

June 25, 2010

Ms. Kirsten Walli
Board Secretary
Ontario Energy Board
2300 Yonge Street, 27th Floor
Toronto, ON
M4P 1E4

Dear Ms. Walli:

Re: EB-2010-0039 - Union Gas Limited - 2009 Earnings Sharing & Disposition of Deferral Account and Other Balances – Corrected Evidence

On April 22, 2010, Union Gas Limited (“Union”) submitted its application and evidence concerning the final disposition and recovery of certain 2009 year-end deferral account and other balances and the calculation of its 2009 utility earnings for the purposes of earnings sharing.

On June 1, 2010, the Ontario Energy Board (the “Board”) issued Procedural Order No. 1 (“PO #1”). Among other things, PO #1 provided for written interrogatories to be submitted to Union by June 16, 2010. Upon reviewing the interrogatories, it has come to Union’s attention that the following errors impact the amounts for disposition:

1. Certain costs relating to the conversion to International Financial Reporting Standards (“IFRS”) were inadvertently included in the earnings sharing calculation.
2. GST was incorrectly included in the balance of the Late Payment Penalty (“LPP”) Litigation deferral account (Account No. 179-113).

Details of the corrections are discussed below.

IFRS Conversion Costs

Union has discovered that there were costs included in the 2009 earnings sharing calculation related to regulatory provisions for IFRS costs which should have been excluded. Union has corrected the evidence which results in an increase to the earnings sharing amount to \$7.063 million.

GST in the LPP Litigation Deferral Account

When the LPP class action was settled, the total amount to be paid as a result of the settlement was included in the LPP deferral account. The total LPP class action settlement of \$5.628 million included \$0.138 million of GST. The amount included in the LPP deferral account balance incorrectly included the GST of \$0.148 million. This resulted in an over-statement of the LPP deferral account. The revised balance in the account is \$5.651 million.

In addition, Union is taking this opportunity to correct 3 other areas of the evidence that do not impact the disposition balances.

The average historical impact as presented in the prefiled evidence contained a calculation error. The correct historical average is \$25 thousand to Union's benefit.

Exhibit A, Tab 4, Page 4 shows both the unregulated storage volumes and total storage and transportation volumes as 302,561,555 10^3m^3 and 2,245,003,295 10^3m^3 , respectively. The units of measure are GJs, not 10^3m^3 .

Table 4 relating to the composite allocation factors in Exhibit A, Tab 4, Page 17 incorrectly excluded the O&M related to distribution operations for 2009. This table has been corrected.

Enclosed is the corrected application and evidence submitted by Union concerning the final disposition and recovery of certain 2009 year-end deferral account and other balances and the calculation of its 2009 utility earnings for the purposes of earnings sharing.

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 Crawford Smith (Torys)
EB-2010-0039 Intervenors

1 **2009 DEFERRAL ACCOUNT BALANCES, MARKET TRANSFORMATION**
2 **INCENTIVE AND TAX CHANGE AMOUNTS**

3

4 2009 YEAR-END DEFERRAL ACCOUNT BALANCES

5 Union has classified the deferral accounts approved by the Board for use in 2009 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 deferral accounts above, the market transformation incentive and
12 the 2009 tax change amounts at December 31, 2009, is a \$9.356 million credit payable to
13 Union's ratepayers. Each account balance includes interest up to December 31, 2009,
14 computed monthly on the opening balance. The applicable short term interest rates used
15 were 2.45% for the months of January through March, 1.00% for the months of April
16 through June, and 0.55% for the months of July through December as prescribed by the
17 Board in accordance with EB-2006-0117.

18

19 In Union's 2008 Deferral Account Disposition proceeding (EB-2009-0052), the Board
20 requested that Union investigate the possibility of implementing a true-up mechanism
21 which would reconcile any over or under recovery related to the disposition of deferral

1 accounts. Upon review, Union determined that the average historical impact of not
2 truing-up the deferral disposition recovery was approximately \$25,000 per year to
3 Union's benefit. Union does not believe that this surplus represents a material impact
4 which would warrant the implementation of a true-up mechanism for deferral disposition
5 recovery. Accordingly, Union is proposing not to implement a true-up mechanism.

6

7 Tab 1, Schedule 1 provides a summary of the deferral account balances, market
8 transformation incentive and 2009 tax change amounts.

9

10 Account No. 179-108 Unabsorbed Demand Cost Variance Account

11 The balance of Account No. 179-108 Unabsorbed Demand Cost ("UDC") Variance
12 Account is not prospectively recovered or refunded as part of the approved QRAM
13 process and has therefore been included in this submission.

14

15 The credit balance of \$1.285 million in the UDC account is the difference between the
16 actual UDC incurred by Union and the amount of UDC included in rates as approved by
17 the Board.

1 UDC Recovery in Rates

2 Union's 2009 approved rates included UDC representing 4.4 PJs in the Northern and
3 Eastern Operations area and 0.2 PJs in the Southern Operations area to meet customer
4 demands across Union's franchise area and the targeted storage inventory levels at
5 October 31.

6
7 In 2009, Union's actual UDC was 6.142 PJs in the Northern and Eastern Operations area
8 and 1.929 PJs in the Southern Operations area.

9
10 For 2009, Union's total UDC was \$1.935 million. Union collected \$3.208 million in
11 rates and recorded an associated interest credit of \$0.012 million. The result is a credit in
12 the UDC deferral account of \$1.285 million. Table 1 provides the derivation of the UDC
13 deferral account balances by operations area.

1

Table 1

UDC Deferral Account by Operational Area
 (\$ 000s)

line no.	Northern and Eastern Operations area	Southern Operations area	Total Franchise area
1 Collected in Rates	\$ 3,083	\$ 125	\$ 3,208
2 UDC Costs Incurred	1,472	463	1,935
3 Variance (line 2 - line 1)	(1,611)	338	(1,273)
4 Interest	(13)	1	(12)
5 (Credit)/Debit to Operational Area	\$ (1,624)	\$ 339	\$ (1,285)

2
3

4 A description of each item follows:

5

6 Collected in Rates

7 Board-approved rates for 2009 included \$3.115 million associated with planned UDC in
 8 the Northern and Eastern Operations area and \$0.117 million associated with planned
 9 UDC in the Southern Operations area (EB-2005-0520, Rate Working Papers, Schedule
 10 25, page 3). For 2009, Union actually recovered \$3.083 million in the North and \$0.125
 11 million in the South.

12

13 UDC Incurred

14 Consistent with past UDC deferral account dispositions, Union proposes to assign the
 15 total cost of \$1.935 million to each operations area in proportion to the actual excess

1 supply. This results in UDC of \$1.472 million for the Northern Operations area and
2 \$0.463 million for the Southern Operations area.

3

4 Interest

5 Interest associated with UDC amounted to a credit of \$0.013 million for the Northern and
6 Eastern Operations area and a debit of \$0.001 million for the Southern Operations area,
7 resulting in a net credit of \$0.012 million.

8

9 (Credit)/Debit to Operations areas

10 The UDC deferral account has a net total credit balance of \$1.285 million. The balance
11 applicable to customers in the Northern and Eastern Operations area is a credit of \$1.624
12 million. The balance applicable to customers in the Southern Operations area is a debit
13 of \$0.339 million.

14

15 STORAGE DEFERRAL ACCOUNT

16 Actual net revenues from storage services are deferred against the net revenues included
17 in the rates approved by the Board. The credit balance of \$19.736 million represents the
18 ratepayer portion in the following storage deferral accounts.

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

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

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

7

8 The credit balance in the Short-Term Storage and Other Balancing Services deferral
9 account is \$4.949 million. The balance is calculated by comparing the actual 2009 net
10 margin for Short Term Storage Services of \$22.789 million to the net margin approved by
11 the Board of \$15.829 million in the EB-2007-0606 Rate Order. The result is a net
12 deferral credit of \$6.960 million. The net deferral margin is adjusted to reflect the 79%
13 Utility portion (EB-2005-0551) and is to equal \$5.498 million, of which 90% or \$4.949
14 million is shared with ratepayers. The details of the balance in the Storage Services
15 deferral accounts are shown in Table 2 below.

16

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

18 The credit balance in the Long Term Peak Storage Services deferral account of \$14.787
19 million is 50% of the variance between the forecast of \$21.405 million and the actual net
20 revenues of \$50.980 million.

1 The details of the balance in the Storage Services deferral accounts are shown in Table 2
2 below. The methodology used to allocate operating costs to Union's unregulated storage
3 activity can be found at Tab 4.

4

5 The Long-Term Peak Storage Services deferral account includes revenues from High
6 Deliverability Storage, T1 Deliverability Upstream Balancing, Downstream Balancing,
7 Dehydration Service, Storage Compression, C1 Long Term Storage, and Long Term Peak
8 Storage. The net margin for Long Term Storage Services is determined by deducting the
9 costs incurred to provide service from gross revenue.

10

11 The balance in the Long-Term Peak Storage Service deferral account reflects the rate
12 payer portion of the deferred margin or 50% of the difference between actual revenue in
13 excess of the costs to provide Long-Term Peak Storage Services and the revenue forecast
14 in excess of the cost to provide these services as approved by the Board in the EB-2005-
15 0520 Rate Order.

1

Table 2

Details of Balances in Storage Deferral Accounts
 (\$ Millions)

	2009			2008	Variance
	Short term (179-70)	Long term (179-72)	Total	Total	
Storage revenue	\$ 28.914	\$106.372	\$ 135.286	\$ 110.420	\$ 24.866
Operating costs					
Cost of gas	3.864	2.454	6.318	7.904	(1.586)
O&M	2.261	10.636	12.897	12.028	0.869
Depreciation	-	7.312	7.312	4.966	2.346
Property & capital taxes	-	1.754	1.754	0.953	0.801
	<u>6.125</u>	<u>22.156</u>	<u>28.281</u>	<u>25.851</u>	<u>2.430</u>
Interest, return and income taxes	-	33.236	33.236	18.233	15.003
Net margin	22.789	50.980	73.769	66.336	7.433
Board approved	15.829	21.405	37.234	37.234	-
Excess	<u>\$ 6.960</u>	<u>\$ 29.575</u>	<u>\$ 36.535</u>	<u>\$ 29.102</u>	<u>\$ 7.433</u>

2

3

4 OTHER DEFERRAL ACCOUNTS

5

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

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

1 Account No.179-75 Lost Revenue Adjustment Mechanism (“LRAM”)

2 The LRAM deferral account has a debit balance of \$2.394 million which represents the
3 difference between actual margin reductions related to Union’s DSM activities and the
4 margin reduction included in gas delivery rates as approved by the Board. This balance
5 includes volume variances related to 2008 audited versus unaudited DSM activities and
6 the unaudited volumes related to 2009 DSM activities. Union proposes to dispose of the
7 debit balance in the account of \$2.394 million.

8

9 Tab 1, Schedule 2, page 1 provides the breakdown of the LRAM deferral account balance
10 for 2008 and 2009. Tab 1, Schedule 2, pages 2 and 3 provide the LRAM volumes and the
11 corresponding revenue impacts related to 2008 and 2009 DSM activities respectively.

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

16

17 The audit of 2008 DSM volumes is complete. The amount Union proposes to dispose of
18 for 2008 is a debit balance of \$1.245 million (Tab 1, Schedule 2, page 2, line 17, column

19 (i)) which is composed of the following:

- 1 • 50% of the variance between lost revenues resulting from the audited 61,851
2 10^3m^3 volumes savings and those resulting from the unaudited forecasted volumes
3 savings of 65,865 10^3m^3 reflected in 2008 rates;
- 4 • lost revenues from audited 2008 volumes savings of 61,851 10^3m^3 at 2009 rates.

5

6 In 2009, the variance is a debit balance of \$1.149 million (Tab 1, Schedule 2, page 3, line
7 17, column (c)). The 2009 variance represents 50% of the forecasted volumes savings of
8 108,975 10^3m^3 . There were no 2009 DSM volumes included in 2009 rates. The process
9 to finalize DSM balances for 2009 includes an audit of Union's DSM Annual Report,
10 which is subsequently reviewed by the Evaluation and Audit Committee, communicated
11 to the DSM Consultative and filed with the Board.

12

13 Consistent with the approach taken related to activity in EB-2007-0598, EB-2008-0034
14 and EB-2009-0052, and in an effort to dispose of deferral account balances in a timely
15 manner, Union is proposing to dispose of the LRAM balance related to unaudited 2009
16 DSM activities at this time. Recognizing this balance may still change following the
17 audit, any amount disposed of would be subject to a future true-up. Any true-up amount
18 will be captured in the deferral account for future disposition in the same way the 2008
19 variance has been trued up in this proceeding.

1 Account No.179-102 Intra-Period Weighted Average Cost of Gas (“WACOG”) Changes

2 The credit balance of \$7.615 million in the Intra-Period WACOG Changes account
3 reflects the difference between the actual WACOG approved by the Board for 2009 and
4 the WACOG approved for recovery in Union’s delivery rates in the EB-2008-0220
5 proceeding related to inventory carrying costs, compressor fuel, customer supplied fuel
6 and unaccounted for gas. The WACOG approved for recovery in 2009 rates was
7 \$356.255 per 10³ m³. The actual WACOG in 2009, approved by the Board in the four
8 QRAM proceedings in 2009, ranged from a low of \$241.289 per 10³ m³ to a high of
9 \$350.581 per 10³ m³. Consistent with the Board’s EB-2008-0106 Decision, this account
10 was closed effective December 31, 2009.

11

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

13 No unauthorized storage overrun charges were incurred by customers electing unbundled
14 service in 2009.

15

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

17 This account records the difference between actual direct DSM costs incurred and the
18 direct DSM budget included in rates. The debit balance of \$1.468 million (Tab 1,
19 Schedule 3, line 13, column (c)) represents the difference between actual 2009 DSM
20 expenditures of \$20.338 million and \$18.870 million included in rates.

1 In the Board’s EB-2006-0021 Decision (Phase 1, page 30), the Board decided that Union
 2 could spend 15% more than what was included in rates provided the “additional funding
 3 was spent on incremental program expenses”.

4

5 The \$1.468 million additional expenditure was related to increased direct DSM program
 6 costs above what was planned for 2009. The additional expenditures contributed to
 7 Union’s 2009 natural gas savings of 108,975 10³ m³ and \$313.8 million in Total
 8 Resource Cost (“TRC”) benefits, exceeding the TRC target of \$220.1 million. The
 9 details of the 2009 DSM overspend are presented in Table 3 below.

10

11

Table 3

2009 DSM Overspend
 (\$ 000's)

	<u>2009 Plan</u>	<u>2009 Actual</u>	<u>Variance</u>
Residential	\$ 2,687	\$ 2,711	\$ 24
Low Income	1,573	2,169	596
Commercial	3,890	4,597	707
Distribution Contract	4,233	5,023	790
Market Transformation	1,210	1,159	(51)
Other Direct Program Costs	6,977	6,379	(598)
Total	<u>\$ 20,570</u>	<u>\$ 22,038</u>	<u>\$ 1,468</u>

12

1 Account No. 179-112 Gas Distribution Access Rule (“GDAR”) Costs

2 The GDAR costs deferral account has no balance. The GDAR costs deferral account
3 represents the difference between the actual capital costs incurred to implement the
4 process and system changes needed to achieve compliance with GDAR and the capital
5 costs included in rates as approved by the Board.

6

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

8 The debit balance of \$5.651 million in the LPP Litigation deferral account is the cost
9 incurred in 2009 as a result of the settlement in the late payment penalty litigation.

10

11 Union is requesting the Board approve the total costs in the LPP settlement, including the
12 recovery of the settlement over 3 years (2009 – 2011 deferral dispositions) as agreed to in
13 the settlement (see Table 4 below).

14

15 Background

16 A notice of action claiming declaratory relief and damages against Union in connection
17 with LPPs was issued on December 31, 2003. In May, 2004 Union was served with a
18 statement of claim. This action was brought as a proposed class action proceeding.

19

20 On June 22, 2004 Union wrote to the Board requesting the establishment of a LPP
21 deferral account to record the costs Union would incur in defending this class action

1 lawsuit, including the amount of any judgment that might be made against Union. In its
2 Decision issued in September 2004 (RP-2003-0063/EB-2004-0386), the Board approved
3 the LPP deferral account to record the following:

- 4 1. Union's legal costs;
- 5 2. The costs of actuarial advice; and,
- 6 3. The costs of analyzing historical billing records in connection with Union's
7 defense of the LPP litigation.

8
9 With respect to the amount of any judgment, the Board ruled that it would be premature
10 to approve the inclusion of any judgment-related costs until such time as a Court order
11 was made or expected. As a result, Union established the deferral account in accordance
12 with this Decision and in turn cleared debits in this account in 2005, 2006, 2007 and
13 2008.

14
15 *LPP Class Action and Settlement*

16 Similar to Enbridge, the claim served on Union alleged that some of the LPPs it charged
17 were contrary to the Criminal Code. Subsequent to the court approved settlement of the
18 Enbridge case, in November 2008, Union entered into its own \$9.228 million settlement.
19 The settlement was approved by the Ontario Superior Court on February 10, 2009 with
20 judgment entered accordingly. The allocation of the settlement amount is detailed in
21 Table 4 below:

Table 4

LPP Costs Incurred by Year
(\$ 000's)

Costs by Year	2009	2010	2011
Payment to Winter Warmth Fund	\$ 1,800	\$ 1,800	\$ 1,800
Class Proceedings Fund	600	-	-
Class Counsel's Costs and Fees	2,750	-	-
GST on Costs and Fees	138	-	-
Disbursements Inclusive of GST	200	-	-
Notice to Class	140	-	-
Total	<u>\$ 5,628</u>	<u>\$ 1,800</u>	<u>\$ 1,800</u>

1

2 Incremental to the amount shown above is \$0.171 million resulting from Union's legal
3 costs, publication costs and system maintenance costs related to the LPP charge.

4

5 Union's Proposal to Amend its LPP Deferral Account

6 Union informed the Board of the class action settlement as part of its EB-2008-0417
7 proceeding. As part of that proceeding, Union proposed an amendment to the scope of its
8 LPP litigation deferral account that would allow it to record the amount of any judgment
9 against Union resulting from the Class Action. The Board in its Decision (dated February
10 13, 2009) agreed with Union's proposal to amend the scope of the LPP deferral account:

11 *"The Board finds Union's request reasonable, and accepts the proposed*
12 *amendment to the Accounting Order for Deferral Account No. 179-113 to include*
13 *the cost of any judgment against Union in respect of the LPP class action."*

1 Enbridge's LPP Settlement

2 In EB-2007-0731 the Board considered Enbridge's Class Action Suit Deferral Account.

3 The Board determined that all costs, including Enbridge's legal costs, settlement costs

4 and interest recorded in the deferral account were recoverable from ratepayers. In

5 reaching its decision, the Board concluded all such costs were prudently incurred.

6

7 Following release of the Board's Decision, a petition to the Lieutenant Governor in

8 Council, seeking to overturn the Decision, was brought by Gordon Garland, the

9 representative plaintiff in the Enbridge LPP class action. The petition was dismissed and

10 the Decision of the Board confirmed by the Lieutenant Governor in Council on December

11 1, 2008.

12

13 Union's LPP Settlement and Recovery

14 In Union's submission, the principles established by the Board in its Decision in the

15 Enbridge EB-2007-0731 proceeding (dated February 4, 2008) should apply to Union's

16 deferral account balance. That is, provided the costs were prudently incurred, they

17 should be recoverable.

18

19 Here, just as in the Enbridge case, there can be no issue as to the prudence of the costs.

1 First, the settlement costs were incurred as a direct consequence of good faith compliance
2 with what were believed to be valid orders of the Board.

3 Second, the LPPs which gave rise to the costs were levied for the benefit of utility
4 customers generally and, in fact, did confer a customer benefit.

5

6 Third, the settlement costs were not incurred dishonestly, negligently or wastefully; they
7 were prudent. As the Court noted when it approved the settlement, “the compromise
8 resolution presented by the proposed settlement is from the perspective of all parties to
9 the litigation, prudent, fair, reasonable, the most cost-efficient, and ultimately in the best
10 interests of all parties affected by it. This is particularly true when compared with the
11 alternative of the considerable risks, uncertainties and costs of on-going litigation”.

12

13 Finally, as the Board itself held in the Enbridge case, the settlement costs do not represent
14 a forecast error which would be borne by Union’s shareholders, nor do they represent
15 retroactive rate making. In this respect, the costs are not related to whether the forecast
16 of LPP revenues was inaccurate and Union is not looking to change prior rate orders.

17 Rather, the costs are the current costs of resolving litigation once the Supreme Court
18 found the LPP charges to be illegal and Union is seeking to recover those costs at its first
19 available opportunity.

1 As contemplated in the LPP settlement, the total cost of \$9.228 million (see Table 4
2 above) will be recovered over three years, plus incremental legal fees of \$0.171 million,
3 less GST costs of \$0.148 million (\$0.138 million in GST relating to Class Counsel's
4 Costs and Fees and \$0.010 million in GST relating to disbursements). The total net
5 recovery of \$9.251 million from 1.3 million customers over three years does not result in
6 a material impact to customers.

7

8 The Board issued its Decision in Enbridge proceeding making the determination that the
9 settlement was recoverable from ratepayers. The Lieutenant Governor in Council
10 dismissed a petition by the plaintiff in the Enbridge class action, thereby confirming the
11 Board's Decision.

12

13 Accordingly, Union requests the Board approve the LPP settlement and its disposition
14 over 3 years as recorded in Table 4 above.

15

16 Account No. 179-115 Shared Savings Mechanism ("SSM") Variance Account

17 This account has a debit balance of \$8.922 million related to DSM activity in 2009. Tab
18 1, Schedule 4 provides the breakdown of the SSM variance account. The account was
19 established in 2006, in accordance with the mechanism approved by the Board in the EB-
20 2005-0507 proceeding, to record any shareholder incentive earned by Union related to
21 DSM activities.

1 Union has completed the audit of 2008 DSM activity and there is no resulting SSM
2 incentive payout variance. (Tab 1, Schedule 4, line 13, column (e)). Upon completion of
3 the audit of Union's 2008 DSM activity, the adjustments resulted in a net increase in the
4 level of TRC achieved. This adjustment did not impact Union's 2008 SSM claim as
5 Union's 2008 pre-audit TRC results were over 150% of Union's 2008 TRC target, which
6 represents the maximum SSM payout.

7

8 In accordance with previous Board-approved practice, Union is proposing to clear the
9 recorded SSM balance related to unaudited 2009 DSM activities. Recognizing this
10 balance may still change following the audit, any amount disposed of would be subject to
11 a future true-up. Any true-up amount will be captured in the deferral account for future
12 disposition.

13

14 Account No. 179-117 Carbon Dioxide Offset Credits

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

1 Account No. 179-118 Average Use Per Customer

2 The Average Use Per Customer deferral account has a credit balance of \$2.144 million.

3 The amount represents the margin variance resulting from the difference between the
4 actual rate of decline in use-per-customer for 2009 and forecast rate of decline in use-per-
5 customer included in Union's Board approved 2009 rates. Actual and forecast rate of
6 declines in use-per-customer were calculated on a percentage and rate class specific basis
7 for rate classes M1, M2, 01 and 10, were normalized for weather and exclude the volume
8 impacts attributed to DSM. The details of the Average Use Per Customer deferral
9 account balance can be found at Tab 1, Schedule 5.

10

11 Account No. 179-120 International Financial Reporting Standards ("IFRS") Conversion

12 Costs

13 The IFRS Conversion Costs deferral account has a debit balance of \$3.989 million. The
14 amounts include \$1.918 million and \$2.071 million in incremental IFRS costs related to
15 2008 and 2009 respectively. Table 5 provides a summary of the costs incurred by year.

1

Table 5

2

IFRS Conversion Costs by Year

3

(\$ Millions)

4

	<u>2008</u>	<u>2009</u>	<u>Total</u>
System Upgrade Costs	\$ 0.953	\$ 0.459	\$ 1.412
Consulting Costs	0.904	1.275	2.179
Employee Costs	<u>0.061</u>	<u>0.337</u>	<u>0.398</u>
Total	<u>\$ 1.918</u>	<u>\$ 2.071</u>	<u>\$ 3.989</u>

5

6 A description of these costs follows:

7

8 System upgrade costs

9 The system upgrade costs are specific to upgrading Union's accounting system to one
10 that is able to report results, following two separate sets of accounting rules. In 2011,
11 Union will be required to maintain an accounting system under: 1) IFRS; and 2)
12 Regulatory Accounting rules. From a risk management and accuracy perspective, the
13 differences between IFRS and Regulatory Accounting are significant enough to warrant a
14 system that is able to track both sets of books.

15

16 Consulting costs

17 Consulting costs include amounts paid to third parties for their expert advice and analysis
18 specific to Union's transition to IFRS. The consultants include Ernst and Young, LLP for
19 accounting advice and project management assistance; Deloitte and Touche for
20 accounting advice and confirmation of accounting policies; Foster Associates Inc., for

1 assistance with componentization of our Property Plant and Equipment, and Towers and
2 Watson (formerly Towers Perrin) for Pension valuation services.

3

4 Employee costs

5 Employee costs include incremental salaries and wages related to employees that are
6 solely dedicated to the IFRS transition, training and travel costs related to the transition.

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

9

10 In its EB-2008-0411 Decision, the Board granted Union leave to sell the St. Clair
11 Transmission Line to Dawn Gateway Pipelines Limited Partnership (“Dawn Gateway”)
12 for the purpose of Dawn Gateway integrating the St. Clair Line into a new pipeline, to be
13 known as the Dawn Gateway Pipeline, running from the Belle River Mills Compressor
14 Station in Michigan to Union’s Dawn Station. Leave to sell was granted on condition
15 that Union allocate to the ratepayers on the sale of the St. Clair Line the amount of \$6.402
16 million as the ratepayers’ share of a deemed net gain from the sale. The Board ordered
17 that the \$6.402 million should be placed into a deferral account and also that Union create
18 another deferral account to capture the effect of removing the St. Clair Transmission Line
19 from rates effective March 1, 2010.

20

21 On March 15, 2009, Union filed for approval by the Board two draft accounting orders to
22 create the deferral accounts ordered in EB-2008-0411. Account No. 179-121 is to

1 capture the \$6.402 million to be allocated to the ratepayers at the time of the sale, and
2 Account No. 179-122 is to capture the effects of removing the St. Clair Transmission
3 Line from rates effective March 1, 2010. On March 22, 2010, Union filed a correction to
4 the draft accounting order for Account 179-121.

5
6 On April 1, 2010, intervenors and Board staff filed submissions on Union's draft
7 accounting orders. On April 15, 2010, Union filed submissions in reply to those made by
8 intervenors and Board Staff. At the time of this filing the Board has not issued a decision
9 regarding the draft accounting orders.

10

11 Union is proposing to not dispose of the balances in Account No. 179-121 and Account
12 No. 179-122 as part of this proceeding for the following reasons.

13

14 On March 6, 2010, the Board issued its EB-2009-0422 Decision approving a complaint
15 based regulatory framework for Dawn Gateway and granting leave to construct new
16 facilities from Bickford to Dawn. Based on the EB-2009-0422 decision and the EB-
17 2008-0411 decision, Dawn Gateway was prepared to move forward with the construction
18 of the Dawn Gateway Pipeline.

19

20 Prior to applying for approval for the Dawn Gateway Pipeline, Dawn Gateway had
21 entered into precedent agreements with 5 shippers (the "Shippers") who agreed to

1 purchase transportation capacity on the Dawn Gateway Pipeline. However, shortly after
2 the release of the Board's EB-2009-0422 Decision, several of the Shippers requested that
3 construction, originally planned for 2010, be delayed due to recent changes in North
4 American supply dynamics. Specifically, the recent large increase in shale gas supplies
5 in the Northeast United States, increased supplies of Rockies gas as a result of the
6 completion of the Rockies Express Pipeline, the decline in Western Canadian supplies
7 and reduced North American demand due to economic conditions have impacted natural
8 gas pricing and storage spreads across North America. These changing market conditions
9 have caused a rapid and significant decline in the spread between gas prices in Michigan
10 compared to Dawn, thus making the Dawn Gateway Pipeline uneconomic for the
11 Shippers at this time.

12

13 In light of the current market conditions, Dawn Gateway and its Shippers have agreed to
14 delay the construction of the Dawn Gateway Pipeline. Dawn Gateway and its shippers
15 will monitor market conditions and will determine by November 1, 2010 whether the
16 pipeline will proceed for in-service in November 2011.

17

18 Given the delay in the construction of the Dawn Gateway Pipeline, Dawn Gateway has
19 not proceeded with the purchase of the St. Clair Transmission Line. Union will,
20 however, record in Account No. 179-121 the \$6.402 million amount to be allocated to the
21 ratepayers at the time of the sale, and will record in Account 179-122 for disposition in

1 the future the amount attributable to the St. Clair Line that is included in Union's rates.
2 Union will continue to track the ratepayer credit in deferral account 179-122 based on a
3 sale date later than March 1, 2010. Union will use the Board's methodology as outlined
4 its EB-2008-0411 Decision to calculate the ratepayer credit. If Dawn Gateway does not
5 proceed with the purchase of the St. Clair Line, Union will file a motion with the Board
6 in EB-2008-0411 for approval to attribute the amounts in these deferral accounts back to
7 Union and to continue to recover the costs of the St. Clair Transmission Line in delivery
8 rates.

9

10 OTHER ITEMS

11

12 Market Transformation Incentive

13 Union is claiming a \$0.500 million incentive for the Market Transformation ("MT") drain
14 water heat recovery program created and executed in Union's operations area in 2009.

15 This incentive amount is based upon meeting or exceeding the performance goals as
16 outlined by the MT Scorecard, filed with the Board on February 12, 2009. The 2009 MT
17 Scorecard is presented below in Table 6.

1

Table 6

2009 Market Transformation Scorecard Results

Element	Metric	50%	100%	150%	Outcome	Score	Result
Ultimate Outcomes	Participating Builders	51	61	71	101	22.5/15	150%
	Units Installed (new build) as a percentage of 2009 housing starts *	9% 983	11% 1,202	12% 1,311	>15% 1564	82.5/55	150%
Market Effects	Customer Awareness Survey	32%	36%	40%	30%	5.6/15	37%
	Builder Knowledge Survey	75%	79%	83%	70%	2.8/15	19%
Total:						113.4/100	113%

* Units installed (new build) is based on a year end forecast of 10,925 housing starts.

2

3 The process to finalize DSM-related balances includes an audit of Union's DSM Annual
 4 Report, review by the Evaluation and Audit Committee and communication to the DSM
 5 Consultative. Consistent with the approach taken related to 2008 activity in EB-2008-
 6 0034, and in an effort to dispose of deferral account balances in a timely manner, Union
 7 is proposing to dispose the forecast MT balance related to unaudited 2009 MT activities
 8 as measured by the MT Scorecard within the DSM portfolio at this time. The variances
 9 between the MT payout balances calculated out of audited and unaudited results would be
 10 subject to a future true-up. Any true-up amount will be captured in a future disposition in
 11 the same way the LRAM variance from 2009 has been trued up in this proceeding.

12

13 Federal and Provincial Tax Changes

14 In accordance with the Board's EB-2007-0606 decision, 50% of the impact of the tax
 15 reductions became subject to annual deferral account treatment. Union recorded a credit
 16 of \$1.500 million, which represents 50% of the tax benefit arising from accelerated

1 capital cost allowance (“CCA”) related to the new Class 52 CCA class for computer
2 equipment in 2009. These tax savings were not legislated at the time of Incentive
3 Regulation implementation and, accordingly, the full benefits were not included in
4 customer rates. There were no other enacted tax legislated changes during 2009 that
5 resulted in tax rates different than those used to establish 2009 rates.

UNION GAS LIMITED
 Deferral Account Balances, Market Transformation Incentive and Federal and Provincial Tax Changes
Year Ending December 31, 2009

Line No.	Account Number	Account Name	Balance (\$000's)	(1)
<u>Gas Supply Accounts:</u>				
1	179-108	Unabsorbed Demand Costs Variance Account	(1,285)	(2)
<u>Storage Accounts:</u>				
2	179-70	Short-Term Storage and Other Balancing Services	(4,949)	
3	179-72	Long-Term Peak Storage Services	(14,787)	
4	Total Storage Accounts (Lines 2 + 3)		(19,736)	
<u>Other:</u>				
5	179-26	Deferred Customer Rebates/Charges	-	
6	179-75	Lost Revenue Adjustment Mechanism	2,394	
7	179-102	Intra-period WACOG Changes	(7,615)	
8	179-103	Unbundled Services Unauthorized Storage Overrun	-	
9	179-111	Demand Side Management Variance Account	1,468	
10	179-112	Gas Distribution Access Rule (GDAR) Costs	-	
11	179-113	Late Payment Penalty Litigation	5,651	
12	179-115	Shared Savings Mechanism	8,922	
13	179-117	Carbon Dioxide Offset Credits	-	
14	179-118	Average Use Per Customer	(2,144)	
15	179-120	IFRS Conversion Cost	3,989	
16	179-121	Cumulative Under-recovery – St. Clair Transmission Line	-	
17	Total Other Accounts (Lines 5 through 16)		12,664	
18	Total Deferral Account Balances (Lines 1 + 4 + 17)		(8,357)	
19	Market Transformation Incentive		500	
20	Federal and Provincial Tax Changes		(1,500)	
21	Total Deferral Account Balances, Market Transformation Incentive and Federal and Provincial Tax Changes (Lines 18 + 19 + 20)		(9,356)	

Notes:

- (1) Account balances include interest to December 31, 2009.
- (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 2009 LRAM Deferral Account Balance

Line No.	Particulars	Amounts by DSM Plan Year		Total Amount in LRAM Deferral Account
		2008 ⁽¹⁾	2009 ⁽²⁾	
		(\$)	(\$)	(\$)
		(a)	(b)	(c)
	<u>South</u>			
1	M1 Residential	288,369	201,289	489,658
2	M1 Commercial	279,412	170,823	450,236
3	M1 Industrial	-	14,698	14,698
4	M2 Commercial	99,818	217,031	316,849
5	M2 Industrial	21,978	51,556	73,534
	<u>Industrial</u>			
6	M4	55,106	21,612	76,718
7	M5	74,006	57,905	131,912
8	M7	2	2,337	2,339
9	T1	15,756	13,550	29,305
10		<u>834,446</u>	<u>750,803</u>	<u>1,585,249</u>
	<u>North</u>			
11	Residential 01	141,282	83,528	224,810
12	Commercial 01	94,718	73,505	168,222
13	Commercial 10	81,123	50,636	131,759
14	Industrial 10	66,285	159,522	225,807
	<u>Industrial</u>			
15	Rate 20	5,152	6,924	12,075
16	Rate 100	22,432	23,950	46,382
17		<u>410,991</u>	<u>398,065</u>	<u>809,056</u>
18	Total	<u>1,245,437</u>	<u>1,148,868</u>	<u>2,394,305</u>

Notes:

⁽¹⁾ EB-2010-0039, Exhibit A, Tab 1, Schedule 2, page 2 of 3, column (i)

⁽²⁾ EB-2010-0039, Exhibit A, Tab 1, Schedule 2, page 3 of 3, column (c)

UNION GAS LIMITED
 Lost Revenue Adjustment Mechanism
 2008 - Audited

Line No.	Particulars	Delivery Rates				Net Revenue Impact			Interest	Net LRAM Deferral Account Balance Proposed for Disposition Including Interest
		2008 Audited Volumes ⁽¹⁾	2008 Lost Volumes in 2008 Rates	2008 Rates	2009 Rates	2008 ⁽²⁾	2009	Total		
		10 ³ m ³ (a)	10 ³ m ³ (b)	\$/10 ³ m ³ (c)	\$/10 ³ m ³ (d)	2008 ⁽²⁾ (\$) (e) = [(a)-(b)]x (c) x 50%	2009 (\$) (f) = (a) x (d)	Total (\$) (g) = (e) + (f)		
<u>South</u>										
1	M1 Residential	6,477	7,490	50.87	48.500	(25,766)	314,135	288,369	-	288,369
2	M1 Commercial	7,101	9,656	50.87	48.500	(64,986)	344,399	279,412	-	279,412
3	M2 Commercial	3,103	4,581	41.237	41.989	(30,474)	130,292	99,818	-	99,818
4	M2 Industrial	574	677	41.237	41.989	(2,124)	24,102	21,978	-	21,978
<u>Industrial</u>										
5	M4	5,610	5,343	9.277	9.602	1,238	53,867	55,106	-	55,106
6	M5	4,468	4,255	16.009	16.182	1,705	72,301	74,006	-	74,006
7	M7	1	2	3.531	3.812	(2)	4	2	-	2
8	T1	18,204	17,337	0.819	0.846	355	15,401	15,756	-	15,756
9		<u>45,538</u>	<u>49,341</u>			<u>(120,053)</u>	<u>954,499</u>	<u>834,446</u>	<u>-</u>	<u>834,446</u>
<u>North</u>										
10	Residential 01	1,361	1,273	102.147	100.505	4,494	136,787	141,282	-	141,282
11	Commercial 01	1,248	1,716	95.251	93.755	(22,289)	117,006	94,718	-	94,718
12	Commercial 10	1,389	1,780	66.998	67.834	(13,098)	94,221	81,123	-	81,123
13	Industrial 10	1,054	1,031	61.471	62.218	707	65,578	66,285	-	66,285
<u>Industrial</u>										
14	Rate 20	1,536	1,462	3.068	3.280	114	5,038	5,152	-	5,152
15	Rate 100	9,725	9,262	2.17	2.255	502	21,930	22,432	-	22,432
16		<u>16,313</u>	<u>16,524</u>			<u>(29,570)</u>	<u>440,561</u>	<u>410,991</u>	<u>-</u>	<u>410,991</u>
17	Total	<u>61,851</u>	<u>65,865</u>			<u>(149,623)</u>	<u>1,395,060</u>	<u>1,245,437</u>	<u>-</u>	<u>1,245,437</u>

Notes:

(1) Demand Side Management 2008 Annual Report - Final Audited Report, page 56 (submitted by Union to the OEB Secretary on June 30, 2009 in compliance with section 2.1.12 of the Board's Reporting and Record Keeping Requirements).

(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
 Lost Revenue Adjustment Mechanism
2009 - Unaudited

Line No.	Particulars	2009 Unaudited Volumes ⁽¹⁾ 10 ³ m ³ (a)	2009 Delivery Rates \$/10 ³ m ³ (b)	Revenue Impact ⁽²⁾ (\$) (c) = (a) x (b) x 50%
<u>South</u>				
1	M1 Residential	8,301	48.500	201,289
2	M1 Commercial	7,044	48.500	170,823
3	M1 Industrial	606	48.500	14,698
3	M2 Commercial	10,338	41.989	217,031
4	M2 Industrial	2,456	41.989	51,556
<u>Industrial</u>				
5	M4	4,502	9.602	21,612
6	M5	7,157	16.182	57,905
7	M7	1,226	3.812	2,337
8	T1	32,032	0.846	13,550
9		<u>73,661</u>		<u>750,803</u>
<u>North</u>				
10	Residential 01	1,662	100.505	83,528
11	Commercial 01	1,568	93.755	73,505
12	Commercial 10	1,493	67.834	50,636
13	Industrial 10	5,128	62.218	159,522
<u>Industrial</u>				
14	Rate 20	4,222	3.280	6,924
15	Rate 100	21,242	2.255	23,950
16		<u>35,314</u>		<u>398,065</u>
17	Total	<u>108,975</u>		<u>1,148,868</u>

Notes:

- (1) Based on unaudited 2009 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)

Line No.	Particulars	DSM Costs in 2009		
		Rates ⁽¹⁾ (a)	Actual DSM Costs (b)	Account Balance (c) = (b) - (a)
	<u>South</u>			
1	M1	6,236	10,475	4,239
2	M2	2,584	587	(1,997)
3	M4	1,923	167	(1,756)
4	M5	-	747	747
5	M7	731	13	(718)
6	T1	1,194	3,156	1,963
7		<u>12,668</u>	<u>15,146</u>	<u>2,478</u>
	<u>North</u>			
8	Rate 01	1,856	1,512	(344)
9	Rate 10	1,595	1,455	(140)
10	Rate 20	1,052	272	(780)
11	Rate 100	1,699	1,954	254
12		<u>6,202</u>	<u>5,192</u>	<u>(1,010)</u>
13	Total	<u>18,870</u>	<u>20,338</u>	<u>1,468</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 2008 Audited and 2009 Unaudited Results

Line No.	Particulars	2008 Amount				2009 Amount Based on Unaudited results ⁽¹⁾	Total for 2008 and 2009
		Amount Based on 2008 Audited results ⁽¹⁾	Amount Disposed of in EB-2009-0052 ⁽²⁾	Net Amount	Interest		
		(\$)	(\$)	(\$)	(\$)	(\$)	(\$)
		(a)	(b)	(c) = (a) - (b)	(d)	(e) = (c) + (d)	(f) = (e) + (g)
	<u>South</u>						
1	M1	2,029,532	2,248,743	(219,211)	-	(219,211)	1,333,004
2	M2	667,852	765,668	(97,816)	-	(97,816)	1,030,079
3	M4	286,080	264,668	21,412	-	21,412	353,503
4	M5	420,012	386,140	33,872	-	33,872	468,914
5	M7	758	788	(30)	-	(30)	115,614
6	T1	1,397,216	1,362,986	34,230	-	34,230	2,281,985
7		<u>4,801,450</u>	<u>5,028,992</u>	<u>(227,542)</u>	<u>-</u>	<u>(227,542)</u>	<u>5,810,642</u>
	<u>North</u>						
8	Rate 01	453,414	502,184	(48,770)	-	(48,770)	272,520
9	Rate 10	330,053	365,535	(35,482)	-	(35,482)	474,999
10	Rate 20	122,876	120,542	2,334	-	2,334	275,502
11	Rate 100	2,987,707	2,678,246	309,461	-	309,461	2,315,463
12		<u>3,894,050</u>	<u>3,666,508</u>	<u>227,542</u>	<u>-</u>	<u>227,542</u>	<u>3,110,941</u>
13	Total	<u>8,695,500</u>	<u>8,695,500</u>	<u>0</u>	<u>-</u>	<u>0</u>	<u>8,921,583</u>

Notes:

- (1) The SSM incentives for 2008 and 2009 are calculated and allocated among rate classes using the mechanism approved by the Board in EB-2006-0021.
(2) EB-2009-0052 Exhibit A, Tab 1 Schedule 4, Column (f).

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	2008 Target Average Use	3,153	(2.4%)	137,974	(1.8%)	4,286	(1.7%)	
2	2008 Actual Average Use (1)	3,252	0.7%	161,615	15.0%	4,271	(2.0%)	
3	2009 Target Average Use	3,128	(0.8%)	139,768	1.3%	4,264	(0.5%)	
4	2009 Actual Average Use	3,214	(1.2%)	161,276	(0.2%)	4,184	(2.0%)	
5	Forecast decline in Average Use per customer (line 3 - line 2) (2)	-124		-21,847		-7		
6	Actual decline in Average Use per customer (line 4 - line 2)	-38		-339		-87		
7	Change in Average Use - Forecast vs. Actual (line 5 - line 6) (3)	-86		-21,508		80		
8	2007 Board Approved Number of Customers	295,672		2,966		987,063		
9	Volume Impact (10 ³ m ³) (line 7 x line 8)	(25,491.1)		(63,653.7)		78,690.0		
10	2009 Board Approved Average Delivery Rate (\$/10 ³ m ³)	79.381		52.083		40.595		
11	Average Use Deferral (\$ millions) (line 9 x line 10) (4)	<u>\$ (2.024)</u>		<u>\$ (3.315)</u>		<u>\$ 3.194</u>		<u>\$ (2.144)</u>

Notes:

⁽¹⁾ Updated for 2008 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 #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 2009 un-audited LRAM Volume Savings

⁽⁴⁾ EB-2010-0039, Exhibit A, Tab 1, Schedule 1

1 The primary drivers of Union's 2009 financial results relative to 2008 are provided in
2 detail below.

3

4 Gas Distribution Margin

5 The decrease in gas distribution margin of \$22.2 million relative to 2008 was the result of
6 an increase in the cost of gas of \$19.2 million and a decrease in in-franchise contract
7 delivery revenues of \$4.6 million, partially offset by an increase in general service
8 revenues of \$1.6 million.

9

10 Transportation Revenue

11 The increase in transportation revenue of \$12.2 million in 2009 relative to 2008 was
12 primarily a result of an increase in short-term transportation and exchange revenue of
13 \$6.5 million and an increase in long-term transportation revenue of \$4.9 million.

14

15 Operating Expenses

16 The increase in operating expenses of \$4.1 million in 2009 relative to 2008 was a result
17 of an increase in depreciation of \$6.9 million and an increase in property and capital taxes
18 of \$1.7 million, partially offset by a reduction in O&M of \$4.5 million.

1 2009 EARNINGS SHARING

2 In January 2008, the Board approved the EB-2007-0606 Settlement Agreement for
3 Union's Incentive Regulation framework, effective January 1, 2008. As part of the
4 approved Settlement Agreement, the parties agreed at Section 10.1 that there would be an
5 earnings sharing mechanism. In June of 2009, the Board approved the EB-2009-0101
6 Settlement Agreement amending this section as follows (amendments are underlined):

7 *"10.1 The parties agree that there will be an earnings sharing mechanism, based on*
8 *actual utility earnings. If in any calendar year Union's actual utility return on equity is*
9 *more than 200 basis points but not more than 300 basis points over the amount*
10 *calculated annually by the application of the Board's ROE formula in any year of the IR*
11 *plan, then such excess earnings will be shared 50/50 between Union and its customers. In*
12 *addition to the above, if in any calendar year Union's actual utility return on equity is*
13 *more than 300 basis points over the amount calculated annually by the application of the*
14 *Board's ROE formula in any year of the IR plan, then such earnings in excess of 300*
15 *basis points will be shared 90/10 between customers and Union (i.e., customers will be*
16 *credited 90% and Union will be credited 10%). For the purposes of the earnings sharing*
17 *mechanism, Union shall calculate its earnings using the regulatory rules prescribed by*
18 *the Board from time to time, and shall not make any material changes in accounting*
19 *practices that have the effect of reducing utility earnings. All revenues that would be*
20 *included in revenues in a cost of service application shall be included in the earnings*
21 *calculation and only those expenses (whether operating or capital) that would be*
22 *allowable as deductions from earnings in a cost of service application shall be included*
23 *in the earnings calculation. For greater clarity, Union's one time accounting adjustment*
24 *in 2008 to true up an unbilled revenue accrual to reflect Union's current rate structure*
25 *and billing cycles, in the amount of \$3.6 million, is an adjustment that is excluded from*
26 *the calculation of actual utility earnings, whereas the use of actual unaccounted for gas*
27 *volume is an expense that would be recorded in the calculation of actual utility*
28 *earnings."*

29

30 The benchmark return on equity ("ROE") for 2009 was 8.47%. Union's actual ROE
31 from utility operations in 2009 was 11.22% or 275 basis points above the 2009

1 benchmark ROE. This results in earnings sharing for 2009 of \$7.063 million (Tab 2,
2 Appendix B, Schedule 1, column (d), line 36).

3

4 The calculation of earnings sharing under Union's current incentive regulation
5 framework is based on actual, utility earnings. Prior to the Natural Gas Electricity
6 Interface Review ("NGEIR") Decision, the calculation of earnings subject to sharing was
7 based on total corporate earnings adjusted for Shared Savings Mechanism ("SSM") and
8 Union's share of storage and transportation margin. The Board found in the NGEIR
9 decision that ex-franchise storage in Ontario is competitive and that storage margin,
10 subject to any phase out or continued sharing provisions, should accrue to the company.
11 Accordingly, revenues and costs for unregulated storage operations are excluded from the
12 earnings sharing calculation.

13

14 The calculation of earnings sharing for 2009 is found at Tab 2, Appendix B, Schedule 1.
15 To calculate actual utility earnings Union starts in column (a) with Union's total
16 corporate revenues and operating expenses as reported in the annual financial statements;
17 column (b) removes revenues and costs associated with Union's unregulated storage
18 operations; column (c) makes adjustments that would normally be made under cost of
19 service to arrive at utility earnings for ratemaking before interest and income taxes. To
20 arrive at utility earnings for the purposes of earnings sharing, deemed interest, income

1 taxes and preferred dividends are calculated and deducted from utility earnings before
2 interest and income taxes. The adjustments are discussed in more detail below.

3

4 Unregulated Storage Operations

5 As a result of the NGEIR Decision, it is necessary for Union to separate the revenues and
6 costs associated with its unregulated storage operations from the revenues and costs of its
7 regulated utility operations.

8

9 The revenues and costs for Union's unregulated storage operations are shown in Tab 2,
10 Appendix A, Schedule 1, column (b). The methodology used to segregate the
11 unregulated storage financial information can be found at Tab 4.

12

13 Other Adjustments

14 Consistent with Section 10.1 of the Settlement Agreement, Union is making the
15 following adjustments (Tab 2, Appendix B, Schedule 1, column (c)):

- 16 a) Out of period adjustments
17 b) SSM incentive payments
18 c) Charitable donations
19 d) Interest on customer deposits
20 e) St. Clair Transmission Line Provision
21 f) Other

1 Out of Period Adjustments

2 Actual earnings for 2009 included two items that related to previous periods. These out
3 of period transactions were removed from the calculation of 2009 utility earnings. The
4 first is a revenue adjustment for C1 margin rebates credited back to customers as part of
5 the 2006 deferral disposition booked against the revenue of that period instead of clearing
6 the liability. The 2009 entry was recorded to clear the liability still on the books. The
7 second adjustment is to remove from O&M a charge related to a provincial sales tax
8 (“PST”) assessment related to prior years.

9

10 SSM Incentive Payments

11 Other revenue includes the revenue recorded from the 2009 SSM of \$8.922 million. The
12 SSM payment is an incentive to the company to encourage it to actively pursue DSM
13 activities to achieve results beyond the targeted levels. To ensure that the full amount of
14 the SSM accrues to the company and that the incentive is maintained, the SSM revenue is
15 removed from the earnings sharing calculation. This treatment is in accordance with the
16 EB-2007-0606 Settlement Agreement and with past earnings sharing calculations.

17

18 Charitable Donations

19 Charitable donations are costs incurred by the utility that are not recovered from
20 customers in rates. The reduction in costs of \$0.446 million follows the treatment of
21 charitable donations under cost of service ratemaking and the Settlement Agreement.

1 Interest on Customer Deposits

2 Interest on customer deposits of \$0.474 million paid out during the year (recorded in the
3 company's accounts as interest expense) is included in the expenses allowable as
4 deductions from earnings consistent with the treatment under cost of service ratemaking
5 and the Settlement Agreement.

6

7 St. Clair Transmission Line Provision

8 In 2009, Union recorded a provision of \$6.402 million to recognize the liability to
9 ratepayers required by the Board's Decision in EB-2009-0422 as a condition of approval
10 to sell Union's St. Clair Transmission Line. This cost has been removed from utility
11 earnings for the calculation of 2009 earnings sharing (see Tab 2, Appendix B, Schedule 1,
12 line 12). The result of this adjustment to earnings is there is no ratepayer impact of the
13 proposed sale of the St. Clair Transmission Line to the Dawn Gateway LP.

14

15 As noted in Tab 1 (pp. 21 – 24), the sale of the St. Clair Transmission Line and
16 subsequent construction of the Dawn Gateway Pipeline has been delayed and will be
17 revaluated later in 2010 for construction in 2011. Accordingly, the deemed transaction
18 ordered by the Board for rate making purposes in the EB-2009-0422 Decision has not
19 been reflected in the 2009 utility earnings calculation. This is consistent with Union's
20 proposal to defer, until the asset sale has been completed, the disposition of the ratepayer
21 portion of the deemed gain on the sale captured in the deferral account.

1 Other

2 Provisions for contingency accruals recorded in 2009 have been removed from the
3 earnings sharing calculation.

4

5 Calculation of Earnings

6 Determining the amount of earnings for sharing requires a calculation of interest,
7 dividends and income taxes based on the utility rate base to arrive at utility earnings to
8 common shareholder. The amount of the storage premium is then added to earnings to
9 calculate the ROE to compare to the threshold return. These calculations and amounts
10 are discussed further below:

11

12 Interest, Dividends and Income Taxes

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

15

16 Utility interest expense of \$151.325 million is calculated using actual utility rate base,
17 deemed capital structure, and actual average interest rates adjusted for fees and other
18 costs. The calculation can be found at Tab 2, Appendix A, Schedule 4.

19

20 Preferred share dividend is based on deemed capital structure and cost of capital.

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

5

6 Union records income tax expense for its rate-regulated operations using the flow through
7 tax accounting methodology. An exception to this methodology is the treatment of
8 regulatory deferral accounts where Union calculates a future income tax expense on OEB
9 approved deferral accounts.

10

11 In 2009, Union recorded \$174.008 million (Tab 2, Appendix A, Schedule 14, line 9) of
12 credits in deferral accounts primarily due to a significant decrease in the cost of gas
13 during the year. Current income tax expense on these deferral accounts, using 2009 tax
14 rates, is \$57.4 million. The future income tax deduction on these deferral accounts, using
15 2010 tax rates, is \$53.9 million. The net tax expense of \$3.5 million is included in
16 Union's 2009 utility earnings calculation.

17

18 This adjustment was not included in the 2008 utility earnings sharing. The amount of the
19 2008 adjustment for future income tax would have resulted in a \$0.4 million decrease to
20 taxes.

1 Deferred taxes are based on the actual drawdown applicable to the year.

2

3 Storage Premium Adjustment

4 Earnings from utility operations are increased by the portion of the storage premium
5 reflected in approved rates to determine utility earnings subject to sharing. In 2009, the
6 amount of the ratepayer benefit is \$21.957 million pre-tax which is 50% of the \$21.405
7 million forecast revenue excess generated from long-term storage services or \$10.703
8 million and 71% of the \$15.829 million forecast revenue excess on short-term storage
9 services or \$11.239 million (EB-2007-0660, Rate Order Working Papers, Schedule 16).

10 The after tax earnings impact of the premium in 2009 is \$7.171 million and \$7.540
11 million for long term and short term storage respectively.

12

13 Return on Equity (“ROE”)

14 Actual ROE is determined using utility earnings calculated as described above divided by
15 deemed common equity at 36% of actual utility rate base. The actual 2009 ROE is
16 11.22% (Tab 2, Appendix B, Schedule 1, column (d), line 29).

17

18 Earnings Subject to Sharing

19 The actual ROE is compared to the ROE generated by applying the Board’s approved
20 ROE formula. If the difference between the actual ROE and the benchmark ROE is
21 greater than 200 basis points but less than 300 basis points, the excess earnings are shared

1 50/50 between Union and its ratepayers. For 2009, the difference is 275 basis points or
2 \$4.732 million, after tax (Tab 2, Appendix B, Schedule 1, column (d), line 35). When
3 grossed up for income taxes, the amount of the earnings sharing is \$7.063 million (Tab 2,
4 Appendix B, Schedule 1, column (d), line 36). If the difference between the actual ROE
5 and the benchmark ROE exceeded 300 basis points then that excess over 300 basis points
6 would have been shared 90/10 to the benefit of ratepayers. This did not occur in 2009.

UNION GAS LIMITED
Annual Reporting Requirement
Year Ended December 31, 2009

Filed: 2010-04-22
EB-2010-0039
Exhibit A
Tab 2
Appendix A
Index
Page 1 of 1

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

Line No.	Particulars (\$000s)	Board Approved 2007 (a)	Actual 2008 (b)	Actual 2009 (c)
1	Operating revenue	1,948,549	2,057,004	1,903,541
2	Cost of service	<u>1,710,465</u>	<u>1,762,839</u>	<u>1,623,522</u>
3	Utility income	238,084	294,165	280,019
4	Requested return	<u>259,490</u>	<u>257,617</u>	<u>260,189</u>
5	Revenue deficiency / (sufficiency) after tax	21,407	(36,548)	(19,830)
6	Provision for income taxes on deficiency / (sufficiency)	<u>12,104</u>	<u>(18,411)</u>	<u>(9,767)</u>
7	Total revenue deficiency / (sufficiency)	<u><u>33,511</u></u>	<u><u>(54,959)</u></u>	<u><u>(29,596)</u></u>

UNION GAS LIMITED
 Statement of Utility Income
Year Ended December 31

Line No.	Particulars (\$000s)	Board Approved 2007 (a)	Actual 2008 (b)	Actual 2009 (c)
	Operating Revenues:			
1	Gas sales	1,796,757	1,865,629	1,699,503
2	Transportation	127,358	165,087	177,325
3	Other	24,434	26,288	26,713
4	Earnings sharing	-	-	-
5		<u>1,948,549</u>	<u>2,057,004</u>	<u>1,903,541</u>
	Operating Expenses:			
6	Cost of gas	1,134,293	1,163,238	1,019,356
7	Operating and maintenance expenses	325,623	322,571	318,064
8	Depreciation	173,780	180,253	187,173
9	Other financing	315	535	474
10	Property and capital taxes	67,709	64,942	66,638
11		<u>1,701,720</u>	<u>1,731,539</u>	<u>1,591,705</u>
	Other Income (Expense)			
12	Lobo C/Brantford-Kirkwall write off			(1,889)
13	Gain/(Loss) on sale of assets			0
14	Other			-
15	Gain/(Loss) on foreign exchange			(1,161)
16				<u>(3,050)</u>
17	Utility income before income taxes	246,829	325,465	308,786
18	Income taxes	8,745	31,300	28,767
19	Total utility income	<u>238,084</u>	<u>294,165</u>	<u>280,019</u>

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

Line No.	Particulars (\$000s)	2007 Board Approved				2008 Actual				2009 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)
Operating Revenues:													
1	Operating revenue	1,796,757			1,796,757	1,869,283	-	(3,654)	1,865,629	1,699,503	-	-	1,699,503
2	Storage & Transportation	191,444	60,019	(4,067)	127,358	243,317	78,230	-	165,087	299,108	119,909	(1,874) i	177,325
3	Other	24,434			24,434	33,818	-	(7,530)	26,288	35,760	-	(9,047) ii	26,713
4	Earnings Sharing					(15,203)	-	15,203	-				-
5		<u>2,012,635</u>	<u>60,019</u>	<u>(4,067)</u>	<u>1,948,549</u>	<u>2,131,215</u>	<u>78,230</u>	<u>4,019</u>	<u>2,057,004</u>	<u>2,034,371</u>	<u>119,909</u>	<u>(10,921)</u>	<u>1,903,541</u>
Operating Expenses:													
6	Cost of gas	1,135,842	1,549		1,134,293	1,171,320	8,082		1,163,238	1,025,674	6,318	-	1,019,356
7	Operating and maintenance expenses	333,029	7,002	(404)	325,623	335,115	12,028	(516)	322,571	332,607	12,897	(1,646) iii	318,064
8	Depreciation	178,502	4,722		173,780	185,219	4,966	-	180,253	194,485	7,312	-	187,173
9	Other financing			315	315	-	-	535	535	-	-	474 iv	474
10	Property and capital taxes	68,671	962		67,709	65,895	953	-	64,942	68,392	1,754	-	66,638
11		<u>1,716,044</u>	<u>14,235</u>	<u>(89)</u>	<u>1,701,720</u>	<u>1,757,549</u>	<u>26,029</u>	<u>19</u>	<u>1,731,539</u>	<u>1,621,158</u>	<u>28,281</u>	<u>(1,172)</u>	<u>1,591,705</u>
Other Income (Expense)													
12	Lobo C/Brantford-Kirkwall write off									(1,889)	-	-	(1,889)
13	Gain/(Loss) on sale of assets									(6,838)	(436)	6,402 v	0
14	Other									(1,094)	(1,094)	-	-
15	Gain/(Loss) on foreign exchange									(1,207)	(46)	-	(1,161)
16										<u>(11,028)</u>	<u>(1,576)</u>	<u>6,402</u>	<u>(3,050)</u>
17	Earnings Before Interest and Taxes	<u>296,591</u>	<u>45,784</u>	<u>(3,978)</u>	<u>246,829</u>	<u>373,666</u>	<u>52,201</u>	<u>4,000</u>	<u>325,465</u>	<u>402,185</u>	<u>90,052</u>	<u>(3,347)</u>	<u>308,786</u>

Notes:

i) Remove out of period accounting of C1 Margin rebate related to 2007

ii) Shared Savings Mechanism
 Market Transformation Incentive
 Accounting adjustment

(8,879)
 (500)
 332
(9,047)

iii) Donations
 Remove out of period PST assessment related to prior periods

(446)
(1,200)
(1,646)

iv) Customer deposit interest

v) Provision for 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			2008 Actual			2009 Actual					
		Utility Capital Structure (\$000s)	(%)	Cost Rate %	Return (\$000s)	Utility Capital Structure (\$000s)	(%)	Cost Rate %	Return (\$000s)	Utility Capital Structure (\$000s)	(%)	Cost Rate %	Return (\$000s)
1	Long-term debt	2,016,833	61.66	7.66%	154,389	1,945,102	58.10	7.38%	143,546	2,088,700	59.97	7.22%	150,719
2	Unfunded short-term debt	(28,980)	-0.89	1.58%	(457)	92,587	2.77	3.03%	2,805	37,811	1.09	1.60%	606
3	Total debt	1,987,853	60.77	7.74%	153,932	2,037,689	60.87		146,351	2,126,511	61.06		151,325
4	Preference shares	105,519	3.23	4.74%	4,998	104,882	3.13	4.85%	5,088	102,514	2.94	2.60%	2,665
5	Common equity	1,177,522	36.00	8.54%	100,560	1,205,196	36.00	8.81%	106,178	1,253,827	36.00	8.47%	106,199
6	Total rate base	3,270,894	100.00		259,490	3,347,767	100.00		257,617	3,482,852	100.00		260,189

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					2008 Actual						2009 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	-	-	-	-	-	1,945,071	673,137	309,036	22,750	-	2,949,994	1,979,771	572,068	302,210	19,655	-	-	2,873,704
2	Rate M2 Firm	2,249,002	1,377,551	105,414	230,800	-	405,041	350,731	55,958	291,853	-	1,103,582	385,361	361,522	52,786	285,746	-	-	1,085,415
3	Rate 01 Firm	502,613	400,625	-	2,073	-	456,460	453,044	-	7,315	-	916,820	578,841	322,564	-	6,319	-	-	907,724
4	Rate 10 Firm	135,308	139,784	-	106,277	-	127,641	107,976	-	121,217	-	356,834	125,382	114,496	-	110,378	-	-	350,256
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>2,934,212</u>	<u>1,584,888</u>	<u>364,994</u>	<u>443,136</u>	<u>-</u>	<u>5,327,230</u>	<u>3,069,355</u>	<u>1,370,650</u>	<u>354,996</u>	<u>422,098</u>	<u>-</u>	<u>-</u>	<u>5,217,099</u>
Wholesale - Utility																			
6	Rate M9 Firm	-	-	-	24,506	-	-	-	-	30,705	-	30,705	-	-	-	54,889	-	-	54,889
7	Rate M10 Firm	202	-	-	-	-	49	166	-	-	215	47	171	-	-	-	-	-	218
8	Rate 77 Firm	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
9	Total Wholesale - Utility	<u>202</u>	<u>-</u>	<u>-</u>	<u>24,506</u>	<u>-</u>	<u>49</u>	<u>166</u>	<u>-</u>	<u>30,705</u>	<u>-</u>	<u>30,920</u>	<u>47</u>	<u>171</u>	<u>-</u>	<u>54,889</u>	<u>-</u>	<u>-</u>	<u>55,107</u>
Contract																			
10	Rate M4	23,609	-	-	429,418	-	22,231	2,988	-	495,796	-	521,014	21,425	4,365	-	419,452	-	-	445,242
11	Rate M6	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
12	Rate M7	-	-	-	277,546	-	-	-	-	553,139	-	553,139	-	-	-	443,826	-	-	443,826
13	Rate 20 Storage	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
14	Rate 20 Transportation	24,982	-	-	146,571	354,035	24,918	-	-	133,872	322,008	480,799	14,646	-	-	116,355	426,099	-	557,100
15	Rate 100 Storage	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
16	Rate 100 Transportation	-	-	-	-	2,275,112	46	-	-	1,964,988	1,965,033	-	-	-	-	-	1,806,803	-	1,806,803
17	Rate T-1 Storage	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
18	Rate T-1 Transportation	-	-	-	-	4,889,989	-	-	-	-	3,759,158	3,759,158	-	-	-	-	-	3,310,337	3,310,337
19	Rate T-3 Storage	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
20	Rate T-3 Transportation	-	-	-	-	321,455	-	-	-	-	273,898	273,898	-	-	-	-	-	264,174	264,174
21	Rate M5	-	-	-	404,634	-	1,585	-	-	496,881	498,466	1,741	-	-	-	472,831	-	-	474,571
22	Rate 25	41,048	-	-	-	63,597	101,202	-	-	-	205,684	306,886	69,323	-	-	-	-	132,823	202,146
23	Rate 30	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
24	Total Contract	<u>89,639</u>	<u>-</u>	<u>-</u>	<u>1,258,169</u>	<u>7,904,188</u>	<u>149,982</u>	<u>2,988</u>	<u>-</u>	<u>1,679,688</u>	<u>6,525,736</u>	<u>8,358,394</u>	<u>107,135</u>	<u>4,365</u>	<u>-</u>	<u>1,452,464</u>	<u>5,940,236</u>	<u>-</u>	<u>7,504,199</u>
25	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>3,084,243</u>	<u>1,588,042</u>	<u>364,994</u>	<u>2,153,529</u>	<u>6,525,736</u>	<u>13,716,545</u>	<u>3,176,537</u>	<u>1,375,186</u>	<u>354,996</u>	<u>1,929,451</u>	<u>5,940,236</u>	<u>-</u>	<u>12,776,405</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					2008 Actual						2009 Actual						
		System		ABC-Unbundled	Bundled-T	T-Service	Total	System		ABC-Unbundled	Bundled-T	T-Service	Total	System		ABC-Unbundled	Bundled-T	T-Service	Total
		Sales	ABC-T					Sales	ABC-T					Sales	ABC-T				
(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)	(l)	(m)	(n)	(o)	(p)	(q)	(r)		
General Service																			
1	Rate M1 Firm	-	-	-	-	-	2,001,534	689,099	316,657	22,280	3,029,570	2,010,236	581,108	307,277	19,929	-	-	2,918,550	
2	Rate M2 Firm	2,249,002	1,377,551	105,414	230,800	3,962,767	411,776	359,663	57,677	300,940	1,130,056	389,433	365,175	53,482	288,829	-	-	1,096,919	
3	Rate O1 Firm	502,613	400,625	-	2,073	905,311	565,722	359,274	-	6,876	931,872	591,391	321,915	-	6,471	-	-	919,777	
4	Rate I0 Firm	135,308	139,784	-	106,277	381,369	134,284	117,419	-	110,348	362,051	145,116	110,899	-	98,702	-	-	354,717	
5	Rate I6 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>3,113,316</u>	<u>1,525,455</u>	<u>374,334</u>	<u>440,444</u>	<u>5,453,548</u>	<u>3,136,176</u>	<u>1,379,097</u>	<u>360,759</u>	<u>413,931</u>	-	-	<u>5,289,963</u>	
Wholesale - Utility																			
6	Rate M9 Firm	-	-	-	24,506	24,506	-	-	-	30,705	30,705	-	-	-	54,889	-	-	54,889	
7	Rate M10 Firm	202	-	-	-	202	49	166	-	-	215	47	171	-	-	-	-	218	
8	Rate 77 Firm	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
9	Total Wholesale - Utility	<u>202</u>	<u>-</u>	<u>-</u>	<u>24,506</u>	<u>24,708</u>	<u>49</u>	<u>166</u>	<u>-</u>	<u>30,705</u>	<u>30,920</u>	<u>47</u>	<u>171</u>	<u>-</u>	<u>54,889</u>	<u>-</u>	<u>-</u>	<u>55,107</u>	
Contract																			
10	Rate M4	23,609	-	-	429,418	453,027	22,231	2,988	-	495,796	521,014	21,425	4,365	-	419,452	-	-	445,242	
11	Rate M6	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
12	Rate M7	-	-	-	277,546	277,546	-	-	-	553,139	553,139	-	-	-	443,826	-	-	443,826	
13	Rate 20 Storage	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
14	Rate 20 Transportation	24,982	-	-	146,571	354,035	24,918	-	-	133,872	322,008	14,646	-	-	116,355	426,099	-	557,100	
15	Rate 100 Storage	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
16	Rate 100 Transportation	-	-	-	-	2,275,112	46	-	-	1,964,988	1,965,033	-	-	-	-	1,806,803	-	1,806,803	
17	Rate T-1 Storage	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
18	Rate T-1 Transportation	-	-	-	-	4,889,989	-	-	-	3,759,158	3,759,158	-	-	-	-	3,310,337	-	3,310,337	
19	Rate T-3 Storage	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
20	Rate T-3 Transportation	-	-	-	-	321,455	-	-	-	273,898	273,898	-	-	-	-	264,174	-	264,174	
21	Rate M5	-	-	-	404,634	404,634	1,585	-	-	496,881	498,466	1,741	-	-	472,831	-	-	474,572	
22	Rate 25	-	-	-	-	63,597	101,202	-	-	205,684	306,886	69,323	-	-	-	132,823	-	202,146	
23	Rate 30	41,048	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
24	Total Contract	<u>89,639</u>	<u>-</u>	<u>-</u>	<u>1,258,169</u>	<u>7,904,188</u>	<u>149,982</u>	<u>2,988</u>	<u>-</u>	<u>1,679,688</u>	<u>8,358,394</u>	<u>107,135</u>	<u>4,365</u>	<u>-</u>	<u>1,452,464</u>	<u>5,940,236</u>	<u>-</u>	<u>7,504,200</u>	
25	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>3,263,347</u>	<u>1,528,609</u>	<u>374,334</u>	<u>2,150,837</u>	<u>13,842,863</u>	<u>3,243,358</u>	<u>1,383,633</u>	<u>360,759</u>	<u>1,921,284</u>	<u>5,940,236</u>	<u>-</u>	<u>12,849,270</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 (\$000s)	2008 Actual						2009 Actual					
		System Sales	ABC-T	ABC Unbundled	Bundled-T	T-Service	Total	System Sales	ABC-T	ABC Unbundled	Bundled-T	T-Service	Total
		(g)	(h)	(i)	(j)	(k)	(l)	(m)	(n)	(o)	(p)	(q)	(r)
	<u>General Service</u>												
1	Rate M1 Firm	920,276	81,468	37,874	1,350	-	1,040,969	841,187	71,929	37,317	1,246	-	951,679
2	Rate M2 Firm	159,675	16,669	4,328	12,538		193,211	128,504	17,468	4,246	12,499	-	162,717
3	Rate 01 Firm	280,023	84,409		1,051		365,483	276,476	70,508	-	964	-	347,948
4	Rate 10 Firm	54,892	12,312		11,129		78,333	51,891	12,811	-	10,629	-	75,331
5	Rate 16 Interruptible							-	-	-	-	-	-
6	Total General Service	<u>1,414,867</u>	<u>194,858</u>	<u>42,202</u>	<u>26,069</u>		<u>1,677,995</u>	<u>1,298,058</u>	<u>172,716</u>	<u>41,563</u>	<u>25,338</u>		<u>1,537,675</u>
	<u>Wholesale - Utility</u>												
6	Rate M9 Firm				729		729	-	-	-	970	-	970
7	Rate M10 Firm	17	4				22	16	5	-	-	-	21
8	Rate 77 Firm					23	23	-	-	-	-	-	-
9	Total Wholesale - Utility	<u>17</u>	<u>4</u>		<u>729</u>	<u>23</u>	<u>773</u>	<u>16</u>	<u>5</u>		<u>970</u>		<u>991</u>
	<u>Contract</u>												
10	Rate M4	8,549	85		14,357		22,991	7,037	132	-	13,098	-	20,267
11	Rate M6							-	-	-	-	-	-
12	Rate M7				10,454		10,454	-	-	-	9,020	-	9,020
13	Rate 20 Storage					365	365	-	-	-	-	1,199	1,199
14	Rate 20 Transportation	10,186			8,176	5,218	23,581	4,699	-	-	7,431	7,514	19,644
15	Rate 100 Storage					1,594	1,594	-	-	-	-	816	816
16	Rate 100 Transportation	21				14,631	14,651	-	-	-	-	13,293	13,293
17	Rate T-1 Storage					9,785	9,785	-	-	-	-	9,746	9,746
18	Rate T-1 Transportation					44,573	44,573	-	-	-	-	45,824	45,824
19	Rate T-3 Storage					1,574	1,574	-	-	-	-	1,447	1,447
20	Rate T-3 Transportation					3,807	3,807	-	-	-	-	3,803	3,803
21	Rate M5	607			9,445		10,051	477	-	-	8,938	-	9,415
22	Rate 25	35,254				4,698	39,952	19,558	-	-	-	2,797	22,355
23	Rate 30					255	255	-	-	-	-	130	130
24	Total Contract	<u>54,616</u>	<u>85</u>		<u>42,432</u>	<u>86,500</u>	<u>183,633</u>	<u>31,771</u>	<u>132</u>		<u>38,487</u>	<u>86,569</u>	<u>156,959</u>
25	Total Revenue	<u>1,469,500</u>	<u>194,948</u>	<u>42,202</u>	<u>69,230</u>	<u>86,523</u>	<u>1,862,402</u>	<u>1,329,845</u>	<u>172,853</u>	<u>41,563</u>	<u>64,795</u>	<u>86,569</u>	<u>1,695,625</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 (\$000s)	2008 Actual					2009 Actual						
		System Sales	ABC	ABC		T-Service	Total	System Sales	ABC-T	ABC		T-Service	Total
		(g)	(h)	Unbundled (i)	Bundled-T (j)	(k)	(l)	(m)	(n)	Unbundled (o)	Bundled-T (p)	(q)	(r)
	<u>General Service</u>												
1	Rate M1 Firm	923,380	\$ 82,345	\$ 38,222	\$ 1,326		1,045,272	842,724	72,384	37,524	1,259		953,891
2	Rate M2 Firm	159,946	17,031	4,386	12,908		\$ 194,271	128,671	17,618	4,270	12,626		163,185
3	Rate 01 Firm	289,214	76,482		1,018		366,713	277,483	70,432		976		348,891
4	Rate 10 Firm	55,239	12,817		10,565		78,621	52,938	12,608		10,040		75,586
5	Rate 16 Interruptible												-
6	Total General Service	<u>1,427,777</u>	<u>188,675</u>	<u>42,608</u>	<u>25,817</u>		<u>1,684,877</u>	<u>1,301,816</u>	<u>173,042</u>	<u>41,794</u>	<u>24,901</u>	<u>-</u>	<u>1,541,553</u>
	<u>Wholesale - Utility</u>												
6	Rate M9 Firm				729		729				970		970
7	Rate M10 Firm	17	4				22	16	5				21
8	Rate 77 Firm						23						23
9	Total Wholesale - Utility	<u>17</u>	<u>4</u>		<u>729</u>		<u>773</u>	<u>16</u>	<u>5</u>		<u>970</u>		<u>991</u>
	<u>Contract</u>												
10	Rate M4	8,549	85		14,357		22,991	7,037	132		13,098		20,267
11	Rate M6												
12	Rate M7				10,454		10,454				9,020		9,020
13	Rate 20 Storage					365	365					1,199	1,199
14	Rate 20 Transportation	10,186			8,176	5,218	23,581	4,699			7,431	7,514	19,644
15	Rate 100 Storage					1,594	1,594					816	816
16	Rate 100 Transportation	21				14,631	14,651					13,293	13,293
17	Rate T-1 Storage					9,785	9,785					9,746	9,746
18	Rate T-1 Transportation					44,573	44,573					45,824	45,824
19	Rate T-3 Storage					1,574	1,574					1,447	1,447
20	Rate T-3 Transportation					3,807	3,807					3,803	3,803
21	Rate M5	607			9,445		10,051	477			8,938		9,415
22	Rate 25	35,254				4,698	39,952	19,558				2,797	22,355
23	Rate 30					255	255					130	130
24	Total Contract	<u>54,616</u>	<u>85</u>		<u>42,432</u>	<u>86,500</u>	<u>183,633</u>	<u>31,771</u>	<u>132</u>		<u>38,487</u>	<u>86,569</u>	<u>156,959</u>
25	Total Revenue	<u>1,482,411</u>	<u>\$ 188,765</u>	<u>\$ 42,608</u>	<u>\$ 68,977</u>	<u>\$ 86,523</u>	<u>\$ 1,869,283</u>	<u>1,333,603</u>	<u>\$ 173,179</u>	<u>\$ 41,794</u>	<u>\$ 64,358</u>	<u>\$ 86,569</u>	<u>\$ 1,699,503</u>

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

Line No.	Particulars (\$000s)	2007 Board Approved					2008 Actual						2009 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)
	<u>General Service</u>																		
1	Rate M1 Firm	-	-	-	-	-	-	246,125	\$ 82,345	\$ 38,222	\$ 1,326	\$ 368,018	257,563	72,384	37,524	1,259	-	368,730	
2	Rate M2 Firm	253,336	133,485	12,252	11,336	-	410,409	19,223	17,031	4,386	12,908	\$ 53,548	18,917	17,618	4,270	12,626	-	53,431	
3	Rate 01 Firm	74,884	57,873	-	195	-	132,952	82,247	53,226	-	570	136,044	87,917	48,306	-	528	-	136,751	
4	Rate 10 Firm	8,156	8,706	-	5,024	-	21,886	6,754	6,290	-	4,269	17,314	7,423	6,056	-	4,101	-	17,580	
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>354,349</u>	<u>158,893</u>	<u>42,608</u>	<u>19,074</u>	<u>574,923</u>	<u>371,820</u>	<u>144,364</u>	<u>41,794</u>	<u>18,514</u>	<u>-</u>	<u>576,492</u>	
	<u>Wholesale - Utility</u>																		
6	Rate M9 Firm	-	-	-	592	-	592	-	-	-	729	729	-	-	-	970	-	970	
7	Rate M10 Firm	5	-	-	-	-	5	1	4	-	-	6	1	5	-	-	-	6	
8	Rate 77 Firm	-	-	-	-	28	28	-	-	-	23	23	-	-	-	-	-	-	
9	Total Wholesale - Utility	<u>5</u>	<u>-</u>	<u>-</u>	<u>592</u>	<u>28</u>	<u>625</u>	<u>1</u>	<u>4</u>	<u>-</u>	<u>729</u>	<u>758</u>	<u>1</u>	<u>5</u>	<u>-</u>	<u>970</u>	<u>-</u>	<u>976</u>	
	<u>Contract</u>																		
10	Rate M4	739	-	-	13,030	-	13,769	771	85	-	14,357	15,213	857	132	-	13,098	-	14,087	
11	Rate M6	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
12	Rate M7	-	-	-	6,670	-	6,670	-	-	-	10,454	10,454	-	-	-	9,020	-	9,020	
13	Rate 20 Storage	-	-	-	-	56	56	-	-	-	365	365	-	-	-	1,199	-	1,199	
14	Rate 20 Transportation	522	-	-	1,940	4,982	7,444	800	-	-	1,890	7,907	311	-	-	7,514	-	9,567	
15	Rate 100 Storage	-	-	-	-	1,767	1,767	-	-	-	1,594	1,594	-	-	-	816	-	816	
16	Rate 100 Transportation	-	-	-	-	16,153	16,153	2	-	-	14,631	14,633	-	-	-	13,293	-	13,293	
17	Rate T-1 Storage	-	-	-	-	8,206	8,206	-	-	-	9,785	9,785	-	-	-	9,746	-	9,746	
18	Rate T-1 Transportation	-	-	-	-	46,827	46,827	-	-	-	44,573	44,573	-	-	-	45,824	-	45,824	
19	Rate T-3 Storage	-	-	-	-	1,578	1,578	-	-	-	1,574	1,574	-	-	-	1,447	-	1,447	
20	Rate T-3 Transportation	-	-	-	-	4,010	4,010	-	-	-	3,807	3,807	-	-	-	3,803	-	3,803	
21	Rate M5	-	-	-	8,038	-	8,038	45	-	-	9,445	9,490	53	-	-	8,938	-	8,991	
22	Rate 25	908	-	-	-	1,497	2,405	2,209	-	-	4,698	6,908	1,255	-	-	2,797	-	4,052	
23	Rate 30	-	-	-	-	-	-	-	-	-	255	255	-	-	-	130	-	130	
24	Total Contract	<u>2,169</u>	<u>-</u>	<u>-</u>	<u>29,678</u>	<u>85,076</u>	<u>116,923</u>	<u>3,827</u>	<u>85</u>	<u>-</u>	<u>36,146</u>	<u>126,557</u>	<u>2,476</u>	<u>132</u>	<u>-</u>	<u>32,798</u>	<u>86,569</u>	<u>121,975</u>	
25	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>358,177</u>	<u>\$ 158,982</u>	<u>\$ 42,608</u>	<u>\$ 55,948</u>	<u>\$ 86,523</u>	<u>\$ 702,238</u>	<u>374,297</u>	<u>\$ 144,501</u>	<u>\$ 41,794</u>	<u>\$ 52,282</u>	<u>\$ 86,569</u>	<u>\$ 699,443</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						2008 Actual						2009 Actual					
		System Sales	ABC-T	ABC-Unbundled	Bundled T	T-Service	Total	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)
	<u>General Service</u>																		
1	Rate M1 Firm	-	-	-	-	-	682,343	197,999	118,126	1,022		999,490	723,093	184,653	102,461	940			1,011,147
2	Rate M2 Firm	663,740	297,276	34,458	1,690		2,469	2,306	379	836		5,990	2,789	2,636	355	786			6,566
3	Rate 01 Firm	172,580	125,484		166		187,418	113,310		292		301,020	203,416	100,853		314			304,583
4	Rate 10 Firm	1,329	1,344		300		1,142	960		303		2,405	1,074	893		280			2,247
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>873,372</u>	<u>314,575</u>	<u>118,505</u>	<u>2,453</u>		<u>1,308,905</u>	<u>930,372</u>	<u>289,035</u>	<u>102,816</u>	<u>2,320</u>			<u>1,324,543</u>
	<u>Wholesale - Utility</u>																		
6	Rate M9 Firm				2					2		2				2			2
7	Rate M10 Firm	4					1	1			2	2	1	1					2
8	Rate 77 Firm																		
9	Total Wholesale - Utility	<u>4</u>			<u>2</u>		<u>1</u>	<u>1</u>		<u>2</u>		<u>4</u>	<u>1</u>	<u>1</u>		<u>2</u>			<u>4</u>
	<u>Contract</u>																		
10	Rate M4	13			181		12	2		141		155	12	3		130			145
11	Rate M6																		
12	Rate M7				8					9		9				6			6
13	Rate 20 Storage																		
14	Rate 20 Transportation	10			20	35	3			19	35	57	3			19	30		52
15	Rate 100 Storage																		
16	Rate 100 Transportation					19	1				19	20						16	16
17	Rate T-1 Storage																		
18	Rate T-1 Transportation					68					53	53						53	53
19	Rate T-3 Storage																		
20	Rate T-3 Transportation					1					1	1						1	1
21	Rate M5				133		1			124		125	3			121			124
22	Rate 25	56				67	45				56	101	46					52	98
23	Rate 30																	1	1
24	Total Contract	<u>79</u>			<u>342</u>	<u>190</u>	<u>62</u>	<u>2</u>		<u>293</u>	<u>164</u>	<u>521</u>	<u>64</u>	<u>3</u>		<u>276</u>	<u>153</u>		<u>496</u>
25	Total Customers	<u>837,732</u>	<u>424,104</u>	<u>34,458</u>	<u>2,500</u>	<u>191</u>	<u>873,435</u>	<u>314,578</u>	<u>118,505</u>	<u>2,748</u>	<u>164</u>	<u>1,309,430</u>	<u>930,437</u>	<u>289,039</u>	<u>102,816</u>	<u>2,598</u>	<u>153</u>		<u>1,325,043</u>

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

Line No.	Particulars (\$000s)	Board Approved 2007 (a)	Actual 2008 (b)	Actual 2009 (c)
1	M12 Transportation	120,667	132,662	137,557
2	M12 Transportation Overrun/Limited Firm	-	1,171	1,124
3	C1 Long Term Transportation	2,900	5,790	6,642
4	C1 Short Term Transportation and Exchanges	3,742	23,266	29,781
5	C1 Rebate Program	(2,178)	(0)	-
6	M13 - Local Production	864	529	462
7	M16	553	474	609
8	Other S&T Revenue	<u>810</u>	<u>1,193</u>	<u>1,150</u>
9	Total S&T Revenue	<u><u>127,358</u></u>	<u><u>165,087</u></u>	<u><u>177,325</u></u>

UNION GAS LIMITED
 Other Revenue
Year Ended December 31

Line No.	Particulars (\$000s)	Board Approved 2007 (a)	Actual 2008 (b)	Actual 2009 (c)
1	Delayed payment charges	\$ 7,231	\$ 7,876	\$ 8,680
2	Account opening charges	5,858	6,851	6,894
3	Billing revenue	9,041	9,059	8,479
4	Mid market transactions	2,000	2,070	2,303
5	Other operating revenue	<u>304</u>	<u>432</u>	<u>357</u>
6	Total other revenue	<u>\$ 24,434</u>	<u>\$ 26,288</u>	<u>\$ 26,713</u>

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

Line No.	Particulars (\$000s)	Board Approved 2007 (a)	Actual 2008 (b)	Actual 2009 (c)
1	Salaries/Wages	159,896	172,275	175,066
2	Benefits	55,621	51,366	52,919
3	Materials	9,132	10,696	10,693
4	Employee Training	12,798	13,714	10,888
5	Contract Services	50,061	55,317	56,107
6	Consulting	6,447	8,270	6,689
7	General	20,645	21,837	19,940
8	Transportation and Maintenance	7,523	8,159	7,645
9	Company Used Gas	4,911	3,548	3,373
10	Utility Costs	3,269	3,534	3,236
11	Communications	7,969	8,225	7,600
12	Demand Side Management Programs	11,874	12,471	14,391
13	Advertising	2,255	1,544	1,569
14	Insurance	7,004	7,240	7,763
15	Donations	404	451	501
16	Financial	2,884	2,117	2,918
17	Lease	3,202	3,198	3,479
18	Cost Recovery from Third Parties	(2,106)	(3,770)	(5,363)
19	Computers	4,226	4,263	4,678
20	Regulatory Hearing & OEB Cost Assessment	6,000	4,488	3,653
21	Outbound Affiliate Services	(5,741)	(7,768)	(9,312)
22	Inbound Affiliate Services	11,933	5,870	7,306
23	Bad Debt	11,600	9,100	8,600
24	Other	100	170	739
25	Total	<u>391,907</u>	<u>396,315</u>	<u>395,078</u>
26	Indirect Capitalization (OH)	(51,528)	(52,675)	(51,246)
27	Direct Capitalization (DCC)	<u>(7,350)</u>	<u>(8,590)</u>	<u>(8,348)</u>
28	Total	<u>333,029</u>	<u>335,050</u>	<u>335,484</u>
29	Non Utility Costs (1)	(7,406)	(12,479)	(14,543)
30	IFRS Costs	<u>-</u>	<u>-</u>	<u>(2,877)</u>
31	Total Net Utility Operating and Maintenance Expense	<u>325,623</u>	<u>322,571</u>	<u>318,064</u>

Notes:

(1) Includes non utility storage, charitable donations and prior period PST assessment.

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

Line No.	Particulars (\$000s)	Board Approved 2007 (a)	Actual 2008 (b)	Actual 2009 (c)
<u>Determination of Taxable Income</u>				
1	Utility income before interest and income taxes	246,829	325,465	308,786
Adjustments required to arrive at taxable utility income:				
2	Interest expense	(153,932)	(146,351)	(151,325)
3	Utility permanent differences	1,333	659	3,081
4		<u>94,230</u>	<u>179,773</u>	<u>160,542</u>
Utility timing differences				
5	Capital Cost Allowance	(163,089)	(169,534)	(171,315)
6	Depreciation	173,780	181,416	187,173
7	Depreciation through clearing	1,114	1,150	1,150
8	Other	(38,911)	(52,462)	(50,812)
9	Gas Cost Deferrals and Other (current)	<u> </u>	<u> </u>	<u>174,008</u>
10		<u>(27,106)</u>	<u>(39,430)</u>	<u>140,204</u>
11	Taxable income	<u>67,124</u>	<u>140,343</u>	<u>300,746</u>
<u>Calculation of Utility Income Taxes</u>				
12	Income taxes (line 11 * line 18)	24,245	47,015	99,246
13	Deferred tax on Gas Cost Deferrals (tax rate 31%)	<u> </u>	<u> </u>	<u>(53,942)</u>
14	Deferred tax drawdown	(15,500)	(15,715)	(16,537)
15	Total taxes	<u>8,745</u>	<u>31,300</u>	<u>28,767</u>
<u>Tax Rates</u>				
16	Federal tax	22.12%	19.50%	19.00%
17	Provincial tax	14.00%	14.00%	14.00%
18	Total tax rate	<u>36.12%</u>	<u>33.50%</u>	<u>33.00%</u>

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

Line No.	Particulars (\$000s)	2007 Board Approved			2008 Actual			2009 Actual		
		Depreciable UCC Balance	Rate (%)	CCA	Depreciable UCC Balance	Rate (%)	CCA	Depreciable UCC Balance	Rate (%)	CCA
		(a)	(b)	(c)	(a)	(b)	(c)	(a)	(b)	(c)
	Class									
1	1 Buildings, structures and improvements, services, meters, mains		4%	0	1,620,230	4%	64,746	1,478,125	4%	59,125
	1 Post Mar 07 Non-residential building		6%	0	0	6%	0	33,369	6%	2,002
2	2 Mains prior to 1988		6%	0	337,903	6%	20,274	188,915	6%	11,335
3	3 Buildings acquired before 1988		5%	0	5,530	5%	277	5,254	5%	263
4	6 Other buildings		10%	0	292	10%	29	263	10%	26
5	8 Compression assets, office furniture, equipment		20%	0	75,091	20%	15,018	72,066	20%	14,413
6	10 Transportation, computer equipment		30%	0	27,554	30%	8,266	23,387	30%	7,016
7	17 Roads, sidewalk, parking lot or storage areas		8%	0	1,436	8%	115	1,321	8%	106
8	38 Heavy work equipment		30%	0	3,400	30%	1,020	3,343	30%	1,003
9	41 Storage assets		25%	0	8,676	25%	2,169	7,423	25%	1,856
10	13 Leasehold improvements		N/A		895	N/A	192	737	N/A	158
11	12 Computer software, small tools		100%	0	15,801	100%	15,801	10,780	100%	10,780
12	45 Computers - Hardware acquired after March 22, 2004		45%	0	4,897	45%	2,204	2,694	45%	1,212
	45.1 Computers - Hardware acquired after March 18, 2007		55%	0	7,232	55%	3,977	5,801	55%	3,191
13	7 New compression acquired after February 23, 2005		15%	0	137,901	15%	20,685	167,328	15%	25,099
14	49 Transmission pipeline additions acquired after February 23, 2005		8%	0	184,495	8%	14,760	199,166	8%	15,933
	51 Distribution Lines		6%	0	0	6%	0	214,123	6%	12,847
	52 Computers - Jan 27, 09 - Feb 2011				0	100%	0	4,950	100%	4,950
15	Total	0		\$ 0	2,431,334		169,534	2,419,045		171,315

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 (\$000s)	2007 Board Approved	2008 Actual	2009 Actual
1	Total provision for depreciation and amortization before adjustments (per page 3)		181,416	188,323
2	Adjustments: vehicle depreciation through clearing		1,150	1,150
3	Provision for depreciation amortization and depletion		180,266	\$ 187,173

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

Line No.	Particulars (\$000s)	2007 Board Approved			2008 Actual			2009 Actual		
		Average Plant (1) (a)	Rate (%) (b)	Provision (c)	Average Plant (1) (a)	Rate (%) (b)	Provision (c)	Average Plant (1) (a)	Rate (%) (b)	Provision (c)
	Intangible plant:									
1	Franchises and consents			\$	2,102	Amortized	\$ 101	1,712	Amortized	82
2	Intangible plant - Other				9,370	Amortized	123	7,870	Amortized	123
3					11,472		224	9,582		205
	Local Storage Plant									
4	Structures and improvements		3.30%		2,591	3.30%	85	2,558	3.28%	84
5	Gas holders - storage		2.68%		4,473	2.68%	120	4,523	2.68%	121
6	Gas holders - equipment		3.68%		7,663	3.68%	282	8,170	3.68%	301
7					14,726		487	15,251		506
	Storage:									
8	Land rights		2.23%		31,998	2.23%	714	32,037	2.23%	714
9	Structures and improvements		2.34%		52,743	2.34%	1,234	54,419	2.34%	1,273
10	Wells and lines		2.66%		86,371	2.66%	2,298	87,031	2.66%	2,315
11	Compressor equipment		3.19%		220,946	3.19%	7,048	222,272	3.19%	7,090
12	Measuring & regulating equipment		4.30%		47,427	4.30%	2,039	48,293	4.30%	2,077
13	Other equipment									
14					439,483		13,333	444,052		13,469
	Transmission:									
15	Land rights		2.00%		34,245	2.00%	685	35,960	2.00%	719
16	Structures and improvements		2.66%		48,252	2.66%	1,283	52,662	2.66%	1,401
17	Mains		2.37%		991,689	2.37%	23,503	1,017,253	2.37%	24,109
18	Compressor equipment		3.52%		223,310	3.52%	7,860	297,445	3.52%	10,470
19	Measuring & regulating equipment		3.61%		133,413	3.61%	4,816	138,453	3.61%	4,998
20					1,430,908		38,148	1,541,773		41,697
	Distribution - Southern Operations:									
21	Land rights		1.67%		4,839	1.67%	81	5,191	1.68%	87
22	Structures and improvements		2.91%		68,805	2.94%	2,021	88,638	2.93%	2,594
23	Services - metallic		3.69%		111,141	3.65%	4,059	110,497	3.69%	4,077
24	Services - plastic		3.18%		695,583	3.18%	22,119	719,739	3.18%	22,888
25	Regulators		3.30%		66,325	3.30%	2,189	69,754	3.30%	2,302
26	Regulator and meter installations		3.51%		53,865	3.51%	1,891	62,269	3.51%	2,186
27	Mains - metallic		2.54%		381,042	2.55%	9,721	390,954	2.54%	9,930
28	Mains - plastic		2.34%		459,888	2.34%	10,762	481,293	2.34%	11,262
29	Measuring & regulating equipment		4.64%		25,812	4.64%	1,198	28,270	4.64%	1,312
30	Meters		3.70%		169,612	3.70%	6,276	174,333	3.70%	6,450
31	Other equipment									
32				\$	2,036,912		\$ 60,315	2,130,938		\$ 63,088

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

Line No.	Particulars (\$000s)	2007 Board Approved			2008 Actual			2009 Actual		
		Average Plant (1) (a)	Rate (%) (b)	Provision (c)	Average Plant (1) (a)	Rate (%) (b)	Provision (c)	Average Plant (1) (a)	Rate (%) (b)	Provision (c)
	Distribution plant - Northern & Eastern Operations:									
1	Land rights		1.68%		8,700	1.68%	146	8,841	1.69%	149
2	Structures & improvements		3.13%		41,745	3.25%	1,355	50,377	3.17%	1,595
3	Services - metallic		3.58%		91,149	3.58%	3,263	92,008	3.58%	3,294
4	Services - plastic		3.19%		330,989	3.19%	10,559	340,599	3.19%	10,865
5	Regulators		3.34%		23,732	3.34%	793	24,896	3.34%	832
6	Regulator and meter installations		3.50%		27,105	3.50%	949	28,582	3.50%	1,000
7	Mains - metallic		2.52%		334,249	2.52%	8,423	342,165	2.52%	8,623
8	Mains - plastic		2.35%		185,638	2.35%	4,363	192,097	2.35%	4,514
9	Compressor equipment		3.34%		1,341	3.34%	45	670	2.99%	20
10	Measuring & regulating equipment		4.63%		91,335	4.63%	4,229	98,128	4.63%	4,543
11	Meters		3.67%		49,256	3.67%	1,808	50,719	3.67%	1,861
12	Other distribution equipment									
13					1,185,238		35,931	1,229,082		37,296
	General:									
14	Structures and improvements		2.13%		41,389	2.32%	960	41,369	2.26%	933
15	Office furniture and equipment		6.67%		16,202	6.90%	1,118	15,550	6.67%	1,037
16	Office equipment - computers		25.00%		86,453	25.40%	21,960	87,708	25.00%	21,928
17	Transportation equipment		10.07%		46,705	10.21%	4,771	42,574	10.07%	4,287
18	Heavy work equipment		4.55%		13,764	4.46%	614	13,103	4.55%	596
19	Tools and other equipment		6.67%		32,864	6.79%	2,230	33,128	6.67%	2,209
20	Communications equipment & structures		6.67%		19,326	6.85%	1,325	16,883	6.35%	1,072
21	Other equipment									
22					256,703		32,978	250,315		32,062
23	Sub-total				5,375,443		181,416	5,620,993		188,323
24	Total provision for depreciation and amortization			\$			\$ 181,416			\$ 188,323
25	Depreciation through clearing						1,150			1,150
26				\$	5,375,443		\$ 180,266	\$ 5,620,993		\$ 187,173

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

Line No.	Particulars (\$000s)	Board Approved 2007 (a)	Actual 2008 (b)	Actual 2009 (c)
1	Storage	10,024	6,577	3,441
2	Transmission	139,121	84,334	42,716
3	Distribution	89,565	113,112	95,525
4	General	49,943	30,724	22,838
5	Other	59,312	61,105	59,457
6	Total	<u>347,965</u>	<u>295,851</u>	<u>223,977</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 (\$000s)	Board Approved 2007 (a)	Actual 2008 (b)	Actual 2009 (c)
	<u>Gas Utility Plant</u>			
1	Gross plant at cost	5,170,809	5,448,662	5,696,516
2	Less: accumulated depreciation	<u>2,014,712</u>	<u>2,132,365</u>	<u>2,257,113</u>
3	Net utility plant	<u>3,156,097</u>	<u>3,316,297</u>	<u>3,439,403</u>
	<u>Working Capital and Other Components</u>			
4	Cash working capital	32,672	31,354	29,958
5	Gas in storage and line pack gas	188,792	132,045	129,556
6	Balancing gas	129,618	127,752	128,148
7	ABC receivable (gas in storage)	(53,791)	(68,198)	(72,892)
8	Inventory of stores, spare equipment	28,469	27,180	28,734
9	Prepaid and deferred expenses	2,741	2,317	3,470
10	Customer deposits	(43,902)	(63,688)	(61,710)
11	Customer interest	<u>(300)</u>	<u>(515)</u>	<u>(541)</u>
12	Total working capital and other components	<u>284,299</u>	<u>188,247</u>	<u>184,723</u>
13	Total rate base before deduction of accumulated deferred income taxes	3,440,396	3,504,544	3,624,126
14	Accumulated deferred income taxes	<u>169,502</u>	<u>156,777</u>	<u>141,274</u>
15	Total rate base	<u><u>3,270,894</u></u>	<u><u>3,347,767</u></u>	<u><u>3,482,852</u></u>

UNION GAS LIMITED
 Earnings Sharing Calculation
 Year Ended December 31, 2009

Line No.	Particulars (\$000s)	2009 (a)	Non-Utility Storage (b)	Adjustments (c)	2009 Utility (d)=(a)-(b)+(c)
Operating Revenues:					
1	Operating revenue	\$ 1,699,503	\$ -	\$ -	\$ 1,699,503
2	Storage & Transportation	299,108	119,909	(1,874) i	177,325
3	Other	35,760	-	(9,047) ii	26,713
4		<u>2,034,371</u>	<u>119,909</u>	<u>(10,921)</u>	<u>1,903,541</u>
Operating Expenses:					
5	Cost of gas	1,025,674	6,318	-	1,019,356
6	Operating and maintenance expenses	332,607	12,897	(1,646) iii	318,064
7	Depreciation	194,485	7,312	-	187,173
8	Other financing	-	-	474 iv	474
9	Property and capital taxes	68,392	1,754	-	66,638
10		<u>1,621,158</u>	<u>28,281</u>	<u>(1,172)</u>	<u>1,591,705</u>
Other					
11	Lobo C / Brantford-Kirkwall write off	(1,889)	-	-	(1,889)
12	Gain / (Loss) on sale of assets	(6,838)	(436)	6,402 v	0
13	Other	(1,094)	(1,094)	-	-
14	Gain / (Loss) on foreign exchange	(1,207)	(46)	-	(1,161)
15		<u>(11,028)</u>	<u>(1,576)</u>	<u>6,402</u>	<u>(3,050)</u>
16	Earning Before Interest and Taxes	\$ <u>402,185</u>	\$ <u>90,052</u>	\$ <u>(3,347)</u>	\$ <u>308,786</u>
Financial Expenses:					
17	Long-term debt				150,719
18	Unfunded short-term debt				606
19					<u>151,325</u>
20	Utility income before income taxes				157,461
21	Income taxes				28,767
22	Preferred dividend requirements				<u>2,665</u>
23	Utility earnings				<u>126,029</u>
24	Long term storage premium subsidy (after tax)				7,171
25	Short term storage premium subsidy (after tax)				7,540
26					<u>14,711</u>
27	Earnings subject to sharing				\$ <u>140,740</u>
28	Common equity				1,253,827
29	Return on equity (line 27 / line 28)				11.22%
30	Benchmark return on equity				10.47%
31	50% Earnings sharing % (line 29 - line 30, maximum 1%)				0.75%
32	90% Earnings sharing to ratepayer % (if line 31 = 1% then line 29 - line 30 - line 31)				0.00%
33	50% Earnings sharing \$ (line 28 x line 31 x 50%)				4,732
34	90% Earnings sharing to ratepayer \$ (line 28 x line 32 x 90%)				-
35	Total earnings sharing \$ (line 33 + line 34)				<u>4,732</u>
36	Pre-tax earnings sharing (line 35 / (1 minus tax rate))				\$ <u>7,063</u>

Notes:

i) Remove out of period accounting of C1 Margin rebate related to 2007

ii) Shared Savings Mechanism	(8,879)
Market Transformation Incentive	(500)
Accounting adjustment	332
	<u>(9,047)</u>

iii) Donations	(446)
Remove out of period PST assessment related to prior periods	(1,200)
	<u>(1,646)</u>

iv) Customer deposit interest

v) Provision for Cumulative Under-recovery - St. Clair Transmission Line

1 **ALLOCATION AND DISPOSITION OF 2009 DEFERRAL ACCOUNT BALANCES,**

2 **MARKET TRANSFORMATION INCENTIVE,**

3 **2009 FEDERAL & PROVINCIAL TAX CHANGES**

4 **AND 2009 EARNINGS SHARING AMOUNTS**

5
6 The purpose of this evidence is to address the allocation and disposition of 2009 deferral account
7 balances, market transformation, and 2009 federal & provincial tax changes identified at Exhibit
8 A, Tab 1, Schedule 1, Corrected and 2009 earnings sharing amounts identified at Exhibit A, Tab
9 2, Appendix B. Schedule 1, Corrected.

10
11 The allocation of 2009 deferral account balances, market transformation incentive and the 2009
12 federal & provincial tax change amounts to rate classes appears at Tab 3, Schedule 1, Page 1,
13 Corrected. The allocation of 2009 earnings sharing amounts to rate classes appears at Tab 3,
14 Schedule 1, Page 2, Corrected. Tab 3, Schedule 2, Corrected provides the unit disposition rates
15 for Union's in-franchise rate classes and summarizes the balances to be disposed of for Union's
16 ex-franchise rate classes. Tab 3, Schedule 3, Corrected provides the impact of the proposed
17 disposition on general service customers in the Southern Operations area and Northern and
18 Eastern Operations area.

19
20 **UNABSORBED DEMAND COST VARIANCE ACCOUNT**

21 Union proposes that the portion of the balance in the Unabsorbed Demand Cost ("UDC")

1 Variance Account (179-108) related to the Northern and Eastern Operations area be allocated to
2 the firm Rate 01, Rate 10 and Rate 20 customers in proportion to 2007 excess peak over annual
3 average. This allocation is consistent with the allocation of UDC in approved 2007 rates (EB-
4 2005-0520, Rate Order Working Papers, Schedule 25, page 3).

5
6 The UDC associated with the Southern Operations area is applicable to sales service customers
7 only. Accordingly, Union proposes that the portion of the balance in the Unabsorbed Demand
8 Cost (“UDC”) Variance Account (179-108) related to the Southern Operations area be allocated
9 to sales service customers only.

10

11 **2009 NON- GAS SUPPLY RELATED DEFERRAL ACCOUNTS**

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

14

15 **STORAGE-RELATED DEFERRAL ACCOUNTS**

16 The storage- related deferral accounts are:

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

19

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

21 Union proposes to allocate the Short-Term Storage and Other Balancing Services Deferral

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

6

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

8 Union proposes to allocate the balance in the Long-Term Peak Storage Services Deferral
9 Account (179-72) to in-franchise rate classes in the Southern Operations area in proportion to
10 EB-2005-0520 design (peak) day demand and in-franchise rate classes in the Northern and
11 Eastern Operations area (by virtue of their use of storage in the Southern Operations area) in
12 proportion to the allocation of 2007 storage demand costs as approved in EB-2005-0520.

13

14 **OTHER DEFERRAL ACCOUNTS**

15

16 There is no balance in the Deferred Customer Rebates/Charges Deferral Account (179-26) at
17 December 31, 2009.

18

19 Union proposes to allocate the balance in the Lost Revenue Adjustment Mechanism Deferral
20 Account (179-75) to rate classes in proportion to the margin reduction attributable to demand
21 side management activities appearing at Exhibit A, Tab 1, Schedule 2, Page 1 of 3.

22 In its EB-2008-0106 Decision dated September 1820, 2009 the Board ordered that, “Union shall

1 close the Intra-[Period] WACOG deferral account as of December 31, 2009 and shall adjust
2 delivery rates quarterly to account for changes in the carrying costs of gas in inventory,
3 compressor fuel and UFG. Any balance accumulated in the Intra-Period WACOG deferral
4 account prior to delivery rates being adjusted shall be disposed as part of the annual deferral
5 account disposition proceeding.” Union proposes to allocate the 2009 balance in the Intra-
6 Period WACOG Changes Deferral Account (179-102) to rate classes in proportion to the
7 approved 2007 allocation of the items that the Intra-Period WACOG change relate to (i.e.
8 Unaccounted-For Gas (“UFG”), Compressor Fuel and Gas In Storage). The proposed method for
9 allocating the Intra-Period WACOG Changes deferral account is consistent with that used by
10 Union and approved by the Board in the past.

11
12 There is no balance in the Unbundled Services Unauthorized Storage Overrun Deferral Account
13 (179-103) at December 31, 2009.

14
15 Union proposes to allocate the balance in the Demand Side Management (“DSM”) Variance
16 Account (179-111) to rate classes in proportion to the actual DSM spending by rate class in
17 2009. This allocation is the same as that used and approved by the Board to allocate the 2007
18 DSM deferral balance in EB-2008-0034 and 2008 deferral balance in EB-2009-0052.

19
20 There is no balance in the Gas Distribution Access Rule (“GDAR”) Costs Deferral Account
21 (179-112) at December 31, 2009.

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

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

There is no balance in the Carbon Dioxide Offset Credits Deferral Account (179-117) at December 31, 2009.

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

Union proposes to allocate the balance in the IFRS Conversion Costs Account (179-120) to rate classes in proportion to 2007 Board-approved EB-2005-0520, Exhibit G3, Tab 2, Schedule 2,

1 Administrative & General O&M Expense, updated for the EB-2005-0520 Board Decision.
2 There is no balance in the Cumulative Under-Recovery - St. Clair Transmission Line Deferral
3 Account (179-121) at December 31, 2009.

4

5 **MARKET TRANSFORMATION INCENTIVE**

6 Union proposes to allocate the market transformation incentive to the M1 and Rate 01 rate class.
7 As indicated at Exhibit A, Tab 1, page 16, Corrected, the market transformation incentive relates
8 to the drain water heat recovery program directed at general service residential customers during
9 2009.

10

11 **2009 FEDERAL AND PROVINCIAL TAX CHANGES**

12 Union proposes to allocate the amount related to the 2009 Federal and Provincial Tax Changes
13 Account to rate classes in proportion to the 2007 Board-approved allocation of rate base (EB-
14 2005-0520, Exhibit G3, Tab 2, Schedule 2, Rate Base, Updated for EB-2005-0520 Board
15 Decision). This approach is consistent with how tax changes are allocated in approved rates.

16

17 **2009 EARNINGS SHARING**

18 Union is proposing to allocate 2009 earnings sharing of \$7.063 million to all rate classes based
19 on the allocation of the 2007 Board approved return on equity¹. The allocation of 2007 Board-
20 approved return on equity underpins 2009 approved rates. The allocation of 2009 earnings

1 sharing appears at Tab 3, Schedule 1, Page 2, Corrected. Union's proposal to use the allocation
2 of return on equity approved for 2007 to allocate earnings sharing related to 2009 is consistent
3 with how Union allocated the 2008 earnings sharing.

4
5 **DISPOSITION OF 2009 DEFERRAL ACCOUNT BALANCES, MARKET TRANSFORMATION, 2009**

6 **FEDERAL & PROVINCIAL TAX CHANGES AND 2009 EARNINGS SHARING**

7 For general service M1, M2, Rate 01 and Rate 10 customers Union proposes to dispose of 2009
8 deferral account balances, market transformation incentive, 2009 federal & provincial tax
9 changes, and 2009 earnings sharing amounts prospectively, over the October 1, 2010 to March
10 31, 2011 time period. The prospective refund / recovery approach proposed for M1, M2, Rate 01
11 and Rate 10 customers is consistent with how Union refunded / recovered 2008 deferral account
12 balances in EB-2009-0052 and 2008 earnings sharing balances in EB-2009-0101.

13
14 For in-franchise contract and ex-franchise rate classes, Union is proposing to dispose of net 2009
15 delivery-related deferral account and 2009 earnings sharing balances as a one-time adjustment
16 with October 2010 bills customers receive in November 2010. This approach is consistent with
17 the methodology used for the disposition of 2008 deferral account balances in EB-2009-0052
18 and 2008 earnings sharing balances in EB-2009-0101.

19
20 **GENERAL SERVICE BILL IMPACTS**

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

1 General Service customer impacts are presented at Tab 3, Schedule 3, Corrected. For a
2 residential customer with annual consumption of 2,600 m³, the charge for the period October 1,
3 2010 to March 31, 2011 is \$2.22 in the Southern Operations area. This \$2.22 charge consists of a
4 delivery-related charge of \$1.84 (line 9, column (c)) and a commodity-related charge of \$0.38
5 (line 10, column (c)).

6

7 For a residential customer with annual consumption of 2,600 m³, the credit for the period
8 October 1, 2010 to March 31, 2011 is \$17.71 in the Northern and Eastern Operations area. This
9 \$17.71 credit consists of a delivery-related credit of \$14.21 (line 1, column (c)) and a gas
10 transportation-related credit of \$3.50 (line 3, column (c)).

UNION GAS LIMITED
 Allocation of 2009 Deferral Account Balances, Market Transformation Incentive, Federal & Provincial
 Tax Changes, and 2009 Earnings Sharing 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)
Gas Supply Related Deferrals:																						
1	Unabsorbed Demand Cost (UDC) Variance Account	179-108	(1,195)	(383)	(46)	-	-	-	282	54	2	0	-	-	0	-	-	-	-	-	(1,285)	
Storage Related Deferrals:																						
2	Short-Term Storage and Other Balancing Services	179-70	(645)	(207)	(25)	-	(34)	-	(1,762)	(577)	(199)	(14)	(140)	(14)	(1)	(1,165)	(168)	-	-	-	(4,949)	
3	Long-Term Peak Storage Services	179-72	(1,960)	(627)	(76)	-	(103)	-	(5,245)	(1,716)	(591)	(42)	(417)	(42)	(2)	(3,467)	(499)	-	-	-	(14,787)	
4	Total Gas Supply & Storage Related Deferrals		(3,800)	(1,216)	(147)	-	(136)	-	(6,725)	(2,239)	(788)	(56)	(557)	(56)	(3)	(4,632)	(667)	-	-	-	(21,021)	
Delivery Related Deferrals:																						
5	Deferred Customer Rebates/Charges	179-26	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
6	Lost Revenue Adjustment Mechanism	179-75	393	358	12	-	46	-	955	390	77	132	2	-	-	29	-	-	-	-	2,394	
7	Intra-period WACOG Changes	179-102	(1,138)	(281)	(44)	-	(371)	-	(3,213)	(1,438)	(406)	(337)	(244)	(30)	(0)	-	-	-	(66)	-	(7,615)	
8	Unbundled Services Unauthorized Storage Overrun	179-103	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
9	Demand Side Management Variance Account	179-111	(344)	(140)	(780)	-	254	-	4,239	(1,997)	(1,756)	747	(718)	-	-	1,963	-	-	-	-	1,468	
10	Gas Distribution Access Rule (GDAR) Costs	179-112	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
11	Late Payment Penalty Litigation	179-113	1,299	13	0	0	0	0	4,306	31	1	1	0	0	0	0	0	-	-	-	5,651	
12	Shared Savings Mechanism	179-115	273	475	276	-	2,315	-	1,333	1,030	354	469	116	-	-	2,282	-	-	-	-	8,922	
13	Carbon Dioxide Offset Credits	179-117	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
14	Average Use Per Customer	179-118	(2,024)	(3,315)	-	-	-	-	2,322	873	-	-	-	-	-	-	-	-	-	-	(2,144)	
15	IFRS Conversion Costs	179-120	707	77	47	0	70	15	2,100	198	88	40	40	2	0	214	20	290	0	80	3,989	
16	Cumulative Under-recovery - St. Clair Transmission Line	179-121	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
17	Total Delivery-Related Deferrals		(833)	(2,814)	(489)	0	2,315	15	12,041	(912)	(1,643)	1,051	(804)	(28)	0	4,488	20	290	(66)	80	(47)	
18	Total 2009 Deferral Account Disposition (Line 4 + Line 17)		(4,634)	(4,031)	(636)	0	2,179	15	5,316	(3,151)	(2,431)	995	(1,361)	(84)	(3)	(143)	(647)	290	(66)	80	(47)	
Other Items:																						
19	2009 Market Transformation Incentive		52	-	-	-	-	-	448	-	-	-	-	-	-	-	-	-	-	-	500	
20	2009 Federal & Provincial Tax Changes		(249)	(46)	(24)	(0)	(32)	(11)	(583)	(89)	(24)	(14)	(15)	(1)	(0)	(72)	(9)	(287)	(0)	(45)	(0)	
21	Total 2009 Deferrals plus Other Items (Line 18 + Line 19 + Line 20)		(4,831)	(4,077)	(659)	0	2,147	4	5,182	(3,240)	(2,454)	981	(1,376)	(86)	(3)	(215)	(656)	3	(66)	36	(47)	
22	2009 Earnings Sharing (2)		(1,213)	(224)	(116)	(0)	(154)	(52)	(2,835)	(431)	(115)	(70)	(71)	(6)	(0)	(349)	(42)	(1,376)	(1)	(5)	(1)	
23	Grand Total (Line 21 + Line 22)		(6,044)	(4,301)	(775)	-	1,994	(48)	2,347	(3,670)	(2,569)	911	(1,447)	(92)	(3)	(565)	(698)	(1,373)	(67)	31	(49)	

Notes:
 (1) EB-2010-0039, Exhibit A, Tab 1, Schedule 1, Corrected.
 (2) EB-2010-0039, Exhibit A, Tab 3, Schedule 1, Page 2, Corrected.

UNION GAS LIMITED
Allocation of 2009 Earnings Sharing Amounts to Rate Classes

Line No.	Particulars	Rate Class	C2007 Return on Equity Allocation (1) (\$000's) (a)	2009 Earnings Sharing (\$000's) (b)
<u>Northern & Eastern Operations Area</u>				
1	Small Volume General Firm Service	01	44,549	(1,213)
2	Large Volume General Firm Service	10	8,234	(224)
3	Medium Volume Firm Service	20	4,263	(116)
4	Large Volume High Load Factor Firm Service	100	5,641	(154)
5	Large Volume Interruptible Service	25	1,913	(52)
6	Wholesale Transportation Service	77	8	(0)
7	Total Northern & Eastern Operations Area		64,608	(1,759)
<u>Southern Operations Area</u>				
8	Small Volume General Service Rate	M1	104,130	(2,835)
9	Large Volume General Service Rate	M2	15,828	(431)
10	Firm Industrial and Commercial Contract Rate	M4	4,220	(115)
11	Interruptible Industrial & Commercial Contract Rate	M5A	2,587	(70)
12	Special Large Volume Industrial & Commercial Contract Rate	M7	2,617	(71)
13	Large Wholesale Service Rate	M9	219	(6)
14	Small Wholesale Service Rate	M10	10	(0)
15	S & T Rates for Contract Carriage Customers	T1	12,835	(349)
16	S & T Rates for Contract Carriage Customers	T3	1,546	(42)
<u>Storage and Transportation</u>				
17	Cross Franchise Transportation Rates	C1	186	(5)
18	Storage & Transportation Rates	M12	50,557	(1,376)
19	Transportation of Locally Produced Gas	M13	39	(1)
20	Storage & Transportation Services - Transportation Charges	M16	55	(1)
21	Total Southern Operations Area		194,830	(5,304)
22	Total		259,438	(7,063) (2)

Notes:

- (1) Allocated costs per 2007 Decision in EB-2005-0520.
(2) Earning Sharing balance for Disposition as per EB-2010-0039, Exhibit A, Tab 2, Appendix B, Schedule 1, Line 36, Corrected.

UNION GAS LIMITED
 General Service Unit Rates for Prospective Recovery/(Refund) - Delivery
2009 Deferral Account Disposition, Market Transformation, Federal & Provincial Tax Changes, and 2009 Earnings Sharing Mechanism

Line No.	Particulars	Rate Class	2009 Deferral Balances (\$000's) (a)	2009 Market Transformation Incentive (\$000's) (b)	2009 Federal & Provincial Tax Changes (\$000's) (c)	2009 Earnings Sharing Mechanism (\$000's) (d)	Balance for Disposition (\$000's) (e) = (a+b+c+d)	Forecast Volume (10 ³ m ³) (1) (f)	Unit Rate for Prospective Recovery/(Refund) (cents/m ³) (g) = (e/f)*100
1	Small Volume General Service	01	(3,438)	52	(249)	(1,213)	(4,849)	698,795	(0.6939)
2	Large Volume General Service	10	(3,648)	-	(46)	(224)	(3,918)	226,138	(1.7327)
3	Small Volume General Service	M1	5,034	448	(583)	(2,835)	2,065	2,224,453	0.0928
4	Large Volume General Service	M2	(3,205)	-	(89)	(431)	(3,725)	820,360	(0.4540)

Notes:

(1) Forecast volume for the period October 1, 2010 to March 31, 2011.

UNION GAS LIMITED
 General Service Unit Rates for Prospective Recovery/(Refund) - Gas Supply Transportation
2009 Deferral Account Disposition, Market Transformation, Federal & Provincial Tax Changes, and 2009 Earnings Sharing Mechanism

Line No.	Particulars	Rate Class	2009 Deferral Balances (\$000's) (a)	2009 Market Transformation Incentive (\$000's) (b)	2009 Federal & Provincial Tax Changes (\$000's) (c)	2009 Earnings Sharing Mechanism (\$000's) (d)	Balance for Disposition (\$000's) (e) = (a+b+c+d)	Forecast Volume (10 ³ m ³) (1) (f)	Unit Rate for Prospective Recovery/(Refund) (cents/m ³) (g) = (e/f)*100
1	Small Volume General Service	01	(1,195)	-	-	-	(1,195)	698,795	(0.1710)
2	Large Volume General Service	10	(383)	-	-	-	(383)	225,590	(0.1696)

Notes:

(1) Forecast volume for the period October 1, 2010 to March 31, 2011.

UNION GAS LIMITED
 Unit Rates for Prospective Recovery/(Refund) - Gas Supply Commodity
2009 Deferral Account Disposition, Market Transformation, Federal & Provincial Tax Changes, and 2009 Earnings Sharing Mechanism

Line No.	Particulars	2009 Deferral Balances (\$000's) (a)	2009 Market Transformation Incentive (\$000's) (b)	2009 Federal & Provincial Tax Changes (\$000's) (c)	2009 Earnings Sharing Mechanism (\$000's) (d)	Balance for Disposition (\$000's) (e) = (a+b+c+d)	Forecast Volume (10 ³ m ³) (1) (f)	Unit Rate for Prospective Recovery/(Refund) (cents/m ³) (g) = (e/f)*100
1	North Sales Service	-	-	-	-	-	521,883	-
2	South Sales Service	339	-	-	-	339	1,788,038	0.0190

Notes:

(1) Forecast volume for the period October 1, 2010 to March 31, 2011.

UNION GAS LIMITED
 Contract Unit Rates for One-Time Adjustment - Delivery
2009 Deferral Account Disposition, Market Transformation, Federal & Provincial Tax Changes, and 2009 Earnings Sharing Mechanism

Line No.	Particulars	Rate Class	2009 Deferral Balances (\$000's)	2009 Market Transformation Incentive (\$000's)	2009 Federal & Provincial Tax Changes (\$000's)	2009 Earnings Sharing (\$000's)	Total Balance (\$000's)	2009 Actual Volume (10 ³ m ³)	Unit Rate (cents/m ³)
			(a)	(b)	(c)	(d)	(e) = (a+b+c+d)	(f)	(g) = (e/f)*100
<u>Northern and Eastern Operations Area:</u>									
1	Medium Volume Firm Service (1)	20	(5)	-	(6)	(27)	(38)	130,916	(0.0290)
2	Medium Volume Firm Service (2)	20T	(374)	-	(18)	(89)	(481)	426,336	(0.1128)
3	Large Volume High Load Factor (2)	100T	2,315	-	(32)	(154)	2,130	1,805,103	0.1180
4	Wholesale Service	77	0	-	(0)	(0)	-	-	
5	Large Volume Interruptible	25	15	-	(11)	(52)	(48)	200,262	(0.0238)
<u>Southern Operations Area:</u>									
6	Firm Com/Ind Contract	M4	(2,433)	-	(24)	(115)	(2,571)	445,838	(0.5768)
7	Interruptible Com/Ind Contract	M5	995	-	(14)	(70)	911	475,961	0.1913
8	Special Large Volume Contract	M7	(1,361)	-	(15)	(71)	(1,447)	444,088	(0.3259)
9	Large Wholesale	M9	(84)	-	(1)	(6)	(92)	54,812	(0.1670)
10	Small Wholesale	M10	(3)	-	(0)	(0)	(3)	210	(1.4331)
11	Contract Carriage Service	T1	(143)	-	(72)	(349)	(565)	3,311,333	(0.0171)
12	Contract Carriage- Wholesale	T3	(647)	-	(9)	(42)	(698)	264,174	(0.2641)

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
2009 Deferral Account Disposition, Market Transformation, Federal & Provincial Tax Changes, and 2009 Earnings Sharing Mechanism

Line No.	Particulars	Rate Class	Billing Units	2009 Deferral Balances (\$000's) (a)	2009 Market Transformation Incentive (\$000's) (b)	2009 Federal & Provincial Tax Changes (\$000's) (c)	2009 Earnings Sharing (\$000's) (d)	Total Balance (\$000's) (e) = (a+b+c+d)	2009 Actual Volume/Demand (f)	Unit Volumetric/Demand Rate (g) = (e/f)*100	
	<u>Gas Supply Transportation (cents/m³)</u>										
1	Medium Volume Firm Service	20	10 ³ m ³	(46)	-	-	-	(46)	7,030	(0.6563)	
	<u>Bundled (T- Service) Storage (\$/GJ)</u>										
2	Medium Volume Firm Service	20T	GJ	(210)	-	-	-	(210)	99,288	(2.118)	
3	Large Volume High Load Factor	100T	GJ	(136)	-	-	-	(136)	64,416	(2.118)	

UNION GAS LIMITED
 Storage and Transportation Service Amounts for Disposition
2009 Deferral Account Disposition, Market Transformation, Federal & Provincial Tax Changes, and 2009 Earnings Sharing Mechanism

Line No.	Particulars (\$000's) (1)	Rate Class	2009 Deferral Balances (\$000's) (a)	2009 Market Transformation Incentive (\$000's) (b)	2009 Federal & Provincial Tax Changes (\$000's) (c)	2009 Earnings Sharing (\$000's) (d)	Total Balance (\$000's) (e) = (a+b+c+d)
1	Storage and Transportation	M12	290	-	(287)	(1,376)	(1,373)
2	Local Production	M13	(66)	-	(0)	(1)	(67)
3	Short-Term Cross Franchise	C1	80	-	(45)	(5)	31
4	Storage Transportation Service	M16	(47)	-	(0)	(1)	(49)

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	0.6939	2,048	(14.21)
2		Commodity	-	2,048	-
3		Transportation	(0.1710)	2,048	(3.50)
4			<u>(0.8649)</u>		<u>(17.71)</u>
5	Rate 10	Delivery	(1.7327)	66,961	(1,160.23)
6		Commodity	-	66,961	-
7		Transportation	(0.1696)	66,961	(113.57)
8			<u>(1.9023)</u>		<u>(1,273.79)</u>
9	Rate M1	Delivery	0.0928	1,984	1.84
10		Commodity	0.0190	1,984	0.38
11			<u>0.1118</u>		<u>2.22</u>
12	Rate M2	Delivery	(0.4540)	55,772	(253.20)
13		Commodity	0.0190	55,772	10.60
14			<u>(0.4350)</u>		<u>(242.61)</u>

Notes:

- (1) EB-2010-0039, Rate Order, Exhibit A, Tab 3, Schedule 2, Pages 1-3, Corrected.
- (2) Average consumption, per customer, for the period October 1, 2010 to March 31, 2011.

1

2

ALLOCATION OF COSTS BETWEEN UNION'S REGULATED AND

3

UNREGULATED STORAGE OPERATIONS

4

5 The purpose of this evidence is to provide a description of the approach used by Union to
6 separate the unregulated storage financial information from the regulated utility financial
7 information. Union is providing evidence on the allocation of costs between regulated
8 and unregulated storage operations in this proceeding to address concerns raised by
9 intervenors and Board Staff in Union's 2008 deferral account disposition proceeding
10 (EB-2009-0052) and the recent Dawn Gateway Pipeline Limited Partnership leave to
11 construct proceeding (EB-2009-0422).

12

13 Union is seeking the Board's approval of the approach used to separate the costs
14 associated with its unregulated storage operations from its utility operations to be used in
15 future proceedings.

16

17 The revenues and costs for Union's unregulated storage operations are deducted from
18 Union's audited financial results to determine stand alone utility financial results for
19 earnings sharing purposes. The amounts deducted are shown at Exhibit A Tab 2,
20 Appendix B, Schedule 1 column (b). The costs of Union's unregulated storage
21 operations are also used in the calculation of storage margins subject to deferral, shown at
22 Exhibit A, Tab 1, Page 8 of 26, Table 2.

1 Union's evidence is organized under the following headings:

2 1. Background

3 2. Separation of Regulated and Unregulated Storage Costs

4 a. Cost of Gas

5 b. Existing Storage Assets

6 c. General Plant Assets

7 d. New Storage Assets

8 e. Operating and Maintenance Expenses

9 3. Other

10 4. Conclusion

11

12 BACKGROUND

13 In the Natural Gas Electricity Interface Review ("NGEIR") Decision (EB-2005-0551),
14 the Board determined that the market for Union's ex-franchise storage services was a
15 competitive market and, as such, Union would no longer be subject to rate regulation for
16 those services. At that time, Union made changes in accounting for capitalized costs,
17 Property, Plant and Equipment ("PP&E"), and income taxes related to unregulated
18 storage operations. These changes were required because, post-NGEIR, Union's
19 unregulated storage activities no longer met the criteria for rate-regulated accounting and
20 the unregulated portion of PP&E was no longer included in utility rate base.

1 In the EB-2005-0551 decision (Page 73, emphasis added), the Board found that:

2 “.... functional separation is not necessary. The evidence before the Board is that
3 it would be costly and difficult to establish a functional separation of utility and
4 non-utility storage, and there was no evidence to suggest that there would be
5 significant benefits from such a separation. To the extent there may be concerns
6 regarding the integrated operations, these will be addressed through the
7 reporting requirements set out in section 5.4. We also conclude that Union’s
8 current cost allocation study is adequate for the purposes of separating the
9 regulated and unregulated costs and revenues for ratemaking purposes. The
10 Board agrees with the Board Hearing Team that it is important to ensure that
11 there is no cross-subsidization between regulated and unregulated storage.
12 However, the Board is content that with its findings on the treatment of the
13 premium on short-term storage services (Chapter 7) Union will have little
14 incentive to use the cost allocation for purposes of cross-subsidy.”

15

16 The Board’s Decision did not require Union to functionally separate its regulated and
17 unregulated storage operations. The Board did find that Union’s Board-approved 2007
18 cost allocation methodology was adequate for the purposes of separating unregulated
19 storage assets and related O&M expenses in the financial records. It is on the basis of the
20 Board-approved 2007 cost allocation study that Union has separated the costs associated
21 with its regulated and unregulated storage operations since the NGEIR decision.

22

23 SEPARATION OF REGULATED AND UNREGULATED STORAGE COSTS

24 The Board determined, as part of the NGEIR Decision, that Union shall reserve 100 PJs
25 of storage space at cost based rates to accommodate in-franchise growth (EB-2005-0551,
26 Decision with Reasons, page 83). Based on the above conclusion, Union used the Board-
27 approved 2007 cost allocation methodology to separate storage assets, general plant and

1 related O&M expenses for 62.1 PJs of unregulated storage capacity from the 100 PJs of
2 regulated storage capacity.

3

4 The allocation of major components of Union's regulated and unregulated storage costs
5 are discussed in more detail below.

6

7 Cost of Gas

8 The total cost of gas of \$6.318 million (Exhibit A, Tab 2, Appendix B, Schedule 1, line
9 5). allocated to Union's unregulated storage operations consists of unaccounted for gas
10 ("UFG"), storage compressor fuel, net of the amount of gas in kind supplied by
11 customers providing their own fuel ("CSF"), and the cost of storage space purchased
12 from others. The method for allocating these gas costs to Union's unregulated storage
13 operations is consistent with the allocation method used in the Board-approved 2007 cost
14 allocation study.

15

16 To calculate the UFG associated with Union's unregulated storage operations, Union first
17 determined the ratio of actual unregulated storage volumes (302,561,555 GJ) to Union's
18 total actual storage and transportation volumes (2,245,003,295 GJ). This ratio (13.48%)
19 was then applied to total actual UFG incurred in 2009 of \$54.085 million to arrive at the
20 unregulated storage-related UFG of \$7.289 million.

21 Total storage compressor fuel assigned to unregulated storage activity is also based on a
22 volumetric allocation determined by using the ratio of actual unregulated storage activity

1 to the actual total storage activity. This allocation is applied to total storage compressor
2 fuel incurred. In 2009, the result is \$5.023 million of compressor fuel allocated to the
3 unregulated storage activity.

4

5 Total UFG and compressor fuel allocated to unregulated storage activity is \$12.312
6 million. Of this amount, \$6.173 million is supplied in kind by customers who have
7 contracted for unregulated storage services, resulting in a net cost of \$6.139 million.

8

9 Union's Board-approved 2007 cost study includes an allocation of \$0.179 million of costs
10 associated with the purchase of the third party storage space (EB-2005-0520, Exhibit G3,
11 Tab 5, Schedule 9, page 15) to the unregulated storage operations.

12

13 Existing Storage Assets

14 As a result of the NGEIR decision, Union completed a comprehensive review of all
15 existing underground storage assets, in order to determine which underground storage
16 assets needed to be removed from Union's regulated utility rate base and allocated to
17 Union's unregulated storage operations. The first step in the allocation process was to
18 determine the function of the storage assets recorded in the plant ledger, as at December
19 31, 2006. Through this process, Union determined that its underground storage assets can
20 be categorized as:

21 1) storage assets that are directly attributable to providing storage services only;

22 2) storage assets that are directly attributable to providing transmission services

1 only; and

2 3) storage assets that are utilized to provide both storage and transmission
3 services.

4

5 For each of these types of underground storage assets Union used a two-step approach.

6 The first step was to calculate a storage factor to determine the amount of the
7 underground storage asset attributable to providing storage services. The second step was
8 to calculate an unregulated factor to determine the separation of existing underground
9 storage assets between regulated and unregulated storage operations. These factors and
10 the resulting proportion of the assets that were allocated to the unregulated storage
11 operations are shown at Exhibit A, Tab 4, Schedule 1. This approach is further described
12 below.

13

14 1) Storage Assets Providing Storage Services

15 Examples of storage assets used solely to provide storage services include: storage lines,
16 storage wells, outboard storage compression and dehydration assets. As these storage
17 assets provide storage services only, the first step in the allocation process was to assign a
18 storage factor of 100% to these assets. The second step in the allocation process was to
19 determine an unregulated factor to separate these assets between Union's regulated and
20 unregulated storage operations.

21

1 To determine the unregulated factor to apply to storage lines, storage wells and outboard
2 storage compression assets, Union used storage space and deliverability allocators from
3 the Board-approved 2007 cost allocation study, adjusted to recognize the requirement to
4 reserve 100 PJ for regulated utility operations based on the Board's NGEIR decision.

5

6 In the Board-approved 2007 cost study, Union's ex-franchise storage operations were
7 allocated 45.3% of Union's storage space and 39.2% of Union's deliverability. Adjusting
8 the Board-approved 2007 cost study for the NGEIR decision resulted in Union's
9 unregulated storage operations being allocated 40.2% of Union's storage space and
10 35.1% of Union's deliverability. The calculation of the allocators is provided at Exhibit
11 A, Tab 4, Schedule 2. The average of the adjusted storage space and deliverability
12 resulted in an unregulated factor of 37.7%.

13

14 The result of applying the storage and unregulated factors to storage lines, storage wells
15 and outboard storage compression assets is that 37.7% of the assets are allocated to the
16 unregulated storage operations.

17 To determine the unregulated factor for dehydration assets Union used a dehydration
18 demand allocator from the Board-approved 2007 cost allocation study, adjusted for the
19 NGEIR decision. In the Board-approved 2007 cost study, Union's ex-franchise storage
20 operations were allocated 24.8% of Union's total dehydration demand. Adjusting the
21 Board-approved 2007 cost study for the NGEIR decision resulted in an unregulated factor

1 for dehydration assets of 22.2%. The calculation of the allocators is provided at Exhibit
2 A, Tab 4, Schedule 2.

3

4 The result of applying the storage and unregulated factors to dehydration assets is that
5 22.2% of these assets are allocated to the unregulated storage operations.

6

7 2) Storage Assets Providing Transmission Services

8 Union's system of accounts identifies all Dawn facility assets as underground storage
9 assets. Certain Dawn facility assets, however, are only used in the provision of regulated
10 transmission services even though they are classified as underground storage assets in the
11 plant accounting records. In Union's Board-approved 2007 cost allocation study, Union
12 directly assigns these assets to the transmission function. The directly assigned assets
13 included in the Board-approved 2007 cost allocation study are the Dawn Trafalgar meter
14 runs, Tecumseh measurement, TCPL measurement, Oil Springs East measurement and
15 the Great Lakes header. A description of these assets can be found at EB-2005-0520,
16 Exhibit G3, Tab 1, page 3. In addition, as a result of Union's comprehensive review of
17 storage assets, the Plant E compressor at Dawn has been directly assigned to transmission
18 as it is dedicated to providing only regulated transmission services. Therefore, no storage
19 assets providing solely transmission services are allocated to Union's unregulated storage
20 operations.

21

22 3) Storage Assets Providing Both Storage and Transmission Services

1 The remaining compression, measuring and regulating assets at the Dawn facility are
2 used to provide both storage and transmission services. To determine the proportion of
3 these assets to allocate to Union's unregulated storage operations, Union first determined
4 the storage factor to allocate these assets between storage and transmission functions.

5

6 For Dawn compression assets, Union used the Board-approved horsepower allocation
7 method as the basis for determining the storage factor. The horsepower allocation is used
8 to separate costs between storage and transmission functions based on the amount of
9 compression horsepower required to provide storage and transmission services on design
10 day. The compression horsepower required to bring the pressure up to 4,926 kPa (700
11 psig) on design day is storage-related. The compression horsepower required to bring the
12 pressure from 4,926 to 6,270 kPa (700 to 895 psig) on design day is transmission-related.

13 The Board-approved 2007 cost allocation study allocated 44.4% of Dawn compression-
14 related costs to the storage function and 56.6% of Dawn compression-related costs to the
15 transmission function. The 2007 Board-approved horsepower allocation was adjusted to
16 recognize the compression that is directly allocated to storage or transmission services.

17 This resulted in an adjusted Board-approved horsepower factor of 53% applied to the
18 compression assets providing both storage and transmission services at Dawn to
19 determine the storage allocation. The calculation of the allocators is provided at Exhibit
20 A, Tab 4, Schedule 3. To determine an unregulated factor for storage compression assets
21 at the Dawn facility, Union used the average of the NGEIR-adjusted storage space and
22 deliverability allocators of 37.7 % as described above.

1

2 The result of applying the storage and unregulated factors to compression assets at the
3 Dawn facility is that 19.9% of the assets are allocated to the unregulated storage
4 operations.

5

6 To determine the storage factor for measuring and regulating assets at the Dawn facility,
7 Union used the Board-approved 2007 cost study allocation of forecasted storage and
8 transmission activity at Dawn. In 2007 measuring and regulating assets were
9 functionalized as 26% storage and 74% transmission. Union used the 2007 storage
10 functionalization factor to assign measuring and regulating assets to the storage function.
11 The Board's NGEIR decision, setting aside 100 PJs of space for in-franchise storage
12 growth, did not impact the allocation factor for measuring and regulating equipment. To
13 determine an unregulated factor for measuring and regulating assets at the Dawn facility,
14 Union used the average of the NGEIR-adjusted storage space and deliverability allocator
15 of 37.7% as described above.

16

17 The result of applying the storage and unregulated factors to measuring and regulating
18 assets at the Dawn facility is that 9.9% of the assets are allocated to the unregulated
19 storage operations.

20

21 Separation of Existing General Plant Assets

1 Since Union's general plant assets are not directly attributable to either Union's regulated
2 or unregulated storage operations, general plant assets must be allocated. Two factors
3 were used in the allocation of general plant assets; one factor specific to vehicles and
4 heavy equipment and one factor for all other categories of general plant. A separate
5 allocation factor was calculated for vehicles to recognize vehicles used in Union's storage
6 and transmission operations relative to the other general plant.

7
8 The vehicle and heavy equipment allocator was determined using the relative asset value
9 of vehicles used in the Storage & Transmission Operation compared to the total value of
10 vehicles and heavy equipment for all of Union (11.9%). To determine the value of
11 vehicles and heavy equipment applicable to the unregulated storage operation Union used
12 the average of the NGEIR-adjusted storage space and deliverability allocators as
13 described above. Table 1 shows the determination of this factor.

14 Table 1

15 Vehicle Allocation Factor

<u>Line No.</u>	<u>Item</u>	<u>Value</u>
1	Total Value of Vehicles per sub-ledger	\$ 48,839,315
2	Total Value of Vehicles Related to Storage & Transmission Operations	\$ 5,829,466
3	Storage Allocator for Vehicles (Line 2/ Line 1)	11.9%
4	Unregulated Factor	37.7%
5	<u>Vehicle Allocation Factor (Line 3 * Line 4)</u>	<u>4.5%</u>

16
17

18 The remaining general plant assets were allocated to the unregulated storage operations
19 using an allocation factor that combines storage assets and storage O&M. The plant

1 portion of the allocator is calculated as the percentage that unregulated storage plant is of
2 Union's total plant. For the purpose of calculating this percentage, construction work in
3 progress, asset retirement obligations and general plant were excluded from both
4 unregulated storage plant and Union's total plant.

5
6 The percentage of unregulated storage plant is then averaged with the O&M storage
7 support allocator to determine the allocation factor applicable to all other asset classes
8 included in general plant. The storage O&M allocator of 2.52% is the percentage of
9 allocated storage support costs to total O&M.

10

11 This method for calculating the allocation factor for general plant, excluding vehicles, is
12 consistent with the methodology for allocating general plant within the Board-approved
13 2007 cost allocation study. The derivation of the allocation factor for general plant,
14 excluding vehicles is provided in Table 2 below.

15

16

Table 2

17

General Plant Excluding Vehicles Allocation Factor

<u>Line No.</u>	<u>Item</u>	<u>Value</u>
1	Total Plant (Dec 31, 2007 - excluding CWIP, ARO, and General Plant)	\$ 5,198,765,878
2	Total Unregulated Storage (Dec 31, 2007 - excluding CWIP, ARO and General Plant))	\$ 172,571,936
3	% Unregulated Storage to Total Plant (Line 2 / Line1)	3.32%
4	O&M Storage Support Allocator (2007/2008)	2.52%
5	General Allocation Factor ((Line 3 + Line 4) / 2)	2.92%

18

19

20

1 The cost allocators determined through the approach described above for storage assets
2 and general plant were applied to individual asset records to separate unregulated storage
3 assets and calculate the Gross Book Value and Accumulated Depreciation at an
4 individual asset level. In order to maintain separate accounting records for the
5 unregulated storage assets Union set up separate plant records in the asset subledger in
6 2008. The assets allocated to the unregulated storage operation are excluded from the
7 calculation of Union's regulated utility rate base. Plant continuity schedules for 2008 and
8 2009 for the unregulated storage and associated general plant assets are provided at
9 Exhibit A, Tab 4, Schedules 4 and 5 respectively.

1 New Storage Assets

2 The costs of new storage projects constructed subsequent to the NGEIR decision in 2006
3 are directly charged 100% to Union's unregulated storage operations. For projects
4 replacing existing storage assets, the classification and allocation of the cost of the
5 replacement asset is driven based on the rationale for the project. If the project is a
6 necessary part of normal business operations, then the new asset is split in the same way
7 as the existing asset. If the project improves efficiency or provides growth opportunities
8 for the unregulated storage business, then the incremental cost of the project beyond the
9 simple replacement is directly assigned to unregulated storage.

10

11 The plant continuity schedules for unregulated storage assets and the allocation of general
12 plant included at Exhibit A, Tab 4, Schedules 4 and 5 respectively show additions and
13 retirements by asset class for 2008 and 2009 in addition to the opening balance of
14 existing assets.

15

16 Operating & Maintenance Expenses

17 The operating and maintenance ("O&M") costs assigned to Union's unregulated storage
18 operations are allocated based on the underlying activities. Costs related to operating and
19 maintaining the storage assets will be allocated the same way the underlying asset is
20 allocated. Storage support costs such as general operating and engineering O&M are
21 allocated based on the activities conducted by the departments related to storage
22 operations. Administrative & general expenses were allocated in proportion to storage

1 O&M. Benefits were allocated in proportion to labour. This is consistent with the
2 treatment of these costs in the Board-approved 2007 cost allocation study.
3 Allocation percentages are reviewed and updated annually for areas directly involved in
4 storage operations as well as those supporting storage activities that reflect the operation
5 and maintenance of assets, the supporting corporate services and the development of new
6 storage capacity. Table 3 below summarizes the unregulated storage O&M by activity.

7
8
9

Table 3

Unregulated Storage O&M by Activity (\$ millions)

<u>Activity</u>	<u>2009</u>	<u>2008</u>	<u>Variance</u>
Storage operations	3.8	3.4	0.4
Business development	1.8	1.8	
Regulatory	1.4	1.1	0.3
HR	2.3	2.0	0.3
IT / ITI / BIS	0.6	0.6	
Administrative and general	0.7	0.8	(0.1)
Unregulated O&M	10.5	9.6	0.9
Cost of 7.9 PJ Excess Utility Space	2.3	2.3	
Total	<u>12.8</u>	<u>11.9</u>	<u>0.9</u>

10

11 In 2009, there were \$12.8 million of O&M costs allocated to Union's unregulated storage
12 operations, an increase of \$0.9 million over the 2008 O&M expenses.

13 For comparison, the Board-approved 2007 cost allocation study, adjusted for the NGEIR
14 Decision, resulted in \$6 million of O&M costs allocated to the 62.1 PJs of unregulated
15 storage capacity.

1

2 Storage Operations

3 The cost of storage operations are separated between unregulated and utility storage
4 operations based on the underlying asset that the expenditure supports. This is
5 determined by reviewing how the costs relate to the storage assets with engineers in the
6 Storage Transmission Operations (“STO”) department and budget contacts in each group
7 that support the maintenance of existing storage assets. For example, the operating costs
8 related to individual storage pools will be separated between unregulated and regulated
9 storage the same way the storage pool assets are allocated.

10

11 Business Development

12 O&M costs related to the development of new storage assets, are assigned based on an
13 estimate of time spent annually on the development of unregulated projects. These
14 allocations are reviewed with the key contacts in the Business Development group and
15 updated annually as part of the forecast process.

16

17 Adjustments are made during the year if the actual activity levels vary significantly from
18 the expected levels.

1 Regulatory

2 O&M costs related to the Regulatory department for development of new storage assets,
 3 are assigned based on an estimate of time spent annually on the development of
 4 unregulated projects. These allocations are reviewed with the key contacts in the
 5 Regulatory group and updated annually.

6

7 Table 4 provides the resulting composite allocation factors for the areas supporting
 8 storage operations and development.

9

Table 4

10

Composite Allocation Factors

	<u>2008</u>			<u>2009</u>		
	Total O&M	Unregulated O&M	Composite Allocation %	Total O&M	Unregulated O&M	Composite Allocation %
Business development	17.3	1.8	10%	18.5	1.8	10%
Storage operations	35.2	3.4	10%	33.6	3.8	11%
Regulatory	10.6	1.1	11%	9.5	1.4	15%
HR	62.6	2.0	3%	62.0	2.3	4%
IT / ITI / BIS	20.4	0.6	3%	20.8	0.6	3%
Administrative and general	103.9	0.8	1%	107.6	0.7	1%
Distribution operations	85.1			82.8		
Net O&M	<u>335.1</u>	<u>9.6</u>	<u>3%</u>	<u>334.8</u>	<u>10.5</u>	<u>3%</u>

12

13 Cost of 7.9 PJs of Excess In-franchise Storage Capacity

14 Also included in unregulated storage O&M is the cost for use of excess in-franchise
 15 storage capacity. In-franchise cost-based rates will continue to recover the costs of in-
 16 franchise storage requirements of 92.1 PJs. Since in-franchise customers currently
 17 require less than 100 PJs, Union sells the difference between the space needed and the

1 reserve amount (7.9 PJs) on a short term basis. In order to ensure there is no cross-
2 subsidization between regulated and unregulated storage, the costs associated with the
3 excess storage are charged to the unregulated business.

4

5 The revenue requirement of the excess 7.9 PJs of storage was calculated by comparing
6 the Board-approved 2007 cost allocation study to the Board-approved 2007 cost
7 allocation study adjusted to reflect an assumed in-franchise requirement of 100 PJs. The
8 operating and maintenance costs, depreciation expense, taxes, and regulated return on
9 equity of 7.9 PJs of underground storage services (space, deliverability, commodity and
10 dehydration) is \$2.261 million per year. This amount has been charged to the
11 unregulated business annually for 2007 to 2009. This amount will continue to be charged
12 to the unregulated business for 2010 to 2012.

13

14 In the 2013 cost of service proceeding, Union will file the forecast in-franchise storage
15 requirements, the ensuing amount of storage to be sold as short-term storage services and
16 the corresponding revenue requirement to be charged to the unregulated business.

17 Union's cost allocation proposals for its 2013 cost of service proceeding will ensure that
18 in-franchise cost-based rates recover only the revenue requirement of the forecast in-
19 franchise storage needs.

1 OTHER

2

3 Depreciation

4 Union's unregulated underground storage assets were separated from the regulated utility
5 rate base through the creation of new asset classes in Union's accounting system (SAP).

6 The classifications used are the same as those used for utility reporting.

7

8 Depreciation rates for underground storage assets were approved by the Board in EB-
9 2003-0063. In order to comply with Canadian Generally Accepted Accounting
10 Principles, the negative salvage component of the Board-approved rate needed to be
11 removed when calculating depreciation rates for the unregulated storage assets. Table 5
12 below outlines the determination of the unregulated underground storage depreciation
13 rates.

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Table 5

Unregulated Underground Storage Depreciation Rates

<u>Underground Storage Asset Class</u>	<u>2007 Board- approved Regulated Depreciation Rate</u>	<u>Salvage Value Rate</u>	<u>Unregulated Depreciation Rate</u>
Land	0.00%		0.00%
Land Rights	2.23%		2.23%
Structures and Improvements	2.34%	5.00%	2.22%
Storage Wells	2.66%	20.00%	2.13%
Field Lines	2.66%	20.00%	2.13%
Compressor Equipment	3.19%	10.00%	2.87%
Measuring and Regulating Equipment	4.30%	10.00%	3.87%

Depreciation on general plant is allocated to unregulated storage operations using the same allocators used to allocate general plant. This general plant depreciation allocation is layered on to the underground storage depreciation to determine the total unregulated depreciation expense.

Depreciation is calculated at the individual asset level using the rate that is applicable to the entire class. Depreciation expense is posted to a separate general ledger account within SAP. The depreciation by asset class for 2009 is shown at Exhibit A, Tab 4, Schedule 6.

1 Property and Capital Tax

2 The actual property tax related to the assets at Dawn is allocated between unregulated
3 storage and regulated utility operations in proportion to the allocation of total storage
4 gross plant.

5

6 Capital tax is allocated based on the percentage of unregulated assets versus total assets
7 in service (excluding general plant).

8

9 CONCLUSION

10

11 Union's approach to the separation of the financial information related to the unregulated
12 storage operations from the financial information for the utility operations is consistent
13 with the cost allocation methods approved by the Board in the 2007 cost allocation study.

14 Union's approach is also consistent with the Board's conclusion in the NGEIR Decision
15 that the cost allocation study is adequate for the purposes of separating regulated costs
16 and revenues for ratemaking purposes. As such, Union minimized any cross subsidization
17 between its regulated and unregulated storage operations. Further, to ensure that the
18 assets, revenues and costs associated with Union's unregulated storage operations are not
19 included in the utility financial results for earnings sharing or subsequently for

20 ratemaking in the 2013 rate application, Union is maintaining separate plant records for
21 assets related to the unregulated storage operations and allocating operating costs driven
22 by unregulated storage activities. Union respectfully submits, therefore, that the Board

- 1 approve the approach used by Union to separate the costs associated with its unregulated
- 2 storage operations from its utility operations for use in future proceedings.

UNION GAS LIMITED
 Allocation Factors Used to Separate Existing Storage Assets

Line No.	Asset Type	Storage Factor (a)	Storage Factor (%) (b)	Unregulated Factor (c)	Unregulated Factor (%) (d)	Proportion of Asset Allocated to Unregulated Storage Operations (%) (e) = (b) x (d)
1	Storage	Storage	100.0	average of deliverability and space allocations	37.7	37.7
2	Storage - Dehydration	Storage	100.0	dehydration demand	22.2	22.2
3	Transmission	n/a	-	n/a	-	-
4	Storage & Transmission - Compressor Equipment	Horsepower	52.7	average of deliverability and space allocations	37.7	19.9
5	Storage & Transmission - Measuring &	Measuring & Regulating Activity	26.4	average of deliverability and space allocations	37.7	9.9

UNION GAS LIMITED
Derivation of Unregulated Allocation Factors to Separate Existing Storage Assets

Line No.	Particulars	Storage Space ⁽¹⁾		Storage Deliverability		Dehydration Demand	
		PJs (a)	% (b)	PJs (c)	% (d)	PJs (e)	% (f)
<u>2007 Board-approved Cost of Service EB-2005-0520</u> ⁽²⁾							
1	Ex-franchise	70.0	45.3%	0.9	39.2%	0.9	24.8%
2	In-franchise	84.0	54.7%	1.4	60.8%	2.8	75.2%
3		<u>154.0</u>		<u>2.4</u>		<u>3.7</u>	
<u>2007 Board-approved Cost of Service; Adjusted for EB-2005-0551</u> ⁽³⁾							
4	Unregulated	62.1	40.2%	0.8	35.1%	0.8	22.2%
5	In-franchise	91.8	59.8%	1.5	64.9%	2.9	77.8%
6		<u>154.0</u>		<u>2.4</u>		<u>3.7</u>	
<u>Difference</u>							
7	Unregulated	(7.9)	(5.1%)	(0.1)	(4.0%)	(0.1)	(2.5%)
8	In-franchise	7.9	5.1%	0.1	4.0%	0.1	2.5%
9		<u>0.0</u>		<u>0.0</u>		<u>0.0</u>	

⁽¹⁾ Storage space allocators exclude space used for system integrity and include space deemed unavailable.

⁽²⁾ EB-2005-0520, Exhibit G3, Tab 5, Schedule 24, Page 5.

⁽³⁾ The in-franchise storage space requirements reflect the reserve amount of 100 PJs. The adjustment of 7.9 PJs of space assumes 1.2% deliverability and dehydration demand.

UNION GAS LIMITED
 Horsepower Allocation on Design Day

Line No.	Particulars	Storage Compression (HP) (a)	Transmission Compression (HP) (b)	Total Compression (HP) (c)	Horsepower Allocation to Storage (%) (d) = (a) / (c)
1	2007 Board-approved Cost Study - Horsepower Allocation	78,781	98,762	177,543	44.4% ⁽¹⁾
	Adjustments:				
2	Dawn Assets - directly assigned to transmission	-	(39,102)	(39,102)	
3	Outboard Assets - directly assigned to storage	(12,210)		(12,210)	
4	Revised Horsepower Allocation Factor	66,571	59,660	126,231	52.7%

⁽¹⁾ EB-2005-0520, Exhibit G3, Tab 3, Schedule 4, Page 2

UNION GAS LIMITED
Continuity of Property, Plant and Equipment
Calendar Year Ending December 31, 2008

Line No.	Particulars (\$000's)	O.E.B. No.	Balance Dec. 31/07 (a)	Additions			Retirements (d)	Balance Dec. 31/08 (e)	Adjustments (f)	Adjusted Non-Utility Balance (g)
				Capital Additions (b)	Transfers (c)	Net Salvage (g)				
<u>Gas Plant in Service:</u>										
Underground storage plant:										
1	Land	450	1,231	-	0		0	1,231		1,231
2	Land rights	451	19,320	268	0		268	19,588		19,588
3	Structures and improvements	452	11,559	550	0		550	12,109		12,109
4	Wells	453/4/5	51,844	28,015	0		28,015	79,475	-384	79,475
5	Compressor equipment	456	59,153	11,465	0		11,465	70,432	-186	70,432
6	Measuring & regulating equipment	457	13,515	7,122	0		7,122	20,636		20,636
7	Base pressure gas	458	18,336	-	0		0	18,336	0	18,336
8	Other equipment	459	0				0	0		0
9			<u>174,957</u>	<u>47,419</u>	<u>0</u>	<u>0</u>	<u>47,419</u>	<u>221,807</u>	<u>-569</u>	<u>\$ 221,807</u>
General plant:										
10	Land	480	19	0			0	19		\$ 19
11	Structures & improvements	482	1,239	0	12		12	1,251		1,251
12	Office furniture & equipment	483	490	0	-5		-5	485		485
13	Office equipment - computers	483	2,464	0	272		272	2,736		2,736
14	Transportation equipment	484	2,235	0	-68		-68	2,166		2,166
15	Heavy work equipment	485	643	0	11		11	654		654
16	Tools & work equipment	486	974	0	29		29	1,003		1,003
17	Communication equipment	488	526	0	-86		-86	440		440
18	Communication structures		98	0	-3		-3	96		96
19	Other general equipment	489	0	0			0	0		0
20			<u>8,688</u>	<u>-</u>	<u>162</u>	<u>0</u>	<u>162</u>	<u>8,849</u>	<u>0</u>	<u>\$ 8,849</u>
21	Total gas plant in service	100	<u>183,645</u>	<u>47,419</u>	<u>162</u>	<u>0</u>	<u>47,581</u>	<u>230,656</u>	<u>0</u>	<u>\$ 230,656</u>
22	Gas plant under construction	115	<u>23,677</u>	<u>42,908</u>			<u>42,908</u>	<u>66,585</u>		<u>66,585</u>
23	Total property plant and equipment		<u>207,322</u>	<u>90,327</u>	<u>162</u>	<u>0</u>	<u>90,489</u>	<u>297,241</u>	<u>0</u>	<u>\$ 297,241</u>

UNION GAS LIMITED
Continuity of Accumulated Depreciation
Calendar Year Ending December 31, 2008

Line No.	Particulars (\$000's)	O.E.B. No.	Balance Dec. 31/07 (a)	Transfers (b)	Provisions (c)	Retirements (d)	Net Salvage /(Costs) (e)	Balance Dec. 31/08 (f)
<u>Gas Plant in Service:</u>								
Underground storage plant:								
1	Land rights	451	4,918		434			5,352
2	Structures & improvements	452	4,221		234			4,456
3	Wells and lines	453/4/5	15,108		1,398	-287		16,219
4	Compressor equipment	456	23,308		1,831	-81		25,058
5	Measuring & regulating equipment	457	6,831		599			7,430
6			<u>54,387</u>	<u>0</u>	<u>4,496</u>	<u>-368</u>	<u>0</u>	<u>58,515</u>
General plant:								
7	Structures & improvements	482	516		8			524
8	Office furniture & equipment		308		-6	0		302
9	Office equipment - computers		1,019		304	0		1,322
10	Transportation equipment	484	468		154	0		622
11	Heavy work equipment	485	81		41	0		122
12	Tools and other equipment	486/89/79	494		27	0		521
13	Communication structures		66		5	0		70
14	Communication equipment	488	280		-62	0		218
15			<u>3,232</u>	<u>0</u>	<u>470</u>	<u>0</u>	<u>0</u>	<u>3,702</u>
16	Total gas plant in service		<u>57,618</u>	<u>0</u>	<u>4,966</u>	<u>-368</u>	<u>0</u>	<u>62,217</u>

UNION GAS LIMITED
Continuity of Property, Plant and Equipment
Calendar Year Ending December 31, 2009

Line No.	Particulars (\$000's)	O.E.B. No.	Balance Dec. 31/08 (a)	Additions			Retirements (d)	Balance Dec. 31/09 (e)	Adjustments (f)	Adjusted Non-Utility Balance (g)
				Capital Additions (b)	Transfers (c)	Net Salvage (g)				
<u>Gas Plant in Service:</u>										
Underground storage plant:										
1	Land	450	1,231	28	0		28	1,260		1,260
2	Land rights	451	19,588	2,321	0		2,321	21,909		21,909
3	Structures and improvements	452	12,109	6,691	14		6,704	18,758	-56	18,758
4	Wells	453/4/5	79,475	5,891	0		5,891	85,332	-34	85,332
5	Compressor equipment	456	70,432	65,005	0		65,005	134,730	-707	134,730
6	Measuring & regulating equipment	457	20,636	866	0		866	21,502		21,502
7	Base pressure gas	458	18,336	1,660	0		1,660	19,996		19,996
8	Other equipment	459	0				0	0		0
9			<u>221,807</u>	<u>82,462</u>	<u>14</u>	<u>0</u>	<u>82,475</u>	<u>303,486</u>	<u>-797</u>	<u>\$ 303,486</u>
General plant:										
10	Land	480	19				0	19		\$ 19
11	Structures & improvements	482	1,251	2			2	1,238	-15	1,238
12	Office furniture & equipment	483	485	25			25	451	-59	451
13	Office equipment - computers	483	2,736	458			458	2,540	-655	2,540
14	Transportation equipment	484	2,166	87	-2		85	1,846	-406	1,846
15	Heavy work equipment	485	654	42	2		44	581	-117	581
16	Tools & work equipment	486	1,003	54			54	990	-67	990
17	Communication equipment	488	440	14			14	397	-57	397
18	Communication structures		96				0	78	-17	78
19	Other general equipment	489	0				0	0		0
20			<u>8,849</u>	<u>682</u>	<u>0</u>	<u>0</u>	<u>682</u>	<u>8,137</u>	<u>-1,394</u>	<u>\$ 8,137</u>
21	Total gas plant in service	100	<u>230,656</u>	<u>83,143</u>	<u>14</u>	<u>0</u>	<u>83,157</u>	<u>311,623</u>	<u>0</u>	<u>\$ 311,623</u>
22	Gas plant under construction	115	<u>66,585</u>	<u>-65,905</u>			<u>-65,905</u>	<u>680</u>		<u>680</u>
23	Total property plant and equipment		<u>297,241</u>	<u>17,238</u>	<u>14</u>	<u>0</u>	<u>17,252</u>	<u>312,303</u>	<u>0</u>	<u>\$ 312,303</u>

UNION GAS LIMITED
Continuity of Accumulated Depreciation
Calendar Year Ending December 31, 2009

Line No.	Particulars (\$000's)	O.E.B. No.	Balance Dec. 31/08 (a)	Transfers (b)	Provisions (c)	Retirements (d)	Net Salvage / (Costs) (e)	Balance Dec. 31/09 (f)
<u>Gas Plant in Service:</u>								
Underground storage plant:								
1	Land rights	451	5,352		463			5,815
2	Structures & improvements	452	4,456	6	313	-24		4,751
3	Wells and lines	453/4/5	16,219		1,755	-14		17,961
4	Compressor equipment	456	25,058		3,008	-523		27,544
5	Measuring & regulating equipment	457	7,430		726			8,156
6			<u>58,515</u>	<u>6</u>	<u>6,265</u>	<u>-560</u>	<u>0</u>	<u>64,226</u>
General plant:								
7	Structures & improvements	482	524		28	-15		537
8	Office furniture & equipment		302		31	-59		274
9	Office equipment - computers		1,322		660	-655	9	1,337
10	Transportation equipment	484	622	-0	202	-406	1	419
11	Heavy work equipment	485	122	0	28	-117	0	33
12	Tools and other equipment	486/89/79	521		66	-67	-7	513
13	Communication structures		70		4	-17		57
14	Communication equipment	488	218		28	-57		188
15			<u>3,702</u>	<u>0</u>	<u>1,047</u>	<u>-1,394</u>	<u>4</u>	<u>3,359</u>
16	Total gas plant in service		<u>62,217</u>	<u>6</u>	<u>7,312</u>	<u>-1,954</u>	<u>4</u>	<u>67,585</u>

UNION GAS LIMITED
 Provision for Depreciation,
 Amortization and Depletion
Calendar Year Ending December 31, 2009

Line No.	Particulars (\$000's)	Average Plant (1) (a)	Rate (%) (b)	Provision (c)
	Storage:			
1	Land rights	\$ 20,748	2.23%	\$ 463
2	Structures and improvements	14,086	2.22%	313
3	Wells and lines	82,403	2.13%	1,755
4	Compressor equipment	104,919	2.87%	3,011
5	Measuring & regulating equipment	18,754	3.87%	726
6	Other equipment			
7		<u>240,910</u>		<u>6,268</u>
	General:			
8	Structures	1,244	Allocation	28
9	Structures - improvements	468	Allocation	31
10	Office furniture and equipment	2,638	Allocation	660
11	Office equipment - computers	2,006	Allocation	202
12	Transportation equipment	617	Allocation	28
13	Heavy work equipment	996	Allocation	66
14	Tools and other equipment	418	Allocation	4
15	Communications structures	87	Allocation	28
16	Communications equipment	0	Allocation	0
17	Other equipment			
18		<u>8,475</u>		<u>1,047</u>
19	Sub-total	249,385		7,315
20	Total provision for depreciation and amortization			7,312
21	Depreciation through clearing			
22		\$ <u>249,385</u>		\$ <u>7,312</u>

Notes:

- (1) A average of the opening and closing plant balances (excluding fully depreciated assets) was used to calculate the annual depreciation provision.