5,366	27,625
10	Costs				
11	Demand				
12	O&M	(175)	(743)	(568)	(743)
13	Depreciation	(132)	(498)	(366)	(498)
14	Property & Capital Tax	(28)	(102)	(74)	(102)
15	Return	(258)	(905)	(647)	(905)
16	Income Taxes	(6)	(13)	(7)	(13)
17	Total Demand	(599)	(2,261)	(1,662)	(2,261)
18	Commodity				
19	O&M	(74)		74	
20	UFG	(751)	(3,269)	(2,518)	(3,877)
21	Compressor Fuel	(707)	(2,939)	(2,232)	(3,066)
22	Total Commodity	(1,532)	(6,208)	(4,676)	(6,944)
23	Total Costs (line 17 + line 22)	(2,131)	(8,469)	(6,338)	(9,205)
24	Net Revenue	\$15,829	\$14,858	(\$971)	\$18,421

2007 Board Approved vs. 2008 Actual  
Long Term Storage Services - Reclassified Costs

Line No.	Particulars (\$000's)	2007 Board Approved	2008 Actual	Variance	2009 Forecast
1	Revenue				
2	Long Term Peak Storage	\$42,058	\$81,540	\$39,482	\$89,203
3	High Deliverability Storage	-	5,554	5,554	18,709
4	Total Revenue	42,058	87,093	45,035	107,912
5	Costs				
6	Demand				
7	O&M	(5,969)	(9,767)	(3,799)	(10,476)
8	Depreciation	(4,538)	(4,966)	(429)	(7,346)
9	Property & Capital Tax	(932)	(953)	(21)	(953)
10	Return	(8,155)	(14,348)	(6,193)	(26,275)
11	Income Taxes	(108)	(3,886)	(3,778)	(7,743)
12	Total Demand	(19,700)	(33,920)	(14,220)	(52,793)
13	Commodity				
14	O&M	(955)	-	955	-
15	UFG	(4,177)	(4,111)	66	(4,875)
16	Compressor Fuel	(3,437)	(3,695)	(258)	(3,856)
17	Customer Supplied Fuel	7,614	6,110	(1,504)	8,712
18	Total Commodity	(955)	(1,696)	(741)	(19)
26	Total Costs (line 12 + line 18)	(20,653)	(35,616)	(14,963)	(52,812)
27	Net Revenue	\$21,405	\$51,477	\$30,072	\$55,100

UNION GAS LIMITED

Undertaking of Mr. Battista  
To Mr. Ferguson

To reconsider whether the calculation in Exhibit B, Tab 1, Schedule 1 should include unbilled revenue adjustment and provide an explanation.

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Please refer to Exhibit B, Tab 1, Schedule 1.

The variance of \$24.2 million between 2009 actuals and 2007 Board Approved is inclusive of a one-time customer charge accrual adjustment of \$3.6 million. However, the variance explanation on the \$9.7 million increase in general service revenues is on a pre-adjustment basis. The \$3.6 million adjustment should be netted off the \$9.7 million to provide a true variance in general service revenues of \$6.1 million.

2007 Board Approved vs. 2008 Actual  
Long Term Storage Services

Line No.	Particulars (\$000's)	2007 Board Approved	2008 Actual	Variance
1	Revenue			
2	Long Term Peak Storage	\$42,058	\$81,540	\$39,482
3	High Deliverability Storage	-	5,554	5,554
4	Total Revenue	42,058	87,093	45,035
5	Costs			
6	Demand			
7	O&M	(5,954)	(9,767)	(3,813)
8	Depreciation	(4,526)	(4,966)	(440)
9	Property & Capital Tax	(923)	(953)	(30)
10	Return	(7,907)	-	7,907
11	Income Taxes	(75)	-	75
12	Total Demand	(19,385)	(15,686)	3,698
13	Commodity			
14	O&M	(955)	-	955
15	UFG	(4,177)	(4,111)	66
16	Compressor Fuel	(3,437)	(3,695)	(258)
17	Customer Supplied Fuel	7,614	6,110	(1,504)
18	Total Commodity	(955)	(1,696)	(741)
19	Asset Costs			
20	O&M	(15)	-	15
21	Depreciation	(12)	-	12
22	Property & Capital Tax	(9)	-	9
23	Return	(248)	(14,348)	(14,100)
24	Income Taxes	(33)	(3,886)	(3,853)
25	Total Asset Costs	(316)	(18,233)	(17,917)
26	Total Costs (line 12 + line 18 + line 25)	(20,654)	(35,615)	(14,962)
27	Net Revenue	\$21,405	\$51,478	\$30,073

Filed: 2009-04-26  
 EB-2009-0101  
 Exhibit B  
 Tab 3  
Schedule 2  
 Attachment 3  
 Corrected

2007 Board Approved vs. 2008 Actual  
Long Term Storage Services - Reclassified Costs

Line No.	Particulars (\$000's)	2007 Board Approved	2008 Actual	Variance
1	Revenue			
2	Long Term Peak Storage	\$42,058	\$81,540	\$39,482
3	High Deliverability Storage	-	5,554	5,554
4	Total Revenue	42,058	87,093	45,035
5	Costs			
6	Demand			
7	O&M	(5,969)	(9,767)	(3,799)
8	Depreciation	(4,538)	(4,966)	(429)
9	Property & Capital Tax	(932)	(953)	(21)
10	Return	(8,155)	(14,348)	(6,193)
11	Income Taxes	(108)	(3,886)	(3,778)
12	Total Demand	(19,700)	(33,920)	(14,220)
13	Commodity			
14	O&M	(955)	-	955
15	UFG	(4,177)	(4,111)	66
16	Compressor Fuel	(3,437)	(3,695)	(258)
17	Customer Supplied Fuel	7,614	6,110	(1,504)
18	Total Commodity	(955)	(1,696)	(741)
19	Total Costs (line 12 + line 18)	(20,653)	(35,616)	(14,963)
20	Net Revenue	\$21,405	\$51,477	\$30,072