



uniongas

A Spectra Energy Company

January 29, 2008

Ontario Energy Board
2300 Yonge Street, 27th Floor
Toronto, ON M4P 1E4

Attention: Ms. Kirsten Walli, Board Secretary

**Re: Multi-Year Incentive Rate Regulation for Natural Gas Utilities
EB-2007-0606**

Dear Ms. Walli:

Enclosed, please find updated responses to Exhibit C20.4 and C20.5. This information is being provided in response to letters filed by Pollution Probe and Green Energy Coalition on January 22, 2008.

Yours truly,

[original signed by]

Connie Burns, CMA, PMP
Manager, Regulatory Initiatives

Enclosure

cc: EB-2007-0606 Intervenors of Record
Michael Penny, Torys

UNION GAS LIMITEDAnswer to Supplemental Interrogatory from
Pollution Probe*Reference: Union Exhibit B, Tab 1, p. 37-39***Issue Number: 5****Issue: Y Factors (re: System Expansion)***Please provide a break-out of the revenue deficiencies associated with 2006's new customer additions for both:**a) 2006; and**b) 2007.**In particular, please provide a break-out of the revenue deficiencies according to the following categories:**a) incremental revenues;**b) incremental operating costs;**c) incremental required return on capital; and**d) marginal corporate income tax rate.*

Response:

The following table outlines the revenue sufficiency/(deficiency) associated with 2006 customer attachments, in each of the first 5 years.

(\$ millions)	Total Company				
	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Net Margin	4.6	9.1	9.1	9.1	9.1
Total Operating Expenses	3.1	3.9	3.9	3.9	3.9
Utility Return Required	4.0	3.9	3.8	3.6	3.5
Taxes	1.2	0.7	0.7	0.7	0.7
	8.3	8.5	8.4	8.2	8.1
Revenue Sufficiency/(Deficiency)	(3.7)	0.6	0.8	0.9	1.0
Customer Attachments	26,346	26,346	26,346	26,346	26,346
Revenue Sufficiency/(Deficiency) per Customer Attachment (\$/customer)	(141)	25	29	34	38

Question: December 21, 2007

Answer: January 29, 2008

Docket: EB-2007-0606

As it did during its trial PBR term, Union will continue to ensure that the system expansion guidelines in E.B.O. 188 are met during the term of the incentive regulation plan.

Union does not feel it will have any different incentive to attach customers under incentive regulation than it did under cost of service.

If one assumes every year of the 5 year term of incentive regulation has the same revenue sufficiency/(deficiency) impact as the 2006 customer additions, the resulting cumulative impacts would be as follows:

Forecast Deficiencies by Year

(\$ millions)	Total Company				
	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
From 2008 New Customers adds	(3.7)	0.6	0.8	0.9	1.0
From 2009 New Customers adds		(3.7)	0.6	0.8	0.9
From 2010 New Customers adds			(3.7)	0.6	0.8
From 2011 New Customers adds				(3.7)	0.6
From 2012 New Customers adds					(3.7)
	(3.7)	(3.1)	(2.3)	(1.4)	(0.4)
Cumulative Customer Attachments	26,346	52,692	79,038	105,384	131,730
Cumulative Sufficiency/(Deficiency) per Customer Attachment (\$/customer)	(140.9)	(58.2)	(29.1)	(13.4)	(3.1)

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Answer: January 29, 2008

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UNION GAS LIMITED

Answer to Supplemental Interrogatory from
Pollution Probe

Reference: Union Exhibit B, Tab 1, p. 37-39

Issue Number: 5

Issue: Y Factors (re: System Expansion)

Assuming Board approval of the EB-2007-0606 Settlement Agreement, please provide a break-out of the forecasted revenue deficiencies associated with your forecasted 2008 new customer additions for:

- a) 2008;*
- b) 2009;*
- c) 2010;*
- d) 2011; and*
- e) 2012.*

In particular, please provide a break-out of the revenue deficiencies according to the following categories:

- a) incremental revenues;*
- b) incremental operating costs;*
- c) incremental required return on capital; and*
- d) marginal corporate income tax rate.*

Response:

The following table outlines the forecast revenue sufficiency/(deficiency) associated with forecast 2008 customer attachments, in each of the first 5 years.

(\$ millions)	Total Company				
	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Net Margin	4.2	8.4	8.4	8.4	8.4
Total Operating Expenses	2.7	3.5	3.5	3.4	3.4
Utility Return Required	2.9	2.9	2.8	2.7	2.6
Taxes	1.0	0.5	0.6	0.6	0.6
	6.7	6.9	6.8	6.7	6.6
Revenue Sufficiency/(Deficiency)	(2.5)	1.5	1.6	1.7	1.8
Customer Attachments	22,479	22,479	22,479	22,479	22,479
Revenue Sufficiency/(Deficiency) per Customer Attachment (\$/customer)	(110)	69	72	76	80

As it did during its trial PBR term, Union will continue to ensure that the system expansion guidelines in E.B.O. 188 are met during the term of the incentive regulation plan.

Union does not feel it will have any different incentive to attach customers under incentive regulation than it did under cost of service.

If one assumes every year of the 5 year term of incentive regulation has the same revenue sufficiency/(deficiency) impact as the 2008 forecast customer additions, the resulting cumulative impacts would be as follows:

Forecast Deficiencies by Year

(\$ millions)	Total Company				
	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
From 2008 New Customers adds	(2.5)	1.5	1.6	1.7	1.8
From 2009 New Customers adds		(2.5)	1.5	1.6	1.7
From 2010 New Customers adds			(2.5)	1.5	1.6
From 2011 New Customers adds				(2.5)	1.5
From 2012 New Customers adds					(2.5)
	(2.5)	(0.9)	0.7	2.4	4.2
Cumulative Customer Attachments	22,479	44,958	67,437	89,916	112,395
Cumulative Sufficiency/(Deficiency) per Customer Attachment (\$/customer)	(110)	(21)	10	27	37

Question: December 21, 2007

Answer: January 29, 2008

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