unionGas
A Spectra Energy Company

July 21, 2010

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

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

Dear Ms. Walli:

Please find enclosed two copies of Union Gas Limited's ("Union") responses to the undertakings from the July 9, 2010 technical conference.

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

Yours truly,

[*Original Signed by*]

Chris Ripley
Manager, Regulatory Applications

cc Crawford Smith (Torys)
EB-2010-0039 Intervenors

UNION GAS LIMITED

Undertaking of Union Gas
To Mr. V. DeRose (CME)

Please provide the references to agreements between Dawn Gateway and Union filed in the Dawn Gateway proceeding. To the extent that additional agreements or amended agreements exist that were not previously filed, Union will produce them unless Union otherwise raises an objection. If there is an objection, Union will identify the existence of the agreements and the basis for the objection.

DGLP has filed the following agreements between DGLP and Union:

Services Agreement, EB-2009-0422, Exhibit K1.7
Project Development Agreement, EB-2009-0422, Exhibit K1.8
Shipper (Precedent) Agreement, EB-2008-0411 (per Procedural Order No. 4).

Union has filed the following agreement between DGLP and Union:

Purchase and Sale Agreement, EB-2008-0411, Confidential Undertaking No. X1.2

The Shipper Agreement was amended following the delay of the Dawn Gateway project. Union will file its amended Shipper Agreement according to the Board's Practice Direction on Confidential Filings.

UNION GAS LIMITED

Undertaking of Union Gas
To Mr. I. Mondrow (IGUA)

Please advise whether distribution contracts overspend included participation of more customers than forecast, and if so, advise what programs the incentives related to.

Union does not forecast the number of participants per program in the distribution contract segment. However, the participation level of distribution contract customers increased to 172 in 2009, up from 116 in 2008. Union has one program for the distribution contract market, the Distribution Contract Custom Program, which is composed of several measures relating to process improvement technologies, steam system equipment and improvements, heat recovery systems, space heating and water heating technologies and application specific controls improvements. The incentive levels for the Distribution Contract Custom Program in 2009 did not change from the 2008 incentive levels.

UNION GAS LIMITED

Undertaking of Union Gas
To Mr. I. Mondrow (IGUA)

To provide comparison of allocation of late payment revenues between rate classes between 2004 and 2007.

Attachment 1 shows the comparison of the allocation to rate classes of the Late Payment Penalty Litigation deferral account (179-113) using the allocator based on the 2004 weighted average number of customers and the allocator based on the 2007 average number of customers. In the corresponding cost allocation studies, RP-2003-0063 and EB-2005-0520, the allocators were used to allocate Delayed Payment Revenue. Please refer to attachment 2 for the rationale for the change from an allocator based on the weighted average number of customers to an allocator based on the average number of customers.

			Northern and Eastern Operations Area						Southern Operations Area													
Line No.	Particulars	Acct No.	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)	Total ($000's)
		(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)	(l)	(m)	(n)	(o)	(p)	(q)	(r)	(s)	(t)	(u)
1	2004 Allocator - AVECUSTWTD		22.4%	1.1%	0.1%	0.0%	0.0%	0.0%	75.8%	0.5%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	100.0%
2	Allocation of Late Payment Penalty Litigation	179-113	1,264	60	3	0	1	3	4,285	31	2	1	0	0	0	1	0	-	-	-	-	5,651
3	2007 Allocator - AVECUST		23.0%	0.2%	0.0%	0.0%	0.0%	0.0%	76.2%	0.5%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	100.0%
4	Allocation of 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
5	Difference in Allocation		35	(47)	(3)	-	(1)	(2)	21	0	(1)	(1)	-	-	-	-	-	-	-	-	-	-

c) Weighted Average Number of Customers

In the South delayed payment charges and NSF cheque revenue has historically been allocated to rate classes in proportion to the weighted average number of customers in each rate class. In the RP-2003-0063 Decision with Reasons, dated March 2004, the Board stated that it:

> *"approves Union's allocation of these items according to its current methodology but requires Union, at the time of its next rates application, to present a detailed description and rationale for the weighting methodology used."[pg 141]*

As identified during the RP-2003-0063 proceeding, the weightings were developed many years ago. Union cannot locate the analysis used to develop the weightings.

Union queried a number of other North American utilities to determine whether they assigned a weighting to number of customers when they allocated delayed payment charges, NSF cheque revenue, and customer-related costs in their cost allocation studies. The majority of respondents indicated that they used average meter counts, customer bills or average number of customers without any form of weighting. All of the methods identified relate in some way to number of customers. Based on the above noted analysis, Union proposes to eliminate the weighting of number of customers in the allocation factor used to allocate delayed payment charges and NSF cheque revenue. In addition Union proposes to eliminate the weighting of number of customers in the allocation factors used to allocate sales promotion and merchandise costs, distribution customer accounting costs, and rate base related to communication equipment.

2. ALLOCATION OF M13 PRODUCER STATION COSTS

M13 service involves the transportation of locally produced natural gas to Dawn.

In Union's Board approved cost allocation study, the plant and O&M costs associated with local producer stations are directly assigned to the M13 rate class. Union is proposing to continue this direct assignment but to change how the value of the direct assignment is determined.

Currently the cost of six specific stations is directly assigned to the M13 rate class. Three of the six stations in the sample are no longer producing natural gas. For 2007, M13 transportation service could potentially be provided to any of approximately 90 local producer stations.

Union is proposing to estimate the cost of all 90 local producer stations and then determine an average local producer station cost. Further, Union is proposing to determine the local producer station costs directly assigned to the M13 rate class by multiplying the average local producer station cost by the projected number of stations

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Exhibit JT1.4

UNION GAS LIMITED

Undertaking of Union Gas
To Mr. A. Ryder (Kitchener)

Please identify changes in facts the Board took into account when applying the no-harm test.

There are no changes to the facts the Board took into account when applying the no-harm test in EB-2008-0411.

UNION GAS LIMITED

Undertaking of Union Gas
To Mr. D. Quinn (FRPO)

Please explain effect on deliverability associated with T1 rate class subsequent to the Board's finding on allocation of storage and deliverability to T1 customers.

In the EB-2005-0520 Board-approved cost allocation study, storage deliverability costs were allocated to the T1 rate class based on forecasted contract demands for deliverability of 6,417 10^3 m^3.

In the Board's Natural Gas Storage Allocation Policies proceeding (EB-2007-0725) dated April 29, 2008, the Board ordered that T1 customers were entitled to deliverability at cost-based rates at the greater of CD-DCQ or DCQ or as a multiple of 15 times the customer's DCQ. T1 customers who were under these thresholds were entitled to contract for their maximum deliverability immediately, while customers who exceeded the threshold were allowed to maintain their contracted levels until November 1, 2011.

In 2009, T1 customers contracted for 8,139 10^3 m^3 of cost-based deliverability.

Union's rates are calculated using base rates set in EB-2005-0520 with a price cap formula, approved in EB-2007-0606, to calculate the changes to rates for years 2008 to 2012. To the extent that customer demands have changed or customer counts have changed between rate classes, the underlying costs within each rate class do not change under incentive regulation.

UNION GAS LIMITED

Undertaking of Union Gas
To Mr. D. Quinn (FRPO)

Please provide department-by-department allocation of costs.

The following table shows the breakdown of the unregulated storage allocation by department of the $18.5 million of costs grouped as Business Development.

2009 Actual Business Development Costs
($ millions)

Business Development & Executive	**Total**	**Unregulated**
Executive	4.4	0.1
Dow Moore	1.3	0.5
Billing & Customer Support	3.1	0.1
Business Development & ex-franchise transportation sales	1.5	0.3
Gas Management Services	1.7	0.1
Product Development	0.9	0.0
Gas Supply & Transportation Planning & Acquisitions	1.3	0.0
Capacity Management	2.7	0.5
Gas Control	1.5	0.2
Total	18.5	1.8

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Exhibit JT1.7

UNION GAS LIMITED

Undertaking of Union Gas
To Mr. D. Quinn (FRPO)

Please provide reference in storage allocation proceeding to standard storage offering as being appropriate level of assets.

During the NGEIR Proceeding all parties accepted without dispute that standard deliverability service is 1.2% (Union Settlement Agreement, EB-2005-0551, at p. 14-15). In NGEIR the Board accepted that high deliverability service for new large T1 and U7 customers (e.g. Firm CD>1.2 x 10^6 m^3) with non-obligated supply was any deliverability above 1.2%, and the Board decided that such high deliverability services are to be priced at market (NGEIR Decision, at p. 66-67 and 70).

During NGEIR, the Board also accepted that 1.2% deliverability was to be the standard amount of deliverability available at cost based rates for T1 customers using the aggregate excess method (NGEIR Decision, at p. 66-67 and 70).

In December 1999 Union filed an application (RP-1999-0017) which, among other things sought Board approval of proposed unbundled storage service offerings (U2, U5, U7, and U9) and the associated rates. The Board ultimately approved an ADR Settlement Agreement which established Union's standard storage service for unbundled customers as having a deliverability equal to 1.2% of space (see pages 20 - 25 of the ADR Settlement Agreement, Attachment 1).

UNION GAS LIMITED

Undertaking of Union Gas
To Mr. D. Quinn (FRPO)

Please break down the individual components of system integrity space, and how that finds its way not arriving as an allocation to ex-franchise services, to reconcile how those allocators would determine 3 percent.

The allocation of the space components of system integrity are shown in the table below. The corresponding cost allocation in the Board-approved 2007 cost study is $0.347 million to ex-franchise storage of a total $11.505 million in costs (approximately 3.0%). The complete details regarding the cost allocation can be found at EB-2005-0520, Exhibit G3, Tab 5, Schedule 10, updated for Board findings and EB-2005-0520, Exhibit G3, Tab 5, Schedule 24, page 16.

Allocation of System Integrity Space in the Board-approved 2007 Cost Study (PJs)

Line No	Type of System Integrity	Total Company	Ex-franchise Storage	Notes
1	Weather variations	3.5	-	(1)
2	Supply Backstopping	1.8	-	(2)
3	Operational Integrity	4.4	0.4	(3)
4	Total	9.7	0.4	

Notes:
(1) Ex-franchise storage customers do not use this type of system integrity.
(2) Ex-franchise storage customers do not use this type of system integrity.
(3) 0.5 PJs of Hysteresis space is allocated based on storage space (43% to ex-franchise storage).
1.8 PJs of UFG space is allocated based on transportation and storage activity (9.4% to ex-franchise storage).
1.7 PJs of Linepack space is allocated based on design day demands (0% to ex-franchise storage).
0.3 PJs of OBA space is allocated based on delivery and storage volumes (11% to ex-franchise storage).

UNION GAS LIMITED

Undertaking of Union Gas
To Mr. I. Mondrow (IGUA)

With reference to Exhibit A, Tab 2, Appendix B, Schedule 1, Footnote 'ii', please detail the components of the accounting adjustment of $332,000.

The $0.332 million accounting adjustment at Exhibit A Tab 2 Appendix B Schedule 1 footnote ii) is the reversal of a provision for 2009 earnings sharing of $1.975 million reduced by the 2008 SSM true up of $1.643 million.

UNION GAS LIMITED

Undertaking of Union Gas
To Mr. J. Gruenbauer (Kitchener)

Please produce 2009 to 2013 gas supply plan reference in B4.02 (a).

2009 - 2013 Gas Supply Plan - Bundled Customers*

Description	2009 Gas Year	2010 Gas Year	2011 Gas Year	2012 Gas Year
Demand (PJ's) (Bundled Customers, Company Use)	262.2	252.9	249.6	248.6
Supplies (Gj/day)				
TCPL South	71,039	71,297	71,407	71,575
TCPL North	152,902	149,862	147,795	147,430
Panhandle Field Zone	26,376	26,376	0	0
Trunkline	15,823	13,990	15,319	18,084
Alliance Vector	94,910	94,909	94,924	95,181
Vector	66,435	65,882	67,728	68,313
Ontario DP Supply	240,529	219,580	213,225	212,254
Customer Supplied Fuel/Local Production	28,261	29,337	33,380	33,553
Ontario System Supply	21,513	20,328	40,132	34,822
Total (Gj/day)	717,786	691,562	683,909	681,212
Supplies (PJ's)	262.0	252.4	249.6	248.6
Unabsorbed Demand Charge (PJ's)				
South Operations Area	1.9	3.1	2.1	1.1
North Operations Area	6.1	7.2	7.9	8.2
Unabsorbed Demand Charge (%)				
South Operations Area	24%	30%	21%	12%
North Operations Area	76%	70%	79%	88%

*Information is subject to change

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Exhibit JT1.11

UNION GAS LIMITED

Undertaking of Union Gas
To Board Staff

Please provide a table that excludes capital expenditures, but includes any other expenditures, like depreciation.

Union has proposed recovery of $1.412 million of the capital costs related to upgrading Union's accounting system in order to report results under IFRS.

Removing the capital costs from the deferral account as proposed and replacing them with the annual revenue requirement related to the capital cost will increase the amount to be recovered over time to $1.747 million as illustrated in the table below. The increase in costs to be recovered relates to the interest, return and income taxes.

Impact of the Removal of Capital Costs

	2008	2009	2010	2011	2012	2013	2014	Total
Proposed by Union	1.918	2.071						3.989
Less capital expenditures	0.953	0.459						1.412
O&M	0.965	1.612						2.577
Revenue requirement	-	-	0.124	0.335	0.538	0.505	0.244	1.747
	0.965	1.612	0.124	0.335	0.538	0.505	0.244	4.324

UNION GAS LIMITED

Undertaking of Union Gas
To Board Staff

Please provide the time spent by Union Gas employees on the St. Clair and DGLP's application, and fully allocated costs, per hour, broken down by type of staff, management and support staff.

During 2009 Union employees in Business Development, Regulatory, Engineering, Finance, Tax, Legal and Audit estimated working 13,547 hours related to the Dawn Gateway project including the regulatory applications. The costing for that time is shown below and has been included in the costs for the unregulated storage operations.

Breakdown of Estimated Hours and Associated Costs

	Hours	Average Rate	Unregulated Allocation ($ 000's)
Management	12,162	60.44	735.1
Support Staff	1,385	38.50	53.3
Total			788.4
Benefits at 48%			378.4
Fully loaded costs			1,166.82